

Pre-Budget Statement

FY 2022



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List of Abbreviations

Bn	Billion
EIA	Energy Information Administration
FY	Fiscal Year
GASTAT	General Authority for Statistics
GDP	Gross Domestic Product
H1	First Half of the Year
H2	Second Half of the Year
IMF	International Monetary Fund
Mn	Million
MoF	Ministry of Finance
Monshaat	The General Authority for Small and Medium Enterprises
NDF	National Development Fund
NDMC	National Debt Management Center
OPEC	Organization of the Petroleum Exporting Countries
PIF	Public Investment Fund
Q2	Second Quarter
SAMA	Saudi Central Bank
SAR	Saudi Riyal
SDAIA	Saudi Data and Artificial Intelligence Authority
Shareek	Private Sector Partnership Reinforcement Program
SMEs	Small and Medium Enterprises
Tn	Trillion
USA	United State of America
USD	United States Dollar
VAT	Value Added Tax
VRPs	Vision Realization Programs
WEO	World Economic Outlook



Introduction

The Ministry of Finance issues the pre-budget statement for FY 2022 in line with the national policy to enhance budget preparation process by integrating it within a comprehensive fiscal and economic framework for the medium-term. This is expected to not only facilitate multi-year fiscal planning but also enhance transparency and fiscal disclosure.

This document aims to inform citizens, analysts, and other concerned parties of key domestic and international economic developments, which may affect the preparation of next year's budget, as well as the key fiscal targets and economic indicators for FY 2022 and for the medium-term. The statement also provides a review of the main initiatives and programs to be implemented during the next fiscal year under the umbrella of the Saudi Vision 2030. It should be noted that the budget is usually approved in December and it may vary from the contents of this document in light of new fiscal and economic developments.




Executive Summary

In accordance with the Fiscal Sustainability Program framework under the umbrella of the Saudi Vision 2030, the draft budget for FY 2022 continues to ensure fiscal sustainability and strengthening of the Kingdom's fiscal position amid domestic and international challenges, while continuing to support economic growth.

Economic recovery and revived growth constitute key pillars underpinning fiscal and economic targets for FY 2022. Indicators show continuous recovery in most economic activities, and in some sectors, it is expected to exceed pre-COVID levels. The government's efforts in combatting the virus have led to minimizing its detrimental impact, despite on-going global challenges in managing the response to the virus's variants and its spread. The Saudi government has prioritized human life and safety by enforcing preventive and protective measures. It has provided the vaccine to citizens and residents and achieved high vaccination levels. The Kingdom's efforts in responding to the pandemic have not been limited to the domestic sphere; globally, it has played a role in supporting international efforts to combat the virus.

- There has been strongly positive response to initiatives designed to boost economic activity and support the private sector, including these launched by SAMA (the Saudi central bank). In H1 of FY 2021, non-oil gross domestic product has recorded growth of 5.4%, backed by a 7.5% real increase in private sector activity. Real GDP is projected to grow by 2.6% in 2021, while non-oil GDP is projected to grow by 4.2%.



Several factors are expected to boost non-oil GDP growth, including continued implementation of the Saudi Vision 2030 programs and projects, development of promising economic sectors, completion of initiatives to encourage investment, and support for industry and non-oil exports. These will be supported by other factors such as easing of restriction with gradual decline in infections, and the rapid rollout of the vaccine, global economic recovery, on-going implementation of medium-term structural reforms in accordance with the Saudi Vision 2030, and finally, the vital role played by the Public Investment Fund (PIF) and development funds.

- Initial forecasts indicate a growth in real GDP by 7.5% in 2022, benefiting from healthy growth in the non-oil GDP, under the assumption that economic activity will normalize, in addition to the improvement in the Kingdom's balance of trade, as indicated by the positive development in H1 of FY 2021. This is in addition to growth in the oil sector, driven by the anticipated increase in the Kingdom's production starting in May 2022 according to the OPEC+ agreement, and also by the stabilization in global demand and improvement in global supply chains, which would reflect positively on the domestic economy.
- It is to be expected that the noticeable and anticipated uptick in the Kingdom's economy should reflect positively on budget revenue in the medium-term. Total revenue for FY 2022 should reach approximately SAR 903 bn, and total approximately SAR 992 bn by FY 2024. This is due to the government's sustained policy of executing fiscal initiatives and reforms that aim to enhance and develop non-oil revenue to ensure its sustainability and stability for the next year and in the medium-term.

