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IN THIS EDITION ...

Saudi Arabia could soon be in the midst of an economic growth spurt, in light of new incentives and initiatives taken by its government.

The SAR 5 trillion Shareek Program is another initiative unveiled in March to encourage greater private sector and foreign investment streaming into the economy.

In addition, Saudi Aramco announced a landmark deal with a consortium led by EIG Global Energy Partners, a major energy infrastructure investor, to lease usage rights of its crude oil pipeline network over a 25-year period for the sum of USD 12.4 billion.

The massive selling price speaks to the kingdom's attraction as an energy powerhouse and class of assets that are prized by global investors.

"The transaction represents a continuation of Aramco's strategy to unlock the potential of its asset base and maximise value for its shareholders," Aramco said. "It also reinforces Aramco's role as a catalyst for attracting significant foreign investment into the kingdom."

Aramco will hold a 51% majority stake in the new entity while the EIG-led consortium will hold a 49% stake.

At the other end of the energy spectrum, the government signed power-purchasing agreements for seven new solar power projects in various regions in the kingdom. The output capacity of these projects, in addition to the projects at Sakaka and Dumat Al-Jandal, will amount to more than 3,600 MW, powering more than 600,000 households and reducing greenhouse gas emissions by more than 7 million tonnes.

The new developments will provide further impetus for an economy that is already gearing up for growth.

The International Monetary Fund expects the Saudi economy to close in growth levels of 2.9% this year and another 4% in 2022, in its latest forecast. Non-oil GDP will steadily grow 3.9% in 2021 and 3.6% as a number of the diversification projects under way start boosting economic activity.

Meanwhile, S&P Global Ratings affirmed the kingdom's credit rating at A with a stable outlook.

The ratings firm expects the kingdom to return to a current account surplus and reduction of fiscal deficit ratios, driven by higher crude oil prices and an upturn in the global economy.

The stable outlook indicates that the kingdom's financial position and external net asset positions would remain strong enough over the next two years to support the ratings, S&P said.

ECONOMIC TRENDS

The Shareek programme puts a spotlight on the private sector's pivotal role in supporting the kingdom's economic growth story.

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PETROCHEMICALS

The company is looking beyond the bottom line as it explores new ways to reduce carbon emissions and make its operations more energy efficient.

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TRADE

Rosier outlook for both the regional and international economies has put the kingdom's trade flows in recovery mode.

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TRANSPORT

The acquisition of Saudi Railways Organization by Saudi Railways Company will streamline services and expand inter-city connectivity.

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SME

The aptly named SMEs Bank will give small and medium business owners in the kingdom access to funding to fuel their companies' growth.

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COMMODITIES

The industry has shown no signs of letting up as the country's significant mineral resources continue to attract investors.

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SAUDI LOOKS TO ATTRACT SAR 5TRN PRIVATE SECTOR INVESTMENT

The Saudi government is pulling out all the stops to accelerate private sector investment in the country.

On 31 March, His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, Crown Prince, deputy prime minister and chairman of the Council of Economic and Development Affairs, launched the ambitious Shareek (Partner) Program that aims to attract as much as SAR 5 trillion in private sector investment by 2030.

The programme will emerge as a major stimulus package for the kingdom and likely lead to a slew of projects that would spur economic activity and job creation. It aims to facilitate financial, monetary, operational and regulatory support to attract investment.

The government-wide effort will bring together ministers of investment, tourism, finance, communications, information technology, human resources and social development, the governor of the Public Investment Fund, the secretary of the Council of Economic and Development Affairs and the deputy minister of Economy and Planning to help create opportunities for the private sector to invest in the country.

"The programme was established to accelerate the growth of business opportunities within the kingdom and support the achievement of Vision 2030," according to the Saudi Press Agency. "The programme is not a direct response to the negative economic impacts of the COVID-19 pandemic, but rather it achieves a number of goals, most notably to support the sustainable growth of the kingdom's economy. The launch of the programme is another step for the kingdom paving the way towards a resilient and diversified national economy."

STEPPING UP INVESTMENTS

This is part of SAR 12 trillion worth of investments planned by 2030, Crown Prince Mohammed bin Salman said in televised remarks.

