

INTERNATIONAL MONETARY FUND

# Structural Reforms in Saudi Arabia Since 2016

David Koll, Andrea Medici, Marina M. Tavares, Masashi Saito

WP/26/14

*IMF Working Papers describe research in progress by the author(s) and are published to elicit comments and to encourage debate.*

The views expressed in IMF Working Papers are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

2026  
JAN



WORKING PAPER

**IMF Working Paper**  
Middle East and Central Asia Department and Research Department

**Structural Reforms in Saudi Arabia Since 2016**  
**Prepared by David Koll, Andrea Medici, Marina M. Tavares, Masashi Saito\***

Authorized for distribution by Amine Mati  
January 2026

***IMF Working Papers describe research in progress by the author(s) and are published to elicit comments and to encourage debate.*** The views expressed in IMF Working Papers are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

**ABSTRACT:** Since 2016, Saudi Arabia's Vision 2030 reforms have improved governance, business regulations, capital markets, the labor market, and the external sector, narrowing structural gaps with frontier economies and improving economic performance. This paper summarizes progress, estimates the output impact of the reforms, notes challenges, and highlights future priorities for continued growth and diversification.

**RECOMMENDED CITATION:** Koll, David, Andrea Medici, Marina M. Tavares, and Masashi Saito. 2026. Structural Reforms in Saudi Arabia Since 2016. IMF Working Paper WP/26/14, Washington DC.

JEL Classification Numbers:	E20, E24, J2, K1, K2, K3, O24, O4
Keywords:	Structural Reforms, Growth, Labor Market, Business Regulation, Governance, Capital Markets, International Factor Movement, Saudi Arabia
Author's E-Mail Address:	<a href="mailto:dkoll@imf.org">dkoll@imf.org</a> ; <a href="mailto:amedici@imf.org">amedici@imf.org</a> ; <a href="mailto:mmendestavares@imf.org">mmendestavares@imf.org</a> ; <a href="mailto:msaito2@imf.org">msaito2@imf.org</a>

\* The authors thank seminar participants at the IMF and the Ministry of Finance and Florence Jaumotte and Amine Mati for comments. Yomna Gaafar and Jarin Nashin provided assistance. This paper provides a background for the analysis on structural reforms presented in the 2025 Article IV Staff Report for Saudi Arabia.

## WORKING PAPERS

# Structural Reforms in Saudi Arabia Since 2016

Prepared by David Koll, Andrea Medici, Marina M. Tavares, Masashi Saito<sup>1</sup>

---

<sup>1</sup> The authors thank seminar participants at the IMF and the Ministry of Finance and Florence Jaumotte and Amine Mati for comments. Yomna Gaafar and Jarin Nashin provided assistance. This paper provides a background for the analysis on structural reforms presented in the 2025 Article IV Staff Report for Saudi Arabia.

# Contents

<b>Glossary</b> .....	<b>4</b>
<b>I. Introduction</b> .....	<b>5</b>
<b>II. Taking Stock of Structural Reforms since 2016</b> .....	<b>7</b>
Saudi Arabia's Structural Reforms Since 2016 .....	7
Output Impact of Saudi Arabia's Structural Reforms between 2016 and 2024 .....	12
<b>III. Saudi Arabia's Remaining Structural Gaps</b> .....	<b>15</b>
Remaining Structural Gaps .....	15
Output Impact of Narrowing the Remaining Structural Gaps .....	16
<b>IV. Special Focus on Labor Markets and Skills Mismatch to Close the Gap</b> .....	<b>17</b>
Recent Developments .....	17
Future of the Saudi Labor Market: Early Signs of Labor Market Mismatch .....	21
Scenario Analysis: Quantification of the Potential Future Mismatch .....	22
<b>V. Considerations for Future Reform Priorities</b> .....	<b>27</b>
<b>VI. Conclusion</b> .....	<b>29</b>
<b>Annex I. Vision 2030 and National Investment Strategy</b> .....	<b>30</b>
A. Vision 2030 .....	30
B. National Investment Strategy .....	31
<b>Annex II. Selected Structural Reforms and Initiatives in Saudi Arabia Since 2016</b> .....	<b>32</b>
A. Governance .....	32
B. Business Regulation .....	33
C. External Sector .....	36
D. Capital Markets .....	39
E. Labor Market .....	41
<b>References</b> .....	<b>44</b>

## FIGURES

1. Saudi Arabia's Economic Performance .....	6
2. FDI in Saudi Arabia .....	6
3. Selected Transmission Channels of Macrostructural Reforms .....	7
4. Indicators on Structural Reforms .....	9
5. Evolution of Structural Gaps Compared to Emerging Markets Frontier .....	10
6. Evolution of Structural Gaps Compared to Global Frontier .....	10
7. EIU Business Environment Indicators, 2015-2024 .....	12
8. Output Elasticities for Above Median First-Generation Reformers .....	13

9. Output Dividends from Credit Market Reforms since 2015.....	14
10. Output Dividends from Business Regulation Reforms since 2015.....	14
11. Output Dividends from Governance Reforms since 2015.....	14
12. EIU Business Environment Indicators, 2020-2027.....	16
13. Output Dividends from Closing Structural Gaps to the Emerging Market Frontier.....	17
14. Labor Force Participation of Saudi Nationals.....	18
15. Unemployment Rate of Saudi Nationals .....	18
16. Average Monthly Wage by Gender and Education .....	19
17. Average Monthly Wages of Bachelor Graduates by Gender .....	19
18. Public and Private Sector Employment by Gender .....	19
19. Private and Public Sector Employment by Nationality .....	20
20. Average Monthly Wages in Public and Private Sector for Saudis.....	20
21. Willingness of the Unemployed to Accept a Job w/ Commuting Time .....	20
22. Change in Willingness of the Unemployed to Accept a Job w/ Commuting Time.....	20
23. Gross Enrollment Ratio for Tertiary Education.....	21
24. Share of Job Postings and Current Employment in Q3/2024 .....	22
25. Main Scenario – Projected Share of College Graduates and STEM Graduates: Labor Demand and Supply at the Margin .....	25
26. Alternative Scenario – Projected Share of College Graduates and STEM Graduates: Labor Demand and Supply at the Margin .....	25

## TABLES

1. Key Areas of Structural Reforms in Saudi Arabia since 2016.....	8
2. Scenarios of Relative Job Growth in Targeted Industries .....	24
3. Share of College Graduates and STEM Workers by Industry in the United States .....	24

# Glossary

AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
CMA	Capital Market Authority
EIU	Economist Intelligence Unit
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
HCDP	Human Capability Development Program
IT	Information Technology
NDMC	National Debt Management Center
PIF	Public Investment Fund
PPP	Public-Private Partnership
QFI	Qualified Foreign Investor
SAMA	Saudi Central Bank
SAR	Saudi Riyal
SCCA	Saudi Center for Commercial Arbitration
SEZs	Special Economic Zones
SMEs	Small and Medium-sized Enterprises
SRC	Saudi Real Estate Refinance Company
STEM	Science, Technology, Engineering, and Mathematics

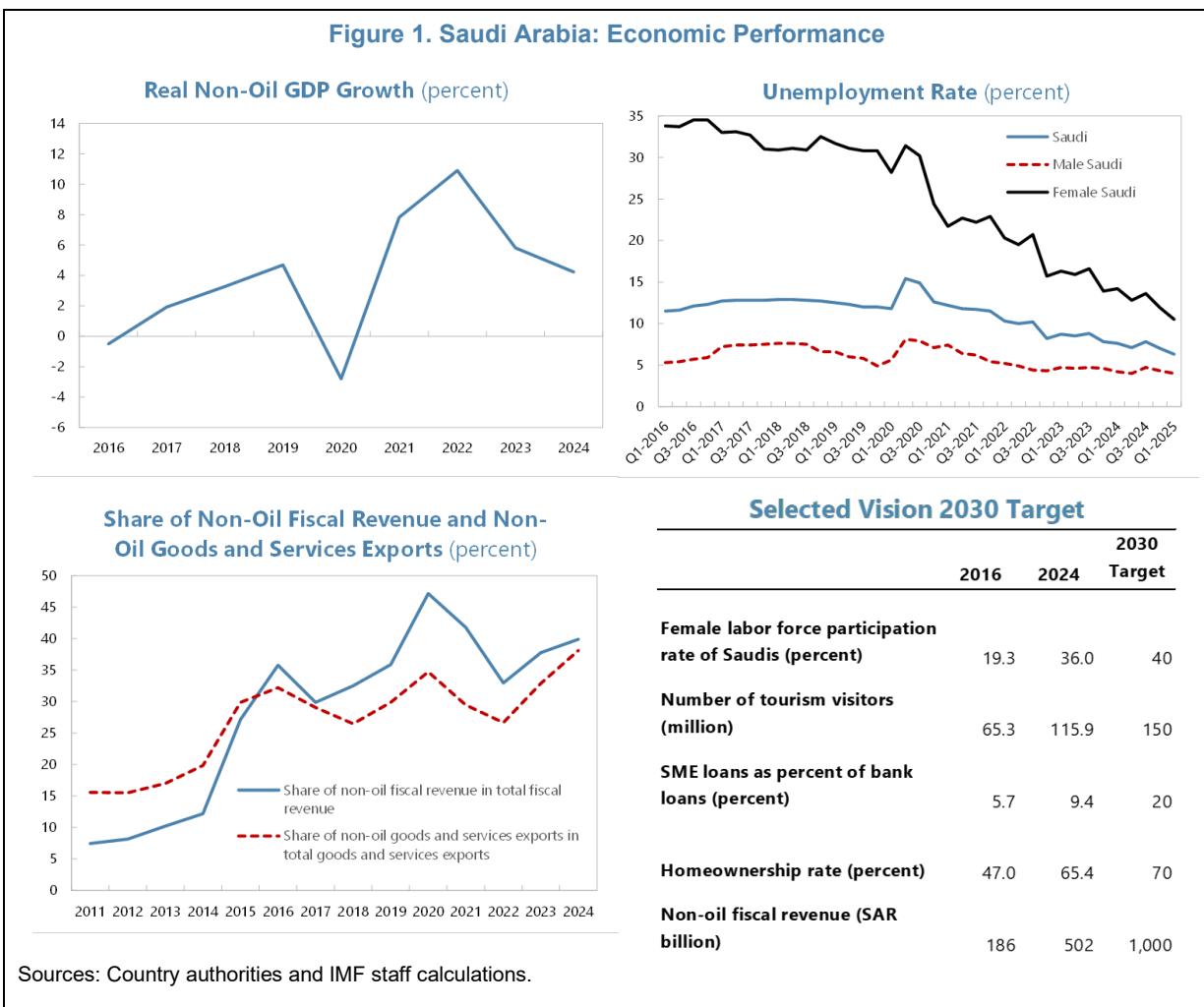
## I. Introduction

**Saudi Arabia has launched an ambitious and impressive reform agenda under its Vision 2030 program, aimed at fostering economic growth and diversification.** Since 2016, numerous structural reforms have been implemented across governance, business regulations, capital markets, the labor market, and the external sector (next section and Annex II). Vision 2030, launched in 2016, provides a broad framework for economic, structural, and institutional transformation (Annex I), and it is supported by eleven Vision Realization Programs. Among them, the National Transformation Program focuses on empowering the private sector and SMEs, enhancing the ease of doing business, attracting Foreign Direct Investment (FDI), accelerating digital transformation, and improving government transparency and efficiency.

**Complementary initiatives further reinforce these objectives by strengthening key sectors and aligning national capabilities with long-term goals.** These include: (i) the Privatization Program, which bolsters the private sector to support diversification and competitiveness; (ii) the Financial Sector Development Program, which aims to deepen and modernize the financial system; and (iii) the Human Capability Program, which aligns educational outcomes with labor market needs and promotes lifelong learning. In addition, the National Investment Strategy, launched in 2021, seeks to scale up public and private investment in strategic sectors, attract FDI, and increase private sector participation in the economy (Annex I).

**The government's reform efforts have already contributed to stronger economic growth, lower unemployment, and greater economic diversification.** Real non-oil GDP growth has been robust in recent years despite the volatility in the oil sector (Figure 1). Both exports and fiscal revenues have become more diversified, with oil accounting for a smaller share of each. Labor market indicators have improved, with the unemployment rate of Saudi nationals reaching 7 percent in Q4/2024 and 6.3 percent in Q1/2025, against the original Vision 2030 target of 7 percent and the new target of 5 percent. Between 2017 and 2024, female labor force participation among Saudi nationals rose by nearly 18 percentage points—approximately doubling—, while the unemployment rate for Saudi women fell from 32.4 percent to 13.1 percent (2024 average) and 11.9 percent (Q4/2024). These gains are linked to a range of labor market reforms and initiatives detailed in Annex II. However, the unemployment rate for highly educated women, though declining, was still relatively high at 15 percent in 2024, compared to just 4 percent for their male counterparts. Moreover, as the economy shifts toward more strategic sectors, education and skills development will play an increasingly critical role in labor market outcomes.

**The reform agenda has also supported private sector development by encouraging the creation of new firms, expanding credit, and facilitating foreign investment in capital markets.** The increase in commercial registrations reflects improvements in business regulations that have streamlined processes, along with governance reforms that have bolstered business confidence. Additionally, capital market reforms have enhanced access to finance for private firms. Despite recent progress, however, access to finance still has room to improve. In the external sector, Saudi Arabia has undertaken multiple reforms to improve foreign investor access to domestic equity and debt markets. However, net inward FDI inflows remained between \$20-30 billion between 2021 and 2024, suggesting that further reforms, particularly in business regulation and governance, are needed to increase foreign firms' willingness to invest and operate in the Kingdom (Figure 2). While industrial policies under various Vision Realization Programs also contribute to structural transformation,



this paper primarily focuses on structural reforms (see Annex I for examples of industrial policies, including the National Investment Strategy, which aims at directing investment towards strategic sectors.

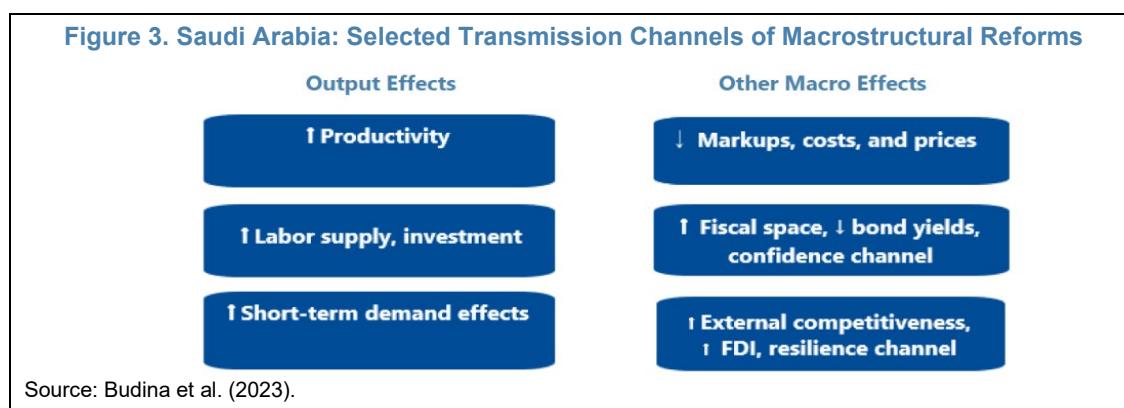
**This midpoint in Saudi Arabia's Vision 2030 presents an opportune moment to take stock of key reforms implemented to date and identify priorities for the next five years.** Policymakers have a unique window to assess what has worked, recalibrate reform priorities, and address emerging challenges to sustain momentum. Simultaneously, increased global uncertainty—arising from factors such as geoeconomic fragmentation, tighter financial conditions, and oil price volatility—highlights the importance of advancing structural reforms to strengthen resilience. Against this backdrop, the paper reviews the structural reforms undertaken since 2016, highlights key areas of progress, and estimates the output gains associated with past reforms. It then identifies the remaining

**Figure 2. Saudi Arabia: Net FDI Inflows in Saudi Arabia (USD billion)**

structural gaps, offers a detailed analysis of the labor market, explores how future reforms can help close those gaps, and quantifies the potential output benefits of continued reform.

