

SME MONITOR

Monsha'at Quarterly Report
Q3 2022

Inside this report:

- › Quarterly highlights from the ecosystem & Monsha'at
- › SME statistics & case studies
- › Province focus: Al-Jouf, olives, renewable energy and tourism drive SME growth
- › Key interviews from experts & business leaders
- › SMEs lead emerging technology, innovation, & digital transformation



HOW MONSHA'AT DRIVES SME GROWTH IN SAUDI ARABIA

Established under Vision 2030, The General Authority for Small and Medium Enterprises (Monsha'at) sees three priority objectives as crucial for the development of a robust SME sector:



Create an inspiring environment for SMEs to grow in



Unlock the potential of promising enterprises



Foster a strong and supportive entrepreneurial community

Monsha'at's main priority areas include:

- Resolving administrative, organizational, procedural, data-related, and market barrier issues facing SMEs
- Cultivating a well-organized tech-driven culture among SMEs
- Developing programs and initiatives to stimulate growth among SMEs
- Creating new networks, markets and connecting points for SMEs to be a part of
- Lifting the productivity and performance of SMEs to create a host of competitive regional players

WHAT IS AN SME?



Micro companies
have between

1-5 staff

or a revenue of

SAR 0 - 3 million



Small companies
have between

6-49 staff

or a revenue between

SAR 3 - 40 million



Medium companies
have between

50-249 staff

or a revenue between

SAR 40 - 200 million

Mr. Sami Ibrahim Alhussaini

Governor of Small and Medium Enterprises
General Authority Monsha'at



All across the Kingdom, Saudi men and women are building out the economic foundations of our common future. From traditional businesses to innovative startups in fintech, e-commerce, and the digital economy, nearly a million SMEs in the country are transforming the way we live. While the ingenuity of individuals is paramount to this success, Monsha'at's services continue to give thousands of Saudi entrepreneurs the support they need to grow their businesses and contribute to the Kingdom's economic development. As the latest data from Q3 shows, our efforts are paying off. Not only did the number of registered SMEs grow by nearly 10% this quarter, reaching a total of 978,445; levels of VC funding to Saudi companies outpaced regional trends, too.

For several years now, we have been at one of the most exciting moments in Saudi economic history. In addition to a solid growth in the number of registered SMEs as a whole, the number of female-owned businesses also increased exponentially, with the percentage of female-owned SMEs reaching 45% in 2022. Everywhere you look, Saudi entrepreneurs are seizing opportunities and building out better ideas. Not only is a dynamic ecosystem in the making; a vibrant new entrepreneurial culture is emerging, too. At every step of the way, Monsha'at will be there to guide and enable this transformation.

At the helm of our efforts this past quarter are a number of ambitious programs, one of which is Fikra. By promoting community-based partnerships that drive positive social change, Fikra is an initiative that encourages individuals and businesses to help solve public policy problems by developing innovative solutions. As this report shows, Fikra is helping foster a culture of innovation among the public that incentivizes creative problem-solving abilities while strengthening symbiotic ties between the public and private sectors.

This report also focuses on the role of emerging technologies in SMEs. As the Kingdom works to build a knowledge-based economy, its intense focus on smart cities and giga-projects is creating a wide range of opportunities in AI, Internet of Things, blockchain, big data, robotics, machine learning, and 5G. One of the initiatives driving this development is the National Technology Development Program (NTDP), which is helping national companies in IT and emerging technologies develop and scale into local and global markets. Another is Monsha'at's Thakaa Center, which helps SMEs and entrepreneurs integrate advanced technologies into their businesses.

These are but several of the exciting programs we cover in this report that helped grow the Saudi ecosystem in Q3 2022. As fields like fintech, which is expected to create an additional 6,000 jobs in Saudi Arabia by 2025, continue to take off, the role of SMEs in the Kingdom's broader economic objectives grows greater by the day. These include lowering unemployment from 11.6% to 7%, increasing women's participation in the workforce from 22% to 30%, and expanding SMEs' contribution to GDP to 30% by 2030.

With over 9 million people now employed in its private sector, Saudi Arabia's economy is growing more innovative and resilient. As this report shows, breakthroughs are being made in a wide range of sectors and emerging technologies, making the Kingdom more digitally literate and competitive than ever. Tourism is also helping boost the sector, as our special report inside on Al-Jouf province shows. I thank you in advance for taking the time to read this in full and learn about the many exciting changes and opportunities underway in Saudi Arabia's blossoming SME ecosystem.

Table of Contents

QUARTERLY HIGHLIGHTS	5
Monsha'at Initiatives: Crowdsourcing Solutions through Fikra, The National Ideation Platform	6
Trending: E-commerce and social commerce stimulate growth of Saudi Arabia's SMEs	8
Saudi Arabia poised to become a leading FinTech hub	9
📖 Sucess Story: Esam Alnahdi, Co-Founder & CEO, HALA	11
Global Trends, Global Entrepreneurship	12
SMEs IN NUMBERS	13
A breakdown of Saudi SMEs	14
A country-wide look at SME distribution	15
The strength of the private sector	16
The Kingdom bucks global Venture Capital trends	17
SECTOR FOCUS: EMERGING TECHNOLOGY	18
Emerging technology underpins the Kingdom's digital transformation	19
National Initiatives: Positioning Saudi Arabia as a technology and innovation hub	20
Thakaa Centre: Empowering enterprises & entrepreneurs	21
📖 Expert Insight: Thunayan Althunayan, Center Director, Thakaa Centre	22
Government push for digital technology adoption	23
SME SPOTLIGHT: ARTIFICIAL INTELLIGENCE	24
SMEs to drive artificial intelligence sector	25
📖 Expert Insight: Ayman AlRashed, CEO, SCAI	26
📖 Sucess Story: Abdullah Alsaeed, Co-founder and CFO, MOZN	27
SMEs deliver solutions for smart cities	28
PROVINCE FOCUS: AL-JOUF	29
A historic home to agriculture	30
The largest modern olive farm in the world	31
Al-Jouf Olive Festival	33
Regional Growth: Geographic conditions propel Al-Jouf's development	34
SME NEWS	36
Monsha'at news	37
Ecosystem updates	38
ABOUT MONSHA'AT	40
BIBLIOGRAPHY	41



QUARTERLY HIGHLIGHTS



A look at Q3's key initiatives
from within the Monsha'at
ecosystem



MONSHA'AT INITIATIVES: CROWDSOURCING SOLUTIONS THROUGH FIKRA, THE NATIONAL IDEATION PLATFORM

Fikra is a national initiative to unite creative thinking in the pursuit of solutions for the development of public services and products. As an open platform, Fikra is a collective that crowdsources creative solutions from individuals and enterprises for challenges faced by the Kingdom's public sector. Fikra is a validation of the belief the Saudi government has in the dynamism and vibrancy of the public to play its part in finding innovative solutions for challenges that affect many in Saudi Arabia.¹

The objectives of Fikra are:



Promoting community-based partnerships to drive forward positive change that benefits all



Fostering a culture of innovation and problem-solving among the public



Providing an opportunity to individuals and enterprises to express their creative problem-solving abilities and develop innovative solutions²



MAIN PILLARS OF THE FIKRA PLATFORM:



1 Business innovation journey

An interactive journey between 4 and 16 stages to launch innovative projects from the idea stage to the growth accelerator



3 Innovation system services

A detailed search engine for innovation support services provided by more than 100 service providers



2 Innovation calendar

Presents important events and activities in the Kingdom in the field of innovation and entrepreneurship



4 Innovation library

A section that provides various knowledge materials in the Saudi commercial innovation market

Early successes⁴

1,000+

solutions provided by users for these 10 challenges



10+

challenges placed on Fikra for users to provide solutions for



1,700+

users of Fikra



200+

beneficiaries have been served in Fikra





TRENDING: E-COMMERCE AND SOCIAL COMMERCE STIMULATE GROWTH OF SAUDI ARABIA'S SMES

Saudi Arabia's e-commerce market is witnessing rapid growth and serving as a key driver in the development of the Kingdom's SME ecosystem. Social commerce – the use of social media platforms to market and sell products and services – is also developing at a brisk pace.