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- The government aims to sustain the spending ceilings approved last year for the medium-term. Expenditure is projected to reach approximately SAR 955 bn for FY 2022 and to reach SAR 951 bn in FY 2024. It should be noted that maintaining expenditure levels as planned reflects government commitment to adhere to spending limits, and is the result of measures implemented to increase spending efficiency, improve efficacy of social expenditure and reprioritize spending based on developmental needs. This is in addition to continued investment in mega projects and Vision Realization Programs (VRPs) in order to achieve the Saudi Vision 2030 goals. More opportunities will also be given to development funds and the private sector to participate in leading investment opportunities, privatization projects and infrastructure development projects.
 - The Saudi government aims to continue economic and fiscal reforms it has implemented under the umbrella of the Saudi Vision 2030, such as developing public finance via achieving the targets of the Fiscal Sustainability Program, which aims to carry on the implementation of the initiatives of the fiscal balance program and to transition to fiscal sustainability through a number of initiatives and procedures, including adopting fiscal rules that contribute to enhancing fiscal discipline and controlling budget deficit levels. It is estimated that budget deficit for FY 2022 will reach approximately 1.6% of GDP. It is expected to continue to decrease gradually in the medium-term, and budget surpluses are forecasted from FY 2023 onwards.

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- Through coordination between the Ministry of Finance (MoF) and the National Debt Management Center (NDMC), the annual borrowing plan is being prepared to meet funding needs within the framework of a medium-term debt strategy. In line with this, it is expected that public debt will reach SAR 989 bn for FY 2022, or 31.3% of GDP. The size of the public debt is anticipated to remain fixed in the medium-term, whereas debt-to-GDP ratio is projected to decline to 27.6% in FY 2024. While budget surpluses, projected to be realized starting in FY 2023, are to be used to enhance government reserves, new debt issuances will be directed towards principal repayment. Government deposits at SAMA are expected to exceed initial projections in the FY 2022, and to continue to grow due to expected surpluses in FY 2023 and FY 2024.

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Key Fiscal Targets and Economic Indicators

in FY 2022 and the Medium-Term

A/ Macroeconomic Projections for FY 2022 and the Medium- term

1. Global Economic Developments

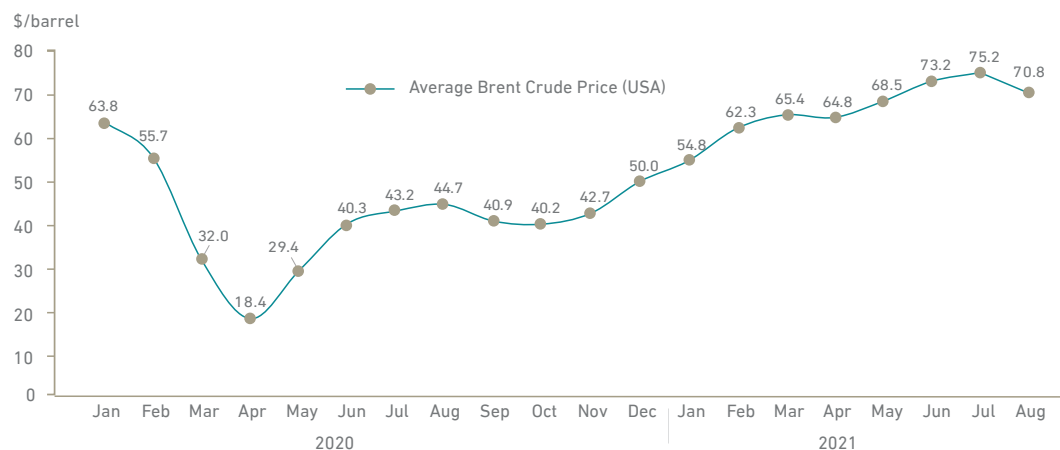
The global economy is witnessing a recovery phase in the aftermath of the COVID-19 pandemic and its repercussions, which were reflected in the performance in H1 of FY 2021. Growth in developed, emerging and developing countries have improved mainly due to stimulus packages that were implemented, in addition to loosening precautionary measures that were set in place to combat the pandemic, coinciding with the rapid distribution of vaccines. In the July 2021 edition of World Economic Outlook (WEO), the International Monetary Fund (IMF) projected 6.0% growth in the global economy in 2021 and 4.9% in 2022. These projections take into account the additional fiscal support in a number of large economies and the expected boost that would accompany expanding the production and rollout of vaccines, especially during H2 of 2021. Advanced economies are projected to grow at 5.6% in 2021 and 4.4% in 2022 as a result of improved health measures in most of these countries.

Real GDP Growth Rates	2019	2020	2021* Projections	2022* Projections
Global Economy	2.8%	-3.2%	6.0%	4.9%
Advanced Economies	1.6%	-4.6%	5.6%	4.4%
Emerging Markets & Developing Economies	3.7%	-2.1%	6.3%	5.2%
USA	2.2%	-3.5%	7.0%	4.9%
China	6.0%	2.3%	8.1%	5.7%
Japan	0.0%	-4.7%	2.8%	3.0%
India	4.0%	-7.3%	9.5%	8.5%
Euro area	1.3%	-6.5%	4.6%	4.3%
Saudi Arabia	0.3%	-4.1%	2.4%	4.8%
Inflation				
Inflation in Developed Economies	1.4%	0.7%	2.4%	2.1%
Inflation in Emerging Markets and Developing Countries	5.1%	5.1%	5.4%	4.7%

Source: IMF - World Economic Outlook, July 2021

* IMF Projections July 2021

Oil markets have witnessed an increase in average annual (Brent) price to register USD 67.0 per barrel in August 2021 compared to USD 41.2 per barrel during the same period of previous year. This increase in prices until August was due to the efforts of OPEC+ countries to optimize the production policy since the spread of COVID-19 pandemic, and its vital role in accelerating the process of rebalancing the oil market. The average crude oil price plummeted to USD 18.4 per barrel in April 2020, its lowest point during the pandemic. In August 2021, the average crude oil price reached USD 70.8 per barrel.

