

THE KINGDOM OF SAUDI ARABIA

Strategic Powerhouse, Global Strength | Part III

Special report prepared by Strategic Media

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Strategic Powerhouse, Global Strength | Part III

Top 10 by 2010:

Saudi Arabia is on track to be one of world's top 10 most competitive economies by the end of the decade.

© SAGIA King Abdullah Economic City

The Making of a Competitive Kingdom

2007 was a very good year for Saudi Arabia. The unprecedented growth, development, and contagious optimism in the country continued unabated. With oil prices reaching up to \$110 a barrel, Saudi smiles are no surprise. The Kingdom's economy was built to thrive even under the \$60 per barrel mark, and the recent surplus has poured valuable liquidity into the economy. However, the Kingdom is determined not to rely solely on such a volatile market, but rather use this window of opportunity and healthy 3.5 percent GDP growth to prove sustainability can in fact become a reality.

Prosperity has become synonymous with the reign of King Abdullah, and the Saudi people's great optimism underlines the monarch's vision for his country's future. Grand new economic and industrial cities arising from the desert, large-scale interconnecting infrastructural networks, state-of-the-art universities and educational facilities, and social and legislative reforms are part and parcel of making Saudi Arabia one of the ten most competitive nations on the face of the earth.

However, 2007 and 2008 will be remembered not for new buildings, megacities, roads, or ports, but for the country's strongest investment in human capital yet, a clear sign that Saudi Arabia is emerging as one of the world's most competitive economies. The nation's most plentiful, prosperous, and renewable resource is its strikingly young and rapidly

expanding population. Thus, the king has put his country on a new path towards competitiveness and prosperity. In addition, the king is seen to be a great reformist and his views towards liberalizing the role of women in Saudi Arabia have come across both domestically and internationally as progressive and positive for the nation.



King Abdullah bin Abdulaziz

On a global level, Saudi Arabia has never been such a vital partner in securing regional and global security, and has played pivotal roles in recent global summits, notably bringing an all-important Saudi presence to the Annapolis peace conference last November. Saudi Arabia is increasingly called upon by states of all sorts to play the regional power broker and, as the heart of Arabia and home of the two holy mosques of Mecca and Medina, it is the role that Saudi Arabia was born to play.

Economists have described this moment in Saudi history as "when all the stars align" and the current economic window as "not to be missed." It is a monumental moment in the Kingdom's development and the region in general. Yet will it be able to sustain its tremendous growth with all the multibillion-dollar investments being made, especially in the fields of education and knowledge provision? The king's vision seems to have become his people's ambition, and with such a widespread motivation to succeed, is there anything that can stop this highly dynamic, confident, and influential Kingdom? ■

Gaining on Competitiveness

Be-coming competitive is a big concept in theory, but even more so in practice. How does a nation “produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term?” to borrow from the OECD definition of Competitiveness. This is the fundamental question facing Saudi Arabia today, and the cornerstone towards building its modern day economy.

“There are three important competitiveness reports,” explains Amr Al-Dabbagh, governor of the Saudi Arabian General Investment Authority (SAGIA). “The World Bank’s Ease of Doing Business Index, the Institute for Management Development’s rankings, and the World Economic Forum Global Competitiveness Index. All in all, these three reports benchmark against 300 different indicators. We have a master plan for improving policies and procedures that correspond to each and every one of these indicators.” Governor Dabbagh’s brainchild, made possible by the King’s vision, is known as the 10x10 program. As SAGIA’s most ambitious goal to date, this program aims to achieve a Top 10 ranking for Saudi Arabia on one of the three indexes by 2010. Accomplishing such a feat will require the complete collaboration of both Saudi Arabia’s public and private sectors, who have been asked to join the 10x10 mission and embrace competitiveness as a practice and philosophy.

To this end, King Abdullah has said that ongoing reforms, in addition to opening several sectors for FDI, would improve business infrastructure in the Kingdom and increase Saudi competitiveness. “We intend to enhance, gradually and continually, the investment environment with the purpose of supporting the private sector.” Already, Saudi Arabia’s progress toward this milestone is impressive. The Kingdom’s National Competitiveness Center (NCC) has been charting the country’s progress, which has risen

in the World Bank’s Ease of Doing Business Index from 76th to 23rd place in just three years, and is currently the number one in the entire Middle East. This is a considerable vote of confidence for the Kingdom’s progress thus far.

The culmination of each year’s efforts has become the Global Competitiveness Forum (GCF), which concluded its second successful iteration in Riyadh last January. Intense debates on how to keep an economy at the forefront of development were fueled by leading experts on competitiveness, including Lee Kuan Yew, Singapore’s mentor minister, and Professor Michael E. Porter of Harvard Business School. Many of Porter’s principles, in fact, have served as blueprints for Saudi Arabia’s strategic development, including clustering and economic cities.

In his keynote speech, the world-renowned competition strategist addressed the important opportunity Saudi Arabia has in fulfilling its goal by fundamentally increasing access to vocational and training programs for Saudi citizens. “There is no possibility of achieving competitiveness without raising the culture of productivity,” said Professor Porter. He lauded Saudi Arabia’s positive results over the years, adding that support for the establishment of small and medium enterprises as well as becoming more active in attracting foreign investment into non-energy sectors was crucial for the Kingdom’s continued success.