“The kingdom will witness a leap in investments in the coming years, by SAR 3 trillion, pumped by the Public Investment Fund until 2030, as announced at the beginning of this year, in addition to SAR 4 trillion that will be injected under the umbrella of the National Investment Strategy, and its details will be announced soon,” the Crown Prince said in a TV briefing.

“Thus, the total investment that will be pumped into the national economy is SAR 12 trillion until 2030, and this does not include government spending estimated at SAR 10 trillion over the next 10 years, and private consumption spending expected to reach SAR 5 trillion until 2030, so the total of what will be SAR 27 trillion (USD 7 trillion) will be spent in the Kingdom of Saudi Arabia over the next 10 years,” the Crown Prince added.

The programme aims to encourage large companies to raise their investment by more than 50% of their current plans. The Shareek programme will negotiate loans and grants available with the companies, and will likely reduce the cost of investment in projects.

“A number of factors will be taken into consideration, such as job creation, infrastructure development and the company's investment history,” according to SPA.

While the programme is available to large Saudi companies, the slew of new projects will also benefit small to medium sized companies and international companies that could collaborate with large domestic companies.

“Regarding the provision of various incentives or options if the large companies are private companies or listed on the stock exchange, the advantages and opportunities available to the large companies depend on the criterion based on the necessity of those companies showing the ability to invest amounts in excess of SAR 20 billion during the year 2030 and invest SAR 400 million in every major project to become eligible for the program’s support,” according to the government.

BOOSTING SAUDI’S INVESTMENT APPEAL

Even before the programme began, international investors are making a beeline for Saudi Arabia. Companies such as PepsiCo, Schlumberger, Deloitte, PricewaterhouseCoopers, Tim Hortons, Bechtel, Bosch and Boston Scientific have signed agreements to establish their regional offices in the country.

It is part of capital Riyadh’s efforts to become more competitive and emerge as one of the 10 largest city-economies in the world.

“The Kingdom of Saudi Arabia will work to provide many incentives and advantages that raise its competitiveness regionally and globally, to attract these headquarters and give them sufficient time to move and operate without affecting their business,” according to the SPA. “The incentives offered will be limited to regional headquarters only, excluding their operations outside the regional headquarters.”

Indeed, the kingdom reported awarding a record number of foreign investor licenses in the fourth quarter of 2020.

The Ministry of Investment of Saudi Arabia (MISA) said it provided 466 registered licenses, the highest on record since data began in 2005, and 60% higher compared to the fourth quarter last year.

Industrial and manufacturing were the most popular sectors among foreign investors in the fourth quarter, followed by logistics, retail, e-commerce and ICT.

The pandemic-hit year did not see a slowdown in investor interest, with 1,278 new foreign companies securing licenses, a 13% increase compared to 2019 and a 73% increase compared to 2018.

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SABIC PURSUES SUSTAINABLE PETROCHEMICALS WITH NEW DEALS

Saudi Arabia Basic Industries Corp. (SABIC) is deepening and expanding its petrochemical product portfolio in the midst of a global energy transition.

In March, SABIC, which is 70% owned by Saudi Aramco, signed a deal with Germany's BASF SE and UK's Linde Plc to develop and demonstrate solutions for electrically heated steam cracker furnaces.

"The partners have already jointly worked on concepts to use renewable electricity instead of the fossil fuel gas typically used for the heating process," SABIC said in a statement. "With this innovative approach focusing on one of the petrochemical industries' core processes, the parties strive to offer a promising solution to significantly contribute to the reduction of CO2 emissions within the chemical industry."

By using electricity from renewable sources, the new technology can reduce CO2 emissions by as much as 90%.

SABIC is making concerted efforts to reduce its carbon footprint as part of the kingdom's goal to create a sustainable energy sector. The move also aligns with the kingdom's wider efforts to conserve energy sources, boost energy efficiency and create a sustainable economy.

In March, the Saudi government announced the Saudi Green Initiative and the Middle East Green Initiative to combat climate change. Through these schemes, the government plans to reduce carbon emissions from hydrocarbon production by more than 60%, and achieve a reduction in carbon emissions by more than 10% of global contributions.

The kingdom's energy companies, such as SABIC, are playing a critical role in the government's efforts to curb emission and gain energy efficiency.

CIRCULAR ECONOMY

In April, SABIC signed a memorandum of understanding (MoU) with Saudi Investment Recycling Company (SIRC), a unit of Saudi Public Investment Fund (PIF), to help SIRC set up its first chemical recycling project to enable the use of recycled plastic feedstock.

