Saudi Arabian General Investment Authority
SAGIA

Northern Region

Economic Report

1434/1435 - 2014

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Forward

Within the scope of the strategy of the Saudi Arabian General Investment Authority (SAGIA) towards stimulating and encouraging investment in the thirteen regions of the KSA and particularly focusing on promoting investment in the less developing regions, the Regional Development Agency at the Saudi Arabian General Investment Authority is pleased to provide the 2014 specialized economic reports to those who are interested in and those who are responsible for such regions in an attempt to put a real account on each region in the hands of decision makers to help promote investments in such regions.

The release of the Economic Report on the Northern Boarders Region for the year 2014 comes as an extension of the two reports issued in 2007 and 2010. It is worth mention that this Report seeks to offer basic data on the capabilities and potentials of the Region along with shedding light on the most important economic developments witnessed by the Region and monitoring the most vital new investment opportunities and ideas that go well with the region potentials. This Report includes a chapter that compares between the indicators monitored in the two previous reports and those monitored in the current 2014 Report for the purpose of identifying the extent of development witnessed by the Region during the period between the three reports.

Therefore, SAGIA hopes that this Report will support development in the Region and be a source for accurate information for decision makers and those interested in the development and promotion of investments in the Region.

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Introduction

1. Economic Developments in KSA

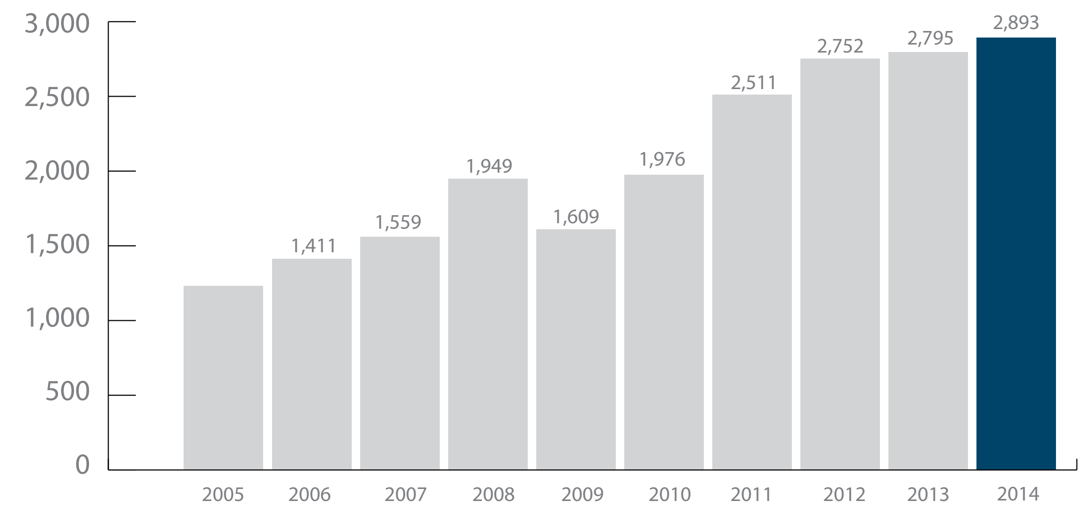
The economy of the Kingdom achieved a steady growth in the last four years recording growth rates of 7.4%, 8.6%, 5.8% and 3.8% respectively. The growth decline of 2012 and 2013, as compared with the high level growth of past years, is attributed to the decline of oil production as compared to 2011.

The Saudi economy is expected to witness a strong recovery in 2014 thanks to continued huge governmental expenditure supported by the rise in the levels of corporate bank lending, in addition to vigorous local demand. The total governmental expenditure is expected to reach to 30% of GDP as compared with an average of around 30.4% in the past ten years. The private non-oil GDP is expected to grow by around 9.4%, compared to a growth average rate of 4.9% in the last ten (10) years.

	2009	2010	2011	2012	2013*	2014**
GDP at current prices (billion SR)	1,609	1,976	2,511	2,752	2,795	2,893
Annual change rate	17.4%	22.8%	27.1%	9.6%	1.5%	3.5%
GDP at fixed prices (billion SR)	993	1,067	1,159	1,225	1,272	1,318
Annual change rate	1.8%	7.4%	8.6%	5.8%	3.8%	3.6%

* Preliminary figures ** Estimated figures Source: SAMA Annual Report, 2013

Development of the total GDP value at current prices (in billion riyals)



According to the 2014 Budget forecasts, the State's public revenues are expected to reach 855 billion Saudi Riyals, while expenditure is estimated also at 855 billion Saudi Riyals, which is the same level of expected revenues.

The most prominent features of expenditure in the Budget of 2014 is that it is focused on the development projects of the sectors of education, health, security, social and municipal services, water and wastewater, electronic services and scientific research support. The Budget included also carrying out new programs and projects and performing additional phases of some projects that were approved under previous budgets. The following is an overview of the provisions included in the Budget of 2014, by main sectors:

- Education and human resources development sector: SR 210 billion
- Health and social development sector: SR 108 billion
- Municipal services sector: SR 39 billion
- Infrastructure and Transport: SR 66.6 billion
- Water, agriculture, industry and other economic resources sector: SR 61 billion
- Specialized development funds and other government finance programs: SR 89 billion

2. General Investment Authority Strategy

Vision

“Enabling quality investments for achieving sustainable development.”

Mission

“Develop and attract investments through enhancement of investment environment, incentives, improvement of services with capable hands and effective partnerships.”

Objectives of SAGIA

Develop and Attract Investments

- Coordinate with other government agencies to unify efforts of investment attraction and promotion.
- List and promote investment opportunities.
- Indentify, introduce and provide incentives required for attracting investments, focusing on promising sectors.

Enhance Investments Environment

- Continued enhancement of business climate and investment environment and regulations in the Kingdom.
- Facilitation of local and foreign investment procedures, through coordination with relevant government agencies.
- Evaluation of foreign investment contribution to the Kingdom and value added achieved.
- Building SAGIA’s capabilities, for the purpose of facilitating and supporting research and analysis efforts and development of strategies and policies.

Investor Services

- Upgrading services provided by Business Centers through provision of quality electronic services.
- Enabling high value-added investments through quantitative and qualitative mechanisms, standards and conditions.
- Creating mechanisms and procedures for tracking the implementation of licences, with the objective of activating and supporting proposed project.

Part I

Status and Prospects of Development in the Region

Part I: Status and prospects of development in the Region

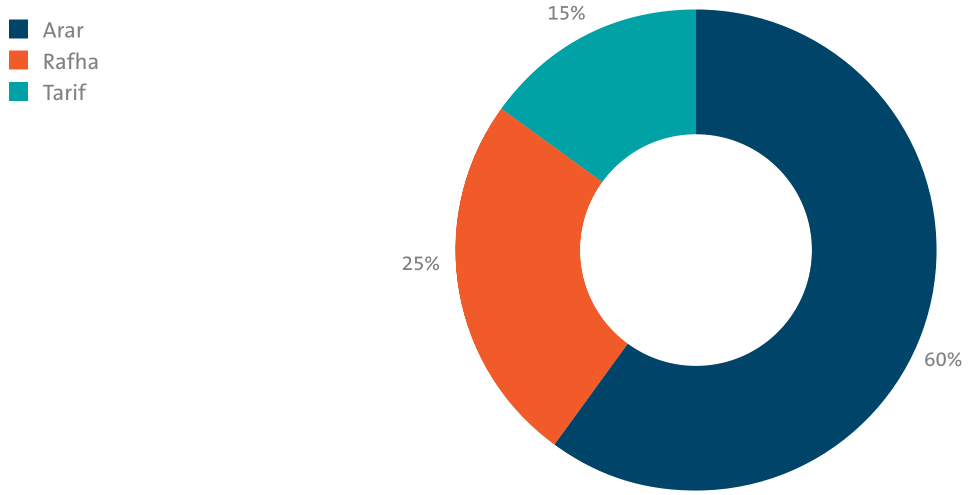
1.1 Inputs and Bases of Economic Development in the Region

Location

The Northern Borders Region is located in the far north of Saudi Arabia and it is bordered by four other administrative regions of the Kingdom: Eastern region in the east and Al Jouf, Ha'il and Al Qassim in the south. This location is of a particular importance to the Kingdom, since the region represents the whole northern border of the Kingdom with Iraq and it is the gate to Iraq, Jordan and Syria. The international highway, which passes through the Region links Kuwait and the other Gulf States to other Arab countries, north of the Kingdom. The area of the Northern Border Region is about 133 thousand square kilometers or about 6% of the total area of the Kingdom. The Region is divided administratively into three governorates: Arar, Rafha and Tareef.