## II. Taking Stock of Structural Reforms since 2016

**Structural reforms can affect economic growth through multiple channels (Figure 3).<sup>2</sup>** They can enhance productivity and investment by fostering competition and improving resource allocation. These "output channels" enable greater labor and capital efficiency and boost aggregate demand, the effects that are particularly pronounced in countries with significant structural gaps. In addition, structural reforms also support increased private sector participation, contributing to a more diversified economy. Some reforms have also direct impact on key macroeconomic variables, including prices, the cost and composition of external financing, and foreign investment flows ("other macro effects").



### Saudi Arabia's Structural Reforms Since 2016

**Saudi Arabia has implemented significant reforms in the areas of governance, business regulation, the external sector, capital markets, and the labor market since 2016 (Table 1).** Annex II provides additional information on selected structural reforms and initiatives.

- **Governance.** Saudi Arabia implemented reforms mainly in two areas:
  - **Public sector effectiveness, efficiency, and transparency.** Key initiatives include the establishment of Mashroat (later restructured as EXPRO) to strengthen project management in public entities, Adaa to monitor institutional performance, and Etimad, an online platform that tracks government contracts and transactions. In parallel, the government has reinforced fiscal management through a medium-term fiscal framework, digitalized tax administration, enhanced budget planning and execution, and improved cash management through the establishment of a Treasury Single Account.

<sup>2</sup> On the potential macroeconomic effects of structural reforms, see Budina et al. (2023) and IMF (2019).

- **Framework for combating corruption and improving Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT).** This includes the New Nazaha Law in 2024 that enhances the power of oversight and anti-corruption authority, the issuance of updated AML/CFT legislation, and the introduction of the new Ultimate Beneficial Ownership Rules. The National Anti-Corruption Strategy has been developed, while it is not finalized.

**Table 1. Saudi Arabia: Key Areas of Structural Reforms in Saudi Arabia Since 2016**

<b>Governance</b>	1.1. Improve public sector effectiveness and efficiency, and transparency and accountability 1.2. Strengthen control of corruption and AML/CFT
<b>Business regulations</b>	2.1. Improve regulatory environment for businesses 2.2. Improve competition 2.3. Facilitate privatization and PPPs and increase private sector contribution to the economy 2.4. Increase SME contribution to the economy 2.5. Improve regulatory environment in the real estate sector and land access 2.6. Strengthen protection of intellectual property and information
<b>External sector</b>	3.1. Improve foreign investors' access to domestic capital market 3.2. Reduce restrictions on foreign visitors 3.3. Trade-related initiatives
<b>Capital markets</b>	4.1. Develop equity market 4.2. Develop debt and credit market 4.3. Improve SME access to finance 4.4. Develop government securities market
<b>Labor market</b>	5.1. Match labor supply with labor demand and improve labor productivity 5.2. Increase work flexibility and ensure equal treatment 5.3. Increase female labor force participation

Sources: IMF staff (see Annex II).

- **Business regulation.** Saudi Arabia implemented numerous reforms to improve the regulatory environment of businesses. The dispute settlement and business contract enforcement process were made more efficient, transparent, and fairer by the new Saudi Center for Commercial Arbitration (SCCA) rules and the new SCCA Court, as well as the new Law on Civil Transactions (the civil code). The reforms also include strengthening corporate governance, updating the Companies Law to facilitate SME entry, and introducing the new Commercial Registration Law to modernize and simplify registration through digitalization. The new Competition Law came into effect, alongside initiatives to advance privatization and PPPs, supporting the goals of Vision 2030's Privatization Program. Additional legislation was introduced to improve regulation in the real estate sector and expand land access, including new laws on real estate registration and property brokerage. Finally, measures were taken to enhance the protection of intellectual property and personal data.
- **External sector.** Saudi Arabia has implemented reforms primarily in two areas. First, it introduced a series of measures to enhance foreign investors' access to domestic capital markets. These included

easing qualification requirements and expanding the types of assets available for foreign investment. A notable milestone was the Updated Investment Law of 2025, which ensures equal treatment of local and foreign investors, enhances access, strengthens investor protections, and expands options for dispute resolution. Second, Saudi Arabia introduced various types of visas to ease restrictions on foreign visitors, facilitating greater mobility and business engagement. Additionally, trade-related reforms were undertaken, including the establishment of the GCC Customs Union, aimed at promoting regional integration and cross-border trade.

- **Capital markets.** Various reforms were implemented to develop domestic equity markets (e.g., creating a parallel equity market for small companies “Nomu”), domestic debt and credit markets, and the government securities market. Additionally, some measures were designed to improve the access to finance of SMEs, as well as foreign investors’ access to domestic capital markets as noted above.
- **Labor market.** A number of transformative achievements have materialized in Saudi Arabia's labor market reform agenda. First, reforms under the Human Capability Development Program have focused on aligning labor supply with market needs and enhancing productivity. Key initiatives include redirecting education toward labor market demands, increasing labor force participation, and expanding access to skill development and lifelong learning. Second, measures have been introduced to improve labor market flexibility and promote equal opportunity in employment and occupational choice. The 2025 amendments to the Labor Law address these goals and also include provisions for employee accommodation and transportation. Third, reforms have targeted increased female labor force participation. These include national programs to empower women in the labor market, support for childcare and commuting, greater flexibility in work arrangements and sectors, and training programs.

**To benchmark cross-country performance and monitor progress on structural reforms, this paper draws on the World Bank's Worldwide Governance Indicators for governance and the Fraser Institute's indicators for business regulation, the external sector, credit markets, and the labor market (Figure 4).**

The World Bank's Worldwide Governance Indicators captures institutional quality across dimensions, such as rule of law, regulatory quality, and government effectiveness. The Fraser Institute's indicators are compiled from various sources including the IMF, the World Bank, and national statistical agencies. The business regulation indicator measures the extent to which regulations and bureaucratic procedures hinder market entry and competition and includes the impartiality of public administration. The external sector indicator captures trade and financial openness through dimensions such as tariff and non-tariff barriers, exchange rate controls, and restrictions on capital and labor mobility. The capital controls indicator is derived from the IMF's Annual Report on Exchange Arrangements and Exchange Restrictions, which tracks

**Figure 4. Saudi Arabia: Indicators on Structural Reforms**

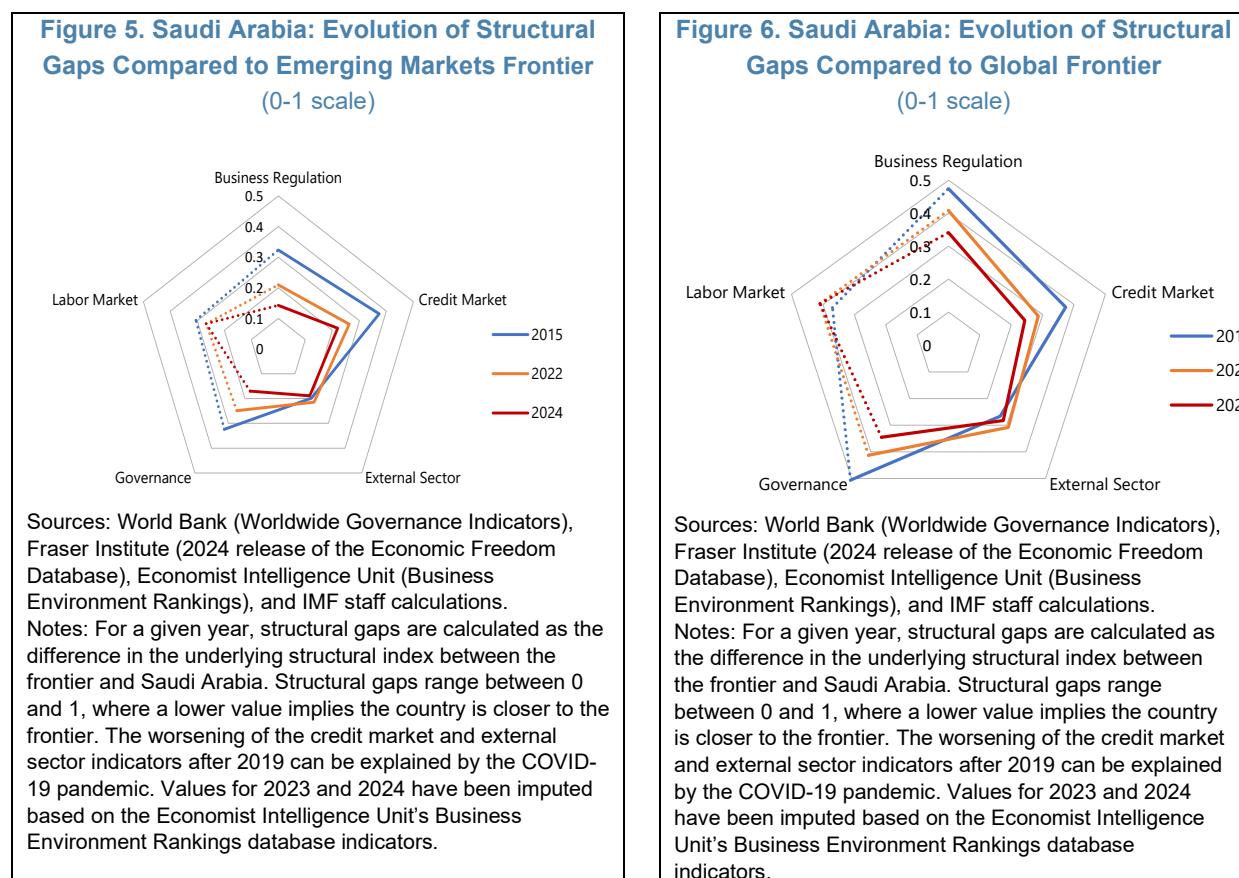
1 <sup>st</sup> Generation Reforms	2 <sup>nd</sup> Generation Reforms
<b>1. Governance</b> <ul style="list-style-type: none"> <li>▪ Political stability</li> <li>▪ Regulatory quality</li> <li>▪ Voice and Accountability</li> <li>▪ Gov't effectiveness</li> <li>▪ Rule of law</li> <li>▪ Control of corruption</li> </ul>	<b>1. Credit Market Regulation</b> <ul style="list-style-type: none"> <li>▪ Private sector credit</li> <li>▪ Interest rate controls</li> <li>▪ Ownership of banks</li> </ul>
<b>2. Business Regulation</b> <ul style="list-style-type: none"> <li>▪ Administrative requirements</li> <li>▪ Impartial public administration</li> <li>▪ Bureaucracy costs</li> </ul>	<b>2. Labor Market Regulation</b> <ul style="list-style-type: none"> <li>▪ Hiring and firing regulations</li> <li>▪ Centralized collective bargaining</li> </ul>
<b>3. External Sector</b> <ul style="list-style-type: none"> <li>▪ Capital controls</li> <li>▪ Tariffs &amp; Non-tariff barriers</li> <li>▪ Exchange rate controls</li> <li>▪ Financial openness</li> <li>▪ Freedom of foreigners to visit</li> </ul>	

Source: Fraser Institute; World Bank, Worldwide Governance Indicators; Budina et al. (2023).

the absence of up to thirteen types of capital restrictions across countries. The credit market indicator assesses access to credit, the presence of interest rate controls, and the extent of private sector participation in banking. Two caveats apply:

- The Fraser Institute's capital markets indicators are limited to the credit market and do not reflect reforms in the equity market.
- Second, the labor market indicator is based on only two sub-components, as several previously included sub-indicators—sourced from the World Bank's discontinued Doing business Report—are excluded from the analysis.

**The indicators from the Fraser Institute and the indicators from the World Bank's Worldwide Governance Indicators suggest that Saudi Arabia has narrowed the structural gaps with “frontier” economies—the best performer in respective structural areas—since 2016.** Figures 5 and 6 show the evolution of five aggregate indicators, measured as a gap to the frontier economies in each structural area.<sup>3</sup>



<sup>3</sup> The indicator on governance from the Worldwide Governance Indicators is available up to 2023, and the 2024 value is imputed using indicators from the Economist Intelligence Unit (EIU) in the similar area. The indicators on business regulation, the external sector, the credit market, and the labor market from the Fraser Institute are available up to 2022 and the 2023-2024 values are imputed using comparable EIU (sub-)indicators.

Larger numbers indicate a larger gap of Saudi Arabia to the respective frontier. Saudi Arabia has substantially narrowed the structural gaps in governance, business regulation, and credit markets. On the other hand, the gaps have remained about the same for the external sector and the labor market. More specifically:

- On **governance**, all six sub-indicators have improved, while “government effectiveness,” “regulatory quality,” and “rule of law” have improved by more than other sub-indicators. These are understood to reflect Saudi Arabia’s reforms in improving the government’s efficiency, transparency, and accountability (Annex II. Table 1) as well as the efforts to strengthen anti-corruption measures and the AML/CFT framework (Annex II. Table 2).
- On **business regulation**, the narrowing of the structural gap was mainly due to improvements in sub-indicators for “administrative requirements” and “bureaucracy costs.” The observed improvements in the gap likely reflect reforms implemented since 2016 improving the regulatory environment for businesses and competition (Annex II. Tables 3 and 4), those facilitating privatization and PPPs (Annex II. Table 5), those improving access to land and properties (Annex II. Table 7), and those strengthening intellectual property protection (Annex II. Table 8).
- On the **credit market**, the main reason behind the narrowing of the structural gap is the improvement in the sub-indicator for “private sector credit” that captures the extent of private sector borrowing relative to public sector borrowing.
- On the **external sector**, Saudi Arabia’s structural gaps with frontier economies have slightly narrowed in recent years. Notable improvements include: gains in “financial openness” reflecting measures to expand foreign investors’ access to the domestic capital market (Annex II. Table 9), and in “freedom of foreigners to visit” supported by the introduction of various visa types aimed at easing entry for foreign visitors (Annex II. Table 10).
- On the **labor market**, the limited changes observed in the labor market indicators largely reflect the narrow scope of those measures, which do not capture many of the reforms and initiatives implemented in Saudi Arabia since 2016. These include efforts to better align labor supply with demand, promote work flexibility and equal treatment, and increase female labor force participation (Annex II. Tables 16, 17, and 18). As a result, later sections of this paper rely on alternative data sources to provide a more comprehensive analysis of Saudi Arabia’s labor market reforms.

**The Economist Intelligence Unit (EIU)’s business environment indicators similarly show the successful implementation of structural reforms in Saudi Arabia.** On *governance*, the EIU indicator on “political environment” has improved between 2015 and 2024, reflecting reforms to improve the government’s efficiency, transparency, and accountability as well as the efforts to strengthen anti-corruption measures mentioned earlier (Figure 7). On *business regulations*, the indicators on “policy towards private enterprise and competition” and “policy towards foreign investment” have improved, reflecting the reforms to improve business environment described above. On *capital markets*, the EIU indicator on “financing” has improved, reflecting reforms in equity and credit markets. On the *external sector*, the score on “foreign trade and exchange controls” has remained high, implying that this sector has had relatively good performance. Lastly, on the *labor market*, the EIU indicator on the labor market has improved, supported by improvements in the

sub-indicators on “availability of skilled labor,” “quality of workforce,” “technical skills,” and “health of the workforce,” among others. This suggests that Saudi Arabia’s labor market reforms are not sufficiently captured by the limited coverage of the indicator based on the subset of the Fraser Institute’s indicators. The improvements in indicators are most notable during 2022-2024, as there were many significant reforms and initiatives during this period (see Annex II for the list of reforms and initiatives), and some reforms and initiatives introduced before 2021 may have taken time to be reflected in the indicators.

