

ميزانية

2023

المملكة العربية السعودية  
Saudi Arabia-Budget

# Budget Statement

Fiscal Year 2023

وزارة المالية  
Ministry of Finance



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## List of Abbreviations

Bn	Billion
CAPEX	Capital Expenditures
CPI	Consumer Price Index
ECA	Export Credit Agency
EGDI	E-Government Development Index
EXPRO	Expenditure and Project Efficiency Authority
EXIM	Saudi Export-Import Bank
FDI	Foreign Direct Investment
FSDP	Financial Sector Development Program
FY	Fiscal Year
GASTAT	General Authority for Statistics
GDP	Gross Domestic Product
GTMI	GovTech Maturity Index
HCDP	Human Capability Development Program
IMF	International Monetary Fund
MoF	Ministry of Finance
NDF	National Development Fund
NDMC	National Debt Management Center
NIDL	National Industrial Development and Logistics Program
NIS	National Investment Strategy
NTP	National Transformation Program

OECD	Organization for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
OPEC+	A group of OPEC and non-OPEC oil-producing states
OPEX	Operational Expenditures
PIF	Public Investment Fund
PMI	Purchasing Managers Index
SAMA	Saudi Central Bank
SAR	Saudi Riyal
SDAIA	Saudi Data and Artificial Intelligence Authority
Shareek	Private Sector Partnership Reinforcement Program
SAIBOR	Saudi Arabian Interbank Offered Rates
SMEs	Small and Medium Enterprises
TASI	Tadawul All Share Index
Tn	Trillion
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States Dollar
VAT	Value Added Tax
WEO	World Economic Outlook
WPI	Wholesale Prices Index

## ■ Introduction

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The Ministry of Finance (MoF) is pleased to issue the Budget Statement for FY 2023, which highlights the details of the approved budget in terms of revenue; expenditure by economic classification, sectors, and most important projects and programs; and the level of deficit/surplus, debt, and reserves. The Budget Statement also highlights the most prominent fiscal and economic developments for FY 2022, as well as the fiscal framework and economic outlook for the medium-term; the most important fiscal and economic enablers; in addition to the most significant challenges facing the economy during the coming fiscal year and in the medium-term.

The Budget Statement represents a continuation of the MoF's efforts, in accordance with the royal guidance, to enhance the level of fiscal disclosure and transparency, which is one of the pillars of the process in developing the preparation and execution of the budget and raising the efficiency of managing public finances. The budget classification used in this document follows, on a cash basis, the International Monetary Fund (IMF) Government Finance Statistics Manual (GFSM2014), which is a global standard classification.

## **Executive Summary** of the Fiscal and Economic Framework

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The Kingdom aims to progress at a more advanced pace in the process of implementing the comprehensive structural reforms through executing strategies, programs, and projects that drive sustainable economic growth and raise the quality of life in the Kingdom in accordance with the Kingdom's Vision 2030. These reforms aim to achieve high growth rates; provide greater employment opportunities; raise the level of essential and social services to citizens, residents, and visitors; enhance the role of the private sector; develop local content and local industry; improve the balance of payment; and at the same time enhance the Kingdom's strong fiscal position.

The Saudi economy has achieved tangible positive improvements on the economic and fiscal fronts during FY 2022, exceeding previous domestic and international expectations for the performance of the Kingdom's economy. Despite what the global economy is witnessing—the slowdown in growth rates, high inflation rates, uncertainty caused by geopolitical tensions, the persistence of supply chain challenges, and tightening of monetary policy by central banks—the policies implemented by the government proactively contributed to limiting the impact of these challenges on the Kingdom's economy.

The positive economic performance and the impact of fiscal reforms that were implemented since the launch of the Vision 2030 are reflected in the financial indicators. Those reforms allowed additional fiscal space that enabled the acceleration of expenditure on the programs, projects, and strategies related to the Kingdom's Vision 2030. These programs, projects and strategies, in turn, will increase and accelerate the achievement of economic returns and social gains that will have a positive impact on public finances

in the medium- and long-term, while maintaining a balance between fiscal sustainability and accelerating the achievement of the Kingdom's Vision 2030 economic and social goals.

The FY 2023 Budget supports the continuation of fiscal sustainability and the completion of the process of economic and structural reforms aimed at strengthening the Kingdom's fiscal position, in addition to enhancing the economy's flexibility and its ability to keep pace with the accelerating global changes. The government also seeks to continue implementing programs, projects, and strategies that support growth, expand the economic base, and achieve comprehensive development at an accelerated pace.

The Kingdom's economy is witnessing an increase in the role of the economic enablers that support the growth of the private sector in the medium- and long-term. The most prominent of these enablers is the effective development contribution by the Public Investment Fund (PIF) and the National Development Fund (NDF), due to their complementary role to the budget's expenditure items within a coherent and integrated framework.

Depending on the developments in economic activities, the National Industrial Development and Logistics Program (NIDL) and the National Strategy for Industry are expected to contribute to achieving higher added value in the economy, in addition to the important role of the National Investment Strategy (NIS) in improving and developing the investment environment and attracting investments to the Kingdom. These programs aim to enhance the performance of the private sector in addition to stimulating economic growth, which will reflect positively on fiscal performance.

The government is also continuing its efforts to implement the Giga projects and the previously announced initiatives such as the National Transformation Program (NTP), the National Industry Development and Logistics Program, the Quality-of-Life Program, the Pilgrim Experience Program, and the Saudi

Green Initiative and other programs. These projects and programs will achieve positive structural changes that will expand the economic base and reflect on the protection of the environment and climate, advancements in the quality of life for citizens and residents, and improvements in the services provided to them.

Real GDP data, from the beginning of FY 2022 until the end of Q3, grew by 10.2%<sup>1</sup>, as oil activities witnessed a growth rate of 19.0% as a result of the increase in oil production until Q3 of the current year, due to the commitment to the OPEC+ Agreement; non-oil activities also showed a growth rate of 5.8% compared to the same period of the previous year, due to the government's continued efforts aimed at raising the efficiency of the domestic economy and diversifying its production base by activating the role of the private sector and enabling it to achieve sustainable growth in the domestic economy. Preliminary estimates for FY 2022 indicate the improvement in real GDP growth compared to previous estimates, with the expectation of a real GDP growth of 8.5%, driven by the growth in the GDP of oil activities, and the growth in the GDP of non-oil activities, which is expected to increase by 5.9% in light of the marked positive performance in the current year. The average inflation rate is expected to reach 2.6% by the end of FY 2022 under the exceptional global circumstances.

Moreover, Preliminary estimates for FY 2023 indicate a growth in real GDP of 3.1%, supported by an increase in non-oil activities, as it is projected that private investment and consumption will lead this growth. This reflects the efforts and initiatives enabling the private sector to be the main driver of economic growth, while continuing the work to improve and develop the regulatory and investment environment with the aim of attracting more private sector investment, in conjunction with the government's continued implementation of the programs and projects of the Kingdom's Vision 2030.

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<sup>1</sup> H1 data are actual, whereas Q3 data is based on the General Authority for Statistics (GASTAT) flash estimates.



As for the developments in fiscal performance in FY 2022, it is expected that total revenues will reach around SAR 1,234 bn, an increase of 27.8% compared to FY 2021 and an increase of 18.0% compared to the budget estimates. This is due to the continued gradual recovery in economic activity and the efforts and initiatives to develop tax administration and improve collection procedures, in addition to developments in petroleum markets, where the average price of Brent crude futures contracts reached around \$101.7 per barrel until October of FY 2022, compared to around \$69.5 per barrel during the same period last year.

It is also expected that total revenues in FY 2023 will reach around SAR 1,130 bn, increasing to SAR 1,205 bn in FY 2025. These expectations are conservative, in line with the approach adopted by the government in building estimates of oil and non-oil revenues in the budget, being cautious of any developments that may occur in the domestic and global economy.

In light of global and domestic developments, three revenue scenarios have been prepared for FY 2023. First, the Baseline Scenario, which is the scenario that is used in the revenue estimates in the budget, where revenue reaches around SAR 1,130 bn taking into account domestic and global developments. Second, a scenario that projects revenues at levels lower than the Baseline Scenario, which are estimated at around SAR 1,029 bn. Third, a scenario that projects the achievement of revenues at levels higher than the Baseline Scenario, which are estimated at around SAR 1,292 bn. The financial planning is ready to deal with any of these scenarios, especially with the high degree of flexibility in public expenditure.

It is estimated that the total expenditures for FY 2022 will reach around SAR 1,132 bn, an increase of 9.0% over the actual expenditure of FY 2021, and of 18.5% over the approved budget. This rise is due to the Kingdom's containment of the economic challenges the world has

witnessed by controlling inflation levels and compensating for the delay in implementation of some of the strategic and capital projects that were affected by the COVID-19 Pandemic, in addition to accelerating the implementation of the Kingdom's Vision 2030 programs and Giga projects with high economic and social return.

The government intends, during the next year and over the medium-term, to continue its efforts to raise spending efficiency, maintain fiscal discipline and continue the implementation of the strategies that support sustainable economic growth. This will aid its efforts to achieve comprehensive development at the regional and sectoral levels in the Kingdom, and supporting promising sectors that contribute to achieving economic and social returns in the medium- and long-term. The government will seek to enhance the localization of military industries as the Kingdom continues to implement the programs and initiatives of the support and social protection system. Thus, it is estimated that the total expenditures will reach around SAR 1,114 bn for FY 2023 and rise to around SAR 1,134 bn in FY 2025.

Despite the global economic developments, inflationary pressures, and geopolitical tensions, the government has succeeded in continuing the path of economic and fiscal reforms. It is estimated that the budget will achieve a surplus of around 0.4% of GDP in FY 2023, with the expectation that budget surpluses will continue to be achieved in the medium-term, in line with the objectives of fiscal planning and the indicators of fiscal sustainability. It should be noted that the surpluses in the budget will be directed towards enhancing government reserves, supporting national funds, possibly accelerating the implementation of some strategic programs and projects with an economic and social dimension, and repaying part of the public debt principal according to market conditions.

It is expected that the domestic and foreign borrowing activities will continue with the aim of repaying the debt principal maturing in FY 2023 and in the medium-term, to seize the available opportunities, based on market conditions, to proactively implement additional funding activities to manage the debt repayments for the coming years, and to finance some strategic projects, in addition to taking advantage of market opportunities to implement government alternative financing transactions with the aim of financing the transformational expenditure for capital and infrastructure projects. Thus, the public debt is expected to reach around SAR 951 bn, or 24.6% of GDP in FY 2023, with expectations that it will continue at these levels in the medium-term.

The FY 2023 Budget also aims to preserve safe levels of government reserves to enhance the Kingdom's ability to address external shocks, as the fiscal policy aims to enhance government reserves at the Saudi Central Bank (SAMA) with a portion of the surpluses that are expected to be achieved, increasing the reserves to around SAR 399 bn by the end of FY 2023.

### Medium-Term Fiscal Projections

(SAR bn, unless otherwise stated)

	Actual	Budget	Estimates	Budget	Projections	
	2021	2022	2022	2023	2024	2025
<b>Total Revenues</b>	965	1,045	1,234	1,130	1,146	1,205
<b>Total Expenditures</b>	1,039	955	1,132	1,114	1,125	1,134
<b>Budget Surplus\Deficit</b>	-73	90	102	16	21	71
As percent to GDP	-2.3%	2.5%	2.6%	0.4%	0.5%	1.7%
<b>Debt</b>	938	938	985	951	959	962
As percent to GDP	30.0%	25.9%	24.9%	24.6%	24.2%	22.6%

Figures are rounded up to the nearest decimal point

Source: MoF

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## Economic Developments and Outlook FY 2023 and the Medium-Term

## **First: Economic Developments and Outlook for FY 2023 and the Medium-Term**

### **A. Global Economic Developments**

#### **The Growth of the Global Economy**

The global economy faced many challenges during the current year FY 2022 after an initial recovery in FY 2021, as global economic growth entered a state of uncertainty amid increasing risks, including: the geopolitical challenges that led to a slowdown in economic activity in advanced, emerging, and developing countries, at the forefront of which are the United States and China; the rise in inflation rates, especially food and energy prices, to levels not seen since the 1970s in many countries; and the accompanying tightening of monetary policy by central banks, as these factors caused many international organizations and institutions to reduce expectations of global economic growth for the current and upcoming years.

The IMF forecasts in its World Economic Outlook (WEO) Report for October of FY 2022 indicate a slowdown in global economic growth from 6.0% in FY 2021 to 3.2% in FY 2022 and 2.7% in FY 2023. The slowdown in the growth of the economies of advanced countries is expected to intensify in general, to reach around 2.4% for FY 2022, and around 1.1% for FY 2023. This largely reflects policymakers' continuous efforts to reduce the expansion in the fiscal and monetary policy that prevailed during the pandemic period, as well as their aim of confronting inflation.

On the other hand, the IMF's expectations indicate a rise in the global inflation rate to reach 8.8% in FY 2022, and 6.5% in FY 2023. It is also expected that the inflation rate in the economies of advanced countries for FY 2022 will

be about 7.2%, while reaching 9.9% in the economies of emerging markets and developing economies. Moreover, the inflation rate in the economies of advanced countries is expected to reach around 4.4% in FY 2023, and 8.1% in the economies of emerging markets and developing economies.

The World Bank also expected a slowdown in global growth to 2.9% in FY 2022 and 3.0% in FY 2023, and likewise the Organization for Economic Co-operation and Development (OECD) expects a slowdown, with global growth at 3.0% in FY 2022 and 2.2% in FY 2023. These lower projections are due to the ongoing economic challenges facing the world as inflation persists for a period longer than expected.

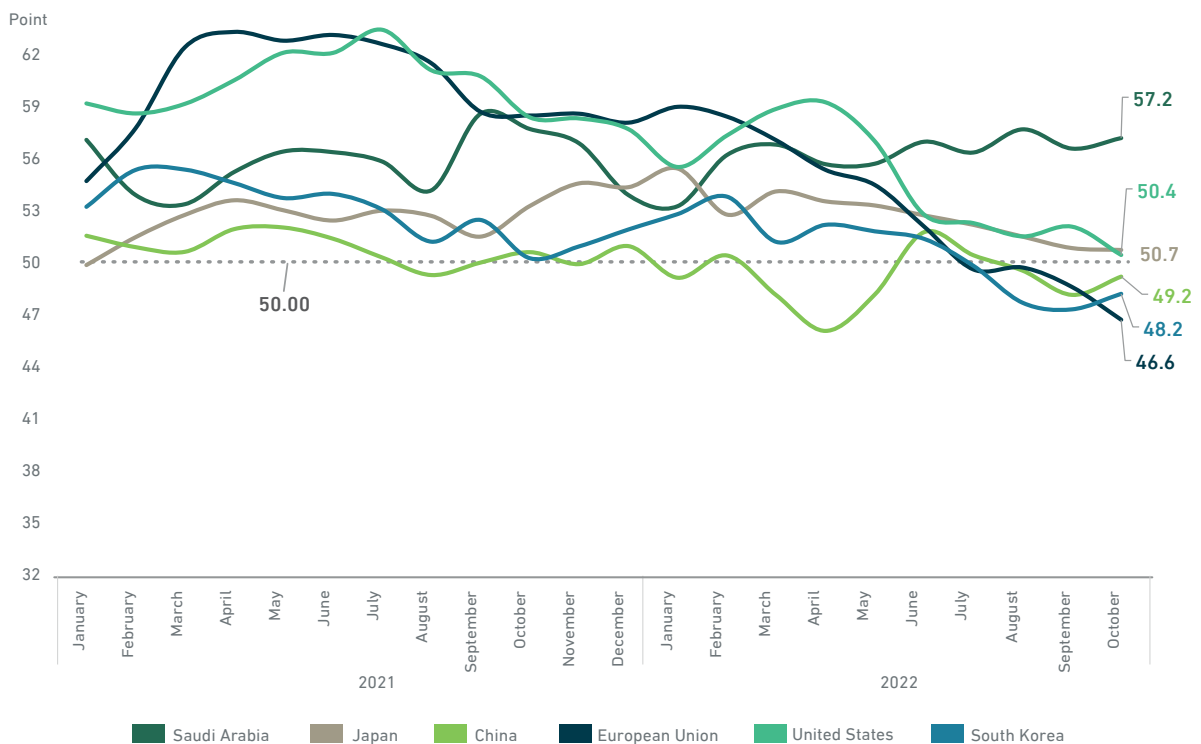
### Global Economic Growth and Inflation Outlook

Growth rates	2020 Actual	2021 Actual	2022 Estimates	2023 Estimates
<b>Global Economy</b>	<b>-3.0%</b>	<b>6.0%</b>	<b>3.2%</b>	<b>2.7%</b>
Advanced Economies	-4.4%	5.2%	2.4%	1.1%
Emerging Market & Developing Economies	-1.9%	6.6%	3.7%	3.7%
USA	-3.4%	5.7%	1.6%	1.0%
China	2.2%	8.1%	3.2%	4.4%
Japan	-4.6%	1.7%	1.7%	1.6%
India	-6.6%	8.7%	6.8%	6.1%
Euro Area	-6.1%	5.2%	3.1%	0.5%
<b>Saudi Arabia</b>	<b>-4.1%</b>	<b>3.2%</b>	<b>7.6%</b>	<b>3.7%</b>
<b>Inflation</b>				
<b>Global Inflation</b>	<b>3.2%</b>	<b>4.7%</b>	<b>8.8%</b>	<b>6.5%</b>
Inflation in Advanced Economies	0.7%	3.1%	7.2%	4.4%
Inflation in Emerging Market & Developing Economies	5.1%	5.9%	9.9%	8.1%

Source: IMF - WEO, October 2022

## The Purchasing Managers' Index (PMI) Globally

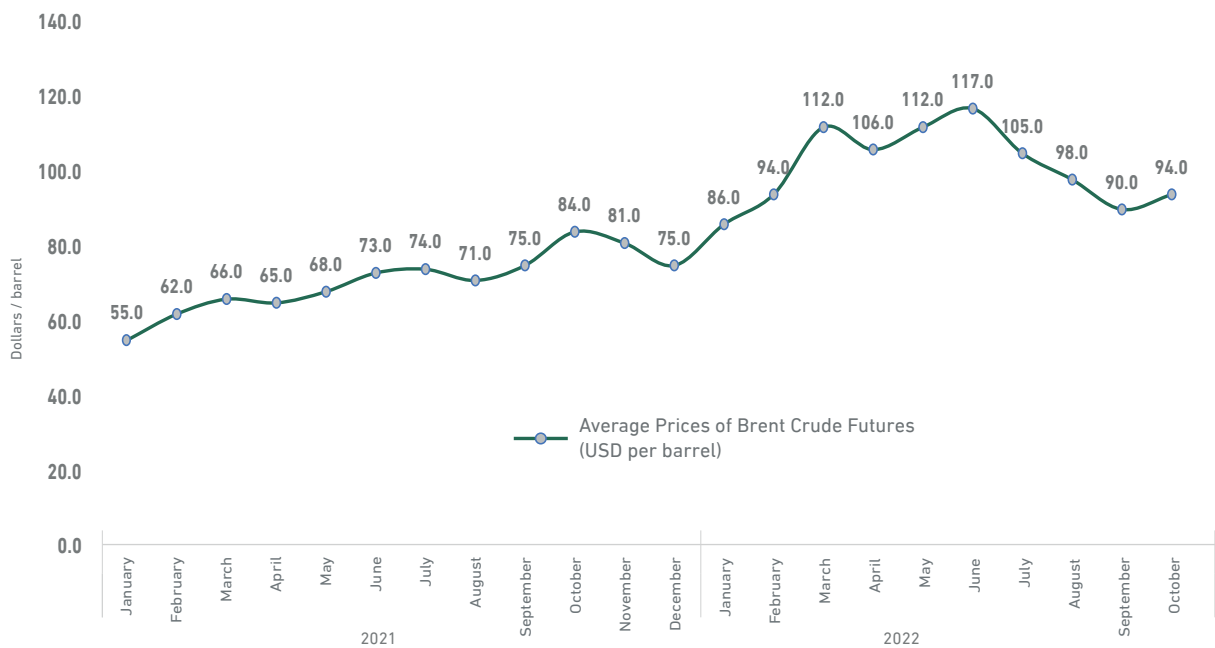
The PMI provides an overview of the condition of the economy in the non-oil private sector globally, and is one of the key international indicators. The index recorded a slowdown and fluctuation in global economic activity and industrial production in some countries after an initial improvement that occurred at the beginning of the year, attributed to a recovery from impacts of the COVID-19 pandemic. The index began to decline in China since February of FY 2022, due to COVID-related lockdowns there, while also registering declines in South Korea and the Eurozone from the beginning of the year through October. Subsequently, the index entered into a downturn, reflecting overall performance of manufacturing industries.