Regions of Saudi Arabia

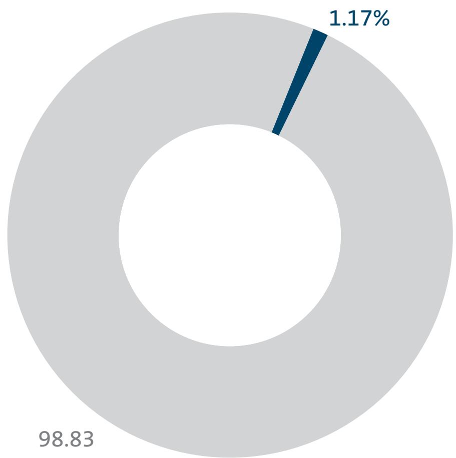
Percentage Distribution of the region population by its administrative divisions



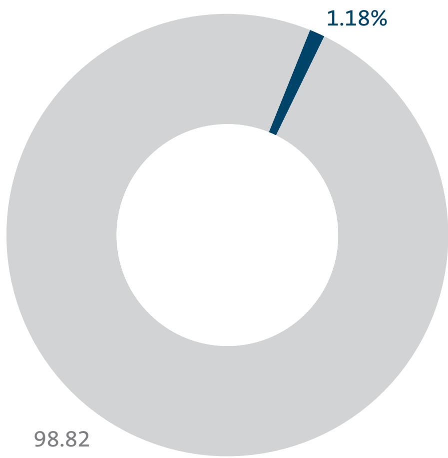
Population

According to the estimations of the Central Department of Statistics and Information the total population of the region amounted to about 395 thousand people, representing about 1.2% of the total population of the Kingdom, which amounted to about 30.8 million people in 2014. The number of Saudi population in the region is estimated at 297 thousand people against 62 thousand non-Saudis.

Region's population
(% of the total poopulation in Saudi Arabia) in 2014



Region's population
(% of the total population in Saudi Arabia) in 2010



Rest of KSA
Northern Borders Region

Infrastructure in the Northern Boarders Region

A) Road network

The total lengths of paved roads supervised by municipalities in the Northern Boarders region amount to some 1215 km accounting for 1.3% of total lengths of the Ministry of Municipal and Rural Affairs roads in the Kingdom, which reached on the end of 2012 more than 91 thousand kilometres. The length of highways, dual and single roads of the Ministry of Transport in the region is about 547 kilometres constitute for 3.4% of the total length of the roads of the Ministry of Transport in the Kingdom which reached about 16 thousand kilometres by the end of 2012. The region is currently witnessing new projects and expansions in the road network inside the cities, in addition to the roads linking the region with other regions. There are several new projects under construction of which: Completion of the dual road of Skaka/Arar to be connected with Arar/Arar Algadidah with bridge at Badana valley on the northern boarders.

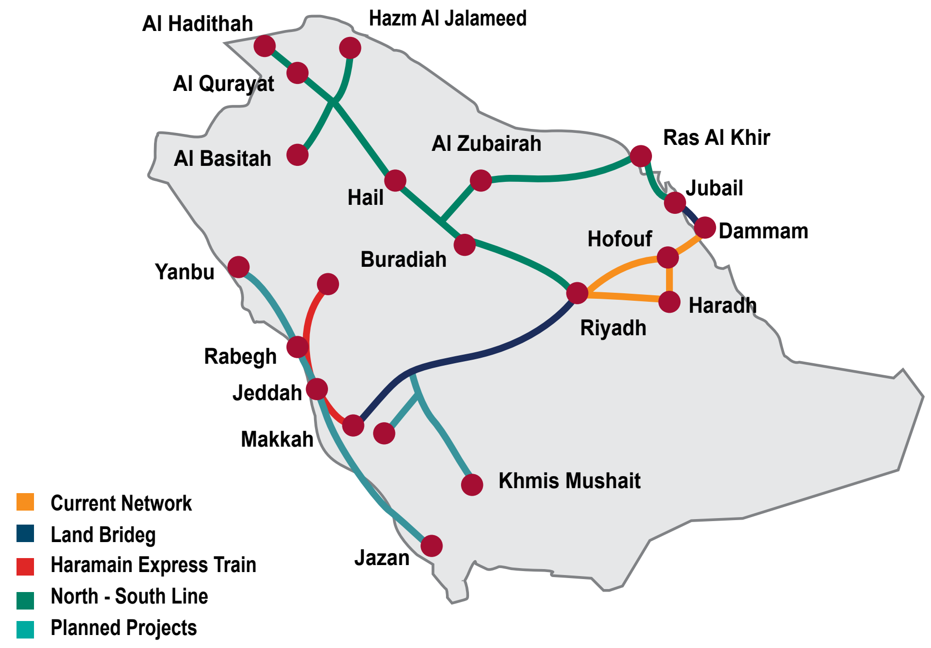
B) Air transport and airports

Northern Boarders region has three regional airports (Arar, Turaif and Rafha), serving the needs of the geographical spread of the Region of passengers and goods transport. This Airports links the Region at the national level too. The number of passengers using the Airports of the Northern Boarders amounted to 263 thousand and 274 thousand passengers in 2011 and 2012 respectively, recording an increase of about 0.8% and 0.7% of the total air traffic of passengers in the Kingdom, which recorded in the said two years 33.6 million and 38.5 million passengers respectively. The quantities of goods transported through these airports amounted to about 482 and 423 thousand tons in 2011 and 2012 respectively; representing about 0.1% of total air cargo in Saudi Arabia, which recorded about 465,000 ton and 536,000 ton respectively in the said two years. The air traffic in the Northern Boarders is one of the fundamental and important pillars on which the present and future economic development projects in the Region can rely on.

C) Rail transport

The railway service has been recently introduced into the Region through the operation of the north-south railway read which consists of two main lines: the first starting from Riyadh city extending to the north-west side towards Al Haditha city adjacent to the Jordanian borders and passing through Qassim, Hail and Al-Jouf Regions. The second line extends approximately from the center of the Riyadh-Haditha line to Al-Zubairah area in the north, passing through Al-Zubairah bauxite deposit fields up to the treatment and export facilities of Ras Alkhair Industrial City on the Arabian Gulf coast in the east. Several other secondary railroads will be constructed as a part of the project, including the railroad branching from Riyadh-Haditha main railroad which will serve Al Jalameed phosphate mines in the north-west side of the Kingdom, in addition to a second branch for serving Al-Basitah agricultural area in Al Jouf Region. Another secondary railroad will also be constructed to extend from the main railroad of Al Zubairah – Ras Alkhair to serve the bauxite coal mines of Al Zubairah, in addition to another secondary railway for serving Jubail Industrial City on the Arabian Gulf. The total length of the north-south line is estimated at about 2,400 km, in addition to side shunting tracks, yards, maintenance points, stations and administrative buildings. The total cost of the line and its branches is estimated at more than SR 12 billion. Six stations on the north-south train project have been allocated for passenger transport services. These include King Khalid International Airport station in Riyadh in addition to the stations of Al Majmaah, Qassim, Hail, Al Jouf and Al Hadithah.