The two companies also proposed a feasibility study to build a chemical recycling plant in the country to convert mixed plastic waste into pyrolysis oil, also known as synthetic fuel.

"The initiative will play a vital role in contributing to the Circular Economy of Saudi Arabia, reducing the greenhouse emissions, protecting the environment and creating a sustainable future in Saudi Arabia," the company said in a statement. "We see the right synergy and expertise between SIRC and SABIC to make this massive project a resounding success and a role model initiative in the Middle East," said Ziyad Al Shiha, chief executive officer of SIRC.

The news comes on the heels of another major SABIC deal with global oil company BP Plc. to recycle chemical products at the Gelsenkirchen chemical complex in Germany. The deal will increase the use of recycled plastics for feedstock, reducing the amount of fossil resources needed at the site.

"Advanced recycling allows us to increase the production of more sustainable materials and use our planet's resources wisely, whilst reducing the use of conventional approaches such as landfill and combustion. Advanced recycling has a crucial role to play in the current recycling mix as it can capture value from plastic waste streams that have traditionally been ignored or discarded," said Fahad Al Swailem, vice president, PE & Sales at SABIC. "We continue to increase our collaborations with upstream suppliers and downstream customers, and this new initiative with our long-term partner BP takes us one step further to achieving our vision."

The company said the circular polymers are part of SABIC's Trucircle portfolio, which encompasses mechanically recycled products, certified circular products from feedstock recycling of used plastic, certified renewable products from bio-based feedstock and closed loop initiatives to recycle plastic back into high quality applications.

ARAMCO'S OVERARCHING STRATEGY

These series of developments are part of Aramco's wider strategy to reduce its carbon emissions, develop a climate-friendly circular domestic economy, and provide sustainable energy supplies for generations to come, even as it boosts its downstream and upstream production.

The company's gross refining capacity stands at 6.4 million barrels per day (bpd), with net chemicals production capacity of 53.1 million bpd in 2020, according to Aramco's latest report.

"Aramco believes that the acquisition facilitates the application of SABIC's expertise in the chemicals industry to Aramco's existing and future integrated downstream facilities," the company said in its annual report published in March. "Aramco's investment in SABIC makes it a major global producer of petrochemicals and expands its capabilities in procurement, manufacturing, marketing and sales."

The streamlining of Aramco's vast chemicals business is being further honed. SABIC said it is marketing Aramco's allocation of Sadara Chemical Company (Sadara) products. Sadara is a joint venture with Dow Chemical Co.

"By marketing Aramco's allocation of Sadara products, SABIC expects to drive further supply chain efficiencies, strengthen its brand and combined product and services offering, and help to maintain competitive preference in the global chemicals industry," SABIC noted.

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RENEWED ECONOMIC OPTIMISM GIVES SAUDI TRADE FRESH BOOST

Saudi Arabian exports had their best showing in 12 months, rising to SAR 71.9 billion in January, according to the kingdom's statistical agency.

The country's merchandise exports rose steadily in each of the past five months, as domestic economic activity improves and the global economy showed signs of resiliency after the pandemic temporarily shut down many businesses.

Despite the gains, the January 2021 figure was 13.4% lower compared to the same period in 2020.

Not surprisingly, oil exports fell 20.5% during the month given the kingdom's self-imposed curtailments on oil exports, according to the General Authority for Statistics (GASTAT).

But non-oil exports surged 15.6% year on year in January 2021 to reach SAR 18.9 billion from SAR 16.3 billion in January 2020. Among the non-oil exports, plastics and rubber products were up 24.5% and chemical and allied products grew 3.3% versus January 2020 figures.

Meanwhile, merchandise imports posted a 20.7% year-on-year growth in January with SAR 47.9 billion, compared to SAR 39.7 billion last year.