The Kingdom's consumers increasingly prefer e-commerce solutions over offline shopping. With a young, booming population, Saudis count among the most tech-savvy in the world, spending over 7-hours per day on average on social media.⁵



SAR 50 bn

value of e-commerce sector by 2025 in Saudi Arabia



26th

saudi Arabia's global ranking in volume of e-commerce sales



98%

internet penetration rate in Saudi Arabia



9th

fastest median internet speeds in the world⁶



69%

of shoppers prefer shopping online



84%

of SMEs in Saudi Arabia can benefit from e-commerce



29%

increase in e-commerce investments in 2022, compared to 2019.

Vision 2030 aims to increase the contribution of the digital economy to GDP from **13%** (2017) to **19.2%** (2025).⁷

Monsha'at's e-commerce program provides a suite of services that enables entrepreneurs and startups to digitize and transition to e-commerce.



Facilitating new e-commerce projects



Enhancing the e-commerce ecosystem



Assisting with the growth of e-commerce firms⁸

Monsha'at helps SMEs through



The establishment of e-stores



Funding



Electronic Applications



E-commerce training programs

SAUDI ARABIA POISED TO BECOME A LEADING FINTECH HUB

The financial services technology (FinTech) industry is poised to develop the Kingdom's digital economy through strong participation and investment from the private sector, positioning Saudi Arabia as a dynamic FinTech hub. FinTech is a rapidly developing industry and a major boost for different sectors, including retail, healthcare, real estate, and transportation.

In 2018, the Saudi Central Bank (SAMA) launched 'Fintech Saudi,' a regulatory sandbox where fintech firms can test new digital products and services before launching. This startup sandbox is a catalyst for the development of the FinTech industry in Saudi Arabia.⁹

Through the Ministry of Finance and SAMA's National Fintech Strategy, the number of FinTech companies operating in Saudi Arabia and their impact on the economy is expected to see a dramatic rise.

Future Predictions:



230

FinTechs operating in Saudi Arabia by 2025 – 65% increase from 2022



70%

of all transactions are digital by 2025



6,000

jobs to be created in FinTech by 2025 – 18,000 new jobs by 2030



SAR 2.6 bn

capital investments in FinTechs by 2025 – SAR 12 bn by 2030¹⁰

FINTECH DISTRIBUTION BY INDUSTRY



**Payments &
currency
exchange**



**Lending &
finance**



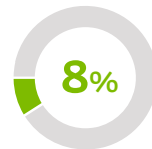
**Personal
finance**



**Private
fundraising**



**Business
tools**



**Capital
markets**



**Banking
infrastructure**



Insurance



Other



Esam Alnahdi

Co-Founder & CEO, HALA



To what extent has HALA evolved and adapted since it was founded?

When we started in 2018, we were initially centered on B2C FinTech solutions. Then, at the beginning of 2020, we made a bold pivot to become a B2B player serving as a one-stop shop for SMEs, offering financial services independent of third-party providers. This pivot to B2B created a crucial opportunity for us to expand our product offering, such as from point of sale (POS) systems, all the way to offering accounts and issuing cards for SMEs.

SMEs remain our core focus, since we understand that this is a segment that is currently underserved by banks and, honestly, it is our pleasure to take care of those merchants. We currently serve more than 50,000 SMEs in Saudi Arabia and process more than 30 million transactions totaling more than SAR 2 billion on a monthly basis.

How does HALA support the SME ecosystem?

Our laser-focus on SMEs has driven us to develop a product that precisely fits the SME ecosystem, unlike any other market player. As a tech-first company, we also look to continually innovate new products so we can differentiate ourselves and bring real and dynamic value to customers.

Our core strategy was to choose to focus on a segment that has a gap in access to finance, and we became a financially regulated entity to help SMEs run and grow their businesses. And, since we reached a stage where we are one of the key players when it comes to SMEs and FinTech, we think it's time for us to expand internationally. The question is how to expand in such a way? We believe that if you have a core product that is itself scalable, it can be replicated not only in the region, but around the world.

What advice would you give to Saudi entrepreneurs interested in the FinTech space?

Our first advice is for entrepreneurs to focus in one activity, and we had to learn this the hard way. Initially, we used to do multiple things at the same time instead of focusing on what we are good at. Concentrate on solving specific problems rather than ten problems at a time. Additionally, answer the real needs of whomever you want to serve. This could be individuals, small businesses or large businesses within every sector and within every segment, it is important to have a real way of solving problems. Finally, it is vital to really build a team that acts as one. We have more than 250 employees, and we consider our team to be "the dream team". This is what really can allow us to achieve our goals.



GLOBAL TRENDS, GLOBAL ENTREPRENEURSHIP

In emerging markets around the world, SMEs create 7 out of 10 new jobs.¹² While priorities differ between regions, certain trends take precedence in 2022, chief among them digitalization and access to capital. A key way to meet rising demand from SMEs, says McKinsey, are digital banking solutions that reduce onboarding times, increase customer satisfaction, and help SMEs solve their most pressing needs.



20% of SMEs in Europe said access to financing was their most urgent priority in 2022¹³



85% quicker SME onboarding times for banks that do so digitally, said McKinsey



Top three challenges for SMEs worldwide: hiring the right talent, meeting customer expectations, and retaining/motivating employees¹⁵



Top-performing banks in Western Europe generate more than 30% higher revenues per SME customer than average banks, in part by migrating customer activities to digital channels¹⁴



The largest challenges facing US SMEs is finding the right tech; in Europe, meeting customer expectations; in India and SE Asia, finding access to capital¹⁶

Although globally SMEs represent roughly 90% of all businesses and over 50% of all employment, the rate of entrepreneurial activity has decreased over the last three years, according to the Global Entrepreneurship Monitor 2021/2022 Global Report.

Saudi Arabia, however, proved to be an exception, with the report finding an increase in entrepreneurial activity thanks to successful reforms and initiatives and an attractive ecosystem.



