ميزانية 2021
المملكة العربية السعودية
Saudi Arabia-Budget

Pre-Budget Statement

Pre-Budget Statement

FY 2021

ENGLISH TRANSLATION OF THE OFFICIAL ARABIC VERSION

وزارة المالية
Ministry of Finance

Disclaimer

The estimates included in this report are preliminary and have been prepared based on the information available at the time of publishing. It may be updated in the final budget statement that will be issued at the end of the year. It should be noted that the evolution of the COVID-19 pandemic may significantly affect the estimates, given the uncertainty surrounding potential domestic and global developments in the period between the issuance of the two documents and the duration of the pandemic.

Contents

List of Abbreviations

Bn	Billion
CAPEX	Capital Expenditure
CSE	Center of Spending Efficiency
FY	Fiscal Year
GASTAT	General Authority for Statistics
GDP	Gross Domestic Product
MoF	Ministry of Finance
NDF	National Development Fund
NTP	National Transformation Program
OPEC	Organization of the Petroleum Exporting Countries
OPEX	Operational Expenditures
PPPs	Public Private Partnerships
SAMA	Saudi Arabian Monetary Authority
SAR	Saudi Riyal
SMEs	Small and Medium Enterprises
Tn	Trillion
TSA	Treasury Single Account

Introduction

For the third consecutive year, the Ministry of Finance (MoF) is issuing the pre-budget statement; this time for the fiscal year 2021. This practice is part of the government's policy to develop the budget preparation process, in the context of a comprehensive medium-term economic and fiscal framework and also to enhance transparency, fiscal disclosure and facilitate multi-year fiscal planning.

This document aims to inform citizens, analysts and other stakeholders of key fiscal developments during FY 2020, domestic and global economic developments that may affect the preparation of next year's budget and the main fiscal and economic targets for FY 2021 and in the medium-term. The statement also provides a review of the main initiatives and programs to be implemented during the next fiscal year under the umbrella of the Saudi Vision 2030.

It should be noted that the budget is usually approved in December and may vary from the content of this document in light of new fiscal and economic developments.

Executive Summary

The world economy has been dramatically affected by the outbreak of the COVID-19 pandemic, an unprecedented human and health crisis. The precautionary measures taken by countries in response to the crisis have led to a global recession and a significant decline in most economic activities since the beginning of the year. So far, it is neither possible to fully quantify the repercussions of the pandemic crisis or how long it will last, nor to estimate the time needed for the global economy to recover. Meanwhile, this crisis continues to hit different parts of the world, affecting economic activity and global trade and investment. Since the beginning of the pandemic, the world has witnessed a series of developments reminiscent of the financial crisis that struck the global economy in 2008 and continued to haunt it for several years, but with a great difference in the root cause of the crisis and the higher level of uncertainty generated.

The global economy has been affected through three major channels, namely: supply, demand, and confidence in global capital and primary commodity markets. The global economy is expected to witness a contraction during the current year. However, there is cautious optimism about global growth prospects with the easing of precautionary measures and the return to normal conditions, notwithstanding the risk that the adverse impact of the pandemic could become more acute if the pandemic gets prolonged and second waves become more prevalent and intense.

In this context, the Kingdom of Saudi Arabia was not immune from the effects of the crisis due to economic interdependence with the rest of the world in addition to its eminent global standing. The pandemic

has affected both domestic and global economic activity, triggering a global economic recession that significantly hit oil markets, leading to unprecedented sharp fluctuations and decrease in prices. Despite the negative impact on the Kingdom's non-oil growth this year and the consequent increase in the budget deficit against what was planned, with the Kingdom's commitment to spending levels to support domestic economy and implement the Saudi Vision 2030, the outlook is better than what was anticipated during the first half, especially after the gradual opening of economic activity and the decline in the spread of the virus and high recovery rates in the Kingdom.

- The crisis of the COVID-19 pandemic affected the real GDP growth projections of FY 2020, with decline in the oil and non-oil sectors, based on the economic indicators for the first half of the year. The real GDP is projected to record a decline of 3.8% in FY2020 with an estimated better performance during H2 2020, as reflected in local demand leading indicators mainly in private consumption, some production indicators and sectors performance. This comes as a result of government's implemented measures in addition to the continued improvement in containing the pandemic.

- These developments shall also impact the coming year, as the preliminary estimates indicate real GDP growth of 3.2% in FY2021. In the medium-term, estimates of growth rates have been revised in light of domestic and global fiscal and economic developments and outlook.

- The rise of the pandemic and its impact on global oil markets has definitely increased uncertainty, directly affecting fiscal targets and government spending. In addition, precautionary measures and stimulus initiatives taken by the government since the beginning of the crisis, including exemptions and deferrals in payment of fees and taxes to support the private sector have also increased fiscal burden.

Thus, the government has sought to find more sustainable sources of revenue to reduce the negative impact of the crisis. These measures include increasing the value added tax rate from 5% to 15%, applied in July 2020, and increasing customs duties for a number of goods, applied in June 2020. These are in addition to previously announced measures on the revenue side. Based on these developments, it is projected that total revenues will reach SAR 770 bn in FY 2020, a decrease of 16.9% compared to the previous year, and then to increase to SAR 846 bn and SAR 928 bn in 2021 and 2023, respectively.

- Since the outbreak of the crisis, the government has been maintaining a balance between the requirements for increased spending and the need to maintain fiscal stability and sustainability in view of the decline in oil prices and revenues. During the past few months, the government has taken least costly (economically and socially) among viable options. Budget management focused on taking the most appropriate measures considering the evolving situation, including canceling, extending or postponing some budgeted operational (OPEX) and capital expenditures (CAPEX) for a number of government agencies, in addition to suspending some of the exceptional temporary measures that have been previously approved, such as the cost of living allowance, starting from June 2020.

- A crisis response allocation was also introduced to redirect budget appropriations towards crisis-related spending and to launch a number of initiatives such as health sector support, social benefits and subsidies schemes. This included the support of Saudi employees' salaries in the private sector, and the direct support for workers who are not employed by any company and are registered with the Transport General Authority under activities of passenger transport. In one such initiative, the government bears, through the Saned system, 60% of the salaries of Saudi private sector employees, affected by the crisis.

- As a result of the measures taken in response to the crisis including the additional spending over the approved budget and despite efforts to achieve savings in some expenditure items, total expenditures for FY 2020 is expected to exceed the approved budget of SAR 1,020 bn to reach SAR 1,068 bn. Meanwhile, the government continues to work on enhancing the efficiency of spending and reallocating expenditures towards the most affected sectors while preserving the safety of citizens and residents as well as paying private sector dues.

- Expenditure allocated for FY 2021 reflect fiscal policy priorities, including continuation of spending as per previous plans to support the goals of the Saudi Vision 2030, making budget allocations needed to combat the pandemic and address its possible effects, and ensuring sufficient flexibility in dealing with potential fiscal developments and risks. Also, budget allocations for 2021 aim to provide more opportunities for funds and the private sector to participate in infrastructure development projects. Total expenditures are estimated to reach SAR 990 bn and SAR 941 bn in 2021 and 2023, respectively.

- Fiscal stability and sustainability are key priorities for the government that will be safeguarded by maintaining fiscal discipline and raising spending efficiency. However, the budget deficit is estimated at 12% of GDP for the current year, but then to decline to 5.1% of GDP in 2021. The reduction in the budget deficit takes into account efficiency-enhancing measures while carrying on spending on social benefits and subsidies scheme, alongside the implementation of Vision Realization Projects and Programs (VRPs) in the medium-term. The deficit is expected to continue to decline gradually to 0.4% of GDP in 2023.