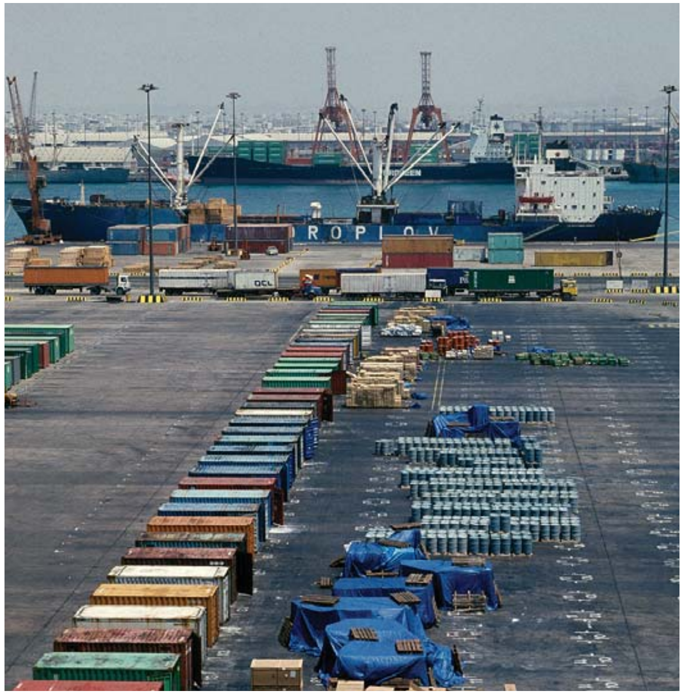
"This increase was due to the increase in many sectors compared to January 2020, mainly arms and ammunition; parts and accessories thereof (524.9%) and base metals and articles of base metal (17.9%)," GASTAT said. "Imports also increased compared to the previous month (December 2020), by SAR 3 billion or 6.8%."

GLOBAL REBOUND

The figures are in line with the uptick in global trade. The World Trade Organization (WTO) expects global trade to rise 8% in 2021 after having contracted 5.3% in 2020.

"The strong rebound in global trade since the middle of last year has helped soften the blow of the pandemic for people, businesses, and economies," WTO director-general Ngozi Okonjo Iweala said in a statement. "Keeping international markets open will be essential for economies to recover from this crisis and a rapid, global and equitable vaccine roll-out is a prerequisite for the strong and sustained recovery we all need."

Indeed, prospects for Saudi trade flows look promising going forward. Saudi Ports Authority, or MAWANI, said it handled 572,000 containers last year, a 3.6% increase over the previous months, while transhipments rose 16.16%.



The ports also reported a 2.23% increase in the total amount of cargo, compared to the same period of the previous year, which reached more than 20 million tonnes, coming on board 894 ships, MAWANI noted.

TRADE POLICY REVIEW

The WTO lauded the kingdom's progress in boosting its trade and investment framework, during a review of its policies. As many as 44 Saudi government agencies took part in the meetings.

The WTO said the kingdom is a strong supporter of multilateral trading system and praised its leadership during the G-20 summit last year, which focused on trade and investment in the midst of the worst health and economic crisis faced by the world.

"They (WTO directors) applauded Saudi Arabia in particular for initiating and advancing the Riyadh Initiative on the Future of the WTO aiming at discussing and reaffirming the principles of the WTO and its reform," according to concluding remarks by the WTO after the review ended in March. "Members also took note of the kingdom's ratification of the TFA, and its active participation in ongoing discussions such as the fisheries negotiations and the four Joint Statement Initiatives of e-commerce, Domestic Services Regulation, Investment Facilitation, and MSMEs."

GCC-CHINA TIES

In another move that could transform trade flows in Saudi and the wider GCC region, the Gulf Co-operation Council resumed its free trade talks with China.

The meetings took place in Riyadh in March, between Chinese state councilor and foreign minister Wang Yi and GCC secretary general Nayef bin Falah Al-Hajraf.

"Wang stressed China's keenness to elevate the level of the bilateral ties and deepen mutual support and co-operation in all aspects, on the basis of mutual respect and support," according to Chinese state-owned news agency Xinhua.

The Chinese diplomat said he hoped for an early conclusion of the free trade talks, which could help accelerate the GCC states' economic revival after the pandemic took a toll on the regional economy.

Saudi Arabia's focus on forging closer trade ties with the East goes beyond China.

In January, the kingdom's National Debt Management Centre (NDMC) signed a memorandum of understanding with Japan's Nippon Export and Investment Insurance (NEXI) to expand the opportunities of financing government projects being developed by Japanese companies in Saudi Arabia.

NEXI will provide new financing solutions through innovative financing structures of export credit loans, and by providing support in a manner tailored to the projects.

The NDMC also signed a similar agreement with the Korea Trade Insurance Corporation (K-SURE) to facilitate financing for South Korean companies working on developments in the kingdom.

