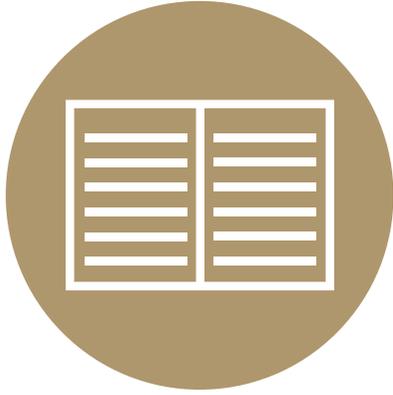




2017 Budget

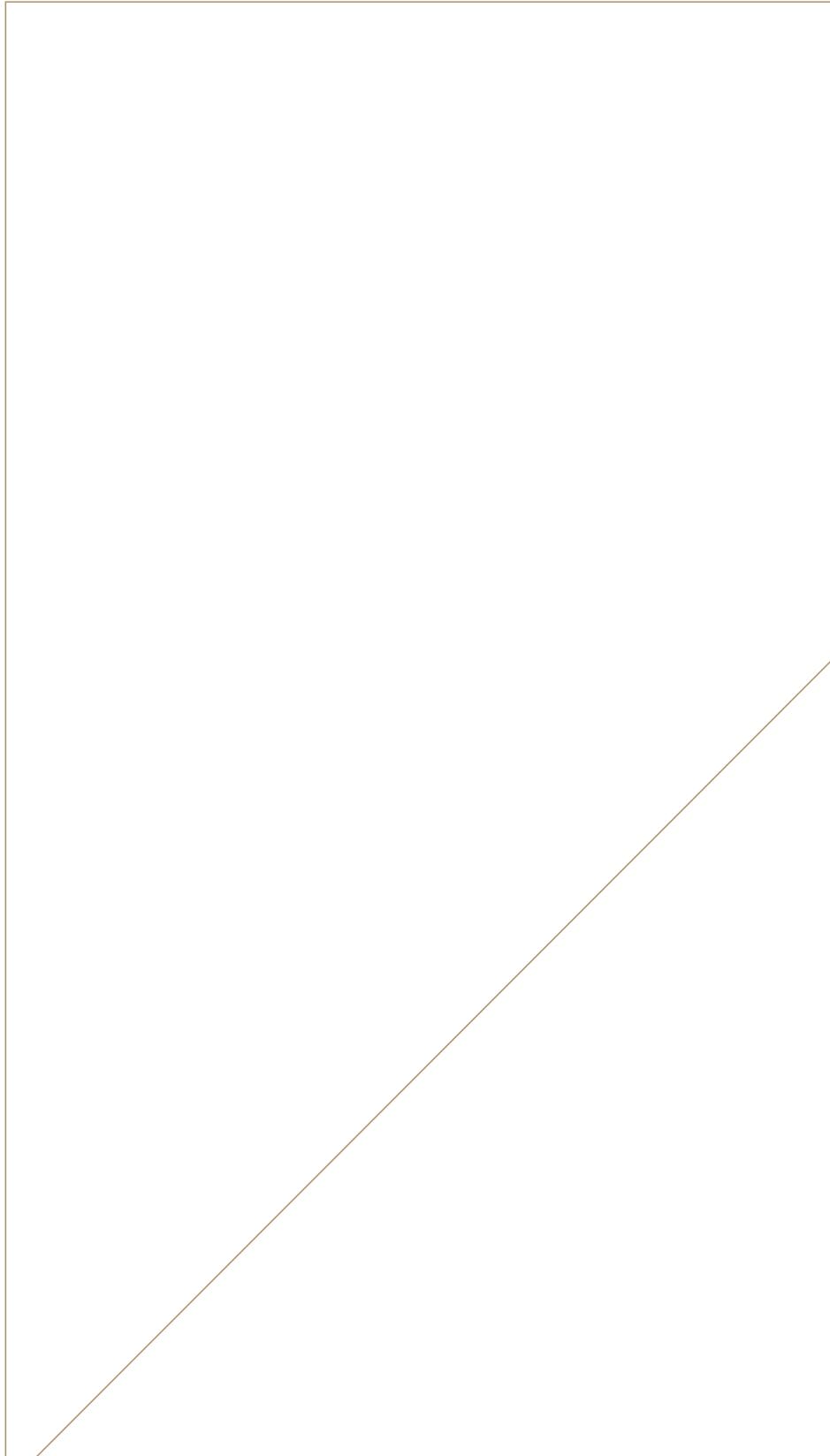
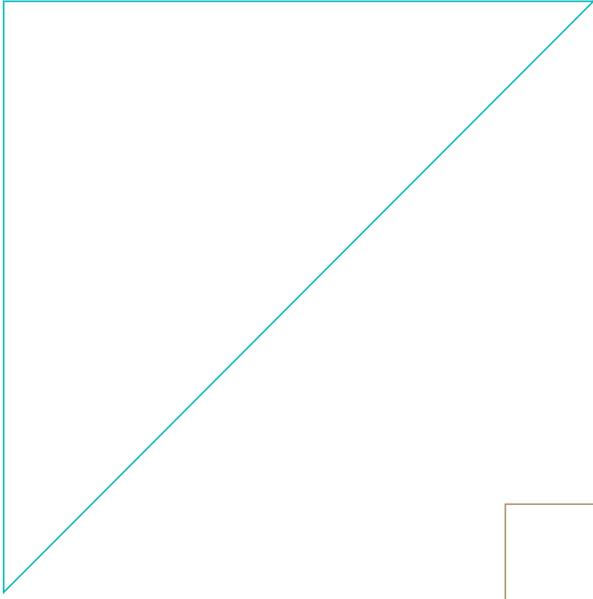
Kingdom of Saudi Arabia

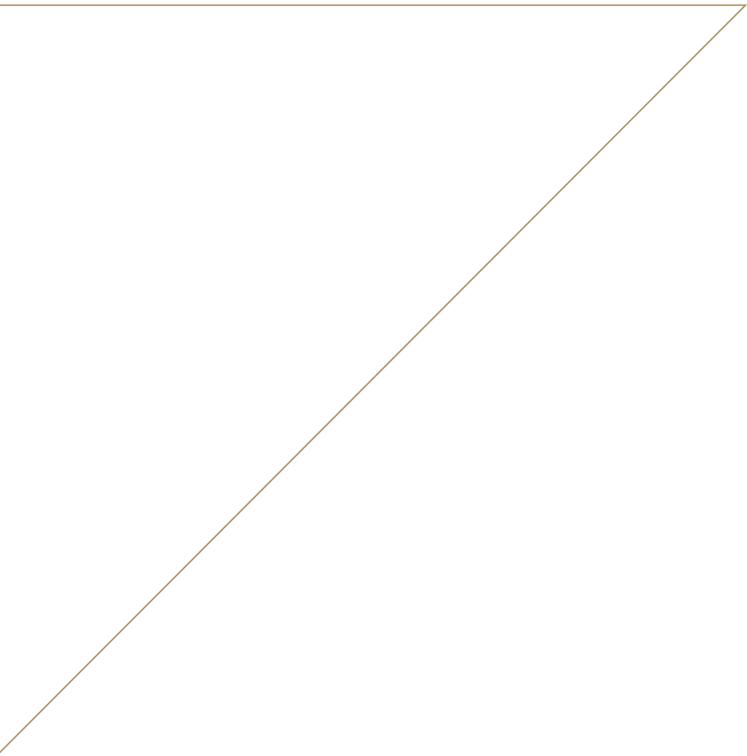


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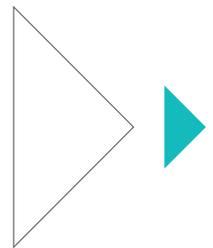
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**Economic
Developments**



Economic Developments

The Global Economy:

The International Monetary Fund (IMF) expects 3.1% growth in the global economy during 2016, and 3.4% in 2017. The IMF's oil price forecast for 2017 is estimated at USD 50.6. The Organization of the Petroleum Exporting Countries (OPEC) has projected the average global oil demand during 2017 to be 95.3 million barrels per day. The demand is projected to grow by 1.3% in 2016 and 1.1% in 2017. These figures compare with an increase of 4% in 2015.

