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Ministry of Investment

# Water Investment Opportunities

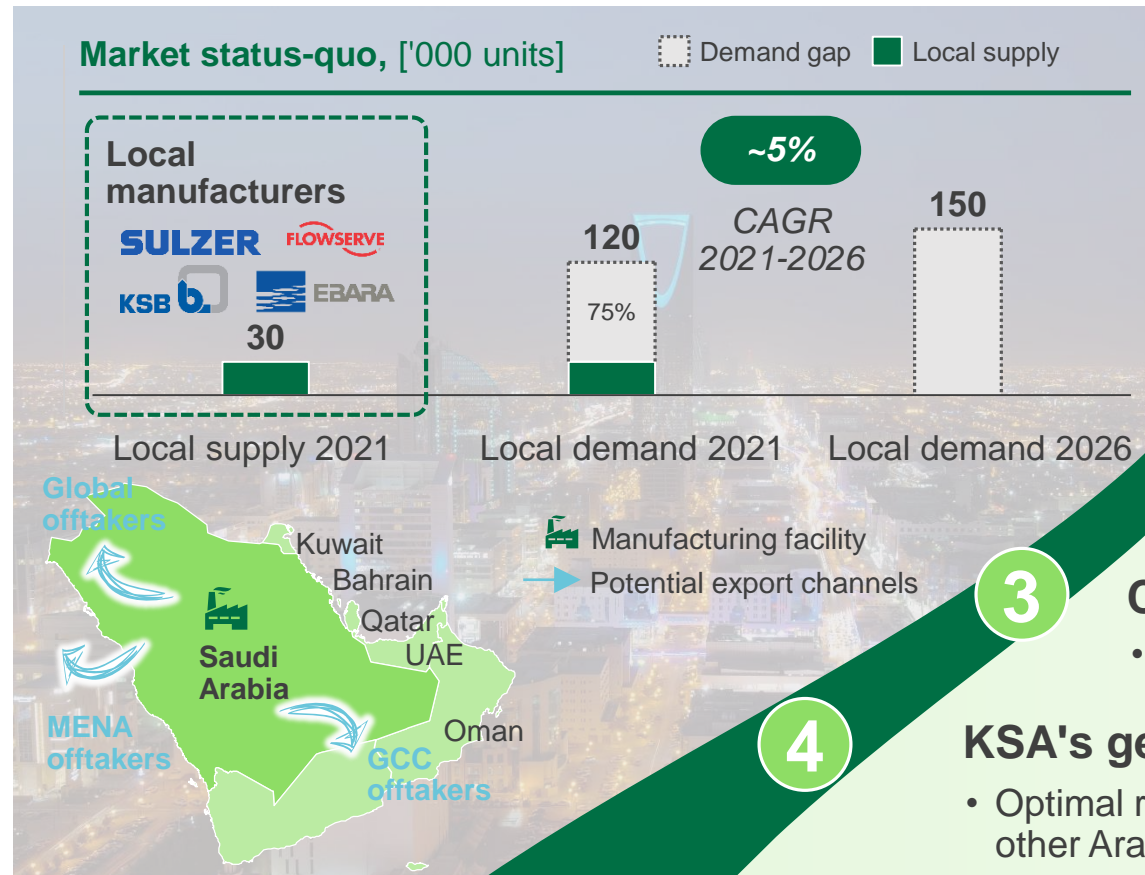
Investor promotion pack –  
**Local manufacturing of water pumps**

Riyadh, March 2022

# Manufacturing water pumps in KSA – Overview & value proposition

## Opportunity overview

Establish a **c.5,000 units p.a. manufacturing plant** for general-purpose water pumps, with a focus on centrifugal pumps of multiple sizes



## KSA value proposition

1

### Large and growing water market

- Global leader in desalination with SAR c.250 bn of planned investments by 2025 in the water sector

2

### Government commitment to upgrade the sector

- Ambitious targets to increase desalination to 90% of potable water supply, to increase water re-use to 90% and to extend the transmission network by c.3,000 km by 2025

3

### Competitive incentives for industrial growth projects

- Subsidies offered on land, construction, labor, utilities, ...

