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ROOTS

### **Overview**

The Kingdom has been disproportionately impacted by a perfect storm of challenges, namely the coronavirus threat, an economic downturn aggravated by unique vulnerability to declines in oil prices and revenues, and geopolitical risks in a neighborhood best described as rough, even in the best of times.

The fall in oil prices and revenues, on top of an ongoing Covid-19 economic slowdown, has presented unusual policy challenges, including hard choices between fiscal and monetary solutions to resulting budget and trade imbalances. Goldman Sachs favors fiscal over currency adjustments, thereby placing the burdens on those better able to bear it through luxury taxes and spending reductions. While the leadership has acknowledged the need for an organized and meaningful policy response, details on specific austerity measures remain elusive.

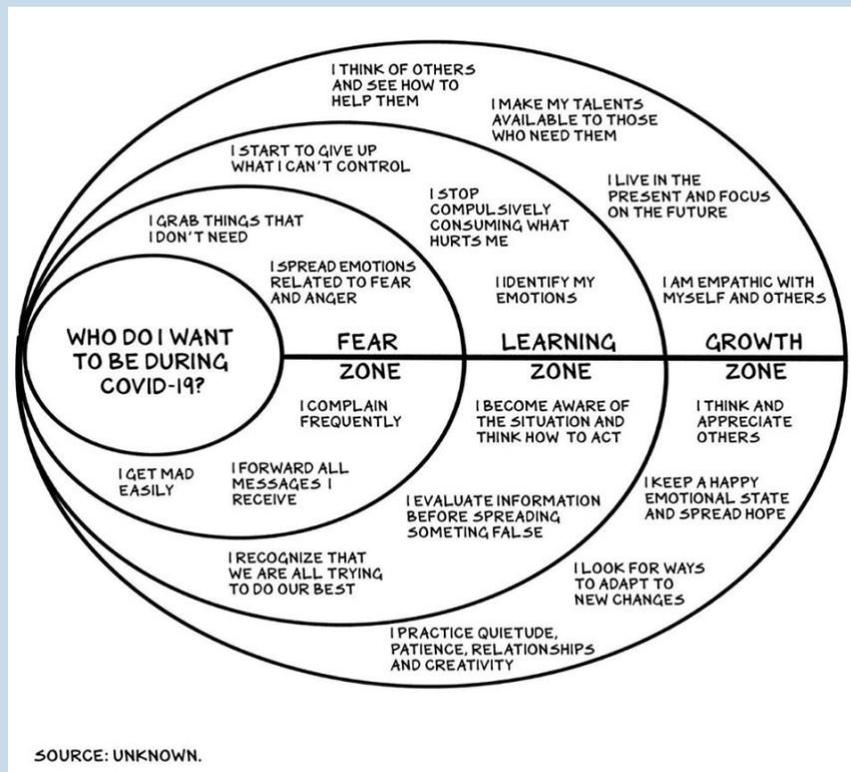
While the riyal has been pegged to the dollar for 40+ years, confidence requires some \$300 billion in reserves to cover short-term money supply, a threshold that could depending on prices and revenues come sooner rather than later. Assuming \$40 prices by year-end and \$60 in 2021, the peg will remain secure; \$30 will deplete reserves by early 2023 and require a very substantial devaluation, causing inflation and requiring huge spending cuts at 15% of GDP. This could be achieved by paring spending back to 2016 levels and doubling non-oil tax revenues, as contemplated under Vision 2030 ([Bloomberg](#)).

Saudi Covid-19 restrictions have been loosened, including reopening of stores and return to work in construction sites and industry, with rumors that commercial offices may reopen soon ([Saudi Gazette](#)).

Some confusion arises from Covid-19 death and contagion figures, arising from differences in measuring and reporting; while the average global death rates at 5-7%, the

Kingdom is one of few countries reporting rates under 1%, for reasons that remain obscure.

In brief there has been no letdown in the continuing high level of seriousness or pace of surprises and ever evolving policy response, as the following summary of the past week's events reflects.



## COVID-19

- **Mawid:** The Ministry of Health (MoH) encourages residents to assess coronavirus symptoms by Q&A and schedule appointments via its *Mawid* appointment system (found [here](#), [MOH](#)).
- **Covid-19 survey:** The General Statistics Authority (GASTAT) has invited companies to complete a survey of Covid-19 impact on activities (see [here](#), [GASTAT](#)).
- **Covid-19 Committee:** The Minister of Health chairs a Covid-19 Committee that regularly reviews and acts on latest developments ([SPA](#)).