	2015	2016	2017
Global Economic Growth ¹	3.1%	3.1%	3.4%
Average Oil Price (in USD) ¹	\$50.8	\$43	\$50.6
Average Global Oil Demand (in Millions of Barrels per Day) ²	93	94.2	95.3
Percentage Increase in Global Oil Demand	4.0%	1.3%	1.1%

2016



% 3.1

Growth in the global economy



\$ 43

Average Oil Price
(in USD)



94.2

Average Global Oil Demand (in Millions of Barrels per Day)



% 1.3

Percentage Increase in Global Oil Demand

¹ International Monetary Fund, October 2016

² OPEC

The Local Economy:

The Kingdom's economy is one of the largest in the Middle East and North Africa, representing 25% of the region's GDP³. It has doubled in size to rank among the top 20 largest economies in the world, climbing from number 27 in 2003. The mean real GDP growth of the Kingdom averaged 4% per annum over the past decade. During this period, the government invested SAR 1.7 trillion in capital projects including infrastructure, education and healthcare.

The GDP in 2016 in fixed prices (100=2010) is estimated to be SAR (2,581) million, a rise of (1.40%), with that of the oil sector to grow by (3.37%). The GDP for the government sector is expected to rise by (0.51%) and the private sector to grow by (0.11%). The oil refinery activity has grown by (14.78%), the highest growth rate within the economic constituents of the real GDP.

The GDP deflator of the private non-oil sector, which is a key indicator to measure inflation and the overall economy, is expected to rise by (0.99%) in 2016 compared to the previous year, according to the General Authority of Statistics.

As the Kingdom's economy is strongly connected to oil, the decrease in oil prices over the past two years has led to a significant deficit in the government's budget and has impacted the Kingdom's credit rating.

With regards to inflation, the General Cost of Living Index, a key indicator of the overall level of prices, has shown an increase of 3.4% in 2016 from the base year of 2007 and compared to 2015.



%1.4

The GDP growth in 2016
in fixed prices



% 3.37

The GDP growth for
private sector



% 3.4

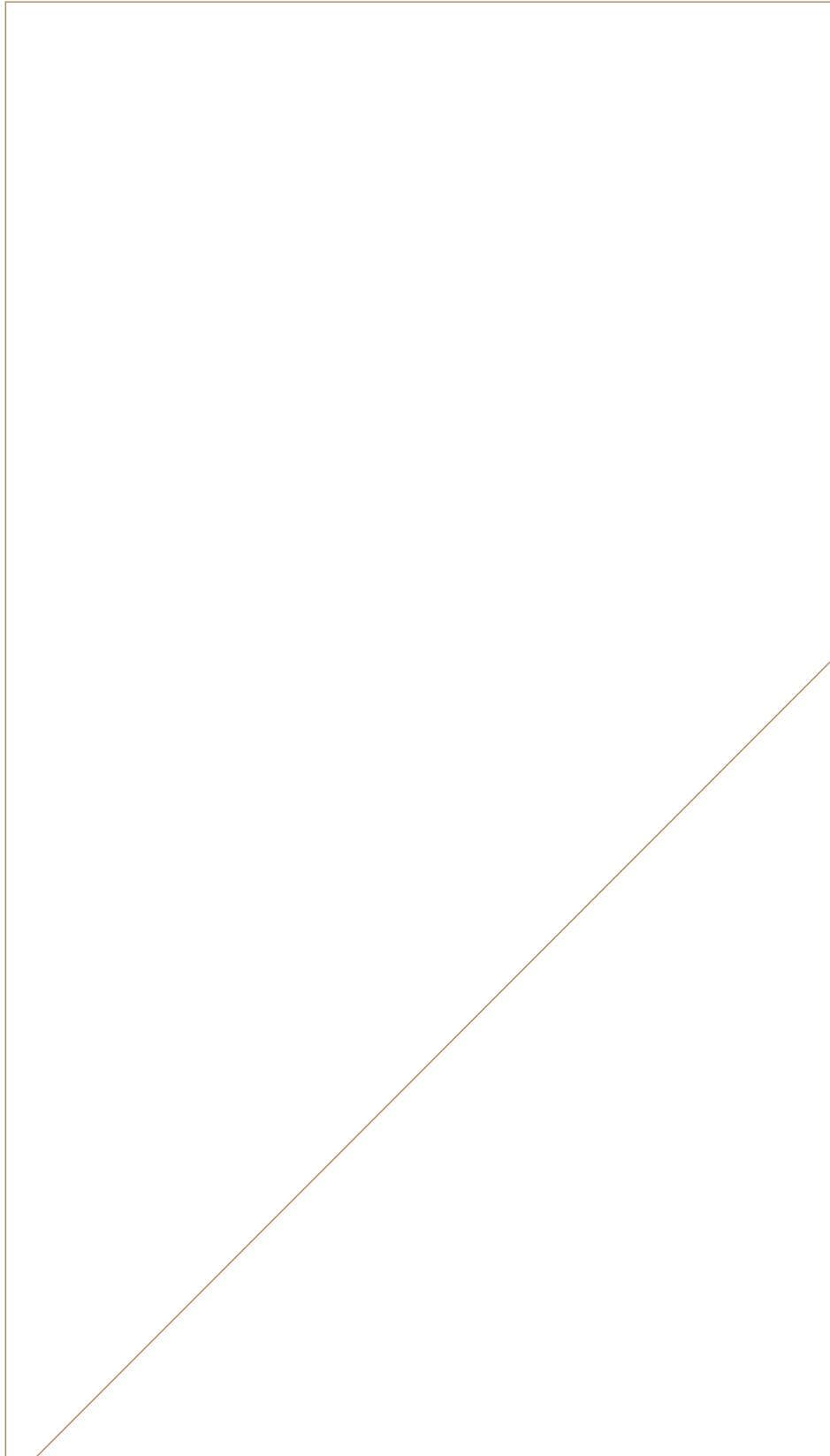
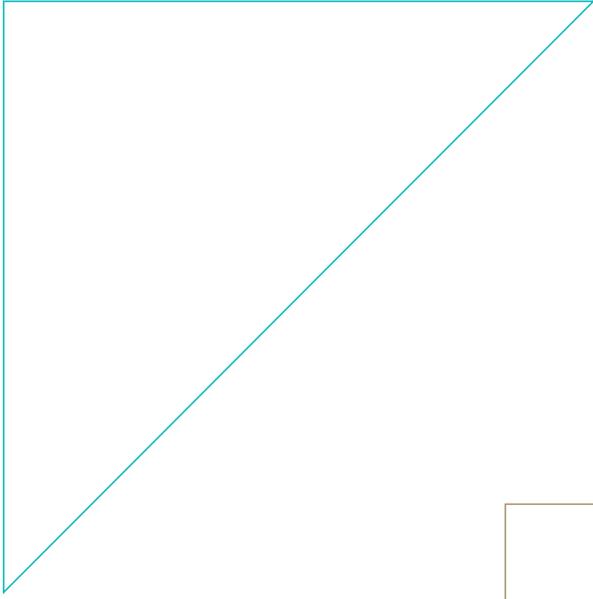
The General Cost of
Living Index growth

