

# IKTVA and Saudi Arabia Vision 2030

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## Abstract

The In-Kingdom Total Value Add (IKTVA) Program, launched in December 2015, is an initiative of Saudi Aramco to drive additional domestic value creation in Saudi Arabia. This was launched in order to support the rapidly changing economic environment and promote future prosperity. It is the bedrock of the strategy at Saudi Aramco, A Saudi Arabian Petroleum and Natural Gas Company that is based in Dhahran. According to Al-Ghalayni, Chairman and CEO of BMG Financial Group, “*Made in Saudi Arabia*” as a slogan carries the vision and will be crucial to the long-term economic growth of the Kingdom. To date, Saudi Aramco has held 5 Annual IKTVA forums and exhibitions. The 2-day 2020 forum attracted more than 70 exhibitors, 14 government bodies, and 8 international energy players in the industry. This alone was a significant boost to the efforts made locally towards localization of the Kingdom’s economy.

**Keywords:** Saudi Arabia, (IKTVA) Program, economic environment, Natural Gas Company.

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## A) INTRODUCTION

### What is IKTVA?

The In-Kingdom Total Value Add (IKTVA) Program, launched in December 2015, is an initiative of Saudi Aramco to drive additional domestic value creation in Saudi Arabia. This was launched in order to support the rapidly changing economic environment and promote future prosperity. It is the bedrock of the strategy at Saudi Aramco, A Saudi Arabian Petroleum and Natural Gas Company that is based in Dhahran. According to Al-Ghalayni, Chairman and CEO of BMG Financial Group, “*Made in Saudi Arabia*” as a slogan carries the vision and will be crucial to the long-term economic growth of the Kingdom. To date, Saudi Aramco has held 5 Annual IKTVA forums and exhibitions. The 2-day 2020 forum attracted more than 70 exhibitors, 14 government bodies, and 8 international energy players in the industry. This alone was a significant boost to the efforts made locally towards localization of the Kingdom’s economy.

### Saudi Arabia Vision 2030

The Saudi Arabia Vision 2030, announced in 2016, is aimed towards a primary goal to be an exemplary, leading nation in all of the aspects of the economy, culture, and other major standards. Its long-term targets and expectations are all built upon Saudi Arabia’s unique strengths and capabilities, including its role in the global playing field. The Saudi Arabia

Vision 2030 acts as a guide for the country's aspirations towards the new phase of development that is being rolled out. It creates a vibrant society for its citizens, allowing them to fulfill their dreams, goals, hopes, and ambitions. The IKTVA Program's Vision 2013 aims to establish at least 30 training centers that will prepare over 360,000 highly skilled technical graduates for the marketplace by the year 2030, according to Dr. Mohamed Ramady, an energy economist and geopolitical expert. Overall, this allows them to achieve success in a thriving economy that enables them to do so. Meeting these ambitious targets set by IKTVA will not be an easy task, but it is crucial if the economic and social transformation of the Kingdom is to be achieved.

According to the Ministry of Labour and Social Development, Saudi Arabia, the IKTVA program was officially launched in December 2015. There was a need to increase employment opportunities for Saudis. In the years leading to the 1980s and 1990s, many Saudi men found employment in the government. With the increase in population, there was a scarcity of government jobs as more than 65% of the population of native Saudi men were of working age. There was, therefore, a serious need to redirect the local recruitment of jobs towards these unemployed citizens.

## Saudization

There were also other efforts prior to the IKTVA program. For instance, there was a move to promote Saudization, which is officially known as the Saudi nationalization scheme, which began to take form in the 1980s. Among other goals, this seeks to ensure that Saudi nationals receive fair opportunities to access jobs in the workforce. It ensures that there is a minimum percentage of citizens of Saudi Arabia that each company is expected to hire, depending on the company's size and industry. There was also a need to increase the export margins of energy-related goods and services from Saudi Arabia to at least 30% by the year 2021. This also meant that the percentage of energy-related goods that are locally produced and contracted by Saudi Aramco by at least 70%, also in 2021.

