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Volume 1, Week 15 & 16

STRATEGIC SAUDI ARABIA UPDATE

- Strategic Analysis
- Insight News

SAUDI ARABIA STRATEGIC UPDATE

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OIL PRODUCTION CUT NEEDED TO COUNTER ECONOMIC-POLITICAL ISSUES SAUDI ARABIA

STRATEGIC ANALYSIS

The coming weeks, media and financial analysts will be watching the developments inside of Saudi Arabia and Russia, as the roll-over of the oil production cuts will be decided. Since November 2016, when OPEC and non-OPEC producers struck a deal to cut production, largely to stabilize the oil markets, and increase overall price settings, the pressure has been on Saudi Arabia, and Russia, to keep all partners to comply to the deal.

In May a possible extension of the production cut seems to be possible, but not all parties have been fully open on their intentions. For Riyadh, the deal is a two-sided sword at present. In a move to stabilize crude oil prices, Saudi Arabia has been fully behind the production cut agreement, even allowing several OPEC members, such as Iran and Iraq, not to comply to the deal. By taking the full brunt of the cuts, Saudi Arabia has shown its willingness not only to stabilize the market but also to get higher prices in general. This however is could also be at the cost of the OPEC leader. US shale oil is showing again a tremendous increase in production volumes, if especially looking at the continuing rig data. Still, Riyadh is not really worried as the cuts, if put in place by all, will more than counter any US shale oil production increases.

The next couple of weeks, geopolitical considerations and domestic political issues will be

shaping the future of the production cut extension. Geopolitics and overlapping strategic market interests of Saudi Arabia, Russia and Iran could be shaping its options. While visiting the GCC Petroleum Media Forum (GCCPFM) in Abu Dhabi this week, Saudi Arabia's oil minister Khalid al-Falih suggested that production cuts may need to continue, and said "there is an initial agreement that we might be obligated to extend to get to our target." The latter message was fully supported by all GCC oil ministers, who all attended the meeting, and was even reiterated by OPEC's Secretary General Barkindo. During the two-day meeting in Abu Dhabi, the Arab oil ministers for sure have been addressing the possibilities in full, even that most has been behind closed doors. When walking the corridors, and listening to the ministers and their main advisors, a production cut seems to be fully supported, even after May 2017.

For most oil producers, economic and financial realities are forcing a compliance to the production cut agreement. For the leaders of OPEC (Saudi Arabia) and non-OPEC (Russia), the reality on the ground is very pressing. Economic and political stresses facing these two leaders don't give them any other options at present than to continue with the obvious, cut production and take some market share losses. Saudi Arabia at the same is facing a possible uphill battle if stabilizing the market is not resulting in higher oil prices. A possible end to production cuts will for sure on the short term result in severe oil price dips. The latter is not the most favorite situation for the Kingdom when looking at their immense economic diversification plans (Saudi Vision 2030) and the Aramco IPO, targeting a possible \$1-2 trillion investment spree the coming years.

The Saudi economy is currently under stress. With a projected growth of only 0.4% in 2017, in comparison to 1.4% in 2016, pressure on the government, and especially deputy crown prince Mohammed bin Salman, will increase. Success at the oil front will be needed, showing Saudi opposition or conservatives, that the current strategy is going to be successful. Higher crude



and petroleum product prices will positively impact the overall revenues of the government, giving it more leeway to counter pressing issues such as military expenditure (Yemen), high youth unemployment and possible further reduction of subsidies. Stability on the oil markets also will increase the attractiveness of Saudi government bonds. Last week, Saudi Arabia has already successfully tapped international debt markets for the second time in six months, with a \$9 billion Islamic bond sale. Further successes will be looked for to prevent a dent in the expected revenues of the Aramco IPO in 2018.

Taking into account the dramatic changes to the role of women, or tourism and culture (cinemas, music), a reaction is still expected. Economic success will however give Mohammed bin Salman enough additional power to counter.

The above also is needed to counter existing political and religious opposition to the dramatic changes ongoing in the Kingdom. As some analysts indicated to us last week, the silence of the Saudi ultra conservative ulema, one of the main political forces the Saudi royalty relies on, doesn't mean that they are supporting the Mohammed bin Salman strategy.



ECONOMY SAUDI ARABIA STILL UNDER PRESSURE, IMF REPORT

Saudi Arabia's overall economic future is not in doubt, but for the foreseeable future international institutions are still very cautious. In its new World Economic Outlook, the International Monetary Fund (IMF) has lowered its growth forecast for Saudi Arabia next year, as oil production cuts and austerity measures take a toll on the biggest Arab economy.

The report states that the Kingdom's economy is expected to expand 1.3 percent in 2018, down from a 2.3 percent projection in January. For 2017 the IMF has not changed its forecast, which is still set at 0.4 percent. The main reason for the current economic growth (2017) is based on IMF assessments of "lower oil production and ongoing fiscal consolidation."

The above picture, when taken on its own would mean that Saudi Arabia's overall economy is still struggling. The latter is however not really the case. Even that the Kingdom's economy has slowed down, when taking 2014 as a marker, some green sprouts are visible. The period 2014-2016 was a negative economic situation, largely caused by the oil price slump and immense government budget commitments. Most of these negative issues have been countered by the government, as major projects have been put on ice, government budget has been sanitized and subsidies have been lowered. The IMF stated also that deputy Crown Prince Mohammed bin Salman's plan to overhaul the economy and reduce its reliance on crude are also weighing on growth, as the

government and private companies look for savings, and consumers watch their wallets. The already discussed production cut agreement between OPEC and non-OPEC producers also has a negative effect on the revenues of the Kingdom, as the latter is bearing the brunt of output cuts. Saudi Arabia pledged to cap its output by 486,000 barrels per day to 10.058 million barrels. Production fell last month to 9.9 million barrels a day, according to OPEC data.



Still, a stabilization of the oil market, with expected higher oil prices, will counter negative impact within the foreseeable future. Saudi minister of finance Mohammed Al Jadaan, in a reaction to the IMF report, reiterated that he expects GDP growth in 2017 to hit way above the 1 percent marker. Analysts don't agree with Al Jadaan, showing a median growth projection of 0.6 percent, but as has been before, Saudi predictions will materialize sometimes quicker than the market foresees.

A possible higher crude oil price on the global markets will have a large effect on Saudi government revenues. If OPEC's expectations of a crude oil price of around \$60 per barrel at the end of 2017 will materialize, GDP will and can grow in the Kingdom by more than 1 percent for sure. Additional investments also will be materializing as the global financial markets are more than willing to supply the hard needed cash. Financial analysts also should realize that GDP volumes also have been negatively been affected by lower project and material costs, directly pushing GDP figures down too. The latter is not negative in reality, but statistically will be seen as negative.



SAUDI ARABIA TO RECEIVE MORE US MILITARY ASSISTANCE?



Saudi Arabia's cooperation with the USA seems to be improving. The visit of several US Administration officials to the Kingdom the last weeks show that Trump is taking a different approach than the former Obama Administration. US defense secretary James Mattis has already met with Saudi royals, showing a possible inclination that the US is willing to provide additional military and intelligence assistance to the Saudi military operations in Yemen.

The latter option has been part of internal discussions in Washington for the last months. As reported by mainstream media, during his two-day trip to Saudi capital Riyadh, Mattis has called for a political solution to the war that has lasted for more than two years (2015). Unnamed US officials however have stated to the press that Washington understands that military pressure would also be needed to help end the conflict. Since Houthi rebels, supported by Iran, ousted Yemen's official leader Abdurabbuh Mansour Hadi from the capital, a coalition made up of several Arab countries, such as Saudi Arabia and the UAE, in cooperation with US, UK and Canada, have been fighting back. In addition to the conflict with the Shia Houthi militias, Daesh/IS and Al Qaeda also

have joined the conflict. US military support has been a subject of discussion within Washington, especially during the Obama Administration.

Several military mishaps, such as the reported Saudi bombing of civilians or hospitals in Yemen, have not been taken lightly by Western politicians and human rights organizations. Still, a political solution in Yemen is still not seen as an option. US military support is needed, especially arms sales, refueling of aircraft and supplying intelligence, as the Saudi coalition has not yet been able to get the overhand.

The Trump Administration now seems to be willing to reconsider full US support for Saudi's ongoing military operations in Yemen. The latter is planning at present a full-fledged military campaign on the rebel-held port city of Al Hudaydah. The latter, according to NGOs and the UN, could result in a humanitarian crisis, as most of the food supplied to Yemen is going through.