- Therefore, total public debt is expected to reach SAR 854 bn in 2020, or some 34.4% of GDP. Government reserves will be maintained at the end of FY 2020 as per the approved budget level at SAR 346 bn, or 14% of GDP.

- It should be noted that the debt-to-GDP ceiling has been raised from 30% to 50% and it is not expected to reach this level in the medium-term.

- The budget of FY 2021 enables the implementation of economic and fiscal reforms in light of the Saudi Vision 2030. In this context, the budget will support the continued implementation of the VRPs and initiatives to deliver the desired outcomes of the Vision. The government has also given attention to support services and social benefits and subsidy scheme for citizens, in addition to focusing on public financial management to ensure its effectiveness in achieving the strategic objectives.

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01

Fiscal and Economic Developments for FY 2020

وزارة المالية
Ministry of Finance

a. Global Economic Developments

Global Economic Growth

The global economy faces many challenges due to COVID-19, which clearly impacted the performance of H1 2020, with chances of full recovery during the next year forecasted to be low as high risks persist. According to IMF World Economic Outlook for June 2020, it is estimated that the global economy will shrink by 4.9% in 2020, and the recovery from this contraction will be slower than previously projected, and that the global economy will grow by 5.4% in 2021. It is also expected that consumption will gradually increase in 2021 and that investment will improve but will remain relatively low. The IMF forecasts indicate a slight increase in global GDP in FY 2021 compared to its level in 2019. However, the IMF has underscored the uncertainty around the projections, and noted that economic growth will depend on infection rates, precautionary measures and financial market conditions.

Most economies have suffered from the consequences of the crisis. The IMF anticipates a significant loss in private consumption during 2020, most significantly due to the adverse effect on the labor market, the lockdown measures, and the rise in consumer savings. The International Labor Organization statistics indicate a decline in working hours around the world in Q2 2020, as working hours decreased by 14%, that is equivalent to about 400 million full-time jobs, compared to Q4 2019.

For example, in the 19-nation Euro area, GDP decreased by 11.8% and 14.7% on a quarterly and annual basis, respectively during Q2, according to statistics issued by the official European Statistics Agency.

The Organization for Economic Cooperation and Development (OECD) also expected that the COVID-19 pandemic would cause an increase in unemployment rates in many developed countries beyond the levels caused by the global financial crisis in 2008.

Growth Rate	2018	2019	2020* Projections	2021* Projections
Global Economy	3.6%	2.9%	-4.9%	5.4%
Advanced Economies	2.2%	1.7%	-8.0%	4.8%
Emerging Market & Developing Economies	4.5%	3.7%	-3.0%	5.9%
USA	2.9%	2.3%	-8.0%	4.5%
China	6.7%	6.1%	1.0%	8.2%
Japan	0.3%	0.7%	-5.8%	2.4%
India	6.1%	4.2%	-4.5%	6.0%
Euro area	1.9%	1.3%	-10.2%	6.0%
Inflation				
Inflation in Advanced Economies	2.0%	1.4%	0.3%	1.1%
Inflation in Emerging Market & Developing Economies	4.8%	5.1%	4.4%	4.5%

*Source: IMF - World Economic Outlook June 2020

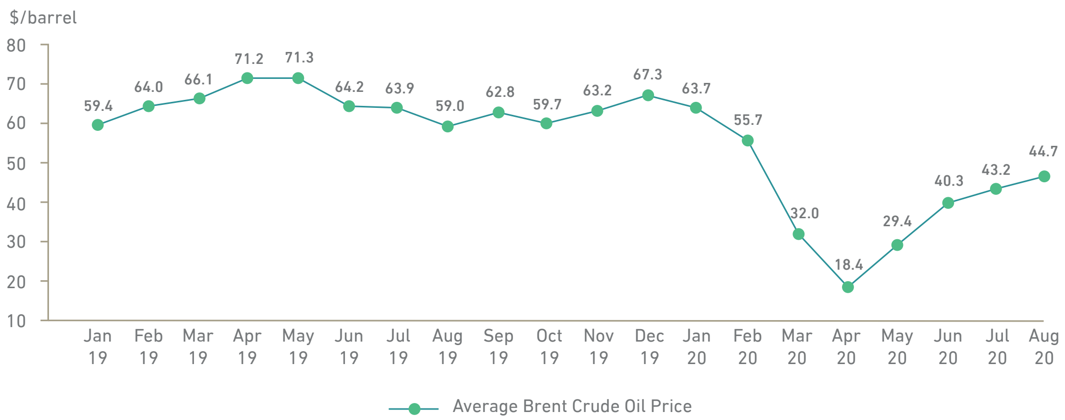
In addition to the risks emanating from the COVID-19 pandemic, the global economy is exposed to other challenges such as the increasing trade tensions, low inflation and high debt, especially in Advanced Economies, which may result in prolonged weakness in global demand and difficulty in managing debt. This in turn could cause a greater burden on global economic activity.

With the escalation of the negative economic impact of the COVID-19 pandemic and the complete closure in some countries, many governments implemented stimulus packages, to enhance vital emergency supplies to protect their citizens, and reduce the high level of unemployment and bankruptcies. On the fiscal side, with the sharp contraction in many economic activities and the decline in government revenues, along with increased public spending and higher subsidies, fiscal pressures have increased. Data for H1 indicate a rise in debt and erosion of buffers, whereas projections indicate that global public debt will exceed 100% of GDP for 2020. In view of the lockdown in many countries, some countries focused on easing precautionary measures to support economic recovery, despite the uncertainty surrounding the pandemic. Since the beginning of the crisis, G20 countries, under KSA presidency, have implemented stimulus packages of about $11 tn to mitigate the effect of the pandemic, in addition to Debt Service Suspension Initiative (DSSI).

World Oil Markets

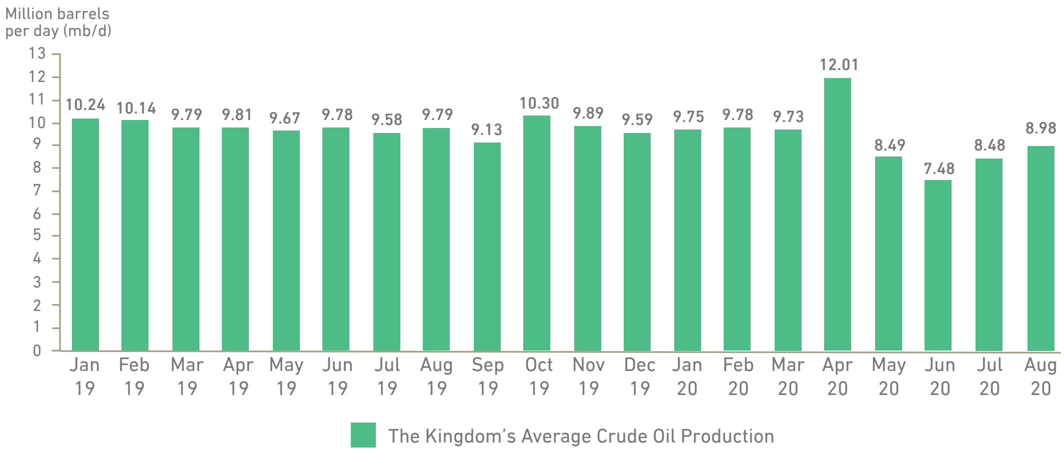
The average price of oil (Brent) registered around $41.2 per barrel in the period from January to August 2020, compared to $64.9 per barrel for the same period last year. The Kingdom's average production of oil reached 9.33 million barrels per day compared to 9.84 million barrels during the same period in the corresponding period last year.