Source: IHS Markit

## Petroleum Markets

With regard to petroleum markets, the average price of Brent crude futures contracts increased from the beginning of FY 2022 until the end of October of the same year by 46%, rising to about \$101.7 per barrel, compared to \$69.5 per barrel during the same period of the previous year. The prices of Brent crude futures contracts during FY 2022 have also recorded their highest levels since July of FY 2008, bringing the closing price to \$127.98 per barrel on March 8, 2022. Despite the uncertainty that global markets experienced during the year in light of geopolitical events, economic concerns, and the tightening of monetary policies to curb inflation around the world, the petroleum market was characterized by stability compared to other energy markets such as natural gas, coal, and electricity, as the OPEC+ Agreement contributed to supporting the stability of the petroleum market in particular and balancing supply with the gradual recovery in global demand for petroleum after the Coronavirus pandemic receded.

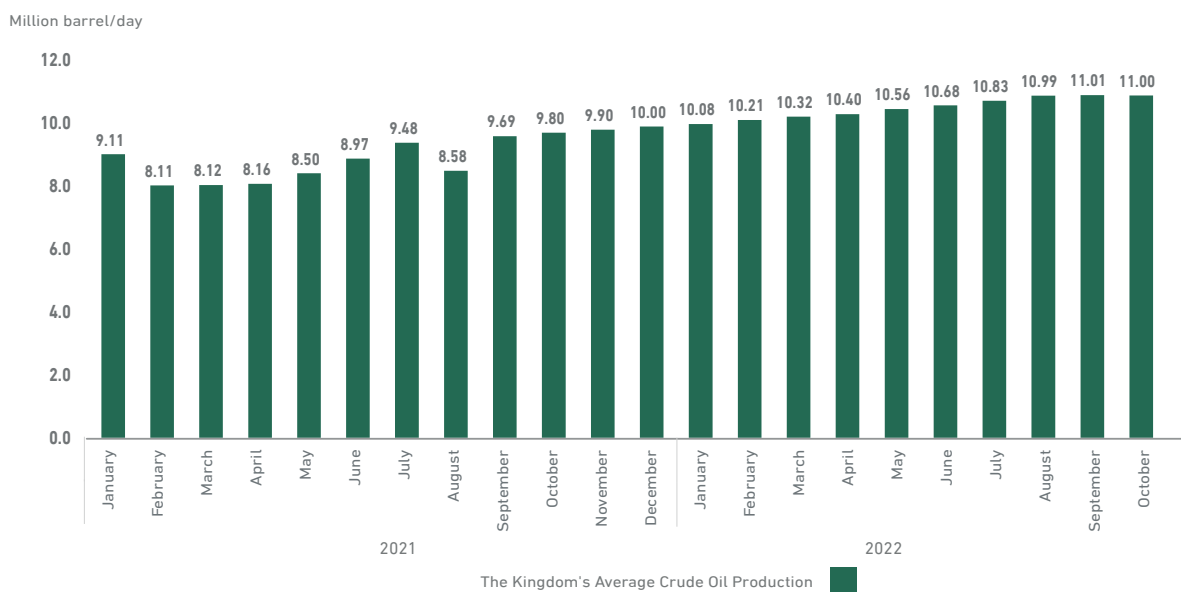


Source: Reuters



As for supplies, the Kingdom's average supplies increased from the beginning of FY 2022 until the end of October by 18% to reach about 10.61 million barrels per day, with a change of 1.66 million barrels per day compared to the same period in the previous year. This increase is due to the OPEC+ Agreement to support the stability of markets and the efficiency of their performance for the benefit of producers and consumers.

According to the monthly report on petroleum markets that is issued by OPEC in October of FY 2022, global petroleum demand for FY 2022 is expected to increase about 2.64 million barrels per day compared to the previous year, to reach 99.67 million barrels per day. It is expected that the global demand for oil for FY 2023 will grow by about 2.34 million barrels per day, to reach 102.02 million barrels per day. It is worth noting that the share of countries that are not members of the Organization for Economic Co-operation and Development (Non-OECD) constitutes the highest share of growth for FY 2023, which is around 1.95 million barrels per day. The report attributes this increase to the economic recovery in those countries and the high demand for fuel in the transportation, industrial, and petrochemicals sectors.



Source: JODI

## B. Domestic Economic Developments

### The Real Sector

Today, the world is living in a state of uncertainty due to a series of crises and challenges it is going through, starting with the COVID-19 pandemic and the economic downturns it caused as a result of the lockdowns, in addition to the geopolitical challenges and the subsequent disruptions in supply chains, the increase in global inflation rates and tightening monetary policies. Despite this, the Kingdom's economy is witnessing rapid leaps, starting from the previous year and continuing in the current year (FY 2022), surpassing many economies of advanced, emerging, and developing countries. The government has focused on mitigating the domestic economy from the severity of the economic and social effects resulting from the global crises by implementing a series of economic and fiscal reform packages. These reforms balanced the requirements of increased spending with the need to preserve fiscal stability and sustainability in order to support economic recovery. This is in addition to the continued development and execution of several strategic projects, along with economic reforms to improve the business environment and spur growth in the domestic economy. International organizations and institutions commended both the government's efforts to enhance the commitment to fiscal sustainability and the reforms it is enacting under the Kingdom's Vision 2030.

Since the beginning of FY 2022 until the end of Q3, the Kingdom's economy recorded a positive growth rate of 10.2%<sup>2</sup> in real GDP compared to the same period last year, driven by the growth of oil and non-oil activities, as well as government activities. The real GDP of non-oil activities also recorded a growth rate of 5.8% in FY 2022, and the real GDP of oil activities achieved high growth rates of 19.0% during the same period of the current year.

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<sup>2</sup> H1 data are actual, whereas Q3 data is based on GASTAT flash estimates.

The data issued by GASTAT indicates the real growth rate of GDP in non-oil activities during Q1 of FY 2022 was 3.7%, and it continued its upward pattern during Q2, with a growth rate of 8.2%, which reflects the positive developments in the performance of non-oil activities. The activity of wholesale and retail trade, restaurants, and hotels recorded a growth of 16.4% for Q2 of FY 2022, while the activity of manufacturing industries (excluding petroleum refining) recorded a growth rate of 12.1%. Construction and building recorded growth of 8.8%, followed by transport, storage, and communications which grew at a rate of 7.8% for the same period of the current year. In addition, the real GDP of oil activities achieved during Q1 and Q2 of FY 2022 positive real growth rates of 20.3% and 22.9%, respectively, as this growth was led by the Kingdom's commitment to the OPEC+ Agreement according to production quotas.

In view of the estimates for the whole of FY 2022, preliminary estimates indicate a continuation of the positive pace of growth in real GDP to reach 8.5% by the end of FY 2022, driven by the growth in the GDP of oil activities and supported by an increase in the GDP of non-oil activities, which is expected to record 5.9%. In light of the marked positive performance of economic indicators during the current year. While it is expected that the inflation rate will continue to rise, reaching an average of 2.6% by the end of this year, the levels of inflation rates in the Kingdom are acceptable and are still lower than the rates recorded globally, as a result of the measures taken by the government and the flexibility of the fiscal and economic policies in the Kingdom that contributed to contain inflation.

Despite the higher inflation rate in the current year, the main consumption indicators achieved positive growth rates from the beginning of the year until September of FY 2022, as the index of points of sale (POS) and the e-commerce index<sup>3</sup> recorded annual growth rates of 19.3% and 73.0%, respectively, which reflects the growth and development of electronic transactions. This is due to

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<sup>3</sup> The e-commerce index through MADA cards.

the Financial Sector Development Program (FSDP), which seeks to improve the infrastructure of payment systems, enhance electronic payment, and reduce cash transactions through the diversification of electronic payment methods in line with the needs of individuals and commercial establishments. The government's strategy aims to increase the share of non-cash transactions from 36% in FY 2019 to 70% by FY 2025. The success of this program is clearly evident in the cash withdrawals index<sup>4</sup>, as withdrawals recorded a decrease of 5.6% from the beginning of the current year FY 2022 until September. In contrast, the "SADAD" payments index achieved a growth of around 13.1%.

The performance of most private investment indicators also showed growth from the beginning of the year until September of FY 2022, as the Purchasing Managers' Index (PMI), which reflects work and operating conditions in the non-oil private sector, indicates that the reading through October reached, on average, 56.2 points for the current year, which reflects an expansion of economic activities has taken place (higher than 50 points), and with an annual increase of 0.7%. Despite the challenges related to global supply chains that were reflected in the prices of fuel and crude materials, the levels of economic improvement continued to rise, supported by the improvement in demand conditions as a result of the recovery in commercial activity and the improvement in new business conditions. On the other hand, the total sales of cement companies recorded a decrease from the beginning of the year through October by 1.5% compared to the same period last year but achieved an increase during Q3 of this year of 10.2% compared to the same period last year. This is due to the acceleration of the implementation of the Giga projects and the new projects, as well as the expansion of the programs and initiatives of the Ministry of Municipal, Rural Affairs and Housing.

The positive performance in the domestic economy during the current year was reflected in labor market indicators, as the data of the Labor Market

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<sup>4</sup> Cash withdrawals from banks and MADA cards.

Bulletin issued by the GASTAT indicate a decline in the total unemployment rate to 5.8% in Q2 of FY 2022. Unemployment rates among Saudis also decreased to 9.7%, compared to 11% at the end of FY 2021, which is the lowest unemployment rate for Saudis in twenty years. This continuous decline in the unemployment rate among Saudis is due to boosting the efforts and the enhancement of the developmental role of the private sector and the medium- and small-enterprises through many initiatives seeking to raise the percentage of local content in government procurement and the Giga projects, develop national industry and logistical services, and stimulate national exports. Other factors included privatization programs that aim to create opportunities for citizens in the labor market, through the efforts of the Localization Program plans which sets incentives and enablers to encourage the business sector to nationalize the available job opportunities, in addition to enabling groups in society to enter the labor market by providing new work modes, such as flexible work and remote work, which contributed to reducing unemployment rates. Recent years also witnessed a continuous increase in the rates of women's participation in the labor market, as the rate increased in Q2 of FY 2022 to reach 35.6%, thereby exceeding the Kingdom's Vision 2030 objective of 30%. This reflects the high level of awareness of the importance of women's participation in the labor market, in addition to the initiatives and programs of the Ministry of Human Resources which contributed to overcoming obstacles to women's participation by providing opportunities in fields that were not previously available to women. This also clearly reflects the improvement of the business environment in the Kingdom in light of the positive growth levels of the Saudi economy represented in the non-oil sector.

## The Monetary Sector

According to the data from SAMA, the money supply (M3) recorded an increase during September of FY 2022 of around 9.0% on an annual basis, as a result of the growth of demand deposits, as well as time and savings deposits by about 5.4% and 18.1% respectively, in addition to an increase in other quasi-monetary deposits of about 19.9%. In addition, the total bank credit to the private sector until the end of September of FY 2022 increased by around 14.5% compared to September of last year, which confirms the continued positive growth of economic activity. Bank claims on the public sector also increased until the end of September of this year by 10.5% compared to the same month last year, driven by the growth of bank credit provided to public institutions by 31.3%, and the growth in government and quasi-government bond issuance by 6.5%.

Real estate loans by commercial banks to individuals and companies at the end of Q2 of FY 2022 also recorded an annual increase of 27.0%, approximately SAR 638 bn. Thus, they constituted 27.9% of the total bank credit. This growth is mainly due to government programs aiming to increase the percentage of home ownership among citizens. In addition, total consumer loans increased during Q3 of FY 2022, on an annual basis, by 8.9%.

## Inflation rates

Actual GASTAT data indicate an increase in the average growth in the Consumer Price Index (CPI) (inflation rate) from the beginning of the current year until October at a rate of 2.3% compared to the same period last year, while the index recorded, during Q3 of FY 2022, an increase of 2.9% on an annual basis, as the restaurants and hotels section recorded during Q3 of FY 2022 the highest rate of increase among the main sections in the general

price index by 7.1%, followed by the education section by 5.7%, then by similar rates for the entertainment and culture section and the food and beverage sections at rates of 4.2% and 4.1% respectively.

In view of the average of the Wholesale Prices Index (WPI), it increased from the beginning of the current year until October by 8.5% compared to the same period last year. Moreover, the index recorded an increase of 5.7% during Q3 of 2022 compared to the same period last year. This increase was represented by an increase in the metal products, machinery and equipment section by 3.3%, and the raw materials and metals section by 6.2% during the same quarter.

The real estate price index witnessed an increase from the beginning of the year until the end of September at a rate of 0.9% compared to the same period last year. Moreover, the index recorded an increase in Q3 of FY 2022 of 1.5% compared to the same quarter in FY 2021, as a result of the increase in residential real estate prices by 2.5%, as the decrease in the prices of commercial real estate by 0.4% and agricultural real estate by 0.6% contributed to reducing the percentage of increase in the general composite index.

It should be noted that inflation rates were affected during FY 2022 by several factors in both demand and supply, including the improvement of private domestic consumption after lifting the precautionary and preventive measures related to the pandemic, as well as what is called imported inflation through the noticeable rise in inflation rates globally as a result of geopolitical ramifications and the disruption in supply chains, which affected the prices of food and basic commodities as well as transport prices in particular. However, the implemented fiscal policies, as well as the nature of the monetary policy applied in the Kingdom, limited the impact on inflation.

## Trade Balance

Despite the ongoing global economic challenges, the Kingdom's external sector achieved positive results from the beginning of FY 2022 until August, compared to the same period last year. The International Trade Report for August of FY 2022, published by GASTAT, showed an increase in the value of non-oil exports of about 29% from the beginning of FY 2022 until August compared to the same period last year. The value of commodity exports also increased by about 73.2% for the same period, as a result of the increase in petroleum prices (Brent) by 59.5%. The value of commodity imports increased as well by 18.9% for the same period. This is due to the improvement in private domestic consumption, in addition to the marked rise in inflation rates globally and increases in the global prices of basic commodities and food. The Kingdom's trade balance achieved a surplus of around SAR 622.7 bn from the beginning of FY 2022 until August, compared to the same period last year.

## Foreign Direct Investment

The Kingdom was able to attract foreign direct investments (FDI) of around SAR 15.2 bn during H1 of FY 2022, compared to around SAR 58.6 bn during the same period last year, which witnessed the Aramco deal with a consortium led by "EIG Global Energy Partners" (EIG), which closed at around SAR 46.5 bn in Q2 of FY 2021. However, when excluding Aramco's deal, H1 of FY 2022 will be 25.9% higher compared to the same period last year.

The National Investment Strategy (NIS) is an essential and enabling element of the Kingdom's Vision 2030, which aims to raise net FDI flows to SAR 388 bn annually by FY 2030. In light of the efforts made by the relevant authorities, the Kingdom aims to improve the investment environment and alleviate the obstacles that may face the investor, in addition to the huge projects and investment opportunities available under the Kingdom's Vision 2030.



## The Financial Sector

### Banking Sector Developments

The total assets at banks increased during the first nine months of FY 2022 by 13.1% to reach SAR 3.56 tn, compared to SAR 3.15 tn for the same period last year which reflects the strength of the banking sector. This growth is due to the increase in lending, with the loan portfolio representing more than 62% of the total assets. Looking at the loan portfolio closely, the credit to the private sector has grown, according to the latest data, by around 14.5% until the end of September of this year, compared to the same period of FY 2021, while consumer loans grew at the end Q3 by 8.9% compared to the same period last year. Consumer loans represent around 19.8% of the total loan portfolio. The continued growth of credit to the private sector and consumer loans is important to ensure a continued positive impact on the growth of the components of GDP represented in fixed capital formation and private consumption. On the other hand, the ratio of non-performing loans to total loans has maintained low levels at 1.83%, which is lower than pre-COVID-19 levels, while the capital adequacy ratio remained at 19.4% at the end of Q2, which confirms that banks are at safe levels, as the Basel Committee on Banking Supervision recommends that the capital adequacy ratio not be less than 10.5%.

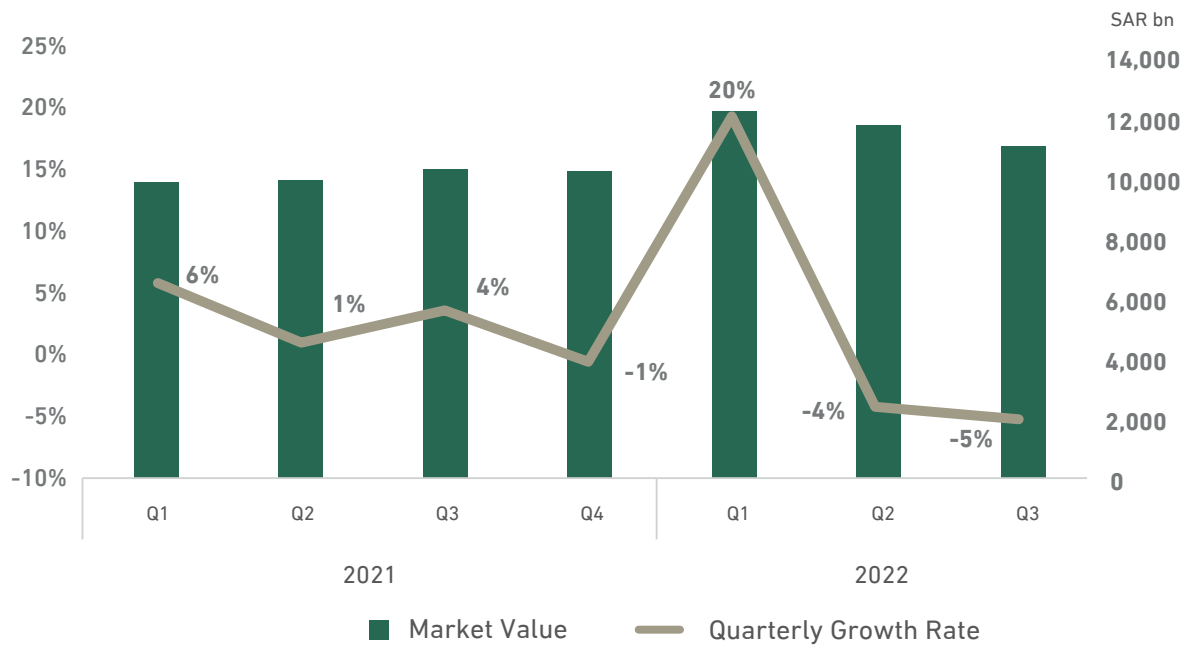
### The Developments in the Saudi Stock Exchange (Tadawul)

In view of the performance of the stock exchange, most of the stock exchanges in the world were negatively affected to a significant degree by the rise in interest rates to counter inflation. However, the impact on the Saudi Stock Exchange was slight, as The Tadawul All Share Index (TASI) decreased by 0.79% by the end of Q3 of FY 2022, compared to the same period last year, with the index closing at 11,405 points, down by 90.44 points. The total number of volume traded registered a decrease by 36.8% to reach 35.35 bn

shares. The total number of transactions decreased by 4.25% to reach 67.85 million transactions until the end of Q3 compared to the same period last year, according to the latest data issued by the Saudi Stock Exchange (Tadawul).

The data indicates that the total equity market capitalization has recorded a marked increase, reaching around SAR 10.8 tn by the end of Q3 of FY 2022, a growth of 7.56% compared to the same period last year. The total value of shares traded decreased by 21.57% compared to the same period last year, reaching around SAR 1.4 tn. On the other hand, the share of the institutional investor reached 37% of the total traded value during the first nine months of this year, compared to 17.5% for the same period last year. It is worth noting that the FSDP aims for the share of the institutional investor of the total trading value to reach 40% by the end of FY 2022. The chart below shows the growth in the total equity market capitalization, with the growth rates, on a quarterly basis since the beginning of FY 2021:

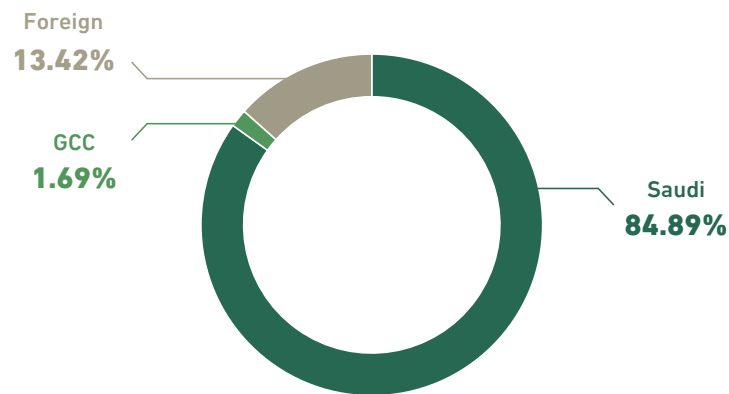
### Market Capitalization



Source: Saudi Stock Exchange (Tadawul)

The value of the foreign investor's ownership increased by more than SAR 54 bn at the end of Q3 of FY 2022, compared to the same period last year. However, the foreign investor's ownership percentage decreased slightly to reach 13.42%, compared to around 14.5% for the same period last year. This is due to the growth of the share of the Saudi investor is at a higher rate than that of the foreign investor.