Purposely scheduled immediately preceding the World Economic Forum in Davos, the GCF creates a window to the world for the Middle East’s development as a whole. There is no doubt that the entire region is brimming with potential, and if conflicts can be resolved, the long-term economic benefits stand to reach unparalleled heights. This is where Saudi Arabia vies to become a role model, with the GCF as one of the premier platforms for communication. All eyes will be on GCF 2009 to see whether Saudi Arabia is closing in on this goal. ■

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Q&A with Amr Al-Dabbagh, Governor of SAGIA

As governor of the Saudi Arabian General Investment Authority (SAGIA), Amr Al-Dabbagh is extending his experience as a businessman to help the Kingdom's public and private sectors become a competitive global force. The architect of Saudi Arabia's 10x10 program talks about how foreign investment is about to turn the Arabian Peninsula into the world's new economic epicenter.

Q: In terms of positioning itself as a business hub, what does Saudi Arabia bring to the table?

A: We have focused our approach on two main competitive advantages of the Kingdom; the first is energy and the second is location. This is explicitly spelled out in our vision that we would like to be the energy capital of the world and a hub between East and West. After energy intensity, we have listed ten industries that we want to be in the Top 3 of by 2020, including aluminum, fertilizers, steel, and plastics. Saudi Arabia is the most cost-effective production location on the face of the earth for hosting these energy-intensive industries. Also, the strategic location of Saudi Arabia justifies having these industries, with the transportation segment benefiting from proximity to the European and Asian markets. Our sea posts, railways, and airports complement the whole value chain. Therefore I am interested in attracting investments that are correlated to our area of strength. We are serious about economic reforms and are changing regulations. In the last three years alone, over 40 laws have been published and introduced. Accession to the WTO also ensures that we are integrated and cemented in the global economy.

Q: Economic cities are expected to bring in \$150 billion to the economy by 2020. How do you position the economic cities vs. non-economic city growth in the country, and how is SAGIA maximizing them?

A: Eventually we plan to have six economic cities spread across the South, East, West, North, and two in the center. By 2020 they will have generated 1.3 million new jobs, accommodate 2.4 million people, and have increased GDP per capita from \$13,000 to \$33,000. The economic impact is huge. But this is a new model, it is a public-private partnership; we are inviting the private sector to invest in the infrastructure and the services, and the government provides the support needed to make this project successful. Each of these economic cities will focus on certain clusters and segments. The special economic zone

concept is not new; there are around 3,000 economic zones in the world. The successful ones have doubled the GDP of their countries or regions. Look at Saudi Arabia's Jubail and Yanbu industrial cities, which are semi-economic zones. Jubail alone attracted 50 percent of the entire FDI coming into Saudi Arabia, so capital prefers to go where one party, one regulator is dealt with. I see economic cities as enablers, yet another booster of domestic and foreign investment that has a positive impact on virgin regions and the whole economy.



Lee Kuan Yew and SAGIA Gov. Amr Al-Dabbagh at the 2008 GCF in Riyadh

Q: What challenges lie ahead?

A: The biggest problem we face is human capital. This is a challenge facing many countries, not Saudi Arabia alone; that is why one of the strategic plans is focusing on knowledge-based industries. There we are focusing on four segments: health, life science, information and communication technology, as well as education. We are looking for world-class service providers in education and training to produce a sufficient pool of human resources that are adequate to the marketplace, especially through institutes such as KAUST. The more competitive we are in terms of human resources, in terms of infrastructure, in terms of policies and procedures, quality of life, or health care, the more investments we attract, the more growth we can bring, the more jobs we create. I am very honored to have been chosen for this job in 2004 by His Majesty the late King Fahd, and I felt it is an opportunity for a businessman who benefited from this country to pay back and play a role in the public sector. I see it as a social responsibility, an opportunity to contribute to my community. I think that what we're talking about is not known or understood enough throughout the world, and I want to expose the colors of what we are doing here. ■

Mind Wealth, The New Oil

Of all the magnanimous projects, reforms, and improvements currently taking place in Saudi Arabia, at the end of his reign and beyond King Abdullah will most likely be remembered for the imprint he will have left on the country's education.

Saudi Arabia is one of the world's youngest countries, with 75 percent of its population being under the age of thirty. The king wants to ensure that the millions of young Saudis safely propel the Kingdom into the future, by making education one of the country's strongest assets. In order to achieve this goal of imparting mind wealth upon his people, the king has invested an unprecedented amount of funds into the sector. No less than 25 percent of the 2008 Saudi budget, totaling a grand 105 billion Saudi riyals (\$28 billion), the largest in its history, is being invested into education and manpower development. Large sums will be channeled toward technical and vocational training as well as public and higher education.

On top of all of this, King Abdullah has instated a massive public education overhaul, known as the King Abdullah Project for the Development of Public Education. This project will consist of multiple phases of targeted spending, initially totaling \$3.1 billion. This is clearly revolutionary, as no king before has devoted so much of the country's resources to developing its human capital. With his commitment to raise education's allocation each year from now on, Saudi citizens have now truly become the Kingdom's largest untapped asset.