Increasing Entrepreneurial Activity

Saudi Arabia saw an increase in Total early-stage Entrepreneurial Activity (TEA) with 19.62%⁸¹ reporting early-stage entrepreneurial activity. Which represents the percentage in 2021, up from 17.3% in 2020. of adults that are starting or running a new business



Support Packages

Reforms and initiatives have increased SME support through generous governmental packages



Positive Attitudes

Surveyed participants from Saudi Arabia believe its easy to start a business and have the self-confidence and skills to successfully do so¹⁷



SMEs IN NUMBERS



An insight into broad trends
in the sector



A BREAKDOWN OF SAUDI SMES

The Kingdom's vibrant SME sector continued to expand in the third quarter of 2022, with the number of SMEs, including micro enterprises, reaching **978,445** by the close of Q3 2022.¹⁸

At the end of Q3 2022, micro-sized firms made up a large majority of the registered SMEs in the Kingdom. Taken together, the Kingdom's SMEs account for 99.5% of all businesses.



807,248

Micro-sized companies



153,916

Small-sized companies

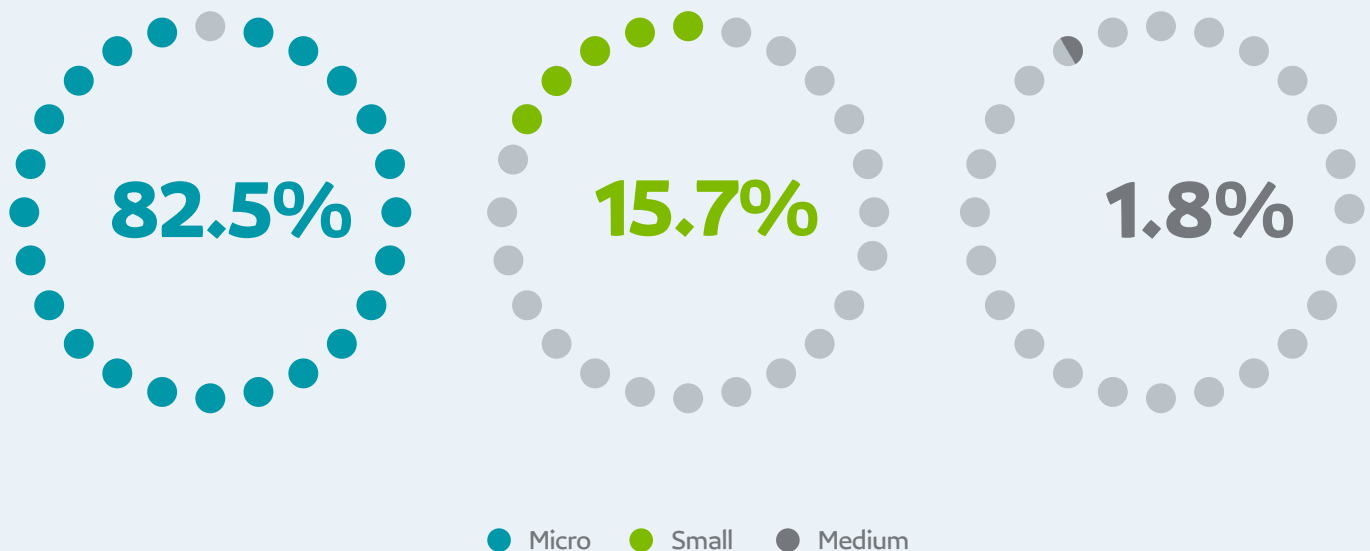


17,281

Medium-sized companies

Source: General Organization for Social Insurance (GOSI)

SMEs by Size, Q3



A COUNTRY-WIDE LOOK AT SME DISTRIBUTION

The Kingdom's SMEs are predominantly located in Riyadh, Makkah Province, and Eastern Province. Riyadh accounted for 36.1%²² of the Kingdom's 978,445 SMEs at the end of Q3 2022. Makkah and Eastern Province hosted the next-largest concentrations of SMEs, accounting for 20.9% and 12.8% of the total, respectively.²³

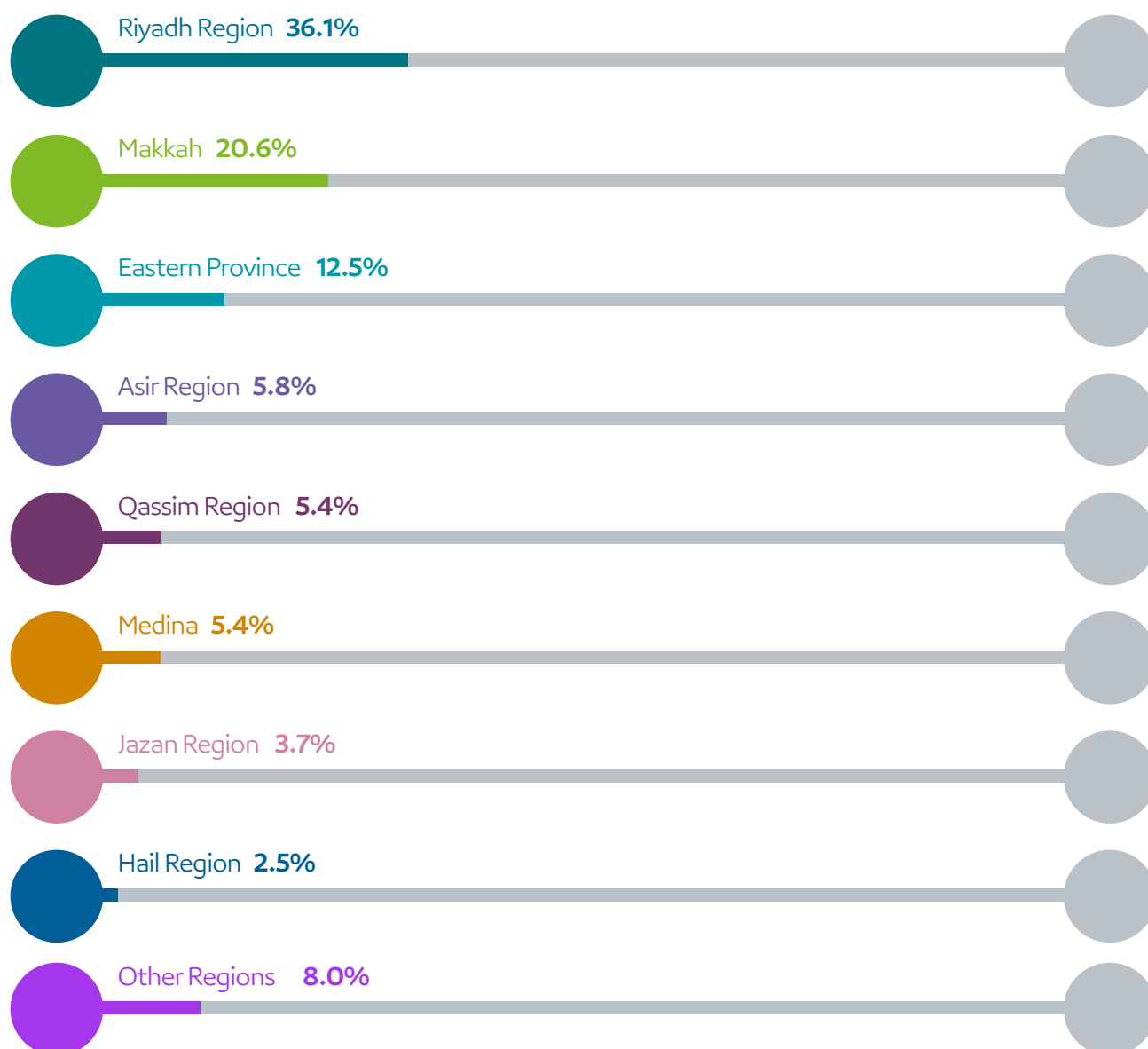


69.2%

of enterprises are in
Riyadh, Makkah Province,
and Eastern Province

SMEs: Regional Distribution, Q3

Source: General Organization for Social Insurance (GOSI)





THE STRENGTH OF THE PRIVATE SECTOR

Saudi Arabia's private sector employs a total of **9,078,910** people, with the majority working in Riyadh, Makkah Province, and the Eastern Province.