### Ownership by Nationality



Source: Saudi Stock Exchange (Tadawul)

### Key Growth Drivers in FY 2023

Economic and fiscal reforms contributed to the continuation of the path towards growth in the Kingdom, despite the various economic and geopolitical challenges facing the economies of the world, which may affect the trajectory of the domestic economy's growth and its future outlook. This was accomplished through the proactive steps taken by the government to confront the ramifications of the rising global prices, increasing the allocations for social protection programs, in addition to increasing in the strategic stocks of basic materials.

In light of the positive domestic developments, the increase in economic growth rates in the Kingdom for FY 2023 and the medium-term were reviewed, and it is expected that positive rates of economic growth will continue to be maintained during FY 2023 and in the medium-term, through the main factors

of economic growth: private investment and private consumption. Preliminary estimates for FY 2023 indicate a real GDP growth rate of 3.1%, supported by the growth in the GDP of non-oil activities, and supported by the expectation of the continued enablement of the private sector in leading economic growth and contributing to increasing new jobs in the labor market, as well as the continuation of the implementation of the Kingdom's Vision 2030 programs, which represent the main instrument for achieving the objectives of the economic transformation, and the assumption that economic activities will achieve positive growth rates during FY 2023 and in the medium-term.

Enhancing the role of private investment comes through the continuation of the efforts exerted in the NIS by launching the National Initiative for Global Supply Chain Resilience Initiative, the (GSCRI) Initiative, and issuing the new Investment Law. The GSCRI Initiative aims to enhance the Kingdom's status as an industrial power and global logistical hub and create qualitative, stimulating opportunities for foreign investors. The initiative strategically prioritizes the main sectors in which the Kingdom enjoys a competitive advantage and attracts investments worth SAR 40 bn during the first two years of its launch. It is also expected that the new Investment Law will have a role in raising the contribution of FDI, enhancing the investment environment and investor confidence in the economy providing investment enablers and incentives, and promoting transparency. The Kingdom's Vision 2030 aims for the contribution of FDI to reach 5.7% of GDP, compared to the contribution achieved at 2.3% of GDP during FY 2021. This is in addition to strengthening the partnership with the private sector to become the main mobilizer of the economy, with the aim of increasing the private sector's contribution to GDP to 65% by 2030, compared to the private sector's contribution to the GDP of 39.7% during FY 2021. This will be achieved by encouraging entrepreneurship and launching a number of programs such as the "Shareek" Program, which aims to increase domestic investments of private sector companies to reach SAR 5 tn by FY 2030, and the Privatization Program, which aims to enhance the role of the

private sector in providing services and making government assets available to it. All these initiatives and programs are expected to have a positive impact on employment rates, with the aim of reducing unemployment rates among citizens to 7% by FY 2030.

The national funds also have a pivotal and fundamental role in achieving the objectives of private investment, as the PIF is the mobilizer of the Kingdom's economic transformation. This will be achieved through investing in the domestic Giga projects, building strategic economic partnerships, and supporting the launch of promising sectors and new opportunities, which depend directly on technology and knowledge and enhance their use in order to achieve growth for priority sectors in the Kingdom. The PIF's objectives revolve around investing in new projects domestically, injecting on average SAR 150 bn into the domestic economy annually until FY 2025. In addition, there is the role of the NDF, which aims to raise the performance of other development funds and banks and achieve sustainability by contributing to the growth of the real GDP of the Kingdom by providing more than SAR 570 bn by 2030.

The industrial sector is one of the pillars of the Kingdom's Vision 2030, with the launch of the National Strategy for Industry, which aims to reach an industrial economy that attracts investment and contributes to achieving economic diversification as well as raising the GDP and non-oil exports. The strategy focuses on 12 sub-sectors to diversify the industrial economy in the Kingdom. It aims to increase the industrial GDP by about 3 times to reach SAR 895 bn, and to double the value of industrial exports to reach SAR 557 bn. It also aims for the total value of additional investments in the sector to reach SAR 1.3 tn, increase the exports of advanced technological products about 6 times, and create tens of thousands of qualitative, high-value jobs by FY 2030. The National Strategy for Industry also contributes to driving the growth of the industrial sector, bringing the number of factories to about 36 thousand factories by FY 2035.

On the other hand, it is expected that the efforts exerted in developing the tourism sector will lead by launching various strategies and projects, one of the most important of which is the Digital Tourism Strategy that aims to provide digital solutions to simplify travel procedures and launch a unified platform to link tourism service providers and tourism applications. The strategy includes 9 programs in addition to 31 initiatives that will be completed by FY 2025. This is in addition to the contribution of Giga projects such as the “Red Sea Project”, which is an ultra-luxurious tourist destination, and work is underway to receive local and international guests. The first phase, which includes 16 hotels, will be completed in FY 2023. Moreover, there is the “Qiddiya Project”, which aims to be a prominent global destination for entertainment, sports and the arts, as it contains the “6 Flags Qiddiya” amusement park, which is expected to open before the end of FY 2023. The Saudi Seasons were also launched in Q4 of FY 2021 and will continue until Q1 of FY 2023; they will contribute to creating employment opportunities, the entertainment of citizens and residents, improving the quality of life, and diversifying the national economy by attracting tourists from all over the world.

### Key Economic Indicators Estimates in the Medium-term

(Percentage, unless otherwise stated)

	Actual*	Estimates**	Projections**		
	2021	2022	2023	2024	2025
<b>Economic Indicators</b>					
Real GDP growth	3.2%	8.5%	3.1%	5.7%	4.5%
Nominal GDP (SAR bn)	3,126	3,957	3,869	3,966	4,247
Inflation	3.1%	2.6%	2.1%	2.1%	2.0%

\*Source: GASTAT

\*\* Preliminary

# 02

## Fiscal Developments and Outlook for FY 2023 and the Medium-Term

## **Second: Fiscal Developments and Outlook for FY 2023 and the Medium-Term**

The fiscal indicators are witnessing a positive development, as budget surpluses are expected to be achieved by the end of FY 2022, mainly supported by the increase in oil revenues as a result of the rise in petroleum prices, in addition to the improvement in economic activities and economic recovery, in parallel with the government's efforts to continue implementing initiatives to develop non-oil revenues. It is also expected that total revenues in FY 2023 will decrease by 8.4% compared to the estimates of FY 2022. This is due to the approach adopted by the government in building estimates of oil and non-oil revenues in the budget based on standards that are of a conservative nature being cautious of any developments that may occur in the domestic and global economy.

The government was keen to adopt consistent policies to confront the crises witnessed by the world for FY 2022, which affected the Kingdom's economy, such as the food crisis and inflation, in addition to the disruption of supply chains and geopolitical tensions. Moreover, the government sought to preserve fiscal stability while accelerating the implementation of some programs and projects to achieve the Kingdom's Vision 2030. The expenditure policy for FY 2023 also aims to preserve the gains previously achieved in public finances, in addition to moving towards strategic spending that contributes to achieving positive economic and social returns in the medium- and long-term to develop promising sectors.

In light of the improvement in the fiscal performance and the economic growth of the Kingdom, and after continuing to record budget deficits for a period of 8 years, the budget is expected to achieve surpluses by the end of FY 2022 of about 2.6% of GDP, and it is expected to continue to achieve surpluses in FY 2023 and the medium-term. As the fiscal policy aims to exploit these surpluses to strengthen the fiscal position of the Kingdom by preserving appropriate levels of government reserves, supporting the national funds and considering the possibility of accelerating the implementation of some strategic programs and projects of economic and social dimension, as well as the repayment of part of the debt based on market conditions.



## A. Fiscal Developments in FY 2022

(SAR bn, unless otherwise stated)

	Actual 2021	Budget 2022	Estimates 2022	Annual Change (Actual 2021 - Estimates 2022)*
<b>Revenues</b>				
<b>Total Revenues</b>	<b>965</b>	<b>1,045</b>	<b>1,234</b>	<b>27.8%</b>
<b>Taxes</b>	<b>317</b>	<b>283</b>	<b>315</b>	<b>-0.8%</b>
Taxes on Income, Profits, and Capital Gains	18	16	22	23.6%
Taxes on Goods and Services	251	223	245	-2.7%
Taxes on International Trade and Transactions	19	18	18	-4.9%
Other Taxes	29	26	30	3.4%
<b>Other revenues</b>	<b>648</b>	<b>763</b>	<b>919</b>	<b>41.8%</b>
<b>Expenditures</b>				
<b>Total Expenditures</b>	<b>1,039</b>	<b>955</b>	<b>1,132</b>	<b>9.0%</b>
<b>Expenses (OPEX)</b>	<b>922</b>	<b>863</b>	<b>981</b>	<b>6.4%</b>
Compensation of Employees	496	498	506	2.1%
Use of Goods and Services	205	160	238	16.1%
Financing Expenses	27	33	32	17.1%
Subsidies	30	24	27	-9.8%
Grants	3	2	2	-28.3%
Social Benefits	70	63	70	0.3%
Other Expenses	91	83	105	16.0%
<b>Non-Financial Assets (CAPEX)</b>	<b>117</b>	<b>92</b>	<b>151</b>	<b>29.2%</b>
<b>Budget Surplus / Deficit</b>				
<b>Budget Surplus / Deficit</b>	<b>-73</b>	<b>90</b>	<b>102</b>	<b>-</b>
As Percent of GDP	-2.3%	2.5%	2.6%	
<b>Debt and Assets</b>				
<b>Debt</b>	<b>938</b>	<b>938</b>	<b>985</b>	<b>-</b>
As Percent of GDP	30.0%	25.9%	24.9%	
<b>Government Reserves at SAMA</b>	<b>347</b>	<b>381</b>	<b>394</b>	<b>-</b>

Source: MoF

\* Annual change percentages are based on all total values  
Figures are rounded up to the nearest decimal points

## Revenues

Within the framework of the economic and fiscal reforms that were implemented by the Kingdom's government under the umbrella of Kingdom's Vision 2030, the implementation of initiatives and structural reforms to diversify the economy and enhance non-oil revenues that are inherently linked to economic activity, in addition to developing tax administration and improving collection procedures, contributed to the growth of the ratio of non-oil revenues to non-oil GDP markedly. Notable since the launch of the Kingdom's Vision 2030.

Taking into account the recovery of domestic economic activity and developments in the petroleum markets, total revenues are expected to reach around SAR 1,234 bn for FY 2022, an increase of 27.8% compared to the previous year, supported by the increase in oil revenues, as they are expected to grow by 49.8% compared to the previous year, driven by the increase in oil production and prices.

## Taxes

Tax revenues for FY 2022 are expected to reach around SAR 315 bn at levels close to FY 2021. This is due to the collection of non-recurring amounts related to previous years during FY 2021. And when excluding these amounts, revenues in FY 2022 achieved an increase of 7.2%, as a result of the continued gradual recovery of economic activity in addition to the efforts and initiatives undertaken by the government, which include the National Program To Combat Commercial Concealment to reduce the volume of the transactions of the hidden economy and promote fair competition, in addition to the development in tax compliance and the use of technical solutions in the collection of tax revenues through electronic invoicing.

It is expected that Taxes on Income, Profits, and Capital Gains will record about SAR 22 bn, up by 23.6% compared to the previous year. This is due to the increase in corporate and establishment income tax revenues as a result of the improvement in the performance of economic sectors, one of the most

important of which is the manufacturing sector. This due to the link between the revenues of these taxes and the economic performance for FY 2021, which achieved positive growth rates in the performance of economic activities, in addition to the development in collection processes and the increases in the rates of commitment from the taxpayers.

It is expected that Taxes on Goods and Services will record about SAR 245 bn for FY 2022, a decrease of 2.7% compared to the previous year. This is due to the effect of the initiative to change the due date of Value Added Tax (VAT) on supplies by the establishments contracting with government entities, which emphasizes the government keenness to ensure the continuity of the activities of taxpayers contracting with the government entities. Part of the decline in revenues is also due to the fragmentation of the financial dues as an initiative to reduce the financial burdens on the private sector. In addition, efforts to develop tax systems contributed to a decrease in non-recurring revenues from tax dues from previous periods compared to the previous year as a result of the improvement in the tax commitment of taxpayers.

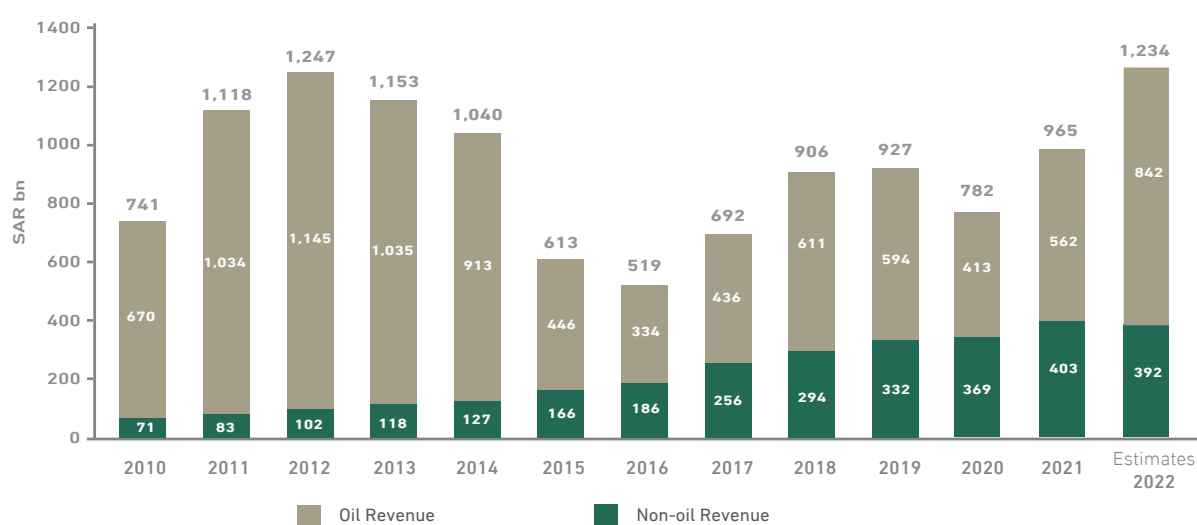
It is also expected that Taxes on International Trade and Transactions (Customs Duties) will record about SAR 18 bn by the end of FY 2022, a decrease of 4.9% compared to the previous year. This is due to deducting SAR 3 bn to support the initiative that "incentivize domestic industry," which aims to increase the operational efficiency, production capacity and competitiveness of existing local factories. It should also be noted that tax revenues on trade and international transactions have achieved the approved estimates in the budget.

It is expected that Other Taxes (including: Zakat) will reach about SAR 30 bn for FY 2022, recording an increase of 3.4% compared to the previous year. This is due to the linkage between the revenues collected in FY 2022 and the economic performance for FY 2021, which achieved positive growth rates in the performance of economic activities, in addition to the development of collection processes and the high rates of taxpayers' commitment.

## Other Revenues

With regard to other revenues, which include oil revenues and profits from government investments, sales of goods and services, in addition to penalties and fines, it is expected that they will record about SAR 919 bn for FY 2022, an increase of 41.8% compared to the previous year. This is mainly due to the expected increase in oil revenues by 49.8% compared to the previous year, to reach about SAR 842 bn in FY 2022, as the average oil production until October reached 10.6 million barrels per day, an increase of 18.7% over the same period in the previous year. This is due to the Kingdom's commitment to the OPEC+ Agreement with the aim of achieving balance and stability in the petroleum markets. The average prices of Brent crude futures contracts until October of FY 2022 reached about \$101.7 per barrel, compared to about \$69.5 per barrel during the same period last year. It should be noted that the estimates of other revenues do not include the collection of any exceptional profits from government investments during FY 2022.

## Oil and Non-Oil Revenues



Source: MoF

## Expenditures

In light of the economic conditions and geopolitical challenges witnessed through FY 2022, which led to high global inflation rates and the food crisis, in addition to the impact on supply chains, the government was keen to maintain fiscal stability, and to enhance the efficiency of spending and direct it to support the most-affected groups and sectors. In addition, the government sought to preserve the level of government services provided to citizens and residents, as well as move forward in increasing economic diversification and take advantage of the available opportunities to accelerate the implementation of some programs and projects with economic return and social impact.

In the context of supporting the private sector, the MoF, in partnership with the National Center for Government Resource Systems, has launched the financial claims service through the “Etimad” electronic platform. This service will enable the private sector to implement its projects and financial transactions according to the highest standards of efficiency and transparency. This service has also contributed to facilitating the follow-up procedures for issuing payment orders for all claims without exception.

Total expenditures for FY 2022 are expected to reach about SAR 1,132 bn, up by 9.0% from the actual expenditure for FY 2021, and by about 18.5% from the approved budget. This reflects the government’s keenness to strengthen the system of support; subsidies and social protection, including additional support for social security and the citizen’s account program, increasing the number of beneficiaries; subsidies for the purchase of wheat and barley and subsidies for dates; as well as support for beneficiaries of the program for small livestock and poultry breeders; and support for the sustainable rural development program. This is in addition to the increase in financial support for those eligible for housing subsidy and support for partnerships and investment with the private sector to stimulate the development of residential products. This also reflects the government’s response to the economic

conditions the world is witnessing and its impact on the domestic economy through inflationary pressures globally and an increase in the prices of basic and food commodities, as well as the impact on global supply chains as a result of the consequences of the “COVID-19” pandemic and the geopolitical challenges, and maintaining the continuity of providing basic services at the required level for citizens and residents and continuous support for basic goods and services. This is in addition to compensating for the delay in implementing some strategic and capital projects that were affected during the pandemic period and accelerating the implementation of vision programs and Giga projects with high economic and social returns.

When compared with the actual expenditure for FY 2021, operating expenses (OPEX) are expected to increase by the end of FY 2022 by about 6.4% to SAR 981 bn as a result of the increase in expenditure on goods and services by 16.1%, or about SAR 33 bn. This is due to high global inflation rates, especially for basic commodities; the impact on supply chains; the increase in spending on public services, medical supplies and medicines; and the continuity of spending on many health programs, including the home care program, the organ transplant program, in addition to the signing of dialysis project agreements to secure dialysis services in various regions of the Kingdom, as it is one of the partnership initiatives between the public and private sectors, which would raise the capacity for patients and provide them with treatment opportunities with high-quality standards. This is in addition to the impact of the initiatives that contribute to stimulating the private sector to expand localization and raise the rates of participation of the national human capital in the labor market, as the Ministry of Human Resources and Social Development began applying the localization of professions, including: marketing professions, supporting administrative professions, project management professions, procurement professions, and the professions of the food and drug sector. Moreover, there is the increase in spending on maintenance, cleaning and operating expenses, which is due

to several reasons, including the management, operation and maintenance of the Haramain Railway Project; operating expenses for internal airports; the afforestation project for streets and squares; as well as the cleaning of the Kingdom's cities and the operation of the waste landfill within the initiative to reduce visual defacement in cities.

Moreover, it is expected that other expenses will increase 16.0% by about SAR 15 bn compared to FY 2021, driven by the increase in spending on subsidies for sports federations and subsidies for non-profit institutions and associations, in addition to stipends for students in the Kingdom and expenses for students on scholarships. It is also expected that financing expenses will increase by about 17.1%, which is about SAR 5 bn, as a result of the increase in the debt balance.

While the expenditure on the compensation of employees is expected to increase 2.1% by about SAR 10 bn compared to the actual expenditure for FY 2021, mainly due to the impact of the annual increment.

Expectations also indicate an increase in capital expenditures (CAPEX) by the end of FY 2022 of 29.2%, about SAR 34 bn, compared to the actual expenditure for FY 2021, to reach a total of about SAR 151 bn. This is a result of the increase in spending on service construction, including squares and parks; railways and train stations; the delivery of electricity services to the private lands of the Ministry of Housing; the construction of water stations, networks and reservoirs to enhance the sources of desalinated water; the drainage of rain water and the prevention of the dangers of floods; the increase in spending on residential buildings associated with programs for the development of affordable housing and health buildings; and the Custodian of the Two Holy Mosques' project to expand the Grand Mosque. This is in addition to continuing to make progress in implementing the programs and projects of the vision; developing promising sectors in the economy and accelerating the implementation of some programs and projects of economic return, whose

implementation plans were affected during the COVID-19 pandemic period, including the Sports Boulevard Project, King Salman Park, Green Riyadh, Amaala Project, and other projects.