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SAUDI RAIL MERGER ON TRACK TO LURE MORE INVESTMENTS

The merger of Saudi Railways Organization and the Saudi Railways Company (SAR) in February will bolster the kingdom's transportation infrastructure and play a major role in expanding the country's railway network.

The companies said that the merger is an important step forward in privatising parts of the transport sector, improve efficiencies and attract more investment.

"It reflects positively on the services provided to the beneficiaries as well as the passengers, institutions and various entities, which reflects positively on the national economy and enhances the capabilities of its local content," said Eng. Saleh Bin Nasser Al-Jasser, minister of transport, and chairman of the board of directors of SAR.

The merger will be "a qualitative leap for SAR," according to its CEO Dr. Bashar bin Khalid Al-Malik, and gives it the platform to expand the kingdom's inter-city railways by leveraging the two entities' expertise.

Saudi Railways Organization was founded in 1951 and built the country's first rail network connecting Riyadh to the port of Dammam via Haradh, and later to Al Hofuf.

SAR, meanwhile, was originally created in 2006 to build the 2,400-kilometre North-South Railway, linking the port of Jubail and Riyadh with Hail, Jawf, Qurayyat and Wa'ad Al-Shamal.

The merger is in line with Saudi Vision 2030, which has set ambitious goals for the kingdom's transportation sector, with a strong network connecting the country's roads, rails, air and sea ports.

The new entity will also play a role in serving the National Industrial Development and Logistics Program (NIDLP), which aims to lay the groundwork for a robust supply chain, and transform the kingdom into a global logistics centre linking three continents.

CONNECTING THE COUNTRY

The programme aims to connect the kingdom's industrial cities and key business centres via rail and road and create a strong logistic network with regional and global connections.

The kingdom enjoys central location on the trade route between Asia, Africa, and Europe, which constitute 12% of the international trade, according to an NIDLP document.

"Potential advantage in terms of costs reaching 15% as a regional centre for the Arabian Peninsula, the Arab common market, and east Africa," the document noted.

All told, the government is planning more than 2,000 km of rail lines for freight and passengers, and passenger railway stations across the country. The kingdom already boasts 5,000 km of rail line.

The newly merged entity aims to develop more railway projects, create new jobs and open up the sector for private sector and international investments.

SAR raised its profile in the kingdom after it managed the construction of the Haramain High Speed Rail (HHR), which has transformed the western region.

The 300-km-per-hour electrified line connects Makkah to Madinah, passing through Jeddah, King Abdul Aziz International Airport, and King Abdullah Economic City in Rabigh.

"The HHR project is a crucial component of the development plan and the expansion programme of the Saudi railway network," according to SAR. "This project links the two main cities at the western region, meets the increasing demand to serve the rising number of internal and external pilgrims with a capacity of 60 million passengers a year, and it alleviates congestion on roads in Makkah, Madinah, and Jeddah. Not least the project is to provide comfort, safe and fast transport services."

The kingdom is eyeing new railway project and is nearing completion of a study for a major railway line connecting the east to the west of the kingdom, transport minister Saleh Al-Jasser told Al Saudiya TV in April.

The major development will connect Yanbu to King Abdullah Port, followed by Jeddah Port to Riyadh, apart from boosting existing railway lines to the Eastern Region.

RIYAHD METRO

In December, the authorities said construction work on the stations and tracks of the multi-billion dollar Riyadh Metro public transit project is nearing completion.

"Necessary tests are underway, and the project will be received from the contractors," @RiyadhTransport, the company's official Twitter account, said in a social media statement in Arabic in December.

Riyadh Metro will comprise six lines with 85 stations across a 176-kilometre network.

Three separate consortia, led by some of the world's largest train makers and public transit management companies, are developing the massive, multi-faceted project that will ease traffic congestion and play a major role in transforming mobility in the capital city.

UAE CONNECTION

Saudi Railway also signed an agreement with the UAE's Etihad Rail, focused on four areas of co-operation, such as locomotives and wagons lease arrangements, spare parts purchase, special volunteer groups and shared services initiatives.

"Leasing of trains and vehicles, and the provision of spare maintenance parts, contributes to further sectorial development opportunities," SAR CEO Dr Al Malik said. "This partnership enhances the use of our national capabilities and expertise: characteristic of SAR's wider ethos. Having rigorously implemented international standards, SAR has enabled new partnerships, providing training and services for local and regional transport companies."