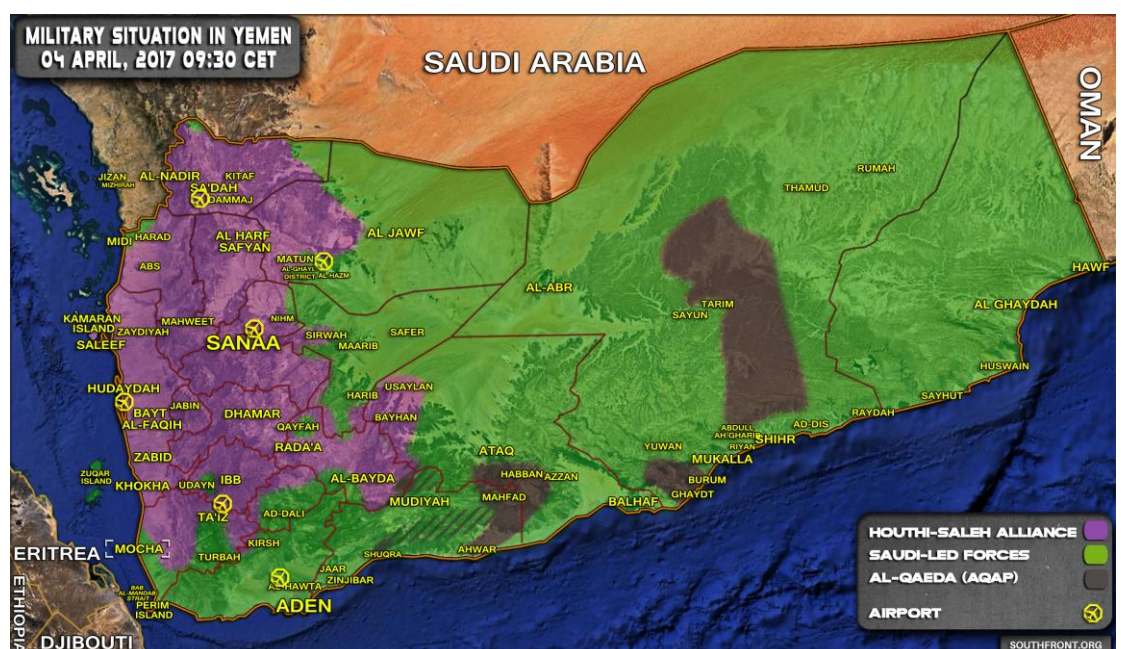
Analysts are still not sure which support the US will be willing to give in the next months. Main options include providing more intelligence support, via drones or aircraft for reconnaissance missions. At



present the use of US military on the ground in Yemen is still a *sine qua non*. There are indications that Washington could consider resuming the sale of precision guided missiles to Saudi Arabia. The latter would be a watershed decision, as in December 2016 then-President Barack Obama blocked a shipment of the munitions worth \$390 million over concerns that Saudi Arabia was indiscriminately targeting civilians.

The coming days could be crucial. Washington is currently reassessing its options towards Iran. Trump's main supporters, such as Mattis, want to revoke the Iran nuclear deal (P5+1) fully. Renewed military support of Saudi Arabia should also be related to the Yemen theatre. Iran is the main military supporter at present of the Houthi rebels. A full scale Iranian involvement could also threaten one of the world's most vital shipping routes, the Bab al Mandab (Gulf of Aden). As Mattis indicated to the press, he is concerned about Iran's influence in the Middle East. He reiterated also that the U.S. must "reinforce Saudi Arabia's resistance to Iran's mischief." The Mattis views have been already supported by US Secretary of State Rex Tillerson.

The developments inside of Washington's strategies could also be linked to another major development. Saudi officials have stated to the press that Egypt could be supplying around 40,000 soldiers to the ongoing Yemen campaign. The latter at present has been denied by Cairo, but looking at the ongoing thaw between Egypt and Saudi Arabia, something could be brewing. The coming days Egypt's president Sisi will be visiting Riyadh. Two main points of discussion will be on the table. Egypt's possible transfer of two islands to Saudi Arabia, and its military involvement in the Islamic Military Alliance. The latter could be a precursor for Egyptian military involvement on the ground in the coming weeks. Washington will be looking at this for sure, as it would mean that two of its main Arab allies could be confronting Iran. US intelligence and strategic operations will want to be part of the latter for sure.



CAPITAL MARKET REFORMS SAUDI ARABIA TO SPEED UP



Saudi Arabia's financial sector is heading for major changes it seems. As one of the main proponents of change, the Saudi Stock Exchange or Tadawul is stepping up its efforts to increase the attractiveness for domestic and international investors in the upcoming IPOs and divestments. One of the first points that international analysts have been hitting on is the perceived lack of transparency and corporate governance. The latter has now partly been tackled by Tadawul.

In a move to bring the exchange in line with international listing standards, Tadawul is forging ahead with an overhaul. The underlying reason, as is clear to all, is the country's widely-anticipated listing of part of the state-owned oil giant Aramco. One of the other reasons is to push the Kingdom to achieve emerging market status. The latter will be a big support to deputy crown prince Mohammed bin Salman's Vision 2030 approach, as it targets increased international investments in-Kingdom.

Saudi sources already report that changes have been made. The reforms include already new corporate governance rules, adoption of the Global Industry Classification Standard used to group companies by industry and sub-industry, amending the settlement cycle for listed securities to T+2 in line with most international exchanges. At the same time, all parties are implementing structures to enable foreign investors to participate in Saudi IPOs through its Qualified Foreign Investor program.

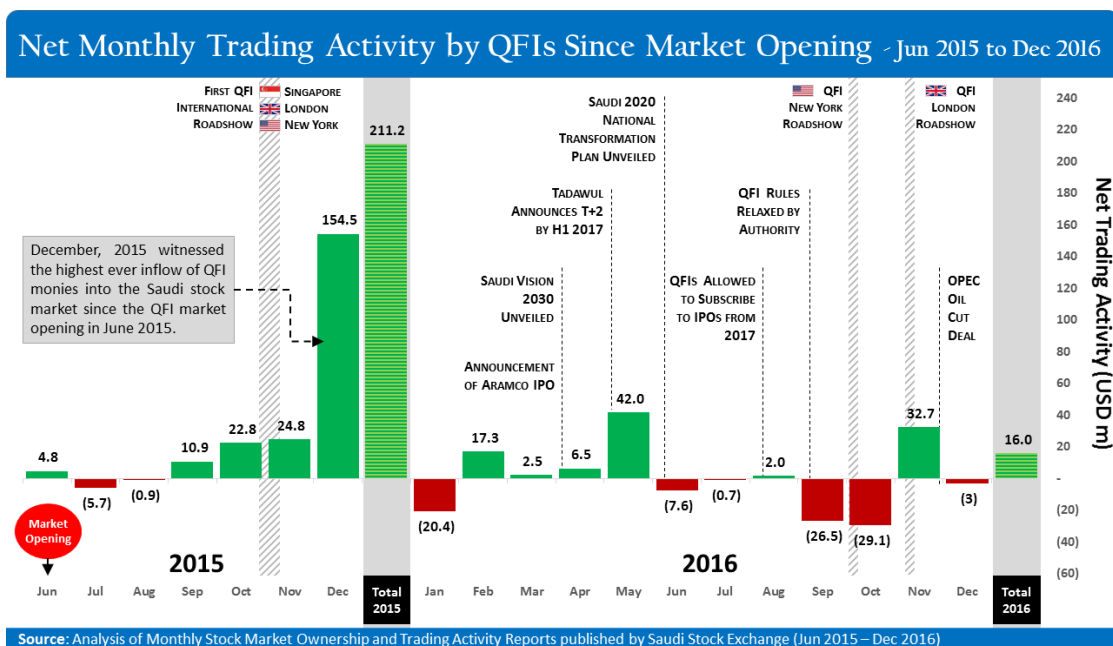
Based on Tadawul statements, 56 foreign financial institutions already have been registered under the QFI initiative, which was introduced in June 2015 but updated in August 2016. At the same time, Tadawul has held three roadshows in the US, Europe and Asia. The main driver for the latter is to attract new registrations from international financial institutions. In February 2017 the exchange also has launched an alternative market, NOMU. The latter is more applicable for smaller and medium-sized companies, as it has lighter listing requirements. To attract SMEs is a necessity

in light of the Saudi Vision 2030 strategy as main employment is expected to be generated by the latter.

The ongoing changes in Saudi's financial sector have shown some promising developments the last weeks. US based Citigroup stated that it has appointed Carmen Haddad to rebuild its Saudi Arabian business more than 10 years after losing a key banking license. Sources have stated that Citigroup is in advanced discussions with Saudi Arabia's Capital Market Authority for an investment banking license. Since 2004 Citigroup had no license, due to its divestment of its stake in Samba Financial Group.



Asian interest, especially China, also increased substantially. Chinese media report that a consortium is being created, including state-owned oil giants and banks and its sovereign wealth fund, which will act as a cornerstone investor in the initial public offering of Saudi Aramco. In principle the latter means that China is still trying to entice Aramco to list part of its shares on the Hong Kong Stock Exchange. Based on Chinese sources, China Investment Corporation (CIC), the country's \$800 billion sovereign wealth fund, oil majors Sinopec and PetroChina, and the country's state-run banks, are among the state-backed entities set to participate in the Chinese investment consortium. When looking at Chinese banks, Industrial and Commercial Bank of China International Holdings, which is a unit of Industrial and Commercial Bank of China, and China International Capital Corporation (CICC), are expected to be pitching for an IPO role.



Taking a Saudi perspective, it can be expected that Riyadh will also require a Saudi listing for all entities.

Arab financial institutions also are showing increased interest in the ongoing changes in Saudi Arabia and the Tadawul. In addition to increased Emirati and Bahraini investments, Qatari funds also are showing an appetite. Even that Qatar and Saudi Arabia are not always having the same geopolitical targets (Syria, Yemen, Muslim Brotherhood or Iran), money talks again. Financial sources report that Doha-based asset manager Amwal LLC is buying Saudi stocks in anticipation of the market's inclusion in emerging-market benchmarks. Amwal expects to boost the Saudi Arabian exposure in its four equity funds to as much as 60 percent by the end of 2017.

Amwal sources indicated that one of the main drivers is that Saudi regulators are pursuing a series of reforms to help the country win inclusion in emerging-market indexes such as those compiled by MSCI Inc. and FTSE Russell. At the same time Tadawul's shift to a T+2 settlement cycle from the current same-day settlement is seen as "the last tick in the box" before classification as an emerging market next year.

**STRATEGIC
INSIGHT
NEWS**
Saudi Energy Minister: Electricity Linkage with Egypt Supports Joint Arab Power Market

April 7 2017

Fourteen Arab States signed a memorandum of accord to establish a joint Arab electricity market, on the sidelines of the Arab Ministerial Council for Electricity. The Arab Ministerial Council for Electricity convened in its 12th session at the headquarters of the Arab League in Cairo, under chairmanship of the State of Kuwait and with participation of the Arab electricity and energy ministries. Addressing the meeting, Saudi Minister of Energy, Industry and Mineral Resources Khalid al-Falih stressed the importance of enhancing the Arab joint action on electrical energy, while lauding the achievements made by the council, mainly the Arab electricity linkage and the establishment of the Arab Common Electricity Market.

