1. Sector Overview

Saudi Arabia is the largest market in the Middle East for construction work, ahead of Turkey, Iran and neighboring Gulf countries. The construction sector is ranked second after oil in the Kingdom's economy and contributes approximately 8% of total GDP, with a nominal value of around CAD $48 billion a year.

The rapidly growing population is exerting pressure on existing infrastructure. As a result, the government has initiated a number of large investments in this sector for the coming years valued at CAD $1 trillion. The government is putting emphasis on optimizing the use of available resources and giving priority to projects that ensure balanced development, as well as more employment opportunities and job creation. Specifically, focus will be on education, health, social services, housing, security services, municipal services, water and sewage services, roads, highways, airports, metros, railways and related transportation systems.

The government has announced projects worth approximately CAD $66 billion to be completed end of 2014. Education and healthcare still remain a focus for the government, accounting for 37% of total spending.

Total expenditure in education and training amounts to CAD $56.8 billion, a 21% increase from 2012. Funds will be used to finance work on 539 new schools, 15 new colleges, and 3 new specialized hospital schools.

Health & Social Affairs spending is on the rise as demand for healthcare continues to increase. The government allocated CAD $28 billion, a 16% increase from the 2012 appropriation. Projects include the construction of 19 new hospitals and healthcare centers. For social services, the new budget includes construction of 20 new sport clubs, 15 social centres, social welfare and labour offices at a cost of CAD $8.4 billion.

New capital spending of CAD $43.8 billion has been allocated for transportation and telecommunications, water, agriculture, municipal services and related infrastructure, which represents an increase of 17% from the previous year.

Economic Cities in the Kingdom

As part of a government plan to promote development across the country, King Abdullah laid the foundation for four economic cities:

1. King Abdullah Economic City (KAEC) in Rabigh: The Dubai-based Company Emaar is developing this CAD $93-billion project, spreading over 168 square kilometres and including an industrial zone, seaport, residential area, sea resort, educational zone and central business district.

The city will progress toward completion over a period of 23 years, from 2006 to a projected completion date in 2029 (260,000 apartments and 56,000 villas).
2. **Knowledge Economic City (KEC) in Madinah** is the second economic city near the holy mosque with an Islamic theme. It will be built at an estimated cost of CAD $8.3 billion, dedicated to education and research and development. The project is expected to finish in 2020.

3. **Jazan Economic City (JEC) in Jazan** will cover an area of over 100 square kilometres of land and will be developed as an industrial and logistics hub, connecting the wider region with global export markets. The project is expected to attract over CAD $31.3 billion in investments with a predicted completion date in 2036.

4. **Prince Abdul-Aziz Bin Mousaed Economic City (PABMEC) in Ha’il** will utilize 156 square kilometres with total outlay reaching CAD $8.3 billion over the next 10 years. Al Mal Economic City Holding Company is developing the Ha’il new economic city, which will incorporate logistics, air/land cargo, aircraft maintenance facilities, mining, agriculture and food processing industries.

This ambitious development is under the auspices of the **Saudi Arabian General Investment Authority**, known as SAGIA. SAGIA plays the role of regulator, facilitator and promoter within the private sector by providing capital, land owners, and developers.

It is important to mention that plans for the economic cities were launched before the global economic crisis struck in 2008. Saudi Arabia is currently struggling to attract investment from private investors, forcing the government to infuse more funds to support their development.

**Other Mega Projects**

**The Kingdom Tower project in Jeddah** will be the tallest building in the world, as well as the first structure to reach the one-kilometre mark. This building will be located as part of the new Kingdom City as a mega development project that will stretch across 5.2 million square metres. The Kingdom Tower is expected to cost $1.2 billion to construct. In 2011, Prince Waleed Bin Talal, chairman of the Kingdom Holding Company (KHC), initiated the project and reached a deal with the local Saudi Binladin Group that will see the contractor invest $400 million in building the tower in return for a stake in the project. In addition, US-based Calthorpe Associates has been named as lead master planner for the development, while UAE-based Godwin Austen Johnson architects has been appointed as urban architect. Recently in February 2013, UK-based EC Harris/Mace was awarded the project management contract as part of a joint venture to oversee the development. During this three-phase project, KHC and Saudi Binladin will continue to seek additional partners and sub-contractors to support the project.