- **Medicine delivery:** The MoH reports heavy use of its medicine delivery application ([MOH](#)).
- **Telemedicine:** Hafr Al-Batin Health launched an at-home medical consulting service for women and children (see [here](#)).
- **Risks:** The MoH has flagged continuing Covid-19 risks despite curfew relaxation ([SPA](#)), particularly for those suffering from cancer, diabetes, lung, high blood pressure, heart disease and smokers ([MOH](#)), warning that face masks should be supplemented by social distancing and good hygiene ([Arab News](#)).
- **Inspections:** As of last Tuesday, 816 inspection tours were carried out by 70 inspectors in 22 industrial cities ([Eye of Riyadh](#)).
- **Clinical studies:** The King AbdulAziz City for Science and Technology (KAACST) is partnering with the Saudi Center for Disease Prevention and Control (*Weqaya*) to track the genetic basis of Covid-19 symptoms ([Arab News](#)), while the MoH and World Health Organization assess four potential remedies in seven medical centers including Hydroxychloroquine, lopinavir and Ritonavir Remedisivir Interferon ([Saudi Gazette](#)).
- **Grants:** Princess Noura bint Abdulrahman University (PNU) has awarded some 40 research grants for innovative domestic and foreign health solutions ([Arab News](#)).
- **Food Security:**
  - **Wheat:** Imports are rising from the Kingdom's overseas agricultural facilities, recently purchasing 60,000 tons of Ukrainian wheat ([SUSTG](#)).
  - **Food Support:** Applicants may call "19911" or register [here](#), [MHRSD](#).

### Government Assistance

- **Social Development Bank:** The Social Development Bank is providing SR9 billion (\$2.4 billion) for some 6,000 companies, particularly in healthcare ([Bloomberg](#)).

### Curfew

- **MOMRA and Baladia:** The Ministry of Municipal Affairs (MoMRA) has issued business reopening guidelines (see [here](#), [English translation](#)).
- **Qatif:** Curfew restrictions have been relaxed in Qatif, allowing entry and exit and internal mobility from 9 am - 5 pm ([MOI](#), [Arab News](#)).
- **Dammam Industrial City:** Access to and egress from Dammam has been restricted, with internal mobility 9 am- 5 pm and essential work allowed ([MOI](#), [Arab News](#)).
- **Banks:** The Saudi Arabian Monetary Authority (SAMA) has ordered banks and money exchanges to reopen ([Saudi Gazette](#)).
- **Ministry of Labor decree:** A September 4, 2017 decree by the Ministry of Labor and Social Development outlines employer duties regarding remote working. It states that working hours shall not be during the regular working hours. Saudis working remotely are considered as employees with disabilities and are counted with one of the Saudization percentages calculated within the Nitaqat program. Also, they shall be registered at GOSI. The full decree can be found [here](#).
- **Mobility:** The Saudi Data and Artificial Intelligence Authority (SDAIA) has launched a trial *Tawakkalna* app for selected government and private sector employees to apply online for mobility e-permits, to be extended in time more broadly ([Tawakkalna](#), [Saudi Gazette](#)).

## Employment

- **Labor Camps:** The Labor Housing Study Committee, headed by the MoMRA Minister, has registered 250,000+ homes through a worker housing electronic portal (for questions call 940, [SABQ](#)).
  - **Dammam:** 10,000m2 of temporary worker housing have been added at Dammam Second Industrial City ([Eye of Riyadh](#)).
  - **Workforce Housing:** MoMRA maintains a database of 250,000+ available units ([Arab News](#)).
- **Employment Adjustments:** New Ministry of Human Resources and Social Development guidance allows companies for six months from force majeure events to cut compensation 40%; reduce working hours; and schedule annual

leave (payable at full rate); and employees to request unpaid leave, subject to company approval ([here](#) for text in Arabic; [Arab News](#)).

- **English:** The Human Resources Development Fund (Hadaf) encourages Saudi job seekers aged 18-40 to register for English training via the Dorooob e-platform May 1-12; two-month classes begin July 7 ([SPA](#)).
- **Unemployment Insurance:** Saudi employees covered by GOSI unemployment insurance program (SANAD) will receive payments in May and June even if they return to work; if businesses reopen, GOSI will reevaluate. Return conditions must be agreed; companies neglecting employee rights may face penalties ([GOSI](#)).

