



Invitation to participate in an expert meeting on FDI issues in Riyadh, October 4th 2016

**Location: Delegation of the European Union in Riyadh
Al Maather District , Thabet Al Loghawi st. - Villa 25**

The EU-GCC Business and Trade Cooperation Facility* is pleased to invite EU companies in Saudi Arabia to an expert meeting with a specific focus on the efficacy of the Saudi government's recent plans to increase FDI through a lessening of the barriers. The meeting will moreover focus on how to improve the business environment in Saudi Arabia and discuss concerns and policy options in the Kingdom.

The purpose of the workshop is to 1) give EU companies in the KSA a platform to discuss business concerns with fellow peers 2) works towards a common set of recommendations addressing barriers to FDI 3) prioritization of these recommendations and next steps.

The major ideas and recommendations of the expert meeting will provide input to the 2nd EU-GC Business Forum in Riyadh in January 2017 and will guide the Business Forum's panel themes and discussions.

Roundtable Background – The rationale

During the decade of 2003-2013, increasing oil prices and a growth model based on government spending meant that the Saudi economy grew to become the 19th largest economy in the world -with GDP doubling in size and household income growing by 75%.

In the face of demographic pressure of increasing amounts of youth entering the workforce and a changing global energy market, the Saudi National Transformation Program 2020 (NPT) was adopted to fulfill the Saudi Vision 2030 that aspires to enable the country to shift to a sustainable market based growth model.

One of the main themes in the NPT is to diversify the economy by fostering non oil sectors, privatizing public services and improving the business environment in the Kingdom. It is worth noting the more pronounced role of the private sector in the NPT, which envisages 40% of all initiatives being funded by the private sector and creation of more than 450,000 private sector jobs by 2020.

When it comes to attracting foreign investment, some of the notable targets that are to be achieved by 2020 are the following:

- Raising direct foreign investment from **SR30 billion to SR70 billion.**
- Implementing **218 administrative and procedural reforms aimed at improving the business environment.**
- Developing a unified national investment vision to promote and direct investments supporting the national economy, **resulting in SR2.3 trillion in new investment opportunities.**
- Reducing time needed to issue new business permits from **19 days to one day.**

Roundtable Focus

Taking recent privatisations plans and initiatives to attract foreign investment as a point of departure, the meeting will focus on EU businesses' concerns in the Kingdom and what is needed to ensure necessary progress is made to improve conditions for foreign direct investment.

Topics for discussion would include among other:

- **Saudization requirements:** Against the background of the government's aggressive job creation drive and mandated Saudization requirements are foreign companies having difficulty in finding the right local talent while being barred from further hiring more expatriates?
- **Foreign investment licensing regime:** Recently, the Saudi Council of Ministers has permitted foreign entities to set up wholly-owned "trading" companies in the Kingdom. These companies may be in the form of an LLC or a branch, must have a capital of at least SAR 30 million, must commit to invest over SAR 200 million in Saudi Arabia within the first five years of operation, and must meet certain targets for the training of Saudi nationals and the localization of its activities. Some experts point out that these requirements do not fit all business models and certain sectors such as construction, where filling the Saudi quota will be challenging. Likewise, it remains uncertain how SMEs and small high-tech companies will be in a financial position to cope with some of the demands.
- **Engineering Consultancies:** In another significant development, SAGIA announced on June 2, that it was accepting proposals from international companies which wish to establish wholly owned engineering consultancies. At present, engineering consultancies, even those with foreign participation, are regulated and licensed by MOCI (as "professional companies") rather than by SAGIA, and are required to have a Saudi engineer own at least 25 percent of the company's capital. There is as yet no indication when or how the legal procedures to establish and operate wholly-owned engineering businesses will be implemented.
- **Other topics:** better access to procurement, visa issues, late payment of debt and taxes

*About the EU-GCC Trade and Business Cooperation Facility

The EU-GCC Trade and Business Cooperation Facility is a three year project, financed by the EU Commission with the aim at strengthening trade, investment and business cooperation between the EU and the GCC through business networks, mutual understanding and dialogue.

The project is managed by the leading EU and GCC private sector organizations that represent a membership base of over 2.5 million firms: Federation of GCC Chambers, BUSINESSEUROPE and the Confederation of Danish Industry



Federation of Gulf Council
Chambers of Commerce



Dansk Industri