## Sectoral Performance

Expenditure is expected to increase by the end of the current fiscal year on the municipal services sector by about 58.8% to reach SAR 61 bn compared to the same period last year, as a result of the increase in spending on projects for rainwater drainage stations and networks; warding off the dangers of floods; as well as addressing visual defacement in vital locations; in addition to the development, equipping and establishment of gardens, municipal squares and green spaces; and increasing spending on service construction, including the construction of squares, parks, railways and train stations. It should also be noted that spending on the military sector and general items increased by about 21.4% and 13.0%, respectively, compared to FY 2021, while spending on the infrastructure and transportation sector is expected to decrease by about 8.8% compared to the previous FY 2021.

## Sectoral Expenditure

(SAR bn, unless otherwise stated)

Sector	Actual 2021	Budget 2022	Estimates 2022	Annual Change* (Actual 2021 - Estimates 2022)
Public Administration	34	32	36	4.0%
Military	202	171	245	21.4%
Security and Regional Administration	106	101	110	3.0%
Municipal Services	39	50	61	58.8%
Education	192	185	195	1.8%
Health and Social Development	197	138	198	0.6%
Economic Resources	71	54	75	4.8%
Infrastructure and Transportation	51	42	47	-8.8%
General Items	147	182	166	13.0%
<b>Total</b>	<b>1,039</b>	<b>955</b>	<b>1,132</b>	<b>9.0%</b>

Source: MoF

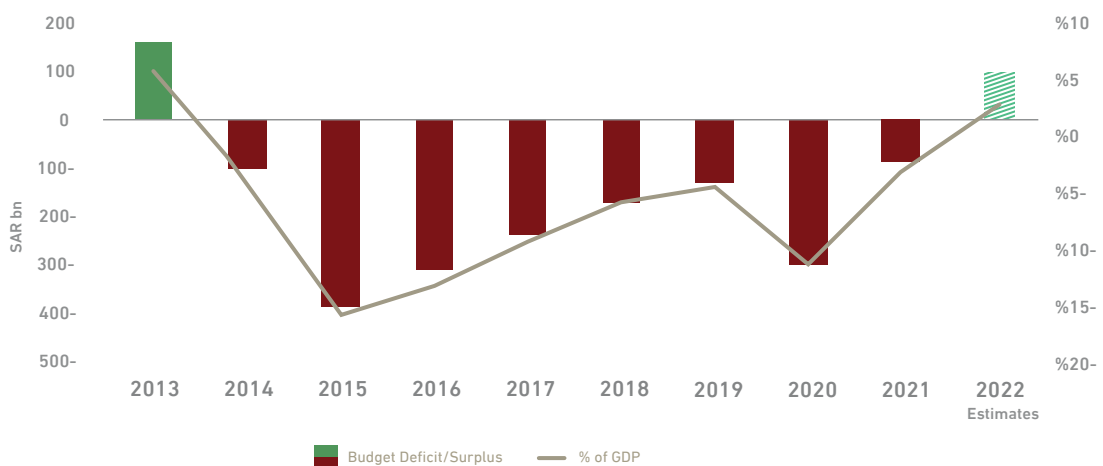
\* Annual change percentages are based on all total values.  
Figures are rounded up to the nearest decimal points



## Budget Surplus and Debt

Despite the main challenges facing the global economy as a result of geopolitical conditions, global inflation concerns, the increase in prices of basic commodities, and the subsequent increase in expenditure to enhance the support and social benefits system and accelerate the implementation of some programs and projects with high economic and social returns as well as the infrastructure projects and strategic projects, the government’s fiscal policies have succeeded in maintaining the achievement of the fiscal objectives, as a surplus is expected to be achieved in the budget by the end of FY 2022, reaching about SAR 102 bn (2.6% of GDP), which confirms that fiscal sustainability and maintaining the strong fiscal position of the Kingdom is one of the priority goals in the government’s program. It is worth noting that the surpluses achieved in the budget will be directed to strengthening government reserves; supporting the national funds; considering the possibility of accelerating the implementation of some strategic programs and projects of economic and social return in the medium-term and partially repaying public debt according to market conditions, all within the framework of the mechanism for deploying budget surpluses.

### Budget Balance as % of GDP

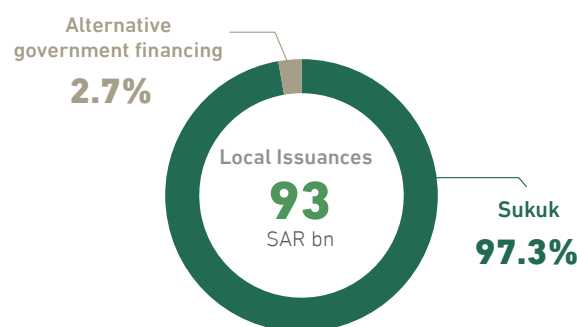


Source: MoF

The total debt issuances until Q3 of FY 2022 reached about SAR 93 bn (considering the repayment of principal of about SAR 59 bn), all of which are domestic issuances. Thus, the total debt until Q3 of FY 2022 reached about

SAR 972 bn, with domestic debt comprising 63% of the total outstanding debt, while the external is 37%. It is expected that debt issuances will reach about SAR 115 bn by the end of FY 2022, comprising the remaining financing transactions for the Q4 of the year, which are about SAR 22 bn, including alternative government financing transactions. It is worth noting that during FY 2022, NDMC successfully completed the arrangement of an early redemption of a portion of the outstanding bonds and sukuk maturing in 2023, 2024 and 2026, and an issuance of new Sukuk to fund the redemptions under the Sukuk Issuance Programme in Saudi Riyals. In addition to pre-funding to secure and reduce FY 2023 financing needs seizing the opportunity to manage the risk of interest rate hikes, market fluctuations and the increase of the cost of funding.

### Borrowing until Q3 of FY 2022



Source: NDMC

Debt is expected to reach SAR 985 bn (equivalent to 24.9% of GDP) at the end of FY 2022, compared to SAR 938 bn (equivalent to 30.0% of GDP) for the previous year. Despite the increase in the debt portfolio, the debt-to-GDP ratio is expected to decrease, due to the fact that debt levels are increasing at a lower rate than the increase in GDP.

It is estimated that the balance of government reserves will reach nearly SAR 394 bn by the end of FY 2022, which is higher than the target reserve level in the budget at SAR 381 bn as a result of strengthening the reserves with part of the surpluses in order to preserve safe levels of government reserves to enhance the government's fiscal position and its ability to deal with external shocks.

## B. FY 2023 Budget and Medium-term Projections

### FY 2023 Budget Estimates

(SAR bn, unless otherwise stated)

	Budget 2022	Estimates 2022	Budget 2023
<b>Revenues</b>			
<b>Total Revenues</b>	<b>1,045</b>	<b>1,234</b>	<b>1,130</b>
Taxes	283	315	322
Taxes on Income, Profits, and Capital Gains	16	22	22
Taxes on Goods and Services	223	245	254
Taxes on International Trade and Transactions	18	18	18
Other Taxes	26	30	28
Other Revenues	763	919	808
<b>Expenditures</b>			
<b>Total Expenditures</b>	<b>955</b>	<b>1,132</b>	<b>1,114</b>
Expenses (OPEX)	863	981	957
Compensation of Employees	498	506	514
Use of Goods and Services	160	238	218
Financing Expenses	33	32	39
Subsidies	24	27	22
Grants	2	2	2
Social Benefits	63	70	67
Other Expenses	83	105	96
Non-Financial Assets (CAPEX)	92	151	157
<b>Budget Surplus / Deficit</b>			
Budget Surplus / Deficit *	90	102	16
As percent to GDP	2.5%	2.6%	0.4%
<b>Debt and Assets</b>			
Debt	938	985	951
As percent to GDP	25.9%	24.9%	24.6%
Government Reserves at SAMA	381	394	399

Source: MoF

\*Surpluses in the budget will be directed to bolstering Government reserves, supporting the national funds, considering the possibility of accelerating the implementation of some strategic programs and projects of an economic and social dimension, as well as partially repay the debt based on market conditions.

Figures are rounded up to the nearest decimal points

## Revenues

During FY 2023, the government will continue to implement the initiatives and structural reforms that were adopted during the past years to diversify the economy and enhance non-oil revenues that are inherently linked to economic activity and, thus, increase them as a result of the increase in non-oil GDP growth rates, which ensures the existence of stable sources of revenue in the medium- and long-term, as the ratio of non-oil revenues to non-oil GDP for FY 2022 is expected to be nearly 16.8%, compared to 9.3% in FY 2015.

Estimates indicate that the total revenues in FY 2023 will reach nearly SAR 1,130 bn, a decrease of 8.4% from what is expected to be achieved in FY 2022. This is due to the approach adopted by the government in building estimates of oil and non-oil revenues in the budget based on standards that are of a conservative nature, being cautious of any developments that may occur in the domestic and global economy.

## Taxes

It is estimated that revenues from taxes in FY 2023 will reach about SAR 322 bn, up by 2.3% compared to FY 2022 estimates, as a result of the continued improvement in economic activity, the positive impact of the continuous development in tax administration and the improvement of collection processes, which in turn contributed to raising the level of commitment among taxpayers, hence raising total tax revenues.

It is expected that tax revenues on Income, Profits, and Capital Gains will reach nearly SAR 22 bn in FY 2023, a decline of 2.5% compared to what is expected to be collected in FY 2022. This is due to the collection of non-recurring amounts belonging to previous years during FY 2022. When excluded, these revenues achieved an increase of 8.1%, as a result of the expected improvement in the performance of the economic sectors, one of the most important of which is the manufacturing sector, as well as the positive growth in the size of domestic and foreign investments as a result of

the improvement in the investment environment supported by the objectives of the NIS.

With regard to Taxes on Goods and Services, it is estimated that they will achieve nearly SAR 254 bn in FY 2023, an increase of 3.9% from what is expected to be achieved in FY 2022. This is mainly due to the positive expectations for the performance of the items of the initiatives of non-oil revenues that are linked to economic activity, in addition to the expectations of the continued improvement and growth of consumption and investment indicators as a reflection of the existing efforts in many initiatives and structural reforms under Kingdom's Vision 2030.

Taxes on Trade and International Transactions are expected to achieve nearly SAR 18 bn in FY 2023, an increase of 2.1% over what is expected to be collected by the end of FY 2022, driven by the continued growth of imports next year, in addition to the impact of global inflation on the prices of imported goods.

It is also estimated that Other Taxes (including: Zakat) will record nearly SAR 28 bn in FY 2023, a decrease of 7.0% compared to estimates for FY 2022, due to the impact of collecting non-recurring amounts for previous years. When excluding the non-recurring amounts, an increase of about 2.5% is achieved as a result of the expected economic growth for the next year.

## Other Revenues

With regard to other revenues, which include oil revenues and profits from government investments, sales of goods and services, in addition to penalties and fines, it is estimated that they will reach nearly SAR 808 bn for FY 2023, a decrease of 12.1% compared to what is expected to be achieved in FY 2022. It is worth noting that the estimates of other revenues do not include the collection of any exceptional profits from government investments during FY 2023.

It should be noted that the government has prepared several scenarios for the revenues of FY 2023, taking into account the global and domestic

developments and the state of uncertainty regarding the ramifications of the existing geopolitical conditions. These scenarios include the baseline scenario, which is approved in the budget, in addition to the lower and higher revenue scenarios than the baseline scenario. They are presented in the last part of the report on the fiscal challenges and risks.

## **Expenditures**

In preparation for the application of the fiscal rules, and according to the periodic reviews of expenditure ceilings in the medium-term and updating them in accordance with the economic and financial changes that occurred at the global and domestic levels, the expenditure ceiling for FY 2023 and in the medium-term is higher than what was published in the FY 2022 Budget Statement. This is based on the fiscal space resulting from the increase in structural revenues, which provided the opportunity to direct them to strategic spending supporting structural change of a developmental nature, which contributes to achieving important economic and social returns in the medium- and long-term, as it mainly aims to achieve sectoral development to diversify the economic base, and spur development in all regions of the Kingdom. This will improve the quality of life therein, in addition to localizing and developing military industries to achieve the objectives of the Kingdom's Vision 2030, while preserving the gains previously achieved on the fiscal side.

The government is committed to continuing its efforts to raise the efficiency and effectiveness of spending and fiscal discipline for FY 2023 and in the medium-term, while continuing to support and strengthen the support and social benefits system and ensuring their ability to face economic changes, in addition to striving to continue working to maximize the role of the private sector by enabling it to lead investments and increasing the contribution of national funds, which are the effective mobilizer for the development and diversification of the Saudi economy. Accordingly, it is estimated that the total expenditures for FY 2023 will be around SAR 1,114 bn.

It is estimated that OPEX for FY 2023 will reach nearly SAR 957 bn, a decrease of about 2.4% compared to the expected for FY 2022, which

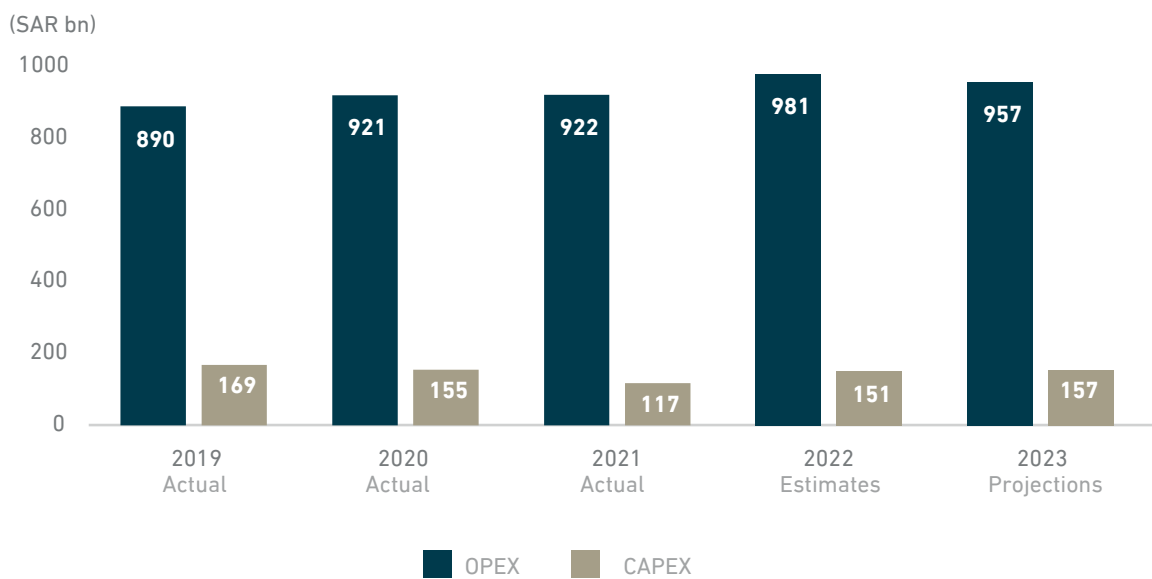
constitutes 85.9% of the total expenditures. Expenses for compensation of employees are estimated at about SAR 514 bn, an increase of about 1.6% compared to the expected amount for FY 2022, reflecting the impact of the annual incremental, in addition to the transformation of a number of government agencies from the Civil Service Law to the Labor Law. It is estimated that spending on goods and services will reach about SAR 218 bn, a decrease of 8.5% from what is expected for FY 2022, as a result of excluding expenses of a non-recurring nature for FY 2022, in addition to the intrinsic role of the Expenditure and Projects Efficiency Authority (EXPRO) in enabling government agencies to adopt best practices that contribute to achieving efficiency in spending. Financing expenses in FY 2023 are estimated at about SAR 39 bn, up by 22.3% compared to what is expected in FY 2022. This increase comes as a result of the increase in the debt portfolio by the end of FY 2022 compared to the estimated in the budget, and also due to the reflection of part of the expenses of funding activities expected for the FY 2023, which takes into account the expected changes in interest rates.

It is estimated that the expenditures of subsidies will reach about SAR 22 bn for FY 2023, down by about 18.8% from the expectations of FY 2022. As for social benefits, it is estimated that expenditures will reach about SAR 67 bn, down from the expectations of FY 2022 by about 5.1%. The reduction in subsidies and social benefits is attributed to the exceptional support in FY 2022, as per the Royal Order to allocate SAR 20 bn to address the ramifications of high prices, ensure an abundance of food stocks in local markets, and prevent supply chains from faltering.

It is estimated that CAPEX will reach about SAR 157 bn in FY 2023, which constitutes 14.1% of total expenditures, as it is estimated that CAPEX will increase by 3.5% compared to the expected expenditures for FY 2022. This is due to the government's intention to continue strategic spending of a developmental nature represented in the implementation of the Giga projects, vision programs, and the development of the Kingdom's regions with the aim of achieving comprehensive development at the level of the Kingdom.

In addition, the government sought to focus on developing promising sectors of an economic and social dimension and impact such as the tourism sector, the industrial and mining sector, the financial technology sector, and the entertainment and sports sector.

### Expenses (OPEX) and Non-financial assets (CAPEX)



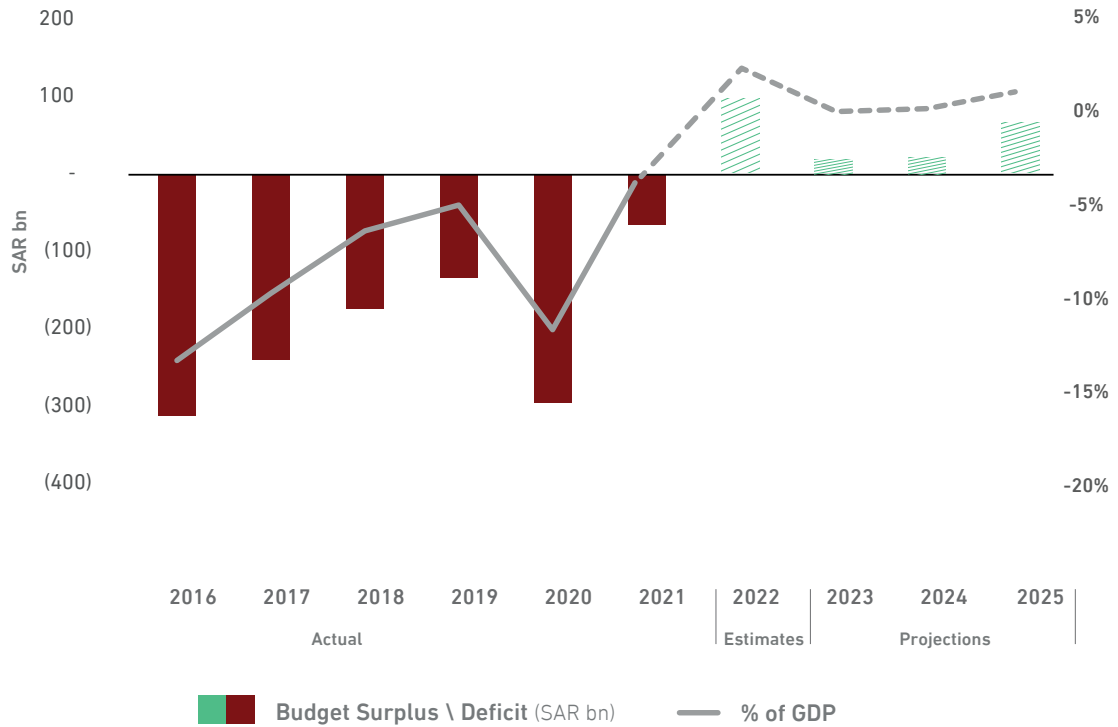
Source: MoF

### Budget Surplus and Debt

In continuation of the Kingdom's efforts to maintain fiscal sustainability, it is expected that the budget will witness a surplus in FY 2023 and in the medium-term, as a result of the improvement in the fiscal performance and the economic growth of the Kingdom. It is expected that surpluses will be achieved for the second year in a row in FY 2023 by about SAR 16 bn (0.4% of GDP), as these surpluses will be utilized by distributing them according to the framework of the mechanism for dealing with budget surpluses, which aims to enhance reserves to increase capacity to address crises by strengthening the fiscal position of the Kingdom, supporting national funds, and considering the possibility of accelerating the implementation of some strategic programs and projects with an economic and social dimension, with the aim of focusing on investment that achieves sustainable economic growth and in a way that guarantees the sustainability and stability of the Kingdom's fiscal position.



### Budget Balance as % of GDP



Source: MoF

Despite expectations of achieving budget surpluses, the government will continue to borrow with the aim of repaying the principal due and financing some strategic projects, in addition to implementing alternative government financing transactions with the aim of financing capital and infrastructure projects.