4

### KSA's geographical positioning

- Optimal regional positioning in addition to favorable trade agreements with other Arab countries

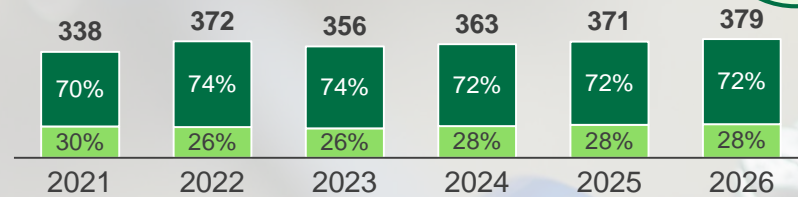
# Manufacturing water pumps in KSA – Market outlook

✓✓ High applicability of water pumps

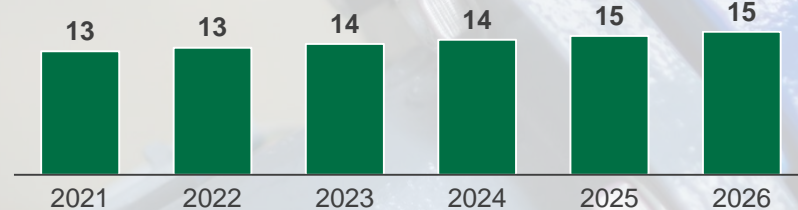
✓ Medium applicability of water pumps



## GCC<sup>1)2)3)</sup> pumps market potential, 2021-2026 ['000 units]

MENA market  
c.50%  
of GCC market

## Global<sup>2)3)</sup> pumps market potential, 2021-2026 [m units]

MENA market  
c.3% of  
global market

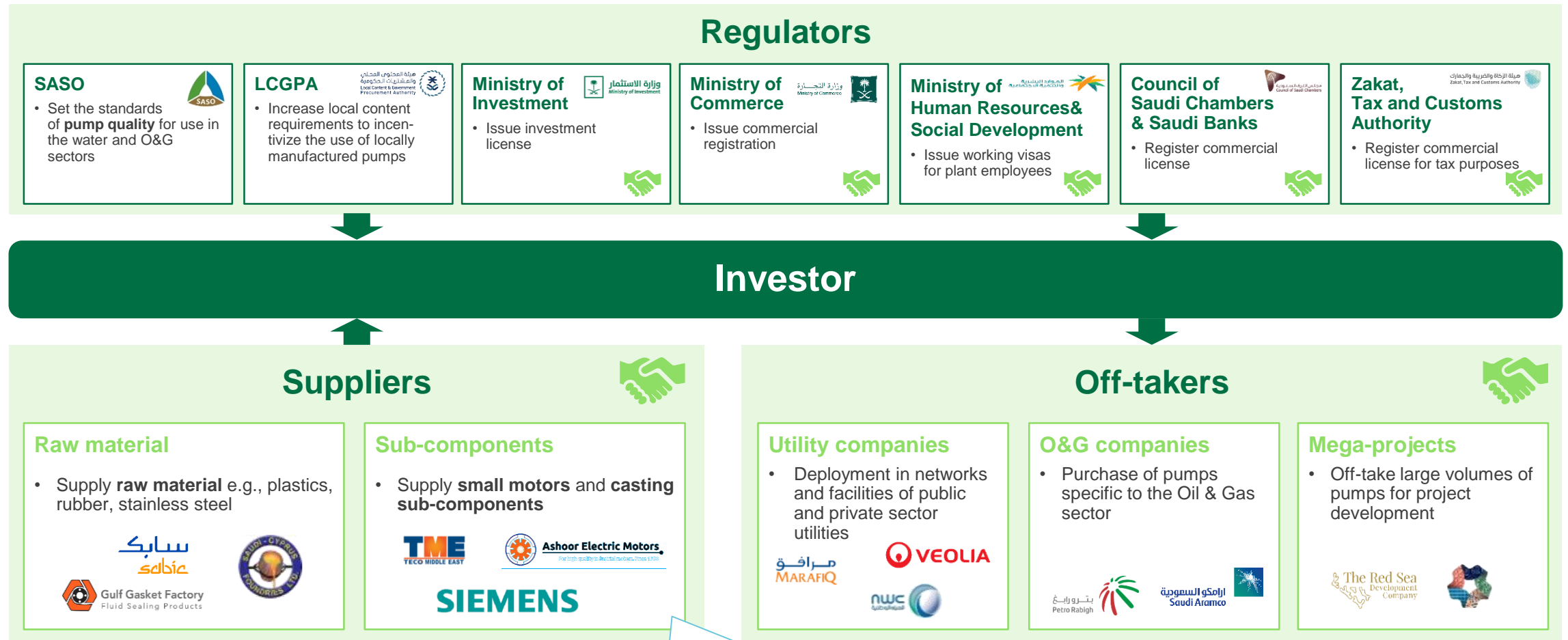
## Local market drivers

- 1 Infrastructure expansion with **additional 5.5 million m<sup>3</sup>** per day of desalination capacity
- 2 **Expansion in transmission and distribution** networks amounting to SAR 124 bn
- 3 Investment in 4.3 million m<sup>3</sup> per day for **re-use of treated wastewater**
- 4 Replacement of **aging infrastructure** in networks and facilities
- 5 Similar growth observed in **regional markets** and potential for exports