## Output Impact of Saudi Arabia’s Structural Reforms between 2016 and 2024

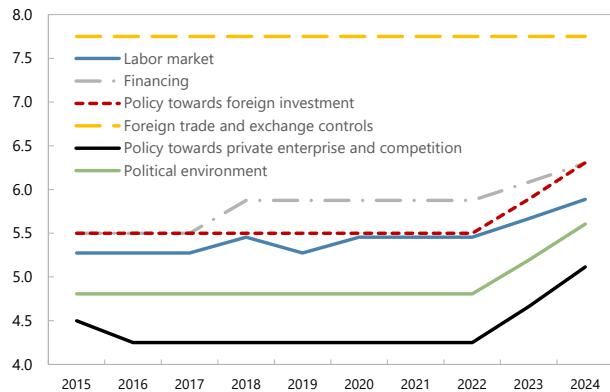
To estimate the output impact of structural reforms implemented in Saudi Arabia between 2015 and 2024, the empirical analysis relies on a cross-country database of structural reform indicators across five macro-structural reform areas, following Budina et al. (2023). The database covers a sample of 108 emerging markets and developing countries from 2000 to 2022 and reform indices are sourced from the Fraser Institute and the World Bank’s Worldwide Governance Indicators database, as presented in Figure 4. The five reform areas include governance, business regulation, the external sector, the credit market, and the labor market. The first three—focused on macroeconomic stability and market-friendly conditions—are considered first-generation reforms, often representing the initial phase of economic reforms in developing or transitioning economies. The remaining two—credit market and labor markets—are considered second-generation reforms, targeting deeper structural features of the economy critical for sustainable growth and development. Digitalization interacts with several reform areas by enhancing public administration efficiency and modernizing regulatory frameworks, such as through digital commercial registration systems. This section centers on governance, business regulation, and the credit market, areas where the Saudi authorities have made significant strides. Labor market reforms, while also substantial, are discussed in depth in subsequent sections.

To assess the potential impact of structural reforms on output, we use the local projection method in a panel data setting. For governance, business regulation, and the credit market, the following regression specification is used:

$$y_{i,t+k} - y_{i,t-1} = \alpha_i + \lambda_t + \beta_k \Delta GV_{i,t} + \rho_k \Delta BR_{i,t} + \gamma_k \Delta CM_{i,t} + \theta X'_{i,t} + \epsilon_{i,t}$$

where  $y_{i,t+k}$  is the log of real GDP in a purchasing-power-parity (PPP) base for country  $i$  in year  $t+k$ ,  $\alpha_i$  and  $\lambda_t$  denote the country and year fixed effects, which help control for unobservable cross-country heterogeneity

**Figure 7. Saudi Arabia: EIU Business Environment Indicators, 2015–2024 (0-10 scale)**



Sources : Economist Intelligence Unit (EIU).

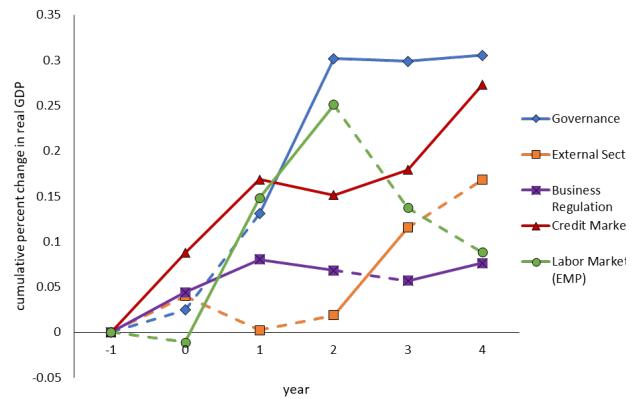
Note : The chart shows the time series of aggregate indicators, scaled from 0 to 10, with larger number representing better performance.

as well as common global factors,  $\Delta GV_{i,t}$  is the change in the average structural reform score<sup>4</sup> indicator for country  $i$  in governance between  $t$  and  $t-1$ ,  $\Delta BR_{i,t}$  is the change in the average structural reform indicator in business environment between  $t$  and  $t-1$ ,  $\Delta CM_{i,t}$  is the change in the average structural reform indicator in the credit market between  $t$  and  $t-1$ , and  $X'_{i,t}$  is the set of time-varying controls, including lags of the dependent variable, past economic growth, and past reforms. For additional robustness,  $X'_{i,t}$  also controls for simultaneous and past reforms in other areas, such as the external sector and the labor market, which could affect the estimated output response. In the first step, the coefficients,  $\beta_k$ ,  $\gamma_k$  and  $\rho_k$ , which represent the reform multipliers, are estimated separately for two sub-samples of countries based on the level of progress in first-generation reforms. Specifically, the specification above is employed separately for countries whose average first-generation reform score falls above and below the median. For this analysis, the estimated reform multipliers for Saudi Arabia are obtained from the sample of countries whose average first-generation reform scores are above the median where Saudi Arabia belongs. In the second step, the structural gaps between Saudi Arabia and the leading emerging market performer, shown in Figure 5,  $GV_{Frontier,t} - GV_{KSA,t}$ ,  $BR_{Frontier,t} - BR_{KSA,t}$ , and  $CM_{Frontier,t} - CM_{KSA,t}$ , are multiplied to the estimated multipliers for each year to derive the multi-year impact on the level of real output.

**The empirical analysis suggests that structural reforms tend to have a persistent impact on real output.** Figure 8 shows the impact of narrowing the structural gap by one percentage point on the level of real output. For instance, enhancing governance by reducing the structural gap by one percentage point is estimated to increase GDP by 0.3 percent after five years. While the size and persistence of the output impact differs across the five reform areas, structural reforms have a significant and persistent impact on real output for all reforms.

**Applying this framework to Saudi Arabia, the reforms implemented between 2016 and 2024 are estimated to have had a significant and persistent impact on real output.** Figures 9, 10, and 11 illustrate the estimated cumulative percent change in real output levels due to Saudi Arabia's structural reforms in governance, business regulation, and the credit market from 2016 to 2024. This is calculated in two steps: first, determining the cumulative change in each indicator for Saudi Arabia based on the structural gaps shown in Figure 5, and second, multiplying this change by the respective elasticities shown in Figure 8 from the cross-country, local projection regression. Results indicate:

**Figure 8. Saudi Arabia: Output Elasticities for Above Median First-Generation Reformers**  
(cumulative percent change given a reduction in structural gaps by 1 percentage point)

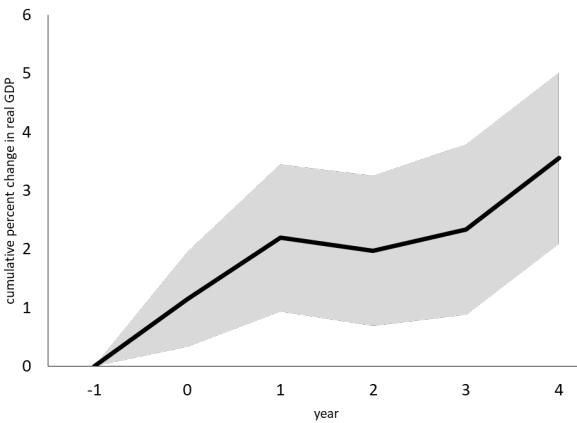


Sources: IMF staff calculations.

Notes: The Figure shows the real GDP response, respectively the employment response for the labor market, to an increase in the underlying structural indicators by one percentage point over a five-year horizon. Dashed components indicate that the estimated coefficient is not statistically significant at the 10% level.

<sup>4</sup> Each reform area includes multiple sub-indicators, with 1 representing the highest score.

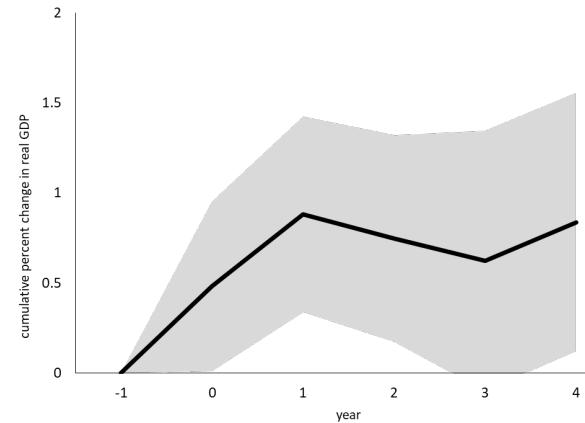
**Figure 9. Saudi Arabia: Output Dividends from Credit Market Reforms since 2015 (Cumulative percent change)**



Sources: Fraser Institute (2024 release of the Economic Freedom Database), Economist Intelligence Unit (Business Environment Rankings) and IMF staff calculations.

Notes: The chart shows the real GDP response associated with improvements in credit market regulation between 2015 and 2024. The impulse responses represent the cumulative percent change in real GDP. Grey bands represent 90% confidence intervals.

**Figure 10. Saudi Arabia: Output Dividends from Business Regulation Reforms since 2015 (Cumulative percent change)**

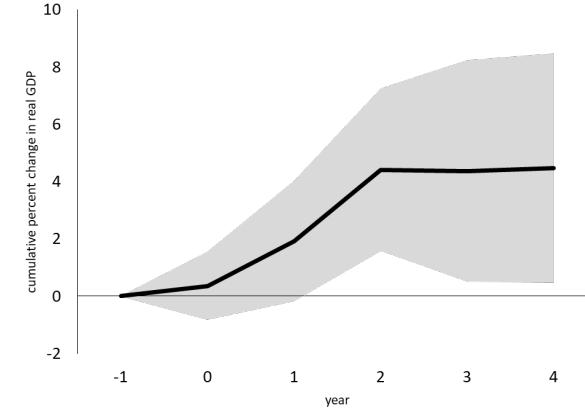


Sources: Fraser Institute (2024 release of the Economic Freedom Database), Economist Intelligence Unit (Business Environment Rankings) and IMF staff calculations.

Notes: The chart shows the real GDP response associated with improvements in business regulation between 2015 and 2024. The impulse responses represent the cumulative percent change in real GDP. Grey bands represent 90% confidence intervals.

- The cumulative output dividend of previous credit market reforms is estimated to be slightly above 3.5 percent, with reform gains accruing linearly over time (Figure 9).
- Saudi Arabia's reforms in business regulation are estimated to have resulted in a substantial increase in output, contributing to a cumulative increase of approximately one percentage point (Figure 10).
- Governance reforms are estimated to have yielded a cumulative increase in output of nearly 4.5 percent, underscoring the importance of these reforms (Figure 11).
- Regarding the external sector, the impact on output remains limited due to persistent structural gaps.
- Labor market indicators from the Fraser Institute's database showed minimal improvement and limited output impact. This is due to the narrow scope of the indicators used. Subsequent sections will analyze Saudi Arabia's labor market reforms with alternative data sources and surveys.

**Figure 11. Saudi Arabia: Output Dividends from Governance Reforms since 2015 (Cumulative percent change)**



Sources: World Bank (Worldwide Governance Indicators), Economist Intelligence Unit (Business Environment Rankings) and IMF staff calculations.

Notes: The chart shows the real GDP response associated with improvements in governance between 2015 and 2024. The impulse responses represent the cumulative percent change in real GDP. Grey bands represent 90% confidence intervals.

### III. Saudi Arabia's Remaining Structural Gaps

This section discusses Saudi Arabia's remaining structural gaps. It first identifies the areas where Saudi Arabia could further improve the remaining gaps with respect to the emerging market frontier economies. It then quantifies the output impact of narrowing the gaps, using the same methodology as above.

#### Remaining Structural Gaps

While Saudi Arabia's structural gaps to the frontier have narrowed since 2016, gaps remain in the following areas.

- **Business regulation.** The EIU indicators on "state control and ownership" and "price controls" suggest that there is room to improve in these areas, through the authorities' ongoing initiatives such as the implementation of the Private Sector Participation Law of 2021 to increase the private sector's contribution to the economy through privatizations and PPPs, as well as through the authorities' continued progress on "energy pricing" reforms introduced since 2018.
- **Labor market.** The Fraser Institute's indicators suggest that there is a relatively large gap to the frontier for "hiring and firing regulations." Although Saudi Arabia has made some progress in this area since 2016, increasing labor market flexibility would continue to be a priority. In addition, the EIU indicators on the labor market suggest that further efforts are desirable for "the availability of skilled labor," "technical skills," and "the quality of workforce." The analysis on the labor market in later section would delve more into this issue.
- **Credit market.** The EIU's indicator on "financing" suggests that there is more room to improve foreign investors' access to domestic capital markets (note that this is also related to the indicators on "the external sector" below).
- **External sector.** The Fraser Institute's indicators suggest that despite Saudi Arabia's efforts to ease access for foreign visitors, room for improvement remains, as captured by the sub-indicator on "migration," which captures the ease of foreigners' access to Saudi Arabia. In addition, the indicators suggest that Saudi Arabia has further room to reduce restrictions on foreign investors' investment to Saudi Arabia (e.g., relaxing the restrictions on qualified foreign financial institutions further), while Saudi Arabia has eased access to domestic capital markets for foreign investors in the past years.
- **Governance.** Based on the Worldwide Governance Indicators, the gaps have significantly narrowed since 2016 for "government effectiveness," "rule of law," and "regulatory quality," while Saudi Arabia still has room to narrow the gap in "control of corruption." In the meantime, the EIU indicators indicate the need to continue improving further "efficacy of the legal system," which may reflect that legal reforms introduced in recent years take time to improve the indicators. This contrasts with other areas where visible

improvements have been made especially in recent years (2022-2024) such as “institutional effectiveness,” “bureaucracy,” and “corruption.”

**Looking forward, the Economist Intelligence Unit projects that Saudi Arabia is expected to narrow structural gaps in various areas (Figure 12).** This projection may be based on the ongoing reform efforts and the government’s commitment to continuing these reforms.

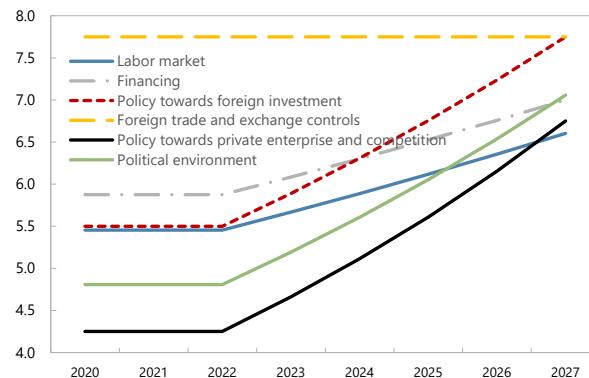
### Output Impact of Narrowing the Remaining Structural Gaps

**Narrowing the remaining structural gaps to the frontier emerging market economies could yield substantial gains in Saudi Arabia’s real output.** A package of structural reforms focused on improving business regulations—by reducing bureaucratic costs, streamlining fees and procedures, and enhancing private sector participation—alongside measures to expand credit access, is estimated to raise Saudi Arabia’s real output growth by over 1 percentage point annually over a five-year horizon, assuming full convergence to the emerging market frontier (Figure 13). This corresponds to a 5 percent increase in output over five years compared to a non-reform scenario.