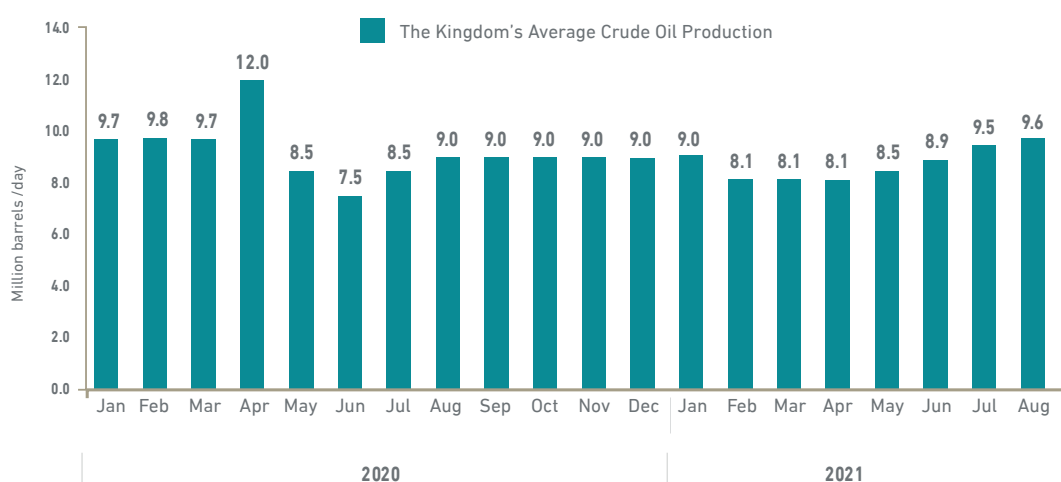


Source: Energy Information Administration (EIA)

As for production, the Kingdom's average production was at 8.8 mn barrels per day for the year till August 2021, a decrease of 585 thousand barrels per day compared to previous year, which amounts to a 6.3% reduction on annual basis. This decrease can be attributed to the Kingdom's voluntary reductions implemented to stabilize oil prices.

OPEC has projected annual growth in overall global demand for oil in 2021 of 6.6% which is expected to result in total production of 96.6 mn barrels per day. Demand is projected to increase by approximately 3.4% in 2022 compared to 2021, which would bring


production to 99.9 mn barrels per day. According to OPEC's initial data, published in August 2021, demand for oil will increase in the Middle East in 2022 by 0.3 mn barrels per day, due to economic recovery in many sectors, led by petrochemicals, transportation and construction.



Source: OPEC Report - September 2021

2. The Domestic Economy


The COVID-19 pandemic and measures that were taken to minimize spread of the virus have clearly impacted domestic economic performance since March 2020. However, the government has implemented measures to contain the virus through controlling infection, enhancing the quality of the health system, providing citizens and residents with access to vaccines through vaccine centers throughout the Kingdom, in addition to initiatives designed to stimulate the economy and support the private sector. SAMA has supported SMEs through the instalment deferral program and the guaranteed financing program, as well as the injection of liquidity in the banking sector to enable it to support the private sector. These measures have resulted in the Saudi economy recovering gradually in H1 of FY 2021.



When considering projections for FY 2021, real GDP is expected to grow by 2.6%, buoyed by an increase of 4.2% in non-oil GDP, taking into consideration the performance of economic indicators during H1 of the year. Initial projections show that inflation rate for the entire year will reach approximately 3.3%, taking into account the diminishing base effect of the VAT increase in H2, after reaching 5.5% during H1 of the year. An increase in price for some imported goods is projected as a result of procedures implemented to combat the pandemic in developed countries, which have affected global supply chains and may lead to an increase in prices of basic goods globally.

Economic recovery is therefore expected to continue in 2021 and in the medium-term, in tandem with the pandemic's gradual decline and the easing of precautionary restriction on several economic activities with the rapid rollout of the vaccine with aim of reaching societal immunity.

The government has supported the private sector via several initiatives designed to minimize effects of the pandemic and ensure continued sustainable economic growth in the medium-term. The PIF plans to inject approximately SAR 150 bn into the national economy annually until 2025. In addition, several projects are on-going which are expected to boost growth in the Kingdom through creating investment opportunities and developing nascent sectors such as the tourism through the Neom project, the Red Sea project, the Qiddiya project, and the Amaala project. Similar growth is expected in the real estate sector as well, through projects executed by ROSHN to develop residential neighborhoods with high standards. The "Made in Saudi Arabia" program, an important initiative that supports national products and services, is expected to offer significant benefits and opportunities for companies with the aim of broadening their scope and promoting their products domestically and globally. The logistic services sector, which encompasses trains and buses, also



has a role through operating the King Abdulaziz Project for Public Transportation. There are several on-going and planned initiatives and programs in the technology and artificial intelligence sector, such as Twaiq, Hima, and Qimma. These initiatives are in accordance with the targets of the Saudi Vision 2030 in capitalizing on digital economy opportunities, which would enhance the role of the non-oil sector.