The MoF is working, in cooperation with the National Debt Management Center (NDMC), on preparing an annual borrowing plan aimed at continuing diversification between domestic and external sources of financing, which enhances the Kingdom’s ability to reach various domestic and international markets, while ensuring that sovereign debt instruments are issued at a fair price and within well-considered risk management framework and principles that take into account several factors, including preserving the liquidity of the domestic market, preserving the average maturity of debt to minimize future refinancing risks, focusing on debt issuances with fixed rates to reduce exposure to interest rate changes, and limiting the risks of exchange rate changes.

The medium-term debt strategy also aims to continue diversifying financing instruments between issuing bonds, sukuk and loans while continuing to diversify the investor base and working to align the financing transactions for sustainable issuances, in addition to continuing to execute alternative government financing transactions with the aim of financing transformational spending for capital and infrastructure projects, which include project financing, infrastructure financing, and export credit agency (ECA). This comes within the MoF strategy to support the continuity and completion of the Giga development projects in the Kingdom.

It is expected that the debt in the coming FY 2023 will reach about 24.6% of the GDP, with the aim to the repayment of the debt principal mature in the coming years through annual issuances, in addition to the possibility of considering proactive financing transactions according to market conditions to pay the dues of the debt principal for the coming years, finance strategic projects, as well as implement alternative government financing transactions.

### Medium-term Fiscal Projections

(SAR bn, unless otherwise stated)

	Actual 2021	Budget 2022	Estimates 2022	Budget 2023	Projections	
					2024	2025
<b>Total Revenues</b>	965	1,045	1,234	1,130	1,146	1,205
<b>Total Expenditures</b>	1,039	955	1,132	1,114	1,125	1,134
<b>Budget Surplus \ Deficit</b>	-73	90	102	16	21	71
Percent of GDP	-2.3%	2.5%	2.6%	0.4%	0.5%	1.7%
<b>Debt</b>	938	938	985	951	959	962
Percent of GDP	30.0%	25.9%	24.9%	24.6%	24.2%	22.6%

Figures are rounded up to the nearest decimal point

Source: MoF

## C. Expenditures by Sector in the Budget for FY 2023

Below is a list of the most notable programs and projects to which expenditures will be directed in each sector, whether for the purposes of completing ongoing efforts or starting new programs and projects.

### Infrastructure and Transportation Sector

#### First: Overview

#### Sector Allocation in FY2023 Budget

SAR **34** bn

#### Sector Mandate

Roads, ports, airports, housing, communications and information technology, data and artificial intelligence, postal services, space, and industrial cities such as Jubail, Yanbu, Ras Alkair, and Jazan

#### Number of Government Bodies Serving the Sector

**16**

#### Second: Key Projects Achievements in FY 2022

##### Scope

##### Achievement

Making 24 thousand housing units of different types available in partnership with real estate developers in various regions of the Kingdom during FY 2022.

#### Housing

The signing of contracts for around 30 thousand housing units to be made available to the families in most need, in collaboration with charity associations.

Scope	Achievement
<b>Communications and Information Technology</b>	<p>The growth in the size of the telecommunications market by 7.1%, and the increase in the size of the information technology sector by 14.6% in FY 2022 compared to the same period in FY 2021.</p>
	<p>The growth in the number of technology companies listed in the stock market from 3 companies in FY 2021 to 9 listed companies in the stock market in FY 2022.</p>
	<p>Increasing the number of jobs in the sector to 340 Thousands jobs, with a growth of 7%, and increasing the percentage of women's participation to 30.5%, which is a growth of 3.3%, compared to Q2 of FY 2021.</p>
	<p>Launching the space scholarship program and sending the first batch of 30 male and female students to study qualitative specializations in the field of space, in addition to the Kingdom's accession to the "Artemis" agreement in the field of outer space exploration.</p>
<b>Saudi Data and Artificial Intelligence Authority</b>	<p>Launching the unified platform for linking and integrating electronic services, which connects 70 government bodies, 6 private sector entities and 5 Gulf countries, as the platform aims to achieve the highest levels of safety, reliability and operational durability in the exchange of electronic services. The total number of operations since the beginning of FY 2022 has reached more than 6.7 billion operations.</p>
	<p>Launching the "Tawakkalna Services" application, which includes more than 170 digital services, with 11 million users, and more than 40 partners, with the users benefiting from it in more than 77 countries around the world in 7 different languages.</p>
	<p>Developing the unified national access platform to be a single, secure and reliable point of entry that enables access to various platforms and applications of government and private entities, for more than 975 million operations since its launch, more than 19 million active users, and more than 390 government and private entities that have been linked through it. The development of three features to take advantage of the digital services provided by government and private entities, at a rate of one minute to activate the user account, and 20 seconds to process a single request.</p>

Scope	Achievement
<b>Digital Government Authority</b>	<p>The Kingdom achieved the best result in the history of the United Nations' E-Government Development Index (EGDI), advancing 12 ranks globally to rank 31<sup>th</sup>, with a rate of 85.4% The Kingdom also advanced 39 ranks in the Electronic Services Index as the country with the best advancement rate in the G20 countries.</p>
	<p>The Kingdom ranked first in providing digital government services and interacting with citizens, according to the GovTech Maturity Index (GTMI) issued by the World Bank to measure the progress of countries in this field.</p>
	<p>The issuance of 15 licenses for platforms and digital products, with a total of 53 million transactions annually, for 10 beneficiary government agencies, in order to raise the efficiency and quality of the platforms and regulate their ownership rights.</p>
<b>Transportation and Logistics Services</b>	<p>The first virtual recruitment forum for the logistics sector was held, with the participation of more than 81 companies and offering more than 6 thousand jobs.</p>
	<p>Launching 5 public transport projects by buses in 11 cities and governorates in the Kingdom, with 42 lanes and 691 stopping stations, through 293 buses, covering approximately 1,668 km, to create the appropriate environment to attract investments, enhance competitiveness in the transport sector, and provide easier and faster transportation options.</p>
	<p>Completion of 49 projects including repairs of existing roads and improvement of road surface quality at a length of 3,690 km, which contributed to raising the level of road quality, enhancing the principle of safety and reducing road accidents.</p>
<p>Signing 50 agreements with an estimated economic return of SAR 10 bn during the Future Aviation Forum.</p>	

### Third: Key Projects Planned for FY 2023

Scope	Objective
<b>Housing</b>	Serving more than 120 thousand families as they benefit from all the housing options and solutions that the Sakani Program provides
	Deployment of electronic gates (eGates) to complete travel procedures at a number of airports in the Kingdom, with the aim of facilitating and speeding up travel procedures and enhancing border security.
<b>Saudi Data and Artificial Intelligence Authority (SDAIA)</b>	Implementing the open data strategy and enabling SDAIA to raise transparency, enhance innovation, and maximize the economic impact that is desired from open data in the Kingdom.
	Preparing the technical infrastructure for the "Tawakkalna Services" app, through which government services can be provided in one channel and contributing to reducing the development and operational costs.
	Increasing the percentage of coverage of optical fibers for homes in all regions of the Kingdom from 61% to 64%, as well as raising the percentage of mobile broadband coverage (4G) from 97.3% to 99% in FY 2023, compared to FY 2022.
<b>Communications and Information Technology</b>	Increasing the capacity of data centers and cloud services from 98.12 megawatts in Q3 of FY 2022 to 150 megawatts by the end of FY 2023.
	Providing 40 thousand qualitative training opportunities for national cadres, within the Future Skills Initiative to develop digital skills by the end of FY 2023.

Scope	Objective
<b>Digital Government Authority</b>	<p>Contributing to the activation and adoption of the principle of comprehensive government by motivating government bodies to benefit from shared technical resources, improving the experience of the beneficiaries of digital government services and products, and maximizing economic return by improving spending and sustaining digital transformation.</p> <hr/> <p>Launching the Technical Classification Platform for contractors in the communications and information technology sector to increase the participation of the private sector in digital government procurement and the localization of supply chains, services and goods, and stimulating the private sector to invest with high value goods and services.</p>
<b>Transportation and Logistics Services</b>	<p>Launching 12 platforms to enhance the quality and competitiveness of logistics services and raise the efficiency of the movement of goods.</p> <hr/> <p>Increasing freight capacity through railways to reach 12.8 million tons and 800 thousand equivalent units to reduce the cost and duration of transportation, develop the industrial sector, raise quality and safety, link the various cities and ports of the Kingdom, and reduce carbon emissions.</p> <hr/> <p>Reducing carbon emissions resulting from land transportation means, and that through the movement of trains at a rate of 36 thousand tons, which are environmentally friendly because of their contribution to reducing emissions.</p> <hr/> <p>Providing jobs and developing human capabilities in the railway transport sector, at various job levels to reach a percentage of 86%.</p>

## Education Sector

### First: Overview

**Sector Allocation**  
in FY2023 Budget SAR **189** bn

**Sector Mandate** Schools, colleges, and university cities; managing external scholarship programs of the Custodian of the two Holy Mosques; support of research, development and innovation; university hospitals. and supporting knowledge sources

**Number of Government**  
Bodies Serving the Sector **36**

### Second: Key Projects Achievements in FY 2022

Scope	Achievement
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The success of cooperation between King Abdulaziz City for Science and Technology, the Jeddah Municipality and the Public Health Authority (Wiqaya), in partnership with the Commonwealth Scientific and Industrial Research Organization in Australia (CSIRO), and the preparation of the first research facility of its kind in the Middle East capable of cultivating and breeding mosquitoes that are resistant to dengue fever.

#### King Abdulaziz City for Science and Technology

The completion of the initial operation of the project for the development of advanced building technologies to accelerate the process of building and constructing housing in a period not exceeding 30 days, with the automation of all manufacturing processes.

The completion of the delivery of the production line of the first factory for aerostructure from composite materials in the Kingdom to SAMI to start the operation phase, with the aim of localizing 50% of the military industries by FY 2023.



Scope	Achievement
<b>Education</b>	The Kingdom ranked 35 <sup>th</sup> in the world out of 191 countries in the Human Development Index in the United Nations' Development Program Report for 2022. The accreditation of Yanbu Industrial City within the global network of learning cities among 9 Arab cities, and 294 cities around the world.
	The Kingdom's male and female teachers won two international awards in the category of Microsoft Experts for Creative Learning, and another award for the Microsoft Schools category, at the Global Experience Exchange Conference 2022.
	Launching the Nourah Sports Portal to qualify women's sports teams and clubs and to promote local and international participation.
	Building 71 modern schools and educational complexes that include 1,634 classrooms with a capacity of 50 thousand male and female students in Jeddah within 50 days.
	Launching the fourth phase of the Custodian of the Two Holy Mosques' External Scholarship Program with qualitative and vital disciplines in line with the needs of the labor market, as the number of beneficiaries reached 2,328 male and female students to date.

### Third: Key Projects Planned for FY 2023

Scope	Objective
<b>King Abdulaziz City for Science and Technology</b>	Establishing and operating the Capabilities Center for the Fourth Industrial Revolution in the sectors of energy, mining, and industry and logistics, to provide specialized training, consultations, laboratories for research and development and innovation.
	Production of carbon fibers with high mechanical specifications, for aerospace, aviation, energy and defense applications, to increase the efficiency of utilization of raw materials and diversify local production sources.

Scope	Objective
<b>Education</b>	Creating the first national system for financing and supporting research and innovation under the title "Institutional Funding Program," where support is based on the strategy and research identity of Saudi universities.
	Launching the "Study in Saudi Arabia" platform to introduce the Kingdom's efforts in the field of scholarships, standardize the admission process and speed up procedures for non-Saudi students in all countries of the world.
	Designating boarding schools to localize the special education industry and create more than 3.6 thousand direct job opportunities.

## Municipal Services Sector

### First: Overview

#### Sector Allocation in FY2023 Budget

SAR **63** bn

#### Sector Mandate

Infrastructure of cities; developing Saudi cities; holding entertainment activities, festivals and occasions' and increasing the quality of life within cities

#### Number of Government Bodies Serving the Sector

**300**

### Second: Key Projects Achievements in FY 2022

Scope	Achievement
	<p>Completing the development of a number of parks with a total area of 910,364 m<sup>2</sup>, and residential neighborhoods with gardens and squares of 12 km, to make cities more human-friendlier and to create a healthy and environment-friendly environment.</p>
	<p>Signing more than 2,400 investment contracts and offering more than 2,700 investment opportunities to create job opportunities for citizens and make the best use of municipal assets.</p>
<b>Municipal Services</b>	<p>Developing Al-Khobar Corniche as a standard environmentally friendly beach for the first time in the Kingdom to contribute to enhancing the city's tourism potential and raising the quality of life in the region.</p>
	<p>Launching the initiative of municipal incubators and mobile stores, with the aim of organizing the mobile sales market and supporting beneficiaries; As the number of municipal incubators reached 917 sales outlets in 148 municipal incubators at the city level.</p>

### Third: Key Projects Planned for FY 2023

Scope	Objective
<b>Municipal Services</b>	Completing the third phase of the Investment Infrastructure Development Strategy by establishing 5 new companies as investment arms for municipalities, with the aim of enhancing the utilization of municipal assets and improving the quality of services provided.
	Developing and updating local and regional lots, preparing urban codes for 5 regions and 45 governorates, and establishing design studios for urban codes in municipalities.
	Finishing Preparation and Development of a comprehensive strategic plan for the paths of valleys and torrents within urban areas in all cities and governorates of the Kingdom.

## Health and Social Development Sector

### First: Overview

**Sector Allocation**  
in FY2023 Budget

SAR **189** bn

**Sector Mandate**

Health development including health and ambulatory care, legislations, and research. Social Development including security and protection services; in addition to cultural, media, sport, and entertainment services; and the management of the Quality of Life Program

**Number of Government**  
Bodies Serving the Sector

**25**

### Second: Key Projects Achievements in FY 2022

Scope	Achievement
<b>Media</b>	Establishing a center for Quranic recitations and hadiths to be a reliable production source for all relevant broadcasts and channels, and a destination for reciters and performers of different nationalities to record and archive recitations, complete readings of the Quran, and hadiths.
	Launching the Mediathon Initiative to open a window between the media and society to achieve effective participation, develop the media ecosystem, and provide solutions to media challenges in innovative ways.

Scope	Achievement
<b>Entertainment</b>	<p>Launching the Entertainment Leaders Program to develop national cadres to qualify 30 executive leaders who are decision makers, through scholarships and training in the field of leadership development in cooperation with leading universities and international companies.</p> <hr/> <p>The conclusion of the Riyadh season 2021 in Q1 of 2022, as the largest entertainment event in the region, achieving more than 15 million visitors, including 2.5 million visitors from outside Riyadh, and 230 thousand tourists from 130 countries, with the participation of more than 5 thousand talents, and the provision of 150 thousand jobs.</p> <hr/> <p>Launching a financial guarantee program to encourage participation in the entertainment sector and increasing the percentage of financing small, micro and medium enterprises to enhance the local entertainment content and diversify entertainment options.</p>
<b>Sports</b>	<p>Launching the neighborhood recreational clubs' program, tournaments and educational games outside school hours, with the participation of 270 clubs, and activating the sports groups program within 7 universities throughout the year, in cooperation with the Ministry of Education, to serve more than 46 thousand beneficiaries.</p> <hr/> <p>The issuance of 68 licenses for sports academies, with the aim of increasing the size of the sports sector, enhancing the economic return, and creating jobs in various sports fields.</p> <hr/> <p>Developing and operating 6 football pitches, a running track, and two sports halls for martial arts and handball, to improve sports facilities and provide various high-quality services.</p> <hr/> <p>Organizing 22 international sporting events in the Kingdom during FY 2022.</p>
<b>Relief and Humanitarian Aid</b>	<p>Launching projects within the Food and Agricultural Security in the Countries of the World Program, with a total amount of \$53 million provided to 47 countries around the world to assist nearly 7 million beneficiaries during FY 2022 and managing hospitals and health centers in 7 countries around the world to provide vaccines, dialysis, prostheses and emergency services with more than \$51 million.</p>

Scope	Achievement
<b>Health</b>	Expanding the services of virtual clinic, as the number of beneficiaries reached 4.5 million by the end of the Q2 of 2022.
	Operating the first 20 specialized clinics in medical rehabilitation services and linking them to the "Mawid" System in the regions and communities, with the aim of facilitating access to the service and improving the quality of services.
	Adopting the start of the vaccination program with the Papillomavirus Vaccine within the school stages (first grade of middle school), and training 3,347 health counselors thus far on health awareness about the Papillomavirus using approved educational materials in 22 directorates and health clusters.
	Opening 13 smoking cessation clinics within the prisons without smoking project, in cooperation with the General Directorate of Prisons.
	The rate of immunization against the "COVID-19" virus has reached about 86% for first doses at 26 million doses, 81% for second doses at about 24 million doses, and 40% for booster doses at 12 million doses.
<b>Social Development</b>	Activating dental services for health care patients and activating it in 9 regions and serving 3,996 beneficiaries.
	Training 100 thousand beneficiaries of social security who are able to work and enabling 40 thousand of them by providing job opportunities commensurate with their qualifications and abilities.
<b>Human Resources</b>	The number of Saudis in the labor market has reached approximately 2.2 million qualified Saudis, which is the highest historically in terms of the number of Saudi workers in the private sector, in addition to a decrease in the unemployment rate, as it reached 9.7% in Q2 of FY 2022.
	Achieving the target of the Localization Program - the first phase - by achieving more than 161 thousand jobs, exceeding the target (115 thousand jobs), and launching 9 localization decisions aimed at creating more than 77 thousand jobs.
	Establishing and activating the National Center for Non-Profit Sector to supervise and operate the sector to contribute to its growth and raise the level of governance and transparency.

### Third: Key Projects Planned for FY 2023

Scope	Objective
<b>Media</b>	<p>Launching a reliable encyclopedic, visual platform "Saudipedia" and marketing it internationally. The platform is to publish articles in several languages with content in the religious, social, cultural, historical, economic and political categories.</p> <p>Launching the "IGNITE" program of the vocational training for digital content initiative, and the digital advertising academy initiative, to provide 300 vocational training opportunities in the fields of games, video, audio and digital advertising.</p>
<b>Sports</b>	<p>Holding the Saudi Sports for All Federation's Expo (SFA - EXPO) and raising the Kingdom's participation in regional and international sporting events.</p> <p>An initiative to empower and encourage the private sector to contribute to the development of the sports sector, through the transfer of knowledge and training to increase investment knowledge in the sports field.</p>
<b>Human Resources</b>	<p>Localization of more than 11 activities and professions in a number of sectors to raise the quality of workers in them, promote the growth of the local labor market and increase job opportunities for citizens.</p> <p>Launching the Localization Program - the second phase - to increase job opportunities for citizens by providing 170 thousand jobs.</p> <p>Signing a professional examination agreement to regulate the recruitment of non-Saudi workers, regulate the contractual relationship, and contribute to the Kingdom's ranking in the global competitiveness level.</p>

Scope	Objective
<b>Social Development</b>	Opening 3 social and day-care clubs to serve the elderly, in partnership with the private and non-profit sectors, targeting 49 clubs by FY 2030.
	Create a unified social responsibility platform and automate the linking of social responsibility projects and initiatives between sectors (public, private and non-profit).
	Empowering 27.3% of social security beneficiaries in the labor market through the social services system.
	Increasing the number of volunteers in the Kingdom to 480 thousand volunteers, which will increase the number of volunteer opportunities to 260 thousand volunteer opportunities in FY 2023.
<b>Health</b>	Inaugurating 3 hospitals around the Kingdom with a total targeted capacity of 900 beds.
	The electronic archiving of cardiac images and linking all heart centers, to enable accurate diagnoses remotely, and to facilitate communication between the patient and the doctor.
	Expanding the specialized services for the elderly by adopting 4 hospitals in the main provinces (Central, Western, Eastern and Southern) to become elderly-friendly hospitals, in addition to expanding the scope of home health services by adding (home dialysis services, home ventilator services, mother and childcare services after home birth and palliative care).
	Activating primary care services through a-doctor-for-every-family model, with the aim to complete the registration of beneficiaries to have the coverage reach 20 million beneficiaries.
	Increasing the number of non-profit health organizations by 15 organizations to reach 230 organizations and increasing the health programs they provide to the community to reach 2,800 programs, in addition to increasing the participation of volunteers in the activities of associations to 15,200 volunteers by the end of 2023.
Expanding the medical coverage to peripheral areas through 60 mobile clinics to provide primary health care services, to reach a coverage rate of 88% for the year 2023.	



## Economic Resources Sector

### First: Overview

#### Sector Allocation in FY2023 Budget

SAR **72** bn

#### Sector Mandate

Environmental infrastructure, water, agriculture, water desalination, sanitation, energy sources and mineral resources, in addition to development of tourism, investment environment, industry, space industry, exports, supporting SMEs, enhancing local content, and fiscal economic planning

#### Number of Government Bodies Serving the Sector

**42**

### Second: Key Projects Achievements in FY 2022

#### Scope

#### Achievement

#### Spending Efficiency and Government Projects

Achieving a direct financial reduction of SAR 25 bn and an indirect financial reduction by avoiding additional costs of SAR 20 bn for FY 2022, as a result of raising the efficiency of government spending practices by redirecting the achieved reduction to priority and development projects to achieve Kingdom's objectives for 2030.