A state of caution and uncertainty is dominating the oil market amid expectations by international organizations and banks that the global economy will shrink due to the COVID-19 pandemic. This was exacerbated by the decline of economic activities in many countries and the suspension of international flights in many parts of the world. The oil markets witnessed significant fluctuations during 2020, as Brent crude prices ranged between more than $63.8 per barrel in January to about $18.4 per barrel in April, and bouncing back to $44.7 per barrel in August 2020.



Source: Energy Information Administration (EIA)

Regarding production, reports by the Organization of Petroleum Exporting Countries (OPEC) indicate the Kingdom's commitment to production agreements, as the average crude oil production of the Kingdom from January to August 2020 reached 9.33 million barrels per day, a decrease of 511 thousand barrels per day or 5.2% compared to the same period last year. This was a culmination of the collective efforts of OPEC countries and non-OPEC producers (OPEC+) to support the stability of oil prices, coinciding with the decline in global oil demand due to the emerging coronavirus pandemic. In April 2020, OPEC+ succeeded in reaching an unprecedented agreement to reduce production by 9.70 million barrels per day during May and June 2020 in order to ensure the withdrawal of about 10% of global oil supplies. It was also agreed that production will be reduced after June by 8 million barrels per day for a period of 6 months until the end of December 2020.



Source: OPEC Report 14 September 2020

b. The Domestic Economy

The COVID-19 pandemic crisis has clearly impacted in the performance of the domestic economy during H1 2020. Higher impact was witnesses in Q2 as a result of the lockdown applied as part of the precautionary measures in response to the pandemic, and also as result of the decline in global oil demand and prices.

The year started with a bullish economic performance, building on strong momentum from the previous year, as non-oil GDP recorded a positive growth rate of 1.6% in Q1 2020, according to the General Authority for Statistics (GASTAT), driven by private sector growth of 1.4%. This was the outcome of efforts made by the Kingdom during previous years in implementing structural reforms aimed at enhancing economic growth rates, diversifying the economic base, increasing competitiveness and enhancing the role of the private sector while preserving fiscal and economic stability. Many recent international reports[1] have acknowledged the Kingdom's progress in a number of indicators such as competitiveness, business practice, innovation, technological development, and others.

However, the pandemic crisis and the precautionary measures, including the imposition of partial and total curfews and the suspension of domestic and international flights since March 2020, have significantly affected the economic performance in Q2 2020. During this period, the real GDP has declined by nearly 7.0%, driven by a decline in real oil GDP of 5.3%, as well as a decline in real non-oil GDP of 8.2%. The private sector also witnessed a sharp contraction of 10.1% during the same period.

Thus, during H1 2020, real GDP declined by 4.0%, due to the decrease in real oil GDP by 4.9%, as a result of the reduction in oil production in H1 in compliance with the OPEC+ agreement. Meanwhile, the real non-oil GDP

[1] The Global Concessions Report by the International Institute for Administrative Development, the World Bank's Doing Business Report, and the World Competitiveness Report.

contracted by 3.3% during H1 2020 due to the pandemic led by a sharp decline in the private sector activity of 4.3% due to the overall decline in non-oil economic activity.

The H1 2020 data show a contraction in the other manufacturing activity by 6.6%, while community, social and personal services activities declined by 4.5% and the construction activity by 1.3%. Besides, wholesale, retail trade, restaurants & hotels activities, and transport, storage & communication activities declined by 6.7% and 6.1%, respectively.

The impact of the coronavirus pandemic has also reflected negatively on the performance of the external sector, mainly on the back of the decline in trade, as a result of precautionary measures applied worldwide. According to GASTAT data, commodity exports decreased by 37.3% in until July 2020, whereas commodity imports decreased by 17.5% during the same period.

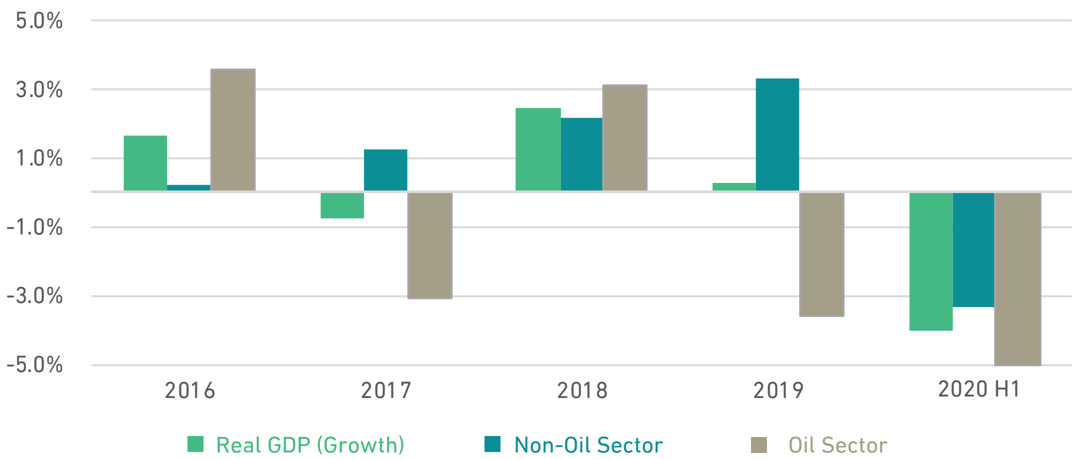
The government responded by introducing a set of stimulus packages, which included exemptions and deferral of payment of fees and taxes to help the private sector weather the financial and economic impact of the crisis, in addition to the Saudi Arabian Monetary Authority's (SAMA) initiatives to support financial sector and inject liquidity into the economy.

Accordingly, monthly economic indicators witnessed a significant improvement during Q3 2020 due to the gradual reopening of economic activities last June, which were reflected in the local demand indicators mainly private consumption and some production indicators. Several sectors resumed activities at higher levels, supported by government implemented measures, including the extension of some stimulus measures for one month in July. Also, the careful resumption in economic activities helped containing the spread of the virus, thus continuing the gradual return of economic activities without having to reimpose precautionary and lockdown measures, as happened in some other countries.

These factors contributed in projecting improved economic performance for H2 2020 that would reduce the severity of the decline in the economic growth estimated for the whole year. This is without neglecting the risks associated to the pandemic and its possible domestic and global impact until the end of this year and possibly for some parts of the next year.

Furthermore, according to GASTAT, inflation rates based on consumer price index (CPI) recorded an average growth of 2.3% until the end of August 2020, compared to a decline of 2.7% for the same period last year. This was an expected outcome with the wear off of the base effect from the first phase of the application of VAT in FY 2018, which was a major driver of negative growth rates throughout FY 2019. Such return to positive inflation rates is also explained by the increase in VAT rate at the beginning of July 2020.

Real GDP Growth (%)



Source: GASTAT

In FY 2020, real GDP is estimated to decline by 3.8%, given the performance of economic indicators during H1 2020. Inflation for FY 2020 is estimated to be 3.7%, due to the anticipated impact of the increase in VAT rate and customs duty on some products. Moreover, prices of some imported commodities are projected to be affected by the measures applied to confront the pandemic in industrialized countries and by the disruption of global supply chains. However, this could be partially countered by lower demand due to the crisis.