He added that the electricity linkage project with Egypt would greatly support the joint Arab power market, which he hoped would be linked in the future with European and African power networks. He also described Saudi Arabia's Vision 2030 as an approach to achieve the Kingdom's developmental and economic goals, pointing out that the country was seeking to invest in a variety of energy sources for the production of electricity.

Describing Thursday's meeting as a proof of the historic and strong relations between Saudi Arabia and Egypt, the minister stressed the Saudi leadership's keenness on bolstering bilateral cooperation in different economic and industrial fields. The MOU was signed by the Kingdom of Saudi Arabia, the United Arab Emirates, Bahrain, Algeria, Sudan, Iraq, Oman, Qatar, Union of the Comoros, Kuwait, Egypt, Libya, Morocco and Yemen. Energy ministers of Arab states or assigned representatives signed the document.

<http://english.aawsat.com/theaawsat/business/saudi-energy-minister-electricity-linkage-egypt-supports-joint-arab-power-market>

Saudi Arabia announces largest entertainment, cultural city

10 April 2017

Saudi Arabia' largest entertainment, cultural and sports city will be built in Al Qidiya, southwest of the Saudi capital Riyadh, Deputy Crown Prince Mohammad Bin Salman Bin Abdul Aziz, who is also Chairman of the Board of Directors of the Public Investment Fund, stated. The city, the first of its kind in the world, will be built over an area of 334 square kilometres. It will also have a major safari area.

Prince Mohammad said that this city will become a prominent cultural landmark and an important centre for meeting the recreational, cultural and social needs of the future generations in the kingdom, Saudi Press Agency (SPA) reported. Prince Salman said the most ambitious project comes within the framework of plans to support Saudi Arabia's vision 2030 by creating quality and distinctive investments at home in order to serve the country and the citizens.

Prince Salman said that the Public Investment Fund is the main investor in the project, along with a number of local and international investors. The project will boost the country's position as an important international centre in attracting foreign investments. The foundation stone of the project is scheduled to be laid early next year and its first phase will be opened in in 2022.

The city will make a qualitative leap in raising the standard of services in Riyadh and give it a major boost to become one of the top 100 cities for living in the world, Prince Mohammad said. Prince Salman said the project will not only provide entertainment, fun and joy to the visitors, it will also give them an opportunity live harmoniously in a city built according international standards.

<http://gulfnews.com/news/gulf/saudi-arabia/saudi-arabia-announces-largest-entertainment-cultural-city-1.2007932>

OPEC, UAE to launch oil, gas database

11 April 2017

OPEC and the United Arab Emirates Ministry of Energy will launch the first phase of a new global oil and gas database that will boost transparency and help industry stakeholders analyze energy information, the producer group said in a statement. The Oil and Gas Big Data Project will be a multi-dimensional tool that analyzes publicly available oil and gas data. The platform will cross-compare information between different countries, flows and products, the statement added. The project's future planned expansions will introduce advanced information technology, web and text mining techniques, as well as statistical, econometric and optimization methods.

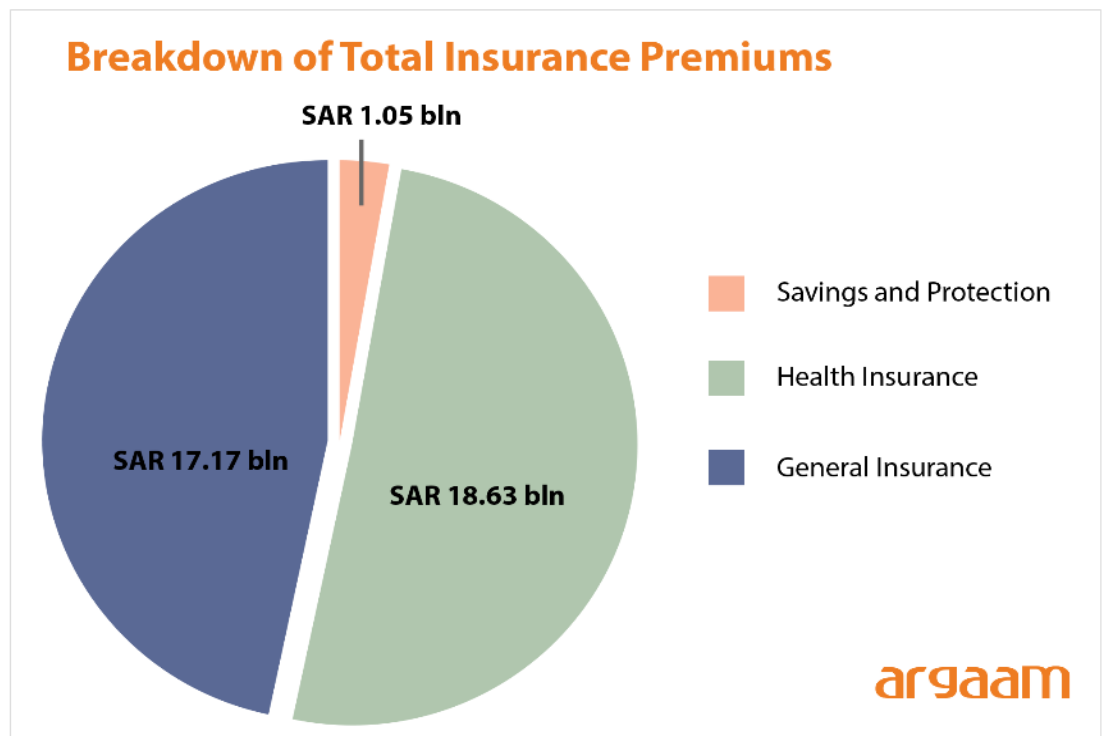
<http://www.argaam.com/en/article/articledetail/id/480097>

Saudi insurance spending per capita hit SAR 1,161 in 2016

11 April 2017

Saudi insurance per capita spending rose 1 percent year-on-year (YoY) to SAR 1,161 by the end of 2016, data from the Saudi Arabian Monetary Authority (SAMA) showed. Health insurance accounted for 51 percent of total per capita spending, followed by general insurance (46 percent), as well as protection and savings insurance (2 percent). Gross written premiums (GWPs) saw a 1 percent YoY increase to SAR 36.9 billion in the same period. The health insurance segment's GWPs stood at SAR 18.6 billion, down 2 percent YoY, while general insurance GWPs grew by 4 percent YoY to SAR 17.2 billion in 2016. Protection and savings insurance premiums registered a 1 percent YoY rise. In the general insurance segment, auto insurance premiums accounted for 71 percent, or SAR 12.2 billion of total GWPs. Property and fire insurance came second, with 11 percent, and engineering insurance accounted for 5 percent.

<http://www.argaam.com/en/article/articledetail/id/480031>



GCC likely to see more rating downgrades: report

12 April 2017

GCC nations are likely to see further credit rating downgrades, after Fitch Ratings cut Saudi Arabia's issuer default rating (IDR) from AA- to A+, Fisch Asset Management said in a report. Gulf central banks are also expected to follow the US Federal Reserve's move to hike rates by 25 basis points in March, the report added. "From a supply perspective, countries continue to finance their deficits frontloaded in the bond market to fight the liquidity drain. This has led to two key outcomes: MENA issuances have gained in relevance versus other emerging market regions and sovereigns are issuing heavily, creating a crowding-out scenario," said Philipp Good, CEO at Fisch Asset Management. As a result, risk premiums are likely to rise after a significant rally, as GCC credit continues to be downgraded.

According to MENA debt issuance figures as of March 2017, supply from SSA (Sovereign, Supranationals and Agencies) accounts for over 80 percent of total supply in the region, from 20 percent in 2013, highlighting the need for capital. Moreover, liquidity in the GCC is at risk of deteriorating, and this risk will increase if governments continue to borrow in domestic markets, the report said.

"As the US dollar continues to strengthen, there is the further risk of capital outflows from the region, with spending power in non-pegged countries increasing. This will, in turn, add to existing pressure on the GCC's foreign currency reserves," Good noted.

<http://www.argaam.com/en/article/articledetail/id/480245>

Saudi Arabia able to attract global power firms, says SEC CEO

12 April 2017

Saudi Arabia has attracted several global power firms, thanks to Saudi Electricity Co.'s (SEC) long-term strategy which aims to localize the power

industry, chief executive Ziad Al-Shiha said. In a report carried by the state-owned Saudi Press Agency (SPA), he said the move by companies like General Electric, Siemens and Swiss GIS will help in technology-transfer to the kingdom. Al-Shiha added the utility has put up a five-year plan showcasing its needs, contracts and technical specifications of required supplies, on its website.

In addition, the company grants local factories a competitive advantage in prices of up to 10 percent, compared to imported products as part of its localization drive. SEC has also set up an independent unit for industry localization and technical qualification in line with the kingdom's National Transformation Program (NTP) 2020. Key performance indicators (KPIs) were also introduced to determine the ratio of local purchases to total procurements, the number of local plants qualified to supply electricity materials and the percentage of local content in SEC's projects across the kingdom, Al-Shiha added.

<http://www.argaam.com/en/article/articledetail/id/480235>

Saudi Arabia Raises \$9 Billion with Inaugural Islamic Bond

12 April 2017

Saudi Arabia raised \$9 billion in its first dollar-denominated Islamic bond sale, \$1 billion more than what the government was said to be planning to issue initially. The government sold a \$4.5 billion five-year sukuk tranche at 100 basis points over the mid-swap rate and an equally-sized 10-year tranche at a spread of 140 basis points to the benchmark, according to data compiled by Bloomberg. Investors submitted more than \$33 billion in bids, people with knowledge of the offering said earlier. Investors placed orders in excess of \$33 billion, the country's Ministry of Finance said in a statement.