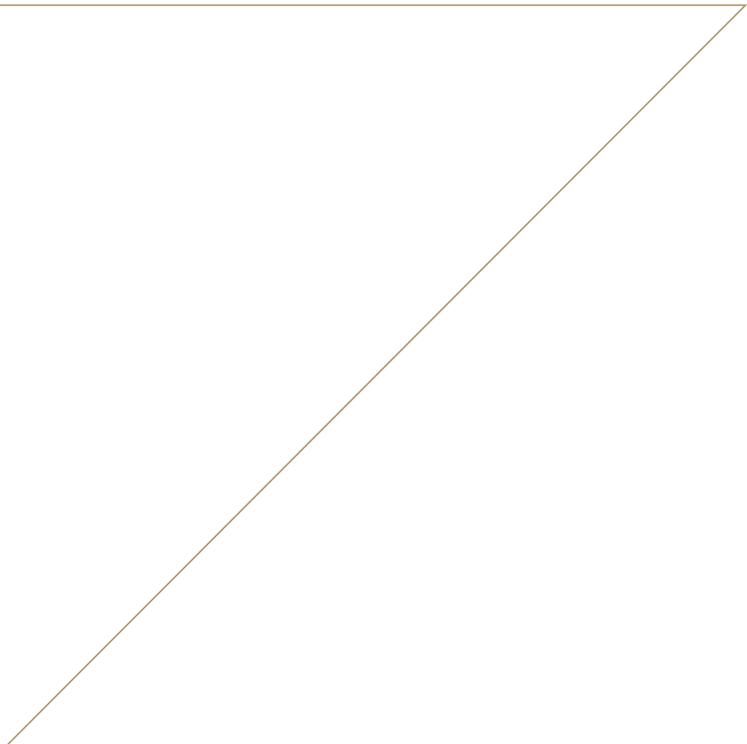
3 The World Bank (2005-2015)



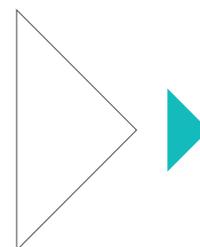
Economic Developments

The Kingdom's fiscal policy aims to strengthen the general finance framework and boost efficiency in government spending to reach a balanced budget by 2020. This is in line with the Kingdom's Vision 2030 and related programs, including the National Transformation Plan, which are designed to enhance government performance, stimulate economic growth and foreign investment inflows, and promote growth of the private sector.





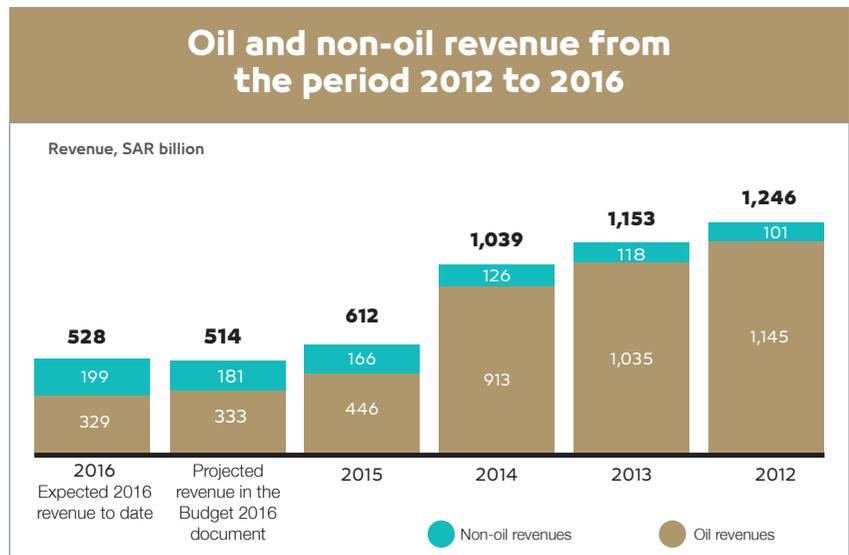
**Results for the Fiscal
Year 1437/1438H (2016)**



Results for the Fiscal Year⁴ 1437/1438H (2016)

Revenues

In 2016 total revenues are expected to reach SAR 528 billion, 2.7% more than SAR 514 billion projected at the beginning of the year. Non-oil revenues are expected to reach SAR 199 billion compared with SAR 181 billion⁵ projected at the beginning of the year.



Non-oil revenues are expected to reach SAR 199 billion



⁴ Fiscal year results are based on actual expenditures from January to November, and estimates for December
⁵ All projected revenues include Zakat, estimated at SAR 14 billion for the year 2016

Actual and Projected Revenues at the end of the Current Fiscal Year 1437/1438H (2016)

Account Name	Actual Revenues for the previous year 1436/1437H (2015) (SAR millions)	Estimated Revenues by the end of the current fiscal year 1437/1438H (2016) (SAR millions)
Custom Tariffs	25,940	20,800
SAMA Returns	35,400	62,200
Sales of Goods and Services	15,100	14,100
Oil Product Fees	16,200	15,500
Public Investment Fund Returns	15,000	15,000
Taxes on Income, Profits and Gains	14,600	14,500
Fines, Penalties and Confiscations	9,200	7,500
Visa Taxes	7,100	7,900
Telecom Royalty Fess	3,700	4,800
Tobacco Tariffs	60	4,800
Radio Spectrum Fees	500	500
Uncategorized Miscellaneous Revenues	8,450	1,800
Mining Fees	550	600
Realized Returns from Other Sources	0	15,000
Selective Taxes (Energy Drinks, Carbonated Beverages)	0	0
Zakat	14,100	14,000
Total Non-oil Revenues	165,900	199,000
Total Oil Revenues	446,439	329,000
Total revenues	612,339	528,000

Expenditure

Government spending for 2016, after excluding expenses related to previous years, is expected to reach SAR 825 billion, a 1.8% decrease compared to SAR 840 billion projected at the start of the year, and 15.6% less than last year's expenditure of SAR 978 billion. The main reason behind this drop is the government's decision to exert greater control over spending and review existing and new projects, and to continue settling due payments for contractors, suppliers and individuals. Total spending, including the exclusions for the purpose of like-for-like comparison with last years' budget, is SAR 930 billion⁶.