Fiscal Developments for H1 2020

(SAR Billion, unless otherwise stated)

	Jan - Jun		Annual Change
	2019	2020	
Revenues			
Total Revenues	**506**	**326**	**-35.6%**
Taxes	**116**	**60**	**-48.8%**
Taxes on Income, Profits, and Capital Gains	9	5	-42.4%
Taxes on Goods and Services	78	41	-47.0%
Taxes on International Trade and Transactions	8	8	-0.9%
Other Taxes	22	5	-75.1%
Other Revenues	**390**	**266**	**-31.7%**
Expenditures			
Total Expenditures	**512**	**469**	**-8.3%**
Expenses (OPEX)	422	412	-2.3%
Compensation of Employees	252	249	-1.2%
Use of Goods and Services	52	62	19.7%
Financing Expenses	10	11	17.7%
Subsidies	18	13	-23.9%
Grants	1	2	276.2%
Social Benefits	45	28	-39.2%
Other Expenses	44	46	3.9%
Non-Financial Assets (CAPEX)	90	57	-36.4%
Budget Deficit			
Budget Deficit	-6	-143	-
Debt and Assets			
Debt	628	820	30.6%
Government Reserves	496	420	-15.4%

Source: MoF

Figures are rounded up to the nearest decimal point

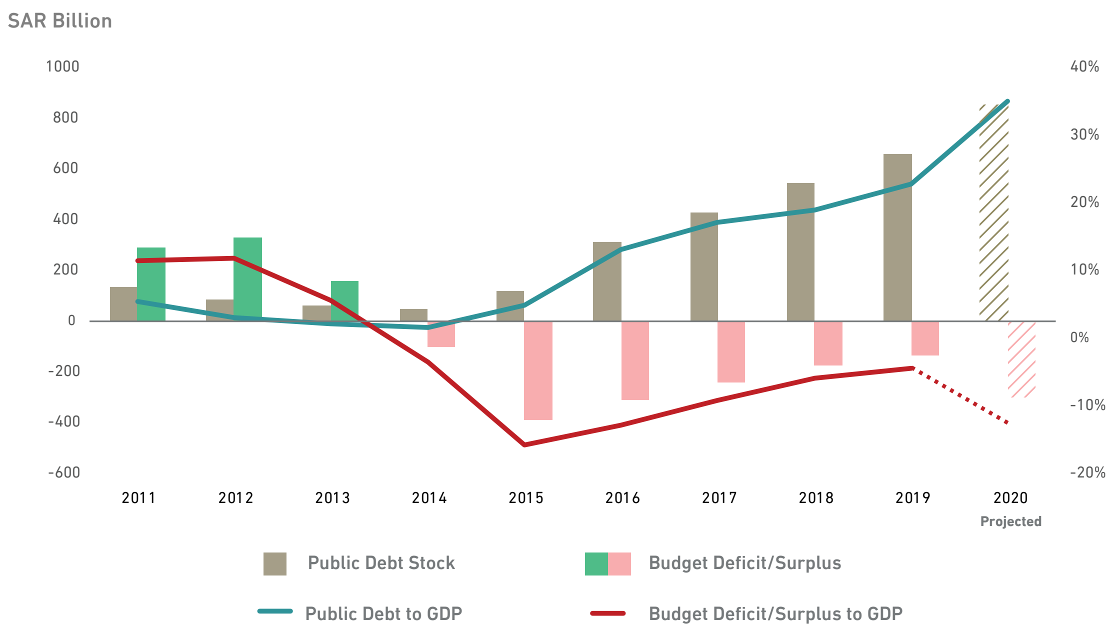
c. Fiscal Developments

Deficit and Debt

In the past two years, the budget deficit has declined as a result of the government efforts to raise spending efficiency and achieve fiscal sustainability. However, amid the economic and fiscal repercussions caused by the COVID-19 pandemic, which negatively affected the estimates of FY 2020, the budget deficit is expected to rise to about 12% of GDP compared to 4.5% in 2019. This increase is mainly driven by the decline in revenues.

Public debt is estimated to reach 34.4% of GDP by the end of FY 2020. It is expected that government reserves will be maintained at SAR 346 bn (14% of GDP) at the end of the year, as per the approved budget. Meanwhile, the public debt ceiling was increased to 50% of GDP from 30% of GDP to allow space for financing the growing needs to confront the global pandemic crisis. However, debt level is not expected to reach that ceiling in the medium term. It is worth noting that debt issuances are planned as per the financing needs according to a debt strategy that ensures debt sustainability.

Government Debt to GDP



Source: MoF

Revenues

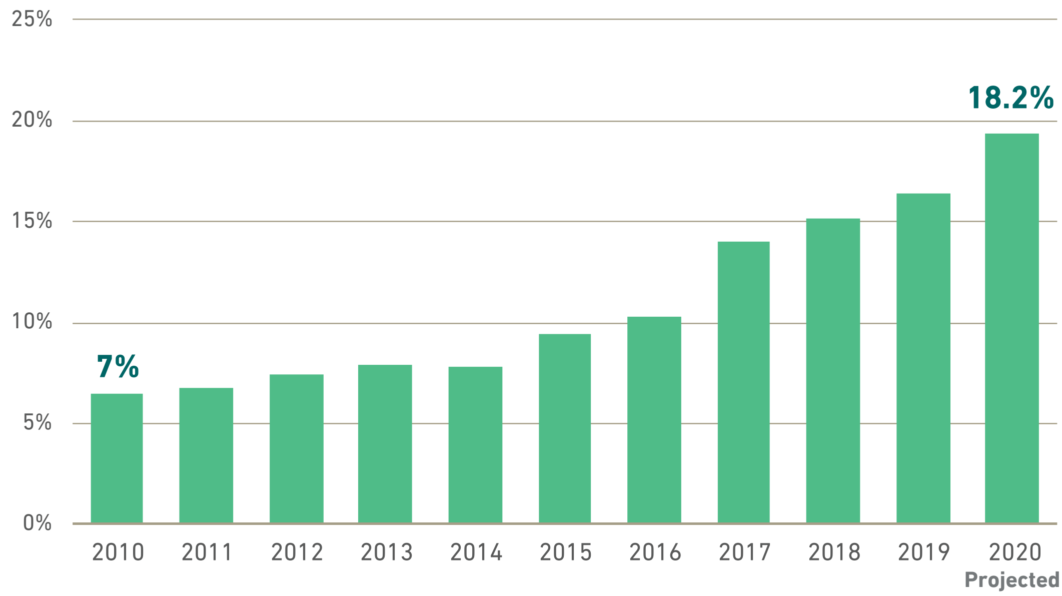
Government revenues were significantly affected during 2020 due to the decline in oil and non-oil revenues, led by several factors. Due to health risks associated with the COVID-19 pandemic and the subsequent application of preventive and precautionary measures, the change in individuals' behavior led to a significant decline in economic activity, as reflected on the performance of most economic sectors. This was followed by the implementation of stimulus packages to support the private sector, including exemptions and deferrals of the payment of some taxes and fees that affected non-oil revenues. At the same time, global demand for oil declined as a result of the economic closure in most countries, that led to a sharp drop in international oil prices since the beginning of the crisis.

In order to address the challenges arising, the government aimed to secure additional stable and sustainable resources to enhance non-oil revenue, including increasing VAT rate from 5% to 15% in July 2020 and raising customs duties for some commodities on June 20, 2020. This will partly offset the expected sharp decline in oil revenue and support government plans to diversify revenues and increase the share of non-oil revenue to reduce fiscal and economic risks in the medium and long-term.

Accordingly, it is estimated that total government revenues for FY 2020 will be affected negatively as the revenues for the H1 2020 amounted to SAR 326 bn, a decrease of 35.6% compared to the same period last year.

Considering the factors above, it is expected that non-oil revenues would reach 18.2% of non-oil GDP in FY 2020. It should be noted that, on average, non-oil revenue amounted to SAR 294 bn per year since the implementation of reforms in 2017 - 2019, compared to an average of SAR 160 bn per year during the period from 2014 - 2016. It should be noted that the forecast for non-oil revenue for FY 2020 includes the collection of exceptional profits from government investments.