Minister of Education Dr. Abdullah bin Salih Al-Obaid sees this period in Saudi Arabia's history as a time of great transition. "We believe that during the time of the custodian of the two holy mosques, King Abdullah bin Abdulaziz, Saudi Arabia has entered a new stage of knowledge, and knowledge was his concern even before he became a crown prince." The ministry is in charge of implementing the Education Development Plan that seeks to turn the country into a knowledge-based information society. The eighth phase of the plan was recently rounded off

with considerable rates of success. "Most of the plan goals were achieved. Some were better than expected, because the plan was based on certain financial considerations. Due to the rise of petroleum prices, the country obtained a budget surplus, which the government invested strongly in education and health—therefore it is going to achieve more than what was stipulated in the development plan."

According to Minister Al-Obaid, the number of schools established during the three years of King Abdullah's reign is the same as in the seventy years prior to his coronation. "Hence, we are facing a

"We are facing development demands to transfer the Kingdom from the current traditional lifestyle to the world that is based on knowledge."

Dr. Abdullah bin Salih Al-Obaid, Minister of Education

responding stage for the development demands to transfer the Kingdom from the current traditional lifestyle to the world that is based on knowledge."

This challenge is considerable, taking into account the Kingdom's rapidly rising population. The complete provision of primary and secondary education has been the first step in this direction, with education being compulsory from ages six to fifteen. Beyond that, however, the Ministry of Education is calling upon international investors to play a significant role in the Kingdom's ambitions. Companies and institutions with backgrounds in teacher training, curriculum development, and extracurricular expertise are being approached and encouraged to become involved in Saudi Arabia's transformation.

Leveraging Knowledge

There is a goal to make Saudi education—and thus, its society—more globally oriented. The Ministry of Education conducted a long and thorough survey of many countries around the world exhibiting successful education systems. “We are trying to adopt the strengths of each nation’s educational system and apply them to improve our own,” reveals Vice-Minister of Education Dr. Saeed M Al-Mullais. These include Canada, France, Austria, Finland, and China. In addition, the number of Saudis studying abroad has reached record highs, largely thanks to the decision to increase government spending to subsidize their trips. “We are sending 10,000 students to obtain their bachelor’s, master’s, and PhD degrees from abroad,” says Al-Mullais.

The Kingdom has a long history of successful cultural and educational exchange, particularly with the United States. A full generation of Saudis educated in America is now in control of the economy, and the two nations have in many aspects been brought together by such exchanges. However, since 9/11 it has become more difficult for Middle Eastern students to obtain U.S. visas, and they are therefore attending top schools in countries such as Canada, the United Kingdom, Switzerland, and the Netherlands. “We believe that we should have a global education, both inside our country and abroad,” elucidates Vice-Minister Al-Mullais. “We also invite people to do their scholarship here, not only in higher education but even in general education. 15 percent of our students are from other countries.”

Saudi Arabia intends to leverage its international standing through the creation of specialized new universities. One such shining example is the King Abdullah University of Science and Technology (KAUST) next to the Economic City in Jeddah, the first of its kind in both the Arab and Islamic worlds. KAUST will facilitate Saudi Arabia’s position as a global hub for business and technology by forming management and IT skills that can be injected directly into the Saudi economy. Through the University’s Global Research Partnership, students will gain the expertise taught in universities and enterprises of the United States and around the world, and combine them with Saudi-specific skills needed throughout the market. KAUST has so far established partnerships with Woods Hole Oceanographic Institution (WHOI) in the United

States, Institut Francais du Petrole in France, the National University of Singapore, the Indian Institute of Technology, Bombay (IITB), and, most recently, the American University in Cairo. Through these linkups, KAUST hopes to compete with the world’s top faculties, including the Massachusetts Institute of Technology.

Speaking at the groundbreaking ceremony on October 22, 2007, King Abdullah commented on the university’s capacity to bridge cultures through the pursuit of knowledge. “Inspired by the eternal teachings of Islam that call for seeking knowledge, engaging in development works, and promoting better understanding between peoples, the establishment of this university has been a living idea in my mind for more than 25 years. We hope that the university carries out its noble humanitarian message in a pure and clean atmosphere, taking the help of God and then that of enlightened intellectuals all over the world, without any bias or discrimination,” he said.

“The establishment of (KAUST) has been a living idea in my mind for more than 25 years.”

King Abdullah bin Abdulaziz

The most important milestone of Saudi Arabia’s education drive is the impetus behind gender equality. Female participation in Saudi’s economy is most likely to become its greatest asset. The World Bank may have placed education in the Middle East below average, stressing the need for drastic improvement, but in its recent report on Arab education, Saudi Arabia ranks near the top in terms of gender parity. “Women in Saudi Arabia are getting the same access to education as men,” says Prince Dr. Khalid Abdullah M. Al Saud, vice minister for girls’ education. “In terms of degrees, there are many Saudi women who hold PhD degrees in different fields. In terms of empowerment, women are getting more chances in banks, universities, hospitals, and so forth. We would like women to be empowered, but in the meantime, respected. Through King Abdullah, Saudi Arabia has become a model, because it is utilizing modernity while protecting the social values.” ■

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The Thriving Pulse of Saudi's Health Sector

The health sector in Saudi Arabia is considered by SAGIA to be one of the six pillars of the economy, and many even believe it is the most important in terms of spurring the economy's competitiveness. Regionally, it is one of the largest in terms of size, activity, and potential. Average annual health spending in Saudi Arabia is \$8 billion—75 percent by the government and only 25 percent by the private sector.

