

Keep calm: Invest Saudi

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These are challenging times to consider investment. The impact of COVID-19 will be profound. The pandemic comes at a time of significant change in the Saudi investment ecosystem. This article will look at those key changes in institutions and personnel, and see how the new regime is facing up to the current challenge of global pandemic.

Key institutional change

Consistent with the aims of Saudi Arabia's Vision 2030 to build a vibrant society, a thriving economy and an ambitious nation, 'Invest Saudi' is the strapline for the Kingdom's marketing campaign encouraging global investors to include Saudi Arabia in their investment plans. Recent changes have seen the Saudi Arabian General Investment Authority ('SAGIA') morph into a fully constituted ministry of state: the new Ministry of Investment or 'MISA' as it will become known.

SAGIA had already undergone a significant sea-change in its role in 2018, developing from being a licensing 'gate-keeper' to adopting a role of investor champion: it will now will be able to offer that 'One Stop Shop Service' with the authority and weight of a fully-fledged ministry. The new ministry will continue to deliver the three investment stages identified by SAGIA:

- prior to setting up the investor's business, to help investors to build their business case, providing them with market information and facilitating working relationships with all governmental entities;
- during setting up of the investor's business, to assist in navigating through the professional ecosystem of Saudi; and
- post setting up, if there is any regulation that slows down the foreign investor's growth, to work to change or replace that regulation after carrying out the root-cause analysis.

This new evolution emphasises the pivotal role of foreign investment in delivering the thriving economy and gives the ministry genuine power to challenge and overcome regulations, customs and practices which may be inconsistent with the goals of Vision 2030. The investment principles of MISA are succinct:

1. *“Ensure equality between Saudi and non-Saudi investors, and among non-Saudi investors.*
2. *Ensure the protection of investments, in line with the Kingdom's regulations.*
3. *Enhance the sustainability of investments and deal with investor complaints in a transparent manner.*
4. *Provide investment incentives when needed and ensure full transparency when granting. Provide a list of investment incentives and grant them in accordance with general, clear and non-discriminatory criteria.*
5. *Maintain environmental and social standards in order to ensure that Saudi and non-Saudi investors comply with regulations regarding labor, health, and environmental safety in accordance with national regulations and policies and the international conventions in which Saudi has acceded.*
6. *Facilitate entry procedures for non-Saudi employees including technicians, administrators, and their dependents. Arrange their residency in the Kingdom to facilitate their participation in*

activities related to foreign investments in accordance with the Kingdom's regulations and its international obligations.

7. *Transfer and localize science and technology resulting from foreign direct investment in accordance with the Kingdom's international obligations.*”

At the same time as the creation of MISA, King Salman also decreed that the General Sport Authority would be transformed into the Sports Ministry with Prince Abdulaziz bin Turki bin Faisal as the new Sports Minister and that the Commission for Tourism and National Heritage would be transformed into the tourism ministry, with Ahmed al-Khatib as its minister. The emphasis on sport and tourism also chimes with Vision 2030's aims of seeing the economy diversify away from an over reliance on hydro-carbons.

Key personnel change

In a move which can only emphasise the strategic importance placed on MISA, Khaled Al Falih has been appointed as its first ever minister. Al Falih is well known and a hugely respected figure worldwide stemming in no small part from his former roles as Minister of Health, Minister of Energy, Industry and Mineral Resources and his stewardship of Saudi Aramco, the biggest company in the world. His experience and depth of vision are going to be key attributes in the newly minted MISA. As far back as 2012 he helped shape the agenda for the Davos World Economic Forum by writing that:

“Nations cannot achieve first-tier economic performance simply by producing and exporting goods. Rather, they must be able to create their own differentiating knowledge through investments in education, research and development and a vibrant entrepreneurial ecosystem.”

Nor did he ignore the environmental agenda which we face globally: from the same 2012 article:

“It would be a mistake to believe that environmental protection and economic growth are mutually exclusive. Instead, resource-rich states can take several actions that advance economic development and minimize environmental impact...by improving energy efficiency; utilizing cleaner fossil fuel technologies; consuming cleaner natural gas; moving industries down the value chain to add greater value and create higher-paying jobs while consuming less energy; reducing carbon emissions through the use of high-end technologies; and introducing renewables in a deliberate and pragmatic manner as their economic viability improves.”