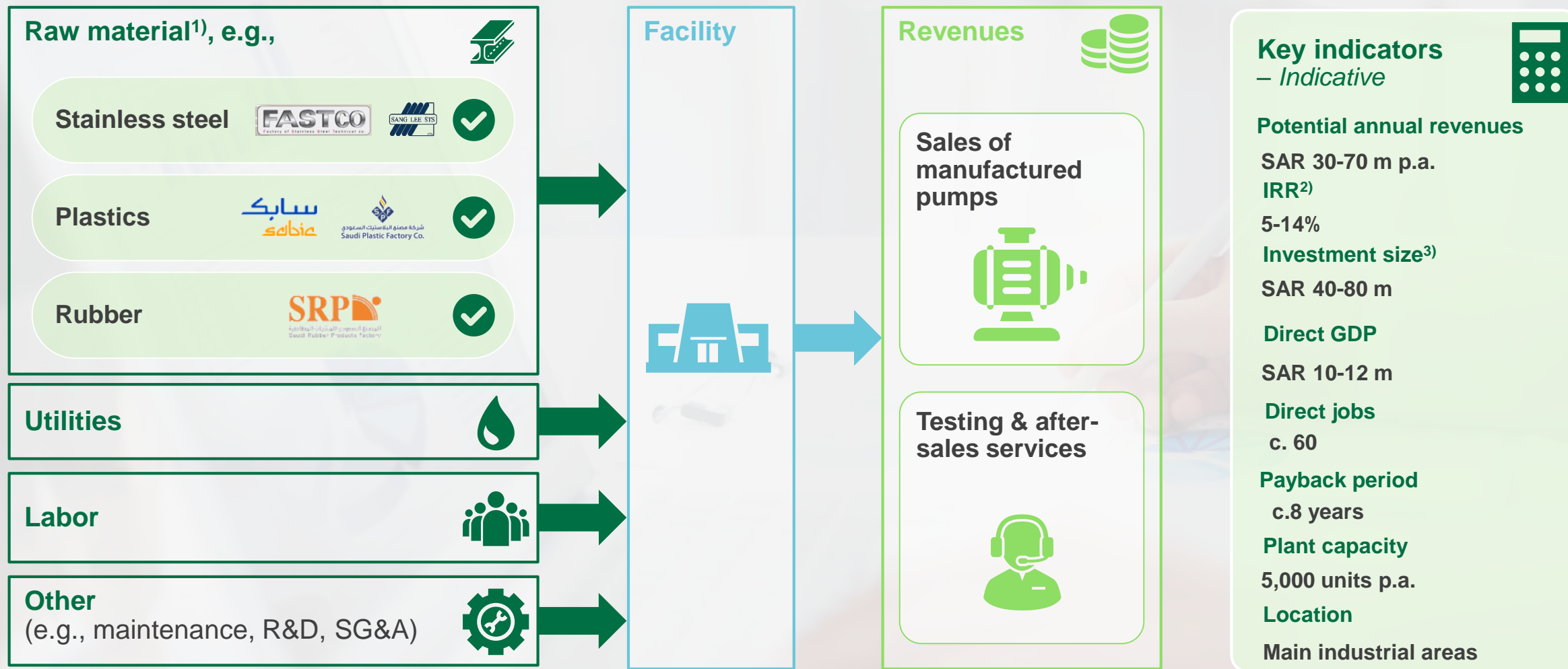
## Global market trends

- 1 **Global shift** towards the **localization** of crucial equipment in the water sector to avoid supply chain issues
- 2 Global shift to **optimize leakages** pushing for the installation of advanced and new pumps
- 3 **Technological development and digitalization** across pump types to optimize energy consumption and performance

# Manufacturing water pumps in KSA – Stakeholder ecosystem



# Manufacturing water pumps in KSA – Business model & financials



# Manufacturing water pumps in KSA – Enablers & incentives

## Existing enablers & incentives

Financial	<b>Facility<sup>1)</sup></b> 	<ul style="list-style-type: none"> <li>• <b>Competitive land costs</b> relative to other countries</li> <li>• Provision of <b>soft loans</b> through SIDF – up to 75% of project financing</li> </ul>	
	<b>Equipment</b> 	<ul style="list-style-type: none"> <li>• <b>Customs duty exemption</b> for machines used for certain manufacturing processes</li> </ul>	
	<b>Utilities<sup>2)</sup></b> 	<ul style="list-style-type: none"> <li>• <b>Low power and water costs</b> set for industrial cities</li> </ul>	
	<b>Labor</b> 	<ul style="list-style-type: none"> <li>• <b>Nationalization incentives</b> set; HRDF covers a share of the salary</li> <li>• <b>Facilitative procedures<sup>3)</sup></b> for foreigners with specialized skills</li> </ul>	
Non-financial	<b>Imports</b> 	<ul style="list-style-type: none"> <li>• <b>Refund to importers/ exporters</b> that import and then export more finished products</li> </ul>	
	<b>Exports</b> 	<ul style="list-style-type: none"> <li>• <b>Trade agreements</b> with multiple countries and organizations (e.g., GAFTA, European Free-Trade Agreement)</li> </ul>	

## Additional MISA support



Facilitate the **registration process** of companies in KSA



