



CIUDADANO
AUSTRAL



THE KINGDOM OF SAUDI ARABIA

AN EXAMPLE OF INNOVATION AIMING
TO BE AT THE FOREFRONT OF THE WORLD

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INTRODUCTION

The Kingdom of Saudi Arabia is a country with many interesting characteristics, it has an area of 2,149,690 km² and a population of 32,275,687 inhabitants in 2016. It is known worldwide for being the leading oil exporting country and has important relations with the USA and the European Union. The Kingdom of Saudi Arabia is home to the holiest places of Islam, such as the city of Mecca, where the Great Mosque is located, and the city of Medina, where the Prophet's Mosque is located.

With these characteristics in mind, one of the main changes being driven by the innovative leadership of Crown Prince and Deputy Prime Minister Mohammed bin Salman is to develop the country with a focus on major technological reforms and the development of major projects that not only impact economic diversification, but in all areas that innovation can reach. But all this forward momentum is being carried out hand in hand with a great respect for tradition and a strong sense of appreciation for what is Saudi.

In order to take on this great challenge, the Saudi Vision 2030 project is being carried out, which includes three fundamental pillars:

1. A vibrant society.
2. A thriving economy.
3. An ambitious nation.

These three pillars support 96 strategic objectives, for which 13 programs were established for the realization of Saudi Vision 2030, ranging from a quality of life program, to a privatization program, all with a view to developing cities managed with artificial intelligence (such as the mega-projects in the Neom, and the car-free, pollution-free city called The Line, which will see a significant presence of robots and AI), the creation of large tourist resorts and the recognition of women, who have gone from not being able to drive to being at the head of the stock market, chairing banks, managing hotels and being university chancellors, demonstrates that the changes are not only feasible but real.

The challenges are many, but the determination shown by the Kingdom of Saudi Arabia to embrace forward-looking change and innovation is exemplary, which bodes well for the future of a kingdom where 70% of the population is under the age of 30.

SAUDI VISION

2030

Before developing all that comprises the dimensions of the Saudi Vision 2030 project¹, it is necessary to take as a starting reference part of the speech of its main promoter, Crown Prince Mohammed bin Salman, which states:

“Our country is rich in natural resources. We do not depend solely on oil for our energy needs. Under our lands lie gold, phosphate, uranium and many other valuable minerals. But our real wealth lies in the ambition of our people and the potential of our younger generation. They are the pride of our nation and the architects of our future. (...) Our people will once again amaze the world (...) We are determined to strengthen and diversify the capabilities of our economy, turning our key strengths into enabling tools for a fully diversified future. As such, we will transform Aramco from an oil producing company into a global industrial conglomerate. We will transform the Public Investment Fund into the world's largest sovereign wealth fund. We will encourage our leading corporations to expand across borders and take their rightful place in global markets. As we continue to provide our military with the best possible machinery and equipment, we plan to manufacture half of our military needs within the Kingdom to create more job opportunities for citizens and keep more resources in our country.

We will expand the range of digital services to reduce delays and cut tedious bureaucracy. We will immediately adopt comprehensive transparency and accountability reforms and, through the body created to measure the performance of government agencies, hold them accountable for any shortcomings. We will be transparent and open about our failures and successes, and welcome ideas on how to improve.

We intend to provide better opportunities for partnerships with the private sector through the three pillars: our position as the heart of the Arab and Islamic worlds, our leading investment capacity and our strategic geographic position. We will improve the business environment for our economy to grow and prosper, generating healthier employment opportunities for citizens and long-term prosperity for all. This pledge is based on cooperation and mutual accountability”²

¹ For all the programs of Saudi Vision 2030, please visit the page: <https://cutt.ly/lmye2CF>

² Speech by the Crown Prince of Saudi Arabia on the occasion of Saudi Vision 2030, Leadership Message, available at: <https://cutt.ly/cmt47Na>

The vision and initiative taken by His Majesty the Crown Prince shows us several very positive signs regarding the innovation and development of the Kingdom of Saudi Arabia, starting with diversifying the country's economy away from oil dependence and opening up to the use of cutting-edge technology to take the country to the highest level of development and innovation, which will be strengthened by strengthening the private sector and eliminating bureaucratic processes that do not allow the potential of the people to be exploited.

In addition, the necessary projects and reforms have been carried out to make Saudi Arabia a country that possesses all the necessary characteristics mentioned in the excerpt from His Royal Highness the Crown Prince's speech, and focusing on the projects in practical terms, we will analyze six of the 13 that will have a determining impact on the nation's future³:

1. **Quality of life program:**

The vision of this program is to promote quality of life from different approaches, such as the integration of citizens and residents in activities ranging from cultural to sporting activities, the creation of jobs through the diversification of the economy by raising the status of the cities to the forefront of the world.