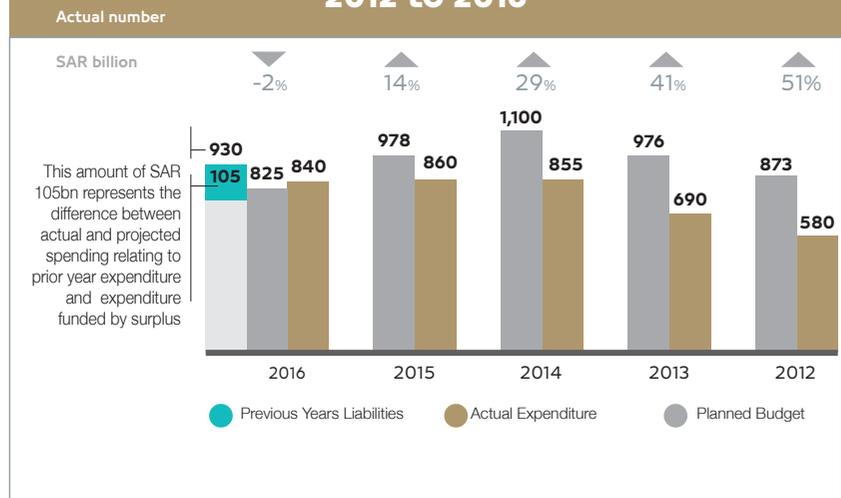
825

Government spending
in 2016
(SAR billion)

930

Total expenditure
expected by the end
of the current fiscal
year, including late
due payments for the
previous years
(SAR billion)

National budget performance for the period 2012 to 2016



⁶ This exclusion is necessary to evaluate the actual year-on-year budget performance by removing expenditures related to previous years, even if they were calculated within the spending.

National Budget for Fiscal Year 1438/1439

	(SAR billion)
Revenues expected during the current fiscal year 1437/1438H (2016)	528
Expenditure expected during the current fiscal year 1437/1438H (2016)	825
Deficit expected for the current fiscal year 1437/1438H (2016)	-297
Spending related to fiscal year 1436/1437H (2015)	80
Spending related to surplus projects (mainly transport and housing)	25
Net expenditure on due payments for the previous years	105
Net projected expenditure during the current fiscal year 1437/1438H (2016)	825
Total expenditure expected by the end of the current fiscal year 1437/1438H (2016), including late due payments for the previous years	930

Financing the Budget Deficit

Due to the implementation of measures to reduce spending, expenditure was lower than initially projected, and as result, the 2016 deficit will decrease to an estimated SAR 297 billion, significantly lower than its highest level in 2015 at SAR 366 billion. Borrowing from local and international markets also helped to finance the deficit. The total value of debt instruments issued locally and internationally, in addition to loans, during the current fiscal year 1437/1438H (2016) has reached SAR 200.1 billion.

The total national debt for the fiscal year 1437/1438 (2016) was approximately SAR 316.5 billion, which is 12.3% of the projected GDP in fixed prices for 2016. The total expenditure to service the national debt during the current fiscal year is expected to be SAR 5.4 billion, while the cost of servicing the national debt for the coming fiscal year 2017 is expected to be SAR 9.3 billion. The remainder of the deficit was financed by drawing from the government's reserves.

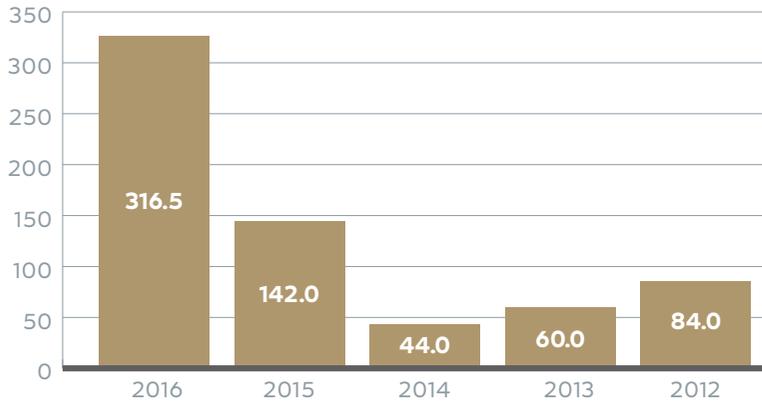
The table and diagram below explain internal and external debt until the end of the current fiscal year 1437/1438H (2016).

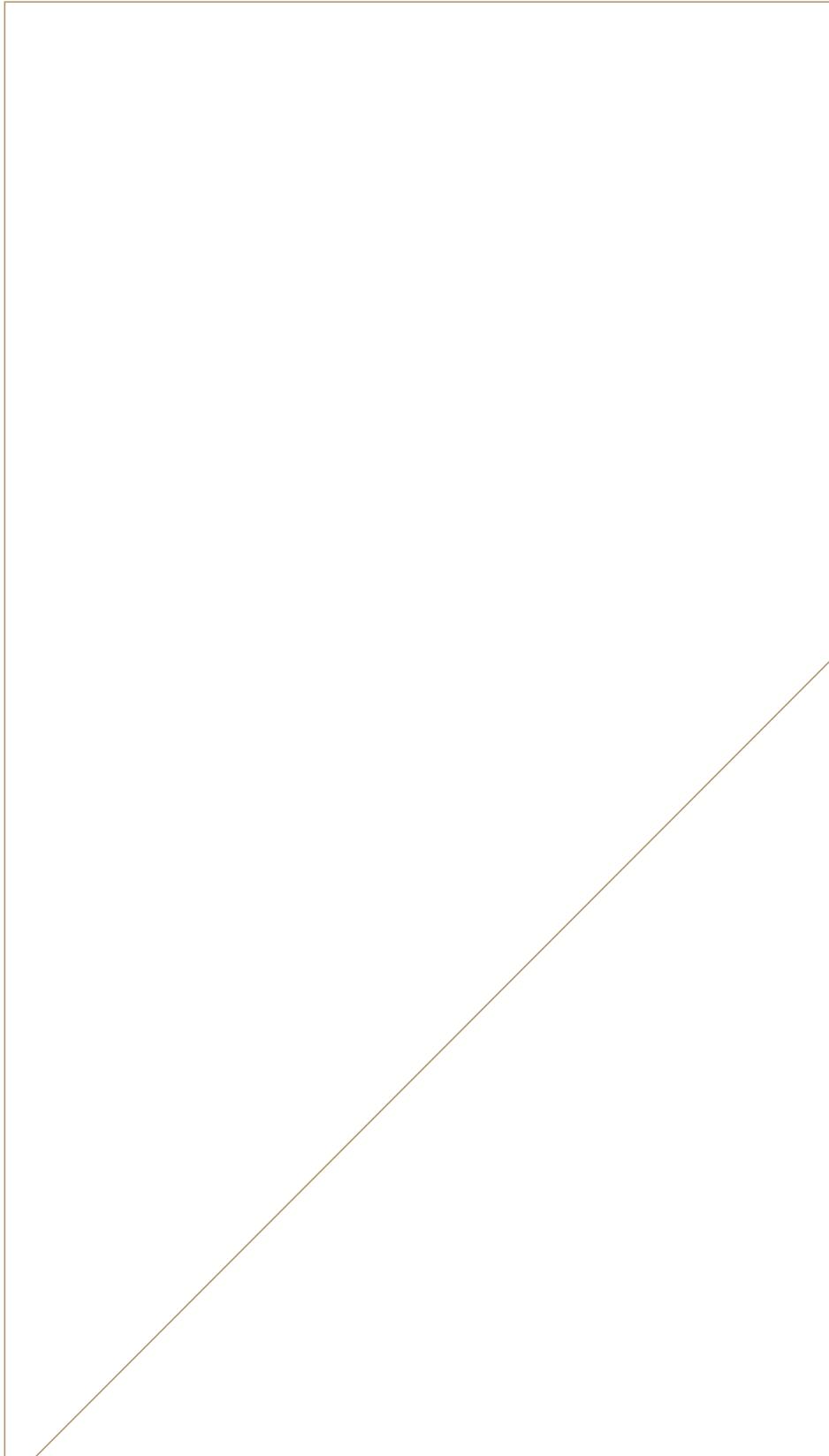
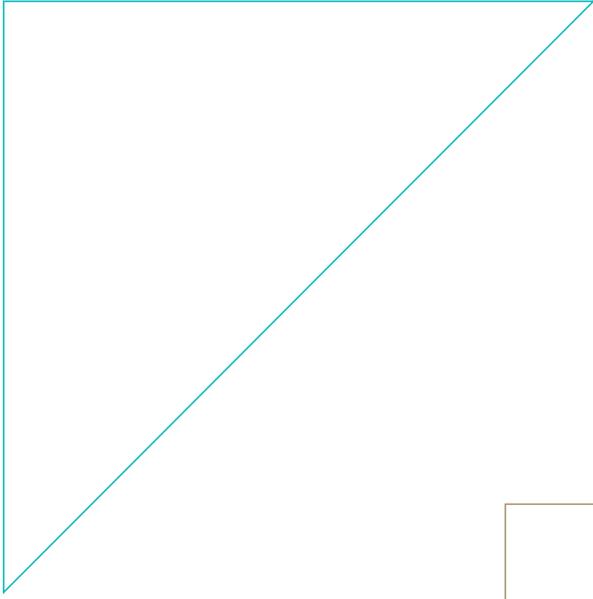
The table and diagram below display the internal and external debt until the end of the current fiscal year 1437/1438H (2016).