The conclusion of a number of framework agreements worth SAR 7 bn in FY 2022, which resulted in reducing the unit price by a rate ranging from 10% to 40% for services and products that are purchased by government bodies.

Localization of jobs in operation and maintenance contracts and the preparation of training programs by providing 28 thousand job opportunities for Saudis for FY 2022.

Scope	Achievement
<b>Environment, Water and Agriculture</b>	<p>Activating the governance of the food security system with the participation of 11 representatives from the pertinent authorities to enhance food security in the Kingdom to provide food commodities in light of the Russian-Ukrainian crisis by allocating SAR 9.5 bn, to address the effects of the rise in global prices.</p>
	<p>Launching direct support for more than 61 thousand beneficiaries of small agricultural producers and rural families, with more than SAR 1 bn to help them cover production costs and ensure a minimum level of income for citizens in rural areas.</p>
	<p>Enhancing the sources of drinking water from groundwater in various regions of the Kingdom by digging 143 wells with a production capacity of 357 thousand m<sup>3</sup>/day.</p>
	<p>Enhancing the strategic storage system for desalinated water and the integrated linking system for desalinated water in the Kingdom and delivering it to more regions, cities and governorates, through introducing desalinated water transportation systems with transportation capacities that exceed 500 thousand m<sup>3</sup>/day</p>
	<p>Increasing coverage of water services in various regions of the Kingdom through the construction of 28 new reservoirs and the implementation of 36 projects at a cost of more than SAR 806 million.</p>
<b>Commerce</b>	<p>The Kingdom advances 8 ranks globally in the World Competitiveness Rankings Yearbook, and it also recorded the second-best progress among the countries being measured, and the 7<sup>th</sup> place among the G20 countries.</p>
	<p>Achieving the One Global Ecosystem Award for the stimulation and enablement of entrepreneurship and achieving an advanced level of 99% in the United Nations' E-Government Development Index (EGDI).</p>
	<p>The issuance of the Companies Law to contribute to stimulating investment and overcoming obstacles facing the business environment, and the launch of the new version of the electronic voting system for chambers of commerce without human intervention, which increases the transparency and governance of elections.</p>

Scope	Achievement
<b>Industry and Mineral Resources</b>	The first mining auction for licenses for quarries of building materials was launched after the implementation of the new Mining Investment Law, for 13 sites, with total revenues exceeding SAR 39 million.
	Developing more than 56 million m <sup>2</sup> as industrial sites in the cities of the Royal Commission for Jubail and Yanbu to provide a pioneering industrial infrastructure in the special economic zones.
	Establishing 176 ready factories and products in the industrial cities of Sudair, Dammam II and Al-Kharj to increase the percentage of investment opportunities for factory owners.
	Launching the Industry Hackathon with the aim of linking talents and people who have ideas with Saudi manufacturers to arrive at creative solutions to real challenges, through the participation of 2,000 applicants.
	Attracting Lucid Motors Company, a promising company in the electric car industry, to King Abdullah Economic City, to base its first factory outside the United States of America, which aims to manufacture 300,000 cars annually by 2030.
	The issuance of 855 industrial licenses and 576 mining licenses until the end of November of 2022 to support an increase in the volume of industrial and mining investments.
<b>Small and Medium Enterprises (SMEs)</b>	The Kingdom achieved second place in the number and value of venture capital deals in the Middle East and North Africa, with a growth rate of 108% from the beginning of this year until the end of Q3, compared to the same period last year, with a record total of SAR 3 bn and SAR 68 million, exceeding the total investments in the entire FY 2021, which contributed to the Kingdom maintaining its rank as the second largest country in the region in attracting venture capital.
	Organizing the Global Entrepreneurship Conference (GEC) and signing agreements and partnerships exceeding SAR 50 bn, in the presence of the most prominent economy and investment leaders globally, with the participation of more than 180 countries.
	Providing financial guarantees for financing channels reaching SAR 71.3 bn, with more than 17,172 establishments benefiting until the end of Q3 of FY 2022, provided by the Guarantee Program "Kafalah".

Scope	Achievement
<b>Local Content</b>	Developing and raising the number of national products included in the mandatory list that must be purchased from national factories to more than 600 products to enable national factories and develop local content.
	Issuing unified sukuk in the name of State Properties, which contributes to facilitating investment in Giga projects and also results in social returns.
<b>State Properties</b>	Providing a new regulatory channel that allows the current user to own agricultural lands after evaluating them and if the case for the futility of keeping them in the state's real estate portfolio becomes apparent. This is conducted by obliging him to apply the standards of raising vegetation and preserving environmental life, which will be provided through the Saudi Green Initiative.
	The Kingdom's leadership of the OPEC+ group, supporting the stability of the petrol markets compared to the large fluctuations in other energy markets, and reaching a decision to extend the OPEC+ Agreement until the end of FY 2023 while reducing production from the production levels allocated to countries in August by two million barrels per day, in a proactive measure that reflects the group's cohesion despite the challenges.
<b>Energy</b>	The completion of several major works for the project to build the first nuclear power plant in the Kingdom, and the receipt of bids to build the first nuclear power plant in the Kingdom on 31 <sup>st</sup> of December 2022.
	Announcing the signing of energy purchase agreements for Al-Rass, Seid and Laila solar photoelectric projects with a total capacity of 1,091 megawatts, which will contribute to attracting investments estimated at about SAR 2.9 bn. It is part of the initiative of the Custodian of the Two Holy Mosques for renewable energy in the Kingdom.
	Introducing clean diesel in the Saudi markets to reduce fuel consumption and benefit the end consumer environmentally and economically.

Scope	Achievement
<b>Tourism</b>	Launching a campaign to raise awareness of the Kingdom as a global tourist destination, which contributes to enhancing the Kingdom's position globally, as the percentage of awareness of tourism in the Kingdom was measured and achieved 95% in the Middle East, 87% in Asia, and 86% in America and Europe.
	Launching a campaign to stimulate domestic tourism to raise the number of visits in the Kingdom and tourism spending in the Kingdom of Saudi Arabia from within, and to contribute to raising the GDP, as the number of domestic visits reached more than 33 million visits during the first five months of FY 2022.

### Third: Key Projects Planned for FY 2023

Scope	Objective
<b>Spending Efficiency and Government Projects</b>	Providing 28 thousand job opportunities for Saudis in FY 2023, through the localization of jobs in operation and maintenance contracts and the preparation of training programs.
	Achieving financial savings of SAR 30 bn by raising the efficiency of CAPEX and OPEX for projects, in joint cooperation with government bodies.
<b>Commerce</b>	Building a disaster recovery center to restore services and business (Disaster Recovery Site) to ensure business continuity and avoid disasters that lead to disruption of the entity's operations and customer service problems.
	Expanding the geographical coverage of commercial attaches to develop trade exchange, enhancing the role of the private sector in international trade through the Saudi foreign business councils, introducing representatives of counterpart countries to the climate and trade opportunities, and overcoming trade obstacles.
	Automation of price monitoring and supply stock follow-up in order to monitor the price movement of commodities and control stock provision.

Scope	Objective
<b>Industry and Mineral Resources</b>	Localizing qualitative industries in 10 sectors, including the automotive industry, marine industries, medical and pharmaceutical industries, by activating the National Strategy for Industry.
	Attracting qualitative industrial investments to the cities of the Royal Commission for Jubail and Yanbu, with investments estimated at SAR 24.8 bn, and providing approximately 7,200 job opportunities. The development of industrial sites for the Royal Commission with an area of about 8 million m <sup>2</sup> to attract industrial investments.
	Establishing 105 ready and functioning factories in the Jazan Industrial City, Qassim Industrial Oasis, and Dammam Second Industrial City, to complete the infrastructure services of the industrial cities, and increase the percentage of investment opportunities for factory owners.
	Supporting promising industries by developing 44 promising investment opportunities in the machinery and equipment sector, to increase the size of local industry and reduce the volume of imports.
	Supporting the basic supply chains of the aviation industry by developing 10 promising investment opportunities to bring about highly advanced industries and transfer knowledge in the aviation industry to the Kingdom.
	Registering the trademark for the phrase "Made in Saudi" in the Gulf Cooperation Council (GCC) and the identified regional, Islamic and global countries to enhance the international presence.
<b>Small and Medium Enterprises</b>	Launching the national platform for e-commerce through a unified electronic portal that supports the e-commerce ecosystem for SMEs. Hosting the Entrepreneurship World Cup (EWC) competition in cooperation with the Global Entrepreneurship Network (GEN) nonprofit organization, through attracting 100 entrepreneurs from 200 countries around the world.
<b>Local Content</b>	Developing a marketing brand for local content on products and services in cooperation with the Made in Saudi Program, with the aim of directing purchasing power towards the elements of local content.

Scope	Objective
<b>State Properties</b>	Organizing processes of requests for all government bodies through a methodology and mechanisms for future planning and aligning them with the budget.
	Completion of nearly 90% of the applications of the beneficiaries who applied through the General Secretariat of the Committees for Consideration of Real Estate Ownership Applications (EHKAAM).
<b>Energy</b>	Developing and posting 10 renewable energy projects with an estimated capacity of 7 gigawatts to provide commercial opportunities and enhance the efforts of localization programs and local content.
	Implementing the national strategy for petrochemicals to convert 4 million barrels per day of petroleum and gas liquids into petrochemicals inside and outside the Kingdom.
	Reducing the consumption of diesel fuel in the production of electric power by 5,062 barrels and connecting its users to the electrical grid.
	Enhancing the Kingdom's electrical interconnection with countries and the trade exchange of electricity to maximize the benefit from the Kingdom's strategic location to be a global center for interconnection and export of electric power.
<b>Environment, Water and Agriculture</b>	Increasing the percentage of drinking water coverage for the population to 88.7% increasing the percentage of sanitation service coverage for the population to 65.5%, and increasing the average daily pumping hours for the serviced neighborhoods by 21.5 hours by the end of FY 2023.
	Achieving food security by increasing annual lending to finance the credit portfolio for FY 2023 with SAR 6.5 bn, supporting sustainable rural agricultural development with SAR 500-600 million according to the comparative advantages of the regions.
	Construction of 33 dams with a storage capacity of 507 million m <sup>3</sup> , in addition to drilling 19 wells in various regions of the Kingdom to increase the coverage of water supplies to remote areas by 36 thousand m <sup>3</sup> per day.
	Establishment of the regional center for climate change in Jeddah, and the establishment of the regional center for early warning of dust and sandstorms.

Scope	Objective
<b>Economy and Planning</b>	<p>Leading the Kingdom's efforts in the file of the Development Working Group under the Indian G20 Presidency to promote development in countries and highlight the Kingdom's efforts and its global role in supporting the development of developing countries.</p>
	<p>Providing detailed results of the general population and housing census and making them available to decision makers, policy makers and researchers to support development plans over the next ten years.</p>
	<p>The meeting of the Saudi-Brunei Committee for its second session was held in Brunei, and the Saudi Korean Committee for its fifth session was held in Korea, with the aim of enhancing economic cooperation between the Kingdom and Brunei, as well as between the Kingdom and Korea, enabling the proposed economic cooperation opportunities and preserving the relationship between the Kingdom and the two countries.</p>
<b>Tourism</b>	<p>Achieving 834 thousand jobs in the tourism sector by enabling the growth of the tourism sector that is directed at the local and international tourists, as it contributes to reducing unemployment rates and creating new job tracks and professions in the labor market, with approximately 1.6 million tourism jobs, as defined in the National Strategy for Tourism.</p>
	<p>Achieving 5.2% as a percentage of the tourism sector's contribution to the Kingdom's GDP, emanating from the National Strategy for Tourism, by enabling the growth of the tourism sector that is directed at local and international tourists.</p>



## Public Administration Sector

### First: Overview

**Sector Allocation**  
in FY2023 Budget SAR **37** bn

**Sector Mandate** Supporting administrative and legislative bodies, the Ministry of Foreign Affairs, courts, Islamic affairs, human rights and care of the Two Holy Mosques.

**Number of Government**  
Bodies Serving the Sector **33**

### Second: Key Projects Achievements in FY 2022

#### Scope

#### Achievement

Hosting 2,279 pilgrims and Umrah performers from the families of the martyrs, injured, and those returning from captivity, and from among the participants in Operation Decisive Storm and Operation Restoring Hope, and from outside the Kingdom in the Hajj in 1443 AH.

### Islamic Affairs

Implementing Iftar programs, distributing dates and leading the prayers to all Muslims in foreign communities during the blessed month of Ramadan for the year 1443 AH, in various countries of the world, with an average of 34 countries for breaking the fast, 24 countries for dates, and 19 imams to 9 countries.

Scope	Achievement
<b>Justice</b>	The launch of the Virtual Court of the Integrated Execution System, a digital structure that ensures that all execution court procedures are completed automatically, with the aim of accelerating 50% of the execution court procedures.
	The inauguration of the Case Preparation Center within the Administrative Support and Organization at Courts, and the launch of a litigation platform in all enforcement courts in 53 cities in the Kingdom, in addition to the general courts, which are in 21 cities in the Kingdom.
	The inauguration of the Personal Status Court and the Appeal Court in the Eastern Region, as model courts, as part of the initiative to prepare and develop courts according to the unified standard identity of all courts in the Kingdom.
	Launching the "Tajeer" Platform, in cooperation with the Transport Authority, with the aim of improving the customer's experience by automatically retrieving data and contract details from the "Tajeer" platform.
<b>Hajj and Umrah</b>	Launching 13 awareness guides in 14 international languages covering different aspects of the guest of Rahman's journey, such as the Ihram Guide, and the Makkah and Madinah Landmarks Guide.
	Launching 21 approved electronic platforms for the services of individual pilgrims from all over the world (B2C) to provide all means and capabilities to facilitate their arrival and contribute to increasing their numbers and enabling them to design their Umrah program and book services directly.
	Expanding the scope of the services of the "Etamarna" App internationally (124 countries so far) to enable those wishing to perform Umrah to book permits for Umrah and for performing prayer in the "Blessed Rawdah" before coming to the Kingdom to provide all means to facilitate the affairs of Umrah performers and enrich their experience.
	Extending the period of stay on the Umrah visa to 3 months to enable the applying Umrah performers to move between the cities of the Kingdom and contribute to enriching their knowledge experience.
	Launching the International Hajj and Umrah Services Conference and Exhibition to facilitate communication, exchange experiences and raise the quality of services provided to pilgrims and Umrah performers.

Scope	Achievement
	<p>Launching the unified national platform for visas and the application of the biometric fingerprint to enable citizens, residents, government agencies and the business sector to obtain visas, authorizations and health services through a unified platform, with the number of beneficiaries exceeding 7 million.</p>
	<p>Launching the service of issuing a marine transit visa electronically (E-visa) for those coming to the Kingdom via cruise ships, with more than 38 thousand visas until the beginning of August of this year, in cooperation with the PIF.</p>
	<p>Increasing the validity of visitor visas to the United States of America for Saudi citizens to 10 years instead of 5 years, as well as the electronic exemption from the entry visa for Saudi citizens to Britain.</p>
<b>Foreign Affairs</b>	
	<p>Riyadh's candidacy to host Expo 2030, which gained the support of 120 countries by communicating with a number of countries on all continents to contribute to achieving the Kingdom's economic and development interests regionally and internationally.</p>
	<p>The Kingdom's support for the efforts of the Alliance of Civilizations, with \$1 million to spread peace and tolerance, and to enhance the role of multi-diplomacy.</p>
	<p>The Kingdom won membership in the International Atomic Energy Agency (IAEA) Board of Governors on behalf of the Middle East and South Asia (MESA) group for the period 2022-2024.</p>

### Third: Key Projects Planned for FY 2023

Scope	Objective
<b>Islamic Affairs</b>	<p>Printing 18 million copies of the Qur'an and translations for the publications of the King Fahd Glorious Qur'an Printing Complex, to spread the Holy Book of Allah all over the world and translate its meanings to reach the countries of the world.</p> <p>Holding more than 600 thousand lectures, lessons and seminars in about 100 countries in the world, for more than 100 thousand targeted beneficiaries, to spread true Islam and reject extremism, immoderation and terrorism.</p>
<b>Justice</b>	<p>Organizing and holding the annual judicial conference and launching the "Real Estate Market" Platform for trading and registering real estate properties with the aim of enhancing the real estate market in the Kingdom.</p> <p>Launching and activating the objection to traffic violations in the courts, as part of the issued and transformational strategic objectives in consolidating the principles and concepts of judicial stability and independence in Saudi Arabia.</p>
<b>Hajj and Umrah</b>	<p>Launching the judicial legislation platform to enable all members of society, whether they are beneficiaries or specialists (judges and lawyers), to view judicial legislation and its updates from a reliable source from the Ministry of Justice.</p> <p>Establishing 18 centers in each of Makkah Al-Mukarramah, Al-Madinah Al-Munawwarah, and the holy sites to provide quality, impactful services for Doyof of Al-Rahman (Enayah) for direction and guidance.</p> <p>Implementation of the project of allocating slaughterhouses in the holy site of Mina to preserve the environment of Makkah Al-Mukarramah and the holy sites in accordance with the Sharia and the health regulations, for sacrificial animals and the distribution of meat to the poor and deserving.</p> <p>Establishing a specialized entrepreneurship center to support and empower entrepreneurs and emerging projects in the Hajj and Umrah sector to raise the rate of the local economy, contribute to the employment of national cadres and raise the level of creativity and innovation of the entrepreneurial community.</p>

Scope	Objective
<b>Foreign Affairs</b>	The Kingdom's candidacy for membership in the Executive Board of the United Nations Educational, Scientific and Cultural Organization (UNESCO) during the elections scheduled to be held in November of 2023 in Paris. Moreover, the Kingdom's candidacy for membership of the International Maritime Council (IMO) for the period 2024-2025, whose elections are scheduled to be held in 2023 in London.
	Establishing an electronic platform to deal with international jobs through all stages of employing Saudis in regional and international organizations and bodies to contribute to raising the number of citizens working in regional and international organizations.
	Improving the strength and ranking of the Saudi passport by negotiating with countries to exempt citizens from the requirement of obtaining a visa.

## Military Sector

### First: Overview

**Sector Allocation**  
in FY2023 Budget

SAR **259** bn

**Sector Mandate**

National Defense, developing military capabilities, military cities and bases, military hospitals and medical services, military colleges and universities, nationalization of military industries, and military research

**Number of Government**  
Bodies Serving the Sector

**17**

### Second: Key Projects Achievements in FY 2022

Scope	Achievement
<b>Ministry of the National Guard</b>	Conducting the first case of arteriovenous fistula for hemodialysis without surgical intervention in King Abdulaziz City in Health Affairs of the Ministry of National Guard, which is the first in the Kingdom, and conducting 332 bone marrow transplants in Princess Nourah Center in King Abdulaziz Medical City in Jeddah.
	Localization of a number of contracts, such as transportation and sea freight services for National Guard equipment and the support contract, in addition to localizing the operation and maintenance of the Ministry's communications network.

Scope	Achievement
<b>General Authority for Military Industries</b>	Enhancing the skills of the workforce in the military industries sector and increasing the employment of national cadres through the establishment of the National Academy for Military Industries.
	Holding the World Defense Show, in its first edition 2022, in Riyadh, with the aim of highlighting the military and defense capabilities of the Kingdom, to enhance the competition with the largest global defense shows. The signing of localization agreements worth SAR 8 bn and achieving financial returns from the value of the contracts that were made and signed on the sidelines of the show, with a value of SAR 29.7 bn.
<b>Ministry of Defense</b>	Reducing the average stay in intensive care departments in Ministry of Defense hospitals by 45%, from an average of 6.1 days to 3.3 days, which contributed to raising operational efficiency by SAR 381 million annually and reducing the number of "Myocardial Insufficiency" patients by 25% by following up on the patient's condition remotely through smart devices, and reducing the rate of Cesarean Delivery by 35%.

### Third: Key Projects Planned for FY 2023

Scope	Objective
<b>General Authority for Military Industries</b>	Developing an operational model to monitor and develop local manufacturers in the military sector, in addition to conducting benchmarking and setting indicators to monitor and measure the strategic performance of military procurement in the Kingdom and its impact on the Saudi economy to support the sector in decision-making.

