

Saudi Vision 2030: Privatization Processes and Successes



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In 2016, the Kingdom of Saudi Arabia's (KSA) Crown Prince announced a new strategic roadmap for KSA's economic, social, and structural transformation up to 2030: KSA's "Vision 2030" (the Vision).

The Vision's unveiling was motivated by a sustained drop in oil prices beginning in 2014, confronting KSA with a fiscal challenge similar to that faced by the UAE in 2008. At its heart, the Vision is therefore aimed at reducing the KSA's economic dependence on oil revenues, by developing and then maintaining a confident and effective private sector.

PRIVATIZATION AS PART OF VISION 2030

In 2018, as one part of the Vision specifically conceived in order to establish a robust private sector, the KSA set in motion a large-scale privatization programme of state-owned-assets. According to the Vision 2030: Delivery Plan 2020, "privatization" meant *"the transfer of ownership of specified assets or services from the government to the private sector. The transfer of ownership can be done in several forms, e.g. (not exhaustive) full/partial assets sale, IPO, management buy-out, PPP (BOT), concessions or outsourcing."*

The programme has significant legal implications, including: the development of a legal and regulatory basis for

privatization transactions; the development of the legislative and regulatory framework of certain sectors intended for privatizations (i.e. making the regu-

“ The KSA’s Vision of privatization will have momentous legal implications—from the development of a legal and regulatory basis for privatization transactions to the establishment of new mechanisms that protect both the interests of government and the autonomy of private entities. ”

latory landscape amenable to private investment); and the establishment of mechanisms that protect government interests and stakes while also enabling

private entities to act autonomously and effectively.

HIGHLIGHTS OF THE PRIVATIZATION PROGRAMME

The privatization programme was additionally designed to raise revenue. When announced, the KSA targeted the generation of US\$9 billion – US\$11 billion by 2020 and an additional 14 public-private-partnership initiatives worth US\$6 billion – US\$8 billion. Overall, the headline figure projected by the KSA was the generation of US\$200 billion from the programme. The programme would also contribute to the development of a “*vibrant society*” (and create an estimated 12,000 jobs in the process).

Further intended benefits included the freeing up of government assets and resources to improve the quality of the services themselves and reduce running costs incurred by the government. Vitality, as well, the programme hoped to attract foreign direct investment and augment KSA's balance of payments.

ANTICIPATED PRIVATIZATIONS, AND COVID-19

In 2019, KSA raised nearly US\$30 billion from the initial public offering of Saudi Aramco, and it reportedly has plans to sell even more of its remaining stake.



Other sectors identified as intended to be subject to privatizations include education, healthcare, water, and transport. However, there have been delays to the privatization programme, for reasons that are unclear. As such, there are currently no electricity generation and cogeneration plants up for sale, however, power sector privatizations are expected in the future.

Nevertheless, one notable public-private partnership (PPP) is the selection of GE to provide gas turbine technology and services for four Saudi Electricity Company expansions. The total value of the agreements with GE is estimated to be worth US\$500 million.

The effect of COVID-19 on the programme remains unclear. On the one hand, according to *Vision 2030: The Impact of COVID-19 on Saudi Arabia's*

“ Ras al-Khair is a high-value asset that is expected to attract significant interest from utility players, Japanese trading houses and private equity funds, and is of immense strategic importance to the Kingdom of Saudi Arabia, the region, and to key Saudi stakeholders. ”

Diversification Programme, global demand for oil has been predicted to fall by a record of 9.3 mb/day year-on-year in 2020. The plunge in prices has taken a toll on KSA's fiscal management: Moody's has downgraded its outlook from "Stable" to "Negative," creating an extra hurdle to the KSA's plans to borrow US\$58 billion, and resulting in a US\$8 billion reduction in its budget for the Vision (the Vision was based on a budget

of US\$65/bbl). However, because a significant side-effect of the privatization process is revenue generation, it may be that while some parts of the Vision are delayed, the privatization programme will be accelerated to offset the pandemic's effects. The ultimate impacts of the pandemic remain to be seen.