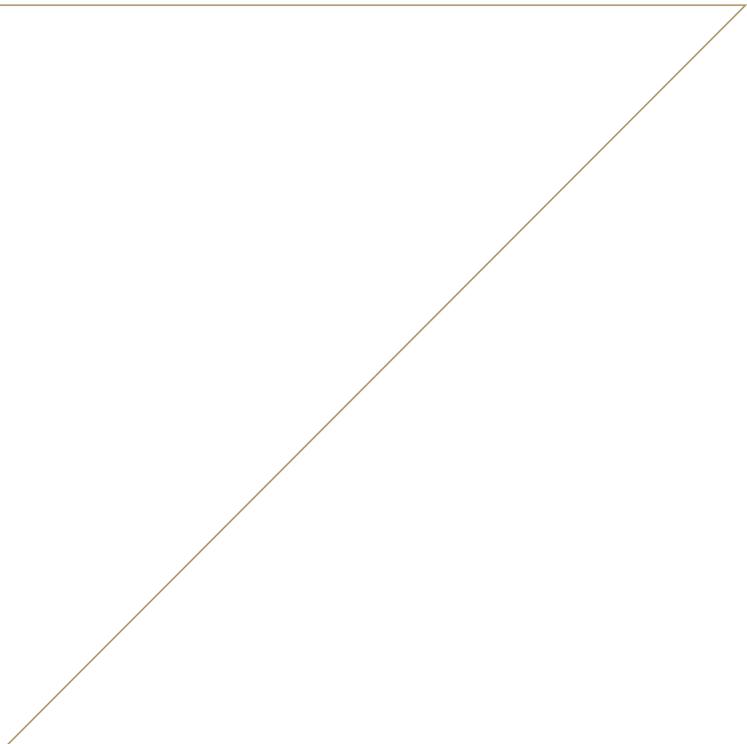
National Debt	(SAR billion)
Local National Debt	213.4
International National Debt	103.1
Total National Debt	316.5

National debt levels for the period 2012 to 2016

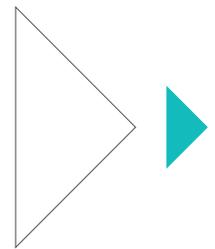
Cumulative debt levels, SAR billion







**National Budget of the
Fiscal Year 1438/1439H (2017)**



National Budget of the Fiscal Year 1438/1439H (2017)

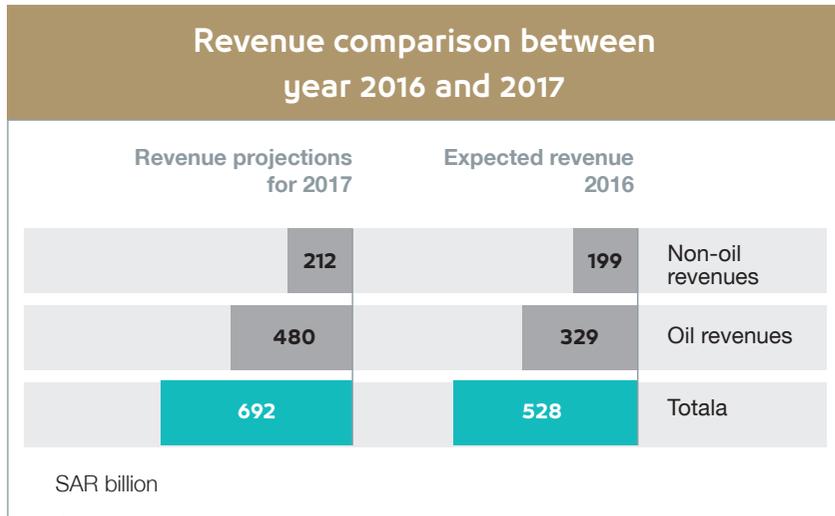
This year's budget represents an important milestone in the economic development of the Kingdom. In a meeting held on 25th April, 2016, chaired by the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz Al-Saud, the Council of Ministers approved Saudi Vision 2030 and tasked the Council of Economic and Development Affairs (CEDA) with establishing the systems and processes required to implement the Vision's objectives and to monitor progress. Ministries and other government entities are expected to implement all necessary measures to achieve the Vision. In his speech, The Custodian of the Two Holy Mosques King Salman Bin Abdulaziz Al-Saud (God bless him) addressed all the citizens on this occasion, assuring them that the Vision focuses on achieving his primary objective: "For our country to be a pioneering and successful global model of excellence on all fronts", and asked all citizens to work together to achieve this vision.

CEDA has also established a number of "enablers", or entities that will support these programs, monitor progress, evaluate performance, identify any shortcomings and launch additional future programs. The enablers include the National Center for Performance Measurement (Aada), the Spending Rationalization Office, the Non-Oil Development Unit, the Delivery Unit, and CEDA's Project Management Office. In its first year, the NTP was launched across 24 governmental bodies in charge of economic and development sectors. The NTP includes phased targets for delivery by 2020.

The 2017 budget was prepared in light of developments in the local and global economy, including the estimated price of oil. In addition, requirements were accounted for in a manner that will avoid large increases in spending and ensure a strong focus on financial control. Initiatives within the NTP are approved exactly as listed, excluding any new projects outside the NTP by entities belonging to CEDA. Projects by entities that are not under the supervision of CEDA have been estimated at a minimal value while taking into account the security and military situation. The Spending and Rationalization Office will continue to review capital and operational expenditure and is expected to increase spending efficiency in 2017.

Total revenues are expected to reach SAR 692 billion in 2017, a 31% increase compared to initial projections this year. Oil revenues are

estimated at SAR 480 billion, 46% higher than the 2016 projections. Non-oil revenues are estimated at SAR 212 billion, a SAR 13 billion increase over the 2016 projections, or 6.5%.