## Security and Regional Administration Sector

### First: Overview

#### Sector Allocation in FY2023 Budget

SAR **105** bn

#### Sector Mandate

Emirates of provinces regions, internal security, border guards, combating crime and drugs, state security and combating terrorism and extremism, civil defense, traffic safety, reformatories and prisons administration, passport administration, protection of vital facilities, e-services for citizens provided by the Civil Affairs, and cybersecurity

#### Number of Government Bodies Serving the Sector

**30**

### Second: Key Projects Achievements in FY 2022

Scope	Achievement
	The Authority obtained a Certificate of Excellence from the World Summit on the Information Society for the Cybersecurity Challenge Initiative
	Launching the National Portal for Cybersecurity Services "Haseen" to provide four cyber services through four platforms for government bodies in the Kingdom.
<b>National Cybersecurity Authority</b>	Registration of more than 101 cybersecurity service providers for entities that provide security services, solutions or products, to regulate the cybersecurity sector in the Kingdom.
	Launching the "CyberIC" Program, with the participation of 10 thousand citizens, to develop skills and knowledge in the areas of cybersecurity and stimulate the growth of the sector in the Kingdom.
	Launching the "Cyber Security Challenge" Initiative, with the participation of 855 participants, providing 118 cyber solutions to enhance the private sector's contribution, create job and localize technologies in the field of cybersecurity.

Scope	Achievement
	<p>The opening of 17 new security headquarters in various regions of the Kingdom, including 6 new headquarters for the Directorate of Civil Defense, 3 new headquarters for the General Directorate of Passports, 3 new headquarters for Environmental Security, and 5 branches of the General Directorate of Narcotics Control, all of which will contribute to the speed of serving beneficiaries and keeping pace with urban expansion.</p>
	<p>Improving the Kingdom's global ranking in the international security indicators in the Global Peace Report, in the index of the rate of intentional homicides per 100 thousand people; the Kingdom ranked 6th among the G20 for FY 2022, while it ranked 7th for FY 2021. Moreover, the Kingdom maintained its standing among the best ranking G20 countries FY 2022 in this index, for the countries with the lowest rate of violent crime.</p>
<b>Ministry of Interior</b>	<p>Improving the services provided to the beneficiaries of the "Absher" Platform, to expedite the ministry's procedures and ease access for the beneficiaries, by completing more than 26 million beneficiaries until the end of November 2022.</p>
	<p>Launching the National Platform for Early Warning by broadcasting warning messages accompanied by a distinctive tone to the phones connected to mobile communications networks and informing residents of what must be done for their safety and protection.</p>
	<p>Launching the e-passport service, which contains an electronic chip that contributes to raising the level of security protection for the passport holder's personal data and images and provides automatic verification and information scanning through smart gates at international ports.</p>
	<p>Providing the services of the mobile units, which perform the roles of Civil Affairs offices, with a direct link to the database in the National Information Center to complete the citizens' procedures, scan their fingerprints and take their pictures. The number of visits reached 1,180 visits by those who are unable to visit the branches and departments of the Civil Affairs, including people with disabilities, patients, the elderly, and those in similar situations.</p>



### Third: Key Projects Planned for FY 2023

Scope	Objective
<b>National Cybersecurity Authority</b>	<p>Providing training programs for cybersecurity officials (CISOs), in cooperation with the world's largest universities, for more than 150 officials, to empower human capital and national cadres.</p>
	<p>Stimulating the domestic industry ecosystem by establishing or supporting more than 60 emerging companies to contribute to achieving the performance indicators approved in the National Strategy for Cybersecurity.</p>
	<p>Working to raise the level of cyber awareness at the level of national entities and community members through cyber security awareness sessions for employees of national entities, mobile awareness exhibitions, various awareness bulletins, and the provision of a platform for cyber awareness (LMS).</p>
<b>Ministry of Interior</b>	<p>Launching an initiative to study and develop crowd management for the pilgrims to raise the smoothness of procedures and raise the level of safety.</p>
	<p>Contributing to improving the Kingdom's classification globally by ensuring the correct and integrated implementation of police services to enhance livability.</p>

## General Items

Total allocation to general items in FY 2023 amounted to approximately SAR 165 bn, including government contribution to pension funds and social insurance, debt service, balancing account allocation, contributions to international organizations, government programs and facilities, subsidies, contingency provision, and general rules.

### Expenditures by Sector

(SAR bn, unless otherwise stated)

Sector	Actual 2021	Estimates 2022	Budget 2023	Annual Change* (Budget 2023 - Estimates 2022)
Public Administration	34	36	37	4.0%
Military	202	245	259	5.8%
Security and Regional Administration	106	110	105	-3.9%
Municipal Services	39	61	63	3.0%
Education	192	195	189	-3.3%
Health and Social Development	197	198	189	-4.5%
Economic Resources	71	75	72	-3.7%
Infrastructure and Transportation	51	47	34	-26.9%
General Items	147	166	165	-0.4%
<b>Total</b>	<b>1,039</b>	<b>1,132</b>	<b>1,114</b>	<b>-1.6%</b>

\* Annual change percentages are based on all total values  
Figures are rounded up to the nearest decimal point

Source: MoF

## **D. Strategic Expenditure and the Economic Enablers** for FY 2023 and the Medium-Term

### **The Public Investment Fund**

The PIF is a pillar and an essential enabler of the Kingdom's Vision 2030, and the main mobilizer of the domestic economy and the diversification of its sources of income, as the fund's strategy enhances the efforts that contribute to the development of the Kingdom's wealth through investing domestically and globally to enable the growth potentials for the priority sectors in the Kingdom, which will contribute to enhancing economic diversification, contributing to the growth of non-oil GDP, increasing local content, and empowering the private sector.

The fund has achieved outstanding performance and pioneering achievements since the inception of the first iteration of it in FY 2017 and until FY 2022, as it established 66 companies in several diverse sectors, and the volume of assets under management reached more than SAR 2.3 tn by the end of Q1, in addition to its contribution to the creation of more than 500 thousand jobs directly and indirectly. The fund also announced its opening of three new regional offices, with the aim of continuing its global expansion in parallel with its local investments. This is in addition to the completion of the fund's issuance of its first international green bonds, with a value of \$3 bn, intended for financing green projects. It should also be noted that the PIF borrowed \$17 bn as a syndicated loan from international banks, which is part of it refinancing of the previous \$11 bn syndicated loan.

During FY 2022, the PIF launched a number of companies in various sectors, one of the most prominent of which is the Saudi Downtown Company, which aims to establish and develop urban centers and multiple and diverse destinations across the Kingdom, contribute to the development of the

infrastructure of cities, and strengthen strategic partnerships with the private sector and investors. The fund also launched the Saudi Coffee Company, with the aim of developing coffee production and promoting efforts to develop sustainable agriculture in the Jazan Region.

The fund also launched the Savvy Games Group, which aims to develop the electronic gaming and sports sector at the local and international levels. This is in addition to the launch of the Halal Products Development Company to raise the efficiency of the sector's ecosystem locally and export in the future to various markets around the world. The fund also announced the launch of Ceer as the first Saudi brand to manufacture electric cars in the Kingdom.

By the end of FY 2025, the fund aims to inject up to SAR 1 tn into new projects locally and contribute to the non-oil GDP by about SAR 1.2 tn cumulatively, in addition to having the assets under the management reach about SAR 4 tn, and increasing the contribution of the fund and its subsidiaries to local content to reach 60%. The fund also aims to contribute to the creation of 1.8 million direct and indirect jobs.

### **The National Investment Strategy**

The National Investment Strategy was launched in 2021, aiming to unleash the full potential of investment and raise its quality in the Kingdom. It also seeks to develop huge and diversified investment opportunities to develop priority and promising economic sectors. This is in addition to enhancing the Kingdom's competitiveness in attracting investment by adopting the best laws and regulations.

The strategy is one of the main enablers for achieving the objectives of Kingdom Vision 2030, which seeks to raise the private sector's contribution to GDP to 65% in FY 2030 and reduce the unemployment rate of the Saudi

population to 7% in FY 2030, in addition to raising the share of non-oil exports in non-oil GDP to 50% in FY 2030. The main objectives of the NIS are to double the volume of annual investments to reach SAR 2 tn, or 30% of GDP in FY 2030, in addition to attracting domestic investments reaching SAR 1.65 tn in SAR 2030, making the Kingdom a leading and attractive investment destination that is highly competitive regionally and globally.

The NIS has exceeded its targets for FY 2021, as the total investment “measured by fixed capital formation” reached around SAR 738 bn, or 23.6% of GDP. Moreover, FDI flows in FY 2021 reached around SAR 72.3 bn, or 2.3% of GDP, with the Kingdom ranking 14<sup>th</sup> among G20 countries and 23<sup>rd</sup> in the world during FY 2021 in FDI flows, according to the World Investment Report issued by the United Nations Conference on Trade and Development (UNCTAD). The strategy also includes 40 executive initiatives to enhance investment opportunities in all regions of the Kingdom according to the competitive advantages of each region, some of the most prominent of which are: the “Shareek” program to attract investments of major companies, the launch of special economic zones with attractive competitive regulations and the establishment of specialized funds for development financing, in addition to the establishment of a regional center for startups to promote entrepreneurship in the Kingdom, and establishment the Saudi Investment Marketing Authority.

In October of FY 2022, His Highness the Crown Prince launched the National Initiative for Global Supply Chain Resilience Initiative (GSCRI), which is one of the initiatives of the NIS that aims to contribute in enhancing the Kingdom’s position as a main center and a vital link, and to contribute in facing the challenges of global supply chains that have affected The efficiency and growth of the global economy, as well as enabling investors in various sectors to benefit from the Kingdom’s resources and capabilities to support and develop supply chains, and build successful investments; This gives greater flexibility

to economies and consumers around the world. This is in addition to enabling the Kingdom to achieve ambitions and aspirations that include developing and diversifying the economic resources and strengthening the Kingdom's economic position to become among the 15 largest global economies in FY 2030, through developing a unified strategy to attract strategic supply chains to the Kingdom, specifically in the vital and promising sectors in which the Kingdom has competitive advantages, such as: the petrochemicals sector, the aviation industry, renewable energy, the automotive industry, and the pharmaceuticals industry, with a focus on the perspective of global supply chain disruptions.

The initiative is based on four main investment cores: sustainability, addressing climate change, enabling future industries, in addition to opportunities emerging from global supply chains resulting from industrial transformations and advanced industries. The strategy has allocated financial incentives for this initiative, of around SAR 10 bn, in order to provide a wide package of financial and non-financial incentives to investors in supply chains. The GSCRI Initiative aims to attract investments worth SAR 40 bn during the first two years of its launch, in addition to strategically giving priority to the main promising sectors in which the Kingdom have a major competitive and strategic advantage.

### **The Mining Sector Strategy**

The Mining Sector Strategy was launched in an effort to find a new mobilizer of economic growth other than oil and gas, improving the trade balance, in addition to diversifying sources of government income, contributing to increasing economic growth in the less developed regions, and contributing to creating high-value jobs for Saudi citizens. The strategy aims for the mining sector to become the third pillar of the Saudi industry. This will be achieved by

enhancing the utilization of mineral resources to diversify the GDP, benefiting from global markets by accelerating and stimulating exploration, creating feasible investment opportunities for the sector, improving the social level arising from the development of value chains, and increasing the sector's contribution to public revenues. The sector is based on developing local value chains through an implementation plan that includes a set of initiatives, one of the most important of which is the General Program for Geological Survey, in addition to the Accelerated Exploration Program, with the amendment of the Mining Investment Law and its regulations, and the enhancement of investment in the mining sector, in addition to the establishment of a Saudi company for mining services, developing the value chain for iron and steel, as well as enabling the value chain for rare earth elements and strategic metals.

Since its launch until the current year, FY 2022, the strategy has realized many achievements, one of the most important of which is the implementation of the Mining Investment Law, which based on the best international practices in the governance of the mining sector, as more than a thousand licenses have been issued since the implementation of the law. Moreover, the Saudi Mining Services Company was established, with the aim to develop investor services and strengthen the sector's governance, in addition to launching the geophysical aerial survey of the Arabian Shield, and launching the Future Minerals Forum for 2022, with the presence of more than 7,500 participants from various countries and local and international mining companies. Moreover, the first mining competition for the Al Khunayqiyah site was launched to attract qualitative investments and enhance transparency, with the participation of 24 companies, including 12 international mining companies. Additionally, the first mining auction for the licenses of quarries for building materials was held. Also, the revenues of the mining sector reached more than SAR 1 bn for FY 2022, and many digital services for investors in the sector have also

been made available, in order to improve digital services. Furthermore, the allocation of 10 mining complexes in several site in the Kingdom has been completed.

In the medium-term, the strategy aims to launch the second edition of the Future Minerals Forum for FY 2023, and the pilot launch of the Exploration Support Program, in addition to establishing an exploration incubator and offering 14 exploration licenses through competition.

### **National Strategy for Industry**

The National Strategy for Industry was launched in FY 2022. The strategy is intended to a comprehensive road map that contributes to accelerating the pace of industrial development in the Kingdom and diversifying it in line with the objectives of the Kingdom's Vision 2030, as the strategy is based on three main objectives: building a flexible national industrial economy capable of adapting with the changes, in addition to establishing an integrated regional industrial center to meet the demand, and achieving global leadership in the manufacturing of a group of selected industrial commodities that require the adoption of a set of the technologies of the Fourth Industrial Revolution, with a focus on the areas of research, development and innovation in these goods. In order to lay the foundations necessary to achieve the strategic goals, several enablers and initiatives were adopted, some of the most notable of which are: providing qualitative capabilities to increase exports, strengthening the Kingdom's international trade agreements to facilitate the access of local products to global markets, improving financial solutions for manufacturers, developing regulations to attract foreign investors, establishing innovation centers for mature sectors, improving quality standards for the targeted group of industrial commodities, in addition to sectoral initiatives such as designing and launching a food industry cluster, and developing and preparing the



infrastructure for the applications of specialized chemicals.

The National Strategy for Industry focuses on 12 sub-sectors to diversify the industrial economy in the Kingdom and achieve ambitious economic returns for the Kingdom in the medium- and long-term, as the strategy identified more than 800 investment opportunities worth SAR 1 tn, constituting a new chapter of the sustainable growth for the sector in a way that achieves ambitious economic returns for the Kingdom by FY 2030, which includes: tripling the industrial GDP by about 3 times, and doubling the value of industrial exports to reach SAR 557 bn. The National Strategy for Industry also works to bring the total value of additional investments in the sector to SAR 1.3 tn, increase exports of advanced technical products by about 6 times, in addition to creating tens of thousands of high-value qualitative jobs, and reach the ranks of the top 20 countries in the of Competitive Industrial Performance Index and Economic Complexity Index by 2030.

In 2022, the ministry launched the Local Supply Chain Initiative for about 9 thousand industrial products, and the “Future Factories” program, which adopts the application of the “SIRI” methodology in a pioneering step that is unprecedented globally to assess the readiness of the digital maturity of factories, and the first training center in the world was established for this methodology with the aim of training 100 residents during the first year, and the program aims to transform 4,000 factories from relying on labor to automation and manufacturing efficiency to raise the competitiveness and efficiency of local factories and propel the national industry to advanced positions.

In addition, the industry ecosystem, with the participation of a number of entities, succeeded in attracting Lucid Inc, a promising company in the electric car industry to the King Abdullah Economic City, with the aim of manufacturing

300 thousand cars annually by 2030 to contribute to creating jobs and developing the Saudi economy. The ministry also issued 504 industrial licenses in H1 of FY 2022, to support an increase in the volume of industrial investments. The ministry has observed an increase in the number of industrial establishments by 7% compared to last year, with 727 new establishments; an increase in the volume of investment in the industrial sector by 20%, reaching SAR 237 bn; and an increase in the labor force in the sector by 5%, with the employment of 34,404 workers to contribute to increasing the volume of investments in the Industrial sector.

The Ministry of Industry and Mineral Resources also worked during 2022 on a number of initiatives and projects, where, in coordination with the Local Content and Government Procurement Authority, the industrial local content in government procurement was increased by including 121 products in the mandatory list of government procurement, and 208 products were added to the additional price preference list in the pharmaceutical sectors, the medical supplies sector, and a group of other products from various industrial sectors, with the aim of raising the price preference percentage granted to these products when compared to their foreign counterparts according to specific criteria for each sector. The ministry also worked to launch the unified digital platform “Ebtda” to facilitate the journey of the industrial and mining investor. The platform provides licensing services, loans, unfair competition reporting service, industrial survey service, and license status inquiry service, with the total number of visitors to the platform has reached 2,900 per month.

The Royal Commission for Jubail and Yanbu had several achievements, including the development of more than (56) million square meters as industrial sites in its cities to attract industrial investments. The Saudi Authority for Industrial Cities and Technology Zones (MODON) has worked on establishing 176 ready factories and products in the industrial cities in Sudair, Dammam

II and Al-Kharj to support entrepreneurs as well as SMEs to increase the percentage of investment opportunities for factory owners.

The Saudi Industrial Development Fund worked to launch the Industry Hackathon with the aim of linking ideas and talents with Saudi manufacturers to come up with creative solutions to real challenges, through the participation of 2,000 applicants, of whom 200 qualified, with those ranking in the top five positions given prizes amounting to SAR 1.45 million. Also, 52 loans worth SAR 1.4 bn were approved during H1 of FY 2022, and the percentage of financing small and medium projects reached 77% of the total loans approved for the development of the private sector in the fields of industry, mining, energy and logistics services. The Saudi Export-Import Bank (EXIM) has also approved credit facilities worth SAR 3.27 bn and insurance coverage worth SAR 5.06 bn for Saudi exporters and importers of Saudi non-oil goods and products to enable Saudi exporters to raise the proportion of non-oil exports, in addition to providing incentives to support Saudi manufacturers and exporters to expand their global reach during H1 of FY 2022, with the number of applications reaching 40, by more than 29 beneficiaries, with a total of SAR 2 million.

### **The National Strategy for Agriculture**

The National Strategy for Agriculture was launched with the aim of contributing to achieving local food security, enhancing the sustainability of natural resources, and stabilizing the prices of food products in the Kingdom, in addition to localizing promising industries and economic contribution, marketing local agricultural products and services by linking producers to markets, in addition to creating job opportunities and building capabilities for citizens. The strategy includes many initiatives, one of the most important of which is the initiative to localize and develop sound agricultural practices, including the development of growing promising crops, and continuing to

enhance applied agricultural research, in addition to developing a national portal for the palm and dates sector. The strategy also includes an initiative to improve sustainable livestock production, establish an animal disease survey and control program, establish an entity to develop and manage public utility markets, as well as developing laboratories and improving their quality.

One of the most prominent achievements of the strategy since its launch until the current FY 2022, is training 6 thousand male and female citizens in agricultural professions within the Professions Localization Program. Moreover, 9 stations for seeds and seedlings have also been established, in addition to the supply and operation of mobile clinics to examine and diagnose diseases and pests of bees and protect the local bee breed. This is in addition to the launch of a program for crossbreeding local genetic resources of wheat and some varieties received from international agencies, and the adoption of the vision of the genome laboratory for the development of livestock in the Kingdom. It also, issued a guide to the controls and requirements for granting agricultural labor support, launched training programs for small farmers in cooperation between "Reef" and the Food and Agriculture Organization, and the boosted the disease vector control efforts to raise the level of environmental sanitation in the Holy Capital.

The strategy targets, in the medium-term, the continuation of development and the implementation of the highest standards of the Saudi agricultural practices to protect the local product and guarantee the quality, safety, and health of the local and imported products. This is in addition to the establishment of the Regional Center for the Sustainable Development of Fish Resources and an international center concerned with building the capabilities of cadres in both the public and private sectors, linking the center with the most prominent regional and international research and development centers to develop and sustain aquaculture, and contributing to the achievement of the

objectives of the Kingdom's Vision 2030. The strategy also aims to continue to develop programs and create projects that have a direct role in enhancing the production capabilities of small farmers.

### **The Labor Market Strategy**

The labor market strategy was launched in FY 2020 with the aim of increasing market efficiency and reducing the unemployment rate by improving the work environment and aligning skills and values with current and future market needs, in addition to facilitating the participation of citizens of all the groups of society, as well as attracting competencies and talents to bridge the market requirements gap, and developing the process of matching between job seekers and employers, while continuing to develop economic sectors, encourage SMEs, and attract foreign investment.

The strategy includes many initiatives, most notably the initiative to reduce regulatory restrictions that hinder women's participation, in addition to developing training and rehabilitation programs for all segments of society with the aim of achieving justice in the labor market. It also includes the review and updating of school curriculums to enhance foundational and future skills. It also encompasses the development of specialized tracks in secondary school as part of the Human Capacity Development Program (HCDP) to align with the needs of the labor market, in addition to strengthening the electronic recruitment platforms. The strategy also includes initiatives to improve the contractual relationship between the worker and the employer, while continuing to support and develop business accelerators and incubators under the umbrella of the NTP.