## Why IKTVA is Superior

There are other programs that have been implemented before in an attempt to promote Saudization, but not all companies fulfilled their Saudization quotas. Some who managed to do so did not remain compliant over the consequent years. The IKTVA program is considered superior to other nationalization plans that have been implemented before because it is in line with initiatives to localize labor and the production of goods and services. This initiative is undertaken by the National Transformation Program as well as Saudi Arabia's Vision 2030. Both are particularly intent on promoting the development of local content, allowing the Saudi population access to numerous job opportunities, and stimulating growth and diversification of the economy of Saudi Arabia.

## Structure of this Paper

This paper intends to look at other efforts that have been put in place in a move to support nationalism. It looks at how relevant they are to IKTVA and how IKTVA has managed to mitigate its shortcomings. It also critically looks at IKTVA as a solution towards Saudi Arabia's Vision 2030, its implementation, and how it works. There are various tools used to evaluate IKTVA as a solution. This can be looked at in various ways through testing, conducting comparisons with other solutions, establishing to what degree IKTVA is a better solution than others, and how successful it is in solving the problem at hand.

## b) Related Work

There are numerous efforts that are aimed towards the nationalization of economic efforts and opportunities in Saudi Arabia. Most of them have stemmed from the constant influx of international companies and personnel who invest in the country and repatriate their profits. This has been the current norm for the past few decades, with the enormous economic boom that has been experienced in Saudi Arabia. These efforts have cumulatively contributed towards the nationalization effort that IKTVA is realizing.

## Efforts to Solve this Problem - Saudi Nationalization Scheme

One of the efforts that are in place in a bid to promote the nationalization or, rather, localization of economic efforts is Saudization, also known as Saudi Nationalization Scheme, also as Nitaqat in Arabic. It was a new policy launched and implemented by the Kingdom of Saudi Arabia and the Ministry of Labour and Social Development. Under this directive, companies and business enterprises are required by law to have a given number or percentage of Saudi nationals in their labor workforce, depending on their levels. This is also determined by their industry and the size of the entity.

Reducing the number of Saudi nationals who are unemployed was the main driving force of the nationalization scheme. Why have so many investments sprouting in every sector, from food to beverage, clothing, manufacturing, oil, petroleum, cosmetics, and tourism, but the ripple effect does not trickle down to the locals? At what point will the economy begin to absorb the graduates and professionals who are trained and are available locally and utilize the local content that the country produces each year? Most of these sectors were mostly dominated by other nationals who would repatriate dividends and profits. According to the Ministry of Labour and Social Development, most of these workers were mainly from India, Pakistan, the Philippines, and even other Arab countries like Lebanon and Egypt. The local citizens were largely maligned and under-utilized, thus undermining the potential and value of the local workforce.

## Incentives for Nationalization

One of the incentives to ensure that companies comply with the nationalization scheme was the fact that they would not be awarded government contracts. Although most political elites agreed that Saudization is the way to the future, this did receive some backlash. Nevertheless, other businesses still complained of its implementation and have since sought ways to avoid it. This has been an ongoing conundrum since the 1980s. In the Fourth Development Plan (1985 – 1989), there was a directive to advocate for the replacement of foreign nationals in local companies with Saudi natives as workers. Immigration was starting to become tightened, with the consequent deportation of undocumented foreign workers. This program only achieved marginal success and had to be amended.

A Saudization goal set for 2003 aimed at reaching a margin of at least 30% of employees in each company, with 20 or more workers being local natives. As it were, only 300,000 workers were employed by companies of this size, which meant that lots more Saudi men were unemployed. Lots of companies moved to renegotiate this figure, which led to some revisions. These negotiations were held between business executives, government leaders, and local labor force

representatives. This resulted in the reduction of Saudization targets to the benefit of the companies. The 30% margin was reduced to 10%, which was considered more palatable. There were also companies that received full waivers and exemptions; an example is given of some companies from China. This is where the nationalization scheme began to exude loopholes, which do not serve the employment needs of local citizens. By 2014, the unemployment rate was still scaling high, leading to the need for efforts to bring it down to at most 5.5%, with all directives pointing towards Saudization. This was one of the goals under the Ninth Development Plan (2010 – 2015). One of the aspects that these previous plans overlooked was the role that youth and women workers play in the growth of the Kingdom's economy.

