Creating Ecosystems: A New Approach to Industrial Partnerships in Saudi Arabia

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Overview / Introduction

• Overview of Vision 2030, sectors of interest in the Kingdom of Saudi Arabia (KSA) and the Vision Realization Programs (VRPs)

• Building an Ecosystem Approach to create lasting value in KSA

• Engaging on-the-ground and identifying strong initiatives and partners
Vision 2030
High-Level Overview
Vision 2030
Relevant Organizational Structure Overview

CEDA
Council of Economic and Development Affairs

CEDA establishes governance and approvals for activities related to Vision 2030
CEDA created GAMI as part of Vision 2030 regulatory transformations
CEDA provides oversight and approves the VRPs

GAMI
General Authority for Military Industries

GAMI regulates SAMI and military industry

A VRP - the Public Investment Fund-created SAMI, a military industry company

Vision Realization Programs (12 currently)

VRPs deliver upon the Strategic Objectives
Each VRP has multiple Delivery Plans to achieve strategic objectives

Vision “Pillars” (3)

“Overarching” Objectives (6)
“Branch” Objectives (27)
“Strategic” Objectives (96)

CEDA created GAMI as part of Vision 2030 regulatory transformations

SAMI
Saudi Arabian Military Industries

StrateSphere
Vision 2030
GAMI and SAMI

GAMI
General Authority for Military Industries

- Develop policies and strategies for Military Industry (MI)
- Manage MI procurement
- Issue MI and related manufacturing licenses
- Develop MI standards and monitoring mechanisms
- Manage the defense economic offset program
- Manage MI R&D operations
- Support local MI manufacturers
- Establish strategic partnerships

• The leading Saudi company established to build a strong base of local military industry suppliers
• Invest in military industry infrastructure, R&D, and technology transfer
• Develop and spearhead strategies for the Saudi military industry
Vision 2030
KPIs of Interest

- Increase the private sector’s contribution from 40% to 65% of GDP
  - An increase of $256.18 billion*

- Raise the share of non-oil exports in non-oil GDP from 16% to 50%
  - An increase of $51.3 billion*

- Increase foreign direct investment from 3.8% to the international level of 5.7% of GDP
  - An increase of $12.5 billion*

- Move from current position as the 19th largest economy in the world into the top 15

- To lower the rate of unemployment from 11.6% to 7%
  - Creating an average of 202K jobs per year

- Increase SME contribution to GDP from 20% to 35%
  - An increase of $129 billion*

*Based on 2016 GDP of $646.43 billion
KSA has plans to fund large-scale projects to attract foreign and private investment, many designed as public-private partnerships involving the privatization of existing government entities.
Many sectors of interest have adjacencies to the Defense industry based on similar technology thresholds and regulatory needs.
Vision Realization Programs (VRPs)

Overview

**A THRIVING ECONOMY**
- National Industrial Development & Logistics Program
- Fiscal Balance Program
- National Companies Promotion Program
- Financial Sector Development Program
- Strategic Partnership Program

**A VIBRANT SOCIETY**
- Enriching the Hajj & Umrah Experience
- The Housing Program
- Saudi Character Enrichment Program
- Lifestyle Improvement Program

**AN AMBITIOUS NATION**
- Privatization Program
- National Transformation Program
- Public Investment Fund (PIF) Program
Vision Realization Programs (VRPs)

Overview

**A THRIVING ECONOMY**
- National Industrial Development & Logistics Program
- Fiscal Balance Program
- National Companies Promotion Program
- Financial Sector Development Program
- Strategic Partnership Program

Develop local production, infrastructure improvements, export support, logistics services & create jobs.

Incentivizes promising companies, increase local production, diversity of the economy, grow SMEs, & create new jobs.

Build strategic economic partnerships to contribute to Vision 2030, build partnerships in the GCC, strengthen & create economic sectors, and localize knowledge.

**A VIBRANT SOCIETY**
- Enriching the Hajj & Umrah Experience
- The Housing Program
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**AN AMBITIOUS NATION**
- Privatization Program
- National Transformation Program
- Public Investment Fund (PIF) Program

Strengthen role of private sector in providing services & privatize key sectors, which in turn will attract foreign direct investment.

Develop strategic sectors by maximizing impact of fund investments & establishing economic partnerships.

Create cultural, environmental, & sports activities and enhance quality of life by creating jobs & raising the status of Saudi Arabian cities to rank among the best cities in the world.
A New Approach to Industrial Partnerships
Introduction

Industrial Partnerships (Offset and Localization)

Ecosystem Approach

• **Anchor industries** of importance through **multi-modal, multi-phased investments** for production and manufacturing capabilities and foundational needs

• When successful, Ecosystems can **build and support localization of adjacent industries** to shape lasting value in KSA

• Accomplished in part through utilizing existing products and capabilities, Saudi stakeholder networks, access to varied capital and IP resources, training programs, and local and global partnerships
Industrial Partnerships
Ecosystem Approach

Vision 2030 & VRP Priority Sectors/ Objectives

Anchor Investment:
- Production facilities
- Manufacturing

Human Capital Development:
- Leadership Training
- Workforce Training programs/facilities
- Specialized skills training
- Executive and Higher Edu programs

Series of Investments

Supply Chain Enablement:
- Existing Suppliers/ capabilities
- Non-ITAR supply chain
- ITAR-protected supply chain
- Adjacent industry supply chains

Saudi & Local Stakeholders
Enabling an Ecosystem
Anchor Investment

How to identify strong partners and initiatives

• Identify initiatives and partners with Military and/or Military Adjacent capabilities

• Find partners with a willingness to invest in Joint Ventures and other partnership structures in-country

• Find partners with international experience or interest in international growth

• Ensure there is a willingness for IP transfer as well as productions technology transfer, as well as investments in training
Enabling an Ecosystem
Supply Chain Enablement

How to identify gaps and build the vertical and horizontal supply chains across industries in the Kingdom

• Understand and utilize the current supply chain capabilities in KSA related to specific sectors and across multiple related industries

• Use data, market research and customized technology to identify gaps and source solutions to enable supply chain ramp-up tailored to specific Saudi needs and capabilities

• Build the supply chain through investments in JVs, additional investments and through working closely with local partners and government agencies / entities
Enabling an Ecosystem

Human Capital Development

How to identify, source and deliver training and academic programs

• Understand at the industry level gaps in the training/knowledge the programs needed to address gaps

• Identify/source current academic and training programs with local partners to build capacity

• Identify and engage with international academic and industry partners to supplement training programs for specific skills

• Develop programs to deliver as part of centers of excellence or innovation centers
Engaging On-the-Ground
Engaging On-the-Ground

Identifying sustainable industrial partnership stakeholders and initiatives across civilian and military applications
Offset as Industrial Partnerships
Unmanned Aerial Vehicles Example

Anchor Investment:
• Manufacturing facilities for drone components and assembly activities

Human Capital Development:
• Invest in Leadership Training programs
• Source global academic programs to supplement and build local programs, i.e. engineering and robotics higher education courses
• Specialized skills training and next gen technology developed through a Center of Excellence/Innovation

Supply Chain Enablement:
• Identify local suppliers to supplement component needs
• Identify gaps in supply chain and investments that can be made to supplement gaps
• Strategically build supply chain through continued use of local companies

Support the creation of a new industries and SMEs in KSA
Thank You