The budget expenditure for the year 1438/1439H (2017) is estimated at SAR 890 billion, an 8% increase over the projected 1437/1438H (2016) expenditure of SAR 825 billion. The 2017 Budget includes additional funding for NTP initiatives, estimated at SAR 42 billion, in addition to the projects which have already been funded through surpluses of previous fiscal years and a funding package to stimulate and promote growth of the private sector.

The increase in projected revenues and expenditure is primarily due to the energy pricing reform program, although this will be partially offset by the allowances for those citizens who need government support.

▶ Budget for the Fiscal Year 1438/1439H (2017)

	Sector	Projected Expenditures (after distributing allocated budget) for the current fiscal year 2016 (SAR thousands ¹)	Actual Expenditures for the current Fiscal Year 2016 (SAR thousands)	Projected Expenditures for the fiscal year 2017 (SAR thousands)
1	Public Administration	28,463,916	26,770,107	26,716,039
2	Military	179,098,762	205,096,320	190,854,490
3	Security and Regional Administration	102,395,439	100,626,987	96,687,000
4	Municipality Services	34,686,603	24,960,543	47,942,215
5	Education	207,144,501	205,826,142	200,329,066
6	Health and Social Development	124,835,481	101,435,223	120,419,691
7	Economic Resources	36,797,919	38,248,009	47,260,814
8	Infrastructure and Transport	30,827,314	37,584,060	52,164,000
9	Public Programs Unit	95,750,065	84,452,609	107,626,685
	Total	840,000,000	825,000,000	890,000,000

Investments reinforcing sustainable economic development and promoting the public sector were prioritized.

The Government is committed to further developing the budget framework and will work with all relevant entities and committees to ensure integration and achieve the Kingdom's strategic goal of establishing a national budget that reflects reality and meets expectations.

It is expected that the deficit will reach SAR 198 billion in 2017, which is 7.7% of GDP (in fixed prices), and down by 33% year-on-year. The deficit will be partially financed by issuing new debt instruments (in line with the national debt strategy), in addition to drawing from reserves.

The following list outlines the key sectors that will receive financial support in the 2017 budget:

1. Public Administration

A total of SAR 27 billion will be allocated for Public Administration. The budget for this sector includes projects, programs and 46 new initiatives at a total cost of SAR 735 million. The funding is intended to help implement the NTP 2020 initiatives related to the Ministries of Justice, Hajj and Umrah as well as Civil Service, and aims to enhance the performance of these ministries by increase efficiency of existing resources and maximizing quality output.

2. Military

A total of SAR 191 billion has been allocated for Military. The budget for this sector includes new projects and supports expansion of existing ones, including equipment, installations, weaponry, ammunition, facilities required to boost military, institution and housing capabilities.

3. Security and Regional Administration

The Security and Regional Administration sector will receive SAR 97 billion. The sector's budget includes allocations for new projects, most

notably those related to the establishment of naval bases for border guards and the second phase of the Unified Security Liaison (TETRA) network, in addition to supporting expansion of existing projects. The total cost of the new projects and the additional expansion of the existing ones will reach SAR 12 billion, SAR 8 billion of which will be allocated to support activities at the Ministry of Interior and its security entities.

The funding will also cover projects that are currently being developed, most notably the Custodian of the Two Holy Mosques project which will have its security improved over the next five years to include 1,350 security headquarters, as well as the establishment of five residential complexes (10,000 units), in addition to two medical cities that are currently being built with a capacity of 3,300 beds, as well the development of four juvenile detention facilities, three of which were completed this year.

4. Municipality Services

A total of SAR 55 billion will be allocated the Municipality Service sector, which includes the Ministry of Municipal and Rural Affairs and the secretariats/amanat and municipalities. This includes more than SAR 7 billion which will be allocated directly to the amanat and the municipalities. The sector's budget will support new projects and the expansion of some of the existing ones (totaling SAR 1.047 billion) which are related to the NTP, including SAR 432 million to develop and improve the Enterprise Management Systems and SAR 362 million for the development of Municipal Waste Management Systems. The cost of the new NTP-related projects has reached SAR 4 billion and will include: increasing revenues, improving performance to achieve sustainability and leadership development, draining rain water and flood water, building and developing intercity road network, building and developing municipal buildings and facilities and reviewing land and real estate properties.

5. Education

SAR 200 billion has been allocated for the public education, higher education and training. The sector's budget covers new projects and the expansion of existing ones belonging to educational activities at

all levels of education for boys and girls across different regions in the Kingdom, including labs, infrastructure for universities, institutes and colleges, as well as training and renovation of existing facilities. The total cost added for the new and existing projects is SAR 2.3 billion, while spending will continue from this amount on projects that are currently being developed across all regions in the Kingdom:

- » The development of the King Abdullah Bin Abdulaziz Public Education Development Project (estimated cost of SAR 9 billion) will continue through Tatweer Education Holding; almost SAR 2.4 billion has been allocated for this purpose
- » During the fiscal year 1437/1438, 411 new schools have been handed over across the Kingdom. Work is underway to deliver 1,376 educational facilities and schools.
- » Work continues to complete the renovation of girls' colleges across different universities, with a total cost of more than SAR 5 billion
- » The Custodian of the Two Holy Mosques' Scholarship Program will continue; total number of students sent abroad to study under the supervision of the Ministry of (Higher) Education has exceeded 207,000 students including their companions. The annual expenditures of this program will amount to SAR 16.5 billion, which excludes scholarships for government agencies' employees.
- » The sector's budget includes a number of NTP initiatives with a total cost of more than SAR 6 billion. They are designed to achieve the national objectives of Vision 2030.

6. Health and Social Development

SAR 120 billion will be spent on the Health and Social Development sector. The sector's budget accounts for new initiatives and the completion of construction and equipping of hospitals and healthcare centers in all the regions across the Kingdom. Work is currently underway to build and develop 38 new hospitals with a total capacity of 9,100 beds, in addition to two medical cities accommodating 2,350 beds. During the current fiscal year 1437/1438, 23 new hospitals (4,250 beds) in various regions across the Kingdom were built. With regards to social services, the budget includes the development of sports cities

in co-operation with the General Administration of Sport, in addition to supporting the Ministry of Labor and Social Development's endeavors to achieve the objectives of social development and tackle poverty.

7. Economic Resources and General Programs

SAR 155 billion will be allocated for Economic Resources and General Programs. The sector's budget encompasses new projects and the expansion of existing ones which amount to SAR 51 billion. The key projects will include the expansion of the Grand Mosque, the necessary ownership transfer of transport stations, and completion of the first ring road around the expansion of the Grand Mosque.

The budget also includes projects to provide drinking water by developing water sources, providing sanitation services, building dams and drilling wells, detecting and addressing water leaks, replacing water and sanitation systems, rationalizing water and electricity consumption, supporting renewable energy, and building new desalination plants some of which are solar powered. The projects budgeted in the sector also focus on the modernization and expansion of desalination plants, the establishment of fishing facilities, preventing diseases, and developing and expanding infrastructure of industrial cities, silos and grain mills. The total length of the drinking water network has reached 105,042 km, of which 2,416 km were delivered during the fiscal year 1437/1438 (2016).

The total length of the sewage system reached 37,941 km, of which 2,048 km were delivered during the fiscal year 1437/1438 (2016). In addition, 6 dams were built, 62 wells were drilled, 7 wastewater treatment plants and 5 water filtering plants were constructed. Funds will also be spent on projects approved during previous fiscal years.

