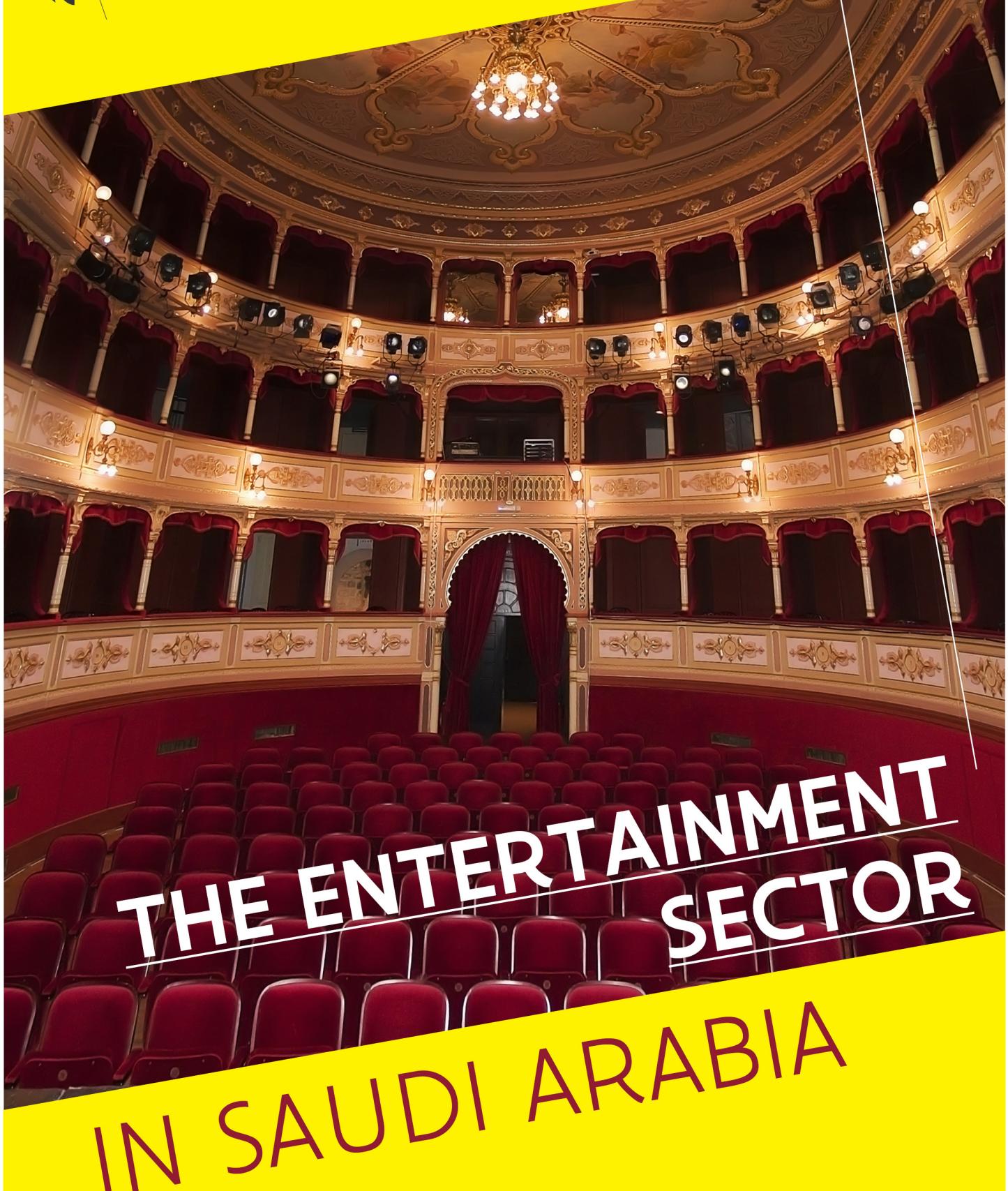




**Flanders**  
State of the Art



# THE ENTERTAINMENT SECTOR IN SAUDI ARABIA

FLANDERS INVESTMENT & TRADE MARKET SURVEY



# THE ENTERTAINMENT SECTOR IN SAUDI ARABIA

28.08.2018



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# 1. AN EMERGING SECTOR

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## 1.1 SAUDI VISION 2030

In 2016 when Saudi policy-makers, led by Crown Prince Mohamed bin Salman, realized that the economic growth model adopted over the past four decades was being challenged by the new realities of lower oil prices and the moderating global growth outlook, they announced a package of socio-economic reforms called '[Vision 2030](#)', a methodology and roadmap for economic and development measures aimed at putting the Kingdom in a leading position.

Vision 2030 sought to identify general directions, policies, goals, and objectives to propel the Kingdom to become the 15<sup>th</sup> largest economy and to surpass countries that are currently ahead of it in the next 13 years.