**Implementing such reforms would elevate Saudi Arabia’s business regulatory performance to levels comparable with countries like Malaysia and Latvia.** Achieving this would require streamlining the regulatory framework and fee structures, strengthening one-stop platforms for business services, and harnessing digital tools. In credit markets, aligning performance with top reformers such as Singapore, Canada, and Georgia would involve expanding credit access for SMEs, reducing collateral requirements, and promoting competition in the banking sector. The final section of this paper outlines key reform priorities in business regulation and credit markets needed to close the remaining structural gaps.

**Governance reforms focusing on strengthening government effectiveness, regulatory quality, and the rule of law could contribute to substantial GDP growth.** A reform package targeting these sub-areas of governance would enhance public-private sector dynamics and improve overall economic efficiency. If Saudi Arabia were to close its remaining structural gaps with frontier emerging market economies in these areas, real GDP growth could increase by an estimated 0.5 percentage points annually, over the five-year horizon. Such progress would bring Saudi Arabia’s regulatory quality in line with countries like Chile and Georgia—both considered frontier emerging markets in this structural area—and closer to the global frontier represented by Singapore. Reforms in government effectiveness and the rule of law that close the gap to the EM frontier would improve the underlying indicators for Saudi Arabia to the levels of Korea and Estonia (for government effectiveness) and Latvia and Lithuania (for the rule of law).

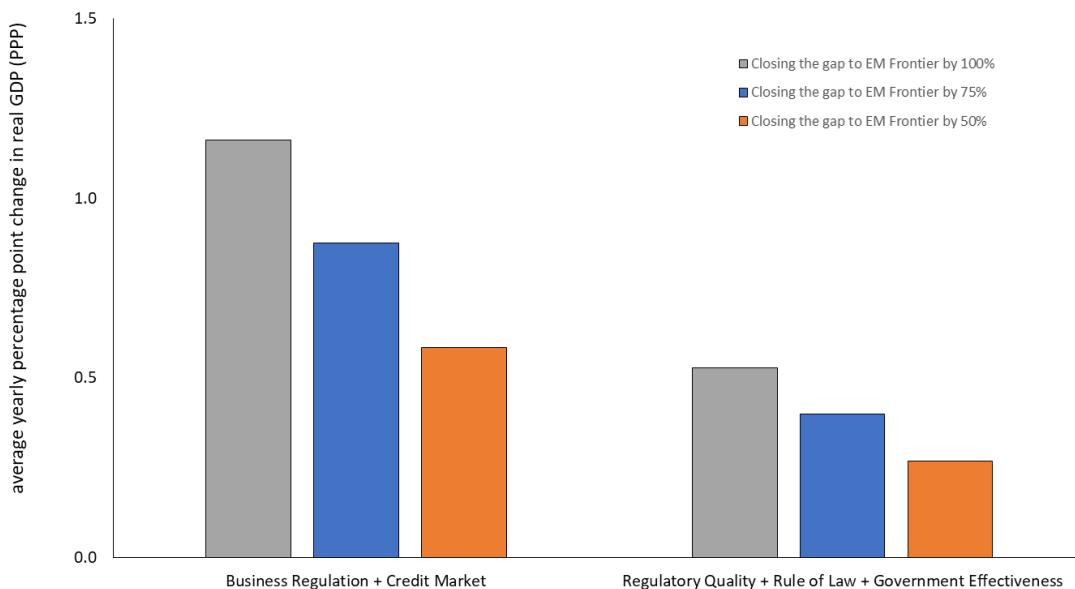
**Figure 12. Saudi Arabia: EIU Business Environment Indicators, 2020–2027 (0-10 score)**



Sources : Economist Intelligence Unit (EIU).

Note : The chart shows the time series of aggregate indicators, including projections up to 2027.

**Figure 13. Saudi Arabia: Output Dividends from Closing Structural Gaps to the Emerging Market Frontier**  
 (Average yearly percentage point change in real GDP)



Sources: IMF staff calculations.

Notes: Each bar shows the average additional annual growth (in pp.) in response to a reform which would see Saudi Arabia closing the gap to the Emerging Market frontier by 100%. Coefficients at the end of the projection horizon are used which represent the cumulative percent change in output over a period of five years and are converted to an annual contribution to growth using CAGR formula. The displayed results are aggregated coefficients to show the effect of joint reform packages.

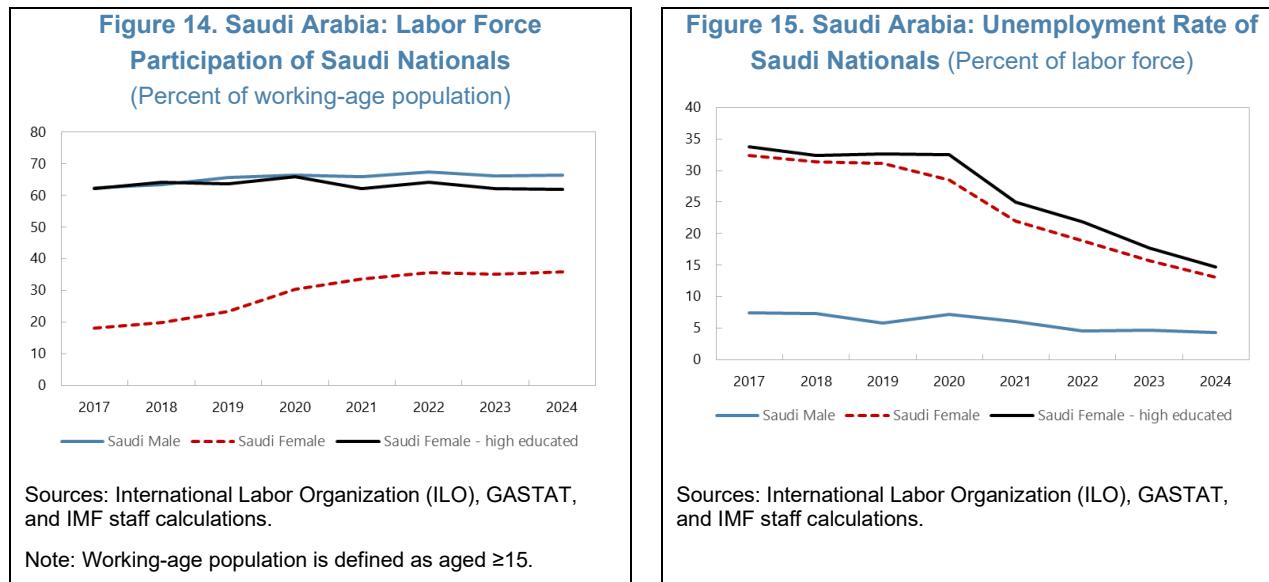
## IV. Special Focus on Labor Markets and Skills Mismatch to Close the Gap

*To assess the impact of labor market reforms, this section begins with a brief overview of recent trends in Saudi Arabia's labor market and a summary of the latest government initiatives. It then evaluates the projected effects of Vision 2030 on future labor demand and skill requirements. A scenario analysis is used to identify potential skill mismatches that could emerge, which may hinder structural transformation and the realization of Vision 2030 objectives.*

### Recent Developments

**Saudi Arabia's labor market reforms have led to a marked rise in female labor force participation and a sharp decline in unemployment.** Between 2017 and 2024, female participation nearly doubled—from 18 percent to almost 36 percent—driven by sustained efforts under programs such as the Human Capability Development Program and the National Transformation Program (Figure 14). Over the same period, the unemployment rate for Saudi women fell dramatically from 32 percent to 13 percent (2024 average) and 11.9

percent (Q4/2024), while the rate for Saudi men declined more gradually, from 7 percent to 4 percent, both resulting in record-low levels (Figure 15). These developments have also supported the strong performance of the non-oil sector. Despite this progress, challenges remain—particularly regarding the underutilization of highly educated women, who still face higher unemployment and lower participation rates. Continued reforms, including the recent Amendments to the Labor Law enacted in February 2025, will be critical to closing these gaps.



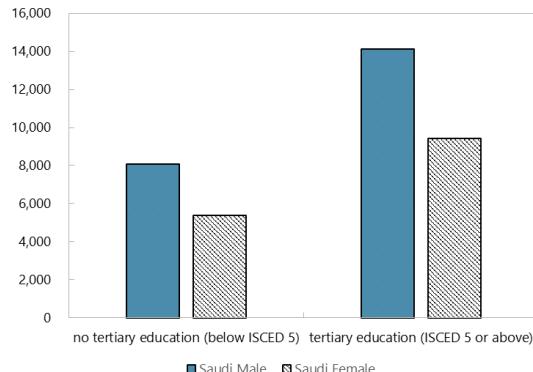
**Despite significant gains in participation, a sizable unadjusted gender wage gap remains.** Since 2019, the gap widened.<sup>5</sup> In Q3 2024, Saudi women without tertiary education earned an average of 5,366 Riyals, compared to 8,081 Riyals earned by Saudi men with the same level of education. While wages rise with educational attainment for both genders, the increase is notably steeper for men: those with tertiary education earned an average of 14,125 Riyals, whereas highly educated women received 9,413 Riyals (Figure 16). The wage gap for bachelor's degree holders has grown in recent years, primarily due to a decline in the average monthly earnings of highly educated women with bachelor's degree—from 10,409 Riyals in 2019 to 8,941 Riyals in 2024 (Figure 17).

**The Saudi Government has implemented targeted policies to reduce the gender wage gap and promote a more equal treatment of men and women.** In 2021, the *Gender Balance Center* was established, and in January 2023, two key initiatives were launched: the *Gender Budgeting Program* and the *National Policy to Encourage Equal Opportunity and Equal Treatment*, both aimed at strengthening the position of highly educated women in the labor market. Further reinforcing these efforts, an *Amendment to the Labor Law* was enacted in February 2025, mandating equal treatment regardless of personal characteristics—including

<sup>5</sup> Due to data limitations, the analysis focuses on the unadjusted gender wage gap which captures the difference in earnings between men and women without accounting for factors like occupation, education, working hours, or work experience. This paper also focuses on the economic aspects of gender gap in the labor market, and additional work may be warranted to capture social aspects.

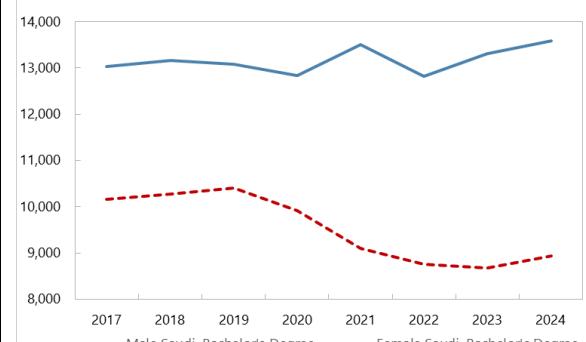
gender—and explicitly prohibiting discrimination against women. Annex II provides a comprehensive overview of these and related reforms.

**Figure 16. Saudi Arabia: Average Monthly Wage by Gender and Education (Q3/2024) (In SAR)**



Sources: GASTAT and IMF staff calculations.

**Figure 17. Saudi Arabia: Average Monthly Wages of Bachelor Graduates by Gender (In SAR)**

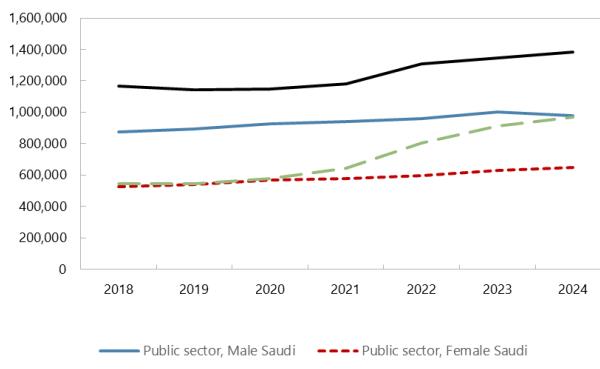


Sources: Haver, GASTAT, and IMF staff calculations.

**Another impressive critical transformation of Saudi Arabia's labor market is the rise in private-sector employment.** Following the implementation of the Saudization scheme (Nitaqat), employment among Saudi nationals in the private sector has risen

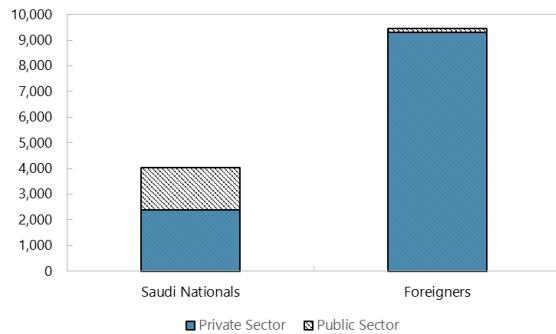
significantly, contributing to the broader decline in unemployment. Since 2020, nearly 700,000 Saudis have joined the private sector workforce, accounting for nearly all of the recent employment gains (Figure 18). However, expatriates still make up four out of five private sector employees (Figure 19). The shift in employment composition from the public to the private sector may also explain the recent decline in average monthly wages for highly educated Saudi women (Figure 17), given that private-sector wages tend to be lower than those in the public sector (Figure 20).

**Figure 18. Saudi Arabia: Public and Private Sector Employment by Gender (In number of employees)**



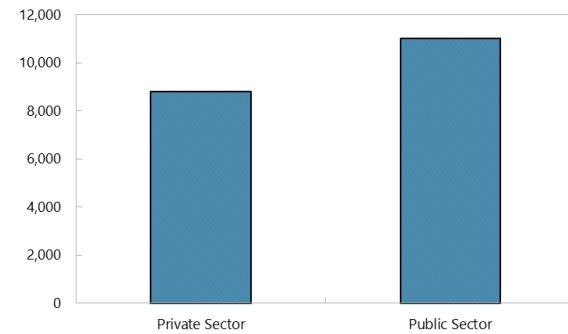
Sources: Haver, GASTAT, and IMF staff calculations.

**Figure 19. Saudi Arabia: Private and Public Sector Employment by Nationality (Q3/2024)**  
(In thousands of employees)



Sources: National Labor Observatory (NLO) and IMF staff calculations.

**Figure 20. Saudi Arabia: Average Monthly Wages in Public and Private Sector for Saudi Nationals (Q3/2024) (In SAR)**

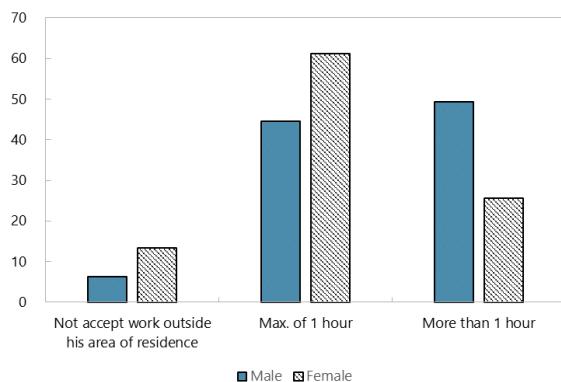


Sources: National Labor Observatory (NLO) and IMF staff calculations.

Notes: Public Sector wages are inferred from overall average monthly wages (GASTAT) and private monthly wages (NLO) using the respective employment shares.