Since its launch until the current year, 2022, the strategy has realized many achievements, one of the most important of which is the approval of 39 decisions to localize various professions and activities with the aim of creating 170 thousand jobs. Moreover, 872 thousand male and female citizens were employed through the programs of the Human Resources Development Fund (HRDF), and the strategy was able to increase the number of citizens working in the private sector to more than 2 million male and female citizens, which is the highest number in history. Additionally, the number of beneficiaries from the programs to support working women -Qurrah and Wusool- has reached more than 121 thousand beneficiaries. In another achievement, more than 3 million work contracts were documented electronically through the contract documentation services. Furthermore, the unified national platform for employment called "Jadarat", the skills strategy, and the national policy for occupational safety and health were all launched.

In the medium-term, the strategy aims to increase the rate of citizens' participation in the labor force to 49.3%. It also aims to bring the average wage difference for Saudis in the public sector versus the private sector to 25%, in addition to raising the ratio of the Saudis who are employed through the channels to the total number of the unemployed to 8.3% per year, raising the employment rate of job seekers during the first three months of completing training and qualification to 25%, and targeting a percentage of 6% for highly skilled expatriate workers, and 28% for the participation of SMEs in the GDP.

### **Women Empowerment Initiative within The Budget Statement**

Based on the focus that the Kingdom's pragmatic leadership places on the welfare and success of women, and in an effort to meet the government's aspirations to empower them, and to achieve the desired goals set out in the Kingdom's Vision 2030, the MoF launched the Women Empowerment Initiative within the Budget Statement.

The initiative aims to incorporate policies related to women's empowerment in fiscal policies and public finance management by including them in the budget preparation process, and developing the specific procedures for this within the three stages: preparation, implementation and monitoring. Starting from the budget for FY 2023, the Kingdom will enhance this approach in its budget preparation processes.

For more information about the Women Empowerment Initiative within the Saudi Annual Budget, you may visit [link](#).

## The Giga Projects

### The Saudi Seasons Project

Within the framework of achieving the objectives of the Kingdom's Vision 2030 in strengthening the Kingdom's position as a global tourist destination, the Saudi Seasons Project was launched in FY 2019. The project aims to increase the quality of life in cities and their economies through holding events that increase the entertainment choices available to citizens and residents, thereby enhancing the status of the Saudi cities in the rankings among the best global cities. In addition, these seasons contribute to raising the GDP and increasing the number of tourists. They also enhance the role of the private sector to invest in the events sector. The project also includes several initiatives, one the most important of which is building the national calendar for a number of cities and tourist destinations distributed throughout the Kingdom.

Among the most prominent achievements that were accomplished during FY 2022, is the adoption of the Founding Day Anniversary for its first year, and

the contribution to the generation of jobs. Several festivals were also held in Riyadh, Jeddah, Al-Ula, and Aseer, in addition to holding a group of large exhibitions and conferences in the city of Riyadh. As for the objectives of the Saudi Seasons Project for FY 2023 and the medium-term, it aims to raise the percentage of global, regional, and local tourists attending events, and to increase their participation in the GDP, in addition to building an electronic calendar platform for the events held in the Kingdom.

### **The Green Riyadh Project**

The Green Riyadh Project was launched in FY 2019 and is considered one of the largest urban afforestation projects in the world. The project aims to plant more than 7.5 million trees to raise the per capita share of green space in the city of Riyadh from 1.7 square meters to 28 square meters, which is equivalent to 16 times. It also aims to increase the proportion of total green spaces in the city from 1.5% to 9% through the rehabilitation and afforestation of the main roads, the development of new large parks in the city, and the rehabilitation and afforestation of valleys and their tributaries. The program also includes the afforestation of more than 120 residential neighborhoods in the city of Riyadh, which includes the construction of more than 3 thousand new parks; planting trees lining the streets and the circumference of mosques, schools and parking lots; and constructing sidewalks to provide shaded walking paths that stimulate healthy movement patterns among the city's residents. The project will also contribute to recycling renewable water from treated wastewater to be used 100% in irrigation purposes through the construction of new networks in the city.

The project aims to raise the classification of the city of Riyadh among its counterpart cities around the world in environmental aspects and quality of life in line with the goals of the Kingdom's Vision 2030, reduce temperatures,



reduce air pollution rates, improve the urban environment, elevate the architectural environment of the city of Riyadh, stimulate the practice of sports activities, sustainability in the disposal rain and torrent waters, and the enhancement and increase of picnic sites for the residents of the city of Riyadh.

Among the most important achievements until FY 2022 are the afforestation of a number of main roads with a total length of more than 75 km, and the afforestation of a number of valleys in the city of Riyadh with a total area of more than 1.5 million square meters. Work is also underway to design and coordinate a group of residential neighborhoods that include 66 residential neighborhoods in the city. Among the most prominent objectives of the project for FY 2023 and the medium-term are to complete the implementation of projects for afforestation of residential neighborhoods, rehabilitation and afforestation of urban valleys, and the implementation of treated water networks with a total length of 533 km, in order to raise its rate of use for irrigation purposes in the city from 90 thousand m<sup>3</sup> to more than 1 million m<sup>3</sup>.

### **The Sports Boulevard Project**

The Sports Boulevard Project was launched in FY 2019, and it is one of the four Giga projects for the city of Riyadh. The project, which extends for more than 135 km in length, aims to contribute to raising the classification of the city of Riyadh to become among the ten largest city economies in the world in terms of sports, environment, entertainment, and culture to create a sustainable healthy lifestyle that contributes to improving the quality of life in accordance with the objectives of the Kingdom's Vision 2030. The project aims to cover 4.4 million square meters of green spaces, more than 70 sports sites, and about 2.3 million square meters of areas designated for investment.

The Sports Boulevard Project consists of 8 main areas: the Wadi Hanifa District, the Arts District, Wadi Al-Yasen District, the Entertainment District, the Athletics District, the Eco District, the Wadi Al-Sulai District, and the Sands Sports Park. The project aims to encourage the population to follow healthy patterns in transporting and motivate the practice of various sports. One of the most important achievements was the launch of the architectural code for the Sports Boulevard Project with the aim of improving and elevating the architectural environment. The first phase of removing the electricity towers located within the scope of the project on Prince Muhammad bin Salman bin Abdulaziz Road and converting them into ground cables was accomplished.

### **The Qiddiya Project**

The Qiddiya project is one of the major projects of the PIF. The project aims to make Qiddiya the capital of entertainment, sports and arts in the Kingdom of Saudi Arabia. Qiddiya will contribute to achieving many of the objectives of the Kingdom's Vision 2030, some of the most important of which are: advancing the diversification of the national economy, providing new job opportunities, and contributing to the promotion of healthy lifestyles. Among the most prominent achievements in Qiddiya for FY 2022 was the signing of a contract to start work on the establishment of the first water park in the Kingdom, and the largest in the region, at a value of SAR 2.8 bn.

### **The Red Sea Project**

It is one of the Giga projects of the PIF; and the project is a pioneering destination in the field of luxury tourism as it presents new standards in renewable tourism and sustainable development. Among the project's achievements for FY 2022 is the opening of the "Shura" Bridge, the longest internal aqueduct in the kingdom, connecting the main land area of the destination to the main island, in which 11 out of 16 resorts are being

developed for the first phase of the Red Sea destination. The project also announced the design plans for the Marine Life Institute, the first of its kind in the year in the “Amaala” destination, which will represent a marine tourism destination that offers a variety of augmented reality experiences. This is in addition to the institute being a center for scientific research. Moreover, there was the announcement of 4 training programs ending with employment aimed at creating 120 thousand direct and indirect job opportunities in the project’s tourist destination.

### **The NEOM Project**

It is one of the Giga projects of the PIF, which aims to develop the Saudi economy, diversify its sources, and place the Kingdom on the map of global leadership in development. Moreover, NEOM Energy and Water Company “ENOWA” was launched to enhance sustainability and support for the circular economy. The company signed a memorandum of understanding to build the first desalination plant powered by 100% renewable energy. Additionally, a center for innovation and hydrogen development was established. Within the framework of the project’s plan and strategy to contribute to the support and development of the tourism sector, and announcing the establishment of “Trojena” as a global destination for mountain tourism in NEOM.

### **The King Salman Park Project**

The King Salman Park Project is one of the four Giga Riyadh projects, which was launched in FY 2019. The project works to transform the current King Salman Air Base (the old Riyadh Airport) into one of the largest city parks in the world. Among the most prominent objectives of the project the increase of the green space in Riyadh for each inhabitant by 80%, and placing the city of Riyadh in the ranking of the 100 most livable cities, which contributes to raising the level of quality of life in the city in line with the goals of the Kingdom’s Vision 2030 for a vibrant and healthy society.

Among the most prominent achievements that were accomplished during the current year, FY 2022, were the completion of soil withdrawal work and the start of excavation work, the start of construction activities for the Visitors Pavilion and the Royal Arts Complex, and the start of importing plants and establishing their own nurseries. Among the most prominent targets for FY 2023 and the medium-term are the completion of most bridges and tunnels, the start of the work on the “smart city”, and the completion of the infrastructure for the first phase.

### **The Roshn Project**

It is one of the Giga projects of the PIF, seeking to contribute to achievement of the Kingdom’s Vision 2030 objectives, including increasing the levels of home ownership in the Kingdom of Saudi Arabia to 70%, and raising the level of quality of life by providing new lifestyles in 9 cities around the Kingdom. The total area of Roshn projects in the Kingdom is estimated at 200 million square meters, and a group of international and local partnerships have been signed to develop the various stages.

# 03

## The Key Fiscal and Economic Risks and Challenges

## **Third: The Key Fiscal and Economic Risks and Challenges**

The budget for FY 2023 and the fiscal and economic framework in the medium-term were built in accordance with the fiscal assumptions and the domestic and global economic developments when preparing the budget, which were presented in this report. The fiscal trajectory, the implementation of the budget during the next year, and the projections in the medium-term may be affected by any updates that occur in the fiscal and economic estimates.

This section discusses the most important challenges and risks that may affect budget estimates in light of the potential domestic and global developments, as well as projections in the medium-term, in addition to the most important policies that the government seeks to adopt to address these risks, which are as follows:

### **1. Global Economic Growth Rates and Inflation**

The global economy faces a number of challenges amid a series of crises, as the global economic outlook is still characterized by ambiguity in light of the growing uncertainty about the future of inflation, fluctuations in energy markets, and the possibility of a higher escalation in geopolitical tensions, which may exacerbate the severity of the negative effects on the supplies of commodity markets; the increase inflation rates to level higher than expected; and the impact on the industrial sector, especially in Europe due to the lack of gas supplies. These risks raise doubts about the global economy entering a state of economic recession, especially in advanced economies, and accompanied by high inflation rates (stagflation). Likewise, the Saudi

economy is not isolated from the shocks that the global economy faces, as the increasing possibility of the global economy entering a state of recession may lead to a significant decline in global demand and a decrease in trade exchange, and public finances affected through possible declines in revenues compared to budget projections. As oil revenues constitute a large percentage of the total revenues, which contribute to financing expenditures and building the necessary reserves to address changes in future conditions. Also, economic activity may be affected in the event that some countries take precautionary measures to limit the spread of COVID-19 internally, or if new health concerns emerge, which may have an impact on manufacturing operations and supply chains, exacerbating the severity of the decline in growth rates.

These potential conditions may constitute a challenge, especially for the economies of emerging and developing markets, which will impact the domestic economy, the fiscal performance of the FY 2023 Budget, and projections in the medium-term. On the domestic economy level, there is a probability for an increase in local inflation rates at levels higher than estimated in the budget, which affects consumer behavior towards a decline, especially for low-income families, which in turn reflects on consumption rates and GDP growth, affecting the confidence of investors and their investment decisions. Fiscally, the impact of a continued increase in inflation may be reflected in the rise in some aspects of government expenditures.

Given the nature of monetary policy in the Kingdom, the impact of the possibility of an increase in US interest rates at unexpected rates reflects on the increase in the Saudi Arabian Interbank Offered Rates (SAIBOR) which will affect the indicators of consumption, investment, and credit to the private

sector. As for the public finances, borrowing costs will rise on new debt issuances, in addition to the issuances with variable returns that were made during the previous years, despite their limited number. This may affect some plans for financing strategic projects in the medium-term. To address this, work is being done to continue to enhance liquidity in the banking sector, in addition to reducing the financing needs of the budget as a result of the expectation of achieving surpluses in the medium-term, which allows the private sector to have greater financing space. Additionally, SAMA has a number of monetary policy tools that would limit these negative effects.

The Kingdom is addressing the potential developments in the global economy by continuing to pursue its role in preserving the stability of energy markets; launching development initiatives such as the National Initiative for Global Supply Chains, which aims to mitigate the ramifications of potential developments on supply chains, so that the Kingdom may be a major hub and link in the sustainability of supply chains globally; and taking proactive measures to address inflation and enhance food security domestically, all within the Kingdom's interests to contribute to strengthening the stability and growth of the global and domestic economy.

## **2. Petroleum Market Fluctuations**

The petroleum markets at the beginning of FY 2022 exhibited positive developments, driven by: the increase in global demand due to the recovery of global markets and the expectation of an improvement in the global economy accompanied by an increase in the transportation and travel movements as well as the easing of the pandemic restrictions. These developments led to a recovery in petroleum markets, the effect of which has reflected positively



on the performance of oil revenues, while the growth in production levels throughout the entire year had reflected positively on the expectations for the real GDP, driven by the growth in the GDP of oil activities.

At the beginning of October of FY 2022, OPEC+ approved during its 33<sup>rd</sup> ministerial meeting the reduction of production from the production levels of October of FY 2022 by 2 million barrels/day beginning in November of FY 2022, with the aim of achieving balance and stability in the petroleum markets as precautionary measure amid the expectations of a slowdown in the growth of the global economy, with the continued rise in global inflation rates and the effect of this on petroleum demand. The Kingdom seeks, through its petroleum policy and efforts in supporting the OPEC+ Agreement, to support market stability and achieve balance between demand and supply to address any potential risks to the interests of the participants in the petroleum market and industry, as well as consumer interests.

The government's adoption of the fiscal sustainability rules during the medium- and long-term also contributes to the process of transformation in the mechanism for calculating oil revenues in the Kingdom's fiscal planning process, from future expectations of the petroleum price to structural oil revenues, by relying on a historical standard oil price, and with the aim of building more stable spending ceilings, as well as limiting spending that is affected by the volatilities in petroleum prices, linking spending to structural revenues, and setting quantitative controls for growth in spending ceilings.

### 3. The Growth of the Domestic Non-oil Economy

The domestic economy is affected by the economic outlook and global financial crises that may result in regression in the growth of non-oil activities, which may negatively affect investment plans and the development of the private sector, through the possibility of obstructing or slowing down the implementation of some planned projects and programs that support the growth of economic activity, either as a result of a rise in financing costs, or a rise in price levels, which may also contribute to a decline in per capita disposable income, affecting saving and spending decisions, which leads to a decline in private consumption, or the possibility of a decrease in available resources due to the decline in global economic activity, supply chain disruptions, and a decrease in the volume of FDI on the international level, and its impact on local investment growth plans.

However, the degree of impact of these developments is expected to be limited on the Saudi economy which has proven its resilience in facing global crises during the past periods, such as facing the crisis of rising prices globally, which constituted inflationary pressures on the domestic economy, in addition to launching a set of measures proactively to face the impact of the economic and geopolitical challenges that the world is witnessing, such as enhancing food security while continuing to provide basic services at the level required for citizens and residents and the continuous support for basic goods and services; this contributed to the continued recovery of domestic demand and consumption indicators since the beginning of the year until now.

The Kingdom is also seeking to move forward with its reforms aimed at promoting economic diversification and utilizing the available opportunities to accelerate the implementation of some programs and projects that will have a

high economic and social impact. This is in addition to the previous experiences that the government gained during past years that made it able to face the challenges as required and control the speed of projects' implementation without affecting its fiscal targets, which reflects the government's flexibility in addressing the dimensions of the current crisis.

### **Upside risks**

Despite the global economic and financial challenges, there are positive factors that emerge with these challenges that can contribute to improving the fiscal and economic performance over the estimates presented for the FY 2023 Budget and the medium-term. One of the most prominent of these positive factors is the expectation that global inflationary pressures will begin to recede due to tightening monetary policies and the reduction of the money supply, which in turn may reduce pressure on the expected increases in U.S. interest rates, which will be reflected in domestic interest rates. The positive impact of this will appear in the decrease in the cost of government funding and the cost of private sector borrowing, and this will bring about an additional improvement in the fiscal and economic indicators during the next year.

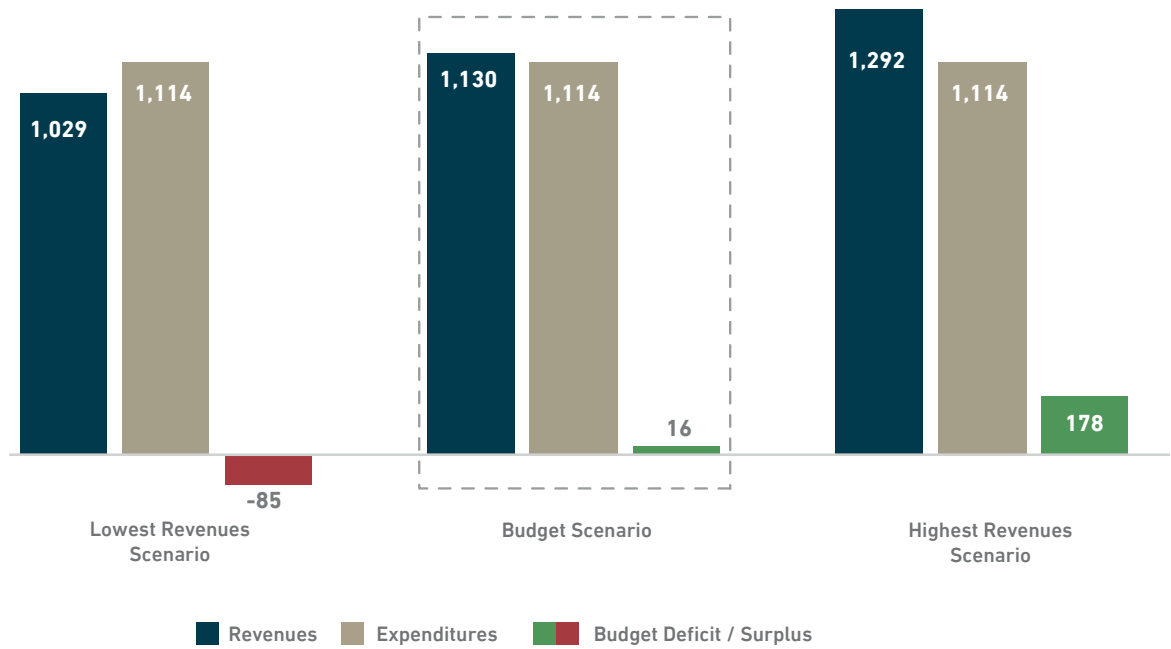
Among the goals of the FY 2023 Budget is to raise the level of spending efficiency and enhance the role of the private sector by increasing the participation of funds in capital spending, such as the PIF and the NDF, which are the effective mobilizer for the development and diversification of the Saudi economy. In the event that the PIF achieves greater progress than expected in implementing projects and programs that enhance the growth of the private sector, this will reflect positively on the growth of the non-oil

economy and tax revenues. Likewise, if there is a faster response from the private sector to the investment-stimulating initiatives that are specified in the NIS, the National Strategy for Industry and the Supply Chain Strategy, and if this response contributes to attracting more foreign investments, in addition to the recovery and prosperity of both the tourism and entertainment sector, as well as the acceleration of implementation of projects and programs more than expected, then all these factors will positively affect consumption rates and other production and service activities, which contributes to the growth of non-oil GDP and non-oil revenues. Consequently, there would be a possibility of an additional improvement in the fiscal and economic indicators during the next year and in the medium-term.

The FY 2023 Budget and the medium-term projections were built according to a specific framework that public finance can deal with, whether with an increase or decrease in revenues; and in light of global and domestic developments, several scenarios for revenues were prepared, and the government approved in the FY 2023 Budget the baseline scenario, which takes into account the developments in economic activity, global petroleum markets, and the geopolitical challenges, in addition to the lower and higher revenue scenarios. These scenarios contribute to the government's readiness to address any of these prospective outcomes in the event that they materialize, given the degree to which expenditures are flexible—with the potential to reduce them if needed—while ensuring that changes in government expenditures are contained in a narrow band so as not to unduly affect their impact on and contribution to GDP growth.

### Revenue Scenarios According to the Global Economic Developments for FY 2023

(SAR bn)



It should be noted that the government continues to implement the initiatives and structural reforms that it has adopted during in the recent years, which aim to diversify its economic base and reduce its dependence on oil revenues, which reflects positively on its commitment to fiscal sustainability and its ability to promote higher non-oil GDP growth rates.