Recently the construction and operation of a substantial part of the north – south railway project was started for transporting minerals from Hasm Al Jalameed at the northern part of the region passing through Hail to Ras Alkhair on the cost of the Arabian Gulf in the Eastern Region. This line is considered a considerable addition to the infrastructure of the Northern Boarders region for transportation services, storage and the development projects in the region in general.



D) Water

The Northern Borders region depends in securing drinking water on the government-run water wells. In the major cities in the region there are reservoirs and public water networks. In Rafha, there is a water purification plant with a capacity of about 10 thousand cubic meters / day. Drinking water has been secured for villages and small towns in the region through small water projects, consisting of well, elevated water tank and water filler, in the areas where water is unfit for drinking.

In areas that do not have potable underground water, drinking water is provided by tankers supervised by the Ministry of Water and Electricity. Currently, implementation is underway for more than 24 projects of water and wastewater in the Region including construction of drinking water tanks, water supply systems, wastewater systems, treatment and purification plants with a total cost of 274 million riyals.

For irrigation purposes, the Region relies on groundwater. In the Region there is Arar dam with a storage capacity of about 10 million cubic meters in addition to 7 other dams with a storage capacity of about 11 cubic meters.

F) Electricity

The region does not have any interconnected power supply network, but there are local power supply networks in the cities of Arar, Rafha and Tarif. There are three electricity generation plants, two of them gas-powered generation plants in Rafha and Arar and one diesel-powered plant in Tarif. The power generation capacity in the Region amounted to 468 MW in 2013. There is also a number of 132 KV transformer plants. The electricity network covers about 95% of the total centers in the region, while the remaining 5% secure their needs by private generators.

G) Telecommunications

The Northern Borders region is covered by a network of fixed, mobile and digital lines telecommunications services. Computers penetration rate in the Region is low. The number of landlines in the Region amounted to about 33,000 lines representing around 0.7% of the total landlines in the Kingdom in 2012 which recorded about 4.8 million lines. The number of Internet users in the Region amounted to about 148 thousand, representing about 0.9% of the total number of Internet users in the Kingdom, which amounted to about 15.81 million in 2012. The broad band subscriptions in the Region recorded about 17,000 lines representing about 0.7% of the total number of broadband lines in the Kingdom which amounted to 2.54 million lines

As for the postal services in the Region, there were 11 central offices, 4 express mail offices, 5 mail agents, 7 subscriber box rooms at the end of 2012; while the post office boxes amounted to 6.8 thousand. There are also TV and radio broadcasting stations and an office for the Saudi News Agency.

1.2 Economic activities in the Northern Borders Region

Given the nature of the Northern Border region and its natural characteristics, the region is considered one of the least regions in terms of the existence or diversification of economic activities. It is also the least of the Kingdom regions in terms of the productivity of these activities.

A) Mining and Quarrying

The mining and quarrying sector in the Northern Boarders is one of the new economic activities which can contribute to the exploitation of the natural resources in the Region, and cover the needs of other economic sectors such as industry, building, construction and others. Recently, one of the biggest and most important bauxite sites in the Kingdom has been exploited by the Saudi Arabian Mining Co. (Maaden) and that is Hasm- Al Jalameed site in the northern part of the Northern Boarders region. This site contains a phosphate mine and a plant for increasing the ore concentration. The area of the site is about 50 square kilometers. The mine produces about 11.6 million tons annually, while the plant produces about 5 million tons of dry phosphate concentrates. The estimated quantity of reserves at Al Jalameed reached about 534 million tons. The project includes huge infrastructure to support mining and ore concentration operations consisting of electricity generation station, potable water production, treatment and distribution facilities, roads and communications. The phosphate concentrates are transported by railway from Hasm Al Jalameed to Ras Alkhair in the Eastern Region. There are also other mining and quarrying activities in the Northern Boards such as limestone ores used in cement production. The main natural resources and their sites in the Region include:

No.	Ores	Major mine and quarry sites	Minor mine and quarry sites
1	Phosphates and allied metals	Hasm Al Jalameed, Um Al Waal	Al Khubara
2	Limestone	North of Harrat Al Hurra, South of Tarif	
3	Clay	Tarif	
4	Dolomites	Arar Valley	

Source: Technical, Financial and Statistical Mining Report 1433H (2012), Ministry of Petroleum and Mineral Resources – Deputy Ministry for Mineral Resources

B) Agriculture

Because most of the topsoil in the Northern Border region is unfit for agriculture, except for the lands located in the north-west of Rafha governorate, the agricultural activity in the region is limited, in terms of the cultivated land and the quantity of agricultural production. The total area of crop cultivated land in the region amounted in 2012 to about 115 hectares, representing about 0.01% of the total crop area in the Kingdom, which amounted to 788 thousand hectares in 2011. The total region production of vegetables, fruits and dates does not exceed 0.03% of the total production of the Kingdom. The numbers of livestock in the region are also very low, as its rate in 2011 to the total number in the Kingdom did not exceed 0.02%, 0.03% and 0.06% of the total production of the Kingdom of camels, goats and sheep, respectively.

C) Industry

Due to the limited market of the Northern Borders region, the number of productive factories was very little and reached at the end of 2013, only 24 factories, representing about 0.38% of the total number of productive factories in the Kingdom, totaling 6,364. The total industrial investments in the Region amounted to 2.8 billion riyals, representing 0.32% of the total investments of factories in the Kingdom, which amounted to some 873.2 billion riyals. The number of factory workers in the Northern Boarders recorded about 2.1 thousand workers representing around 0.25% of the total industrial manpower in the Kingdom which amounted to 828,000 workers by the end of 2013.

The northern region cement factory, which is 190 km from the city of Arar, and which started operation in 2008 is one of the largest factories in the Northern Borders region with an investment of about 1.2 billion riyals, and production capacity of about one million tons annually, representing about 3.5% of the Kingdom's total production of cement in 2013, which reached about 56 million tones.

D) Trade

The total number of trade establishments and businesses in the Northern Borders region amounted in 2012 to about 17,000, representing 1.5% of the total trading establishments in the Kingdom which amounted to 1.19 million establishments.

They operate in various economic activities as follows:

Trade Sector: including wholesale, retail, distribution and agency establishments.

Agricultural sector: including agricultural, livestock and agricultural services establishments.

Industrial sector: including factories and municipal licenses for workshops etc.

Contracting sector: including general and specialized contracting, maintenance and operation companies,

Services sector: including public services, education, training, and transport,

Other sectors: including personal and other services.

The annual average increase in the numbers of new enterprises in the Northern Boarders region during (2004-2012) is about 991 enterprises.

1.3 Prospects of Economic Development

Development in the Northern Border Region requires a lot of basic infrastructure facilities and services in addition to the development of the productive base, which must be based primarily on self inputs and development potentials of the Region as well as a strategy to stimulate the injection of investments into the Region. The most important needs and requirements of development in the region include:

Productive Sectors: The Northern Borders Region development requires increasing and boosting the activities of the unexploited sectors in the region, foremost among them are mining, transport and logistics services, through the development of infrastructure and facilities that serve these sectors.

Infrastructure: In order to achieve successful sustainable development, the Northern Borders Region needs to increase spending on infrastructure components in the region and to emphasize on the small population communities. This includes roads, electricity, water, communications and sewage.

Education Services: The Northern Border Region needs to develop and improve general education services and to increase general, technical and intermediary education services, to provide high education services in various scientific and literary disciplines.

Health Services: The Northern Border Region needs to increase the current health services, to provide medical services in specialties that are not available in the region.