NEW BANK TO BREAK FINANCIAL BARRIER FOR SAUDI SMES

The creation of a bank for small and medium enterprises (SMEs) is a transformational step for Saudi Arabia.

Financing is often considered one of the key challenges facing SMEs across the world, and a dedicated financial institution for small businesses is a breakthrough for the country's economic diversification plans.

"The SMEs Bank brings together all financing solutions under one umbrella to enable the small and medium enterprises sector to access appropriate financing and achieve stability and growth," the Ministry of Commerce wrote on Twitter.

"The SMEs Bank [will] provide all its products and services in digital form without the need to establish branches," Saudi Press Agency (SPA), the kingdom's state news agency added on Twitter.

The government aims to increase SMEs' contribution to GDP to 35% by 2030 and views the sector as a vital plank of its diversification ambitions.

LENDING A HELPING HAND

The banking sector, led by the Saudi Central Bank (SAMA) was very supportive of SMEs last year to ensure they can emerge from the global health and financial crisis relatively unscathed and ready to grow again.

Around 33 financial institutions participated in Kafala, the SME loan guarantee programme in 2020 compared to 18 in 2019, highlighting the banking sector's crucial role in supporting small businesses.

As many as 4,945 SMEs secured guarantees of SAR 12.3 million through the programme.

In a bid to ease funding in the kingdom, the government also established Funding Gate, a new platform connecting government and private sector loan providers. In 2020, Funding Gate supported 799 SMEs to finance as much as SAR 1.2 billion, according to SAMA.

Jada, a USD 4 billion fund of funds company created by the Public Investment Fund, also signed a deal with the Venture Capital and Private Equity Association to support the kingdom's venture capital and private equity industry.

"In accordance with the co-operation agreement, the two parties will ex-change experiences to contribute to the support and development of the venture capital sector and private equity and participate in the development of training programmes to raise the level of professionalism in the sector, as well as to co-operate in research and studies fields," according to SAMA.

Meanwhile, the General Authority for Small and Medium Enterprises (Monshaat) held several virtual sessions last year focused on government financing initiatives to support SMEs, which generated 900,000 views.

Major entities are also boosting the entrepreneurship culture in the kingdom.

Late last year, Saudi Arabian Basic Industries Corp. said 43 entrepreneurs graduated from its SABIC Plastic Applications Development Center (SPADC) and are now qualified to invest in the market. Their projects will create 6,610 jobs and contribute SAR 8.8 billion to the GDP.

Saudi Tourism Authority (STA) also launched a new programme in March to nurture the development of domestic travel and trade businesses.

"Across the kingdom, we are seeing different types of small-to-medium sized businesses transform their working models and offering so that tourism is at the heart of their core product," said Fahd Hamidaddin, CEO of STA.

The Tourism Shapers programme hopes to inspire the country's SMEs to identify new opportunities and grow their business.

Some SMEs have already pounced on new opportunities. A new report by the Global Entrepreneurship Monitor (GEM) noted that Saudi entrepreneurs with an online presence were able to pivot promptly to ecommerce have increased their market share during the COVID-19 crisis.

"For example, Saudi e-commerce solution platforms such as Salla and Zed have adapted to the situation and reported a huge jump in revenues," according to GEM. "Saudi edtech platforms such as Classera have collaborated with the Ministry of Education to find solutions for teaching students online during the curfew. In logistics, the Saudi company CITC reported the delivery of 12 million orders during the lockdown, representing a 200% increase compared to 2019."

FERTILE GROUND FOR ENTREPRENEURS

GEM's latest report shows Saudi Arabia was ranked 7th in its list of countries that have created optimal settings for individuals to start and grow a business.

The GEM's National Entrepreneurship Context Index measures 12 environment conditions that can help assess entrepreneurial activity taking place in a country.

According to the report, Saudi Arabia made impressive stride last year in improving market dynamics, regulations, and domestic policies to nurture entrepreneurs. The kingdom's small businesses also reacted proactively to lockdowns during the pandemic, with a score of 7.7 in that particular segment of the ranking – the highest among all the 44 countries reviewed.