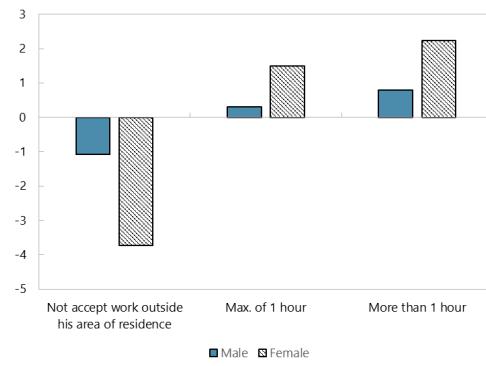
**In recent years, both Saudi men and women became more willing to commute longer distances for work, supporting Saudization of the labor market and helping narrow gender differences in job accessibility.** As of 2024, only 13 percent of unemployed women reported unwillingness to accept a job outside their area of residence, compared to about 6 percent of men. Meanwhile, 26 percent of unemployed women—and 49 percent of men—are willing to commute more than one hour (Figure 21). Between 2022 and 2024, these figures rose considerably for both groups, with a particularly notable increase among women, leading to a reduced gender gap in commuting willingness (Figure 22).

**Figure 21. Saudi Arabia: Willingness of the Unemployed to Accept a Job w/ Commuting Time (2024) (Percent of unemployed)**



Sources: GASTAT and IMF staff calculations.

**Figure 22. Saudi Arabia: Change in Willingness of the Unemployed to Accept a Job w/ Commuting Time (Change Between 2022 and 2024) (Percent of unemployed)**



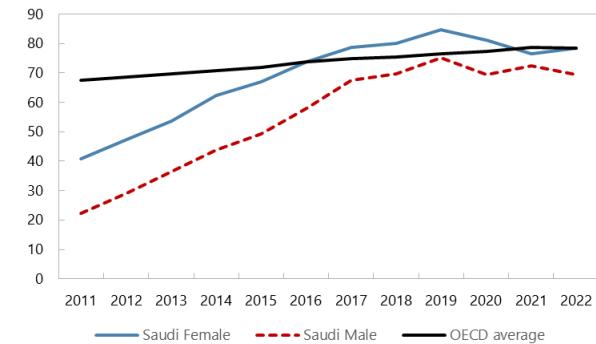
Sources: GASTAT and IMF staff calculations.

**The authorities have introduced a set of policies to facilitate the inclusion of highly educated Saudi women into the labor market and encourage them to pursue private sector employment.** These women

represent a vital underutilized resource for the economy. First, to increase the appeal of private sector jobs, the authorities enacted policies to increase workplace flexibility (*Amending flexible work regulation, May 2024, and Remote work program, December 2024*). Second, major public transport investments—such as the Riyadh metro—aim to reduce commuting times of women. Third, the 2018 decision to allow women to drive significantly expanded their mobility, enabling longer commutes. Fourth, the *February 2025 Labor Law Amendments* require employers to provide either suitable accommodation or transportation, further supporting flexible employment arrangements.

**Young Saudis are more educated than previous generations.** Increased public investment into education and further educational reforms, e.g., through the *Human Capability Development Program* as well as scholarship programs, are bearing fruit: Saudi Arabia has a well-educated young workforce, including women. The gross enrollment ratio for tertiary education increased substantially between 2011 and 2022. Among the current cohort, enrollment for women rose from 41 percent to 78 percent, and for men from 22 percent to 70 percent—both figures now comparable to the 2022 OECD average (Figure 23).

**Figure 23. Saudi Arabia: Gross Enrollment Ratio for Tertiary Education ( $\geq$  ISECD 5) (Percent of cohort)**



Sources: World Bank, UNESCO UIS, and IMF staff calculations.

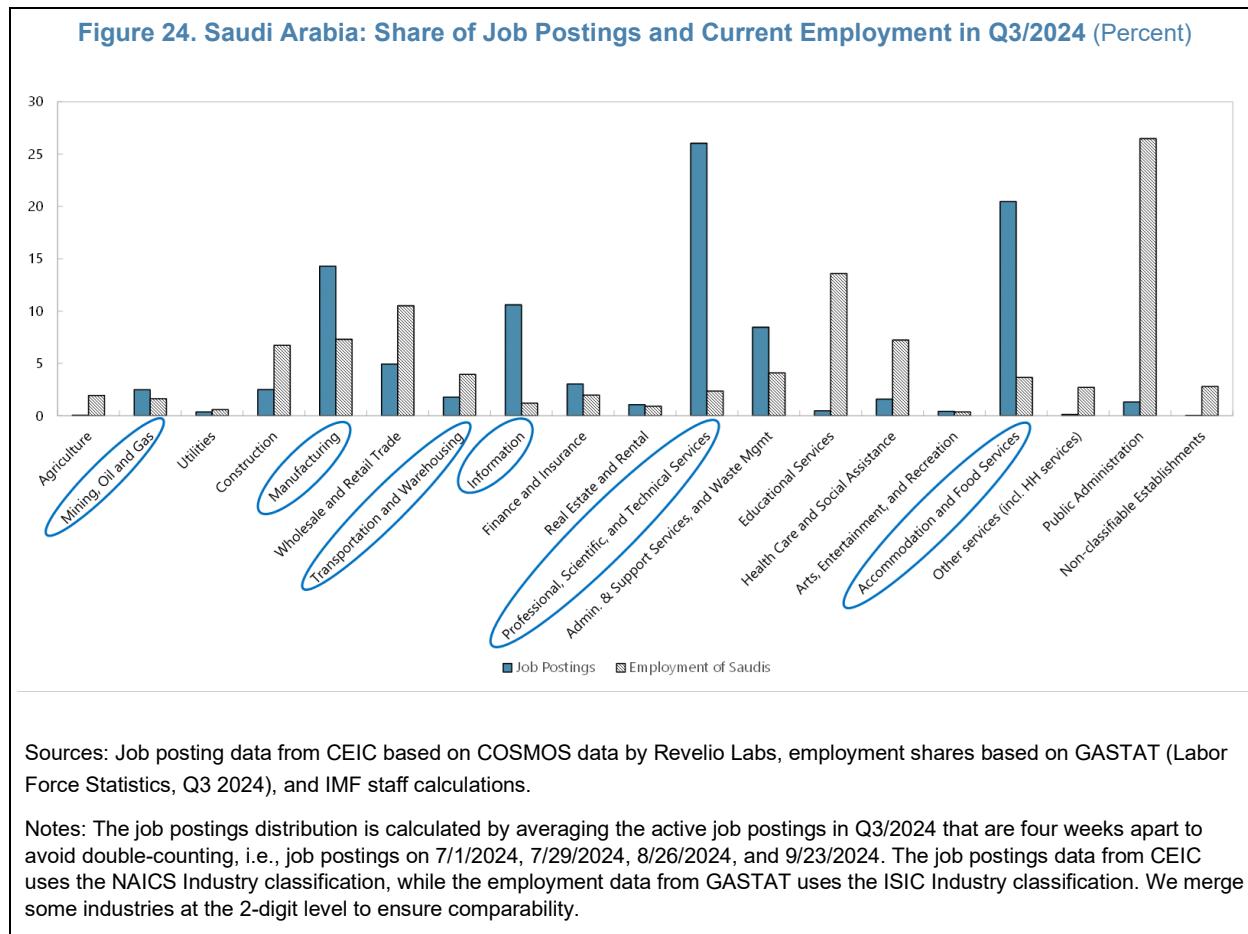
**Recent reforms have had a remarkable impact on the Saudi labor market.** The country experienced a strong increase in female labor force participation coupled with a decline in the unemployment rate, both driven by an increase in private sector employment following recent labor market reforms (Annex II, Tables 16, 17, and 18). The authorities have addressed various issues such as human capital development, equal treatment of workforce, work flexibility and transportation through policies such as the recent Amendments in the Labor Law or the Human Capability Development Program. In the coming years, the consolidation of recent gains through implementation and monitoring of the new legal framework appears warranted.

## Future of the Saudi Labor Market: Early Signs of Labor Market Mismatch

*While the previous subsection focused on recent aggregate developments in the labor market, the following two subsections discuss possible labor market mismatches that may arise from the economic transformation envisioned in Vision 2030 and the role of education and training to alleviate skill mismatch.*

**The Vision 2030 program will reshape labor markets by stimulating new industries.** The program envisages the development of manufacturing, mining, information & communications, transport & logistics, professional & scientific & technical services, and tourism. Although the employment effects of tourism are likely to be spread over multiple industries—e.g., construction, administrative & support services (travel agencies)—we focus on the industry accommodation & food services to proxy for investments into tourism. Annex I provides a list of the specific sub-industries mentioned in the *National Investment Strategy*.

Current labor market data from Saudi Arabia already reveals initial signs of structural change. The 2024 Q3 data reveals that job postings are concentrated in sectors aligned with Vision 2030 priorities—professional & scientific & technical services (26 percent), accommodation and food services (20 percent), manufacturing (14 percent), and information technologies (11 percent) (Figure 24). Yet, the current employment of Saudi nationals does not mirror this demand, suggesting a structural shift underway. The fact that labor demand in nearly all targeted sectors outpaces the current employment share points to two possibilities: (i) either the economy is shifting faster than the economy can adapt (except transportation & warehousing), or (ii) there is a skill mismatch between the workforce and the contemporaneous labor demand.



## Scenario Analysis: Quantification of the Potential Future Mismatch

To examine whether the future demand for workers in Saudi Arabia will align with the available labor supply, two medium-term scenario analyses are conducted. In these scenarios, labor demand is determined at the margin by the growth of sectors targeted under Vision 2030, while labor supply is

characterized by the education and skill profiles of Saudi youth.<sup>6</sup> The scenario analysis helps to identify potential skill mismatches in the labor market, which could pose a bottleneck for structural transformation.

- First, we predict the future labor demand of college graduates and STEM graduates (Science, technology, engineering, and mathematics) under the assumption that the targeted sectors drive the labor demand at the margin.
- Second, we determine the anticipated future labor supply of college graduates and those with a STEM degree relying on the share of currently enrolled students in college and the share of students that are enrolled in STEM subjects.
- This allows us to determine if at the margin educational achievements of Saudis match the requirement inherent in the labor demand of the targeted industries.

**The prediction of the future demand for targeted industries' skilled labor relies on two key assumptions: (1) the relative job growth within these industries and (2) industry-level skill requirements.** Two scenarios are considered:

- The main scenario assumes that job growth will mostly occur in the six targeted sectors consistent with the observed job postings observed in Q3/2024 (blue bars in Figure 24 for the red-marked industries). It also assumes that the share of expatriate workers in each sector stays constant. Under this scenario, for example, 16.9 percent of new jobs are assumed to be created in manufacturing, whereas this share equals 37.1 percent for jobs in the Professional & Scientific & Technical Services sector.
- The alternative scenario assumes that future jobs are more likely to be posted in technology and artificial intelligence. It assumes that future job creation will be more concentrated in the IT sector and Professional, Scientific, and Technical Services, tripling the importance of these two sectors compared to 2024 Q3.<sup>7</sup> Similar to the first scenario, the share of nationals and expatriates at the sector level is assumed to be constant. The respective relative job growth scenarios are listed in Table 2. Here, the IT sector accounts for 26.1 percent of new jobs, compared to 18.3 percent in the main scenario, and Professional, Scientific, and Technical Services rise to 52.8 percent, compared to 37.1 percent (Table 2).

---

<sup>6</sup> The analysis determines the labor demand at the margin by considering the demand for additional workers arising from higher growth of the targeted industries, i.e., growth in addition to the existing employment growth. The analysis assumes that the available workforce to fill those positions resembles the average profile of the Saudi Youth.

<sup>7</sup> Tripling the growth rate of the IT sector would accelerate the development of Saudi Arabia's ICT sector, which currently accounts for 4.1 percent of GDP, bringing it closer to the level observed in advanced economies. For instance, achieving this higher growth trajectory would help narrow the gap with Singapore, where the ICT sector represents 7.1 percent of GDP.

**Table 2. Saudi Arabia: Scenarios of Relative Job Growth in Targeted Industries**

Industry	Main Scenario 1: Conditional Job Posting Share in % (Q3/2024)	Alternative Scenario 2: Conditional Job Postings Share in % (Q3/2024)
Manufacturing	16.9	8.0
Transportation and Warehousing	2.8	1.3
Information Technologies	18.3	26.1
Professional, Scientific, and Technical Services	37.1	52.8
Accommodation and Food Services	18.3	8.7
Mining	6.5	3.1

Sources: Job posting data from CEIC, employment shares based on GASTAT, and IMF staff calculations.

Notes: For employment and job posting shares, Mining reflects the 2-digit industry covering Mining, Oil and Gas as no disaggregate information beyond the 2-digit industry level is available.

**To estimate the skill requirement by industry, we follow the literature and assume that the industry demand for college-educated workers and for those with a STEM degree is the same as in the United States.** The existing industry-level shares of graduates and workers in STEM jobs in the United States in 2023 are shown in Table 3 and is used as Saudi data is not available.

**Table 3. Saudi Arabia: Share of College Graduates and STEM Workers by Industry  
in the United States**

Industry	Share with college degree ( $\geq$ ISCED 5) in %	Share of STEM jobs in %
Manufacturing	22.3	11.0
Transportation and Warehousing	7.4	1.1
Information Technologies	61.8	30.6
Professional, Scientific, and Technical Services	71.1	32.8
Accommodation and Food Services	2.7	0.1
Mining	14.8	5.9

Sources: Data from the U.S. Bureau of Labor Statistics and IMF staff calculations.

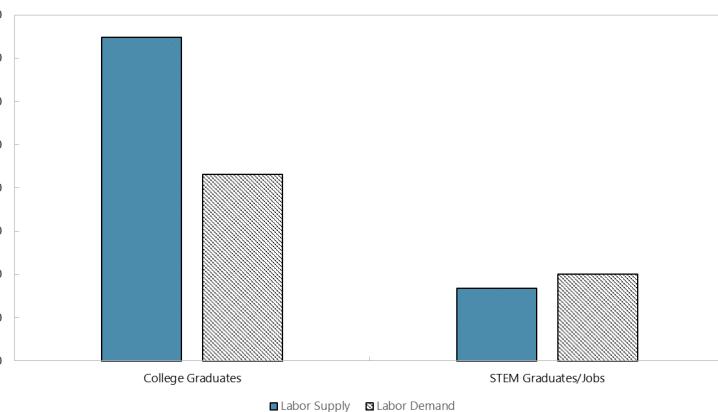
Notes: Degree refers to ISCED 5 or above. The CEIC job postings data used the NAICS Industry classification, while the GASTAT employment data used the ISIC Industry classification. The analysis merges industries at the 2-digit level to ensure comparability.

The scenario analysis suggests that the future demand for college-educated workers may fall short of the projected supply. As shown in Figure 25, under the baseline scenario, only 43 percent of additional new jobs are expected to require a college degree, leaving a significant portion of the highly educated young workforce underutilized. This mismatch is particularly concerning given that Saudi Arabia's current college enrollment rate approaches 75 percent. Even in the alternative scenario, where the tech sector expands more rapidly, the share of new jobs requiring a college education rises to just 57 percent—still below the projected supply of university graduates (Figure 26).

These findings highlight the need to improve education-to-employment alignment by increasing the amount of information on future job growth and their economic returns, while also creating opportunities to strengthen vocational and technical training pathways. At the same time, the results suggest the need for encouraging job creation in sectors that can better absorb the highly educated labor force.