The vision encompasses, in several domains, strategic objectives, targets, outcome-oriented indicators, and commitments that are to be achieved by public, private, and nonprofit sectors. Accordingly, the Council of Economic and Development Affairs, also headed by Crown Prince Mohammed bin Salman, has established a few bodies that will support monitoring & evaluation of the Vision programs and ensure speedy completion of projects and initiatives to achieve sustainable actions. These bodies consist of:

- the National Center for Performance Measurement,
- the Delivery Unit,
- the Project Management Office of the Council of Economic and Development Affairs.

## 1.2 TRANSFORMATION PLANS

In addition, the government of Saudi Arabia has adopted new transformation plans, which will definitely take a number of years to be materialized, including the [Fiscal Balance Program \(FBP\) 2020](#) and the [National Transformation Plan \(NTP\) 2020](#), targeting by these dates a balanced budget, and more significantly, a productive and diversified economy that can provide jobs for its youth to ensure more revenues as well as economic sustainability.

In its FBP 2020 and NTP 2020, Saudi Arabia is aspiring a future where its economic growth is no longer driven by oil revenues, but by a new model of infrastructure financing based on public-private partnership, privatization of government producing establishments, entrepreneurship, technology, entertainment, tourism and non-oil exports.



## **1.3 GENERAL AUTHORITY FOR ENTERTAINMENT (GAE)**

One of the most important elements of this ambitious socio-economic transformation agenda is to expand the entertainment means for Saudi citizens and visitors and to loosen some of the strictures on life inside the deeply conservative kingdom. To achieve this, the government established the General Authority for Entertainment (GAE) in 2016, under the umbrella of the Public Investment Fund (PIF), to regulate and operate this sector.

Since then GAE has taken up more responsibilities for entertainment related activities in the Kingdom and for laying out plans and programs for the development of the entertainment industry. The government of Saudi Arabia is aiming by these strives to increase household spending on entertainment from the current 2.9% to 6% by 2030.

### **1.3.1 Planned budget**

The General Authority for Entertainment has indicated that the entertainment sector needs 267 billion SAR (€ 63 billion) to build suitable infrastructure for entertainment across the Kingdom, with expected investments in the entertainment sector to reach 18 billion SAR annually (€ 4.5 billion).

### **1.3.2 Recent projects**

Moreover, GAE has recently signed several contracts with US entertainment companies such as AMC theatres for cinemas, in addition to Six Flags, National Geographic, Cirque du Soleil and IMG Artists, to operate amusement parks and live shows in many new projects.

Last year, a total of 27 events were executed by GAE in 17 cities to mark the 87<sup>th</sup> National Day, observed on September 23. The events included concerts, plays, displays, comedy, laser tag, air balloon, cultural and sports shows, as well as folk dances, and were held in Riyadh, Jeddah, Dammam, Ha'il, Tabuk and other cities. Also a big concert executed at Al Jawharah Stadium in Jeddah, built by Besix and their local partner in 2014, featured prominent Saudi and Gulf singers.

During the celebration on this National Day, Riyadh's 99-story Kingdom Centre was illuminated against the night sky on Saturday with portraits of King Salman and Crown Prince Mohammed bin Salman. The Kingdom Centre was also adorned with portraits of famous women such as track athlete Sarah Al Attar and sprinter Kariman Abuljadayel, who were part of the Saudi team at the Rio Olympics.



Innovatively, GAE sponsored more than 2,000 events involving 100,000 volunteers such as the internationally recognized Comic-con in Jeddah and the cultural King Abdulaziz Camel Festival in Riyadh during last year. Recently the government announced that women would be welcome at the King Fahd Stadium in Riyadh to attend National Day celebrations as well as football matches. Also, since the ban on women driving has recently been lifted in the Kingdom, women are allowed to drive cars. These measures are creating more openness and are specifically aimed at addressing the needs of the young generation. These steps also help increase the domestic demand for entertainment in Saudi Arabia.

#### 1.3.3 Economic potential

With more than 4.5 million Saudi travelling abroad annually for tourism and entertainment spending around 80 billion SAR (€ 19 billion) on movies and visits to amusement parks in the neighbouring tourist hubs of Dubai and Bahrain, the government plans a 240 billion SAR (€ 56 billion) investment drive to inject some life into the country's woefully inadequate entertainment and leisure industry and provide a boost to the wider economy.

According to Jadwa Investment, Saudi Arabia spent in 2016 around 100 billion SAR (€ 23.5bn) in tourism, of which 31 billion SAR (€ 7bn) went to entertainment, indicating the growing demand for tourism and entertainment by the population that is estimated to reach 40mn inhabitants by 2030, with an annual growth rate of 2.5%. But despite the high local demand and consumer spending, the sector has not been a strong performer in the local economy yet to offer sizeable growth opportunities for small and medium enterprises (SMEs), foreign investments and public-private partnership projects.