Another angle that looks at why previous schemes may not have been as successful as the IKTVA program and the Saudi Arabia Vision 2030 is to perceive it through the different moving parts that are necessary for results. Al-Ghalayini, Chairman and CEO of BMG Financial Group, recommends that localization may require drastic restructuring of the crucial supply chains and the local distribution agreements. It may also need the moving or re-establishing of manufacturing and other trade centers for the locally operated companies.

### c) Implementation

The main problem is unemployment; the IKTVA program is created to drive economic value creation domestically and maximize efforts aimed at long-term economic growth and diversification. This is in a way designed to support the rapidly changing economic climate of Saudi Arabia.

### The Solution

In short, IKTVA's mandate is to create a level playing field to enable natives to achieve their dreams and successes using locally available resources. It does this in three main ways. The first is through uniform evaluation of products, materials, and services, assessing their position in the GDP and how they utilize the local workforce. The second is allowing access to information, documentation, and any other resources that companies need in order to support this agenda. The third is a supplier solution center that aims to address an emerging issue that may arise from the implementation of this program.

### How the Solution Works

This Solution is heavily based on partnership and collaboration. This would mean cooperation between the different players and stakeholders in each industry. The first being a supplier-focused approach, which would be an effort towards maximizing resources available locally. This would mean putting in place incentives and support for local suppliers through government waivers and exemptions. Secondly, jointly

developed action plans and strategies work better than bluntly issued government directives. These have a track record of achieving better responses and interactive dialogue with the said players and stakeholders in each industry. Inclusivity in such decision-making has proved to be key in economic growth as well as creating a harmonious environment to do business. The third aspect is mutual benefit and commitment. This can only be a result of joint efforts in developing action plans and implementing them in tandem.

Another angle that Saudi Aramco took in alignment with the IKTVA program is by signing agreements and joint ventures with international companies. In particular, Saudi Aramco has signed different agreements with American companies to facilitate and promote bilateral trade between the two countries and thus foster investment. These were signed in 2019 in Riyadh, with the Custodian of The Two Holy Mosques, King Salman Bin Abdulaziz Al Saud, and the then President of the United States, Donald Trump, both present. According to the Saudi Aramco President and CEO, Amin H. Nasser, these agreements will foster purposeful collaboration between the Kingdom of Saudi Arabia and the United States. The areas touched will be those of significant and strategic importance, linking the Saudi Vision 2030 and the economic depth and strength of the United States. This is a milestone agreement estimated at \$50 Billion, highlighting the vast magnitude of strategic diversification and growth underway at Saudi Aramco. It also aims at strengthening the company's reputation and position as a leading energy and chemicals company in the world while focusing on the local capacity building of the country's expertise and workforce.

An example of such an agreement is with the American conglomerate Jacobs Engineering Group Inc. to form a joint venture company based in Saudi Arabia. The company is to provide professional program and construction management services, also known as PMCM. These services are for the buildings and other infrastructure services in the Kingdom of Saudi Arabia. They also agreed to expand the joint venture to provide these PMCM services across the Middle East and include North Africa too. A result of these will be over 3,000 jobs for the local natives.

### d) Evaluation

According to Arab News, the IKTVA program has already created a boost in the nationalization of the economy of Saudi Arabia from 35% in the year 2015 to 50% by 2018. This is a commendable effort in such a short amount of time. The procurement of commodities from other local companies by Saudi Aramco has also doubled over this same period instead of favoring foreign vendors.