The General Authority for SMEs “Monshaat” also supports and empowers the SME sector and entrepreneurs through an integrated system of programs, services and initiatives to spread the culture of self-employment, entrepreneurship and innovation. It continues to diversify sources of financial support for enterprises, develop policies and standards to finance projects classified as SMEs, and provide administrative and technical support to enterprises and support them in developing their administrative, technical and financial, marketing and human resources capabilities.

In February 2021, “Monshaat” has launched the SME Bank as one of the development banks part of the National Development Fund (NDF) with the aim of increasing funding to the SME sector, enhancing the contributions of financial institutions to providing innovative financing solutions, and achieving financial stability for this vital sector - a key pillar of Saudi Arabia’s economic development and a strong enabler for Saudi Vision 2030.

The NDF has a role to play in improving the performance of other development funds and banks in meeting the priorities of development and economic needs through filling the financing gap in cooperation with the private sector. Part of that role includes private investment stimulus programs under the umbrella of “Shareek” Program, a key element in the National Investment Strategy. It aims to build a cooperative framework between the public sector and companies in the private sector in order to achieve investment targets that would inject close to SAR 5 tn in new investments by 2030.

In light of these domestic developments and the global economic recovery, projections for economic growth in the Kingdom for 2022 and the medium-term have been reviewed. The private sector is projected to grow at a higher pace to lead economic growth and job creation. Initial projections indicate a growth in real GDP of 7.5% in 2022, assuming recovery in economic activities and an improvement in the Kingdom's balance of trade in light of positive performance in the first half of 2021. In addition, increasing oil production and raising the Kingdom's production share starting in May 2022 according to the OPEC+ agreement, the recovery of global demand, and improvement in global supply chains will reflect positively on the domestic economy.

Medium-term Macroeconomic Projections

(Percentage, unless otherwise stated)

	Actual* 2020	Estimates** 2021	Projections**		
			2022	2023	2024
Economic Indicators					
Real GDP Growth	-4.1%	2.6%	7.5%	3.6%	3.3%
Nominal GDP (SAR Billion)	2,625	3,102	3,162	3,383	3,583
Inflation	3.4%	3.3%	1.3%	2.0%	2.0%

* Source: GASTAT

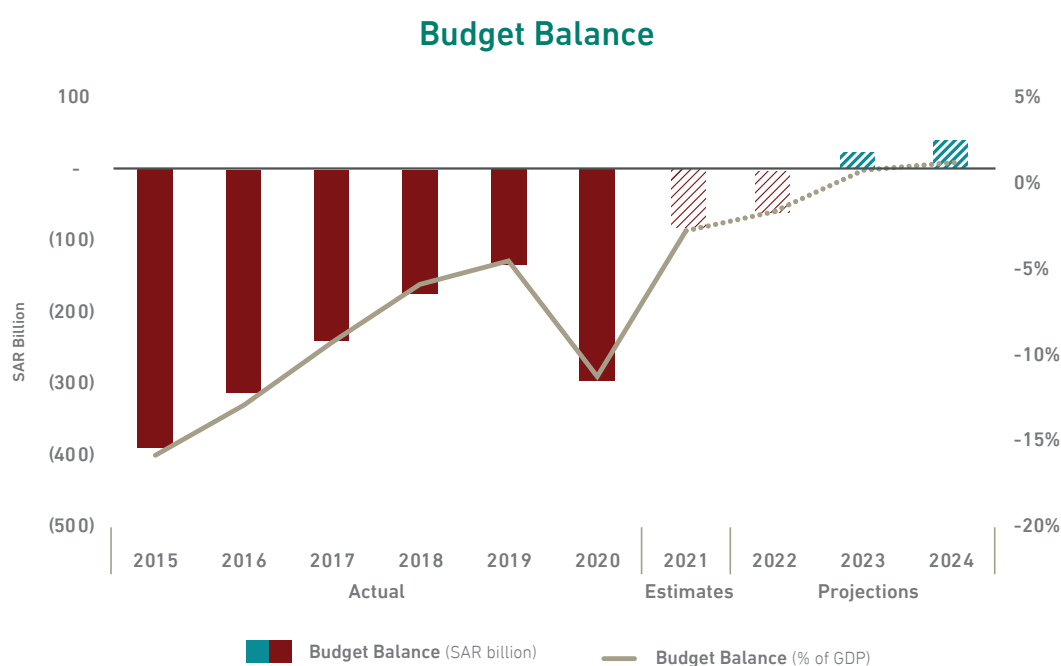
** Preliminary data

B/ Key Fiscal Targets

for FY 2022 and the Medium-term

The Saudi government aims to continue economic and fiscal reforms it has rolled out under the umbrella of the Saudi Vision 2030, including developing public finance via achieving the targets of the Fiscal Sustainability Program. The program aims to continue implementation of initiatives launched under the Fiscal Balance Program and adopt fiscal policies that would contribute to achieving fiscal stability and increasing the quality of fiscal planning by controlling budget deficit levels.

