

Marmore First Take

Kingdom of Saudi Arabia's NEOM

October, 2017

Highlights

The Future Investment Initiative (FII) by the Public Investment Fund of KSA (PIF) held on 24 - 26 October 2017, is a global investment event attempting to connect the world's most influential investors, various business leaders, multiple thought leaders and Saudi public officials with the innovations that are defining the future of work and economic development¹. Global CEOs, along with leading experts and government officials, participated in a broad

array of discussions during the FII, including a high-profile Summit on Artificial Intelligence (AI) and Robotics².

During the FII event, the Kingdom's Crown Prince Mohammed bin Salman bin Abdulaziz announced the NEOM project. The project that will focus on nine specialized investment sectors is valued at over USD 500bn by the PIF.

Figure: The NEOM Project



Source: Associated Newspapers Ltd

NEOM is a city, which when complete, will straddle KSA's northwest, Jordan and Egypt. The world media has wondered what 'NEOM' stands for. According to Al Arabiya, the first three characters "NEO" is derived from the Latin word that means "new"; while the fourth character "M" is the abbreviation of the Arabic language word "Mostaqbal" that means "future".

Overlooking the Red Sea and the Gulf of Aqaba from the north and west, NEOM occupies an area of 26,500 square kilometers, along with a 468-kilometer waterfront. To the east, NEOM is surrounded by mountains that rise to a height of 2,500 meters. The project includes areas within the Egyptian and Jordanian territories, making it the first private zone across the borders of three nations³.

Access to the Red Sea, via which over 10% of the global trade passes, is a significant feature of the project. About 70% of the global population can access the site within eight hours. It is anticipated that NEOM's location and economic significance will be enhanced because it is the principal entrance to the King Salman Bridge that will link KSA with Egypt. NEOM aims to develop key economic sectors for a sustainable future. Nine priority economic sectors have been identified by the Kingdom as part of NEOM. They are energy; transportation; food; technical and digital science; advanced manufacturing; biotechnologies; living (housing, education, healthcare, etc.); media; and entertainment.

The NEOM special economic zone will be a Greenfield project built on untouched or raw land, differentiating it from other projects and

urban areas around the world that have generally evolved over hundreds of years. Thus, the flexibility is expected to permit the use of next generation technologies and robotics as a keystone of the project's infrastructure. It is also envisioned to encourage a new or idyllic lifestyle that factors human beings' ambitions and aspirations with state-of-the-art technology.

Moreover, NEOM is planned to automate all services and procedures and will apply automation to legal, governmental, investment, and other services or activities. A large number of robots, perhaps even exceeding NEOM's human population, is expected to carry out repetitive and arduous activities—possibly making NEOM's per capita GDP the highest in the world. The overall project is divided into two phases:

Phase 1 (2019-2025): According to the current plan, main pillars for the NEOM project will be laid out by the last quarter of 2019— with the general strategy defined, institutions and city council responsible for its development set up, lead investors anchored, initial master plan development, and works around the basic infrastructure launched.

Phase 2 (2025 and beyond): At this stage, the project focus will be on sustainable growth of identified nine sectors. NEOM will hope to accomplish its aim of being a global model for human living and technological innovation.

The NEOM project enjoys an exceptional strategic advantage at the confluence of Asia, Europe and Africa. It now remains to be seen whether the project will become the center of the economic future that the PIF wishes to support for the KSA.

¹ Public Investment Fund

² Saudi Press Agency

³ Saudi PIF

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