Housing: In addition to providing job opportunities, the provision of adequate housing is one of the fundamental pillars for the stability of population in the Northern Border Region. Providing housing and residential units at the production sites is one of the most important employment requirements necessary for the projects. Furthermore, all services, especially social services and recreational activities, should be provided. The estimated annual demand for housing in the Region amounts to about 2000 new units. The demand is expected to increase after completion of the construction and operation of Wa'ad Al-Shamal Mining City.

1.4 Wa'ad Al-Shamal City

Recently the foundation stone of Wa'ad Al-Shamal Mining City had been laid near Tarif town. This city is considered the corner stone of the prospective economic development in the region. The Saudi Arabian Mining Company (Maa'den) is planning to invest in Wa'ad Al-Shamal Mining City about 26 billion riyals for the construction of a huge phosphate complex, of which 21 billion riyals for the construction of 7 big mining plants, in addition to the residential city, which includes commercial, residential and educational facilities.



Sectors with Comparative Advantage in Northern Borders Region

The Northern Borders Region has great potentials, which make it eligible to attract more domestic and foreign investments in various economic activities, especially the sectors of comparative advantage, the most important of which are:

Mining sector: Mining is one of the sectors of comparative advantage in the Northern Border Region, where there are the raw materials of the mineral wealth, characterized by its commercial volume and economic feasibility as regards utilization for industrial purposes. They include important industrial raw materials, such as phosphate which exists in Tarif Governorate, which is used in the manufacture of phosphate fertilizers, phosphoric acid and other industries. The raw materials are found at Hazm Al Jalameed and Um Al-Waal. There are four mining sites in Hazm Al-Jalameed and five mining sites in the area of Umm Al Waal. The phosphate reserves are estimated at about 1.6 billion tons. The development of Al-Jalameed has already started, where the ore will be mined, its concentration will be increased and then it will be transferred to the industrial complex of phosphate fertilizers, which was built in Ras Al-Zour, on the Arabian Gulf by railway line, which already started operation. With the full exploitation of sites of phosphate ores in the region, the Kingdom is expected to rank third globally in the manufacture and export of phosphate fertilizers

In addition to the phosphate ores, there are other important raw materials in the Region, including the Dolomites in Wadi Arar, which can be used in the manufacture of aggregates and insulation materials industries. There are also sites of sand and sandstone with about (95-97%) silica content in Qassib village.

Transport sector: Transport is a promising sector in the Northern Border region, since the region enjoys a distinct location at the local and regional levels, as it is considered the northern gate of the Kingdom via which the road transport of passengers and trade, export and import between the Kingdom and the countries of Iraq, Jordan, Syria, Lebanon, Turkey, in addition to great development, which is expected with the creation of the rail line that will link the area around Hail and Al Qassim, Riyadh and the eastern region, which qualifies the region to the growth and prosperity of service activities associated with this vital sector and the important activities such as loading and unloading, storage, refrigeration, distribution and other services, and qualifies the sector to attract large investments in various activities related.

Tourism sector: The Northern Borders Region is characterized by its desert nature and the presence of natural reserves, wild areas, and archaeological wealth and sites, which make it eligible to attract visitors and tourists and that can be used in the development of tourist activity. It is expected to pay more attention to tourism, to increase tourist, leisure and sports projects, and to attract the private sector to invest in the sector and establish hotels, furnished flats and other tourist services in the Northern Borders region.

General and Higher Education: Education indicators in the Northern Borders Region show that this is a sector that is expected to attract investments of the private sector in the field of general education (primary, intermediate and secondary) in addition to higher education, especially that the expected mining projects in the region will generate more jobs and employment opportunities in all disciplines.

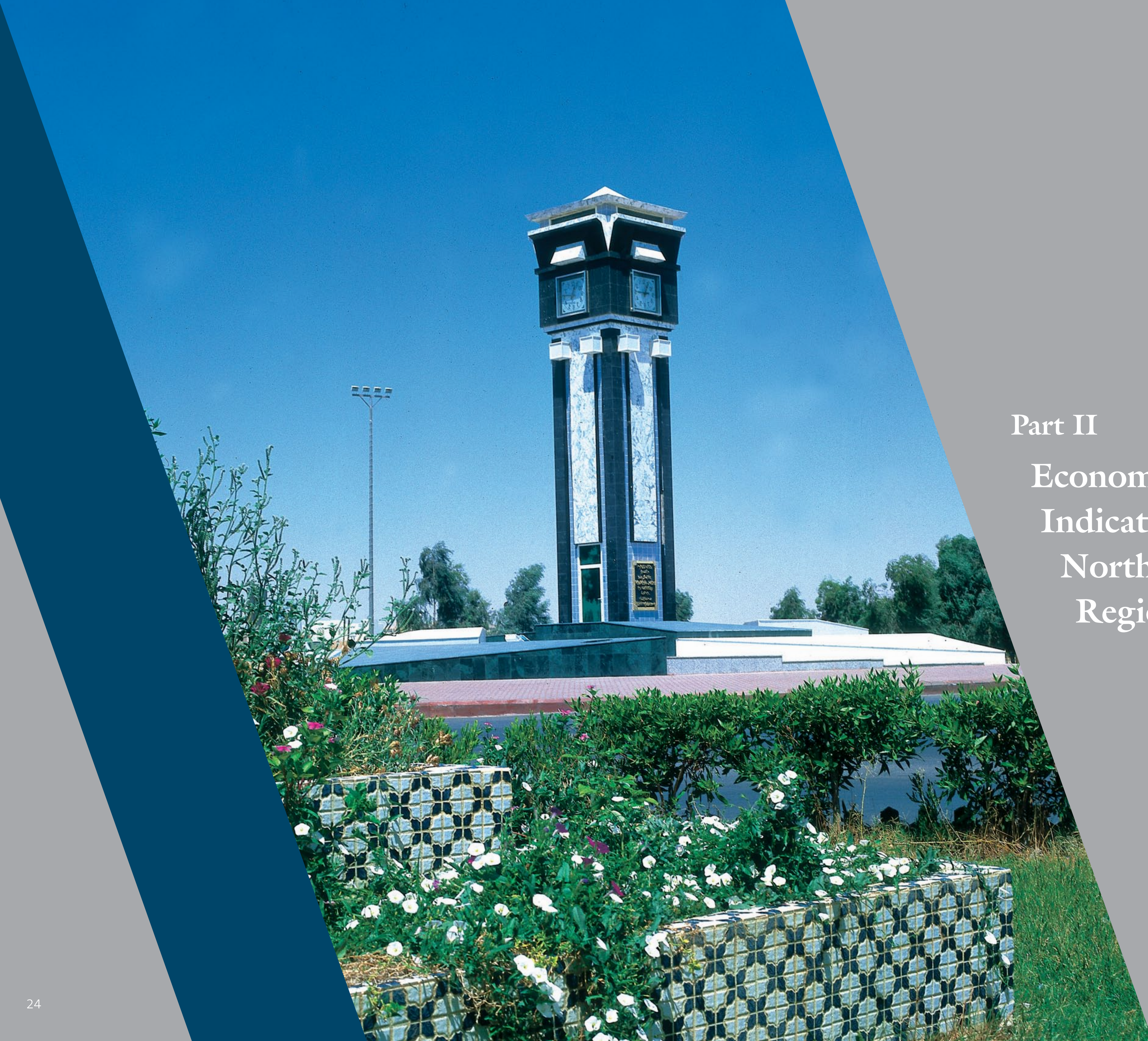
Investment Incentives

In addition to the significant support, backing and facilities provided by the governmental and administrative authorities in the Region to all domestic and foreign investments, the foreign investment projects enjoy the same advantages, incentives and guarantees available to domestic projects under the Foreign Capital Investment Law, including:

- The incentives provided for in the National Industries Protection and Encouragement Law, including the exemption of imports of goods and industrial equipment from customs duties, preferential treatment for national products to secure governmental purchases and allocation of land in the industrial cities at nominal cost.
- Ownership of the properties directly related to any project, including project staff accommodation and housing;
- The benefits available under the bilateral and multilateral agreements with regard to taxation and investment;
- Prohibitions against confiscation of any investment without judicial judgment.
- Unhindered transfer of capital and profits abroad;
- Freedom to transfer shares among shareholders;
- The licensed project's right to sponsor the foreign investor and his non-Saudis staff;
- Provision of public utilities and services at discounted prices;
- Provision of loans from Saudi Industrial Development Fund; and
- Carrying losses forward to the following years for tax purposes.