Saudi Arabia is tapping international and domestic markets to help finance a budget deficit that may reach \$53 billion this year. The kingdom raised \$17.5 billion in October in the biggest ever bond sale from an emerging-market nation, underlining

the deepening strain on a nation that has eschewed international debt markets until now. Saudi Arabian Oil Co., the world's largest oil producer, sold \$3 billion of Islamic bonds for the first time last week.

<https://www.bloomberg.com/news/articles/2017-04-12/saudi-arabia-raises-9-billion-in-inaugural-islamic-bond-sale>

Saudi Arabia looks to drilling joint ventures to advance local capacity

12 April 2017

Over the past few years, Saudi Arabia has been taking several steps to increase its upstream oil and gas capabilities, particularly with regard to drilling equipment and services. Most notably, an offshore drilling joint venture between Saudi Aramco and Rowan Companies is expected become operational fully operational within a few months. The venture is designed to provide Aramco with the offshore drilling services it needs into the future, and help to create local jobs in Saudi Arabia.

The two companies signed an agreement last November to create a 50/50 joint venture to own, operate, and manage offshore drilling rigs in Saudi Arabia. The new joint venture company will use Rowan's established business in Saudi Arabia as its base, with a scope of operations covering Saudi Arabia's existing and future offshore oil and gas fields. Rowan is expected to contribute three of its jackup drilling rigs and Saudi Aramco will contribute two of its jackup drilling rigs. The drilling contractor will contribute an additional two jackup rigs as they complete their current Saudi Aramco contracts in late 2018.

The new company will also manage the operations of five Rowan jackup rigs currently in Saudi Arabia, until their associated drilling contracts expire, which then may be released, leased by, or contributed to the new company thereafter. Rowan and Saudi Aramco have committed the new company to purchase future new rigs that will be constructed in Saudi Arabia.

"The new company will uniquely position Rowan to participate in the growing Saudi Arabian offshore drilling market," said Tom Burke, president and CEO of Rowan, at the time of the announcement. Burke noted that the joint venture would also provide Rowan "with a compelling opportunity for a long-term partnership with the world's leading oil and gas company, and create a long-term, profitable growth platform with firm rig commitments."

As part of its efforts to build up its long-term upstream capabilities, Aramco also signed an onshore-related joint venture with Nabors.

More recently, AbdulHameed A. Al Rushaid, executive director for Drilling and Workover at Aramco, said that "the drilling JVs are anchor projects that grew out of Saudi Aramco's upstream oil field services and equipment industry strategy." That strategy, he noted, "supports the wider development and localization of industries such as rig and rig equipment manufacturing and casting and forging, as well as the maritime manufacturing complex."

In addition, the ventures are designed to help Aramco meet the objectives of its Competitive Saudi Energy Sector Strategy, namely:

- Working with partners to maintain best-in-class technologies that make the JVs role models in the drilling service industry
- The long-term commitment between Aramco and the JVs to provide a competitive marketplace
- Guaranteeing a security of supply of drilling rigs in the Kingdom, available when needed.

With the drilling ventures committed to invest \$6-7 billion, this is expected to promote local content by creating a steady demand for new drilling rigs built in the Kingdom by Aramco's manufacturing JVs. The ventures are also expected to promote Saudization of the workforce, with an additional 5,000 jobs at the two JVs and the creation of thousands of indirect jobs in support industries in rig manufacturing, forging and casting, and related service sectors.

"We want to create a national drilling champion to meet the ever-increasing demand for the company's upstream drilling activities," Al Rushaid added. "We also want to sustain the company's position as a global leader and as the most reliable supplier of energy."

"This is going to be an investment in the Kingdom for generations to come," Al Rushaid said. "The deal will have a positive impact on job creation, as companies will receive graduates from the Saudi Arabian Drilling Academy and Saudi Petroleum Services Polytechnic to man the new rigs."

In the short term, the JV rigs will operate in the Kingdom, and help the Aramco meet its needs for drilling services. In the long term, Al Rushaid noted, "we can begin to see these two companies as regional and international drilling companies that make Saudi Arabia a hub for energy services."

And, there are other efforts underway to build up Saudi Arabia's local content and upstream capabilities. Last October, the Saudi Arabia Drilling Academy (SADA) began operations in Abqaiq. This venture is supported and funded by 34 drilling contractors, with Saudi Aramco and the Saudi Arabian Technical Vocational Training Center providing logistics support. The impetus for the academy came from Saudi Arabia's need to train and develop young local talent, Aramco explained.

SADA will help provide young Saudis with the skills required for the exploration, drilling and workover sector, with projections suggesting a need for more than 30,000 technicians by 2020. Aramco's Local Workforce Development Department has collaborated with all involved parties on the project.

Transforming offshore transportation

Saudi Aramco says that its new Sea Bus service introduced last year by its marine department at Tanajib marks yet another major initiative undertaken as part of an ongoing marine business transformation. The new offshore transportation services follow the successful implementation of the Marine Offshore Floating Hub at Tanajib. Launched in early 2016, the service uses dedicated

fast crew supply vessels and has so far exceeded all expectations. The need for the Sea Bus service resulted from the increasing numbers of offshore oil drilling rigs, which raised the demand on Saudi Aramco's aviation department to transfer additional rig crews and critical equipment to and from rigs. Crew transfers were previously conducted by helicopter, and Saudi Aramco says that this new service is taking a considerable load off of its aviation department while also reducing transportation costs.

<http://www.offshore-mag.com/articles/print/volume-77/issue-4/departments/drilling-production/saudi-arabia-looks-to-drilling-joint-ventures-to-advance-local-capacity.html>

Saudi Shura member outlines conditions for green card eligibility

13 April 2017

Fahd bin Jumaa, deputy chairman of the Saudi Shura council's financial committee, has said nine conditions were set for expatriates to be eligible for green cards in the kingdom, Al-Watan newspaper reported. Investors eligible for the green card should have high levels of education, attested by the proper qualifications. They should also be distinguished for innovative academic and practical skills. Other conditions include high solvency, long-term investments, realizable investment gains, compliance with Saudization rules and ability to enhance the kingdom's economic value. The green card will be restricted to few expatriates, like doctors with specializations that will have no impact on the Saudization program.

Eligibility for green cards will be determined by the Saudi ministry of commerce and investment, bin Juma'a added. However, the council member expected there to be low interest in the green card system, in light of the easier conditions for expatriates to invest in the kingdom. It was not immediately clear whether the council had made the decision to set such conditions.

<http://www.argaam.com/en/article/articledetail/id/480517>

Electrical Industries inks deal to fully acquire Saudi Transformers Co.

13 April 2017

Electrical Industries Co. (EIC) signed a binding offer with CG Power Systems-Belgium to buy its 49 percent stake in Saudi Transformers Co. Ltd., EIC said in a statement to the Saudi bourse. EIC will offer SAR 1 per share to acquire that stake, raising its holding in the transformers manufacturer to 100 percent. The stake purchase will be financed from EIC's internal resources and is driven by growing demand for transformers. EIC added that it expects Saudi Transformers Co. to gradually cut losses by end of this year and to swing to profit in 2018. In January, EIC had inked a memorandum of understanding with the Belgian firm to buy its 49 percent stake in the transformers producer.

<http://www.argaam.com/en/article/articledetail/id/480488>

Economic reforms to boost Saudi real estate sector

13 April 2017

The real estate sector in Saudi Arabia will see increased activity in 2017 as government measures to diversify the economy will offer support, advisory firm JLL said in a report. The Public Investment Fund (PIF) is likely to be a more active player in the sector, and listing of further REITs (Real Estate Investment Trusts) will attract fresh investment, said Craig Plumb, head of research at JLL-MENA. Taxation reforms – such as the white land tax – and a series of public private partnerships (PPPs) will also support the market in 2017.

"The kingdom is keen to move towards diversifying the economy and as a result the government is expanding the leisure and tourism sector to attract visitors to the country," Plumb said, adding that the retail and hospitality markets are expected to benefit. The relaxation in religious tourism quota and other reforms in the segment will likely lead to Makkah, Madinah and Jeddah to performing strongly.

JLL also released its quarterly overview for Jeddah real estate market, which indicated that most sectors in the city experienced weaker performance over the first quarter as the market moved in the favor of tenants. Rental values in the housing sector in the first quarter decreased by 9 percent quarter-on-quarter and 8.5 percent year-on-year (YoY). The retail sector was mainly affected by household spending power. Vacancies increased by 1 percent YoY to reach 11 percent. The market is expected to soften further until improvement is noticed in the economic environment, restoring household buying power.

<http://www.argaam.com/en/article/articledetail/id/480465>

Saudi Arabia's Vision 2030 Progress Report

April 13 2017

Saudi Transport Ministry Strategy Planning Advisor Mohammed Al Suwayed discusses the level of economic growth needed to achieve the goals of Saudi Vision 2030. He speaks on "Bloomberg Markets: Middle East."

<https://www.bloomberg.com/news/videos/2017-04-13/saudi-arabia-s-vision-2030-progress-report-video>

Saudi Arabia to call for bids for 700 MW of wind and solar

13 April 2017

Next week, Saudi Arabia will begin to appeal to renewable energy firms to bid for a combined total of 700 megawatts (MW) of wind and solar projects. The move forms part of the nation's \$50 billion program, to reduce its oil consumption and encourage renewable energy generation. The country's Energy Minister Khalid Al-Falih will announce a request for proposals for the projects during a conference held next week in Riyadh – according to a statement released by the ministry on Monday 10 April.

The ministry has qualified a total of 51 companies from 128 applications, 27 to bid for a 300 MW solar project and 24 for a 400 MW wind farm. American

firm First Solar, Inc., Italy's Enel SpA, Total SA and Electricite de France SA of France, and Spain's Acciona SA and Iberdrola SA are among the qualified companies. Potential bidders from the Middle East include Abu Dhabi's Masdar, Saudi Arabia's ACWA Power International and Fotowatio Renewable Ventures BV. Offers will be accepted from 17 April through July, the ministry said in February.

