منشآت
monsha'at
الهيئة العامة للمنشآت الصغيرة والمتوسطة
Small & Medium Enterprises General Authority

SME MONITOR

MONSHA'AT QUARTERLY REPORT Q4 2024

Inside this report:

- Quarterly highlights from the ecosystem and Monsha'at
- Initiatives supporting SME growth
- Exclusive interviews with leading experts and entrepreneurs
- Insights into sustainable SMEs in Saudi Arabia and abroad

OPENING REMARKS

Rakan Alsheikh

Deputy Minister for Policies & Economic Planning
Ministry of Economy & Planning

وزارة الاقتصاد والتخطيط
MINISTRY OF ECONOMY & PLANNING

From the very outset of Saudi Arabia's transformation journey, sustainability has been a core pillar of our national vision. Far from an afterthought or isolated initiative, it has been embedded in the ethos of our transformation, guiding policies and reforms under Vision 2030. The Kingdom recognizes that a thriving economy must also be a sustainable one, balancing growth with environmental responsibility and long-term resilience.

At the heart of this transformation lies our vibrant SME sector, which serves as a powerful driver of the economy. With the ambitious target of raising SMEs' contribution to 35% of GDP by 2030, we recognize their potential not just as business entities, but as pioneers of sustainable solutions that create lasting impact. Their agility and adaptability allow them to integrate renewable energy, green technologies, and circular economy principles into their operations, reinforcing Saudi Arabia's commitment to a more sustainable future.

Recognizing their potential, the Ministry of Economy and Planning launched the national corporate sustainability strategy in 2023, demonstrating our commitment to supporting businesses of all sizes in their sustainability journey. We understand that SMEs are uniquely positioned to pioneer innovative sustainable solutions while simultaneously creating new market opportunities and employment prospects for our youth. That is why we have taken particular care to tailor our interventions to their specific needs and challenges.

This includes continuous efforts to develop tailored sustainability reporting standards that align with the capabilities of SMEs, providing targeted capability development programs to equip them with the necessary knowledge and skills, and creating financial incentives that make sustainable practices both achievable and profitable.

One flagship initiative is our Sustainability Champions program, which facilitates knowledge transfers between leading corporations and SMEs. This initiative ensures that smaller enterprises benefit from the expertise and experience of established sustainability pioneers, accelerating their own sustainability adoption. In addition to broader efforts to improve SME access to green financing, we are also working on the introduction of sustainable financing framework guidelines that enable businesses to access much needed funding.

As a key enabler of this national transformation, Monsha'at plays a crucial role in empowering SMEs. Through strategic initiatives, it helps SMEs access funding, develop new skills, and scale their impact. With programs designed to facilitate market entry and the adoption of sustainable technologies, Monsha'at is laying the groundwork for long-term growth and resilience in the SME sector.

Looking ahead, our goals are ambitious but achievable. We aim to create an ecosystem where sustainability is a natural part of doing business for SMEs. Through our initiatives, we anticipate a significant surge in sustainability adoption, including higher sustainability disclosure rates, which will enhance transparency and attract investors. We are particularly focused on enabling SMEs to tap into emerging opportunities in renewable energy, green technology solutions, and circular economy initiatives.

The success stories featured in this quarter's monitor showcase Saudi SMEs at the forefront of sustainable innovation. These enterprises demonstrate that sustainability is not merely about compliance—it is about gaining competitive advantages, unlocking new market opportunities, and contributing to the Kingdom's broader economic transformation.

I encourage all stakeholders to engage with the initiatives and opportunities outlined in this report. Together, we can build a more sustainable and prosperous future for Saudi Arabia, one where SMEs lead the way in innovation and economic growth.

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KEY COMMERCIAL INDICATORS

Thanks to robust and consistent public investments across the Kingdom's booming private sector, Saudi Arabia concluded 2024 with more than 1.6 million registered businesses. Driven by the registration of nearly 63,000 new businesses in Riyadh alone in Q4, Saudi Arabia saw its dynamic SME sector scale new heights, the continued proof of which was its place as the largest recipient of VC funding in the region with $750 million raised by Saudi startups through Q4. All of this helped spur a remarkable 4.4% growth in real GDP that quarter.[1]

SME GROWTH SNAPSHOT

Thanks to continued private sector growth and public sector investment, the number of new commercial registrations continued to precipitously rise in Saudi Arabia in Q4 2024.