### 1.4 STAKEHOLDERS

In addition to GAE's significant role in developing the entertainment and tourism in Saudi Arabia, there are some stakeholders that share this great transformation of the society towards entertainment, according to Jadwa Investment:

- SCTH with a big role in developing touristic sites and several cultural events;
- General Culture Authority, established in 2016 to foster cultural activities in the Kingdom;
- General Commission for Audiovisual Media (GCAM), which is responsible for licensing the newly reinstated movie theaters;
- Public Investment Fund (PIF), which acts as a major investment hub for entertainment activities in the Kingdom.



Going forward, Jadwa Investment also expects to see the Public Investment Fund getting into more public-private partnerships, as part of the fund's strategy to develop emerging sectors such as education and fintech in addition to entertainment.

## **1.5 QUALITY OF LIFE PROGRAM**

On May 3 2018, the government announced an initiative to invest 130 billion SAR (€ 30bn) in culture and leisure by 2020 aimed at creating a true cultural community to enjoy theatres and cinemas. This movement has been translated in several mega projects such as 16 entertainment complexes, an aquatic centre and three other huge entertainment hubs. All are part of an offer to ensure that Riyadh, Jeddah, and Dammam become among the top 100 cities in the world for providing [Quality of Life](#), a program which aims to:

- promote sport activities in society;
- achieve excellence in several sports regionally and globally;
- develop and diversify entertainment opportunities to meet the needs of the population;
- develop the Saudi contribution in both arts and culture.

The Quality of Life program also targets the increase of the number of out-of-home entertainment venues from 154 to 260 by 2020 and wants to raise the available retail space in shopping malls from 0.15 to 0.19 sqm per capita. In addition, the government plans to pump 50.9 billion SAR (€ 12bn) into this cultural revolution, while courting private investors and foreign partners for the rest of the investments.

## **2. PUBLIC INVESTMENT FUND: OBJECTIVES AND INITIATIVES**

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### **2.1 DEVELOPMENT AND INVESTMENT ENTERTAINMENT COMPANY (DIEC)**

The main target for PIF when founding a new entertainment company, the Development and Investment Entertainment Company (DIEC), with an initial capitalization of 10 billion SAR, was to serve as its operational and investment arm in this sector. Accordingly, the main task of DIEC is set to promote investment in a variety of entertainment activities, in addition to attracting global strategic partners and building local talent and technical capabilities. Its aims are:

- improving the quality of life of citizens and residents,
- meeting individuals' entertainment needs and expectations,
- stimulating the private sector,
- creating new opportunities for SMEs in the entertainment sector.



DIEC will also focus on building and operating major entertainment theme parks in the main regions of the Kingdom, building and operating family / specialized entertainment centers and entertainment villages which will provide the latest technologies, offerings and best entertainment experiences in partnership with global operators and localizing knowledge and expertise in the entertainment field. With its allocated budget of 10 billion SAR, DIEC is projected to directly contribute 1 billion SAR to the GDP and create 1,000 direct jobs by 2020.

DIEC is expected to serve more than 50 million visitors annually. This way Saudi authorities also aim to keep large amounts of spending on entertainment inside the Kingdom.

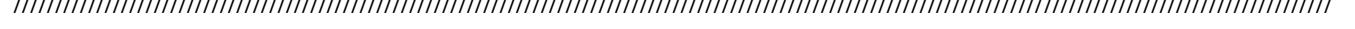
## 2.2 CINEMA REVOLUTION

The Kingdom's decision to lift the 35-year ban on cinemas last December has opened opportunities for international and regional companies to help develop the domestic entertainment industry. As such, the PIF has taken the initiative to lead the local cinema industry, by signing a deal formed as a joint venture between DIEC and the US cinema chain AMC Entertainment, to open cinemas in the Kingdom, with the first movie theater opened in Riyadh on April 18<sup>th</sup> 2018, and about 30 movie theatres to be opened in 15 cities around the Kingdom within five years.

Moreover, the PIF is expecting to see 300 cinemas with more than 2000 screens around the Kingdom by 2030 and forecasts the sector to be worth around 1 billion USD over the next few years.

The announcement of this JV was followed on April 22 by news that Vox Cinemas, a subsidiary of UAE-based entertainment company Majid Al Futtaim, was awarded the second license to open cinemas in the Kingdom. The company also plans to invest 2 billion SAR (€ 456 million) in 600 screens over the next five years, which Saudi officials estimate will bring the total number of cinemas in operation to as high as 350 and the number of screens to 2500 by 2030.

