

What Vision 2030 Means for the Information and Communication Technology Sector in Saudi Arabia

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Saudi Arabia's Vision 2030 is the Kingdom's vision for the future. It is an ambitious blueprint setting out long-term goals and expectations. The government has flagged that it will pursue public-private partnerships, continue to facilitate the flow of private investment and improve the nation's competitiveness. Legislative authorities have been tasked with reviewing current regulations with the aim of improving the business environment.

The 'thriving economy' aspect of the plan is largely reliant on the Kingdom's ability to diversify its economy and reduce its reliance on oil. The transformation of the economy will have wide ranging implications for the Image result for the information and communication technology sector, including the recalibration of the regulatory framework, increased demand for talent and new opportunities for technology-focused businesses.

In this article, we provide an overview of some of the interesting information and communication technology related programs under Vision 2030.

Developing Digital Infrastructure

Vision 2030 notes that sophisticated digital infrastructure is integral to today's advanced industrial activities. Digital infrastructure attracts investors and enhances the competitiveness of the economy. For this reason, the government will partner with the private sector (including telecommunications operators) and support local investments in order to help develop the telecommunications and information technology sectors and ultimately lead the digital economy. A particular area of focus is improving the quality and expanding the coverage of high speed broadband to 90 percent of housing in densely populated cities and 66 percent in other urban zones.

The governance of digital transformation will be strengthened through a national council and improved regulations.

Leader in E-government

The Kingdom aims to become a global leader in e-government by expanding online services and improving its governance standards. It is hoped that this, in turn will boost transparency and reduce delays. To date, a good deal of progress has been made in e-government with the scope of online services having been expanded over the last decade to include employment programs, online job searches, e-learning services, traffic, passports and civil affairs, online payment services and online issuance of commercial registers.

The scope of current online services will be expanded further to include areas such as geographic information, health care and education. Quality is slated to improve by streamlining processes, and diversifying communication channels. The government will also support the wider use of online applications in government agencies, such as cloud applications, data sharing platforms and HR

management systems.

Although not specifically referred to in Vision 2030, the development of 'Smart Cities' also appears to be an area of focus. Recently, the first annual Saudi Smart Cities conference took place in Riyadh with over 700 participants from ministries and governmental bodies from across the Kingdom attending. The Ministry of Municipal and Rural Affairs (MoMRA) used the conference as a platform to bring together key stakeholders and initiate discussion about best-practices and leading technologies and services that could feature in the proposed Smart Cities. It has been reported that the Kingdom will invest over US\$500 billion into modernising its infrastructure across the 285 municipalities in line with global standards in order to provide the best quality of life for its citizens.

Investing in Emerging Technologies

The ongoing privatisation of state-owned assets, including leading companies, property and other assets, will bring in new and more diverse revenues for the Saudi government. This will further enhance financial resources to allow it to maximise its ability to invest in large international companies and emerging technologies from around the world.

Localising Defence Industries

The Kingdom is the world's third biggest military spender, having just recently signed a deal in Riyadh with the United States for arms to the value of US\$350 billion over 10 years, with US\$110 billion that to take effect immediately. Lockheed Martin, one of the world's largest defence contractors and whose technology was part of the deal, said in a statement that the deal "will directly contribute to [Saudi Arabia's] Vision 2030 by opening the door for thousands of highly skilled jobs in new economic sectors."

The Saudi government plans to manufacture half of its military needs within the Kingdom to create more job opportunities for citizens. Currently only two percent of its military spending occurs within the country, with the national defence industrial sector being limited to only seven companies and two research centres. Localisation is slated to be achieved through direct investments and strategic partnerships with leading companies in these sectors. It is hoped that this will result in the transfer of knowledge and technology, and the development of national expertise in the fields of manufacturing, maintenance, repair, research and development.

The proposed increase in local defence expenditure is expected to also stimulate other sectors such as industrial equipment, communications and information technology, which in turn will help create further job opportunities.

Supporting Small and Medium-sized Enterprises

It has been identified that small and medium-sized enterprises contribute only 20 percent towards Saudi Arabia's GDP whereas, in certain advanced economies, the figure is around 70 percent. It has been identified that SMEs endure unnecessarily slow and complex legal and administrative procedures. They also struggle to attract the required skills and funding as financial institutions currently provide, at almost five percent of total funding costs – again, a far lower percentage than the global average. To address this, the recently established SME Authority plans to review and revise laws and regulations, remove obstacles, facilitate access to funding, and enable youth and entrepreneurs to market their ideas and products. Additionally, the government will facilitate access to funding for SMEs and it will encourage financial institutions in the Kingdom to allocate up to 20 percent of overall funding to SMEs by 2030.

Lastly, the government will establish new business incubators, specialised training institutions and venture capital funds to help entrepreneurs in developing their skills and networks. SMEs will also be supported in marketing and exporting their products and services, by leveraging e-commerce

and collaborating with international stakeholders.

E-commerce in retail sector

The Vision has identified that traditional retail dominates about 50 percent of the market in the Kingdom compared to 20 percent in a number of countries in the Gulf Cooperation Council (GCC), with the retail market suffering from limited penetration of modern trade and e-commerce. The government aims to increase the contribution of modern trade and e-commerce to 80 percent in the retail sector by 2030. This is planned to be achieved by attracting both regional and international retail investors, increasing financing of small retail enterprises to stimulate their growth and development and by easing restrictions on ownership and foreign investment.

Conclusion

Vision 2030 offers a great opportunity for the development of the Kingdom's information and communication technology sector and technology focussed businesses operating in the region are well-placed to benefit from this game changing initiative over the coming years. The potential for Vision 2030 to achieve its stated aims will largely depend on the ability of government entities to work with private sector stakeholders to improve the business environment, including by changing the regulatory framework, facilitating the flow of private investment, developing and nurturing local talent and expediting licensing procedures.

Al Tamimi & Company's Technology, Media & Telecommunications team regularly supports clients on information and communication technology matters in the Saudi market. For further information please contact Haroun Khwaja (h.khwaja@tamimi.com) or Nick O'Connell (n.oconnell@tamimi.com).