Non-oil Revenue to Non-oil GDP



Source: MoF

Expenditures

In view of the exceptional circumstances the world is witnessing in 2020, the government has given priority to enhancing spending efficiency and re-directing expenditure to support the most urgent areas to confront and overcome the crisis. Taking precautionary measures to preserve the health and lives of citizens and residents was the highest priority of the government. In this context, efforts made to provide the necessary fiscal resources to support the readiness of the health sector and to prevent the spread of the virus, in addition to providing free treatment to citizens, residents and visitors and increasing testing for the coronavirus. Furthermore, stimulus packages have been launched to reduce the negative effects on the private sector by providing required liquidity to reduce the burden on the establishments that were most impacted by the crisis. Stimulus packages included bearing 60% of the wages of the Saudi workers in the private sector through the Saned system to preserve employment.

To strike a balance between meeting higher spending needs and maintaining fiscal stability and sustainability, and to avoid exacerbated financing needs in light of the decline in oil prices and revenues, the government has been continuously reviewing viable options that preserve consistency and coherence in policies. During the year, the government has succeeded in achieving the desired balance by taking the most adequate measures, including canceling, extending or postponing some of the planned OPEX and CAPEX for FY 2020 and halting the (temporary applied) cost of living allowance, as of June 2020. However, spending on social benefits and subsidies scheme, including the Citizen Account, has been maintained.

To continue implementing VRPs and related initiatives, the amount spent on the housing program until June 2020 amounted to 66.6% of the total approved budget for the program. This amount was spent on programs and initiatives of the Ministry of Housing, such as the housing program and financial support initiative. The latter aims to provide support to meet financing expenses for eligible individuals entitled to housing loans of tenor more than 20 years. In addition, spending on the National Transformation Program (NTP) until June 2020 accounted for 64.5% of its total approved budget for the year. The program aims to achieve excellence in government performance, enhance economic capabilities, and raise the quality of basic services. Meanwhile, spending on other programs was reduced compared to the approved budget driven by the preventive measures, such as preventing gatherings and suspending international flights to limit the spread of the coronavirus.

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02

Key Fiscal Targets and Economic Indicators for FY 2021 and the Medium-term

وزارة المالية
Ministry of Finance

a. Macroeconomic Projections for FY 2021 and the Medium-term

The previous section presented the most significant challenges facing the Kingdom's economy and the plans and initiatives adopted by the government in response to the global crisis and its consequences. This takes into consideration the continued state of uncertainty about the repercussions of the COVID-19 pandemic and its unknown duration, in addition to the anticipation that the coronavirus risks will continue for this year and probably for the next one. At the same time, the government continues to implement plans aimed at development, diversification and economic transformation, while re-arranging some priorities to increase efficiency and effectiveness and achieve the best fiscal and economic results.

In view of these domestic and international developments, the estimates of economic growth rates in the Kingdom for FY 2021 and the medium-term have been revised. Initial estimates indicate a real GDP growth of 3.2% in 2021, driven by the assumption that economic activities will recover, the trade balance with the main trading partners will improve as a result of easing the lockdown measures, and that global supply chains will gradually recover, which will positively affect the domestic economy. This comes alongside other government initiatives that support fiscal stability, and the persistent effort by the government to implement medium and long-term structural reforms aimed at achieving economic diversification and fiscal sustainability within the framework of the Saudi Vision 2030.

Government efforts are also focused on developing the role of the private sector by providing greater investment opportunities and enabling participation in infrastructure projects to be the main driver of economic growth. In addition to the above, the Public Investment Fund and other development funds have an important role in implementing mega and developmental projects that support economic activities and create job opportunities.

The inflation rate is estimated to be 2.9% in 2021, assuming that the impact of some of the measures implemented during the current year will diminish at the beginning of H2 2021, in addition to the natural annual growth in the general price level.

Medium-term Economic Indicators Projections

(Percentage, unless otherwise stated)

	Actual*	Estimates**	Projections**		
	2019	2020	2021	2022	2023
Economic Indicators					
Real GDP Growth	0.3%	-3.8%	3.2%	3.4%	3.5%
Nominal GDP (SAR Billion)	2,974	2,482	2,860	3,041	3,231
Nominal GDP Growth	0.8%	-16.5%	15.2%	6.4%	6.3%
Inflation	-2.1%	3.7%	2.9%	2.0%	2.0%

* Source: GASTAT
** Preliminary data

b. Key Fiscal Targets for FY 2021 and the Medium Term

Medium-term Fiscal Projections

(SAR Billion, unless otherwise stated)

	Actual	Estimates	Projections		
	2019	2020	2021	2022	2023
Fiscal					
Total Revenues	927	770	846	864	928
Total Expenditures	1,059	1,068	990	955	941
Budget Deficit	-133	-298	-145	-91	-13
As percent to GDP	-4.5%	-12.0%	-5.1%	-3.0%	-0.4%
Debt	678	854	941	1,016	1,029
As percent to GDP	22.8%	34.4%	32.9%	33.4%	31.8%

Source: MoF

Figures are rounded up to the nearest decimal point

1. Deficit and Debt

The Kingdom's fiscal policy objective is to support achieving future economic and social goals, including the transformation into a modern economy based on solid foundations, within a framework of fiscal sustainability that ensures the continuity and sustainability of economic growth to enhance citizens welfare. In this context and in view of the recent developments, it is estimated that higher levels of budget deficit will be allowed in 2020 more than what was planned before the crisis. However, the fiscal policy aims to gradually reduce deficit levels in the medium-term to support a stable fiscal environment that stimulates investment.

The government will adopt flexible policies that keep pace with domestic and international developments, which will in turn contribute to mitigating the effects of this crisis and help face it with a high level of efficiency. The government will also continue to assess developments and take appropriate fiscal policies to raise fiscal performance and ensure fiscal sustainability in the medium and long-terms. The government seeks to control the budget deficit, which is estimated to decrease to 5.1% of GDP in 2021. This supports efforts to enhance the spending efficiency and to achieve the goals of fiscal discipline in parallel with continuing to support and empower the private sector through the role of the National Development Fund (NDF) and the Public Investment Fund in developing promising sectors in the Saudi economy, and contributing to creating jobs and attractive investment opportunities. The target is to gradually reduce the budget deficit over the medium-term to reach 0.4% of GDP in 2023.

Based on the projected financing needs, new debt issuances are determined in accordance with the government's policy to maintain an adequate (targeted) level of reserves, which represent a vital cushion against future risks. Despite the current crisis, the public debt strategy, managed by the National Center for Debt Management, focused on several measures to develop the domestic debt market and expand the investor base. However, international markets will remain one of the main sources of financing to ensure the Kingdom's access to various debt markets and to attract capital. According to the adopted strategy, the focus will be on fixed-rate debt issuances to reduce the risk of floating rates, in addition to maintaining the average maturity of public debt at 8.7 years, as registered at the end of 2019, to reduce future refinancing risks.

The strategy also aims to diversify financing instruments by issuing bonds and sukuk, in addition to the search for new markets and financing products through alternative government financing. This is part of the Ministry's strategy to support the continuity and completion of major development projects in the Kingdom. This will contribute to increasing the private sector participation by providing the necessary financing for projects in the priority sectors and encouraging the public and private sectors to adopt similar financing methods.

It is expected that total public debt will reach SAR 941 bn (32.9% of GDP) in 2021, and about SAR 1,029 bn (31.8% of GDP) in 2023.