8. Infrastructure and Transport

SAR 52 billion has been allocated for Infrastructure and Transport projects. The sector's budget includes projects, programs and 116 new initiatives with an overall cost of SAR 16.6 billion to develop roads, ports, railway, airports, postal services and the industrial cities of Jubail and Yanbu and Ras Al-Khair Industrial Mining. Primary and secondary roads have been built to add to the existing road network of 500 km,

in addition to what is currently being developed across the Kingdom which will bring the total length of the roads built during the ninth and tenth Development Plan to around 65.000km. Funds will also be spent on projects approved during previous fiscal years.

9. National Transformation Plan

SAR 268 billion has been allocated to cover the cost of the NTP initiatives up until 2020, of which SAR 9 billion was spent in 2016 and SAR 42 billion will be spent in 2017

Vision 2030 Budget	(SAR billions)
For 2016	9
For 2017	42
For 2018-2020	217
Total	268

Financial Strategy and Projections

Overview

Throughout the past decade, the Kingdom has built a strong financial position by accumulating reserves during the period of high oil prices. This helped the country manage local and global economic volatility as well as oil price fluctuations. The Kingdom was able to significantly increase its reserves and reduce the national debt to increase future borrowing capability, with the national debt amounting to only SAR 44 million or 1.7% of GDP at the end of 2014.

However, due to the decline in oil prices, the government needed to finance its budget deficit partly by issuing local and international debt instruments with a value of SAR 200.1 billion in 2016, in addition to drawing from reserves.

Medium-Term National Financial Strategy

The Kingdom's revenues were impacted by fluctuations in the price of oil. The financial strategy in the medium term aims to achieve a balanced budget by 2020 by increasing non-oil revenues, benefiting from efficiency savings on expenditures and ensuring greater fiscal discipline.

The main pillar for effective national financial management will be to provide more transparency primarily through a clear and comprehensive fiscal reform program over the next 5 years. These measures will increase financial stability and limit the effects of oil price fluctuations on the Kingdom's financial position. We are working towards two main objectives:

1. A balanced national budget by 2020:

A key objective of Vision 2030 is to reduce government spending and increase non-oil revenues to establish financial stability, diversify revenue sources, increase spending efficiency, focus on projects that have high returns and apply effective systems for performance monitoring and evaluation. The government continues to work towards achieving a balanced national budget in 2020

2. Management of national debt:

The medium debt management strategy for the next four years is reliant on the following principles.

The national debt strategy for the next four years is founded on the following principles:

1. The national debt will not exceed 30% of GDP, while achieving a credit ranking of AA2 for the Kingdom.
2. Following successful debt issuances in 2016, debt issuance will continue as and when needed subject to local and international market conditions.
3. The Kingdom will seek to raise further debt at attractive rates on international markets
4. Diversifying the type of issued debt by issuing Shariah-compliant instruments such as Sukuk inside and outside the Kingdom.
5. Diversifying the currency denomination of the issued debt according to market demand and conditions.

Financial and Structural Reforms

Update on reforms outlined by the Ministry of Finance in the 2016 budget announcement

In line with the Kingdom's commitment to move towards achieving economic and structural reforms, strengthening its financial status, reinforcing sustainability and implementing development and service-related projects that are essential for economic growth, several reform activities were announced in the Ministry of Finance's statement last year. The latest developments in terms of these reforms are as follows

A. Establishing the General Fiscal Unit at the Ministry of Finance, which is responsible for setting a budget ceiling for the national budget in the medium-term (three years), and ensuring compliance with that ceiling.

- » The Unit was established within the Ministry of Finance to improve the medium-term financial framework, perform studies and analysis related to the budget and stipulate relevant decisions to evaluate their impact, in addition to suggesting suitable policies in order to achieve financial goals. The unit's responsibilities include:
 1. Suggesting a target for expenditures, revenues, and financing requirements over the medium term, while taking into account the general strategy for the government as a whole.
 2. Building a quantitative model for the Kingdom's overall economy
 3. Supervising the establishment of a database that is aligned with the Government Statistics Manual.
 4. Preparing monthly and quarterly reports, studies and research to support the decision making process.
 5. Providing projections and expectations for the overall economic index in the medium term.

6. Analyzing variations between projections and actual budget results, and their impact on achieving a balanced budget, as well as suggesting the necessary procedures to address these deviations.
7. Supporting the Ministry in formulating a financial and economic policy, following up on the financial policy implementation and reinforcing the analytical foundation for financial reform.

B. Reviewing and developing policies and procedures needed to prepare and implement the national budget, starting implementation during the fiscal year 1437/1438 (2016), and applying disclosure and budget planning standards in line with international best practice.

- » An agency within the Ministry of Finance has been set up to oversee budget planning, regulation and the implementation of disclosure measures. The procedures were partly implemented in the budget for fiscal year 1438/1439 (2017). The budget statement is the first step towards achieving this goal and raising the Kingdom's rating in the Open Budget Index.

C. "Increasing the efficiency of capital expenditure, reviewing government projects and priorities to ensure high quality, efficient execution, as well as the alignment of these projects with the financial priorities and the Kingdom's requirements. The NTP has begun supporting public entities in project management (based on a decision of the Council of Ministers) in collaboration with all relevant entities as of the beginning of the fiscal year 1437/1438H (2016). And

D. Increasing the efficiency of operational expenditure, which includes the rationalization of government agencies' expenses and embracing the latest technology to deliver government services, and

the development and activation of control mechanisms.”

- » The Spending Rationalization Office was established to limit government spending and examine opportunities to achieve sustainability. The Office was able to review projects that were previously allocated to top five highest spending Ministries. These projects presented the lower economic returns vis-à-vis the required financing. The efficiency review resulted in savings of around SAR 80 billion. Additional initiatives focused on increasing efficiency of capital and operational expenditure will be launched in the future.

E. Reviewing the Government Tenders and Procurement Law in line with international best practice.

- » The Government Tenders and Procurement Law was one of the initiatives of the Ministry of Finance under the NTP. The Ministry is currently creating a detailed strategy to achieve its goals during 2017.

F. Improvement of methods and mechanisms for the management state assets.

- » Work is being undertaken to evaluate assets (including land and real estate) by calculating annual consumption and its impact on the state's finances. Work is also ongoing to shift from a cash-based accounting system to one based on accruals in order to accurately assess the Kingdom's financial position. This initiative is to be implemented in 2020.

G. Development of tools for financial policy and establishing standards of transparency, supervision and governance for the short, medium and long term.

- » Saudi Arabia's Vision 2030 aims to ensure that the right tools exist in order to achieve a balanced budget, specifically the rules related to government financing. Frequent updates will be published about the progress made in realizing and following the budget's aims. This also includes tools for the management of debt in supporting the budget, in addition to publishing updates about the budget's performance and its success in realizing the aims.

H. Adopting policies and actions that aim to achieve structural reform of the Kingdom's finances and reduce the dependence on oil. These actions will include: identifying economic sectors and activities for privatization, eliminating the legislative, regulatory and bureaucratic obstacles for the private sector, reforming and improving government performance, improving transparency, boosting investment to create job opportunities in the private sector and increase co-operation between the public, private and non-profit sectors, increasing the national economy's capacity and its integration with the global economy.