On the other hand, the newly established Saudi Film Council (SFC), in conjunction with the General Culture Authority (GCA), hosted its own pavilion at this year's Cannes event, which took place between May 8 and 19 in the south of France. While not entering any films in the main competition, participation in the festival provided Saudi film officials with exposure to audiences and industry figures from around the world, with the Kingdom showcasing a series of short films from local filmmakers as part of the festival's Short Film Corner event on May 14 and 15. In addition, the networking opportunities provided the country the chance to develop potential new segments of its film industry, according to the Minister of Culture and Information.



## **2.3 RED SEA PROJECT**

On the other hand, an ambitious plan to transform a 200-kilometer stretch of Red Sea coastline into luxury hotels and resorts is among a series of development projects in the pipeline to attract tourists and expand the Kingdom's hospitality offering.

The project, which will include hotels, residential units and an airport, as well as a seaport and other transport links, spans 13,000 square miles, including 50 untouched islands off the Red Sea coast. Due for completion in 2022, the first phase of this project is set to come online in the third quarter of 2019, making a 15 billion SAR (€ 3.4 bn) contribution to the Saudi economy annually, while creating 35,000 jobs. It has also been reported that this project will be governed by "independent laws," leading to wide speculation that the kingdom's traditional rules on dress and prohibition on alcohol will not be applied there.

## **2.4 QIDDIYA PROJECT**

Parallelly, in late April construction began at the Qiddiya project, an entertainment, sports and cultural precinct located 40 km south-west of Riyadh. The 334-sq-km site has plans for six entertainment clusters, including a theme park, sport arenas, motor tracks, water and snow sport facilities, vacation homes and venues to host cultural activities. Phase one is scheduled for completion in 2022, and by 2030 the project is expected to generate some 57,000 jobs and contribute 17 billion SAR (€ 3.8bn) to the GDP. According to the PIF, the Qiddiya project aims to attract 17m entertainment visitors, 12m shopping visitors and 2m hospitality visitors by 2030. In comparison, the world's most visited amusement park, Magic Park at Disney World in Florida, attracted 20.4m visitors in 2016, followed by Disneyland in California with 17.9m, and Tokyo Disneyland in Japan with 16.5m.

## **2.5 CITY OF NEOM**

But the megaproject by which the government of Saudi Arabia is hoping to attract foreign direct investments is the plan of building the futuristic [City of Neom](#). The ambitious 26,500 square kilometer business zone will link Saudi Arabia, Egypt and Jordan and is envisaged as a futuristic hub for both industry and citizens. It aims to embrace digital technologies and services to make the city a major commercial location in the Middle East with many entertainment facilities foreseen in its master plan. The project is estimated to take between 30 to 50 years to be completed, with the first phase due by 2025. NEOM is developed to be independent of the Kingdom's existing governmental framework, excluding sovereignty. NEOM will adopt a regulatory framework that fosters technological as well as social innovation and entrepreneurship in accordance with international best practices. Investors, businesses,



and innovators will be consulted at every step of the development in how best to create the economic framework, design the urban plans, and attract top-quality talent that will drive the growth of this zone and its resident population.

### 3. DISCOVER THE OPPORTUNITIES

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Flanders Investment & Trade, together with Agoria's Sports & Entertainment Technology Club and Building & Urban Development Club, is organizing a trade mission to Saudi Arabia in March 2019 to explore the opportunities in the sectors sports, entertainment, infrastructure and urban development.

Saudi Arabia aims to increase the entertainment sector contribution in the GDP from 3% to 6%, while investments in entertainment are forecast to continue booming significantly in the coming five years. GAE and DIEC have expressed their interest in building strong relationships and expand networking with international companies and individuals with experience in planning, development, and management in entertainment, cultural and tourism destinations.

In particular, the government of Saudi Arabia is interested in city planning and development to integrate tourism, entertainment, and provide training & capacity building for its human resources.

In conformity with the government plans to increase the number of entertainment means, we see massive opportunities over the next 13 years for international companies participating in this sector. These opportunities can be found in different entertainment areas such as integrated solutions for the cinema industry and film making & productions, broadcasting, digitization, gaming, software and applications, audiovisual equipment, development of theme parks, cinema theaters, resorts, hotels, coffee shops, golf courts, car racing tracks and supplying of lighting fixtures.

Since the government is seeking to increase the participation of its citizens in sports from 13% to 40% by 2030, investment opportunities in stadium development, sports, football and games solutions are expected to increase creating more opportunities for private and foreign partnerships.

In terms of services, it is worth mentioning that consulting, operations, event planning & promotion, training and human resources development, transportation, studio engineering and management can add value to the public entertainment and provide prospects for international companies.

Check out our website for more information on the mission.



## 4. WEB SOURCES

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- Public Investment Fund - [www.pif.gov.sa](http://www.pif.gov.sa)
- Jadwa Investment - [www.jadwa.com](http://www.jadwa.com)
- Arab News - [www.arabnews.com](http://www.arabnews.com)

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