2. Revenues

The government aims to continue to develop and increase the diversity of non-oil revenue sources to ensure the sustainability and stability of revenues. This is envisaged by uninterrupted implementation of the initiatives adopted in recent years. This will provide resources that contribute to the implementation of economic transformation plans and financing social-related expenditures. These initiatives include implementing the expat levy according to what was previously announced, continuing to apply the gradual correction of energy prices until reaching reference prices, in addition to implementing a number of initiatives that were announced in 2020, aimed at ensuring the sustainability of non-oil revenue during the crisis, including an increase in VAT rate from 5% to 15% effective July 2020 and an increase in customs duty for a number of goods, applied on June 20, 2020.

Preliminary estimates indicate that total revenues for FY 2021 will amount to SAR 846 bn, an increase of 9.8% compared to FY 2020 estimates, driven by the recovery of domestic and international markets. It is estimated that total revenues will continue to grow to reach about SAR 928 bn in 2023, with an average annual growth of 6.4%.

3. Expenditures

In FY 2021, the government seeks to preserve the fiscal and economic gains achieved in recent years and to achieve the goals of stability, fiscal discipline and spending efficiency. Therefore, public expenditures for FY 2021 are estimated at about SAR 990 bn, which is about 34.6% of GDP.

The aforementioned expenditure levels are in accordance with the announced expenditure ceilings in the FY 2020 budget statement. This will be achieved by focusing on prioritizing spending, while ensuring sufficient flexibility in dealing with the materialization of risks (if any) during 2021.

Efforts will continue in FY 2021 and over the medium-term to raise spending efficiency and develop the effectiveness of social spending to achieve economic and social objectives. Plans include continuing to spend on mega projects and VRPs, including the Housing Program and the Quality of Life Program. In addition, private sector development programs envisaged to continue through stimulus packages in 2021 and shall provide more opportunities for the private sector to participate in investment projects and infrastructure development projects.

C. Main Programs and Initiatives for FY 2020 and the Medium-term

In order to carry out economic and fiscal reforms that support the Saudi Vision 2030, the implementation of the VRPs and initiatives will continue during FY 2021 and in the medium-term to achieve the desired returns. The government also accords priority to continue spending on VRPs, in parallel with a continuous review to ensure its effectiveness in achieving strategic goals. This section highlights the main programs and initiatives during the coming year and in the medium-term through which the economic, social and fiscal goals will be achieved. It also includes the most important supporting initiatives to raise the efficiency and effectiveness of public financial management.

Social Benefits and Subsidies Scheme

The government has made efforts to support social benefits and subsidies scheme for citizens. It has given priority to the development of preventive programs that provides temporary protection that supports members of society in need during economic transition. In the effort to develop human resources and national cadres, the government has allocated the largest share of fiscal resources to spend on health, social development, and education, in addition to ensuring a decent standard of housing for citizens through the support of the housing program.

VRPs for 2030

Notwithstanding economic challenges that the world is witnessing as a result of the coronavirus pandemic, the Kingdom of Saudi Arabia is committed to achieving the goals of the Saudi Vision 2030. Programs under the Vision will undergo structural improvements to help achieve their goals. The review process aims to reprioritize the programs to ensure creating a stimulating environment for economic growth and achieving the targeted return.

At the forefront of the programs that the government will focus on in the next year are the following:

Housing Program

The program aims to provide housing solutions that enable Saudi families to own or benefit from appropriate houses according to their needs and financial capabilities, and to improve the living conditions of present and future generations. This is envisaged through providing adequate and government-supported financing solutions in parallel with increasing the supply of housing units at reasonable prices, implementing specialized programs to house the most needy groups in society, developing the legislative and regulatory environment for the housing sector, maximizing the economic impact of it, enhancing its attractiveness to the private sector and developing local content. This is expected to create more job opportunities and diversify the economic base of the Kingdom. The most important achievement of the program was its contribution to raising the percentage of home ownership, bringing the cumulative total number of housing contracts to some 411,000 contracts. The total outstanding real estate loans (mortgage finance) amounted to more than SAR 371 bn. The program will continue to enable Saudi families to own their homes and to support families most in need of housing according to the usufruct system. There will also be progress in activating electronic platforms to contribute to serving the citizen and developers remotely.

Quality of Life Program

This program focuses on making the Kingdom a better place to live for citizens and residents. It seeks to continue strengthening the position of Saudi cities as among the best cities to live, based on various global indicators. The program will focus on completing the implementation of current initiatives and achieving their goals. It will also prioritize initiatives with higher socio-economic impact, in addition to developing regulations and legislations related to improving the quality of life. In the immediate future, the program also aims to support private sector participation, attract investments to implement initiatives, and increase spending on infrastructure to improve the quality of life.

In the medium-term, the program aspires to make the Kingdom a pioneer in the region in terms of participating in major international forums and upgrading the existing infrastructure for sports, entertainment, cultural and tourism activities.

Public Investment Fund (PIF)

The PIF seeks to build a diversified domestic and international investment portfolio, which contributes to strengthening and diversifying the Saudi economy in order to achieve the Saudi Vision 2030. Since 2015, the PIF has achieved remarkable growth by doubling the volume of assets under management from $150 bn to more than $360 bn in Q2 2020. It also launched the Future Investment Initiative to enhance the fund's global and regional presence and transform it into an effective and influential institution on global investment trends in various economic sectors.

The PIF has established more than 20 new companies operating in many promising domestic sectors, such as entertainment, tourism, military industries and financing emerging companies. Currently, the PIF is studying the establishment and development of 31 companies in different sectors to support the national economy.

Through its companies, the PIF has also contributed, to creating 11,000+ direct jobs, 5,000+ indirect jobs, and 88,000+ jobs in the construction sector, with a total of more than 104,000 jobs. This is in addition to the PIF's contribution to supporting and qualifying national cadres in promising sectors, as it offers a program dedicated to train graduates that has so far served 164 of them. During the current year, 125 young male and female graduates are being trained and 80 scholarships have been granted in the entertainment sector by Qiddiya Investment Company.

The PIF will continue to develop and diversify its investments to achieve high economic returns domestically and internationally, in support of the efforts to achieve the goals of the Saudi Vision 2030, especially in the areas of economic diversification, opening new horizons for the private sector and increasing employment rates.

Privatization Program

This program seeks to empower and stimulate the private sector to contribute to investment and boost economic growth. It aspires to increase the private sector's contribution to the GDP from 40% to 60% by 2030. It also aims to enhance competition, improve operational and commercial efficiency achieve transparency and fairness in privatization, encourage accumulation of national capital and attract foreign direct investment.

In 2020, the first phase of privatizing the flour milling sector was completed, which included selling all shares of the first and third companies of the four milling companies to strategic private investors. The second phase of selling assets of the second and fourth companies is underway, This is in addition to the completion of the offering of the second cargo terminal project at King Khalid International Airport in Riyadh and King Abdulaziz Port in Dammam to international investors. In the water sector, the offering and awarding of contracts for construction and operation of two projects in Yanbu and Jubail, for a period of 25 years, have been completed.

In 2021, the program aims to continue to offer opportunities for privatization and to support Public Private Partnerships (PPPs) at the domestic and international levels. Among the main initiatives are projects that are fully funded by the private sector in the health sector, in addition to attracting private investments to finance and develop educational buildings through PPPs. The initiatives also include several privatization projects in the environment, water and agriculture sectors, the municipalities sector, and the telecom and information technology sector.

Financial Sector Development Program

The Financial Sector Development Program is one of the executive programs launched by the Council of Economic and Development Affairs to achieve the goals of the Saudi Vision 2030. The program aims to develop a diversified and active financial sector to support the development of the national economy, diversify sources of income, and stimulate savings, financing and investment, through the development of financial sector institutions and the capital markets.

The program has three main objectives, which are to develop an advanced financial market, enable financial institutions to support the growth of the private sector, and promote financial planning.