In this spirit, the government strives to control budget deficit levels in order to guarantee fiscal stability and sustainability. Budget deficit is projected to be approximately 1.6% of the GDP in 2022. Budget surpluses are projected starting in 2023, which will come hand in hand with the government's efforts to raise the quality and efficiency of expenditures and enhancing the role of the private sector through increasing the participation of development funds and PIF in capital expenditure.



Source: MoF

Medium-term Fiscal Projections

(SAR Billion, unless otherwise stated)

	Actual 2020	Budget 2021	Estimates 2021	Projections		
				2022	2023	2024
Fiscal						
Total Revenues	782	849	930	903	968	992
Total Expenditures	1,076	990	1,015	955	941	951
Budget Balance	-294	-141	-85	-52	27	42
As percent to GDP	-11.2%	-4.9%	-2.7%	-1.6%	0.8%	1.2%
Debt	854	937	937	989	989	989
As percent to GDP	32.5%	32.7%	30.2%	31.3%	29.2%	27.6%

Source: MoF

Minor discrepancy may arise due to rounding

1. Revenues

The government continues to execute fiscal initiatives and reforms that were announced in the past few years, with the aim of enhancing and developing sources of non-oil revenue to ensure sustainability and stability in the medium- and long-terms. In addition, the government continues to support implementation of the Kingdom's economic transition plans and to finance social spending. The continuous diversification and development of revenue in a structural manner, in the form of a set of initiatives that enhances efficiency and effectiveness, has contributed to noticeable growth in non-oil revenue. This has created a sustainable and vital flow of revenues.

Initial projections indicate that total revenue for FY 2022 will reach SAR 903 bn, a decrease of 2.9% from the projected figure for FY 2021. This reflects a conservative approach in budgeting oil and non-oil revenue, taken as a precautionary measure against risks of resurgence of the pandemic. Total revenue is projected to grow




to approximately SAR 992 bn in FY 2024, backed by a projected economic recovery domestically and globally in the medium-term once the effects of the pandemic diminish. It also reflects the government's consistent efforts to diversify the economy through a number of programs and initiatives directly connected to the targets of the Saudi Vision 2030.

2. Expenditures

In line with the government's efforts to maintain expenditure ceilings approved for the next FY 2022 and for the medium-term, expenditures are projected to reach SAR 955 bn in the next FY 2022, which represents 30.2% of GDP, and SAR 951 bn in FY 2024. This takes into account expenditures on mega projects and programs aligned with achieving the targets of the Saudi Vision 2030. It also reflects the government's commitment to raising the efficiency of expenditures, as well as reorganizing priorities according to economic needs. In addition, it paves the way for private sector to lead new investments and includes plans to continue to privatize certain government assets and services and develop infrastructure projects. Also noteworthy is the contribution of NDF through expanding financing of the private sector and the PIF's investments under its approved strategy.

3. Deficit and Debt

In order to meet budget financing needs, the MoF is working with the NDMC on preparing an annual borrowing plan, in accordance with the medium-term debt strategy. It aims to diversify sources of financing domestically and globally and tapping global debt markets within a framework that carefully considers risk management. This strategy takes into account the Saudi Vision 2030 goals in enhancing



growth of the financial sector and deepening the domestic debt market. The strategy also aims to diversify financing instruments such as bonds, sukuk, and loans, in addition to continuing to search for new markets and instruments through alternative government financing, which is part of the MoF's strategy to support the continuation and completion of large development projects in the Kingdom.

New financing is projected at SAR 127 bn during FY 2022. Gross public debt is projected to be SAR 989 bn, which represents 31.3% of GDP in FY 2022, compared to 30.2% in FY 2021, while allowing flexibility in meeting financing needs according to market developments. During the same year, principal repayments on debt will reach SAR 76 bn. In the medium-term, public debt levels are projected to remain constant, while debt-to-GDP ratio is projected to decrease to 27.6% in FY 2024. While budget surpluses, projected to be realized starting in FY 2023, are to be used to enhance government reserves, new debt issuances will be directed towards principal repayment. This is in addition to focusing on issuing debts with fixed yields starting in FY 2021 in order to mitigate the risks of variable yields.

Fiscal strategy also aims to enhance the government's fiscal position via maintaining appropriate government reserves at SAMA, to reach SAR 350 bn in FY 2022, an increase over the previous year's projections. It is projected to continue to increase in the medium-term.