**Establish connection** with local suppliers / importers of raw materials



**Introduce investor to relevant public stakeholders**

**Additional enablers and incentives can be discussed with MISA on case-by-case basis**



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1) Includes land, facility construction costs and equipment; 2) Water and electricity costs; 3) Procedures could include work permits and salary coverage

Responsible stakeholder

# Manufacturing water pumps – Cost of Doing Business



- 1 Electricity tariffs for industrial players
  - USD 48/MWh
- 2 Productivity adjusted wages
  - USD 3.3/hour
- 3 Logistics Performance Index (1-5)
  - 3.2
- 4 Construction Costs (Indexed to US, % 0 is cheapest)
  - 74
- 5 Ease of getting credit (0-100)
  - 50



# Manufacturing water pumps in KSA – Next steps

## Phase 1: Initiation

- Submit expression of interest concerning the opportunity to MISA.
- Discuss with MISA the opportunity and organize site visit
- Communicate with involved entities (off-takers, feedstock providers, partners, etc.)
- Conduct pre-feasibility study and due-diligence before final investment decision
- Secure enablers and incentives
- Secure MISA investment license



## Phase 2: Set up license requirements

- Secure commercial registration from Ministry of Commerce
- Secure working visas and labor working files from Ministry of
- Human Resources & Social Development & Ministry of Internal Affairs
  - Register at the Council of Saudi Chambers
  - Register at Saudi Banks
  - Register at Zakat, Tax and Customs Authority



## Phase 3: Set foundation

- Conduct due-diligence to build capabilities (e.g., locate appropriate land plot, initiate the recruitment of manpower)
- Build manufacturing plant and purchase equipment



## Phase 4: Launch production

- Initiate production of water pumps and monitor its market performance
- Adjust to market demand and ramp-up production output to achieve targeted utilization



## Execution steps

Expected in 2024-26

## Recommended project type

Private investment

JV w/ local company

PPP

## Start your journey with MISA



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