In 2020, the program made notable achievements in fintech, such as the authorization of nine new fintech companies to provide savings solutions for individuals and crowdfunding of debt for small and medium enterprises (SMEs) to work under the umbrella of the legislative experimental environment, in addition to the rules governing issuance aggregation activities by (SAMA). On the financial market development side, the most important milestone was the launching of the National Center for Registration of Financial Derivative Data and the inclusion of the first two exchange-traded funds for government Sukuk.

Private Sector Development Plan Initiatives (Stimulus Packages)

As a complement to the efforts to support economic and social development and to develop many promising and vital sectors in the Saudi economy, the NDF and the affiliated banks continue to provide several loans and offer support programs. This is to increase the developmental and economic impact and create jobs and attractive investment opportunities. Loans provided by development funds and banks during H1 2020 amounted to more than SAR 13.4 bn benefiting

22,000+ establishments in the Kingdom, in addition to other programs that provided support to individuals, whether for employment, training, or by providing housing support and social loans to 154,000+ individuals. In order to enhance the development paradigm and ensure its complementarity in supporting the Kingdom's development process in 2020, a new tourism development fund system was approved, the operations of the Saudi EXIM Bank were upgraded/enhanced, and a project to establish a legal entity to develop the infrastructure was initiated (which is one of the most important projects that will have significant development impact in the medium and long-term). In 2021, the fund will continue to implement its plans to enhance the role of the private sector and develop various activities to support economic growth and diversification.

A committee was formed through a royal decree to manage the response of development funds to exceptional economic situations during 2020, headed by His Excellency the Minister of Finance and included members from of a number of relevant bodies. The committee shall determine standards and controls for designing and implementing initiatives and determining the amounts that will be used to support these initiatives from the available funds, in addition to the Kafala program and the General Authority for Small and Medium Enterprises. The NDF, under the guidance of the committee, has been setting the course for the necessary programs and initiatives and allocating a budget of more than SAR 22 bn for a total of 19 programs and initiatives to support individuals and private sector enterprises to mitigate the negative impact of the unprecedented COVID-19 crisis. The total support provided by the programs and initiatives since the beginning of the coronavirus pandemic in March until mid-September amounted to more than SAR 9.8 bn benefiting 211,000+ individuals and 16,000+ enterprises.

In 2020, support was provided to initiatives of the Private Sector Stimulus Plan, through government agencies, such as the Ministry of Finance , the

Ministry of Housing, the Ministry of Investment and others. The support for the initiatives will continue in FY 2021. In addition, facilities were provided for the commitments made in previous years for more than 10 companies within the Supporting Corporate Sustainability initiative. Support for the military will also be completed within the Housing Loans for Military Personnel in Service initiative during 2021. Also, work will be done on defining a cash flow plan for the Recovery of Government Fees for New SMEs initiative, in addition to continuing to bear the fees for expat workers in industrial establishments with industrial license for a period of five years, from October 2019.

Initiatives for Improving Financial Management in the Public Sector

During the past four years, the government has undertaken structural and fundamental reforms in public financial management to enhance efficiency, effectiveness and transparency in accordance with the Saudi Vision 2030. Further efforts are ongoing to enhance public financial management and increase the level of disclosure and transparency by adopting international best practices. In support of this approach, the main initiatives can be listed as follows:

Developing the Macro-Fiscal Framework

The Ministry of Finance has been keen to develop the process of preparing and executing the general budget in accordance with best practices, in a manner that supports and achieves a balance between the objectives of fiscal stability and sustainability and the promotion of economic growth. The government also intends to continue to raise the efficiency of spending and rearrange its priorities to achieve higher economic and social returns, in addition to continuing to develop non-oil revenue that will improve economic performance. In this context, a macro-fiscal framework has been developed through which strategic priorities in the medium-term are taken into account by including the fiscal and economic dimensions.

The framework also contributes to improving the forecasting process as it includes a detailed fiscal and economic database that supports medium-term forecasts. The effect of domestic and international developments and the risks associated with them on the fiscal and economic aspects are continuously assessed. The framework also allows assessing the optimal intervention with fiscal policy tools to achieve fiscal targets and in making policy recommendations in this regard. In addition, the framework aims to contribute to developing the coordination process between government agencies in preparing their budget estimates in the medium-term, by continuing to develop the skills, tools and economic models used in fiscal and economic analysis, forecasting and macro-fiscal risk analysis.

Fiscal Sustainability Initiative

The government is currently working on several initiatives and reforms to achieve fiscal sustainability and build a framework that organizes fiscal policy in the medium and long-terms, as an extension of the fiscal balance program that has been implemented in 2017 within the NTP 2020, under the umbrella of the Saudi Vision 2030.

This project aims to ensure that fiscal sustainability is maintained, and that economic growth is supported through fiscal planning in the medium-term. Fiscal rules have been set to determine the levels of government spending in the budget, avoiding pro-cyclical spending tied to oil market conditions, which are sometimes characterized by sharp fluctuations. The aim is to reduce fiscal and economic risks, enhance the ability to deal with crises, and improve planning of investment that achieve inclusive and sustainable economic growth over the longer term.

Non-Oil Revenue Development Center

The Center is responsible for everything related to the development of non-oil revenue in a way that contributes to achieving fiscal sustainability and diversification of income sources. The Center aims to develop non-oil revenue by continuing to apply unified initiatives and methodologies that are binding to government agencies, with the aim of improving the procedures for collecting revenues of these agencies. The Center also contributes to proposing fiscal policies for the development of non-oil revenue in coordination with a number of relevant government agencies, VRPs in regard to the joint initiatives in order to eliminate the duplication of efforts, taking into account the economic, fiscal and social impact before starting to implement the proposals.

The Center follows closely the execution of the approved initiatives and helps government agencies manage difficulties faced during implementation. This is done through the application of specific criteria for evaluating non-oil initiatives, while continuously reviewing and developing them.

Center of Spending Efficiency

The Center of Spending Efficiency (CSE) aims to empower and support government agencies in developing their initiatives to raise the efficiency of spending and solve obstacles they face with these initiatives. In addition to that, CSE is mandated to recommend legislation, regulations, tools and frameworks necessary to ensure the sustainability of the efficiency of spending according to the best domestic and international practices and experiences. To achieve this, the Center works on several main tracks, namely:

- **The CAPEX Efficiency track:** This track develops general methodologies for determining spending priorities by directing spending to projects with the highest need and impact, as the Center currently aims to work with the highest-spending entities in the country to plan the portfolios of their capital projects in the medium-term according to approved methodologies and governance. This will help enhance transparency in transactions between government agencies and MoF and find opportunities for privatization and alternative financing to raise the efficiency of government spending and ensure the sustainability of solutions. Accordingly, the Center has identified six of the highest spending government agencies, which are the Ministry of Health, the Ministry of Interior, the Ministry of Education, the Ministry of Environment, Water and Agriculture, Ministry of Transport, and Riyadh Municipality. An agreement was signed to launch a joint taskforce to support operation and maintenance and project management in public entities in accordance with the basic pillars. The Center also aims to work with the region's development authorities to participate in preparing an action plan to solve the challenges of financing urban development projects in the Kingdom's cities. To achieve this objective, three areas are identified as pilot models to determine the need for the next ten years in coordination with the development authority of the selected area and the relevant bodies.

- **OPEX Efficiency track:** This Track develops methodologies and strategies that clarify how to determine the need, quantities, specifications, and the optimal method for government procurement. The Center has also played a key role in supporting MoF to update the new government procurement system. It continues to work on evaluating the competition models in line with the new government procurement system and developing it as needed.