Saudi Arabia is the world's seventh largest oil consumer, according to the 2016 International Renewable Energy Agency (IRENA) report on renewable energy market analysis in the Gulf Council Countries (GCC) region. Al-Falih has asserted that Saudi Arabia is commitment to sourcing 30 per cent of its energy demand from non-fossil fuels by 2030. To achieve this he stated that the nation will develop 10 GW of renewable energy by 2023, requiring investment of \$30 billion to \$50 billion.

<http://www.climateactionprogramme.org/news/saudi-arabia-to-call-for-bids-for-700-mw-of-wind-and-solar>

Saudi Aramco invites firms to bid on \$4.5 bln gas project

13 April 2017

Saudi Aramco is tendering the main packages of a project worth \$4.5 billion to expand gas processing capacity at Haradh and Hawiyah, MEED reported. Prequalified companies have until July 3, 2017 to submit their bids for four engineering, procurement and construction (EPC) packages, it was reported.

The project will build new gas compression plants at Haradh and expand the plant at Harawiah, enabling the facilities to process over 1 billion cubic feet per day (cg/d) of additional gas produced at the Ghawar onshore oil field, the world's largest. The Hawiyah Gas Plant Expansion project has an estimated budget of \$1-1.3 billion, while the budget for the North Haradh, Satellite Haradh and South Haradh compression plants is estimated at \$1-1.2 billion per plant.

Aramco is expected to tender fifth package to install the pipelines of the project at a later date. The front-end engineering and design (FEED) study was carried out by Australia-based WorleyParsons, it was reported.

<http://www.argaam.com/en/article/articledetail/id/480558>

Saudi Aramco said to offer more light oil cargoes to Asia

13 April 2017

Saudi Aramco, the state oil giant, has offered more cargoes of light oil on top of the full contract volumes it will provide to Asia in May, Reuters reported, citing sources familiar with the matter. The offer aims to boost light oil supply to Asia which will increase competition with fellow Gulf producer Abu Dhabi National Oil Co. and Russia, the sources said.

"There will be less demand for light grades such as Das, Murban, ESPO and Sokol," said a Singapore-based trader, referring to crude grades from Abu Dhabi and Russia. Aramco has also set its Arab Extra Light crude price at a competitive level for May to its lowest in eight months, another source said.

The company plans to supply full volumes of crude to at least six buyers in Asia in May, despite the OPEC deal to cut output in the first half of 2017 to support oil prices. In line with its strategy, Saudi Aramco reduced Arab Medium crude supplies and replaced it with Arab Light for some customers, the sources said. Nevertheless, a buyer who has previously received cuts to his Arab Heavy term supplies said he will be getting the full contract volume of the heavy oil in May.

Since the OPEC cuts, medium-heavy crude supplies from the Middle East to Asia have tightened, incentivizing traders to move similar oil from Europe and the Americas to meet Asia's demand.

<http://www.argaam.com/en/article/articledetail/id/480545>

Report shows 80% of job seekers in Saudi Arabia are women

15 April 2017

Women constituted over three quarters of job seekers in Saudi Arabia, according to a report covering the last quarter of 2016. Women represented 80.6 percent of registered job seekers as reported by the General Authority for Statistics, indicating a problem in accommodating a qualified female workforce in both the public and private sectors. The report showed that women continue to search for jobs up to the age of retirement, given that 3,488 women aged 57 to 66 were still registered as job seekers. There were only 167 male job seekers in the same age group.

Abdulrahman Al-Rashed, head of the economy and energy committee of the Shoura Council, said obstacles include the fact women are prevented from occupying some positions, as well as logistical issues, according to Al-Watan. Although the Ministry of Labor and Social Development has been working on encouraging women's employment through legislation, many are still unemployed, Al-Rashed reportedly said. Al-Rashed is however optimistic about the future. He said that boosting the female workforce is an essential part of the Vision 2030 reform plan.

The number of private-sector Saudi female employees registered at the General Organization for Social Insurance (GOSI) reached 496,800 by the end of the third quarter of 2016. This marks a 144.62 percent increase from the 203,088 jobs that were occupied by women at the end of 2012.

Female employment grew 4.1 percent during the third quarter of 2016, compared to the same period in the previous year, GOSI reports show. The government plans to increase the number of women in the workforce from 23 percent to 28 percent, and decrease the unemployment rate to 9 percent by 2020.

<http://www.arabnews.com/node/1084801/saudi-arabia>

Citigroup Names Saudi Arabia CEO

17 April 2017

Citigroup Inc. appointed Carmen Haddad to rebuild its Saudi Arabian business more than 10 years after losing a key banking license in the kingdom, according to people familiar with the matter.

Haddad is leading Citigroup's strategy and business development for the kingdom, where the New York-based bank doesn't have a local presence, said the people, asking not to be identified because the appointment hasn't been made public. She's also set to become the lender's chief executive officer in Saudi Arabia once it gets a banking license from the market regulator, the people said.

Citigroup is in advanced discussions with Saudi Arabia's Capital Market Authority for an investment-banking license to operate in the country, people said last month. The firm lost a key banking license when it sold its stake in Samba Financial Group in 2004. Saudi Arabia is becoming more attractive to foreign lenders as it takes steps to overhaul its economy, including plans for what could be the largest ever initial public offering with the sale of shares in Saudi Arabian Oil Co.

Haddad will continue in her role as CEO of Citigroup's Qatar operations until a replacement is found, the people said. She'll also stay in her position as a senior private banker in the Gulf Cooperation Council region, Egypt and the Levant, the people said.

Women Executives

Haddad is among a small but growing group of women in prominent corporate positions in Saudi Arabia, which remains the only country to prohibit females from driving cars. In February, Samba Financial Group appointed Rania Mahmoud Nashar as CEO, days after NCB Capital Co. CEO Sarah Al Suhaimi was named the first woman to chair Saudi Arabia stock exchange Tadawul, the region's largest.

If the Saudi regulator approves Citigroup's application it would seal the U.S. bank's return after it secured lead roles on the kingdom's record-breaking \$17.5 billion bond sale last year and \$9 billion Islamic bond this month. Without the license, banks face restrictions on working on deals that are signed in Saudi Arabia or takeovers in which the target company is based there.

Citigroup set up a companywide task force with senior bankers to target business opportunities in Saudi Arabia, people said in September. The lender also has started sounding out potential staff in expectation that its license application will succeed, people said last month. Ahmed Bozai, Citigroup's chief operating officer for the Middle East and Africa, and Haddad are among executives in talks with regulators, the people said.

Private Bank

Haddad joined Citi Private Bank in the Middle East in 2000, and was previously in the private client services division of what was Merrill Lynch. She also worked as a financial consultant to Middle East and North Africa institutional and private clients at Lehman Brothers Holdings Inc.

The bank failed in attempts to return to Saudi Arabia in 2006 and 2010, despite lobbying by longtime shareholder Prince Alwaleed Bin Talal Al Saud. Citigroup CEO Mike Corbat met Prince Alwaleed in Riyadh in March to discuss the bank's future plans.

<https://www.bloomberg.com/news/articles/2017-04-17/citigroup-said-to-name-carmen-haddad-as-head-for-saudi-arabia-j1m0ztor>

HSBC predicts 100 Saudi Arabian listings in privatisation drive

17 April 2017

Saudi Arabia's privatisation drive is likely to result in around 100 new stock market listings in sectors including mining, healthcare and retail, a top HSBC executive said. Georges Elhedery, HSBC's chief executive for the Middle East and North Africa, did not give a time frame for the listings but said they were part of Saudi plans to diversify its economy beyond oil by 2030.

Close to 180 companies are already listed on the Saudi market and HSBC is advising the stock exchange on its planned listing of its own shares, while industry sources have told Reuters that the bank will play a key advisory role in the upcoming listing of national oil giant Saudi Aramco. "We are talking, up to possible 100 IPOs (or) 100 entities to be listed on the stock exchange in Saudi Arabia," Elhedery said at an event marking the 150th anniversary of Thomson Reuters in the region.

Elhedery said the planned listing of a "jewel" like Aramco is a strong example of Saudi Arabia's commitment to the privatization program. Aramco is gearing up for a 5 percent share listing next year, aiming to get a valuation of up to \$2 trillion in what could be the world's biggest initial public offering. In recent weeks, Chinese oil firms PetroChina, and Sinopec Corp have both shown interest in the Aramco IPO. Elhedery also said the region's debt capital market issuance this year was likely to exceed last year's record of more than \$60 billion. <http://www.reuters.com/article/saudi-privatisation-idUSL8N1HP0MF>

Bahri to move fleet of 37 VLCCs under Saudi Arabia flag

18 April 2017

National Shipping Company of Saudi Arabia (Bahri) has revealed that it plans to register all of its 37 VLCCs under the flag of Saudi Arabia by the end of 2017. The announcement came as completed the registration of Amjad, a VLCC owned and operated by Bahri, under the flag of Saudi Arabia. Of Bahri's fleet of VLCC, 19 are registered under the Kingdom's national flag, with the remaining 18 split between Bahamas and Liberia. Bahri said the decision to move its entire fleet of VLCCs under the fleet of Saudi Arabia falls in line with the shift and growth the transportation sector in the Kingdom has witnessed in the recent past.

Last February, Amjad, the 37th VLCC to join Bahri's fleet, arrived in the Kingdom, docking at Port of Ras Tanura near Dammam, in the Eastern Province, where it was officially registered under the Saudi

flag by officials from the Ministry of Transport and Public Transport Authority (PTA) in Saudi Arabia.

Ibrahim Al-Omar, Bahri group ceo, said: "The registration of 37 VLCCs by the end of 2017 under the Saudi flag will enhance Bahri's global ranking in the International Maritime Organization's rank lists and will increase the size and efficiency of the Saudi maritime fleet."