43.2%

of total private-sector employment in Riyadh



19.4%

of total private-sector employment is in Makkah Province



20.2%

of total private-sector employment is in Eastern Province

Number of Employees in the Private Sector, by Region, Q3

General Organization for Social Insurance (GOSI)



Riyadh



Eastern Province



Makkah



Qassim



Asir



Madinah



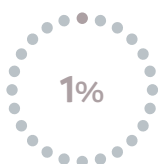
Jizan



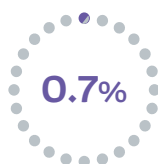
Najran



Ha'il



Tabuk



Al-Jawf



Northern Borders



Bahah



THE KINGDOM BUCKS GLOBAL VENTURE CAPITAL TRENDS

Building upon a consistently strong foundation, Saudi Arabia's VC ecosystem showed remarkable resilience in Q3 2022, with solid y-o-y growth in funding through Q3. In addition to being the only Emerging Venture Market (EVM) to register Mega Deals this quarter, the country also registered impressive growth in VC funding for fintechs.²⁴

This is a contrast when compared to overall global and regional contraction in the VC space. Amidst a challenging business climate of economic uncertainty, rising inflation, and mounting interest rates, MAGNiTT, a leading data analytics platform, showed a quarterly dip in global VC investment almost everywhere. This included MENA, which registered its fewest VC deals in twenty four months.²⁵



93%

annual increase in VC funding year-on-year in Q3 2022 in the Kingdom



35%

of the total funding in the MENA region²⁶



SAR 3.1 bn

in VC funding through to Q3 2022



266%

annual increase in FinTech funding through to Q3 2022



106

deals through to Q3 2022



22

FinTech deals through to Q3 2022²⁷





SECTOR FOCUS:

EMERGING TECHNOLOGY



Kingdom focuses on
emerging technologies to
secure future growth



EMERGING TECHNOLOGY UNDERPINS THE KINGDOM'S DIGITAL TRANSFORMATION

Saudi Arabia is accelerating digital transformation throughout its economy and across government services. Vision 2030, a focus on smart cities and the country's giga-projects are helping to advance the development and deployment of emerging technologies which are supporting the rise of a knowledge-based economy.



Artificial Intelligence



Internet of Things



Blockchain



Big Data



Robotics



Machine Learning



5G²⁸

A series of e-government programs have been launched to ensure seamless services and improve end-user experience. The Kingdom's robust digital infrastructure has helped guarantee business continuity throughout the pandemic and ensure a thriving digital sector.



2nd

Ranked 2nd among G20 countries in Digital Competitiveness in the Digital Competitiveness 2021 Report.²⁹



\$32.9 bn

Invested \$32.9 billion on information and communications technology (ICT) in 2021.^{30 31}



\$6.4 bn

Announced a plan to invest \$6.4 billion in digital technologies of the future and tech startups.³⁴



'Top Digital Riser'

Named the "Top Digital Riser" among G20 nations in the Digital Riser Report 2020.³²



Top 10

Ranked among the top 10 countries in digital literacy in the World Economic Forum's 2020 Global Competitiveness Report.³²



NATIONAL INITIATIVES: POSITIONING SAUDI ARABIA AS A TECHNOLOGY AND INNOVATION HUB

The Kingdom has launched a range of key initiatives and strategies to boost Saudi Arabia's position as a hub for technology and innovation in the MENA region.

National Technology Development Program (NTDP)

The NTDP works to develop and strengthen the Saudi tech-ecosystem with innovative financial solutions in order to facilitate Saudi Arabia's transformation into a leading global Technology Hub by 2030



Companies

Supports national companies in the IT and emerging technologies sector to increase their local market share and global exports



Innovation

Attracts global and local companies that support innovation and research centers that are relevant to the IT sector



Technology Adoption

Encourages and supports the private sector to adopt digital solutions and emerging technologies



Localization

Contributes to the localization of the IT and emerging technologies sector³⁵

Regulatory Sandbox for Delivery Apps

In 2020, the Communications, Space & Technology Commission (CST) launched a regulatory sandbox for delivery apps. This gives app designers the ability to test innovative products and services in a controlled environment.



**Investment
stimulation**



**Support
innovation**



**Protect
beneficiaries**



**Regulatory
flexibility**



THAKAA CENTRE: EMPOWERING ENTERPRISES & ENTREPRENEURS

Monsha'at's Thakaa Center helps SMEs and entrepreneurs to employ and integrate advanced technologies in their business and link them with a network of leading investors and decision makers. The center specializes in artificial intelligence, data analysis, Internet of Things, and cybersecurity.



Stimulate the Ecosystem

Equipping the national human capital with the skills and knowledge related to the domains of the center, and beyond



Empower Entrepreneurs

Creating and supporting technological entrepreneurs and helping them launch marketplace products



Support SMEs

Raising the competitiveness and individuality of SMEs by using specialized tech to answer to the modern marketplace

The enterprises benefiting from Thakaa Center services and programs are distinguished by their uniqueness, competitive strength in the market, steady growth rate, and their high ability to collect and analyze data which increases their chances of success.³⁶



Workshops and bootcamps



Consultations



Group challenges



Thakaa community



Thakaa opportunities



Thakaa library



Tech SMEs



Thakaa pioneers

Milestones:

SAR360 mn+
local Production



24,000
beneficiaries



100+ supported
Tech Startups



200+ resource and educational
content published on the Thakaa
Center library



300+
SME Greatly Benefited
from Tech Solutions



The Thakaa Center is Saudi Arabia's first specialized center to serve both entrepreneurs and SMEs. The center works with over 50 influential partner organizations who can provide SMEs with support according to their specialization and experience.³⁷

Thunayan Althunayan

Center Director, Thakaa, AI & Data Science Centre



How does the Thakaa center empower SMEs?

Thakaa started four years ago in Khobar, in the Eastern Province of Saudi Arabia, and after three years of success we started operations in Riyadh. At Thakaa we are focusing on four main emerging technologies – cybersecurity, internet of things, data science, and artificial intelligence. We believe these innovative technologies can lead to significant impact on the volume of entrepreneurship in the Kingdom. Thakaa is the single most trusted innovation center in Saudi Arabia, and we are the only center where innovators can receive support from ideation and early stage all the way to late stage and scale-up. We have entrepreneurs who approach us with only a concept, and we provide them full support, from marketing and operations through until they start selling their product and receive investment. We also work to enable entrepreneurs through programs like consultations, mentoring workshops, boot camps, cybersecurity awareness, hackathons and competitions. One example here is a recent AI challenge in partnership with the Ministry of Sports, with SAR 1 million in award prizes.