### Corporate

- **Payment Postponements:** SAMA has directed banks to postpone the payment of three-month installments for financing products without any additional cost or fees for Saudi workers covered under the unemployment insurance (SANED) system, beginning April. ([SAMA](#))
- **Techsprint Hackathon:** The Saudi G20 Presidency and the Bank for International Settlements (BIS) Innovation Hub launched the G20 TechSprint Initiative to solve regulatory compliance (RegTech) and supervision (SupTech) problems. ([Saudi Gazette](#))
- **Misk 500 Accelerator Program:** Saudi's Misk Foundation and the Silicon Valley venture capital company 500 Startups announced the successful completion of 16 companies in a recent round of their joint accelerator program. ([The National](#))

### Visas/Repatriation

- **Auda:** Further details have been released for Saudi's *Auda* initiative, which will repatriate holders of valid visas. The countries included in the initiative are Egypt, Pakistan, Indonesia, India, Philippines, Bangladesh, Nigeria, Afghanistan and Tunisia. ([General Directorate of Passports](#), [GDP](#), [GDP](#)). The first flight has of Filipinos has already departed ([Arab News](#)).
- **Saudis:** Saudi citizens have been repatriated from Germany, Switzerland, Netherlands, Japan, Georgia, Armenia, Tunisia, and Sudan. Strict health

procedures are followed, including mandatory testing and quarantines. ([SPA](#), [Arab News](#), [Trade Arabia](#), [SPA](#))

- **Saudia Airlines:** Saudia Airlines has announced that domestic flights will not resume by the beginning June as had been previously rumored. ([Sabq](#))
- **Visa fee refund:** Visa recipients unable to travel to Saudi Arabia due to coronavirus will receive refunds. ([Saudi Gazette](#))
- **Yemeni visitor ID:** Jawazat has extended visitor IDs for Yemeni residents until May 14. Applications are processed via the Absher platform. ([General Directorate of Passports](#))

## Economy

- **“Painful steps”:** Saudi Minister of Finance Mohammed Al Jadaan announced that the Kingdom will have to enact “strict painful measures” to deal with the economic impacts of coronavirus. He stated further finance regulations were necessary and government mega-projects could be pared back. The Kingdom will take up to \$32 billion from its reserves and issues up to \$60 billion in debt. These statements follow a cash reserve decline to SR470 billion, a \$9 billion budget deficit in Q1 of 2020, and a decrease in state oil revenues by over half. ([Saudi Gazette](#), [SPA](#))
- **Deficit:** A report by the Ministry of Finance states that Saudi’s deficit for the first quarter of 2020 stands at SR34.107 billion (\$9.07 billion). The report can be found [here](#). ([NASDAQ](#))
- **GCC debt:** Mitsubishi UFJ Financial Group (MUFG) predicts a coronavirus-fueled recession in the GCC, which will result in GCC financing requirements rising to \$208 billion in 2020 under an average Brent price of \$43 per barrel. This amount could rise up to \$263 billion per barrel if oil is priced at \$30 per barrel. The group predicted that GCC countries would see a GDP contraction of 3.7%, down from a previous growth estimate of 2.9%, though the region would enjoy a rebound in 2021, with 2.9% growth for Saudi Arabia. ([Khaleej Times](#))
- **Moody’s:** Moody’s downgraded Saudi Arabia’s outlook from “stable” to “negative” due to medium-term economic uncertainty around oil price declines. ([Reuters](#))

- **Budget transparency:** The Open Budget Index, a survey conducted by the international non-profit International Budget Partnership (IBP), showed Saudi Arabia rising 18 ranks compared to the prior 2017 study. This was due to strong improvement in budget transparency and accountability. ([Asharq Alawsat](#))
- **Bonds:** Saudi is likely to issue Euro-denominated bonds around June to offset coronavirus impacts. The Kingdom has already issued \$12 billion in international bonds this year, and has raised its debt ceiling from 30% of GDP to 50%. ([NASDAQ](#))
- **Remittances:** A recent World Bank report predicts that remittances to the MENA region will fall 19.6% to \$47 billion in 2020, though levels will recover in 2021. ([Zawya](#))
- **KPMG report:** A KPMG report predicts the impact of coronavirus on overall business to be at the medium to high level and could last between three to nine months. The most impacted segments will be SME financing and consumer finance. ([Saudi Gazette](#))
- **Jadwa Investment report:** A report by the Saudi investment company shows consumer spending rose roughly 5.8% in March 2019, but is expected to fall into negative levels in April. Inflation rose in March by 1.5 percent year-on-year by 0.1 on a monthly basis. The report predicts a higher unemployment rate, up from 12% in Q4 2019. SAMA's foreign reserves declined nearly \$24 billion in March to stand at \$473 billion, though further drawdowns are not predicted. ([Jadwa Investment](#))
- **Goldman Sachs:** A report by Goldman Sachs recommends that Saudi avoid currency devaluation and opt instead for fiscal changes to adapt to turmoil in oil prices. ([Bloomberg](#))
- **State-owned mining company:** The Saudi cabinet approved the formation of a state-owned joint-stock mining company. Saudi Ma'aden is currently the kingdom's sole miner, producing gold, copper, aluminum, and phosphates. ([Reuters](#))
- **LiveNation:** Saudi sovereign wealth fund PIF acquired a 5.7% stake in LiveNation, a US events and ticketing company. ([SUSTG](#))
- **Amaala Island:** Saudi is converting Amaala Island in the Red Sea to a luxury tourist destination as part of Vision 2030. ([Globe Trender](#))