QUALITY OF LIFE PROGRAM COMMITMENTS

Development of +149 art galleries, +27 electronic gaming facilities, +16 family entertainment centers, +1 water park, +11 museums, +11 public libraries, +45 cinemas, 3 theme parks, +6 zoos, aquariums and botanical gardens, +44 public parks, 18 theatres, +1 opera house

Having a city within the top 100 most livable cities in the world, 4991 active sports facilities, 0.30% of GDP spent on sports, 7 athletes in the Olympics (not including wildcards), 18% of individuals exercising weekly, 405 cultural infrastructures, 5167 cultural activities offered, 0.12% consumer spending on cultural offerings, 5 participations in major international events, 25. 000 new books published, 13 Saudi films produced, 2.20% of household spending on total entertainment, 260 entertainment venues, 358 unique titles of entertainment events, 450 fan groups.

³ To learn more about the 13 programs of the Saudi Vision 2030, please visit the following official site: <https://cutt.ly/imt7y9i>

Innovation and development go hand in hand with improving people's quality of life, because the more people have facilities, well-being and access to personal development, the more this is directly related to the overall momentum of the country. This is one of the elements that will make it possible to meet all the goals set and mobilize the important individual potential of the Saudis.

Quality of life refers to the conditions that human beings need in order to be able to satisfy their individual needs, not from a survival point of view, but from a comfort point of view, which is why the most developed countries have the highest standards of quality of life, what makes this approach interesting is that thanks to the innovation available, this commitment is achievable and necessary for the overall development of the project.

2. ***National Transformation Program:***

Seeks to achieve governmental operational excellence, improve economic indicators and living standards, with a focus on the implementation of primary and digital infrastructure projects.

NATIONAL TRANSFORMATION PROGRAM COMMITMENTS

Transforming health care:

- Increase the percentage of residential areas, including peripheral areas, covered by health services from 78% to 88%.
- Increase the proportion of patients receiving medical care from the point of entry through the emergency door to discharge within 4 hours from 36% to 54%.

Improving living standards and security:

- Reduce the number of road traffic fatalities from 28 to 23 per 100,000 population.

Achieving excellence in government performance:

- Improve the Kingdom of Saudi Arabia's position in the Corruption Perceptions Index (CPI) from 57 to 40
- Improve the Kingdom of Saudi Arabia's position in the Global Open Data Index from 74 to 60

Enable different segments of society to access the labor market and increase the attractiveness of the labor market:

- Increase the economic participation rate of Saudi women from 17% to 25%

- Reducing urban mobility time from 77 minutes to 67 minutes.

Ensure the sustainability of vital resources:

- Increase the percentage of population with access to water services from 87% to 92%.
- Increase the area covered by rehabilitated natural vegetation from 18,000 hectares to 80,000 hectares.

Improving social development and the development of the non-profit sector:

- Increase the percentage contribution of non-profit organizations to GDP from 0.2% to 0.6%.

Contributing to private sector empowerment:

- Increase the contribution of SMEs to GDP from 22% to 23%.
- Increase the contribution of the digital economy to non-oil GDP from 2% to 3%

Developing the Tourism Sector and National Heritage:

- Increase the number of visitable heritage sites from 241 to 447

This program and the challenges it poses demonstrate the deep commitment of the Saudi monarchy to improve the country's internal processes and open up to overall development with the use of technologies focusing on key areas such as:

- The environment by considering the increase of vegetation which in the long term will have a positive impact on people's lives.
- Tourism which will strengthen the country's economy and showcase its rich culture and natural potential, which is a very humane approach as it also seeks to ensure greater access to water.
- The strengthening of the private sector that will bring important steps in digital innovation that can be adapted in both the public and private sectors.
- The improvement with regard to the perception of corruption since countries where the perception of corruption is highest are the least innovative countries, but this also improves trust and will significantly increase trust in relation to people and institutions, thereby enhancing development.

Perhaps the most important element that can be taken from this plan is focused on the reduction of bureaucracy in favor of development and innovation, we could even

take what Professor Ludwig von Mises in 1944 defined in his book “Bureaucracy”, when he exposed that:

"It is true that society cannot function without the services of watchmen, tax collectors and court clerks, but it is no less true that all would suffer great harm if there were no dustmen, chimney sweeps, dish scrubbers, and vermin exterminators. Within the structure of social cooperation every citizen depends on the services rendered by all his fellow citizens"⁴

Referring to what Professor von Mises said, the great contribution made and where the Kingdom of Saudi Arabia is heading is towards the application of technologies such as robotics and artificial intelligence, thus revolutionizing its national transformation program.