**This labor market mismatch also points to the value of supporting alternative employment pathways.** Notably, 17 percent of the 18–30 years old respondents to a 2022 labor force survey reported to be self-employed, suggesting a strong interest in entrepreneurship among Saudi youth. Reforms in business regulation, SME financing, and government effectiveness that promote entrepreneurship and expand business opportunities would be well-positioned to meet the

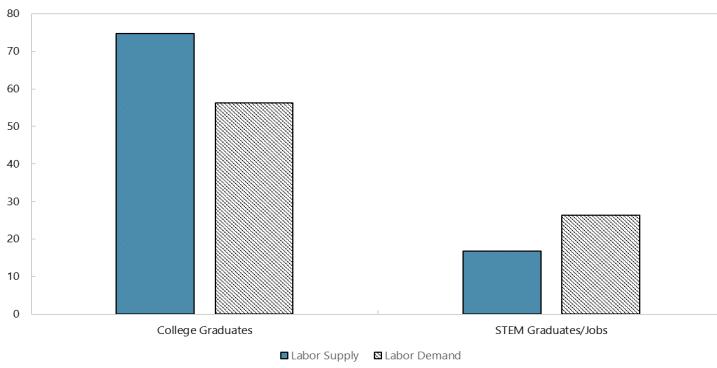
**Figure 25. Saudi Arabia: Main Scenario—Projected Share of College Graduates and STEM Graduates (percent): Labor Demand and Supply at the Margin**



Sources: Job posting data from CEIC, employment shares based on GASTAT, Ministry of Education, U.S. Bureau of Labor Statistics, and IMF staff calculations.

Note: College graduates are defined as ISCED 5 Level or above in the International Standard Classification of Education (ISCED). STEM jobs are defined by the U.S. Bureau of Labor Statistics. STEM graduates are defined as having a tertiary education (ISCED 5 or above) with a degree in the subjects defined in ISCED-F 2013: (1) Engineering, manufacturing, and construction and (2) Natural Science, Mathematics, and Statistics and (3) Communication and Information Technology.

**Figure 26. Saudi Arabia: Alternative Scenario—Projected Share of College Graduates and STEM Graduates (percent): Labor Demand and Supply at the Margin**



Sources: Job posting data from CEIC, employment shares based on GASTAT, Ministry of Education, U.S. Bureau of Labor Statistics, and IMF staff calculations.

Note: College graduates are defined as ISCED 5 or above. STEM jobs are defined by the U.S. Bureau of Labor Statistics. STEM graduates are defined as having a tertiary education (ISCED 5 or above) with a degree in the subjects defined in ISCED-F 2013: (1) Engineering, manufacturing, and construction and (2) Natural Science, Mathematics, and Statistics and (3) Communication and Information Technology.

aspirations of a dynamic, future-oriented young Saudi workforce that is increasingly willing to embrace private sector opportunities.

**By contrast, the scenario analysis suggests that future labor demand for workers with STEM-related qualifications may exceed the projected supply.** In the main scenario, the anticipated share of STEM graduates falls short of anticipated labor demand (Figure 25). This gap widens in the alternative scenario, where job growth in the IT sector and in Professional, Scientific, and Technical Services is assumed to triple. Under this scenario, labor demand for STEM graduates reaches 26 percent, while the projected supply remains at just 17 percent. To address this imbalance, it may be necessary to refocus academic programs toward STEM disciplines and introduce incentives that encourage young people to pursue STEM studies, helping to meet the growing demand for STEM-qualified graduates.<sup>8</sup>

**This misalignment underscores the need to refocus educational programs toward STEM fields and create incentives for youth to pursue degrees in STEM.** Encouragingly, data from a 2022 labor force survey show that among respondents aged 18–30 not currently enrolled in education or training, 26 percent expressed interest in studying a STEM subject at university.<sup>9</sup> To fully leverage this motivated segment of the population, firms can play a more active role in bridging the skills gap. Policymakers could support this by incentivizing the creation of dual higher education programs—which combine work experience with targeted academic instruction—offering a mix of vocational training and applied university education. Finally, aligning young job seekers' expectations with the evolving labor market remains essential. According to the same survey, only 35 percent of youth expressed interest in working in Vision 2030-targeted sectors, even though these sectors accounted for 55 percent of job postings in Q3 2024. This disconnect highlights the need for stronger career guidance, targeted information campaigns, and early engagement with employers to ensure that labor supply meets the skill need of the labor market and support smoother school-to-work transitions.

**Alleviating the misalignment in STEM-related labor demand and supply is expected to increase output.** A recent paper by Garibaldi et al. (2025) finds that the output effect of eliminating educational mismatch across OECD countries averages 3 percent, with large variation across countries which ranges from 0.4 to 7 percent. Cervantes and Cooper (2022) estimate a dynamic structural model of education choice for the United States, Italy, Japan, and Germany and predict an increase in output of 1 to 6 percent by eliminating educational mismatch. Conversely, misallocation of resources would lead to output losses: Hsieh et al. (2019) estimate that changes in the occupational distribution between 1960 and 2010 towards a more efficient allocation of talent in the United States explain between 20 to 40 percent of the growth in output per person during this period. These studies suggest that eliminating skill mismatch in Saudi Arabia is also expected to yield significant output gains.

**One caveat to our analysis is that the potential increase in employment in other economic sectors is not considered.** However, the resulting shortfall of future demand for college-educated workers compared to the projected supply is likely to be robust to using the entire distribution of job postings in Q3 2024, i.e., extending the focus beyond the six considered industries (Figure 24). First, more than 75% of job postings in Q3 2024 occurred in the six considered industries. Second, the remaining industries typically feature lower

---

<sup>8</sup> Currently a large share of college students is enrolled in programs in Arts & Humanities, Education, or Business & Law.

<sup>9</sup> Also, in recent years Saudi students have participated in International Science and Engineering Fair (ISEF).

educational requirements, i.e., employ fewer college-educated workers. Both imply that the shortfall of future demand for college-educated workers would occur in all sectors according to the observed job postings shares in Q3 2024. However, considering the other sector could result in a smaller gap between the demand of STEM graduates and the supply than the gaps projected in the main and alternative scenarios.

## V. Considerations for Future Reform Priorities

**Saudi Arabia has advanced economic diversification by creating jobs, boosting non-oil growth, and expanding private sector involvement.** Continued reforms are needed to address structural gaps and adapt to new priorities, especially by aligning initiatives with youth aspirations. There is a mismatch between labor market demands and skills, particularly in STEM, and Vision 2030's target sectors may not yet fully leverage the country's highly educated workforce. Moving forward, reforms should focus on equipping the population with relevant skills and building a dynamic environment for SMEs to make use of Saudi Arabia's growing talent pool.

This paper's analysis indicates that future reform could prioritize the following areas.

### *Business Regulation*

- **Accelerating business-friendly reforms through simplification and digitalization.** It is important to further reduce bureaucracy costs (e.g., municipal, legal, and notarization fees) and leverage digital platforms such as Fatoora and Etimad as well as the 2025 Commercial Registration Law, which would help simplify tax filing, compliance, and registration via a unified one-stop-shop. It is also useful to consider introducing clear, time-bound approval processes and adopting “silence-is-consent” provisions (a lack of response is an approval) as implemented in Georgia and Argentina.
- **Boost private sector growth by promoting investment discipline and market liberalization.** This objective can be accomplished through systematic evaluations of public investment, thereby minimizing the risk of crowding out while promoting privatization and public-private partnerships. In addition, future reforms could focus on advancing fuel subsidy reforms.

### *Foster Investor Confidence and Legal Certainty*

- **Enforcing recent legal reforms.** This includes enforcing the new Law on Civil Transactions and the 2023 Saudi Center for Commercial Arbitration (SCCA) rules aimed at ensuring predictable, transparent, and efficient contract enforcement and dispute resolution. Consistent applications of legal frameworks help improve the credibility and predictability of the business environment, strengthen investor confidence, and attract foreign direct investment.
- **Promoting private sector participation and fair competition.** This entails advancing reforms to support private sector growth and ensuring that industrial policies complement rather than replace private investment and activity.

### *Labor Market*

- **Aligning skills and education with labor market demands in a diversified, digitalized, and knowledge-based economy.** This includes improving STEM education and vocational training, implementing the Labor Market Strategy 2025–2030 and National Skills Strategy, and ensuring that both large companies and SMEs have equal access to skilled talent. To address this, initiatives have started under the leadership of the Ministry of Human Resources and Social Development, including through: (i) tracking demand-supply mismatches through a council (“15 Skill Council”) consisting of the private sector and the government; (ii) aligning education with labor market needs by establishing a taxonomy and framework on skills and occupational standards; and (iii) enhancing vocational training by strengthening the link between educational and vocational institutions and the industry. Ongoing initiatives should also focus on advancing flexible work arrangements, encouraging lifelong learning, and increasing female labor force participation. Singapore’s initiatives such as SkillsFuture and AI-integrated curricula offers an example.
- **Advancing inclusive growth through innovative training and better information.** Firms could be encouraged to offer dual higher education programs combining academics with work experience. Information on future job growth and returns to education would help youth make informed career decisions that match labor market needs.
- **Progress in female labor force participation.** The February 2025 Labor Law amendments mandate equal treatment and support further labor market reform. Continued implementation and enforcement should help narrow the wage gap and make better use of the educated workforce.

### ***Capital Markets***

- **Further advancing financial sector reforms to improve SME access to finance.** With financing still a barrier for SMEs, future reforms may include improving data availability and reviewing lending and loan guarantee frameworks, while considering financial stability.<sup>10</sup> Broader financial deepening strategies like developing securitization, supporting fintech innovation, improving market structure, expanding credit guarantee schemes, promoting national savings, and boosting financial literacy can create a more inclusive and dynamic financial sector. With recent initiatives like establishing the Small and Medium Enterprises General Authority (“Monsha’at”) in 2016 to coordinate SME policies and launching the parallel equity market (“Nomu”) in 2017, it is time to evaluate their impact and identify improvement areas. Reviewing current SME financing facilities will also help further refine national strategy, ensuring effective support through both credit and equity channels for private sector growth.

### ***Other Reforms***

- In **governance**, this involves further strengthening the rule of law and government effectiveness by enforcing new laws on public procurement and anti-corruption, finalizing the National Anti-Corruption strategy, and improving the coordination between the oversight and anti-corruption authority (Nazaha) and government entities.

---

<sup>10</sup> See also IMF (2024).

- In the **external sector**, enforcing the Updated Investment Law to ensure equal treatment for domestic and foreign investors is essential for expanding foreign investor access to domestic capital markets. Future priorities also include strengthening trade integration within the GCC and beyond.

## VI. Conclusion

**Since 2016, Saudi Arabia has advanced structural reforms through Vision 2030, narrowing structural gaps with leading economies, diversifying the economy, and boosting non-oil sector growth.** Sustained reforms in business regulation, capital markets, and labor—especially for skills development and female participation—are essential for further diversification and achieving Vision 2030 goals.

# Annex I. Vision 2030 and National Investment Strategy

*While this paper focuses on structural reforms, the authorities have also introduced initiatives and programs to support the Vision 2030. Some of the latter are related to industrial policies, which are left outside the scope of this paper. This annex describes Vision 2030 and its supporting programs, as well as the National Investment Strategy.*

## A. Vision 2030

**The Vision 2030, launched in 2016, is a vision for economic, structural, and institutional reforms.** It has three pillars: (i) creating a vibrant society in which all citizens can thrive and pursue their passions; (ii) creating a thriving economy where everyone has the opportunity to succeed; and (iii) creating an ambitious nation committed to efficiency and accountability at all levels.

**Eleven Vision Realization Programs support Vision 2030:**

- **National Transformation Program** (launched in 2016): The first Vision Realization Program under Vision 2030, covering a wide range of areas including empowering the private sector and SMEs, enhancing ease of doing business, increasing FDI, accelerating digital transformation, developing e-government, having inclusive workplace, enhancing transparency of the government and improving the productivity of government employees, and improving the effectiveness and efficiency of the welfare system.
- **Public Investment Fund program** (launched in 2017): Investment by the Public Investment Fund (PIF) for economic diversification and transformation, accelerating innovation, reinventing industries, and creating jobs. Include giga projects such as NEOM, ROSHN, Read Sea project, Qiddiya, and Diriyah.
- **National Industrial Development and Logistics Program** (launched in 2019): Diversifying and transforming the economy by investing in renewable energy solutions, positioning to become a leading nation in mining, becoming a global logistics hub, and securing global supply chains and exporting high-tech products. Creating special economic zones (SEZs) and rehabilitating economic cities. Localizing manufacturing industries, the oil and gas sector, and the military industry.
- **Privatization program** (launched in 2018): Identifying government assets and resources in a number of sectors for privatization. Strengthening the private sector, enhancing economic diversification, and increasing competitiveness.
- **Fiscal sustainability program** (launched in 2016 and implemented): Introducing a medium-term fiscal planning for sustaining public finances and achieving a balanced budget. Strengthening financial discipline and developing public finances through the establishment of several entities, including the Government Expenditure and Projects Efficiency Authority, the National Debt Management Center, and the Non-Oil Revenue Development Center.
- **Financial Sector Development Program** (launched in 2018): Strengthening financial institutions, advancing the financial market, encouraging savings, and fostering fintech startups.

- **Housing Program** (launched in 2018): Increasing homeownership by supporting access to finance, streamlining processes, and digitizing documentation.
- **Quality of Life program** (launched in 2018): Empowering sectors related to arts and culture, entertainment, sports, and tourism, creating new sectors, and promoting economic diversification. Transforming Saudi Arabia to a world-renowned sports and entertainment location and a global tourism destination.
- **Health Sector Transformation Program**: Improving access to healthcare, modernizing facilities and equipment, and enhancing the role of the private sector. Transforming Saudi Arabia's healthcare system to be more comprehensive, effective, and integrated.
- **Pilgrim experience program** (launched in 2019): Providing pilgrims with world-class facilities, improved infrastructure and digitalized services.
- **Human capability development program** (launched in 2021): Empower citizens by supporting learning, upgrading skills, and matching educational outcomes to the needs of the labor market.

## B. National Investment Strategy

**The National Investment Strategy (NIS), launched in 2021, is a strategy for increasing public and private investment in strategic sectors, attracting FDI for economic diversification, and increasing private sector contribution.** The NIS is supported by four pillars: (i) developing new investment opportunities in strategic sectors; (ii) broadening the investment base; (iii) removing financial barriers to private sector investment; and (iv) improving the competitiveness of the business environment. The NIS's strategic sectors include aerospace and defense; automotive; transport and logistics; food and agriculture; construction; entertainment, leisure and sports; financial services; real estate, utilities and renewables; metals and mining; health care; consumer goods and retail; and telecom, media and technology.

**The NIS's total investment target for 2021-2030 (cumulative) is SAR 12.4 trillion or USD 3.3 trillion (IMF (2024)).** This includes: (i) SAR 5 trillion (USD 1.3 trillion) through the Shareek program (a program to encourage large Saudi companies including state-owned companies in partnership with the private sector to increase their investments in Saudi Arabia, through incentives including tax credits and access to low-cost financing; a large share of investments would be led by Saudi Aramco and Saudi Basic Industries Corporation (SABIC)); (ii) SAR 3 trillion from the PIF; (iii) SAR 2.6 trillion from other domestic investment ; and (iv) SAR 1.8 trillion from FDI. The Investment Promotion Authority (SIPA) was established in August 2022 to attract domestic and foreign investment as part of the NIS. IMF (2022) and Moreau and Aligishiev (2024) estimated that investment related to the NIS, combined with fiscal reform, labor supply reform, and higher public sector efficiency, would raise the medium-term non-oil real GDP growth significantly.