### How to test the Solution

Another basis for evaluating the progress and success of the IKTVA program and the Saudi Arabia Vision 2030 is against the underlying problem that it is aiming to solve: unemployment. At the forefront are the trade agreements that have created numerous jobs locally:

- i. As mentioned earlier, the agreement with Jacobs Engineering Group created 3,000 jobs, providing professional program and construction management services for building and infrastructure projects in Saudi Arabia.
- ii. The joint venture between Saudi Aramco and National Oilwell Varco (NOV) to provide high-specification oil drilling rigs, advanced drilling equipment, and other after-market services is expected to create 1,000 jobs. It will also train local Saudi technicians in the said technology's service, maintenance, and operation.
- iii. A Memorandum of Understanding with Broader Oil and Gas Investment Feasibility Study, which aims at researching the feasibility of new business development in areas across the energy value chain, including manufacturing and services, is expected to create 2,000 jobs.
- iv. A Memorandum of Understanding with GE to initiate a digital transformation of the operations at Saudi Aramco includes setting up a Digital Transformation Office that generates over 250 high-tech jobs in Saudi Arabia. This will boost local industrial engineers and train and create process experts and technologists. It will work with the Saudi Visio 2030 to create an enhanced STEM educational curriculum for schools and higher education institutions to groom the Saudi digital industrial talent to meet the future market demand for developers and data scientists.
- v. An agreement with McDermott International with Saudi Aramco seeks to expand and develop their physical and human capital in the Kingdom. This demonstrates their support for Aramco's IKTVA program and Saudi Arabia's Vision 2030. By increasing the number of Saudi nationals working in McDermott, the agreement is expected to create 3,000 jobs.
- vi. A Memorandum of Understanding with Honeywell seeks to advance the digitization of Saudi Arabia's oil and gas industry. It also accelerates the benefits of using the Industrial Internet of things hand in hand with Aramco's operations. It is expected to create over 400 jobs as well as attract significant funding for suppliers.
- vii. A Memorandum of Understanding with Schlumberger seeks to deliver projects related to the localization of oil field goods and services. It is expected to create over 2,600 jobs in Saudi Arabia.
- viii. An agreement with Halliburton to deliver projects involving oil fields and services is estimated to create over 750 jobs as well as support services.

- ix. A Memorandum of Understanding with Weatherford to deliver services and projects in the oil industry will create over 900 jobs as well.
- x. An agreement with Emerson to oversee digital transformation in Saudi Aramco's operations and other oil field initiatives will also create numerous jobs.

### Comparison with other Solutions

The creation of jobs and livelihoods for citizens of Saudi Arabia already places the IKTVA program as a solution that has performed better than earlier nationalization schemes. It has promoted local talent and stimulated the diversification of the economy of the Kingdom. The trade agreements have also enabled local industries to do businesses effectively in their sectors, allowing them to compete globally. It does contribute to the normalization of the slogan "Made in Saudi Arabia," which carries the vision of IKTVA and is crucial to the long-term economic growth of Saudi Arabia. While this may require significant and substantial investment in Saudi Arabia from international suppliers, which may be an irony, it may provide numerous opportunities for local companies that know the market better. This is because they will be able to enter into partnerships and agreements with multi-national companies and ease the entry process for them, thus fostering mutual growth. In summary, the aim is to source crucial supply chains locally by incentivizing international corporations and local providers to partner and invest within Saudi Arabia.

### e) Conclusion and Future Work

#### What is the problem?

There is a need for localization of supply chains and boosting the capacity of the local workforce in Saudi Arabia. Citizens need a vibrant society that allows them to pursue and fulfill their dreams, goals, and ambitions. A thriving economy is one that cripples unemployment and builds the skills and talents of the local population towards economic gain.

#### How the Solution performed compared to others

Since the 1980s, there have been efforts towards nationalization, as the population increased, leading to fewer jobs for the native Saudis. Programs such as the Saudi Nationalization Scheme but the IKTVA program has proved to be superior to date. It is in line with the initiatives that aim to localize labor and enhance the production of goods and services within the Kingdom.

#### Why the Solution is better

Specifically, through the IKTVA program, the Kingdom has entered into several trade agreements and joint ventures with international corporations, which have created thousands of jobs locally and have the potential to leave more impact. As already reported by the Arab News, the program has already created a great

boost towards the nationalization effort. This is because it has already achieved a rise in the nationalization of the Saudi economy from the year it was launched from 35% to 50% by 2018.

### Improving the Solution

Other areas of improvement may be enhancing its adaptability to other leading sectors in the Kingdom's economy, such as tourism and cosmetics.

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