3. **Privatization Program:** *Aims to enhance the role of the private sector in service delivery and the availability of improved government assets, which will impact on improved services and contribute to lower costs. This will attract direct investment, improve the balance of payments and keep the state in a legislative and regulatory role.*

PRIVATIZATION PROGRAM COMMITMENTS

- Contribute to achieving GDP between 13 and 14 billion Saudi rials.
- Total government revenues from asset sales (under the guidance of the Supervisory and Oversight Committees) are 35 to 40 billion Saudi rials.
- Net government savings (capital and operating expenses) from privatization/public-private partnership (under the direction of privatization oversight committees) 30-35 billion Saudi rials.
- Government savings net of operating expenses from privatization (sale of assets) amounted to US\$1.2 billion.
- Create 10,000-12,000 new private sector jobs.

⁴ Mises, Ludwig. *Bureaucracy*. Unión Editorial. pp 107

This program is very promising because the strengthening of the private sector is one of the reasons why countries achieve better technological development, through the creation of capital that will drive development and all technological initiatives.

In addition, this allows to really take advantage of all the intellectual and human potential focused on the productive sectors, as well as contributing to the decrease of unemployment, which will have a great impact on the family and individual enrichment of the Saudis.

Evaluating all these favorable changes in the country, we have great expectations that we can undoubtedly compete with the most innovative countries with a development that goes beyond infrastructure and is comprehensive by adding private capital.

Privatization is therefore one of the most important actions to be taken and, as history has repeatedly shown, it will be a pillar in everything that means innovation.

4. ***Financial Sector Development Program:*** *This program focuses on developing a diversified and efficient financial sector that will support the national economy. This diversification also focuses on the source of income and the stimulation of savings, finance and investment. This vision will allow financial institutions to support the growth of the private sector, ensuring the formation of an advanced capital market, promoting financial planning without contradictions in the strategic objectives of maintaining a strong financial system.*

FINANCIAL SECTOR DEVELOPMENT PROGRAM COMMITMENTS

- Increase the total size of the ratio of financial assets to GDP to reach 201% by 2020 from 192% in 2016
- Increase the share of capital markets assets from 41% in 2016 to 45% in 2020
- Increase the share of SME financing in banks from 2% in 2016 to 5% in 2020
- Increase the share of mortgages in bank financing to 16% by 2020 from its 2016 level of 7%.
- Increase the share of non-cash transactions from 16% in 2016 to 28% in 2020
- Fully comply with international standards related to financial stability.
- Open the financial services sector to emerging players (i.e., FinTechs) to stimulate innovation and growth.

A robust financial sector is a very important element for societies with increasing development as it can impact on increasing the income of individuals, strengthen job creation, prevent people from being very vulnerable to unexpected income losses which has important social implications on the confidence and entrepreneurship of citizens, opening up to non-traditional financial and investment technology.

5. ***Human Capital Development Program:*** *This program aims to improve the performance of the education and training system in a comprehensive manner, from initial education to the highest level, with the objective of achieving international standards through education programs. This program will be based on Islamic, educational, social and professional fundamentals. New educational policies and systems will be introduced that improve the efficiency of human capital in line with the Kingdom's 2030 vision.*

The importance of human capital development is undoubtedly transversal and one of the most important programs of all those contemplated, since the focus on individual development that takes into account the technological as well as the traditional and cultural aspects of Saudi Arabia is what will allow its development not to be divorced from its own identity, but to be a joint growth of the society with the human being.

All these programs, which seek to strengthen the Saudi society and go hand in hand with national values, will ultimately boost the kingdom, which by maintaining this vision, with the historical, geographical and economic possibilities widely known, allows the approach of such an ambitious project to be a reality that is underway.

While all programs have strategic importance, these five mentioned above stand out for their pivotal role in the future of the project, and the commitments represent quantifiable challenges that will measure the success of each, firstly increasing the quality of life allows for individual development and this must be accompanied by a national transformation that decreases bureaucracy and gives a role to the state to facilitate procedures, and this must go hand in hand with a powerful financial sector that can bring investment, having an honest and strategic privatization program, which will end up impacting the human capital of all Saudi Arabians.

All of this underpinned by a vibrant society, where everyone can enjoy a full and satisfying life, with an important basis for economic prosperity, and an economic prosperity that generates opportunities for all.