What is your current assessment of the innovation ecosystem in Saudi Arabia, and how can this ecosystem be further developed?

This is a very promising time for innovators and entrepreneurs in the region, and there is a swell of talent reaching the market. At Thakaa and Monsha'at, we are always finding new ways to work alongside policymakers and universities in reaching key entrepreneurial talent, and have established a service portfolio to support entrepreneurs in their innovation journey. Crucial for those starting off, we have a department focused on facilitating business where we assist startups relating to any

problem in terms of licenses, policy, or regulation changes. In addition, we are working to create dialogue between entrepreneurs and policymakers, so they can hear and reach the startups, and the sector is co-created by businesses and regulators. In the future, we plan to link accelerators and Saudi innovators internationally.

How can SMEs take advantage of Thakaa's broad partnership network?

Collaboration with private companies allows us to provide SMEs with resources they would often not be able to afford otherwise. We have partnerships to assist SMEs with large multinational companies like Microsoft and Oracle, but also with local companies like STC. On top of that, we take into consideration entrepreneurs' individual needs and link their needs with relevant companies. We want to maximize the impact from partnerships for SMEs, and are heartened to see that some of the world's largest technology companies find value in partnering with us, and help us supporting Saudi SMEs in a moment where the tech and innovation ecosystem is clearly booming in the Kingdom.

What role is Thakaa playing in supporting the objectives of Vision 2030?

We are committed to closely aligning with Saudi Vision 2030, which is not only a local vision, but a global one. Through this, we aim to enable the Saudi market to achieve global exposure. Indeed, over the last four years our initiatives have created economic impact exceeding SAR 350 million, and we have created more than 100 jobs in the tech start-up field, with more than SAR 6 million in government and semi-government support for Thakaa challenges in 2022 only.

GOVERNMENT PUSH FOR DIGITAL TECHNOLOGY ADOPTION

Saudi Arabia has seen comprehensive government support for digital transformation in recent years. The pandemic also helped to accelerate the Kingdom's digital transformation, with a shift in demand for online and electronic services. As a result, the country has become a leader in the adoption of information and communication technology, flexible work arrangements, national digital skills, and digital legal framework.³⁸



Supportive Policies

Policies creating AI-friendly ecosystems, supporting adoption of data analytics, advancing smart city programs



Ambitious Targets

Target of positioning Saudi Arabia as a global leader in AI and data by 2030



Economic Expansion

Vision 2030 identifies digital transformation as integral to activating new economic sectors



Smart Government

Seeking the realization of smart government to transform the ways public services are delivered

A number of government bodies are facilitating the Kingdom's digital transformation:



Ministry of Communications and Information Technology
responsible for developing policies to govern the sector



Communications, Space & Technology Commission (CST)
the regulator for the sector



Digital Government Authority the authority concerned with everything related to digital government



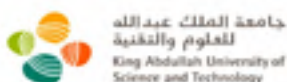
Digital Transformation Unit
provides strategic guidance, expertise, and supervision through cooperation with government and private agencies



National Cybersecurity Authority
responsible for improving the cybersecurity posture of the country



Saudi Data and Artificial Intelligence Authority (SDAIA) tasked with driving the national agenda for Data & AI and elevating the Kingdom as a global leader in the field



King Abdullah University of Science and Technology (KAUST) graduate research university of science and technology renowned by global benchmarks



King Abdul-Aziz City for Science and Technology (KACST) applies applied scientific research to serve the development and provide counsel scientific at the national level.



SME SPOTLIGHT:

ARTIFICIAL INTELLIGENCE



AI continues to shape and shake up the global SME sector with critical interventions across every phase of the value chain. Nowhere is investment in this sector more evident than Saudi Arabia, where the Kingdom is inserting billions, upskilling 20,000 specialists, and preparing hundreds of startups to excel by 2030



SMES TO DRIVE ARTIFICIAL INTELLIGENCE SECTOR

Entrepreneurship and SMEs are set to play a central role in developing the data and artificial intelligence (AI) sector in Saudi Arabia. The Kingdom's National Strategy for Data and AI seeks to significantly grow the AI SME ecosystem and position Saudi Arabia as a global leader in AI and data by 2030:



300 start-ups

seeks to establish more than 300 start-ups in AI by 2030



40,000 Jobs

creating up to 40,000 direct and indirect jobs related to data and AI⁴⁰



20,000 specialists

plans to train 20,000 AI and data specialists by 2030



\$135 bn

PwC estimates AI will contribute \$135 billion to the Saudi economy by 2030, equivalent to 12.4% of GDP⁴¹



\$20 bn investment

Saudi Arabia to invest \$20 billion (SAR 75 billion) in AI by 2030 through national and foreign investment³⁹



1st

Saudi Arabia ranked 1st in the Arab world and 22nd globally in the 2020 Global Artificial Intelligence Index⁴²

Global AI Summit

In September 2022 SDAIA hosted the second edition of the Global AI Summit in Riyadh. The summit gathers the world's leading investors, policymakers, thought leaders and innovators working to deploy AI.⁴³ Several new initiatives were announced at the summit that will help to train Saudi talent and support Saudi start-ups:



Global AI Corridor

Aramco launched the 'Global AI Corridor', a new strategic project aimed at building and commercializing the AI ecosystem in the Kingdom.⁴⁴



Elevate

Google Cloud and SDAIA launched the "Elevate" training program to empower women in the AI sector and seek to reduce the gender gap in the technological sector⁴⁵

Ayman AlRashed

CEO, SCAI

SCAI



How would you characterize the current AI ecosystem in Saudi Arabia?

AI has been used for many years, decades really, but when it started to become relevant was when we started to personalize the services, products, and content using AI, based on individual tastes. In the past, in broadcasting or online retail, for instance, you would be shown all available content to be watched or products to be bought. Through the use of AI, using large data sets and analytics, content is now predicted based on personal tastes, creating an online experience that is actually tailored to you. A good example for this is what has been conducted by Noon, a regional online marketplace where you will find that the content that is being curated for you is usually aligned with your taste.

In Saudi Arabia, much of the AI technology deployed has not been created to be KSA-specific. This has generated opportunities for AI creators to localize the technology in the Kingdom. Several AI creators here are small companies that are self-funded by individuals or Angel investors, but we are seeing a shift in that trend with more VCs and institutional investors realizing that the AI space is promising, especially with the demand for localization within the Kingdom.

What are the top sectors and industries in which you think AI can help Saudi SMEs?

We see huge potential in smart cities, and more specifically in the multiple verticals within them. The number one sector that we see high potential for growth in is energy, followed by healthcare,

mobility, and financial services, which all show huge promise for AI implementation within the Kingdom. The beauty of AI is that the beauty of AI is that it is still nascent, even at a global level.. As a start-up field, we are seeing many AI-creator SMEs doing well and often beating some of the larger players in areas such as financial services.