Investment Advantages and Incentives in KSA's Industrial Cities

- The industrial cities have complete and integrated infrastructure, in addition to the continuous development and provisions of more services (e.g. water, advanced communications networks, industrial safety and security, governmental services, commercial and trade centers, residential compounds).
- Rents in the industrial cities start from one Saudi Riyal per square meter of industrial land.
- Availability of several and various areas and locations throughout the Kingdom's Regions.
- Industrial services and lands are offered at discounted prices.
- Delivery of land in the available cities within a short time of the date of application through the website of the Saudi Industrial Property Authority (MODON).
- Availability of investment opportunities in industrial, residential, logistic, commercial, service and IT projects.
- Proximity to local markets and easy access to international markets.
- Financial facilities and loans up to 75% of project cost.
- Customs duty exemptions for equipment and machinery.
- Customs duty exemptions for raw materials.
- Governmental commitment to provide basic services and utilities, such as roads and electricity.
- Possible investment in construction and lease of buildings for ready-built factories (Jahiz).
- Availability of investment opportunities in BOT development and operation projects.



Part II

Economic Indicators for Northern Borders Region

Part II : Economic Indicators for Northern Borders Region

2.1 Gross Domestic Product

The Gross domestic product (GDP) of the Northern Borders Region amounted in 2012 to about 12.5 billion riyals, representing 0.5% of the GDP of the Kingdom, and 0.9% of the GDP of the Kingdom without crude oil and gas. The average annual growth rate of the GDP of the Northern Borders region amounted to about 28% during the period from 2009 to 2012. The trade sector ranks first in terms to the output of the Northern Borders region by 25.7%, followed by construction and building sector by 15.7%, transport and communications sector by 14.6%, collective and private services sector by 7.2%, financial services sector by 6.0%, industry sector by 5.7% and finally the mining sector by 3.7%.

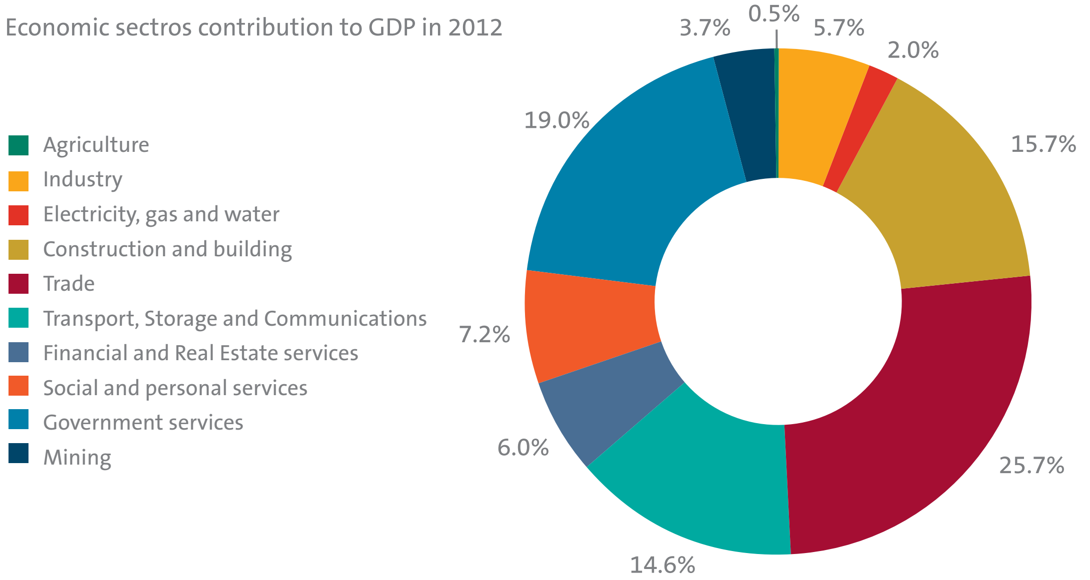
Northern Boarders Region's Contribution to Kingdom's GDP in 2009 and 2012

	2009	2012	Average annual growth rate
Kingdom GDP at current prices (billion SR)*	1,596	2,731	19.8%
Kingdom GDP without oil and gas (billion SR)*	995	1,429	11.9 %
Region GDP (billion SR) **	6.6	12.5	28 %
Region GDP to total Kingdom	0.4%	0.5%	
Region GDP to total Kingdom without crude oil and gas	0.7	0.9 %	
Average per capita GDP of the region (000' SR)	21	37	25.0 %

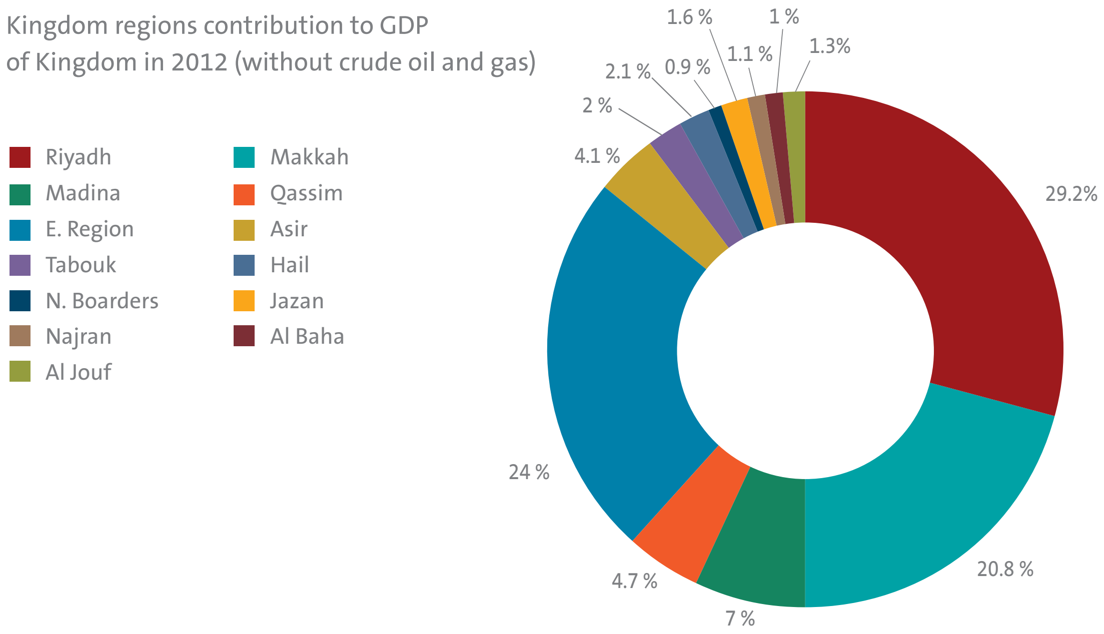
* Does not include import duties ** Study's estimates

Source: Central Department of Statistics and Information (Ministry of Economy and Planning)

Economic sectros contribution to GDP in 2012



Kingdom regions contribution to GDP of Kingdom in 2012 (without crude oil and gas)



2.2 Migration Rate and Population Attraction

According to the estimated figures of the Central Department of Statistics and Information (CDSI), the total population of Northern Boarders Region in 2014 amounted to about 385.3 thousand people representing about 1.17% of the Kingdom’s total population which is expected to record around 30.8 million in 2014. According to the population Census of 2004, the population of the Northern Boarders region was about 279.3 thousand, and 325.3 thousand according to the Census of 2010.