- **Empowerment of Governmental Entities track:** This track is concerned with building capacity, instilling a culture of efficient spending among government agencies and supporting working teams to identify opportunities to achieve the highest levels of spending efficiency, while maintaining the level of services at government agencies. The Center continues to provide the means and methodologies to review spending and identify opportunities for rationalization. Government agencies go through four phases in their journey to be able to create initiatives to achieve efficient spending and implement them proactively, namely: the construction phase, the activation phase, the improvement phase, and the sustainability phase.

- **The Efficiency of the Saudi Vision 2030 Initiatives track:** The track is concerned with reviewing the initiatives of the Saudi Vision 2030 through comprehensive studies of the government investments in these initiatives to ensure their effectiveness and achievement of the assigned targets with high efficiency. The Center is studying more than 1,200 current initiatives, in addition to other approved initiatives according to an approved framework.

Fiscal and Economic Risk Management Framework

The project of developing a framework for managing fiscal and economic risks comes in conjunction with the structural transformation phase of the Saudi economy, due to its importance in monitoring and evaluating risks resulting from fiscal and economic developments not only at the domestic level, but also at the global level. This framework contributes to monitoring economic and fiscal indicators in the Kingdom through a number of fiscal and economic models, in addition to a tool for monitoring fiscal performance.

The framework also enables analysis and monitoring of the fiscal and economic risks to suggest an appropriate policy to address these risks -quantitatively and qualitatively- and allows for comprehensive and central oversight and management of the risks.

Fiscal & Economic Research & Statistics Centre

The establishment of the Fiscal & Economic Research & Statistics Centre at MoF represents an important and vital milestone in supporting the Ministry to achieve its strategic goals and coordinate with similar centers at the state level to achieve the goals related to the Saudi Vision 2030. The Center supports the government in preparing and developing fiscal and economic policies and contributes to meeting different requirements such as promoting transparency, fiscal disclosure and international confidence in the Kingdom. It also contributes to supporting policies aimed at achieving sustainable economic growth in light of fiscal constraints and risks surrounding the domestic and global economies.

The Center aims to be the official and reliable source of up-to-date and immediate fiscal data in the Kingdom. It focuses on verification of fiscal and economic data, data governance to ensure a high level of quality, and data analytics to help inform decision makers. It also aims to enhance confidence in the quality, consistency and reliability of government data and meet the requirements of transparency in international data and disclosure standards. The Center provides easy and seamless access to high-quality fiscal and economic data and reports for the Ministry's analysts. This supports the decision-making process and it is accessible to stakeholders from government agencies, bodies and international organizations. This is done through highly qualified human cadres specialized in the field of data science, analytics and technologies.

Etimad Platform

The Etimad platform provides an integrated set of automated services to MoF according to specific pathways that serve all beneficiaries, in order to enable the digital transformation of the Ministry's services. The platform includes a dedicated budget and planning service that enables the preparation and implementation of the budget electronically between government agencies and MoF. It also provides tendering and procurement service that includes Etimad market allowing direct transactions between government agencies and the private sector, and Etimad auction service to sell goods and movables through electronic auction mechanism, which aims to raise the level of competition among beneficiaries interested to purchase. The platform also provides a service for data and business intelligence that allows government agencies to use business intelligence capabilities to obtain data and reports and support fiscal decision-making, therefore helps in analyzing performance and monitoring indicators.

The Project of Transformation into Accrual-based Accounting

Within the framework of government agencies transformation to accrual-based accounting, MoF has developed, in 2018 - 2019, the evidence and enablers that support the transformation phase, including tools that contribute to raising the efficiency of employees of finance departments in government agencies. One of the main milestones in 2020 was the launch of an e-learning platform providing digitized training packages to enable beneficiaries to gain knowledge related to shifting to accrual accounting, in addition to the launch of the virtual simulation platform, which is a leading global experience that reflects the actual and practical reality of accounting treatments in government agencies to enable beneficiaries to test them in a virtual environment.

In the same years, the implementation plan was developed to manage the transformation to the accrual-based accounting in all government agencies within the approved timeframe for the transition period. The preparatory work at government agencies and the launch of initiatives have started through the formation of work teams in MoF, known as the Transformation Partners, to enable and monitor the implementation of these initiatives.

In order to ensure the success of the transformation, the MoF seeks to activate the role of Transformation Partners in 2021 and to enable them to follow up and implement the initiatives related to the transformation at the different/selected government agencies. Alongside this, in 2021 the central initiatives will be implemented at MoF that are related to the transformation, including training and development, initiatives related to the main transformation pillars represented in accounting work in inventory and evaluation of assets. The work will extend beyond 2020 and in the medium-term -for three years- with the continuation of the initiatives related to the transition at the level of government agencies and the MoF in order to build the financial position of the Kingdom and then the consolidated fiscal statements in December 2023, in compliance with the royal decree.

Treasury Management

The Treasury Management project stems from the Fiscal Balance Program, one of the executive programs to achieve the Saudi Vision 2030, as it aims to improve cash and liquidity management through consolidating all revenues, centralizing all expenditures, in addition to establishing an efficient structure for financing expenditures. It also aims to avoid the accumulation of unused cash balances in the bank accounts of government agencies that do not earn any return. Among the project objectives is to ensure effective cash management to facilitate the fiscal planning process, ensure the efficiency of financing, improve the future visibility as well as enhance the transparency of government fiscal resources.

The account shall also help in increasing the effectiveness of controlling government resources, maximizing non-oil revenue sources and shall contribute to reducing the cost of borrowing in addition to increasing returns on money invested. This will be achieved through the effective use of surplus and unused cash balances, support to simplify business and the movement of cash between accounts, monitoring of revenues, ease of setting and achieving goals, and speeding up payment processing, expenditures and decision-making processes.

In 2019, the operating model was designed and the automation options and system solutions were evaluated for the Treasury Single Account (TSA), in addition to building the organizational structure, preparing a change plan at the level of government agencies and closing the first phase of the treasury unit building project. The requirements for the trial application of the TSA have also been prepared. In 2020, the construction and development of the treasury IT system was 90% complete (it is expected to be launched in mid-October), in addition to the start of the change management project at the level of the entities targeted by the pilot application (four government agencies), and the completion of the legal review project and the document of the requirements of the treasury account project with SAMA.

In 2021, it is expected that 79 government entities will be included in the treasury account and that the final operation of the treasury technical system will be completed, in addition to the completion of the last phase of the development and establishment of the treasury unit at MoF. During the medium-term, effort will be made to improve and develop the technical system and make use of artificial intelligence in business development, in addition to the completion of the TSA initiative after applying the unified account concept to all government agencies.

The General Department of Financial Controlling

The initiative to support and develop financial controls aims to strengthen the supervisory capacity by diversifying the methods of financial controls – ex-ante controls- to keep pace with the latest global practices and the technical development in the fiscal systems worldwide. The initiative also aims to update the financial representatives system issued in 1380 A.H.

by creating a regulatory mix aimed at developing financial control and providing tools for financial controllers to perform their work effectively. In addition to the creation of a department concerned with monitoring electronic systems with a financial impact, so that the control measures are in line with the technical transformation that the Ministry targets. This is in addition to activating the principle of control self-assessment by building a department for the assessment of control framework and procedures in government agencies and developing projects to strengthen them.

So far in 2020, the experimental application of control self-assessment was completed on the bodies under study, in addition to the launch of the Watheeq system for archiving and indexing the statutory provisions and rules, and developing of the central system of financial rights the workers' entitlements system (Sarf). A unit was also created to monitor compensation of employees.

In 2021, it is planned that the Supervisory and Compliance Department will be made functional, which is responsible for evaluating regulatory frameworks and activating control self-assessment in government agencies, in addition to activating the Central Control Department responsible for evaluating systems with a financial impact and analyzing their data. Work remains to be done with government agencies, through change management program, to improve their control capabilities.