In Saudi Arabia, AI has become increasingly commodified and plug-and-play, allowing users to immediately enhance their businesses, notably with technologies such as conversational AI or chatbots. Such technology allows SMEs to scale up their businesses and provide better customer service. Additionally, AI can be used in day-to-day accounting and augment finance operations in SMEs by giving them insights into the seasonality of products and the purchasing patterns of customers, for instance.

What is SCAI's role in Saudi Arabia's AI ecosystem?

Our core mandate is to create innovative technology for Saudi Arabia and accelerate the adoption of AI. However, a central part of this mandate is to enhance and, therefore, support the AI ecosystem in the Kingdom. We have seen many smaller players with strong capabilities emerge within the ecosystem, but are unable to transform them into customer-ready products. Our role, then, is to look at some of the capabilities that they have and bake them into a customer-ready product or service for their clients. Additionally, we identify small players that we think have very high potential to complement our strategic portfolio of products and services, in which case, we may invest in them or acquire them.

Abdullah Alsaeed

Co-founder & CFO, MOZN



What opportunities within the market did you identify when you founded Mozn?

In founding Mozn, our goal was to help organizations gain insight from their information assets, often vast amounts of conventional and unconventional data. We knew that companies were using human analysts to structure data and perform time-consuming and costly tasks. We also recognized that there was a lack of Arabic Natural Language Understanding (NLU), which created a language barrier for many organizations.

After seeing and researching this gap, we developed AI-powered products and solutions that leverage state-of-the-art Arabic NLU technology to help companies yield far better bandwidth and precision compared to manual processing. As we moved from the ideation stage to having a product that we could offer the market, a crucial step was that we educated our potential customers on this solution and the value it could offer their businesses, while collaborating closely with them to ensure it met their unique needs.

We have seen strong demand for AI in the Kingdom of Saudi Arabia, especially in industries where heavy data sets are required. The finance and technology industries in particular have indicated immense need for NLU technology that we specialize in. However, Arabic NLU is still not as widely available around the world as some other languages, even though Arabic is one of the top 10 most spoken languages globally.

What advice would you offer other Saudi-based ICT enterprises looking to grow their global footprint?

Our advice for other ICT enterprises is to be strategic and tactical in their pursuit of global

expansion. It's important to understand why you have decided to expand globally. The strategy differs based on purpose – be it market penetration, hiring purpose, or otherwise. Global expansion is not a copy-paste exercise, especially in the MENA region where economies and regulations differ from country to country. While MENA countries speak the same language, MENA markets are different in terms of economics, regulations, and other aspects.

We would also advise organizations to expand in an agile way. Before making large investments based only on market research, we recommend that companies send their best product managers to other countries where they can spend a significant amount of time with international customers and absorb the market knowledge. This helps create an educated decision with regards to the country and market in which they would like to expand to.

How much work is being done to develop local AI experts within the wider ICT talent pool, and what are the prospects for up-and-coming developers?

To solve real problems using AI, companies need a broad range of diverse, skilled talent that can help deliver the most innovative solutions to customers. That's why at Mozn we are investing heavily in the local ecosystem in variety of ways, and are positioning our business as an attractive place to work for global talent and enable knowledge transfer. We also launched a 12-month graduate program "Himmah" that targets top-performing graduates with a bachelor's or master's degree, or junior participants with less than three years of work experience. This provides them with a unique experience full of intensive development opportunities to fuel their professional, technological, and interpersonal development.



SMES DELIVER SOLUTIONS FOR SMART CITIES

Leading global cities are seeking to apply connected technology and data analytics to city systems in order to become smart cities. This will involve embracing AI to turn urban spaces into accessible, personalized and human-centered ecosystems.⁴⁶ Smart cities are entrepreneurial by nature and can benefit from a flourishing tech startup sector that can offer innovative solutions to modern urban living.



**Real-time city
information**



**Optimizing
transportation
flows**



**Energy
conservation
and efficiency**



**Addressing
air pollution
and waste
management**



**Seamless
government
services**



**Harmonious
urban planning**

NEOM AI Challenge

In September 2022, SDAIA launched the second edition of its NEOM AI Challenge aimed at local and international SMEs and entrepreneurs. The challenge, organized in partnership with NEOM, asks participants to find solutions to the challenges faced by NEOM using AI technologies.



3 tracks

- AI in decision-making
- AI adaptive inspection
- Machine-executable legislation



\$1,500,000

Winners will receive executive contracts with (NEOM) at a value of SAR 500,000 for each of the winners in the three tracks, i.e. a total of SAR 1,500,000⁴⁷



Proof of Concept

Participants must develop a use case as a proof of concept showing how the AI model works and how to enhance the model⁴⁸



PROVINCE FOCUS:

AL-JOUF

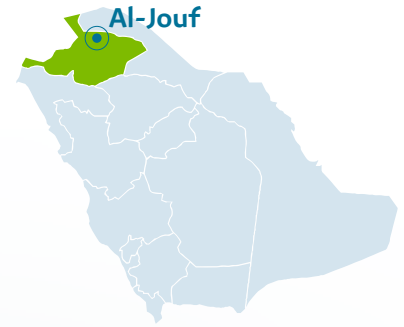


Olives, renewable energy and
tourism drive SME growth



A HISTORIC HOME TO AGRICULTURE

Located in northern Saudi Arabia, on the Jordanian border, Al-Jouf is characterized by rich agricultural lands and a diversity of crops. The province is home to enormous date orchards and the world's largest modern olive farm. Al-Jouf has earned a reputation, and accolades, for its olive tree cultivation and olive oil which is celebrated in its annual two-week Olive Festival.



508,475
population



100,212 km²
in landmass



2 domestic
airports



2,348 km²
of roads



4
Governorates



13 hospitals
with 1,820 beds



1 industrial
city



68
active
factories



2 Chambers
of Commerce



10
dams⁴⁹





Agriculture

Fertile soil and abundant groundwater allows for high levels of agricultural activity compared to the rest of the country. Fruits, vegetables, wheat, and barley are cultivated in the province



Olives

The region is known as the Kingdom's "olive basket". Around 81% of olive trees in Saudi Arabia are in Al-Jouf⁵⁰



Temperate

Boasts a moderate climate



Archaeology

The province is one of the Kingdom's oldest inhabited regions and home to archaeological sites dating as far back as the Stone Age



Renewable Energy

In 2019, the Sakaka solar power plant was established and aims to produce 300 gigawatts of renewable energy by 2030, with two additional plants approved in Tabarjal and Al Qurayyat. Al-Jouf is also home to the Dumat Al-Jandal wind farm, the largest in the Middle East⁵¹

THE LARGEST MODERN OLIVE FARM IN THE WORLD

Researchers have found evidence of olive cultivation since ancient time in the province, with large scale growth projects rekindling from 1980. In 2018, the Al-Jouf Agricultural Development Company received a certificate of merit from The Guinness World Records as the largest modern olive plantation in the world.