02

Main Programs and Initiatives

for the Medium-term




Second: Main Programs and Initiatives for the Medium-term

In support of the Saudi Vision 2030, and as a continuation of economic and fiscal reform, work will continue on executing the Saudi Vision 2030 programs and initiatives in FY 2022 and over the medium-term, while constantly reviewing them to ensure their effectiveness in achieving strategic targets. This section sheds light on key programs and initiatives through which main economic, social, and fiscal targets are expected to be achieved. It also outlines key initiatives to enhance efficiency and effectiveness of public fiscal management.

1. Saudi Vision 2030 Realization Programs

In the past five years, the Kingdom of Saudi Arabia has achieved tangible results through a commitment to targets of the Saudi Vision 2030. The Kingdom has witnessed a number of successes, including improving quality of life, services to pilgrims to Mecca from all over the world, and improvements of historical sites. Additionally, Saudi Vision 2030 has also led to significant buildup of PIF assets while small and medium businesses have increased their contribution to the GDP. Concurrently, non-oil revenue has increased, as has the role of the private sector, in addition to women's participation in the market.

VRPs have contributed to enabling Saudi families to acquire housing through facilitating procedures of immediate entitlement for citizens to receive supported real estate loans. The electronic platform "Sakani" has enabled Saudi families to receive financing




in partnership with the private sector. This is in addition to raising the quality of health services and facilitating access to them by committing to digitizing the health sector, as well as launching applications such as “Sehaty” and “Mawid” and covering services for all regions in Saudi Arabia. Efforts have been made to increase the production of desalinated water through the establishment and maintenance of desalination stations and water transportation lines between cities in order to increase the amounts of desalinated water produced daily.

With the Saudi Vision 2030 transitioning into its next phase, VRPs align their activities through approved execution plans that follow pre-approved targets and key performance indicators in order to achieve and deepen impact and include the private sector in the path towards effecting a paradigm shift in all sectors.

One of the programs the government is focusing on the medium-term is the PIF Program, which aims to multiply the fund’s assets under management to SAR 4 tn accumulatively by the end of 2025, which would make it one of the largest sovereign wealth funds in the world and the preferred investment partner, consolidating its position in defining the global economic future.

The Human Capability Development Program focuses on preparing citizens’ capabilities to compete globally through developing a solid educational foundation for all, which contributes to instilling values from an early age. Citizens’ skills are developed through providing educational opportunities over the entire lifetime, in addition to supporting innovation and entrepreneurship. This is achieved through developing and activating policies that enhance the Kingdom’s leadership role, as well as expanding the partnership




between the private and non-profit sectors. In this regard, the Program has several targets, including increasing opportunities to enroll in preschool from 23% to 90%, as well as having two Saudi universities being listed as one of the top 100 universities in the world by 2030, which would enhance the Kingdom's global standing.

For the foreseeable future, the Housing Program will continue its efforts to raise the percentage of Saudi homeowners to 70% by 2030, compared to 62% in 2020, via serving the largest social strata and targeting underprivileged groups, as well as encouraging investment from the private sector, ensuring its stability and sustainability.

The Financial Sector Development Program is concerned with developing a sustainable and flourishing insurance sector in the Kingdom and increasing non-cash transactions from 36% in 2019 to 70% by 2025. The Program aims to develop the banking sector so that gross banking assets can break the SAR 3.5 tn barrier, and the share of small and medium businesses in financing reaches 11%.


The Privatization Program strives to enhance the private sector's role in providing services, which would generally improve the quality of the services provided and reduce costs. It also aims to allow the government to focus more on its legislative and organizational role. The program also aspires to increase the private sector's contribution to the GDP from 40% to 65% by 2030. During 2022, the program aims to continue to offer privatization opportunities and support projects that broaden the partnership between the public and private sectors domestically and globally in many sectors, including the water desalination sector, the health sector, the housing sector, and media.

Since its launch, the National Transformation Program has contributed to many important and influential achievements in the development of government systems and the improvement



of services provided to citizens. This includes the development of justice services, the advancement of health care and the improvement of the urban landscape, the development of the Kingdom's infrastructure such as the construction of saltwater desalination plants, the development of its integrative connectivity network, the facilitation of business, the expansion of digital transformation and technical solutions, as well as the regulation of the labor market, the empowerment of women and their increased participation in the workforce, the development of the non-profit sector, and the development of the tourism sector. The most notable of these achievements include the **enactment and modernization of several regulations and legislation, the launch and activation of a number of strategies, the establishment of selected centers and bodies, and the launch of a number of specialized programs.** The program also seeks to complete the development of the necessary infrastructure, promote community development, ensure the sustainability of vital resources, achieve excellence in government performance, support digital transformation and increase the attractiveness of the labor market, in order to create an enabling environment for the public, private and non-profit sectors to achieve the Saudi Vision 2030.