- **NEOM:** Tabuk's Al-Hwaitat tribe has reaffirmed its loyalty to the monarchy in light of recent protest activity against NEOM construction. ([SPA](#))
- **APICORP:** The Arab Petroleum Investments Corporation (APICORP) launched a \$500 million aid package to support its clients in member countries to mitigate the impacts of coronavirus and oil price turbulence. ([Zawya](#))
- **Desalinization plant:** Saudi's Saline Water Conversion Corporation (SWCC) has announced the award of constructing the \$500 million Al Khobar 2 desalination plant to Spanish conglomerate ACCIONA. This will be the largest reverse osmosis plant in the Kingdom and will serve around 3 million people. ([Construction Business News](#))
- **Oil:**
  - **Aramco:** Indian conglomerate Reliance Industries Ltd., announced it will sell its oil and petrochemicals business, valued at \$15 billion, to Aramco. ([Bloomberg](#))
  - **Morgan Stanley:** Morgan Stanley predicts that oil will not recover to 2019 prices until 2021 due to muted demand and structural changes in consumption. The bank predicts oil to stabilize at \$40 per barrel. ([Al Arabiya](#))
  - **Belarus:** Belarus has purchased 586,000 barrels of Saudi oil to balance its dependence on Russia. Belarus has been in talks with Saudi Arabia on oil supplies since January. ([Arab News](#))
  - **Stockpiling:** Some Asian countries are leveraging low oil prices to build stockpiles. ([Arab News](#))

## Geopolitical

- **Yemen:** The Southern Transitional Council has been encouraged to forego autonomy ([SPA](#)).
- **Daesh:** Daesh has increased attacks as the Syrian and Iraqi governments focus on the coronavirus crisis ([Arab News](#)).
- **UAV procurement:** Saudi Arabia's General Authority for Military Industries (GAMI) has announced it will procure 46 UAVs from local Intra Defence

Technologies. These system will be based on the Turkish-designed Karayel tactical drones. ([Janes](#))

- **Locusts:** The Ministry of Environment, Water and Agriculture is monitoring a vast locust epidemic spreading in the Horn of Africa and states that the situation in the Kingdom will be under control. ([SPA](#))

## Other

- **Holy Places:** The General Presidency for the Affairs of the Two Holy Mosques announced the imminent reopening of the Makkah and Medina mosques, with temperature monitoring by thermal camera ([Saudi Gazette](#)).
- **Ministry of Islamic Affairs:** The Ministry of Islamic Affairs confirmed that talks are ongoing to lift the ban on congregational prayer in mosques. ([Saudi Gazette](#))
- **Social disturbances:** The MHRSD has warned against anonymous messages requesting data and information ([Ministry of Human Resources and Social Development](#)), while rumor-mongering risks fines up to SR3 million and five years in prison ([Arab News](#), [Saudi Gazette](#)).
- **Transport facilities support:** The Saudi Transport General Authority has announced initiatives to reduce impact on road facilities. These include financial support for Saudis in the taxi and bus industries, approving taxis for delivery services, three-month deferral of non-renewal and licensing fees, and three-month postponement of connecting to the Wasl tracking platform and delaying installation of tracking devices for trucks and weight sensors. ([STGA](#)).

## Resources

- [Previous newsletters](#)
- [FAQs](#)
- [Force Majeure](#)
- [New Commercial Courts Law](#)
- [New Procurement Law Implementing Regulations](#)
- [Ministry of Health dashboard](#)

- [Chamber of Commerce Global Policy Dashboard](#)
- [Ministry of Investment Guide to Business Continuity](#)
- [US Embassy in Saudi Arabia](#)
- [US State Department travel information](#)

We will be happy to provide more specific advice in the context of particular circumstances, concerns, and priorities; please let us know.

Christopher H. Johnson, Managing Attorney

**Al Mousa Commercial Centre, Tower 2**

**5th Floor, # 259**

**Riyadh 11413, Saudi Arabia**

**Tel: +966 11 462 5925**

<https://www.alshariflaw.com/>

[Chris@alshariflaw.com](mailto:Chris@alshariflaw.com)