52,000 acres

of olive groves planted of land



20 million+

olive trees



120,000 tons

of olives produced annually



18,000 tons

of olive oil manufactured annually



Olives have multiple uses, and producers in Al-Jouf are expanding their product lines by branching into alternative uses of olives, such as cosmetics.⁵⁷ The region is also due to become home to Asia's largest olive mill which is being built in partnership with Spain's Grupo GEA.⁵⁸



Olive Oil

most of Saudi Arabia's olive production is used for olive oil



Pickled Olives

a small proportion of the Kingdom's olives are consumed as table olives



E-Commerce

following the expansion of e-commerce, olive oil producers have started to sell their products online



Cosmetics

used as an ingredient in cosmetics and perfumes





AL-JOUF OLIVE FESTIVAL

In January, the province traditionally hosts an annual two-week Olive Festival, which features cultural, social, recreational and educational events, including art contests and seminars about olive cultivation.⁵⁹



45 farmers

representing the region competed for the Prince Faisal bin Nawaf Award, worth (\$133,000)⁶⁰



9 countries

Farmers from 9 countries were invited to share industry experiences with local producers. This included farmers from the US, Spain, Argentina, Italy, China, Palestine, Jordan, Morocco and Egypt.⁶¹



20 million +

trees from which farmers manufacture their products

Olives and olive oil are major staples in the Saudi culinary scene. They are also symbolic for a number of religions, including Islam. Olives, olive oil and olive trees are referenced several times in the Quran and are considered sacred.

30,000 tons

of olive oil consumed annually in the kingdom

80% olive oil

About 20% of Saudi olive cultivation is geared toward table olives, while the remaining 80% is put toward producing olive oil⁶²

While Al-Jouf leads the Kingdom in the largest volume produced, other parts of the country have been emerging as centers of Saudi olive oil production including Tabuk and Al-Baha.⁶³

The promotion of olive oil in the Kingdom is helping to support a wider push for sustainable agriculture and tourism. The Kingdom is eyeing tourism, including eco-tourism, as a central pillar of economic diversification.



REGIONAL GROWTH: GEOGRAPHIC CONDITIONS PROPEL AL-JOUF'S DEVELOPMENT

Al-Jouf offers a range of advantages for businesses:



Access to Jordanian Market

Province's proximity to Jordan provides momentum for international trade.



Renewable Energy Potential

The Renewable Energy Project Development Office (REPDO) has identified four potential sites for solar farms.



Infrastructure and Transport Networks

Good road accessibility via road east-west and north-south.



Education

Significant university capacity and educated workforce.



Olive Cultivation

Consisting of wide valleys and plains of varying depths and heights, the region has the ideal conditions for agriculture, and is home to the largest modern olive farm in the world.⁶⁴

A number of development projects have been launched by the Saudi government in recent years to stimulate Al-Jouf's economy. Several strategic sectors have been identified:



Agriculture



Trading



Solar Energy



Non-metallic mineral products manufacturing



Logistics



Tourism⁶⁵



Private sector ecosystem bolstered by dynamic chamber of commerce

Al-Jouf's rapidly growing private sector has been supported every step of the way by robust civil society initiatives led by the Al-Jouf Chamber of Commerce. Its Q3 numbers alone show that thousands of local residents are highly committed to strengthening the private sector, learning new skills, and building new partnerships.⁶⁶



778

new members



1,753

memberships
renewed



1,336

various
services



183

services for
non-members

Upskilling initiatives in Q3



4

workshops



11

gatherings



21

meetings



11

external visits



28

employee
training courses



SME NEWS



A quarterly digest of the most important updates from Monsha'at and the wider ecosystem



MONSHA'AT NEWS

Saudia Cargo signs an agreement with Monsha'at to benefit from Jadeer services⁶⁷

As part of the signed agreement, Monsha'at will provide Jadeer services to Saudia Cargo, which will enable SMEs to participate in procurement services for the national carrier. The agreement aims to support local content produced by national start-ups, to enhance competitiveness between target groups from the public and private sectors, as well as to contribute to increase the overall domestic production and the SME role as part of the Kingdom's economic growth and diversification.



Monsha'at launches AI partnership with the Ministry of Sports

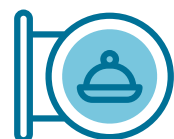
Monsha'at has collaborated with the Ministry of Sports to sponsor a competition wherein entrepreneurs developed innovative ways to utilize artificial intelligence in sports. The first phase of the competition was conducted online, and the second was through a hackathon. This competition was designed to enable entrepreneurs to create smart solutions and products based on emerging technologies, encourage national talents to innovate, and provide distinctive and required solutions for sports excellence in the Kingdom and abroad.⁶⁸

The winners were announced on September 10, and a total of SAR 900,000 in prize money has been awarded to the top 5, with 1st place being awarded 350,000 SAR.^{69 70}



Wholesale & retail sectors, trade, hotel & restaurant industries grow by 6.3% during Q2 2022^{71 72}

Wholesale, retail, and trade, along with the hotel & restaurant industry have seen a growth of 6.3% during Q2 2022. According to Monsha'at, this growth can be attributed to a series of expansionary government policies enacted to alleviate economic stress caused by the pandemic. The investments in the food industry increased up to SAR 221 bn during 2021, and the sector is projected to register a 10% yearly growth rate until 2026.





SME NEWS

Investments in Saudi start-ups up 244% in H1 2022 compared to H1 2021

Saudi start-ups received a total of \$584 million, a 244% increase in funding. For the 3rd consecutive year, Saudi Arabia ranks second in MENA for total funding amount. Deal count also rose by 36% with 79 total deals, making Saudi Arabia the second most active venture capital market in MENA.⁷³



Saudi fintech company partners with Saudi National Bank

Cashin - a Saudi fintech company with more than SAR 3 billion in transactions - and Saudi National Bank have partnered to support SMEs by providing more effective financial solutions. This entails managing transactions and sales through one integrated platform. In addition, the platform will also allow integration with governmental platforms to ease complying with regulators.⁷⁴



Sirar by STC and Fintech Saudi sign partnership to provide discounts for SMEs⁷⁵

Sirar by stc, STC's cybersecurity subsidiary, has signed a partnership with Fintech Saudi, a catalyst for the development of the fintech industry in Saudi Arabia⁷⁶, to provide discounts to SMEs. A digital signature service package will be provided at a 60% discount, benefitting SMEs, entrepreneurs and fintech companies.



Saudi cloud-based start-up signs a strategic partnership with Alinma Bank⁷⁷

Foodics, a cloud-based restaurant management system start-up which received a record \$170 million in funding, has signed a partnership with Alinma Bank. This partnership enables SMEs to sell products from anywhere & accept payments on the go.



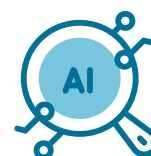
Jada to collaborate with Invest Seoul⁷⁸

Owned by PIF, Jada Fund of Funds Company has signed a memorandum of understanding with Invest Seoul which enables cooperation between Saudi Arabia & South Korea relating to supporting SMEs. As part of the agreement, both countries will be sharing knowledge on entrepreneurial policies and support start-ups aspiring to conduct business in the other party's country.



SDAIA announces second edition of competition for SMEs in partnership with NEOM⁷⁹

The Saudi Data & AI Authority (SDAIA) and NEOM have announced the second edition of the NEOM AI Challenge, targeting local and international SMEs and entrepreneurs. This competition aims at finding solutions to the challenges faced by NEOM using AI. Participating in the three established tracks, namely AI in decision making, AI adaptive inspection, and machine-executable legislation, the three winners of the competition will each be awarded SAR 500,000.