According to a 2007 report by Booz Allen Hamilton, an aging but increasingly wealthy population is seeking specialty health care treatment from the private sector. Combined with the sharply growing population, expected to rise from 23 million today to 30 million by 2016, and demand for hospital beds increasing from 51,000 to 70,000 in the same period, the opportunities facing the private health sector are immense. "For international healthcare providers and investors," the report observes, "the coming liberalization of the sector will mean increased access to the largest healthcare market in the Middle East, and an exciting opportunity to help millions of Saudis live longer, healthier lives."

Deputy Minister of Health Dr. Obaid Al Obaid says that in order to meet this rising demand, the ministry has engaged a plan for building new hospitals across the Kingdom to complement 230 already operating under its aegis. Currently in progress are two major hospitals in Riyadh, one specialized hospital in Jeddah, and one in Dammam, but Al Obaid acknowledges that the sheer scale of these projects calls for an active participation from nongovernmental sources. "We are actually in need of the private sector to be involved in building hospitals, especially in the large cities. The Ministry of Health facilitates everything for investors who are willing to buy into the hospitals and the sector overall."

Kingdom Come

Existing healthcare companies in the Kingdom have been keen to partner with international pharmaceutical and healthcare providers that can impart know-how to the local Saudi market. One such company is Tamer Group, which evolved from a single pharmacy founded in 1922 by Dr. Mohammed Said Tamer into a modern Saudi enterprise. Through its deep understanding of the industry, the regulations,

demands, and suppliers, Tamer has attracted the likes of Sanofi-Aventis, Bristol-Myers Squibb, and Viagra manufacturer Pfizer to give their Saudi business interests a big boost.

"Being competitive today in health care is a combination of things," says Ayman Tamer, the group's president. "We work in a highly regulated industry, which will only increase in the future, as authorities want to ensure the quality of health care provision. Then you have a lot of good experience, and with experience comes continuity. Today there are many international pharmaceutical companies that wish to put their flag in the Kingdom. They feel there are big business opportunities and growth potential and want to have a permanent presence here in Saudi Arabia." Tamer therefore sees himself as an international partner's "source for competitive advantage in the Kingdom."

The group also entered into a unique relationship with two of the top pharmaceutical companies in Japan, Astellas and Sankyo, to create the Saudi Arabian Japanese Pharmaceutical Company, known today as SAJA. But Tamer feels that competitiveness comes from not only adding value to the Kingdom, but from maximizing its export potency and further penetrating global markets. "If you really wish to succeed, then more is needed than just local manufacturing and the local market," attests Tamer. "The key is in the export of goods produced here in Saudi Arabia." ■

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Local Advantage

One of the most revered Saudi pharmaceutical production companies is SPIMACO. It is the number-one seller and manufacturer out of approximately 350 companies competing for a dose of the pharma action in the Kingdom. Having turned a healthy net profit of \$32 million in 2007, SPIMACO expects further growth in line with the developing health sector. By producing locally with a trained Saudi labor force, the company not only finds it has a cost-savings advantage, but also that it maintains a crucial competitive edge, as SPIMACO's president, Dr. Abdullah Abdulkader, points out. "Producing and distributing the final products ourselves increases our efficiency. Competitiveness is not about competing for the tallest building or the largest airport, but instead we have to look at how many patients we have, how much research are we conducting and how many people are on scholarship abroad."

For this reason SPIMACO, Tamer, and many other companies involved in the health sector are turning to the research and development-intensive fields of biotechnology and life sciences as new sources of production and intellectual wealth. SAGIA is involved in ushering in an era of biotechnology by aiding the implementation of a biotechnology park in Jeddah. It is equally promoting research-driven institutions throughout each of the forthcoming economic cities that will feed the health care infrastructure. With millions of dollars coming from the king himself, a university such as the King Abdullah University of Science and Technology will help Saudi Arabia drive innovation from within, in close collaboration with the private sector. "We have a biotech research facility with the Science and Technology City and support SAGIA's efforts," says Dr. Abdulkader. "We really identify with their vision that the future of medicine is biotech and life sciences. In 50 years, I am sure that 50 percent of medicine in pharmacies will disappear and be replaced by other forms of medicine that stem directly from the human body itself."

Should Saudi Arabia be able to capitalize on life sciences, the Middle East may well become the global center of innovative health care. With both the government and the private sector's devotion to forwarding a modern approach to health care, the Kingdom is well on its way to becoming a center of medical excellence. ■



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Over half a century after Franklin D. Roosevelt gifted a DC-3 Dakota to then King Abdul Aziz, allowing the Kingdom a leap into modernity, national carrier Saudi Arabian Airlines' fleet has grown to 139, making it the region's leading aviation company. But as the Gulf's spending power grew through recurring oil booms, so too did the transport-expansion capacity of neighboring countries. Competition on the Arabian Peninsula has become fierce, with billions of investment pouring into modernization and fleet expansion by countries such as Qatar and the Emirates. Add to that the entry of low-cost carriers such as National Air Services and SAMA Airlines and you're looking at a whole new playing field.