"The most prominent positive evaluations are given in Saudi Arabia, Panama, Guatemala, United Arab Emirates, United Kingdom, Brazil, Taiwan, Puerto Rico, and Chile," GEM noted.

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MINING SECTOR REMAINS A BRIGHT SPOT IN SAUDI ECONOMY

Ma'aden, Saudi Arabia's largest metals company, is investing USD 2 billion in expanding its production levels and creating a mining powerhouse in the kingdom.

"We continue our strategy to increase our phosphate fertilisers, gold and basic minerals capacities while at the same time focusing on improving the performance of our existing plants and aspiring to play our part to achieve the goals of the Kingdom's 2030 vision, diversify sources of income, create jobs and transform the mining sector to be the third pillar of Saudi Arabian industry," said Mosaed Al Ohali, Ma'aden's chief executive officer.

The Mansoura & Massarah gold mine, the company's flagship project, is being developed as conventional open pit mines and will employ carbon-in-leach and pressure oxidation processes technology for gold production.

Once fully operational, the Mansourah-Massarah mine will produce 250,000 ounces of gold per year, helping to achieve Ma'aden's target of 1 million ounces of gold.

The company's revenues for the full year 2020 stood at SAR 18.5 billion, its best sales performance ever, and up 4.76% compared to 2019. The company's net loss for the year was SAR 847 million.

Ma'aden, which is developing an impressive portfolio of metals and minerals, is spearheading the kingdom's efforts to create value from its mineral resources estimated at more than USD 1.3 trillion.

HUGE POTENTIAL

Saudi Arabia boasts 48 different minerals and metals of which 15 are commercially viable. Its central and northern regions are home to large reserves of bauxite, silver, zinc, copper, magnesite, and kaolin, which the government hopes to monetise through private and international investments.

"The mining potential of these resources is still significantly untapped, which presents the private sector with large and lucrative investment opportunities that capitalise on and serve the under-supplied market," according to the Ministry of Investment.

To explore the country's proven reserves, the Saudi Geological Survey (SGS) signed contracts worth over USD 530 million with international organisations and consultants in October last year to carry out projects related to the geological survey general programme. The six-year-long programme is expected to help boost the kingdom's mining sector, and be a significant contributor to the Vision 2030 initiative.

In addition, the kingdom is keen to upgrade its infrastructure to connect its mineral reserves to global markets.

The government is developing a 2,750-kilometre North-South railway connecting Al-Jalamid mine with processing facilities in Ras-al-Khair Industrial city (RIC), a "world-class metals and minerals city" with integrated industrial complexes, ports and an end-to-end ecosystem.

"Wa'ad Al Shamal City includes Ma'aden's phosphate mining expansion and many other large world-class facilities allowing for a production capacity of 16 metric tonnes per year. Additionally, more than SAR 90 billion (USD 25 billion) is being invested in new mining ventures and plants to process industrial ores," the ministry added.

Earlier this year, Invest Saudi identified an investment opportunity for a brass and copper plant facility with a 45 kiloton production capacity in the kingdom.

"The plant will produce copper and brass products for non-electrical usage in the region and has an expected payback period of 9.1 years. The project is eligible for up to 75% of project financing by the Saudi Industrial Development Fund (SIDF). Additionally, the Human Resources Development Fund (HRDF) provides 30%, 20% and 10% of Saudi nationals' salaries for their first, second and third years of work, respectively," Invest Saudi said.

NEW LAW

Saudi Arabia's new mining law, which took effect in January after being approved last year, aims to boost the sector's contribution to GDP from USD 17 billion to more than USD 64 billion. The government also believes it can reduce imports by about USD 10 billion and generate more than 200,000 jobs by 2030, placing the mining sector as the third pillar of Saudi industry.

The new law has 63 articles that spell out transparent and clear rules for the mining industry.

"The detailed procedures for the issuing of licenses will be included in the regulations; however, we can expect aggressive new timelines for the ministry and other stakeholders to adhere to when processing and approving applications," according to consultancy Baker McKenzie. "This will be of comfort to mining companies and investors who have previously been discouraged from exploring opportunities in Saudi due to the uncertainties around licensing and lengthy processing periods."

A number of international companies, including Canada's Barrick Gold Corp., one of the world's largest gold miners, US-based Alcoa Corp. and The Mosaic Co., are already operating mines in Saudi Arabia, while new ones are eyeing the kingdom's nascent sector.

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