<http://www.seatrade-maritime.com/news/middle-east-africa/saudi-arabia-to-move-fleet-of-37-vlccs-under-saudi-arabia-flag.html>

This Health Insurer Stands To Benefit the Most As Saudi Arabia Opens To Foreign Investment

(18 April 2017)

Frontera recently spoke to James Bannan, Frontier Markets Fund manager at Coeli Asset Management. Coeli's frontier market (FRN) (FM) equity fund currently had a total of \$322 million worth of strategic assets under management as of March 2017. Saudi Arabia (KSA) commands a 4.4% share of the frontier market portfolio at Coeli.

Now, with oil still low, privatization sales are gaining priority in the Gulf (GULF) (GAF). Private sector involvement could help plug budget deficits while improving operational efficiencies in these countries. Saudi Arabia is already making attempts to diversify beyond oil. As part of its "Saudi 2030" vision, Saudi Arabia is set to privatize as many as 16 government entities, including healthcare, education and airport organizations. The kingdom already has plans to take the oil titan Saudi Aramco public. If the plan goes through, Aramco's IPO could be the largest IPO in history.

Coeli has its bets on this health insurer. Given the expected rise in private-sector involvement in foreign investment in the country, Bannan is positive on Bupa Arabia. Bupa Arabia for Cooperative Insurance is a Saudi-owned and operated publicly traded company with about \$213.32 million in paid up capital. The health insurer recently ranked 8th among the Kingdom's top 20 most valuable Saudi Arabian brands.

Growth drivers

"The growth drivers for the company are four-fold," Bannan told Frontera.

"The increasing size of the private sector workforce – this structural shift is driven by the government's focus on reducing the size of the public sector and promoting private enterprise. Better enforcement of the regulations for the whole private sector to have private health insurance – currently, almost all foreigners are and now the government is clamping down on enforcement of locals. Consolidation of the insurance sector which is ongoing; and

<https://fronteranews.com/news/mena/this-health-insurer-stands-to-benefit-the-most-as-saudi-arabia-opens-to-foreign-investment/>

Saudi Arabia 'needs a million new school places by 2020'

19 April 2017

Saudi Arabia is predicted to need over a million new school places by 2020 in grades 1-12, of which 150,000 are expected to come from the private sector, according to a new report. Research by PwC Middle East's Education practice showed that the number of private schools in the Gulf kingdom has only been growing at 3 percent per annum, with the strongest growth being seen at the primary level, where enrollment in public schools has declined.

It added that despite further growth expected in the private sector, market share for private schools is unlikely to grow from around 11 percent to the aspirational 25 percent unless significant changes are seen to encourage growth and investment. Sally Jeffery, PwC partner, Middle East Education & Skills, said: "By 2020, Saudi Arabia is predicted to need over a million new school places for grades 1-12 and 125,000 seats in post-secondary. "With an already high university enrolment rate, predominantly at public institutions, the kingdom is facing budgetary pressure and a shortage of good alternatives to public universities." "In the coming years, it will be crucial for the government to help deliver more private sector education provision."

The report also indicates that tightening restrictions on international visa and scholarship qualifications may cause a proportion of the estimated 190,000 Saudi students that study abroad each year to look for university places at home.

PwC said finding places will be harder with added pressure on funding public provision in the kingdom meaning additional demand for private institutions, which will consequently need to enhance their capacity and offerings. PwC added that Saudi Arabia faces tough policy choices in higher education with around 125,000 additional seats required in post-secondary education by 2020.

<http://www.arabianbusiness.com/saudi-arabia-needs-million-new-school-places-by-2020--671387.html>

GE to set up four new substations in Saudi Arabia

19 April 2017

GE said one of its units has signed a new agreement with the Saudi Electricity Company to set up four new 132kV substations and renovate four existing 132kV substations in bid to boost the kingdom's distribution infrastructure. As per the deal, GE Energy Connections will deliver the four new substations as turnkey projects that include engineering, design, civil work, supply of gas insulated switchgears (GIS), power transformers, and control and automation. Together the eight substations have a capacity of 1,141 MW, enough to supply power to up to 15,000 Saudi homes, said the statement from GE.

Located on a plain between soaring mountains and the Red Sea, the Baish region in Jazan Province is witnessing significant economic development – driven by the Jazan Economic City, the Saudi Aramco Jazan Complex and other infrastructure and industrial projects, it stated. This development requires power and the reliable transmission and distribution infrastructure necessary to get it to homes and factories across the region.

<http://www.gdnonline.com/Details/199711/GE-to-set-up-four-new-substations-in-Saudi-Arabia>

New ties Israel Saudi Arabia GCC

19 April 2017

Israel and Saudi Arabia have no diplomatic relations. And yet, recently, Saudi officials have been willing to meet Israeli officials publicly. General Yakov Amidror, a former senior advisor to Prime Minister Benjamin Netanyahu, and former Saudi intelligence chief Prince Turki al-Feisal might have seemed an odd pair when they met publicly at the Washington Institute in Washington, D.C. last year.

According to Amidror, al-Feisal said once Israel reaches an agreement with the Palestinians, "together we can change the Middle East." He added, "There is nothing that can stop the combination of Israeli money and the Saudi mind."

Saudi Arabia and other Gulf States share common goals with Israel, one of which is developing new energy, water, and agricultural technology. In 2015, Israel opened its first diplomatic mission in the United Arab Emirates, and there are extensive business ties between Israel and Gulf countries valued at hundreds of millions of dollars.

Israel and the Gulf States also share common enemies: ISIS and Iran. According to Dan Diker, head of the project for counter-political warfare at the Jerusalem Center for Public Affairs, the threat of a nuclear Iran and the Islamic Republic's terror proxies around the Middle East are particularly worrisome for the Gulf States.

"That convergence of concern between Israel, the Sunni Arab states and President [Donald] Trump's administration creates the possibility for real coordination and cooperation between Israel and the Arab world." These geopolitical circumstances, Diker says, "make Israeli outreach and Arab acceptance much more possible than it was before."

Egypt and Jordan already have longstanding peace treaties with Israel. And Israeli Prime Minister Benjamin Netanyahu has reached out to more of the Arab world as efforts for a deal with the Palestinians have foundered. According to Times

of Israel Editor David Horvitz, Netanyahu "has wanted to believe that if Israel can deepen its relations more widely across the region, that may lead to the Palestinians being prodded in a more compromising direction by other Arab parties." In other words, Netanyahu hopes his new Arab friends may be able to nudge the Palestinians back to negotiations.

Security ties between Israel and Egypt have grown under Egyptian President Abdel Fattah el-Sisi as Israel has shared intelligence to help fight ISIS in the Sinai desert. But there have been no serious Israeli-Palestinian negotiations for four years. The Egyptian Ambassador to Israel, Hazem Kheirat, told a recent conference in Tel Aviv that there remains no alternative to the two state solution for an independent Palestinian state next to Israel. Yet whether openly or under the table, Israel's relations with Saudi Arabia and the Gulf States are likely to continue to expand.

<https://www.pri.org/stories/2017-04-19/israel-develops-new-ties-saudi-arabia-and-other-gulf-states>

Oil prices spur Saudi Arabia privatisation drive

20 April 2017

The kingdom aims to win investment in airports as it seeks to revive an aviation industry that's been dwarfed by competitors in nearby Dubai and Qatar. Saudi Arabia will transfer airports to its sovereign wealth fund by mid-2018 as part of a nationwide privatisation drive spurred by low oil prices. Airports will be turned into companies before being handed over to the Public Investment Fund to help improve accountability, said Faisal al-Sugair, chairman of the Saudi Civil Aviation Holding Co. Bloomberg

<https://www.businesslive.co.za/fm/money-and-investing/global-markets/2017-04-20-global-markets-oil-prices-spur-saudi-arabia-privatisation-drive/>

Smart city initiative launched

20 April 2017

The Ministry of Municipal and Rural Affairs has launched the "application of smart city concepts" initiative as one of the municipal transformation projects emanating from the National Transformation Program 2020 and the Vision 2030, the Saudi Press Agency (SPA) said.

The initiative aims to enhance urban development in the Kingdom through the application of the smart city initiative to increase the level of satisfaction of people, boost competitiveness of cities and urban sustainability. The plan also calls for to improve efficiency of city management, minimize the negative environmental impact, attract local and foreign investments, and create job opportunities.

The initiative is targeting five Saudi cities by 2020 in gradual phases that are to be carried out in partnership with the private sector, the ministry said. Smart cities contain several components, including smart buildings, smart transport systems, smart security and safety services, parks equipped with smart communication systems (WiFi), smart rain and floods drainage networks, smart street lighting systems, quick emergency response system, and smart economy supportive of small, medium and big companies, among others.

The ministry is currently conducting a study to determine the preparedness of Saudi cities eligible to be transformed into smart cities based on the best global scientific practices and field studies. It said the field studies cover 17 major cities whose population makes up nearly 72 percent of the Kingdom's total population. The study showed that there is disparity in the Kingdom's cities preparedness to shift to smart cities, with Makkah coming in first, followed by Riyadh, Jeddah, Madinah and Ahsa.

The ministry said it adopted five smart initiatives to apply the concept of smart cities, including smart parking, smart lighting systems, smart solid waste disposal, smart cameras and environment pollution monitoring tools.

<http://www.arabnews.com/node/1087402/saudi-arabia>

More bond sales, cheap loans for job rich industries Saudi

20 April 2017

Saudi Arabia may offer “almost interest-free” loans to companies in labor-intensive industries, as part of a plan to stimulate an economy squeezed by low oil prices and spending cuts, Finance Minister Mohammed Al-Jadaan said. Al-Jadaan, speaking in an interview in Washington, also said the government is on track to slash its budget deficit by 30 percent this year to about 200 billion Saudi riyals (\$53 billion), and aims to finance it mainly through debt sales instead of drawing on reserves. This means the kingdom will likely tap global bond markets again this year after raising \$9 billion from its debut Islamic debt sale, he said.