Saudi Arabian Airline's management decided to take on the challenge on multiple levels. Firstly, a global marketing campaign drew attention to Saudi hospitality and strength as a service provider. Vice President for Customer Service Yousef Attiah explains how the new commercial currently being broadcast on global network channels, using the powerful allegory of an Arabian steed galloping across varying landscapes, ties in with the company's dynamic business vision.

"The horse represents the culture, heritage, and strength of Saudi Arabian Airlines," says Attiah. "It

begins chasing a shadow, striving to move forward and staying ahead in a competitive race, moving towards a higher future. It goes through many locations and scenes, symbolic of the different fronts, challenges, territories, and areas that the airline passes through in search of passenger satisfaction. Eventually it evolves into an electronic horse representing a significant shift in the airline's core; utilizing developments in technology across all aspects to make the great leap forward."

By investing in an upgrade of its business class services and placing an order for 22 Airbus A320 wide-body jumbo jets, the airline aims at maintaining its leading position of the last years. A reworking of its flight schedules capitalizes on the flows of international travel, including annual religious Hajj and Umrah pilgrimages as well as direct flights from Jeddah and Riyadh to New York and Washington, DC. In addition, a privatization process is expected to further its competitive edge, with its catering and technical services units already spoken for and other segments to follow in 2009. "Saudi Arabian Airlines is reputed in providing world-class services with a distinctive Saudi character and warm Arabian hospitality," explains Yousef Attiah. "All our improvements, enhancements, and innovations are based on this principle." ■

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The Saudi Finance Sector Confident, Competitive, and Compliant

The Saudi financial market as we know it today can still be considered as being in its infancy. Until the 1980s, capital markets did not exist in Saudi Arabia. It was really the creation of the Capital Market Authority (CMA) that got the ball rolling and paved the way for the TADAWUL stock market, bond markets, and even the insurance sector. Yet in just a very short time, the Saudi Arabian financial sector has gained sophistication and prosperity and stands ready to capitalize on the unprecedented liquidity flowing through the Kingdom.

In this market of extremely high potential, many finance methods are rapidly gaining ground. One particularly prosperous activity has proven to be private equity, and no one is showing more thrift in this field than the Bahamdan Group (BG), a professionally governed investment house. The Bahamdan family name has for a long time been synonymous with accomplishment in Saudi Arabia. One of the family's major companies, Sara Holding, has been a household name with a regional focus, while two other major holdings focus on Europe and the United States. However, the group is now set on consolidating their various interests under the name Bahamdan, thereby demonstrating that a family firm, the historic model of success in Saudi, can be every bit as competitive as a public entity.

"When I think of competitiveness, I think of all the young entrepreneurs with their great ideas, says Kamal Bahamdan, the group's CEO. "It is not about the beauty of money but the beauty of the mind. We are seeing so many creative people taking their ideas and starting their own companies. Competitive companies based on human capital are the future. Today with all the liquidity they will find the money to see through their initiatives." He of all people should know. The son of Sheikh Abdullah Bahamdan, revered in the Gulf's business community and who as chairman of the National Commercial Bank of Saudi Arabia, the largest Arab bank, was a major driving force in the Kingdom's historic transformation, Kamal graduated from Boston University in 1994 and launched an

investment platform the following year. Against all predictions, the venture proved extremely successful, giving Kamal a lot of momentum. He nurtured this venture for years, spinning off a variety of other platforms in various sectors along the way, each one successful in its own right.

The truly remarkable facet lies in the fact that these investment platforms were incubated and developed in the world's most competitive market, the United States. By 2003, when the business climate was opening up, Bahamdan brought the expertise and knowledge of the venture back to Saudi Arabia.

In essence, the group operates in unique platforms by clustering investments and industries together to provide the best possible know-how transfer and value-added services. Bahamdan believes that formula can be beneficially applied to national development, through strategic investments in the health and educational sectors, which it feels will become some of the most lucrative investments for the group. One of the cornerstones of its platforms strategy, in addition to transfer of know-how and identifying market trends before anyone else, is capturing and fostering top-notch human capital. Kamal Bahamdan, an avid equestrian show-jumping competitor with Olympic credentials, explains that the group has already embarked upon a series of ventures tailored to societal development, all the while continuing to be a major player in the international financial world. "Within the next five years, I would like to see our group acting as bridge out of the region abroad. To bring know-how and technologies from the West and Far East to Saudi Arabia is our goal. We are continuing to bring people, products, and departments from all over the world to the region and our company."

Successes in Saudi finances have not been limited to private equity alone. The changing landscape of the national market has also paved the way for new innovative products in consumer banking. Credit cards, for example, previously unseen in the Kingdom, are expected to thrive as the Saudi mentality embraces the concept of debt. Razi Shafeek Fakh, acting CEO of Bank Albilad, highlights this

change in the financial paradigm, making this an opportune moment to bring about a whole new philosophy of consumer banking to the Kingdom. In addition, despite an international credit crunch, the Saudi mortgage market is about to blossom, as a generation of Saudi homeowners settle down. But most see the greatest window of opportunity in Islamic finance. Banks like Albilad have begun to carve out a niche market for themselves in the provision of sharia-compliant banking. “What I see here in Saudi today excites me,” says Fakih. “There is simply no other market which has the potential that Saudi offers, especially in Islamic banking.”