**The King Abdullah City for Atomic and Renewable Energy (KACARE) in Riyadh** has been established to meet the country’s growing energy needs and reduce its dependence on fossil fuels. It aims to contribute to sustainable development by promoting the peaceful uses of atomic and solar energy in areas such as agriculture, desalination, medicine and mining. Its work will support scientific research and development, training programs and conferences, and co-ordination of the country’s renewable energy centers.

**The Saudi Green Building Council in Riyadh** was formed in conjunction with KACARE to develop and implement green initiatives. In light of this green program, the Saudi economic cities will be positioned as global environmental leaders by using Leadership in Energy and Environmental Design (LEED) to minimize negative environmental impacts and promote energy efficiency and sustainable development.
The Kingdom is fast becoming an important market for green building exports as the demand for green building technologies is increasing. These technologies include architectural and engineering services, consultation and design, fire and sound-proofing materials, management consulting and energy saving insulation products for floors, wall and ceilings.

**Saudi Public Pension Agency or PPA** in the north of Riyadh is building the King Abdullah Financial District (KAFD) located on a 1.6 million m² site, at an estimated cost of CAD $8.3 billion. The KAFD will house the headquarters of the Capital Market Authority, the stock exchange, banks, financial institutions and other service providers. The different parts of KAFD will be linked by a monorail being built by Canada’s Bombardier. The project is expected to be completed by July 2014.

**Sudair Industrial City in Sudair** will be the largest project in the Kingdom of Saudi Arabia. It will be located 120 km north of Riyadh, over an area of 264 km², valued at CAD $41.7 billion, and will be developed by MODON. Expected completion date is in 2029. The purpose of building Sudair City is to ease traffic congestion and urban migration into the capital of Riyadh.

**Jeddah Development & Urban Regeneration Company (JDURC)** was established by the municipality of Jeddah to develop a 20-year strategic plan for the city. The cost of modernizing Jeddah to accommodate a growing population is evaluated at CAD $8.3 billion. The plan focuses on the development of urban centers, residential districts, seafront areas, transport facilities, tourism and recreational centers. Developers that are interested in any of these projects and have the expertise and capability to undertake such projects should email [pqq@jdurc.com](mailto:pqq@jdurc.com) and request the relevant material electronically.

**Arriyadh Development Authority (ADA) in Riyadh**: The city’s development body (ADA) plans to undertake a major strategic development covering expansion of the capital and its neighboring areas over the next 50 years. The ADA has completed a master plan for two new cities on the outskirts of the capital to cope with the expected rise in population. ADA is planning hundreds of additional projects worth over CAD $67.8 billion, including the Riyadh Metro.

**Colleges of Excellence (CoE) in Saudi Arabia**: CoE offers quality vocational training programs through public private partnerships in cooperation with top-level training providers in Saudi Arabia. The nation intends to enroll international training providers to boost 26 new autonomous colleges. These colleges will be independently run by international providers and regulated by CoE.