## Annex II. Selected Structural Reforms and Initiatives in Saudi Arabia Since 2016

*This annex lists selected structural reforms and initiatives implemented in Saudi Arabia since around 2016 grouped into five areas: governance, business regulation, the external sector, the capital market, and the labor market.*

### A. Governance

*Reforms in this area include those to improve public sector effectiveness and efficiency and public sector transparency and accountability, and those to strengthen control of corruption and AML/CFT.*

Annex II. Table 1. Saudi Arabia: Reforms and Initiatives to Improve Public Sector Effectiveness and Efficiency, and Transparency and Accountability		
Reform	Date	Explanation
Establishing the National Project Management Office (Mashroat)	August 2015	Improve project management of public entities, as well as efficiency, accountability, and transparency of public spending, including large-scale infrastructure projects related to Vision 2030.
Establishing the National Center for Performance Measurement (Adaa)	October 2015	Measure and monitor performance of public entities based on performance indicators including in relation to Vision 2030 objectives, issue periodic reports, and improve public sector efficiency.
Introducing Etimad platform	2018	Etimad is an online platform that provides financial services to government entities and the private sector. It publishes information on the legal ownership (not the beneficial ownership) of entities awarded government contracts. It reports to the Ministry of Finance as a unified digital system for financial transactions in Saudi Arabia. It promotes digital transformation, supports communication between the ministry and other entities, streamlines procedures, and improves efficiency.
New Public Procurement Law	July 2019	The new Law modernizes public procurement procedures and practices, establishes the required institutional arrangements, and institutes new transparency and accountability mechanisms. The new Law strengthens the role of the Ministry of Finance in procurement with the central policy and oversight functions, and it mandates the establishment of the Strategic Procurement Unit (SPU).
Establishing Expenditure and Projects Efficiency Authority (EXPRO)	February 2021	Transform Mashroat and the Spending Efficiency Achievement Center into EXPRO to improve spending efficiency of government agencies, improve the quality of projects and operational processes, and monitor and control implementation of programs and initiatives.
Establishing National Center for Inspection and Oversight	October 2023	National Center for Inspection and Oversight (NCIO) coordinates inspection and oversight activities among government entities to improve efficiency of inspection and improve oversight of government entities.

Annex II. Table 2. Saudi Arabia: Reforms and Initiatives to Strengthen Control of Corruption and AML/CFT		
Reform	Date	Explanation
Issuance of new AML/CFT Laws	November 2017	

<b>Amendment of Anti-bribery Law</b>	March 2019	Broaden the scope of the law.
<b>Full membership at the Financial Action Task Force (FATF)</b>	June 2019	Obtained full FATF membership, following the conclusion of the mutual evaluation process in 2017-2018, which revealed the high level of compliance and effectiveness of control measures in the areas of AML/CFT.
<b>Further amendments of Anti-bribery Law</b>	2021	Further broaden the scope of the law.
<b>New Law for the Protection of Whistleblowers, Witnesses, and Experts</b>	June 2024	Protect individuals who report crimes from threats and retaliation. Ensure the integrity and confidentiality of whistleblowing processes. Complement the recent anti-corruption measures, including providing financial rewards for reporting unauthorized endowments.
<b>New Nazaha Law</b>	November 2024	The Oversight and Anti-Corruption Authority (Nazaha) is an independent body established in 2011 to monitor and investigate financial and administrative corruption and reports directly to the King. The new Law mandates the immediate dismissal of government employees found guilty of corruption, establishes procedures for prosecuting government employees, broadens the definition of corruption, increases penalty, and enhances powers of Nazaha in investigations and prosecution. Since the law came into effect, Nazaha has been reviewing its organizational structure and work procedures and strengthening the coordination between Nazaha and government agencies on anti-corruption.
<b>National Anti-Corruption Strategy</b>	2025 (in progress)	The framework and the implementation timeframe for the National Anti-Corruption Strategy are defined. The strategy is being developed, in partnership with government entities, the private sector, and non-profit sector.
<b>Rules for conducting Financial Settlements with Perpetrators of Corruption Crimes</b>	January 2025 (approval of a royal decree)	Designed to recover embezzled funds and accelerate justice in financial corruption, based on the New Nazaha Law.
<b>New Ultimate Beneficial Ownership (UBO) Rules</b>	April 2025	Defined an ultimate beneficial owner (UBO). Clarify obligations for companies including mandatory UBP disclosure during the registration process with the Ministry of commerce, confirmation of UBO information on an annual basis, maintaining an internal UBO register, reporting of changes in UBO information to the Ministry of Commerce, and the reporting to the Ministry of Commerce of UBO related information and documents as requested by the Ministry of Commerce.

## B. Business Regulation

*Reforms in this area include those to improve regulatory environment for businesses, those to improve competition, those to facilitate privatization and PPPs and increase private sector contribution to the economy, those to increase SME contribution to the economy, those to improve regulatory environment in the real estate sector and land access, and those to strengthen protection of intellectual property and information.*

Annex II. Table 3. Saudi Arabia: Reforms and Initiatives to Improve Regulatory Environment for Businesses		
Reform	Date	Explanation
<b>New Companies Law</b>	May 2016 (Updated on December 31, 2022)	Introduce new corporate structures such as single shareholder limited liability companies (LLCs) and simple joint stock companies (JSCs). Introduce rules for corporate governance. Make entry requirements for SMEs more flexible. Reduce ambiguities in the existing Law.

<b>Establishing Saudi Center for Commercial Arbitration (SCCA)</b>	Operational since 2016 (established in 2014)	SCCA administers Alternative Dispute Resolution (ADR) procedures in commercial disputes. SCCA provides dispute resolution services to domestic and foreign firms based on arbitration rules that conform to internationally recognized standards and principles. Improve dispute settlement and enforcement process.
<b>New Corporate Governance Regulations</b>	April 2018	Issued by the Ministry of Commerce and Investment. Complementary to Companies Law. Provide a framework for corporate governance to enhance transparency and accountability, fairness, efficiency, and protection of shareholder rights.
<b>New Bankruptcy Law</b>	August 2018	The new Law includes procedures for financial restructuring to continue operation of a distressed company and procedures for asset liquidation and distribution of the proceeds among creditors, aiming to facilitate restructuring and liquidation. The Law also defines rules and procedures for Bankruptcy Committee that manages the process for restructuring and liquidation.
<b>Franchise Law</b>	April 2020	Regulations on the rights and obligations of the parties involved in franchise agreement.
<b>New Commercial Courts Law</b>	June 2020	Expand the jurisdiction of the Commercial Courts for more efficient and speedy resolution of commercial disputes.
<b>New Anti-Concealment Law</b>	February 2021	The new Law extends the scope of its application and increases penalties to ensure proper business licensing and registration.
<b>Introducing e-invoicing portal for resident taxpayers (Fatoora) by the Zakat, Tax and Customs Authority</b>	December 2021 (phase 1), January 2023 (phase 2)	Facilitate and simplify business to business transactions and business to consumer transactions, improve transparency, and increase compliance.
<b>New Companies Law</b>	December 31, 2022	The new Law introduces a new form of companies, simplified joint stock company, to make it easier for SMEs and family-owned businesses to issue shares. <u>Also, increase SME contribution to the economy.</u>
<b>New Saudi Center for Commercial Arbitration (SCCA) Rules and new SCCA Court</b>	May 2023	The new Rules are developed to improve cost, efficiency, and effectiveness of dispute settlement and enforcement process, in accordance with best international practices. The new Rules empower the new SCCA Court to make key determinations in SCCA proceedings, including appointing emergency arbitrators, settling arbitrator challenges, determining jurisdiction, and reviewing the approval of awards. The SCCA court replaces the Committee for Administrative Decisions.
<b>New Law on Civil Transactions (Civil Code)</b>	December 2023	Improve efficiency, transparency, predictability, and reliability in business contract enforcement.
<b>New Commercial Registration Law, and New Law of Trade Names</b>	May 2025	Move to a single national registration for businesses with a new electronic database to simplify commercial registration process. The new Law protects businesses by prohibiting other businesses from using reserved or registered names.

**Annex II. Table 4. Saudi Arabia: Reforms and Initiatives to Improve Competition**

Reform	Date	Explanation
<b>New Competition Law</b>	September 2019	The new Law prohibits entities with a dominant position from engaging in anti-competitive practices and agreements. The new Law has wider scope and coverage on entities and practices relative to the 2004 Law as amended in 2014. The new Law clarifies anti-competitive practices, includes a general rule on free competition, provides a definition for unilateral behavior and a dominant position, and introduces new provisions to enhance investigation powers of the General Authority for Competition (GAC). In November 2021,

		the GAC published compliance guidelines on Competition Law and Implementing Regulations to strengthen the enforcement of the Law.
--	--	---

**Annex II. Table 5. Saudi Arabia: Reforms and Initiatives to Facilitate Privatization and PPPs and Increase Private Sector Contribution to the Economy**

Reform	Date	Explanation
Establishing National Center for Privatization and Public Private Partnerships	2017	National Center for Privatization and Public Private Partnerships (NCP) contributes to the privatization frameworks and develops a pipeline of sectors and government assets that can be privatized or improved through private sector participation. Related to Vision 2030's Privatization Program.
Private Sector Participation Law (Privatization Law)	July 2021	Establish rules and procedures for identifying government assets and services that can be privatized. The Law provides a regulatory framework for PPPs and privatizations. Related to Vision 2030's Privatization Program.

**Annex II. Table 6. Saudi Arabia: Reforms and Initiatives to Increase SME Contribution to the Economy**

Reform	Date	Explanation
Establishing Small and Medium Enterprises General Authority (Monsha'at)	2016	Monsha'at coordinates all aspects of SME policies. Supports Vision 2030's objective of increasing SME contribution to the economy. <u>Also, increase SME financing (reforms in capital market).</u>

**Annex II. Table 7. Saudi Arabia: Reforms and Initiatives to Improve Regulatory Environment in the Real Estate Sector and Land Access**

Reform	Date	Explanation
Law of White Land Tax	November 2015	Impose 2.5 percent tax on the value of undeveloped lands in urban areas owned by natural or non-governmental legal persons to increase the supply of lands, provide residential land at reasonable prices, and protect fair competition and combat monopoly practices. Implementing regulations in May 2016.
Law of Real Estate Registration	April 2022	Establish a formal and transparent land and real estate registration system, with the Real Estate General Authority (REGA) as the competent authority. Before this, land ownership was recorded through title deeds issued by local notary public offices, without a centralized registry. Replaces the 2002 law.
Property Brokerage Law	June 2022	Increase transparency and reliability of brokerage transactions and contracts.
Realty In-kind Registration Law	August 2022	Establish a digitalized system for registering ownership and transfers of land and properties. This improves reliability of title deeds, transparency and accuracy of the information, and customer protection.
Amendments to Law of White Land Tax	2025	Increase the tax rate on the value of undeveloped lands from 2.5 percent to 10 percent to further increase the supply of land.

**Annex II. Table 8. Saudi Arabia: Reforms and Initiatives to Strengthen Protection of Intellectual Property and Information**

Reform	Date	Explanation
Establishing the Saudi Authority for Intellectual Property (SAIP)	2017	Protect intellectual property, in accordance with the best international practices.
Launching the National	2022	Protect intellectual property.

<b>Intellectual Property Strategy</b>		
<b>Communications and Information Technology (CIT) Law</b>	December 2022	Replace the Telecommunications Law of 2001. The new law aims to foster innovation, protect consumer rights, ensure fair competition, and promote the development of digital infrastructure and services. The new law widens the scope of the regulatory jurisdictions of the Communications, Space, and Technology Commission (CST) by including additional technology and digital services. The new law includes provisions to protect user information and confidential documents.
<b>Personal Data Protection Law</b>	September 2023	The Law applies to the processing of personal data of Saudi residents by businesses inside and outside Saudi Arabia. Implementing regulations in October 2023.
<b>Establishing the Intellectual Property Prosecution</b>	February 2024	With prosecutorial powers, investigate intellectual property rights infringements and initiate criminal proceedings.

## C. External Sector

*Reforms in this area include those to improve foreign investors' access to domestic capital market, those to reduce restrictions on foreign visitors, and those related to trade.*

**Annex II. Table 9. Saudi Arabia: Reforms and Initiatives to Improve Foreign Investors' Access to Domestic Capital Market**

Reform	Date	Explanation
<b>Allowing qualified foreign financial institutions (QFIs) to directly trade listed shares on Tadawul</b>	July 2014	Previously, foreigners could purchase shares in Saudi companies only indirectly, through channels such as equity swaps and exchange traded funds. Related to this, in May 2015, the Capital Market Authority (CMA) issued the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares (QFI rules).
<b>Allowing full foreign ownership of retail and wholesale businesses</b>	June 2016	Allow foreign companies to increase investment from the previous 75% limit to 100% in the retail and wholesale sectors. Investors have the flexibility to structure their operations either in the form of joint ventures or seek 100% ownership in the retail and wholesale sectors. <u>This also increases competition (relevant for business regulation).</u>
<b>Relaxing restrictions for foreign investors' investment in listed securities</b>	September 2016	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities (QFI Rules) issued in May 2015 were amended to: (i) relax some restrictions that were previously enforced on the registration of potential foreign investors, such as decreasing the required minimum limit of asset value managed by the financial institution applying for registration from SAR 18.75 billion to SAR 3.75 billion; (ii) expand the categories of QFIs to include government entities, institutions affiliated with government entities, university endowments, and any other financial institutions the Capital Market Authority deems eligible; (iii) eliminate the approved QFI Client concept; and (iv) amend the investment limitations to increase the ownership of foreign investor limits.
<b>Improving foreign investor licensing system on Tadawul</b>	June 2017	The instant license and renewal system was launched, and services related to license renewal, company activities amendment, and adding branches were automated. The time to issue new licenses was reduced from average of 20 hours to less than 3 hours.
<b>Extending foreign investor</b>	August 2017	The validity of foreign investment licenses was extended from one year to five years.