Bold Moves

One of the fastest movers to capitalize in this field has been Jadwa Investment. From day one, Jadwa has had one goal: to be one of the Kingdom’s, and the region’s, premier sharia-compliant investment houses. And since their inception in August 2006, they’ve been highly successful at doing so. A great deal of planning and strategy went into preparing their

business model. Obviously there is plenty of money in circulation in Saudi Arabia, but Jadwa wanted to find the factor that could make them stand out from the pack, as CEO Ahmed Al-Khateeb points out.

“Everybody is running after this market: Goldman Sachs, Morgan Stanley, UBS, HSBC, Citigroup, and so on. How can we differentiate ourselves? By being a world-class domestic institution.” By that, Al-Khateeb is referring to the talent around which his business revolves. Jadwa has conscientiously built its organization from the ground up around the region’s leading investment minds, which include renowned Chief Economist Brad Bourland and Al-Khateeb himself. In addition to Islamic financial-compliance regulations, an in-depth knowledge of both international and local markets is required in order to offer the most all-around services.

Along these lines, Jadwa Investment teamed up with the Frank Russell Company in 2007 to aid it in reaching a larger market and boost its sharia-compliant offerings. “We look at Jadwa as a window to the international investors when it comes to the local financial market,” comments Al-Khateeb. “If



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international investors would like to invest in the equity market and in any of the real estate projects, we will definitely welcome this and facilitate it.”

Among Jadwa’s boldest moves to date was launching the first regional Sukuk fund, or Islamic bond, one of the Gulf’s most promising markets. This gave Jadwa unprecedented access to the fixed-income, sharia-compliant investment market, which has spawned \$80 billion in Sukuk funds in the past five years, with \$50 billion in additional funds expected to launch this year alone.

Jadwa has also proven itself an ideal partner of choice through a recent purchase of ExxonMobil’s 30 percent stake in the Saudi Aramco Lubricating Oil Refinery Company (LUBEREF). Acquiring the U.S. oil giant’s stake and the resulting partnership with Saudi Aramco thrusts Jadwa into the forefront of Saudi business and has given the small investment bank credibility as a major player in the surging Saudi economy.

Brad Bourland, considered one of Jadwa’s strongest assets and the foremost authority on the Saudi economy, believes the infectious liberalization being witnessed in the region today may have created a rush on opportunities of sorts, but there is nevertheless a well-formed investment efficiency being maintained by the Saudi authorities. With almost 30 years of experience in the Kingdom, his insight into the diplomatic and financial worlds paints a clear picture of where the Kingdom was, where it’s at, and where it will most likely be heading.

“When I was first exposed to the Kingdom in the 1970s,” recalls Bourland, “the planning minister at

that time, Mr. Hisham Nazer, who later became oil minister, came to the U.S. to give a speech. He said, ‘We Saudis are not a wealthy people; all we have is money. We have no roads, no hospitals, no schools, no telecommunication, no infrastructure—but we have a lot of money from oil revenues.’ The challenge was to turn out that money into real economic activity and development. I think now, 30 years later, there is a realization that oil revenues do not serve as an economic model. I think the combination of globalization, market liberalization, and participation of foreign investors will really maximize the potential of this country.” ■



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Industrial Engagement

Alshoula's Spectrum of Competitiveness

When it comes to competitive legacy, one family enterprise stands out from the Saudi crowd: the Alshoula Holding Group. The company began in 1970 with interests in real estate and construction and soon gathered momentum as the country began investing heavily in infrastructure. To this day, the company maintains an expertise in real estate development, with massive new projects springing up in Saudi Arabia and throughout the Gulf. In fact, the company is keen to transport its nearly 40 years of experience in real estate to the region altogether, and has the resume to successfully accomplish this task.

At the Group's helm is HRH Prince Mishal bin Abdulaziz, one of the most senior and powerful members of the Al Saud family. In addition to being one of the most recognized and respected members of the royal family and one of the Kingdom's most prominent businessmen, Prince Mishal has also been appointed by King Abdullah to be chairman of the Bay'ah Council, charged with choosing the successors for the throne. In this light, Prince Mishal will leave his legacy both politically and financially on the Kingdom of Saudi Arabia.

Under his leadership, the group has embarked on an ambitious expansion strategy to broaden its reach in several leading industries. Dhahran Global is the group's oil and gas enterprise. It has executed major projects in the field as well as formed joint ventures for drilling contracts with multinational corporations. The company is planning to dig deeper into the limitless opportunities that present themselves throughout the GCC.

Real estate, however, still maintains a major focus of attention for the Alshoula group. Currently it is developing a host of world-class projects, including commercial complexes, five-star hotels, and luxurious residential and office complexes. The latter includes Ajmakan, a complete \$1.6 billion services complex comprising of commercial and entertainment facilities, villas, palaces, and a five-star hotel in the Al-Khozama district of Riyadh City. Demonstrating the group's knack for

successful partnerships, Ajmakan is a joint venture between Alshoula, Tameer Holding, and the Land Company of Dubai.