The transformation of SAGIA into MISA is a highly significant step, illustrating how the Kingdom and its leaders are working to facilitate investment, overcome bureaucratic obstacles and maintain momentum in the reform programme. In the new Minister they have someone with a breadth of perspective and depth of experience who will rapidly make an impact.

COVID-19 pandemic

It is hard to imagine a more challenging start for the new Ministry and Minister. Within weeks of the announcement the economy was substantially locked-down. In what is a public health crisis it is

entirely correct that the main emphasis has been placed on protecting and caring for citizens and residents: the Kingdom has prioritised health above all else and shown genuine leadership and compassion in so doing.

However, MISA has itself been pro-active in: (a) calming investors' fears; and (b) promoting common-sense practical solutions to the day-to-day challenges of the new environment. The latter manifests itself in a carefully thought through and well-presented publication on business continuity (available on the MISA website [here](#)).

The former is contained in a series of responses to 'frequently asked questions' which have been collated on the MISA website. These questions range from employment issues through to import/export and taxation issues. Perhaps the key element addresses the level of support available to the private sector which states the following:

"...the government has prepared urgent initiatives to support the private sector, especially small and medium enterprises and economic activities most affected by the virus. The financial stimulus package of these initiatives reaches more than SAR 70 billion, which consists of exemptions and postponement of some government dues to provide liquidity to the private sector thereby enabling them to manage continuity of their economic activities. In addition, SAMA has announced a package of SAR 50 billion, to support the banking sector, financial institutions and SMEs."

These practical initiatives include the following:

- automatic three month extension for all resident's visas with a fee exemption (till the end of June 2020);
- enabling employers to refund the fees of issued work visas that were not used during the ban on entry and exit, even if they were stamped in the passport, or extend them for a period of three months without charge;
- enabling employers to extend exit and re-entry visas that were not used during the ban on entry and exit from the Kingdom for a period of three months without charge;
- enabling business owners, for a period of three months, to postpone the payment of value added tax, excise tax, income tax, and the submission of Zakat declarations and the payment of obligations due therefrom. The decision also allows the grant of zakat certificates without restrictions for the period of fiscal year 2019, and to accept instalment requests to the General Authority of Zakat and Income Tax without applying the condition of advance payment;
- postponing the execution of services suspension procedures and financial seizure by the General Authority of Zakat and Income, and setting the necessary criteria to extend the postponement period for the most affected activities as needed;
- postponing the collection of customs duties on imports for a period of 30 days against the submission of a bank guarantee, for the next three months and setting the necessary criteria for extending the postponement period for the most affected activities as needed;
- postponing the payment of some government services fees and municipal fees due on private sector, for a period of three months, and setting the necessary criteria to extend the postponement period for the most affected activities as needed; and
- authorising the Minister of Finance to approve lending and other forms of financing as well as an exemption from payment of fees and returns on loans granted until the end of 2020, under the Corporate Sustainability Program initiative.

In addition to the immediate practical steps indicated above a committee headed by the Minister of Finance with members including the Ministers of Economy and Planning; Commerce; Industry and Mineral Resources, and the Governor of the National Development Fund has been established to take the initiative in:

- identifying and reviewing incentives, facilities, and other initiatives led by the National Development Fund or any of its funds and banks, with the aim of mitigating the exceptional and unprecedented economic situation, in light of the implications of the coronavirus, the impact of the precautionary measures taken by the Kingdom's government and the low oil prices;
- setting the criteria for designing and applying initiatives and their details;
- identifying the amounts that will be used to support these initiatives from the resources available at the funds and banks under the National Development Fund for this purpose and as needed; and
- conducting transfers between these funds and banks and the Saudi Export-Import Bank as needed.

The committee may direct both the Kafala program and the General Authority for Small and Medium Enterprises to develop the necessary initiatives to provide support to business during this exceptional period, and to support them from the available resources as needed.

We are a long way from fully understanding the 'new normal' that may emerge from the pandemic. The Kingdom, in common with every other country, is facing up to this severe challenge. The immediate priority has to be sustaining good health for families, colleagues and workers. Balancing that imperative with the need to ensure a future thriving economy is a hard task: in terms of institutions and personnel, Saudi Arabia can approach that task with well-founded confidence.

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