INNOVATIVE CITIES IN SAUDI ARABIA

The approach to the development of smart cities in the Kingdom of Saudi Arabia is very interesting, because they contemplate a development in both religious and non-religious cities, and beyond focusing only on infrastructure, they are committed to integrality where cities and inhabitants grow at the same pace, which is expected to be very accelerated. For this purpose, a large amount of resources, projects and transformations have been made available in order to meet the great challenges that lie ahead.

One of these great intelligent cities is found in the Neom region, and there one of the projects is the innovative city of The Line, an eco-city that will have no streets or cars and will be completely powered by clean energy, this city will also have 170 kilometers long and can accommodate a million people, but one of the most striking attractions is that it will preserve 95% of natural spaces. This city will also have schools, health centers and modern public transportation that will reach a high speed. The presence of artificial intelligence and robots will be another of the attractions of this city.

In other areas, this city will generate great economic benefits such as the next one:

“The project will create 380,000 jobs; its contribution to gross domestic product (GDP) is estimated at 180 billion rials (more than 39 billion euros; US\$47 billion) by 2030, NEOM's statement said”⁵.

Another very important focus within this great technological revolution in Saudi Arabia is the strengthening of tourism, with a view to becoming one of the main world destinations. To achieve this goal, several projects are being carried out, which are mentioned below.

- a) **Qiddiya Entertainment City:** is planned to be an amusement park for the entertainment of Saudi citizens. It aims to satisfy the cultural, social and recreational needs of the country's current and future generations.

Qiddiya, located 40 kilometers from downtown Riyadh, is expected to be the world's largest attraction site once complete, ahead of Florida's Walt Disney World park.

- b) **Red Sea Project:** It is one of the most ambitious projects in terms of tourism and hospitality: a super-luxury destination being created along one of the Arab country's

⁵ *Energy Today, Neom the car-free city in Saudi Arabia, available at: <https://cutt.ly/GmyeUzV>*

greatest hidden treasures. This project includes more than 90 pristine islands between the towns of Umluj and Al-Wajh, north of Yanbu.

The first phase of the project, scheduled for completion in 2022, includes 14 luxury and super-luxury hotels, comprising 3,000 rooms across five islands and 2 resorts on the peninsula's west coast, an airport, marinas for boats and yachts, plus residential housing and recreational facilities.

- c) **Amaala Resort:** The Amaala project is another global destination focusing on ultra-luxury wellness tourism. The Amaala Resort, already dubbed as the "Riviera of the Middle East," will be located in the Prince Mohammed bin Salman Nature Reserve.

Amaala will have "extraordinary architecture and unprecedented luxury with hotels and private villas, as well as a picturesque retail area." It will also include an arts academy that will foster the growth and development of new artists from Saudi Arabia and the region⁶.

These projects will have the most advanced technology available and is that the country is already determined to work with the highest standards of innovation, one of the actions that prove the approach to technology, and that will remain for history, is that the Kingdom of Saudi Arabia, was the first country in the world, to grant Saudi citizenship to the robot Sophia, in 2017. All this points to the projection and openness that the nation has with the new and innovative.

CONCLUSION

The Kingdom of Saudi Arabia is not one of those nations that is running towards the future and innovation, but instead is making impressive leaps and bounds in this regard. Projects that seek to put Saudi Arabia at the forefront of the world have been carefully thought out so that they go beyond infrastructure and impact every Saudi citizen. Similarly, social reforms have been moving forward with the development that by 2030 will make the country the center of innovation and the economy of the entire region. This is possible thanks to the vision and determination of the Crown Prince, who is the main responsible for all these transformations for the future.

⁶ Network of economic and commercial offices of Spain abroad, Saudi Arabia bets on 'Giga-Projects' for economic diversification, available at: <https://cutt.ly/2myeOVH>

If all the goals are effectively achieved, it means not only a success in economic diversification, which would present more options than oil, but will create a powerful financial and tourism potential that will undoubtedly be relevant worldwide, all of these changes carried out with respect for Saudi values and traditions, which means that although there is indeed a development, this will be imprinted with the seal and the purest essence of Saudi Arabia.

Innovation from the point of view of Saudi Vision 2030, as can be seen in the programs analyzed, is immersed within the proposal itself and, by covering a large number of areas, suggests that very soon we will be able to observe the changes that are taking place in the country and that are becoming visible, especially in the focus on becoming a less bureaucratic State and in having an increasingly better perception of corruption.

A sign of this development is the positive change that the country has had from 2020 to 2021, where according to the index of the freest economies of the Heritage Foundation, Saudi Arabia went from 83rd to 63rd place, advancing 20 places in one year. Let's remember that one of the most innovative countries in the world is Singapore, which also ranks first in economic freedom. This is a good sign for Saudi Arabia, which undoubtedly has a promising future.

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