Meanwhile in Jeddah, the group is involved in three landmark projects with an accumulated cost of \$15.8 billion: Jeddah Hills, Jeddah Towers, and the Alshoula Hotel. Set on a hilltop with spectacular views toward the Red Sea, North Jeddah, and the mountains to the east, the \$11.2 billion Jeddah Hills tops the bill. The community is made up of 24 residential villages, each featuring a spectrum of amenities arranged in a hub-and-spoke model. A major partner in the 9-square-mile Jeddah Hills is Emaar Middle East. The uniquely and elegantly designed Jeddah Towers will place a 100-story tower adjacent to Jeddah Cornice. It is an alliance with SAMA Dubai International, who is also involved in the extravagant Alshoula Hotel next to the Red Sea.

Further north, the city of Jubail is experiencing major expansions and industrial advancements, and the Royal Commission for Jubail and Yanbu is engaged in a grand opening of their industrial investments. "In this circumstance," says Prince Mishal, "Alshoula Group has decided to offer a large investment project in the form of operation and management of a yacht marina and support services. In addition, a group of residential apartments and commercial showrooms will grace the six blocks of land overlooking Jubail Marina."

But the group is also exporting its vision abroad, most recently to Cairo, Egypt. In the city's Sheikh Zaid district, Alshoula is erecting the Arabian City, a modern family community combining Arabic heritage with Mediterranean flair. It boasts the latest in IT installations, a golf course designed for international championships, and a sports and health club equipped with the latest facilities for physical and mental wellness.

"With the launching of these gigantic multimillion-dollar projects, Alshoula will enter history as one of the pioneers of the 21st-century developers of breathtaking, world-famous architectural icons," says Prince Mishal. ■



Since 1970, the Alshoula Holding Group has served as one of Saudi Arabia's most qualified leaders in mega-project implementation and development. Today, this expertise has spread throughout the Middle-East, with multi-billion dollar real estate, construction, and deep oil drilling projects currently underway throughout the GCC. Once a pioneer in developing the Kingdom, Alshoula will continue its legacy globally. Join us today, and see what legacies are made of.

Alshoula Group

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Saudi Post: Connecting all the Dots

From the postal command center in the heart of the Saudi Post's headquarters in downtown Riyadh, all eyes are focused on the massive projection screen and illuminated trajectories showing each Saudi Post truck as it goes about its day-to-day deliveries. And while each blinking icon may not individually seem like a driver for economic growth, together they represent the nuts and bolts of one of the most sophisticated postal systems in the world.

From his upstairs office, Dr. Muhammed Benten, CEO of the Saudi Post, smiles in recognition of just how much he and his team have accomplished in the past few years, and what this will bring to the nation in general. "You cannot imagine having a prosperous country with investment and big corporations without a successful and efficient postal infrastructure," says Benten. Yet, as Benten can attest, the creation of an efficient, modern-day postal system is easier said than done, especially considering the fact that, until recently, the Kingdom was largely unaddressed. Jokes Benten, "When you wrote your address, you really described to someone how to get to your home!" Add to this the dilemma of a multilingual demographic and inconsistent spellings of Arabic names in Latin letters, and the task of modernizing Saudi Arabia's postal service becomes that much more difficult.

Yet, undeterred from his objective, Benten assembled a team of global technological leaders with which to partner, including Cisco Systems and Saudi Arabia's own National Technology Group (NTG). Through such collaborations, Saudi Post has been able to forge one of the most elaborate technological backbones for postal delivery anywhere in the world.

"We were inspired by a number of factors, including a standard and numbered address, which we think are very essential for competitiveness of the country and security of the country. We need a high-tech system whereby all documents or parcels are accounted for at all times," notes Benten. The solution to this demand proved to be a comprehensive GPS grid system, pioneered in Saudi Arabia, whereby each address in the Kingdom corresponds to a unique coordinate. "It is a regular grid with natural boundaries," explains Benten. "A lot of mapping and cartography have obviously gone into this. However, you will never be mistaken if you follow the rules. We are the only Arab country that has an active navigator that can pinpoint a house." To maximize this system's efficacy, each Cartesian address is likewise

paired with a GPS-enabled smart mailbox, which syncs with each postman as he makes a delivery and offers instantaneous delivery notification. With this cutting-edge technology in place, Saudi postmen are able to receive each day's deliveries on their equipment with a preprogrammed delivery itinerary that notifies them as the truck approaches the parcel destination.

Beyond routine parcel delivery, however, the Saudi GPS mapping system has strong commercial implications. With such comprehensive coordinate data already compiled, the Post now sits atop a wealth of information that can translate into higher efficiency in the deliveries and services sector. Benten is quick to note the Post's collaboration with Pizza Hut, where pizzas are delivered to digital housing numbers, as an example of this project's commercial viability.

Yet the Post's overhaul of Saudi logistics goes far beyond smart mailboxes and GPS grids. As Benten describes, the role of tomorrow's postal service provider is not simply delivering parcels but "integrating with the electronics age." It is here that Benten's collaborations with Bill Gates and Microsoft have borne fruit, providing every citizen in the Kingdom of Saudi Arabia with a unique, postal-specific email address. Benten and Gates are betting on the inbox becoming the new mailbox and are already exploring ways to take advantage of this unprecedented technological leap forward.