Saudi Arabia has embarked on what it describes as an unprecedented shakeup of an economy that’s heavily reliant on oil. The so-called Vision 2030, spearheaded by Deputy Crown Prince Mohammed bin Salman, was announced last year and includes plans to sell shares in state companies and curb government spending on subsidies and wages.

Job Creation

The Saudi plan also places a strong emphasis on creating jobs for the kingdom’s youthful population. On Thursday, Saudi authorities said that foreigners will be barred from working in shopping malls, a move expected to put 35,000 Saudis into work. Al-Jadaan said the government will use revenue from a recovery in crude prices to support the non-oil economy, the main engine for job creation. Officials are currently in talks with private companies about government support, which would include loans to help them restructure debt, easing the impact of higher domestic energy prices as subsidies are cut. The proposal will likely be ready by the end of the second quarter, he said.

Easier Rules

Policy makers are also speeding up the approval process for projects. “We used to review all contracts before they are signed by any government agencies if they are more than 300,000 riyals,” Al-Jadaan said. “We’ve changed

that to avoid unnecessary delays. It’s now 5 million, and only for more than a one-year term.” Projects that are part of Vision 2030 and cost 100 million riyals no longer require an approval from the royal court. “They just need to notify us.”

Prince Mohammed’s plan would introduce value-added taxation, higher visa fees and a levy on expatriates, to reduce revenue-dependence on oil. Al-Jadaan said the government was “absolutely” determined to implement the VAT on Jan. 1, 2018. Other measures are also on track, he said.

Debt Markets

In the meantime, the government will rely on local and international bond sales to finance a narrowing budget deficit, instead of using reserves, Al-Jadaan said. “Logically, absent other factors, you would prefer to keep your reserves. They are a good cushion -- whenever you go to the market for debt you can point to your reserves,” he said. “If the market allows, and so far the market has been very positive, we will go with debt.”

The government didn’t tap the central bank’s foreign-exchange holdings in the first quarter of this year, and the decline in reserves in the first two months may have been a result of private companies settling overseas bills or financing imports, Al-Jadaan said.

Net foreign assets held by the Saudi central bank have fallen by an average \$6.5 billion a month over the past year, and now stand at just over \$500 billion – having peaked at \$737 billion in 2014 when oil prices were above \$100 a barrel. The drops in January and February were 11.8 billion and \$9.8 billion respectively.

Last year, the government transferred 100 billion riyals from its reserves to the Public Investment Fund, the kingdom’s sovereign wealth fund. “There were opportunities in the local economy that the PIF identified,” Al Jadaan said. Asked if there are plans for more such transfers, he said: “I don’t think there is any at the moment.”

<https://www.bloomberg.com/news/articles/2017-04-17/citigroup-said-to-name-carmen-haddad-as-head-for-saudi-arabia-j1m0ztor>

Saudi Arabia to award licenses to 15 U.S. firms in May

20 April 2017

Saudi Arabia plans next month to award licenses to at least 15 U.S. companies to operate in the kingdom, two Saudi officials said, with one saying they would go to technology and pharmaceutical firms among others. Dow Chemical Co (DOW.N) last June said it had become the first foreign company to receive a trading license from Saudi Arabia as the kingdom seeks to diversify its economy and reduce its dependence on oil exports amid a slump in global oil prices.

A year ago the world's top oil exporter announced a package of economic and social policies known as Vision 2030 to try to dramatically increase non-oil revenue. A plunge in oil prices since mid-2014 has intensified the need for the plan, which relies on an expanding private sector, selling shares in the Saudi state-owned oil company and cutting government subsidies.

"Next month we will ... give 15 licenses to American companies," a Saudi official told reporters on condition of anonymity, later saying "at least 15" would be awarded and that they would go to technology, pharmaceutical and other sectors. "Most of them are outside the oil and gas field," a second Saudi official told reporters, also on condition of anonymity. The officials said none of the licenses would go to firms affiliated with U.S. President Donald Trump or his family.

<http://uk.reuters.com/article/us-usa-saudi-licenses-idUKKBN17M2WX>

Saudi Arabia may offer cheap loans to spur job creation

21 April 2017

Saudi Arabia may offer "almost interest-free" loans to companies in labor-intensive industries, as part of a plan to stimulate an economy squeezed by low oil prices and spending cuts, Finance Minister Mohammed Al-Jadaan said.

Officials are in talks with private companies about other kinds of government support too, Al-Jadaan said in an interview on Thursday in Washington, where he's attending International Monetary Fund and World Bank meetings. The proposal will likely be ready by the end of the second quarter, he said.

There's also a strong emphasis on creating jobs for the kingdom's youthful population. Earlier on Thursday, Saudi authorities said that foreigners will be barred from working in shopping malls, a move expected to put 35,000 Saudis into work.

Al-Jadaan said the new lending program will help companies restructure debt, easing the impact of higher domestic energy prices as subsidies are cut. Authorities are also asking companies "what do you need from the government side, what are the issues you're suffering in terms of licensing, procedure?" he said.

<http://www.arabianbusiness.com/saudi-arabia-may-offer-cheap-loans-spur-job-creation-671562.html>

MOU Saudi Arabia Djibouti

21 April 2017

Two memorandums of understanding (MoUs) and a bilateral agreement were signed on the sidelines of a Saudi-Djibouti businessmen forum in Djibouti earlier this week. The MoUs were signed to rehabilitate King Fahd Road in Djibouti, and a grant was offered to support the health sector there. The signing took place in the presence of Djibouti President Ismail Omar Guelleh and Saudi Commerce and Investment Minister Majid Al-Qassabi. The Kingdom has played a great role in supporting Djibouti in all fields since its independence, especially in the economic field, Guelleh added.

The Kingdom's Vision 2030 aims to attract foreign investments, create new markets for Saudi exports and have strategic trade partnerships with foreign countries, Al-Qassabi said. "Saudi-Djibouti relations have a strong basis because of the Arab-Islamic ties that unite the two countries, in addition to their strategic position in the world," he added. "We should try to provide all necessary procedures

to facilitate mutual investment, which will be reflected positively in the progress and prosperity of the two brotherly countries." The Saudi delegation included representatives of several governmental bodies and business people, including key officials from the Council of Saudi Chambers.

<http://www.arabnews.com/node/1087871/saudi-arabia>

Efficiency review finds SR17bn of cost savings Saudi Arabia

21 April 2017

The body set up by Saudi Arabia to cut the costs of government projects has identified up to SR17 billion (\$4.53 billion) in further efficiency savings, Finance Minister Mohammed Al-Jadaan has told Reuters. Government sources had told Reuters earlier this week that Riyadh was ordering ministries and agencies to review billions of dollars' worth of unfinished infrastructure and economic development projects with a view to shelving or restructuring them.

The action forms part of Saudi Arabia's reform plan aimed at shifting its economy away from reliance on hydrocarbon revenues and paring back support for a generous welfare state to cope with the reduction in crude prices. Al-Jadaan said this was the second major effort by the Bureau of Capital and Operational Spending Rationalization since its establishment, after previous efforts highlighted SR80bn of savings in 2016.

The introduction of a 5 percent value-added tax should also bolster the Saudi government's coffers. Al-Jadaan said Saudi Arabia is "ready and willing to implement" the tax on schedule on Jan. 1, 2018 and it could happen without other Gulf countries.

To help bolster the economy, Saudi Arabia is preparing a number of mega development projects. The first, an entertainment district south of Riyadh that will house sports, cultural and recreational facilities including a safari and a Six Flags theme park, was unveiled this month. Al-Jadaan said further schemes would be announced

in October, when the Public Investment Fund unveils its strategy.

<http://www.arabnews.com/node/1088516/saudi-arabia>

Saudi mall jobs only for Saudis

21 April 2017

Jobs at shopping malls will be limited to Saudi nationals, the Labor and Social Development Ministry announced. "Minister of Labor and Social Development (Ali Al-Ghofais) issued an order limiting work in closed shopping centers in Saudi Arabia to Saudi men and women," Khalid Abalkhail, spokesperson at the ministry tweeted. The Labor Ministry's statement added that the new move should adhere to employing female sales assistants in women's clothing and lingerie shops, which are mainly inside shopping malls.

The move comes in line with efforts to cut down the unemployment rate from 11.6 percent to 7 percent by 2030. Saudis make up one-fifth of the number of workers in the retail sector in the Kingdom. According to Vision 2030 released in 2016, there are only 300,000 Saudis out of 1.5 million workers employed in the retail sector. The Kingdom is seeking to create more than 450,000 jobs in the non-governmental sector by 2020, as per the National Transformation Program (NTP) under Saudi Vision 2030.

<http://www.arabnews.com/node/1087901/saudi-arabia>

250 Saudi women to get jobs as part of SR500m project launched in Riyadh

21 April 2017

About 250 Saudi women will work in new manufacturing jobs as part of a major SR500 million-expansion program under a Saudi-Japanese joint venture. Japanese Ambassador Norihiro Okuda, Mahdy Katbe, of Unicharm Gulf Hygienic Industries Limited, and Takahisa Takahara, president and CEO of Unicharm launched the project. Katbe told Arab News that his company currently employs 73 local women, 30 percent of whom have special needs. In a bid to empower women, he said, women workers have

been given all needed facilities and services and they are allowed to bring their infants and keep them at the site while they work.

Katbe said that his company maintains more than the 30 percent Saudi workers on its workforce, as required by the government. The new factory will bring in the latest technology to produce diapers for babies and adults.