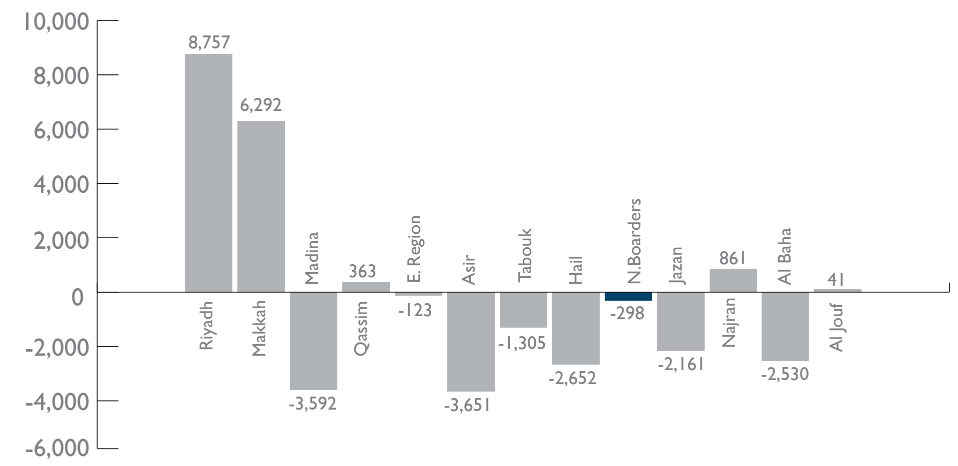
The average annual growth rate of the overall population in the Northern Boarders region during 2004-2014 recorded about 2.55%, while the average annual growth rate of the Saudi population in the Region recorded 2.17%. This rate is lower than the overall growth rate of Saudi population Kingdom-wide during the same period. Accordingly, the Northern Boarders region is one of the non attracting regions of the Kingdom.

Development of Northern Boarders Population

		2004*	2010**	2014**	Average annual growth rate (2004-2014)	Estimated Saudi population in the Region in 2014 using overall growth rate of Saudis	Difference in Region's population in 2014
Total Population of the Kingdom	Saudis	16,529,302	18,973,615	20,702,536	2.28 %		
	Non-Saudis	6,144,236	8,589,817	10,067,839	5.06 %		
	Total	22,673,538	27,563,432	30,770,375	3.10 %		
Northern Boarders Population	Saudis	239,331	271,991	296,775	2.17 %	299,756	2,981
	Non-Saudis	39,955	53,343	62,522	4.58 %		
	Total	279,286	325,334	359,297	2.55 %		

* Results of the Census of 1425H / 2004) ** CDSI Estimates based on the results of the Census of 2010

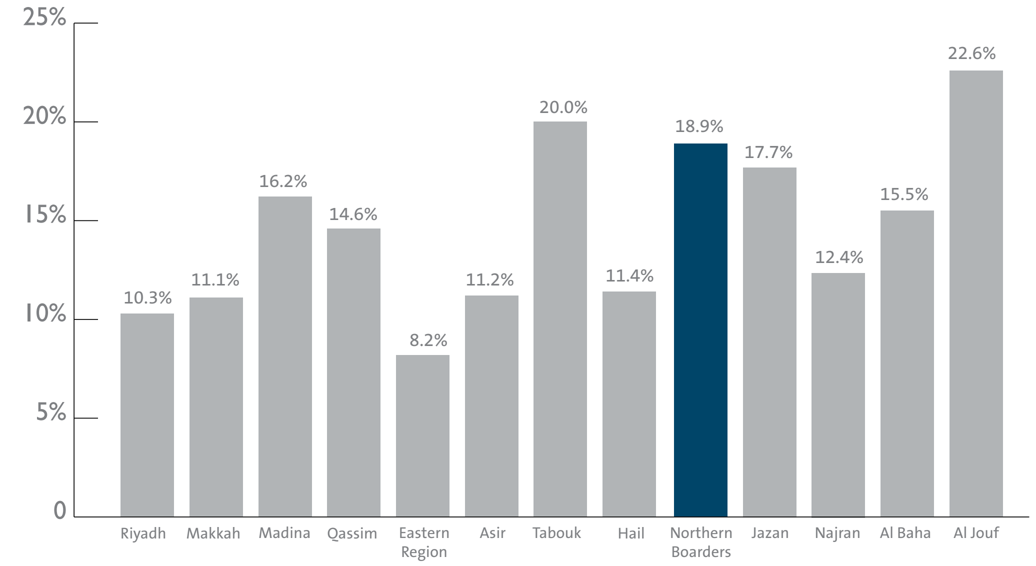
Annual rate of Saudi nationals migration (from / to) the regions of the Kingdom (as per population estimates for 2004 -2014)



2.3 Employment and Unemployment Rates

Because of the lack of adequate employment opportunities that can accommodate the Saudi job seekers in the region, compared with other regions in the Kingdom, the unemployment rate, according to the estimates of the Central Department of Statistics and Information (CDSI) for the year 2012 reached about 18.9% of the total Saudi labor force in the Region, which amounted to 62,095 (males and females). This is considered a high rate compared to the average rate of unemployment in the Kingdom, which was estimated at 12.1% in 2012. This rate is considered also high compared to the average rate of unemployment in other population non-attracting regions of the Kingdom.

Unemployment rates in the regions of the Kingdom in 2012



Source: Department of Statistics and Information – Manpower Research Study, 1433H (2012), Ministry of Economy and Planning.

2.4 GDP per Capita

Despite the region's limited contribution to the Kingdom's GDP, the effective economic sectors, including building and construction, trade and transportation, in addition to the government services have had impact on the increase in the average GDP per capita of the region from 21 thousand riyals in 2009 to 31 thousand riyals in 2012.

GDP per capita Development (2009 and 2012)

	2009	2012	Annual growth rate
Region GDP (SR billion)	6.6	12.5	28.0%
Total Region population	316,776	341,643	2.55%
(Average GDP per capita)000' SR	21	37	25%

* Study estimates

2.5 Contribution to exports of the Kingdom

The products of economic sectors in Northern Borders are not export-oriented commodities, so they do not contribute to the Kingdom's exports. However, the region is expected to contribute to the Kingdom's exports with the start of cement exports from the Northern Region Cement Factory, which was set up recently in the region and the phosphate mining activities in Hazm Al-Jalameed and the export of ore concentrates which will start shortly.

2.6 Education and training indicators

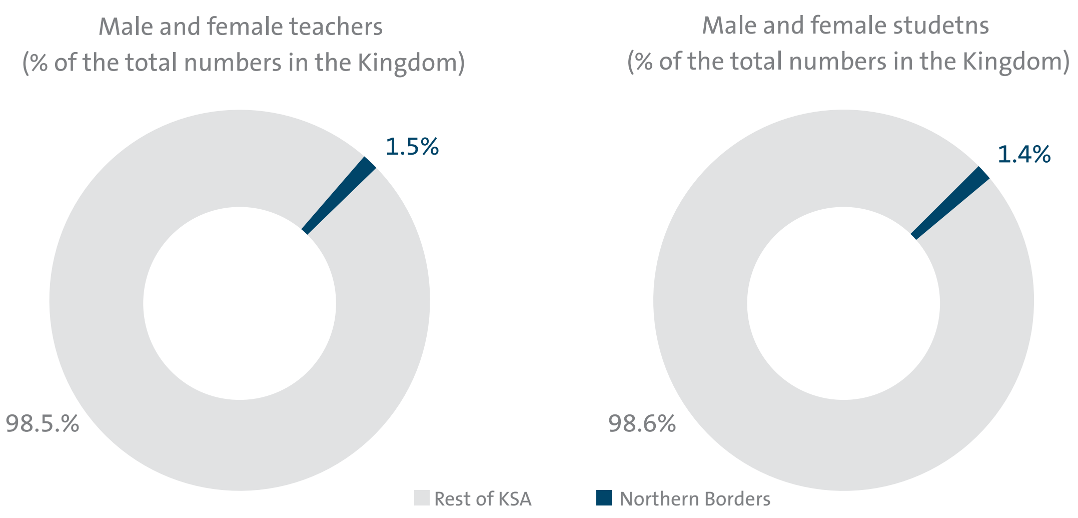
Public education: The total number of schools in various education stages in the Northern Boarders region amounted in 2013 to 599 schools, including 554 schools affiliated to the Ministry of Education and 45 private and other schools, representing about 7.5% of the total number of schools in the Region. The total number of male and female students in all public stages amounted to 79 thousands, including 73.6 thousands in the schools of the Ministry of Education and 5.4 thousands in private schools, representing 6.8% of the total number of students, males and females.

