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The Importance of Developing Saudi Arabia's Knowledge Economy to Meet Vision 2030 Goals



Key Takeaways

- As Saudi Arabia diversifies its economy away from oil, it views technology as a tool to become a global economic player.
- By investing in a knowledge-based economy, the Kingdom understands the importance of human capital for future economic development.
- The Kingdom's shift to technology and digitization makes it a more attractive investment prospect for foreign businesses and organizations.

Knowledge is a key feature in achieving sustainable economic development. A knowledge-based economy is one that prioritizes intellectual assets and technical skills with an emphasis on high-tech manufacturing and service sectors. South Korea's economic transformation in the 1960s and '70s can be attributed to its shift to a technology-led economy. In 1962, the Korean economy launched five-year economic development plans, investing in its human capital through education programs to guide its technological advancements. As a result, South Korea's GDP per capita grew from \$94 to \$31,000 in sixty years allowing it rise in its global ranks from 84th to 32nd. Its investments in science and technology transformed the business sector, paving

the way for multinational corporations like Samsung and Hyundai.

Since the launch of Saudi Arabia's Vision 2030, government entities have placed digitization as both a driver and an indicator of its economic growth. Approximately 70% of the Vision's strategic goals have been linked with technology and digitization.



Saudi Crown Prince Mohammed bin Salman launched the Strategy of the Custodian of The Two Holy Mosques Scholarship Program. (SPA)

In line with the objective of building a knowledge economy, Saudi Arabia's strategic decision to emphasize its digital transformation is underpinned by its human capital. The Custodian of the Two Holy Mosques Scholarship Program Strategy, launched in March 2022, aims to elevate the Kingdom's competitiveness and global presence by offering guidance and scholarships to top universities. A part of Vision 2030's Human Capability Development Program, the strategy outlines the value of support and training for the labor market before, as well as after graduation. The Ministry of Culture also launched its Cultural Scholarship Program in 2019 for undergraduate and graduate students specializing in film, music, literature, art, and design. Similarly, in line with the Ministry of Tourism's human capital development strategy, the Kingdom launched education and training initiatives for the tourism sector. The program uses digital tools to give more than 200,000 Saudis the professional development tools necessary for its growing tourism and entertainment sectors.

In August 2021, the Ministry of Communications and Information Technology (MCIT) announced its \$1.2 billion tech plan to improve the digital skills of 100,000 young Saudis by 2030. The ministry also launched its National Technology Development Program to guide the Kingdom's efforts to become a regional technological hub. Investments in the Kingdom's human capital development and education plans will dictate the way productivity and innovation will look in the next decade. MCIT also organized the 2022 LEAP Conference in Riyadh, where the Kingdom announced it had exceeded \$6.4 billion in investments in technology projects. "The Garage", a platform for entrepreneurship and innovation was also launched at the conference by King Abdulaziz City for Science and Technology (KACST). The initiative aims to launch technology start-ups and equip them with the tools necessary to lead regionally and internationally. A knowledge-based economy will see waves of technology-oriented SMEs and startups that will ultimately grow and transform the economy. Investments in the Kingdom's human capital base will directly lead to a more sustainable private sector.

Another notable example is the Saudi Data and Artificial Intelligence Authority (SDAIA), which was in August

2019 to spearhead the country's efforts in digitization and technological advancement. SDAIA's launch event was headlined under the theme "Data is the Oil of the 21st Century". SDAIA estimates that artificial intelligence will contribute to 12.4% of Saudi Arabia's GDP by 2030. The authority has also established a national data bank to integrate about 30% of the government's digital assets, which will improve productivity and consolidation in public sector processes. By implementing an artificial intelligence and technological advancement strategy, SDAIA was able to determine ways the government could make \$10 billion in savings and additional revenue.



Saudi Data and Artificial Intelligence Authority (SDAIA)

When the pandemic hit, SDAIA launched several online platforms designed to support government efforts against the spread of covid-19, of which, the Tawakkalna app was most notable. By May 2021, the Tawwakalna app exceeded 20 million users (more than half of KSA's population). Today, the app offers an array of public services including health passports, driver's license previews, Hajj and Umrah permits, and insurances.

With more than half the population under the age of 35, the Kingdom's move to diversify its economy highlights the value of an advanced education system. The progress of the Kingdom's economic prosperity is directly linked to its ability to create efficient technological institutions. These institutions take the form of technology-oriented businesses, education programs, and public sector initiatives. SDAIA plans to grow the Saudi economy to become one of the top ten data and artificial intelligence countries in the world. Like the South Korean experience, Saudi Arabia's success in shaping its future will be determined by its human capital development and education initiatives. Moving away from oil will be challenging, but by building its knowledge economy, the Kingdom will be well-equipped to cement itself as a global economic center for future technological advancement.

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