Since its inception, the Fiscal Balance Program has contributed to fiscal discipline and the development of public finance through the establishment of a number of entities, such as the NDMC, the Non-Oil Revenues Development Center, and the Expenditure and Projects Efficiency Authority. It has also achieved significant gains in setting up advanced systems to support public financial management. Moreover, it supported fiscal consolidation via the implementation of a number of structural reforms to upgrade budget preparation process in addition to enhancing non-oil revenues. The Fiscal Balance Program



and its initiatives has set the public finance on a more sustainable path and improved the quality of fiscal planning. This necessitates developing the program's approach by building on what has been achieved and moving into a phase of fiscal sustainability. As such, the Fiscal Balance Program has been restructured and transformed into the Fiscal Sustainability Program, in light of periodic revisions and analyses of the performance of the first wave of planning with the Saudi Vision 2030 Realization Programs. These revisions have measured economic and social indicators and evaluated the success rate in achieving the targets of each one, as well as studied variables that should be taken into account when determining priorities and mechanisms for executing the next phase. The Fiscal Sustainability Program (formerly the Fiscal Balance Program) aims to focus on setting public fiscal policies that support achieving the targets of the Saudi Vision 2030 according to a fiscal framework, and adopting efficiency and effectiveness in government expenditures, as well as developing non-oil revenues in order to achieve fiscal sustainability. It also aims to allocate expenditures in accordance with national priorities in order to enhance economic growth, and contribute to creating job opportunities for citizens.

The Fiscal Sustainability Program strives to continue previous efforts to achieve desired targets through working on the initiatives of the Fiscal Balance Program. The program has implemented structural reforms in managing public finance to enhance efficiency, effectiveness, and transparency in accordance with the Saudi Vision 2030 through an initiative portfolio that targets enhancing public financial management, as well as enhancing the level of transparency by adopting the best international practices. We list the program's key initiatives in the following:




Risk Management Framework in the Medium-Term

The economic and fiscal risk management framework aims to support economic and fiscal structural reform carried out by the Saudi government and represented by a number of programs and initiatives. The framework monitors key developments in the domestic and global economies and identifies the resulting risks. It then evaluates the subsequent effects of those risks through a risk register and risk matrix. The framework measures the effects of those risks on public fiscal indicators and the whole economy, using a number of fiscal and economic models, in addition to a tool for monitoring public financing. The framework allows the analysis and monitoring of economic and fiscal risks from an early stage, which enables the implementation of the appropriate policy to confront these risks (quantitatively and qualitatively) and managing risk in a more efficient manner while adhering to the overall framework.

The Fiscal and Economic Statistics Center

The Center for Financial and Economic Statistics at the MoF has an important and vital role in supporting MoF in achieving its strategic objectives as it is the official source of public finance data. It manages the flow of macroeconomic data in the Kingdom, which enables the MoF as well as internal and external stakeholders to deepen the analysis of the economic sectors and improve fiscal forecasts and support research. The center also aims to create strategic partnerships by working as a link between the MoF and government agencies, activating the program of statistical units in government agencies under the supervision of the General Authority for Statistics (GASTAT) and implementing policies on the governance of national data under the supervision of the Saudi Data and Artificial Intelligence Authority (SDAIA) regarding data sharing with external entities. The center also provides data analysis and accessibility,



automation of reports, building of dashboards and decision-making support. The center is also working to provide advanced analysis using data science and artificial intelligence technologies by qualified young national cadres in an effort to keep up with the goals of the Saudi Vision 2030.

Enhancing Transparency and Financial Disclosure

The Saudi government has exerted effort in the past few years to enhance transparency and disclosure of public finance. It has succeeded in improving the quality of fiscal data and the levels of transparency and disclosure as one of the standards implemented by the government in order to achieve the targets of the Saudi Vision 2030. The MoF has developed its financial systems and provided a vast amount of information on fiscal policy and improved the quality of available fiscal and economic data. It has produced a number of reports on the general budget, constantly developing its content in order to meet international practices. It addresses a broad spectrum of audience, from specialists to concerned citizens inside the Kingdom and abroad in a timely manner. In this regard, the Saudi government has affirmed that it has made progress in improving the transparency of public financing. It has also launched a comprehensive electronic platform to provide the MoF's services to various government institutions and the private sector (the Etimad platform) to facilitate digital transition.

The Fiscal Sustainability Program, through The National Center for Government Resources Systems, aims at building a unified system for government resources, which will support the decision-making process by activating the role of data analysis through the establishment of a business intelligence platform. These initiatives have contributed to the increase in transparency levels of the Saudi general budget according to a number of global indicators.



The Framework for Sovereign Assets and Liabilities

The initiative sets out to build a framework for a consolidated financial statement for a better management of sovereign assets and liabilities in order to obtain a comprehensive vision whereby the project covers sovereign assets and liabilities (financial and non-financial). By determining the fiscal position's strengths on the level of the public sector, this would contribute to supporting and sustaining public financing policies.

Fiscal Planning in the Medium-Term

The "Medium-Term Fiscal Planning" initiative has outlined several targets, most importantly to become the driving force for the Fiscal Sustainability Program. It also seeks to align the medium-term fiscal framework with national expenditure priorities and increase the efficiency of expenditures through developing the quality of fiscal planning. It allocates budgets on the state level and on the level of government institutions and targets a gradual transition to a multi-year budgeting for all government institutions and programs by 2023.