Development of Public (Governmental) Education Services in the Riyadh*

	2005	2008	2012	2013	Average annual growth rate (2005-2013)	Ratio to total number in KSA in 2013
Total number of schools at all levels	385	384	531	554	5.5 %	1.6 %
Total number of classrooms for all stages	2824	2765	3458	3509	3.0 %	1.4 %
Total number of male and female students (,000)	62.7	64.9	72.6	73.6	2.2 %	1.4 %
Total number of teachers (,000)	5.5	5.9	7.4	7.8	5.1 %	1.5 %

* Source: Statistical Abstract of Public Education in the Kingdom (1432/1433H, 1433/1434H) / Department of Statistical Information, Ministry of Education.

Indicators show that public education services in Northern Borders region are good compared with the total education services in the Kingdom as a whole. The total numbers of schools, classrooms and teachers in the Region represented 1.6%, 1.4% and, 1.5% respectively of their total numbers in the Kingdom, in 2013; while the total number of male and female students in the region was around 1.4% of the total numbers of students in the Kingdom in the same year.



In Northern Boarders region: primary stage (1:10.2), intermediary stage (1:9.2) and secondary stage (1: 10.0).

Overall average in the Kingdom: primary stage (1: 10.9), intermediate stage (1:9.7), and secondary stage (1: 10.7).

These figures show that the Region's indicators for all education stages are good compared with the overall average of the Kingdom.

2.7 Health Services Indicators

The Northern Borders Region has 45 health-care centers, 7 governmental hospitals run by the Ministry of Health including 910 beds. The health services provided by the private sector in the Region are 17 clinics and medical centers, 1 medical laboratory, 64 pharmacies and 5 optics shops.

Development of Health Services in Northern Boarders*

	2008	2009	2010	2011	2012	Ratio to total number in KSA in 2012
Ministry of Health Services:						
Health centers	42	41	43	43	45	2.0%
Visits to centers (thousand)	1,226	1,215	1,257	1,139	1,046	2.0%
Laboratory tests made in the centers (thousand)	121	123	61	61	103	1.6%
Hospitals	7	7	8	7	7	2.7%
Hospital beds	750	750	950	910	910	2.5%
Hospital doctors	465	353	530	656	686	2.6%
Outpatient visits (thousand)	282	338	358	280	275	2.4%
Inpatients (thousand)	33	62	75	75	75	4.5%
Surgical operations (thousand)	10.6	11.7	13.8	12.7	11.3	2.5%
Private sector services:						
Medical centers	20	22	23	24	17	0.8%
Private laboratories	1	2	1	1	1	1.0%
Optics shops	8	10	9	12	5	0.3%
Pharmacies	37	39	42	52	64	0.9%

* Source: Statistical Yearbook (2009-1010-2011-2012), Ministry of Health.

Indicators of health services in the Region compared to overall KSA average in 2012

Bed-to-people ratio in the region = (1: 376); overall average bed-to-people ratio for the Kingdom = (1 : 584).

Physician-to-people ratio in the Region = (1 : 414); overall average Physician-to-people ratio for the Kingdom = (1 : 603).

Comparing the indicators of health service in the Region with the overall average in the Kingdom, it is noted that they are very good and they are higher than the overall average of the Kingdom, as shown above, which means that health services in the Region are good but should be increased in terms of numbers of some services, such as medical laboratories, clinics and the special medical laboratories, which are not available in the region.

Part III

Comparison of the Region's Economic Indicators for 2005, 2009 and 2012

Part III: Comparison of the Region's Economic Indicators for 2005, 2009 and 2012

3.1 Population and Gross Domestic Product

	2005*	2009	2012
Kingdom's total population (million)	23.1	25.4	29.2
Total population of the Region (thousand)	288	317	342
Region Population ratio to total of Kingdom	1.25 %	1.24 %	1.17%
GDP* of the Kingdom at current prices (in billion riyals)	1.172	1,596	2,731
GDP* of the Kingdom without crude oil and natural gas (in billion riyals)	604	995	1,429
Region GDP* (in billion riyals)	4.3	6.6	12.5
Region portion of GDP of the Kingdom	0.4 %	0.4 %	0.5%
Region portion of GDP of the Kingdom without oil and gas	0.7 %	0.7 %	0.9%
Per capita GDP in Northern Boarders Region (000' SR)	15	21	37

Source: Northern Boarders Economic Report for 2007 and 2010, SAGIA

3.2 Export Indicators

	2005*	2009	2012
Total value of exports of the Kingdom (billion riyals)	666	697	1,457
Value of exports of the Kingdom without crude oil (billion riyals)	152	164	284
Value of exports of the Region (billion riyals)	-	-	-
Region share of total exports of the Kingdom	-	-	-
Region share of total exports of the Kingdom without crude oil	-	-	-

Source: Northern Boarders Economic Report for 2007 and 2010, SAGIA

3.3 Infrastructure Indicators

	2005*	2009	2012
Total lengths of paved roads (km)	880	1,171	1,215
Length of agricultural and earth roads (km)	948	1,022	1,201
Number of storage reservoirs and rain and flood water control dams	4	6	8
Power generating capacity (MW)		391	468
Electricity coverage in the Region	90 %	93 %	95%
Number of fixed telephone lines (thousands)	30		33
Number of mobile telephone lines (thousands)	38		
Number of digital subscriber lines / DSL	671		
Number of central post offices	20	10	11
Number of branch post offices	50	38	
Number of mailboxes (thousands)	5.2	5.7	6.8

* Source: Economic Report of Northern Boarders for 2007 and 2010, SAGIA

3.4 Economic Sectors Indicators

	2005*	2009	2013
Industry:			
Total number of factories	9	11	24
Total funding in industry (in billion riyals)	0.043	1.24	2.8
Region's share of total industrial investments in the Kingdom	0.02 %	0.3 %	0.3%
Sector's contribution to GDP of the Region	0.2 %	7.7 %	5.7%
	2005	2009	2011
Agricultural sector:			
Sector's contribution to GDP of the Region	0.3 %	0.3%	0.5%

* Source: Economic Report of Northern Boarders for 2007 and 2010, (SAGIA)

3.5 Education and Health Services Indicators

	2005*	2009	2012
Public Education:			
Teacher - student ratio in primary stage	1 / 11.71	1 / 10.91	1/10.20
Teacher - student ratio in preparatory stage	1 / 10.62	1/11.65	1 / 9.20
Teacher - student ratio in secondary stage	1 / 12.12	1 / 10.61	1 / 10.00
Higher Education:			
Number of universities of Ministry of Higher Education	-	1	1
Number of private universities	-	-	-
Total number enrolled in public universities (in thousands)	8.6	9.3	14.1
Health services:			
Bed – patient ratio	1 / 474	1 / 566	1 / 376
Physician – patient ratio	1 / 965	1 / 781	1 / 414

* Source: Economic Report of Northern Boarders for 2007 and 2010 , (SAGIA)

Part IV

Investment Opportunities in Northern Borders Region

Part IV: Investment Opportunities in Northern Borders Region

According to the above review of the Northern Boarders Region, and based on the available information and future development plans of the Region, following are the most important investment opportunities and major projects, which investors can study in detail and make sure of their economic feasibility, and then they can begin their implementation:

4.1 Investment opportunities in large projects

Opportunity No (1)	Establishment of a power station according to the relevant plans and regulations of the Saudi Electricity Company, under BOT or other systems
Project justifications and potentials	The current shortage of power in the Region, the electricity coverage is 95% so far
Target market	Saudi Company for Electricity / Northern Borders Region
Economic impact	Create new job opportunities, to contribute to the development of infrastructure projects and to provide electric power in the Region

Opportunity No (2)	A company to operate and maintain airports facilities
Project justifications and potentials	The importance of providing the logistics services for the efficient operation of the airports.
Target market	Airports of the Northern Border Region (Arar, Tarif, Rafha)
Economic impact	Create new job opportunities and providing one of the pillars of the development of the air transport sector in the Region.