<http://www.arabnews.com/node/1087896/saudi-arabia>

General Raheel Sharif Leaves For Saudi Arabia to lead Islamic Military Alliance

22 April 2017

Pakistan's former army chief Gen Raheel Sharif left for Riyadh to head a 41-nation Islamic military alliance after getting the government's approval, Defence Minister Khawaja Asif said amidst concerns in Islamabad about the Saudi-led grouping. Asif told Geo News that Sharif had been "given permission to head the military alliance after completion of all legal formalities and requirements" by the federal government.

Media reports suggested that the 60-year-old former chief of army staff was granted approval to serve as head of the alliance for three years. A military source, while speaking to Dawn.Com, said approval for Sharif's departure had also been granted by General Headquarters Rawalpindi according to established procedures. The news also seemed to go against what the defence minister himself had assured Parliament of on April 13, the report said.

Asif had informed the house that the Saudi government would hold a grand meeting in May, where it would unveil the alliance's Terms of Reference (ToR). "Prime Minister Nawaz Sharif and former COAS Gen Raheel Sharif will attend the event," he had said. He had further said the former COAS would formally apply for a No Objection Certificate after the ToR was made public.

The 41-nation armed coalition was initially proposed as a platform for security cooperation among Muslim countries and included provisions for training, equipment and troops, and the involvement of religious scholars for devising a

counter- terrorism narrative. Since news of the alliance first surfaced, there have been concerns in Pakistan about its nature and how it may affect a pre-existing parliamentary resolution on Yemen passed unanimously by lawmakers calling for "neutrality in the conflict" in 2015.

<http://www.news18.com/news/world/general-raheel-sharif-leaves-for-saudi-arabia-to-lead-islamic-military-alliance-1380351.html>

Najran governor launches health projects worth SR1.1bn

22 April 2017

Najran Gov. Prince Jiluwi bin Abdulaziz bin Musa'ed has launched health projects worth more than SR1.1 billion (\$293 million) in the region. The launch was held before an audience comprising senior Saudi government officials and dignitaries, in the presence of Health Minister Dr. Tawfiq Al-Rabiah. According to an official from the Ministry of Health, the projects include five modern hospitals, the development of two other hospitals, a specialized dental center and 13 primary health care centers.

The new health projects in the region include: The new Najran General Hospital with 200 beds at a total cost of SR210.3 million; Al-Amal Complex for Mental Health with the same bed capacity at a total cost of SR235.3 million; Khubash General Hospital with 50 beds at a total cost of SR60.8 million; the Specialized Dental Center with a 40-clinic capacity at a total cost of SR36.3 million.

The new health projects also include: The development of the infrastructure of King Khalid Hospital, at a total cost of SR97.3 million; and the development of a smart intensive care unit at the same hospital, with a 80-bed capacity, at a total cost of SR53.3 million; and the construction and equipping of three central warehouses at a total cost of SR25 million. The projects also include the inauguration of eight primary health care centers at a total cost of SR20 million and the construction and operation of five primary health care centers.

The health projects also include the development of health services at the maternity and children's hospital, by means of equipping the building of a outpatient facility with 28-clinic capacity at a total cost of SR35.2 million, the development and equipping of a neonatal intensive care unit (NICU) with 41-bed capacity at a total cost of SR24.3 million, and the development of pediatric emergency section at a total cost of SR4 million.

Initiatives in private health care services in the region include the construction and equipping of Al-Shifa Hospital at a total cost of SR120 million and the Al-Qadi Specialty Hospital at a total cost of SR200 million.

<http://www.arabnews.com/node/1088501/saudi-arabia>

Egypt's Sisi to visit Saudi Arabia after tensions

22 April 2017

Egyptian President Abdel Fattah al-Sisi will start an official visit to Saudi Arabia, in an effort to break the ice after months of tensions. During the upcoming visit, Sisi will meet King Salman, and the two leaders will tackle their different points and how to enhance their ties.

They will also discuss regional and international issues of common concern, especially combating terrorism, Xinhua news agency reported. President al-Sisi met the Saudi king on March 30 on the sidelines of an Arab summit in Jordan, in which Salman invited Sisi to visit Saudi Arabia.

The invitation came days after Saudi state oil company Aramco resumed delivering Egypt petroleum products suspended last October, when Egypt voted for a Russian-drafted UN Security Council resolution on Syria that Saudi Arabia strongly opposed. Then in January an Egyptian court ruling blocked the handover of two Red Sea islands, signed during a visit by Salman to Cairo last April, to Saudi. Saudi Arabia supported Egypt with billions of dollars in aid after the ouster of the Islamist president Mohamed Morsi in 2013.

http://www.business-standard.com/article/news-ians/egypt-s-sisi-to-visit-saudi-arabia-after-tensions-117042200114_1.html

New settlement cycle listed securities Tadawul

22 April 2017

The Saudi Stock Exchange, known as Tadawul, announced here on Thursday that it will implement the "T+2" settlement cycle for listed securities with effect from 23 April. Khalid Abdullah Al-Hussan, chief executive of Tadawul, told reporters that it is being implemented as part of a strategy to support development of the capital market. "This step further aligns the Saudi capital market with international standards, benefiting both domestic and foreign investors," he said.

"We are continuing to implement new initiatives to diversify and enhance opportunities for investors. The T+2 settlement cycle will bring Tadawul's trade settlement cycle into line with standard clearing and settlement practices in a number of developed markets," he stressed.

Al-Hussan pointed out that this is a further step in the effort to realize the Vision 2030 plan to diversify the Kingdom's reliance on oil and make its equity market more attractive to local and foreign investors. Last year in May, Tadawul announced that it has obtained regulatory approval to amend the settlement cycle of listed securities in the equity market within two subsequent working days of the trade execution date.


Furthermore, Tadawul announced the publication of draft rules for the T+2 settlement cycle for public consultation, involving concerned and interested parties, along with the QFI Information Memorandum, which includes the existing structure and enhancements to the Saudi Capital Market.

The new settlement cycle will apply to transactions of securities listed in the market across all types — stocks, sukuk, bonds, exchange-traded funds (ETFs), tradable rights, in addition to over-the-counter transactions (OTC). This will in turn unify the settlement duration for all types of listed securities. In regard to the T+2 settlement cycle's impact on traders, Abdullah Al-Khalifah, chief of

business development at the Securities Depository Center, said: "All types of securities' transactions are completed after two business days following the transaction execution date. Traders will still have purchasing power directly upon executing transactions with no need to wait for completing the settlement of securities."

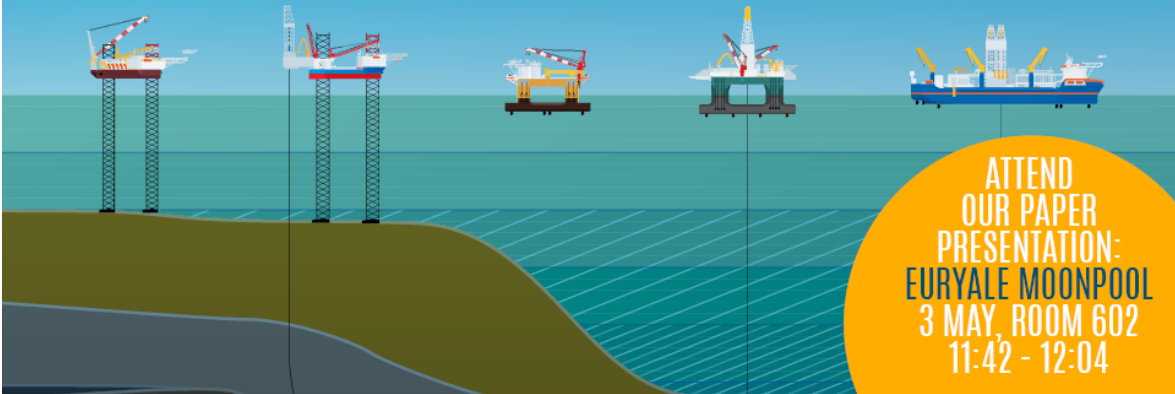
The objective of the T+2 settlement cycle is to increase the level of asset safety for investors by providing enough time to verify transactions and deal with errors should they occur.

<http://www.arabnews.com/node/1088491/saudi-arabia>



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ABOUT THE CHIEF EDITOR

Dr. Cyril Widdershoven is director and founder of Verocy. He is a long-time observer of the global energy market and presently holds several advisory positions with international think tanks in the Middle East and energy sectors in the Netherlands, the United Kingdom, and the United States. He earned his post graduate degrees at King's College, University of London, Department of War Studies, and an MA in Middle East Studies at the University of Nijmegen, Netherlands.

Main focus of his work has been on geopolitical risks, terrorism, fundamentalism and military/defense related issues in the MENA region. He held several senior publishing positions in leading energy publications such as Afroil, Middle East Oil and Gas, and North Africa Oil and Gas Magazine Cairo, and he continues to oversee the Mediterranean Energy Political Risk Consultancy.

Dr. Widdershoven worked on M&A operations in Egypt, Libya, Sudan, and Iran, he studied the pipeline operations in Libya, Algeria, Nigeria and Turkey, and he assessed risk for institutional investors and banks in Libya, Egypt, Saudi Arabia, Oman and Iraq, all while advising the Dutch government and international organizations on related issues. In earlier career assignments, he held positions at Capgemini Consulting (Principal Consultant Centre of Excellence Oil and Gas International (Calgary, Canada), Deloitte Financial Advisory Services (Senior Manager, Oil & Gas), and as Senior Financial Analyst Oil & Gas Sector FDA, where he managed and advised the oil and gas department on equity and bond markets.

Dr. Widdershoven has throughout his career lived and worked in numerous Middle East countries, with a home base in Egypt, where he was Head of Investment and Research at ARTOC Group for Investment and Development in Cairo. He is also has founded North Africa's first English language oil and gas monthly North Africa Oil and Gas Magazine, now called Petroleum Africa, and was one of the founders of the Middle East Oil Gas Newsletter and Africa Oil Newsletter at Newsbase (UK).

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