### Selected mega projects under execution in Saudi Arabia

<table>
<thead>
<tr>
<th>Project</th>
<th>Client</th>
<th>Estimated value ($m)</th>
</tr>
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<tbody>
<tr>
<td>King Abdullah Economic City</td>
<td>Emaar, The Economic City</td>
<td>93,000</td>
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<td>Saudi housing programme</td>
<td>Housing Ministry</td>
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<tr>
<td>Sudair Industrial City</td>
<td>Saudi Industrial Property Authority (MODON)</td>
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<tr>
<td>Jizan Economic City</td>
<td>Saudi Arabian General Investment Authority (SAGIA)</td>
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<td>Riyadh Metro</td>
<td>Arriyadh Development Authority</td>
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<td>Project Description</td>
<td>Responsible Body</td>
<td>Value (in SR)</td>
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<td>Sadara chemical complex, Jubail</td>
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<td>Kingdom City</td>
<td>Kingdom Holding</td>
<td>20,000</td>
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<td>Haramain high-speed rail network</td>
<td>Saudi Railways Organisation</td>
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<td>Security compounds</td>
<td>Interior Ministry</td>
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<td>Yanbu Aramco Sinopec refinery</td>
<td>Yanbu Aramco Sinopec Refining Company</td>
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<td>Maaden/Alcoa aluminium complex</td>
<td>Saudi Arabian Mining Company (Maaden)</td>
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<td>Manifa Arabian heavy crude programme</td>
<td>Saudi Aramco</td>
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<td>King Abdulaziz International Airport</td>
<td>General Authority of Civil Aviation</td>
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<td>Knowledge Economic City in Medina</td>
<td>Knowledge Economic City Company</td>
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<td>Sipchem complex phase 3, Jubail</td>
<td>Saudi International Petrochemical Company (Sipchem)</td>
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<td>Waad al-Shamal Phosphate City</td>
<td>Mosaic/Saudi Basic Industries Corporation (SABIC)</td>
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<td>King Abdullah Financial District</td>
<td>Rayadah Investment Company</td>
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<td>PetroRabigh phase 2</td>
<td>Rabigh Refining and Petrochemical Company (PetroRabigh)</td>
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<td>Wasit Gas Development</td>
<td>Saudi Aramco</td>
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<tr>
<td>Jabal al-Kaaba</td>
<td>Abdul Latif Jameel Real Estate Investment Company</td>
<td>2,666</td>
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</table>

Sources: MEED; MEED Projects

2. Sector Opportunities and Market Challenges

The construction sector in the Kingdom of Saudi Arabia is showing no signs of slowing down. These changes are offering local and foreign firms excellent opportunities in all aspects of engineering disciplines, including green building and sustainable development. Despite the opportunities, at the
same time, foreign firms face real challenges entering Saudi Arabia’s market.

Saudi Arabia is a complex and competitive market. Major engineering services and building products have been successfully provided by American, British, French, Italian, Spanish, and Far Eastern firms. Canadian engineering and construction firms have not been very active to date in Saudi Arabia. Nevertheless, over the last few years there have been some successful ventures formed between Saudi and Canadian architectural and consulting firms.

Some Canadian firms with recent successes include: Bombardier, EllisDon, MMM, Moriyama & Teshima, SNC-Lavalin and others. Furthermore, there are also excellent opportunities for Canadian companies to form strategic alliances with international European, American and Far Eastern infrastructure companies. Overseas firms are recommended to find strong local Saudi partners and to incorporate as a local entity. Common business structures are: limited liability companies, joint stock companies and branches of foreign companies.

Establishing a presence in the market requires a significant investment of time and money. Business methods are complicated, and the bureaucracy is sometimes difficult to penetrate. To avoid misunderstandings or problems in contract implementation (including delay or withholding of payments by clients), it is recommended that Canadian firms intending to establish a presence in the Kingdom seek professional legal and tax advice prior to finalizing any business arrangement. Contacts for approved legal services are listed in the Annex.

3. Recommendations

Canadian firms interested in doing business inside the Kingdom should plan to establish a local presence.

Before doing so, the investment law requires foreign companies to obtain a foreign capital investment licence. These licences are issued by the Saudi Arabian General Investment Authority (SAGIA).

After obtaining the licence, it is highly recommended to incorporate with a strong local partner. The most common corporate vehicle for equity partnership is a limited liability company with a local partner. A limited liability company must have a minimum of two shareholders and cannot have more than 50 shareholders.

Other methods of incorporating as a local entity are by establishing a joint stock company or having a branch. Operating as a joint stock company requires a minimum of five shareholders and a minimum capital investment of 2 million riyals (approximately CAD 562,000 Spot rate, September 2013). A branch is subject to the provisions of the Regulations for Companies and to the laws and regulations applicable to the activities. Usually, the branch will be registered under a different name through an affiliation. Furthermore, a certain amount of capital is required to be deposited into a local bank and held until approval is given by the Ministry of Commerce and Industry.