Opportunity No (3)	Production of marble slabs from limestone materials found in Wadi Turba
Project justifications and potentials	Availability of raw materials; and the current and anticipated demand for marble products.
Target market	Construction sector in the Northern Border Region and neighboring regions and export markets
Economic impact	Create new job opportunities, achieving industrial integration, and increasing the value of the Saudi Arabian exports.

Opportunity No (4)	Preparation and processing silica sand used in the manufacture of glass products
Project justifications and potentials	Availability of raw materials in the Region in Gadheeb village.
Target market	Plants of flat glass, glass packs and products in the Northern Border Region and neighboring regions, and export markets.
Economic impact	Create new job opportunities, achieving industrial integration, and increasing the value of the Saudi Arabian exports.

Opportunity No (5)	Glass wear factory
Project justifications and potentials	Availability of silica sands in several locations in the Northern Border Region in Gadheeb village, which is suitable for glass wear industry.
Target market	Domestic market in the Kingdom and the international export markets.
Economic impact	Create new job opportunities, achieving industrial integration, and increasing the value of the Saudi Arabian exports.

Opportunity No (6)	Production of white Portland cement
Project justifications and potentials	Availability of the limestone, which is suitable for the white cement industry in Wadi Turba.
Target market	Construction sector and cement product industries in the Kingdom as well as export markets
Economic impact	Create new job opportunities, achieving industrial integration, and increasing the value of the Saudi Arabian exports.

Opportunity No (7)	Extraction and processing of Dolomites ores in Wadi Arar
Project justifications and potentials	The availability of raw materials in the Region, in Wadi Arar; the current and expected demand for aggregate products.
Target market	Blocks and concrete plants in the Northern Border and Al Jouf Regions.
Economic impact	Create new job opportunities, achieving industrial integration, and increasing the GDP per capita in the Region.

Opportunity No (8)	Production of concrete pads used in the construction of railway lines
Project justifications and potentials	The expected heavy demand for this product in the coming period, due to the construction of the phosphate railway.
Target market	Contractors of new railway lines in Saudi Arabia
Economic impact	Create new job opportunities and to contribute to the provision of one of the components and elements of rail road.

4.2 Investment opportunities in medium sized projects

Opportunity No (1)	Establishment of 100 bed hospital (Arar, Tarif and Rafha)
Project justifications and potentials	The need of the Region to increase the health services; especially after operation of the new investment projects in the region.
Target market	All segments of population in the Region.
Economic impact	Create new job opportunities and to contribute to the provision of one of the basic services to reduce migration from the Region

Opportunity No (2)	Establishment of a company specialized in chemical industries
Project justifications and potentials	The availability of raw materials of sulphur and phosphate in the region
Target market	All markets of the Kingdom and other Gulf countries markets.
Economic impact	Providing hard currency, diversifying sources of national income and creating new job and investment opportunities

Opportunity No (3)	Repository for Pharmaceuticals
Project justifications and potentials	There is no specialist repository for conservation and storage of medicines in the Region
Target market	Local pharmaceutical companies and the pharmaceutical trade sector in the Northern Border Region and neighboring regions.
Economic impact	Create new job opportunities and increasing the GDP per capita of the Region.

Opportunity No. (4)	Establishment of a medical complex (Arar, Tarif and Rafha)
Project justifications and potentials	The need to increase health services in the region specially after operation of the new investment projects in the region
Target market	All segments of the population in the Region
Economic impact	Create new job opportunities, to contribute to the provision of basic services in order to reduce the population migration from the Region.

Opportunity No (5)	Establishment of a 100-room five-star hotel
Project justifications and potentials	The expected demand for hotel services, especially after completion of the phosphate projects and the railway line as there are no five star hotels in the region. There are only three two-star hotels.
Target market	Tourism sector in the Region, and visitors either for employment, business or trade.
Economic impact	Create new job opportunities and increasing the GDP per capita of the Region.

Opportunity No (6)	Internet Service Provider
Project justifications and potentials	The substantial growth in demand for Internet and communication services
Target market	Companies, institutions and individuals in the Region.
Economic impact	Create new job opportunities, and increasing the GDP per capita of the Region

Opportunity No (7)	A company for fuel stations and vehicles service and repair on the roads in the Region
Project justifications and potentials	Severe shortage in road services in the Region
Target market	Road users in the region
Economic impact	Create new job opportunities, to provide services that contribute to the economic growth in the Region.

Sources of Data and Information

Description	Source
Economic Developments in KSA	SAMA Annual Report, 2013. Statement of Ministry of Finance on the public Budget of the Kingdom, 1435 – 1436H.
Population	Central Department of Statistics and Information (CDSI)
Infrastructure	
Roads	Statistical Yearbook 2012, CDSI, Ministry of Transport. Reports and statistics of Ministry of Municipal and Rural Affairs.
Air Transport	Statistical Yearbook 2012, CDSI, Saudi Airlines.
Railway Transport	Saudi Railways Organization, Saudi Railway Co.
Sea Transport	Ports Reports and statistics 2013, Saudi Ports Authority.
Water	Annual Report, Saline Water Conversion Corporation (SWCC). Report of Water in KSA, Ministry of Water and Electricity.
Electricity	Annual Reports, Saudi Electricity Co., Ministry of Water and Electricity.
Communications	Statistical Yearbook 2012, CDSI, Communications and Information Technology Commission (CITC), Saudi Post.
Economic Activities	
Oil and Gas	Oil and Gas Statistics, SAMA Annual Report 2013, Ministry of Petroleum and Resources, Aramco Annual Report.
Industry	Report of Industry in KSA 2013, Ministry of Commerce and Industry.
Agriculture	Annual Agricultural Statistical Yearbook 2012, Ministry of Agriculture.
Trade	Ministry of Commerce and Industry.
Construction	Reports and statistics of Ministry of Municipal and Rural Affairs.
Mining	Technical, Financial Statistical Report on Mining Activities for 2012, Ministry of Petroleum and Mineral Resources.
Tourism	Saudi Commission for Tourism and Antiquities, Tourism Information and Research Center (MAS).
Economic Indicators	
Region's GDP	SAMA Annual Report 2013, Estimates of the Study.
Immigration Rates and Population Attraction	Results of KSA's Population Census 2004-2010, CDSI.
Employment and Unemployment Rates	Manpower Research Study 2012, CDSI.
Per Capita GDP	SAMA Annual Report 2013, Estimates of the Study.
Region's Contribution to Exports	KSA Exports Statistical Bulletin 2012, CDSI.
Educational Services Indicators	Statistical Abstract of Education in KSA, 2011, 2012 and 2013, Ministry of Education.
Health Services Indicators	Annual Statistical Yearbook 2012, CDSI, Ministry of Health.