<b>licenses on Tadawul</b>		
<b>Allowing full foreign ownership of engineering firms</b>	August 2017	
<b>Allowing nonresident foreign investors to invest directly in the parallel equity market (Nomu)</b>	January 2018	
<b>Relaxing restrictions for QFIs</b>	January 2018	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities (QFI Rules) were amended to: (i) relax some restrictions that were previously enforced on the qualification of potential foreign investors, including lowering the required minimum limit of asset under management or custody (AUM) for the financial institution from \$1 billion (SAR 3.75 billion) to \$500 million (SAR 1.87 billion); (ii) eliminate the requirement for the CMA's review and approval of the qualification application; (iii) eliminate the investor experience requirement; (iv) qualify the affiliates of QFIs or foreign portfolio managers and their managed funds without the need to submit separate applications; and (v) ease some continuous obligations requirements on QFIs.
<b>Allowing swap holders to open QFI account</b>	May 2018	CMA's Board Resolution of August 17, 2008 was amended, allowing swap holders to open QFI accounts while retaining the swap account for grace period of one year, providing foreign investors with choice of channel for trading.
<b>Relaxing restrictions for foreign investors</b>	November 2018	The Investment Accounts Instructions of the CMA Board of April 3, 2016 were amended to remove some requirements for opening investment accounts for foreign investors, such as copies of identification documents of the owner of the QFI.
<b>Allowing foreign strategic investors to own a controlling interest in Saudi companies listed on Tadawul</b>	June 2019	The CMA approved the "Instructions for the Foreign Strategic Investors' Ownership in Listed Companies" aimed at foreign legal persons who intend to own a strategic shareholding in listed companies to promote the financial or operational performance of the listed companies on the long term. Foreign strategic investors are excluded from all requirements of QFI rules, including the investment limits in Saudi listed firms to 49% of shares. The 49% limit continues to apply to QFIs.
<b>Allowing foreign investors to invest in debt instruments and listed derivatives</b>	August 2020	
<b>New Mining Investment Law (allowing foreign companies to enter the Saudi mining sector)</b>	December 29, 2020	The new Law would help attract more local and international investors to the mining sector, including by facilitating investor access to financing and by supporting exploration and geological survey activities. Replaces the Mining Investment Law of 2005.
<b>Amending the Rule for Foreign Investment in Securities</b>	May 2023	The Rules for Foreign Investment in Securities set out the provisions for foreign investment in listed securities, debt instruments, and investment funds. The Rules were amended as follows: (i) all foreign investor regulations were merged into one regulation; (ii) requirements of financial institution type and qualification process were removed, and the foreign investor is only required to be a legal person and open an investment account with one of the capital market institutions; (iii) the asset under management size requirement for some types of investors, such as pension funds, endowment funds, a market maker's client, government entities, and

		some international organizations, was removed; (iv) a new channel for foreign investors (natural and legal persons) to invest in the main market through a discretionary portfolio management (DPM) was introduced; and (v) the ultimate beneficiary in swap agreement conditions was improved by removing the duration of the swap agreement and the CMA notification requirements.
<b>Expanding the scope of foreign investors that can directly invest in shares listed on Tadawul</b>	Draft law in November 2024. Public consultation until December 20, 2024	Allowing individual foreign investors previously resided in Saudi Arabia or one of the GCC countries to directly trade shares listed on Tadawul. Currently, the participation of individual foreign investors who previously resided in Saudi Arabia or one of the GCC countries is limited to the debt market, the parallel market (Nomu), investment funds, and the derivatives market.
<b>Amending the Law of Real Estate Ownership and Investment by Non-Saudis</b>	January 2025	Allow foreign investors to directly buy shares and debt instruments in Tadawul-listed real estate companies with assets in Makkah and Madinah. Foreign ownership is capped at 49% of a company's shares or debt instruments. Before this change, non-Saudis could subscribe to real estate funds investing in Makkah and Madinah, but no direct investment in company shares or debt instruments was allowed.
<b>Updated Investment Law</b>	February 2025	Replaces the Foreign Investment Law of 2000. The Law aims to improve investment and business environment in line with Vision 2030 and the National Investment Strategy. The Law ensures equal treatment of domestic and foreign investors in terms of rights and obligations. The Law improves access to foreign investors by abolishing entry screening, prior authorization, and licensing requirements for investment in non-sensitive sectors. The Law provides stronger investor protection, with protection of intellectual property and confidential business information, clear and transparent complaints handling mechanism, and freedom to transfer capital without delay. The Law provides more options for means of dispute settlement to reduce cost and duration of disputes, allowing alternatives to dispute settlement through competent court, such as international arbitration by consent, mediation, and conciliation. <u>This is also related to improvements in regulatory environment for businesses.</u>

**Annex II. Table 10. Saudi Arabia: Reforms and Initiatives to Reduce Restrictions on Foreign Visitors**

Reform	Date	Explanation
Introducing Saudi Green Card	May 2019	A permanent and renewable residence permits for foreigners, especially skilled professionals, entrepreneurs, and investors, to live, work, and own property in Saudi Arabia without a local sponsor.
Introducing tourist visa	September 2019	
Introducing e-visa	September 2022	
Introducing “stopover” visa	February 2023	
Introducing instant e-visa	June 2023	

**Annex II. Table 11. Saudi Arabia: Reforms and Initiatives Related to Trade**

Reform	Date	Explanation
Establishing GCC Customs Union	January 2015	Free movement of goods within the region by eliminating customs duties between them. A common external tariff across the GCC countries for goods imported from outside the GCC.
Launching Saudi Export Development Authority's Institutional	January 2022	The Saudi Export Development Authority was established in 2007 and began functioning in 2013. The strategy aims to promote non-oil exports and diversify the economy by improving the export environment, developing exporters' capabilities, and enhancing their market competitiveness.

Transformation Strategy		
Accession to UN Convention on Contracts for the International Sale of Goods	June 2023	Accession to an equitable and modern uniform framework for international sales contracts. Provide certainty in commercial exchanges and reduce transaction costs.

## D. Capital Markets

Reforms in this area include those to develop equity market, those to develop debt and credit market, those to improve SME access to finance, and those to develop government securities market.

Annex II. Table 12. Saudi Arabia: Reforms and Initiatives to Develop Equity Market		
Reform	Date	Explanation
Establishing parallel equity market for smaller companies (Nomu)	February 2017	Increases small companies eligible to be listed in Saudi Arabia.
Allowing borrowing and lending as well as short-selling of Tadawul-listed securities	March 2017	In relation to this, Tadawul issued Securities Borrowing and Lending Regulations (SBL) and Short Selling Regulations in March 2017.
New M&A regulations	October 2017	Issued by the Capital Market Authority (CMA). Improves M&A regulations (original regulations in 2007).
Inclusion of Saudi Arabia in FTSE Russel and MSCI indices	2019	Inclusion in the FTSE Russell Emerging Markets Index in March 2019. Inclusion in MSCI Emerging Markets Index in May 2019.
Launching single stock futures in the derivatives market	July 2022	
Introducing market making framework for derivatives market in Tadawul	December 2022	
Allowing foreign issuers to list Saudi Depository Receipts (SDRs) on Tadawul	2025	Allow Saudi investors to invest in foreign companies through local stock exchange in Saudi Arabia. Allow foreign companies to access Saudi investors and capital markets without directly listing shares on Tadawul.

Annex II. Table 13. Saudi Arabia: Reforms and Initiatives to Develop Debt and Credit Market		
Reform	Date	Explanation
Creating Saudi Real Estate Refinance Company (SRC)	August 2017	SRC provides banks and real estate finance companies with liquidity or capital relief. Help increase mortgage finance and home ownership. Help create a secondary market for mortgage securities. SRC is fully owned by the Public Investment fund (PIF).
Updated Commercial Pledge Law	October 2018	The Law covers the creation of security over movable property, which includes present as well as assets that will come into existence in the future. Under earlier laws, it was possible to create security over movables that

		were in existence, but it was not possible to do so over movables that were not in existence. Increase financing options for businesses.
<b>Launching subsidized mortgage financing program (Sakani program)</b>	2018	Related to Vision 2030's Housing Program to increase home ownership.
<b>Amending the Implementing Regulations of the Finance Companies Control Law</b>	2025	The amendments include allowing finance companies to practice financing activities with no restrictions as to merging financial activities, while maintaining SAMA's right to restrict licensing of financing companies by certain conditions. The amendments are intended to ensure the effectiveness of the financial sector and a competitive environment for the financial sector.

**Annex II. Table 14. Saudi Arabia: Reforms and Initiatives to Improve SME Access to Finance**

Reform	Date	Explanation
<b>Establishing Small and Medium Enterprises Bank (SME Bank) to consolidate all SME financing initiatives</b>	February 2021	The SME Bank was established as one of the funds and development banks of the National Development Fund to support Vision 2030 goals of increasing the SME sector's contribution to the GDP and SME financing. The SME bank will become an umbrella for all SME financing initiatives, including (i) the public credit guarantee scheme for SMEs (Kafalah program), (ii) Saudi Venture Capital Company (SVC), a government venture capital firm established in 2018 to stimulate startups financing, (iii) Funding Platform, an electronic platform that links commercial banks, NDFIs, financial institutions and Fintech with SMEs, and (iv) Indirect Lending Initiative of the Small and Medium Enterprises Authority (Monsha'at), channeling SME lending indirectly through accredited finance companies. In November 2022, Small and Medium Enterprise Bank Law (SME Bank Law) was approved.
<b>Allowing foreign participants to access SME Loan Guarantee Program (Kafalah program)</b>	Announced in October 2024	Increase the presence of international SMEs in Saudi Arabia.

**Annex II. Table 15. Saudi Arabia: Reforms and Initiatives to Develop Government Securities Market**

Reform	Date	Explanation
<b>Establishing Public Debt Management Office</b>	2015	The Public Debt Management Office, which later became the National Debt Management Center (NDMC) in October 2019, was established to spearhead the government's debt issuance strategy and to develop the government debt market. An initiative of the Fiscal Sustainability Program under Vision 2030.
<b>Start listing and trading of Saudi Riyal-denominated government debt instruments on Tadawul</b>	April 2018	Ensure fair pricing of government debt instruments. Improve information disclosure and transparency.
<b>Introducing primary dealer system for local government debt instruments</b>	July 2018	Expand the investor base and increase the flexibility in the pricing of government debt securities in the primary market. Support the development of the secondary market. For primary dealers, started with five financial institutions in 2018, and one bank was added in 2021, five financial institutions were added in 2022, and five financial institutions were added in 2024.

## E. Labor Market

Reforms in this area include those to match labor supply with labor demand and improve labor productivity, those to increase work flexibility and ensure equal treatment, and those to increase female labor force participation.

Annex II. Table 16. Saudi Arabia: Reforms and Initiatives to Match Labor Supply with Labor Demand and Improve Labor Productivity		
Reform	Date	Explanation
Launching on-the-job training programs	2017	Support job seekers holding bachelor's, master's, and doctoral degrees, as well as those holding diplomas in health, administrative, and technical fields. Aim to equip participants with skills and experiences to join the labor market. Provide training opportunities in government institutions, companies, and international organizations. Trainees receive a monthly stipend during the training period.
Launching Parallel Training Initiative	2017	A training initiative for unemployed women, aiming to enhance women's employment opportunities through training programs to develop fundamental and technical skills and career guidance. An initiative by the Ministry of Human Resources and Social Development as part of the National Transformation Programs of Vision 2030.
Launching Human Capability Development Program (HCDP)	2021	One of Vision 2030 Realization Programs. Focus on developing a strong educational base to meet the needs of the labor market, fostering innovation, and developing and upgrading skills and providing lifelong learning opportunities. Specific targets include lowering the unemployment rate among Saudi nationals, Saudization in high-skilled jobs, improving the ranking in World Bank Human Capital Index, increase female economic participation rate, and increase the percentage of technical and vocational education graduates enrolled in the labor market within 6 months of graduation.
Launching Labor Demand Foresight Unit	2022	Establishing a dedicated department within the Ministry of Human Resources and Social Development to analyze future labor market trends and identify potential skill gaps and areas of high demand.
Student Training Decision	January 2024	A decision issued by the Ministry of Human Resources and Social Development, obligating private sector establishments with more than fifty workers to provide training opportunities for students to enhance skills and find jobs.
Launching Labor Market Skills Survey initiative for 2024	September 2024	The initiative of the Ministry of Human Resources and Social Development in cooperation with the World Bank Group and the research firm Nielsen IQ. Seek to align labor market skills with private sector demands through training and educational programs, identify employment challenges faced by establishments, and adapt to technological advancements.

Annex II. Table 17. Saudi Arabia: Reforms and Initiatives to Increase Work Flexibility and Ensure Equal Treatment		
Reform	Date	Explanation
Launching Labor Reform Initiative to grant greater freedom to expatriate workers	March 2021	Amendment to the Kafala system, to allow expatriates to freely enter and exit Saudi Arabia without employer permissions and to change employers. This would be expected to increase expatriates' wages and productivity and attract high-skilled expatriates.
Launching National Policy to Encourage Equal Opportunities and Equal Treatment in	January 2023 (approval by the Council of Ministers)	Policies to define and prevent discrimination in the workplace and to ensure equal treatment in employment and occupation.

Employment and Occupation		
Launching gender budgeting program within the annual budget	January 2023	Gender budgeting to reduce gender gap and empower women.
Amending Flexible Work Regulation	May 2024	Amending the executive regulations of the Labor Law to raise the limit on working hours for Saudi nationals under flexible work contracts.
Launching Remote Work Program	December 2024	Intended to increase work flexibility.
Amendments to Labor Law (equal treatment, penalties for exploitative hiring practices, training, leave system, accommodation and transportation)	February 2025	Guarantees equal access to professional opportunities and benefits, regardless of individual characteristics or circumstances. Mandate employers to provide equal treatment to all employees, subject to other applicable laws. Introduce new penalties on companies that fail to obtain the necessary licenses from the Ministry of Human Resources and Social Development to engage in manpower supply activities, to discourage exploitative hiring practices. The Law formally defines "resignation", removing uncertainty in the terminology. Require employers to formulate training and qualification policies. The maximum probationary period is extended from 90 days to 180 days. Extend maternity leave to 12 weeks on full pay (previously 10 weeks). Entitle male workers with three days paid parental leave. Extend bereavement leave. Require employers to provide their employees with accommodation and transportation or provide equivalent compensation as part of employment package.

**Annex II. Table 18. Saudi Arabia: Reforms and Initiatives to Increase Female Labor Force Participation**

Reform	Date	Explanation
Vision 2030 sets targets for female labor force participation	2015-2016	
Allowing women to access government services without male guardian's consent	2017	Government services include education and healthcare. Applies to all government agencies.
Wusool program to assist female workers with transportation costs	November 2017	Initiative launched by the Human Resources Development Fund, supported by the Ministry of Human Resources and Social Development, to help female employees overcome transportation difficulties and have greater labor force participation in the private sector.
Qurrah program to provide financial support for childcare services	November 2017	Initiative launched by the Human Resources Development Fund, supported by the Ministry of Human Resources and Social Development, to support female workers in registering children in a licensed children's hospitality service.
Women no longer need a male guardian to apply for a business license and start a business	February 2018	

<b>Allowing women to drive</b>	June 2018	Ease transportation constraints for female workers.
<b>Female leadership training programs</b>	2019	Training program in partnership with INSEAD to prepare women for senior management and leadership positions.
<b>Allowing women to work at night and removing several laws that were preventing women to work in certain sectors</b>	August 2020	

## References

Budina, N., C. Ebeke, F. Jaumotte, A. Medici, A.J. Panton, M.M. Tavares, and B. Yao, 2023, "Structural Reforms to Accelerate Growth, Ease Policy Trade-offs, and Support the Green Transition in Emerging Market and Developing Economies," IMF Staff Discussion Note, 2023/007.

Cervantes, C.-V., and R. Cooper, 2022, "Labor Market Implications of Education Mismatch," *European Economics Review* 148: 104179.

Economist Intelligence Unit, Business Environment and the Long-term Forecast: Saudi Arabia, various issues.

Fraser Institute, Economic Freedom of the World Annual Report, various years.

Garibaldi, P., P. Gomes, and T. Soprseuth, 2025, "Output costs of education and skill mismatch in OECD countries," *Economics Letters* 250: 112278.

Hsieh, C.-T., E. Hurst, C.I. Jones, and P.J. Klenow, 2019, "The Allocation of Talent and U.S. Economic Growth," *Econometrica* 87(5): 1439–74.

International Monetary Fund, Annual Report on Exchange Arrangements and Exchange Restrictions, various years.

International Monetary Fund, 2019, "Reigniting Growth in Emerging Market and Low-Income Economies: What Role for Structural Reforms?" *World Economic Outlook*, Chapter 3, October 2019.

International Monetary Fund, 2022, Selected Issues Paper: Saudi Arabia. Country Report, 2022/275.

International Monetary Fund, 2024, Saudi Arabia Financial System Stability Assessment. IMF Country Report No. 24/281.

Kingdom of Saudi Arabia, Vision 2030 Annual Reports, various years.

Kingdom of Saudi Arabia, Vision 2030 Human Capability Development Program 2021-2025.

Kingdom of Saudi Arabia, Vision 2030 National Industrial Strategy Annual Report 2023.

Kingdom of Saudi Arabia Ministry of Industry and Mineral Resources, National Investment Strategy.

Moreau, F. and Z. Aligishiev, 2024, "Diversification in Sight? A Macroeconomic Assessment of Saudi Arabia's Vision 2030," *International Economics* 180: 100538.

Riyadh Behavioral Insights Center, 2022, KSA Labor Force Survey Report.

World Bank, 2024, Worldwide Governance Indicators, 2024 Update.



## PUBLICATIONS