A limited liability company with a local partner is one of the most common approaches to succeeding in the Saudi market. Although less likely to curry favour with Saudi contract authorities, many foreign companies base themselves in Dubai or elsewhere in the region. The UAE, Kuwait, Qatar, Bahrain and Oman are neighbouring states that belong to the Gulf Cooperation Council and often serve as convenient hubs for foreign companies active in the region.

Canadian Government Contacts
Bibliography

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- Arab News, English Language Newspapers
- US Saudi Arabian Business Council
- MEED, The Saudi Arabian Report
- SAGIA, Saudi Arabian General Investment Authority
- Saudi Gazette
- ConstructionWeekOnline.com
- MiddleEastRail2014
- General Authority of Civil Aviation

Other Useful Sites

- Canadian Commercial Corporation
- Canada-Arab Business Council
- Doing Business in Saudi Arabia
- Business Development Bank of Canada
- Export Development Canada
- Industry Canada
- The Canadian Trade Commissioner Service
- Foreign Affairs, Trade and Development Canada

Annex

Key Players in the Saudi Construction and Engineering Market

Economic Cities

King Abdullah Economic City (KAEC) and EMAAR the Economic City
  Mr. Fahd A. Al-Rasheed
Chief Executive Officer

Prince Abdulaziz Bin Musaed Economic City (Ha'il)
Al Mal Investment Company
  Mr. Haitham Hmaidan
Contracts Manager

The Knowledge Economic City (KEC)
Contractor/Consultant Prequalification

Mr. Omar Ahmad Bayazeid
Vice-President, Contracts & Procurement

Online pre-qualification

Jazan Economic City

Eng. Erwin Pangan
Contracts Manager

Mega Projects

King Abdullah Financial District (KA FD) and Information Technology & Communication Complex

Mr. Waleed A. Aleisa
Project Manager
King Abdullah Financial District

Saudi Industrial Property Authority (MODON)

Mr. Adullah Al Fassam
Senior Project Manager

Ministry of Housing

Mr. Abbas bin Ahmed Hadi
Deputy Minister of Housing
Contact: Mr. Abdulaziz Alfayad

Jeddah Development & Urban Regeneration Co.

Waleed Abdullah Abdul-Aal
Chief Executive Officer
Email: info@jdurc.com

High Commission for the Development of Arriyadh

Dr. Ibrahim Al-Sultan
President

Construction Companies

Al-Arrab Contracting Co.

Mr. Nabil Ghantous
Chief Executive Officer

Saudi Bin Ladin Group

Mr. Mustafa Eisa Mustafa
Technical Manager
Email: studies@pbad.sbg.com.sa

El-Seif Group

Mr. Khaled Musaed El-Seif
Chairman

Almabani General Contractor

Mr. Jean Akari
Assistant Vice President, Operations

**NESMA & Partners**
- Mr. Imad S. Gholmieh

Chief Executive Officer

**Al –Latifia Trading & Contracting**
- Mr. Sayyed Ehtesham Hussain

Senior Engineer

**Shibh Al-Jazira Contracting Co.**
- Mr. Mustafa Darwish Salman

General Manager

**Zuhair Fayez Partnership Consultants**
- Mr. Mohammed A. Rahimi

Vice-President

**Saudi Consulting Services**
- Mr. Fahad M. Tamimi

President

**Saudi Consolidated Engineers Company / Khatib & Alami**
- Mr. Samir Ashour

Resident Manager, Associate

**Omrania & Associates**
- Mr. Basem Al Shihabi

Managing Partner

**Dar Al-Handasa**
- Mr. Danny E. Aoun

Partner in Charge of the KSA

**Dar Al Riyadh**
- Mr. Taco Nieuwenhuijsen

Group Commercial Director