- » As part of Saudi Arabia's aim to diversify revenue sources, we created a unit focused on increasing non-oil revenues as per the directives of CEDA. Its main objectives are: reviewing all current elements of non-oil revenue mix in government and non-government revenues, contributing to the development of revenues by improving execution mechanisms, application tools and increasing collection rates, adding new revenue sources through cooperation with government and non-government entities, following the legislations and governmental tools, eliminating obstacles facing these legislations, considering current opportunities to increase revenue and create new opportunities by studying their success, conducting research and surveys to realize financial sustainability and diversify revenues in order to realize the Kingdom Vision 2030.
- » The National Center for Privatization was established as an affiliate of the Ministry of Economy and Planning to state, consider and specify policies, strategies, programs, regulations, plans, tools and organizational frameworks related to privatization projects and public private partnership projects. The Center also evaluates the readiness of the entire economy for privatization programs and initiatives, manages risks and trains people to carry out privatization initiatives.
- » The Center will determine the directions and activities for privatization in 2017 in various sectors such as public utilities, sports, health, education, transport and municipal services. 17 government agencies laid out 85 opportunities and projects related for cooperation between public and private sectors.

I. Prioritizing investment in development projects and programs that benefit citizens directly in sectors, such as education, healthcare, security/ social/municipal services, power, water, sewerage, roads, electronics, scientific research and others that can improve a citizen's daily life.

- » These sectors were prioritized in the budget because of their direct impact on citizens' lives. The amount specified for public and higher education and training of workforce reached about SAR 200 billion. SAR 122 billion was allocated for the healthcare and social development sector while the economic resources and public programs sector received SAR153 billion. In addition, a number of initiatives were launched as part of the framework of NTP, including: Unified Service Center at the Ministry of Commerce and Investment, SSO (Saudi Portal) at the Ministry of Communications and Information Technology, Health Insurance & Medical Services Purchase Scheme at the Ministry of Health, comprehensive service centers at the Ministry of Justice, and the establishment of the rental and accelerated home mortgage market at the Ministry of Housing.

J. Review and evaluation of government subsidies, including adjustments for petrol products, water and electricity support systems, and re-pricing over the next five years to achieve efficient use of energy, preserve natural resources, avoid irrational use, in addition to increasing fairness by focusing government support on the middle or low income citizens and establishing a competitive business sector.

- » The government subsidy system for oil products, water and electricity was adjusted and re-priced in 2016. The program was developed to maximize the benefits of government incentives in the energy and water sectors, which aims to establish a price adjustment plan for all energy products.
- » The National Efficiency Energy Services Company was established (owned by the Public Investment Fund). The Company will provide audit, management, supervision and implementation project services to raise energy efficiency in the private and public sectors, resulting in a reduction in government spending on electricity consumption and the rationalization of capital investment in expansion projects for the production, generation, transmission and distribution of

electricity. The fiscal balance program includes gradual cancellation of government subsidies on energy products while providing direct cash support to eligible citizens.

K. Reviewing fees and fines, introducing new fees, and completing arrangements needed for the introduction of value added tax (VAT), which was approved by the Supreme Council of the Gulf Cooperation Council (GCC) at its sixth session held in Riyadh in Safar, 1437 AH, and application of additional fees on soft drinks and harmful goods such as tobacco

- » The High Decree No. 1691 issued on 01/09/1438 approved the mandate of the Committee on Financial and Economic Cooperation Council (GCC) for the introduction of 5% VAT starting from the fiscal year 2018. The GCC countries have already agreed to implement selective taxes on tobacco, and soft and energy drinks during the current fiscal year 2017

- » The Royal Decrees No. M / 71 and No. M / 70 and No. M / 68 issued on 6 // 1437 H, the adoption of municipal and rural fees, and the introduction of traffic safety violations and financial equivalent of visas.

L. Developing the Public Debt Management Unit (DMO) at the Ministry of Finance, which is commissioned to develop the national debt strategy to enhance the country's borrowing ability locally and internationally, as well as strengthening the local Sukuk and bond market.

- » DMO is responsible for governing debt instruments, and different forms of loans locally and beyond, recommending legal frameworks, managing risks associated with public debt management, and developing a public debt strategy in the medium and long term.

- » DMO began coordinating with the Capital Market Authority, (Tadawul) and the Saudi Arabian Monetary Agency to introduce sovereign debt instruments on Tadawul. In addition to what has been borrowed locally through the issuance of bonds, local Murabaha which reached a total of SAR97 billion, USD 10 billion (SAR37.5 billion) has been borrowed through an international syndicated loan from

global investment institutions. But the most significant achievement of the office in the current fiscal year 1437 / 1438 AH (2016 AD) has been the completion of the first issuance of international bonds denominated in US dollars in the global markets with USD17.5 billion (SAR65.6 billion). This issuance was the largest USD denominated sovereign bond in emerging markets.

- » As a result, Saudi Arabia won the Thomson Reuters Global Award for the best bonds issuance in 2016 and the IFR Award for the sovereign bond program, reflecting the global investor confidence in the Saudi bonds and the economy, and the steps and measures taken by the government to develop and diversify the economy in the medium and long term.

M. Improving the level of communication and coordination between all the parties involved in the implementation of financial reforms and consolidation of trends and visions in accordance with the principles of transparency and accountability.

- » TCEDA and the Finance Committee both operate as coordinators between the entities with regards financial reforms.
- » This includes transforming accounting standards to ones that relies on the accrual principle and applying it to all government agencies in light of the initiative to improve the financial position of the country, which one of the Ministry of Finance's objectives under the National Transformation Program 2020. A plan concerning the application of the accrual system will be established so that the transformation can be fully completed before or during 2020.

Structural and administrative reforms for the fiscal year 2017

The Ministry of Finance is working in collaboration with other ministries, government agencies and partners to ensure the transformation covers the following:

A. The achievement of a fiscal balance program that contributes to the achievement of Vision 2030. This program will restructure and strengthen the Kingdom's finances, and deliver fiscal balance through a continuous, comprehensive review of revenues, expenditures and projects. The main components of this program are:

1. Increasing the efficiency of capital and operational expenditure.
2. Increasing non-oil revenues.
3. Improving the efficiency of government support, including directing it to the groups of the society that need it most.
4. Promoting and supporting the economic growth and of the private sector
5. Supporting industrial sectors of strategic importance and economic potential

B. Continuously improving financial planning procedures by applying international best practice. A road map will be set transition from the existing process to one that follows global best practice. Plans and models will also be established to facilitate the procedures for preparation of the 2018, and subsequent, budgets.

C. Developing a transparent vision for managing cash flows in the short and medium term in coordination with government agencies and other related entities such as Public Pension Agency, General Organization for Social Insurance, the Public Investment

Fund, and the top ministries in terms of capital expenditure.

D. Linking expenses and expenditures with outputs to enhance efficiency and rationalization, and developing a mechanism to prepare and review through regular reports.

E. Operating in accordance with the mechanisms stated in the NTP.

F. Preparing a medium-term expenditure framework (3-5 years) in coordination with other government agencies. A road map will be developed for full transition to a medium-term expenditure framework.

G. Developing a comprehensive strategy related to official data at the Ministry of Finance to provide a comprehensive vision and integrated structure. The strategy also aims to coordinate with other ministries and government agencies so their data and that of the ministries are integrated. Developing the Ministry's capacities and resources in managing data, content and business intelligence. The strategy will be implemented according to a timetable along with the governance and data security procedures