One such venture Benten has launched in collaboration with the Saudi Research and Marketing Group (SRMG) has been Shaher, an innovative direct-mail company that has its sights set on leveraging this delivery mechanism to maximize promotional exposure to opt-in recipients. In this delivery model, relevant JPEG-formatted promotional materials can be sent to the inboxes of willing clients, who can then agree or disagree to receive further materials and samples via post. The result is a highly targeted and cost-effective marketing platform, with significant environmental implications.

Such advances in conventional postal services have not, of course, gone unnoticed, and Saudi Post has received the top accolades of the world's postal community, placing first in postal social responsibility and second in outstanding postal services in 2007. "We have been very fortunate," says Benten, while adding that the real competitiveness of the Post is in its partnerships. "We have future projects and we work with winners," exclaims Benten. "The sky is the limit!" ■

State of-the-art technology and innovative solutions



Highlights on Saudi Post Corporation



Some of the International Institutions Awards

During the current era of fast-paced technological advancement, SPC witnessed unprecedented steps on the road to progress. The Corporation deployed great efforts and strived hard to put the postal services on the right track. For this reason it was imperative to lay down a development plan in which postal service are characterized by: Efficiency, reliability, credibility, and speed.



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البريد السعودي
Saudi Post

Powering the Kingdom of Energy

That Saudi Arabia produces much of the world's energy will surprise no one. That Saudi Arabia is actively seeking the world's energy expertise is quite another story. Having pegged the energy sector as one of "three priority sectors of strategic importance to the future of the Kingdom," the Saudi Arabian General Investment Authority (SAGIA) has enlisted the help of the global private sector, once discouraged from participating, to aid the Kingdom's energy development and drive economic growth in the "Kingdom of Energy."

The response to this call has been an energy-sector capital projects bonanza throughout the Kingdom, in everything from petrochemicals to fertilizers, to the tune of \$80 billion—music, surely, to the ears of SAGIA's governor, Amr Al-Dabbagh.

Yet apart from investments flowing downstream toward petrochemicals, ARAMCO refining capacity upgrades, and a massive new aluminum development in Ras Az Zawr by Ma'aden, the nation's supercharged mining company, perhaps the most dynamic subsectors at play in Saudi are the power and water supplies.

After decades of underinvestment, the Kingdom of Saudi Arabia is now facing an unprecedented spike in both water and power demand due to both a rapidly expanding population and sharp industrial expansion (ARAMCO alone predicts a 50 percent rise in power usage in just a five-year span). Nationwide estimates published in the 2007 Saudi Arabia Energy Review Report (SAERR) predict demand for both water and power to increase at 6 percent per annum, highlighting the need for large-scale investments, but also forecasting high returns for investors noting "those companies with access to reliable technology and excellent project management and operational skills will tend to have an edge in the development of the sector."

And it is here, at the junction of technology, management, and operational prowess that the country's most successful water and power company has found its niche. Forged in joint venture by Saudi giants Abdullah Abunayyan Group, A.K. Al Muhaidib & Sons, and Al-Rajhi Group's investment vehicle, MADA, ACWA Power Projects has been the most successful developer of the nation's Independent Water and Power Project (IWPP) program in capitalizing upon the rapidly liberalizing regulatory environment in the sector.

But Mohammad Abunayyan, chairman of the ACWA Power Projects and representative of Abunayyan Group's water industry expertise, insists that despite its unprecedented recent success in winning four consecu-

tive major project bids and meeting demanding project deadlines, the company has a long-term approach to its business model. "If we were interested in high returns we would look into other areas like real estate," quips Abunayyan. "This is high risk and requires a long-term commitment."

But risk or not, Mr. Abunayyan and President and CEO Paddy Padmanathan have set an enviable example of competitiveness in developing privately financed power and water projects, for both the Kingdom and the power markets beyond. "The real mission is to localize the knowledge and the know-how and to be able to absorb the knowledge from the international arena," explains Abunayyan. "This translates into the competence and capability of the company and its ability to match any other professional international company."

Both men further point to the company's innovative approach to project development as critical to their success. "You have to have something out of the box, whether it is a financial structure or a technical solution ... to be credible and challenging. It is exactly how we have been able to be competitive and be able to provide winning bids four times in a row." Now managing the development of all four projects valued at more than \$9.1 billion and adding upwards of 4,855 megawatts into the Kingdom's power capacity and 220,000 cubic meters per day of desalinated water, the extent of the company's competitiveness is beginning to show.

Yet Abunayyan feels that the true value of being the nation's most competitive IWPP is not in winning bids but in enhancing Saudi energy competitiveness, with knock-on effects of bolstering employment, innovation, and international partnerships in the Kingdom's energy sector. Abunayyan draws upon each of these points in his call for attracting the world's top talent as future partners in the company's long-term vision, which encompasses both global expansion and alternative energy sources.

"This is our country—we know what to do," says Abunayyan confidently. "Saudi Arabia exudes energy competitiveness of anything energy related." ■

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