Google signs agreement to support Saudi start-up accelerator⁸⁰

In conjunction with The Garage, a Saudi accelerator, Google for Startups aims to support more than 100 start-ups globally. Google will provide The Garage with the tools necessary to build a world-class startup accelerator, further solidifying the Kingdom's dedication to being a technology hub.





ABOUT MONSHA'AT

Established in 2016, the General Authority for Small and Medium Enterprises (Monsha'at) chief objective is to organize, support, develop, and sponsor the SME sector in accordance with best global practices. In doing so, it will vastly boost private sector productivity and help increase SMEs' contribution to GDP from 20% to 35% by 2030.

Monsha'at deploys a wide range of initiatives that directly speak to the challenges that SMEs face in the market, with assistance being further broken down by company size and type. In addition to providing firms with critical administrative, technical, and financial support, Monsha'at also assists SMEs with marketing and human resources.



Vision

To make the SME sector an essential engine for economic growth in Saudi Arabia and an enabler in achieving Vision 2030 and beyond.



Mission

Develop and support SMEs to enable them to prosper by driving cooperation forward with our strategic partners in the public, private and non-profit sectors, both locally and internationally.

Please visit www.monshaat.gov.sa for more information



BIBLIOGRAPHY

Number	Link
[1,2]	Monsha'at, Fikra Platform. →
[3]	Monsha'at, Fikra Platform. →
[4]	Monsha'at, The National Ideation Platform. →
[5,8]	Monsha'at, E-commerce programs and services. → See also external sources: Statista Report → BCG → IBS Intelligence →
[6]	Speedtest, Global Index. 2022. →
[7]	Vision 2030, National Transformation Program. →
[9,76]	FintechSaudi. →
[10]	Arab News, "SAMA gears up to make Saudi Arabia the regional fintech hub: top official". 2022. →
[11]	Monsha'at, FinTech Accelerator. →
[12]	World Bank, SMEs →
[13,14]	McKinsey, "A digital approach to SME banking". 2022. →
[15,16]	Salesforce, 4th edition "Small & Medium Business Trends Report". 2020. →
[17]	Global Entrepreneurship Monitor, "Gem 2021/2022 Global Report: Opportunity Amid Disruption". 2022. →
[18,19,20,21,22,23]	Monsha'at, Updated Data Sheet, November 2022
[24]	Magnitt, "Funding EVMs 2021: A Future in HealthTech". 2022. →
[25]	Magnitt, "MENA Q3 2022 Venture Investment Report". 2022. →
[26,27]	Magnitt, "KSA Q3 2022 Venture Investment Report". 2022. →
[28,36,39]	my.gov.sa, Digital Transformation. →
[29]	MCIT, "Saudi Arabia tops the G20 countries in the Digital Competitiveness 2021 Report". 2021. →
[30]	Grant Thornton, "Global demand boosts technology revenue expectations", 2021. →
[31]	ESCP Business School, "Digital Riser Report 2021". 2021. →
[32]	Gulf Insider, "Saudi Arabia ranks among top 10 in digital literacy". 2020. →
[33]	Oliver Wyman, "The Eight Digital Trends Defining The GCC's Future". 2022 →
[34]	SPA, "Riyadh Unveils more than USD 6.4 Billion in Technology and Startup Investment at LEAP22". 2022 →
[35]	NTDP →
[36]	Thakaa →
[38]	Saudi Press Agency, "Saudi Arabia is Among Top 10 Countries in Digital Skills". 2020. →
[40]	The Arab Weekly, "Saudi Arabia to invest \$20 billion in artificial intelligence projects". 2020. →
[41]	PWC, "The potential impact of Artificial Intelligence in the Middle East". 2018. →
[42]	Argaam, "Saudi Arabia ranks 1st in Arab world, 22nd globally in Global AI Index". 2020. →
[43,46]	Global AI Summit, →
[44]	ARAMCO, "Remarks by CEO Amin H. Nasser at the Global AI Summit 2022 RIYADH", September 13, 2022 →
[45]	Saudi Press Agency, "SDAIA and Google Cloud Launch "Elevate" Program to Empower 25,000 Women in World's Emerging Markets in Field of AI". 2022 →
[47]	SPA, "Economist / "NEOM Challenge" for artificial intelligence continues to receive projects of innovators and entrepreneurs". 2022 →
[48]	NEOM Global AI Summit →
[49,51,64,65]	Invest Saudi, "Al-Jouf Province" →
[50]	Welcome Saudi, "Places to Visit in The Al Jawf Province". →



BIBLIOGRAPHY

Number	Link
[52,59]	Visit Saudi, "Explore Al Jouf" →
[53]	Saudi Press Agency, "Al-Jouf Region showcases its largest olive farm, holder of Guinness World Record, at its International Olive Festival". 2022. →
[54]	Riyadh Daily "Al-Jouf Company recorded in The Guinness World Records as the largest modern olive plantation in the world". 2018. →
[55,56,57]	Zawya, "Jouf, the olive oil capital of Saudi Arabia". 2021. →
[58]	Olive Oil Times, "Saudi Arabia to Build Asia's Largest Olive Mill". 2019. →
[60]	Saudi Press Agency, "Al-Jouf International Olive Festival markets products of 18 million trees in the Region". 2021. →
[61]	Arab News, "Saudi Arabia's Jouf Olive Festival celebrates prosperity of 'blessed' tree". 2021. →
[62]	Visit Saudi "Saudi agriculture: the Al Jouf olive farm" →
[66]	Al Jouf Chamber of Commerce, Q3 2022
[67]	Saudia, "SAUDIA GROUP SIGNS SEVERAL AGREEMENTS IN THE LOCAL CONTENT FORUM". 2022. →
[68]	Thakaa, Sports Challenge →
[69]	Sabq, "The Ministry of Sports and Monshaat launch the Sports Artificial Intelligence Applications Challenge". 2022. →
[70]	HaberTusba, "Monshaat launches AI sports application competition". 2022. →
[71]	Saudi Gazette, "Monsha'at: Wholesale, retail sectors post 6.3% growth in 90 days". 2022. →
[72]	Zawya, "Saudi Monsha'at: Wholesale, retail sectors post 6.3% growth in 90 days". 2022. →
[73]	Zawya, "Venture Capital investments in Saudi Arabia up 244% during H1 2022". 2022. →
[74]	Magnitt, "CASHIN: Financial Technology for SMEs". 2022. →
[75]	Arab News, "sirar by stc, Fintech Saudi partner to support SMEs". 2022. →
[77]	Arab News, "Saudi startup FOODICS signs strategic fintech partnership with Alinma Bank to empower SMEs in the Kingdom". 2022. →
[78]	Arab News, "PIF's Jada signs MoU with Invest Seoul to boost startups, SMEs". 2022. →
[79]	Saudi Press Agency, "SDAIA Launches the Second Edition of NEOM Challenge in Partnership with NEOM during the Global AI Summit". 2022. →
[80]	Saudi Press Agency, "Saudi Arabia Witnesses Launch of Strategic Partnership with Google for Startups to Support and Empower 100 Technology Startups". 2022. →
[81]	Global Entrepreneurship Monitor "Entrepreneurial Behaviour and Attitudes". 2021. →