The initiative has been developed to be executed over three years starting in 2021. It encompasses detailed strategic aspects of governance and operating a multi-year budget in terms of expenditures and revenues. It is sustainable, whereby its output is used to increase technical and human capabilities in government institutions. It should be noted that it is paramount that all parties involved in fiscal planning in the medium-term should collaborate in a holistic fashion under a mechanism of supervision and governance which ensures achieving its targets.

Through this initiative, the MoF seeks to achieve a number of results, which have been divided under three main axes as follows:

Strategic Results	Fiscal Results	Government agency results
Encompass the ability to link the national priorities framework with the public financing framework. This also includes the ability to synchronize the timelines of strategic and fiscal plans that clarify the integration of new and approved strategies and their expenditures in the budget cycle in the medium-term, and enhancing the core of the government's role in determining expenditure priorities and providing a mechanism for aligning government expenditure priorities. In addition to enhancing the role and participation of agencies that support fiscal planning for the budget in the medium-term, and expanding partnerships with the private sector through providing sustainable mechanisms for privatizing government projects.	Encompass the smooth transition to a multi-year budget by 2023, and integrating financial systems into the transition phase, as well as, determining opportunities for efficient spending in government projects and capital portfolios, and containing the reservations of government agencies about projected budget ceilings, and limiting the number and volume of annual additional allocation requests in approved budgets.	Encompass increasing the fiscal abilities and skills of employees of financial administrations in government agencies, and enabling those agencies to raise the efficiency of fiscal planning through providing budget ceilings in the medium-term. In addition to increasing government agencies' ability to meet their contractual obligations and pay what they owe in a timely manner.



Efficiency of Government Expenditure

In light of the structural reforms the domestic economy has witnessed since the inception of the Saudi Vision 2030 that support the development of public financial management, the Saudi government has demonstrated commitment to increasing public expenditure efficiency and effectiveness. To that end, the government has drafted a number of targets, including achieving fiscal savings of SAR 200 bn by 2023. These targets were outperformed in FY 2021, with savings estimated to be more than double, reaching SAR 502 bn from 2018 until Q2 of FY 2021. This is in line with working towards increasing the share of domestic content in government purchases, in addition to increasing the percentage of the nationalization of jobs in the asset and utility management sector in the Kingdom. The gross accumulative number of jobs created for Saudi nationals is approximately 74.8 thousand jobs, with a targeted total of 90.1 thousand jobs by the end of FY 2021.

The government is continuing its efforts to enhance the efficiency of spending and achieving fiscal savings through enabling government institutions and actors to adopt best practices in spending efficiency and supporting it with training, procedures, and the required incentives to achieve its targets, namely to achieve additional fiscal savings projected to be approximately SAR 100 bn from FY 2021 to FY 2025.




2. The National Investment Strategy

The strategy aims to increase investment in the Kingdom in order to stimulate economic growth in various high priority sectors, along with assigning a more significant role to the domestic and foreign private sector. The foundational phase of the national investment strategy, which will catalyze investment across all sectors, has been approved. Work is being done on the second phase, which encompasses detailed investment plans for each sector.

One of the most important initiatives is the Supply Chain Relocation Program, which increases investment opportunities through designing sector investment plans for all sectors. It also enhances investment opportunities through attracting regional headquarters, the funding pillar initiatives including one to create models for new financing partnerships with the private sector, develop the SME sector by supporting the SME Authority to increase financial product offerings and strengthen regulatory legislation to develop the required financial products. It also establishes special economic zones designated to provide attractive and competitive setups and to offer special packages to attract investment, in addition to an initiative that would launch a holistic program that targets improving the investment and competitive environment.

3. Subsidy System and Social Benefits

Under the umbrella of the Council of Economic and Development Affairs, a **strategy for the subsidy system and social benefits** is being prepared which contains general directives and designates strategic targets, clarifying the effect on beneficiaries and on public financing. It also contains recommendations following careful analysis of the support programs and social benefits.



Also, work is being done to study and understand the current situation and key challenges through a comprehensive and intricate analysis of current programs. It is also working on a comprehensive methodology for analyzing and offering recommendations with the goal of supporting achieving the targets of the Saudi Vision 2030. Output from the committee includes studies on social welfare, budget and other information on each program, with consultations from experts, in addition to benchmarking and international classifications for social welfare programs. Based on this, social expenditure and welfare items have been identified, including cash and non-cash support, fee exemptions and other measures, in addition to transfers that reach families and individuals.

The Social Support and Welfare Committee's work is continuing on two main tracks: **The policy track**, which includes collecting data, analyzing the current system, surveying ongoing support and welfare programs, and providing relevant recommendations. The second track is **the budget track**, which encompasses reviewing the budget and redirecting expenditures towards strategic targets and priorities. One of the key targets for FY 2022 is to set performance indicators and produce reports on the developments and trends in social expenditures.