4.4%
growth in real GDP in Q4 2024[2]

67%
q-o-q increase in total commercial registrations in Q4 2024

160,000+
new registrations in Q4 2024

1.6mn+
total commercial registrations in the Kingdom

10%
increase in e-commerce commercial registrations in Q4 2024

40,953
total e-commerce companies in Saudi Arabia through Q4 2024[3]

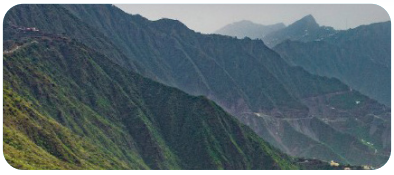
New commercial registrations by region, Q4 2024

62,906
in Riyadh

27,700
in Makkah

25,682
in Eastern Province

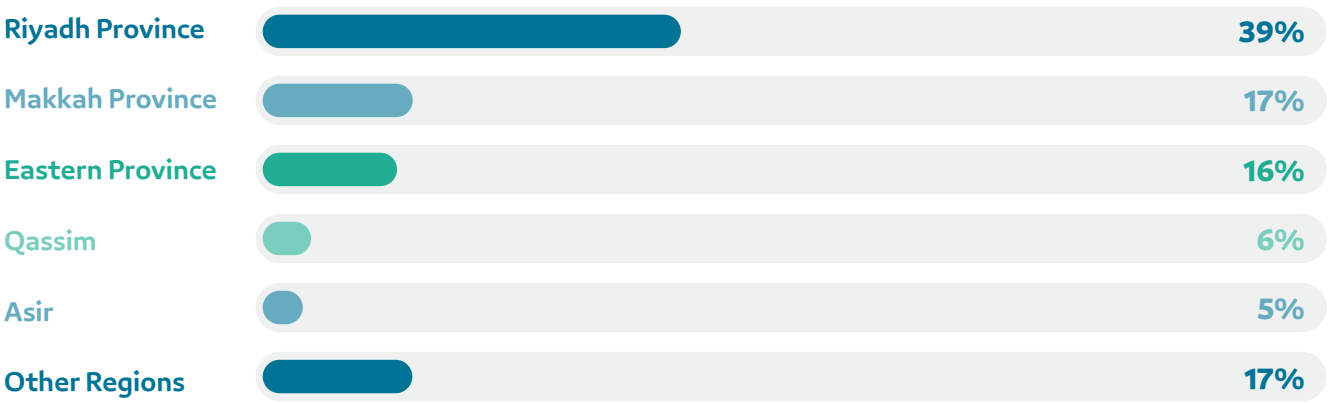
8,674
in Qassim



8,197
in Asir

27,380
in other regions[4]

Commercial registrations regional distribution, Q4 2024



TRENDS IN SME ADOPTION OF SUSTAINABLE PRACTICES

Driven by Saudi Vision 2030's efforts to transform the economy and empower the private sector, Saudi SMEs are playing a bigger role than ever in advancing sustainability in a number of key sectors, from tourism and energy to transportation and mining.

Circular economy: Saudi SMEs are adopting circular economy principles by reducing waste and maximizing resource efficiency; implementing repair, refurbishment, and remanufacturing practices; improving product lifecycle management; introducing digital transformation technologies; and fostering consumer awareness about sustainability.[5]

Renewable energy: Saudi SMEs like Solar Arabia, Nesma Renewable Energy, and Aljomaih Energy and Water are developing photovoltaic turnkey and other solar projects that are generating several hundred megawatts of renewable energy, in addition to making investments across wind, storage, hybrid, and green hydrogen.[6]

Reforestation & environmental megaprojects: Initiatives such as Green Riyadh, which aims to plant 7.5 million trees in the Saudi capital and reduce overall temperatures by up to 15 degrees Celsius, are providing opportunities for environmentally focused SMEs like netzero that are working to increase the Kingdom's total greenspace.[7]

Eco-tourism development: In Q4, Saudi Arabia's Tourism Development Fund (TDF) launched the Tourism Empowerment initiative to provide SMEs in tourism with comprehensive financing solutions and flexible repayment plans,[8] part of a broader trend to spur the creation of more eco-tourism SMEs catering to the Kingdom's giga-projects.

Electric vehicle (EV) adoption: Saudi Vision 2030 aims to reduce carbon emissions, making EVs a critical part of the strategy. With EVs already present in the Saudi market, Vision 2030 continues to attract brands like Lucid Motors, Ceer, and Hyundai. As a result, EV sales are poised to greatly increase, predicts Petromin Group CEO Kalyana Sivagnanam, and could account for 40% of total sales by 2030, a trend that will also benefit SMEs.[9]

Collaboration with government initiatives: SMEs are increasingly participating in government-led sustainability initiatives, such as the Saudi Green Initiative, which is promoting environmental sustainability across various sectors through investments in over 85 initiatives since its launch in 2021.[10]

Sustainability reporting: Saudi Arabia is prioritizing sustainability reporting to measure contributions toward the UN Sustainable Development Goals (SDGs) and monitor progress towards Saudi Vision 2030, influenced in part by larger companies that are leading the way in ESG reporting, from SABIC and Almarai to STC and Ma'aden.[11]

SUSTAINABLE BUSINESS PRACTICES IN SAUDI SMEs

With sustainability a key component of Saudi Vision 2030, it is no surprise that local SMEs are also evolving to lower their carbon footprint, implement more circular economy policies, maximize efficiencies, and provide consumers with greener products and services as part of their core business plans from the get-go.

OVERVIEW OF SUSTAINABILITY IN SAUDI SMEs

Led by Saudi Vision 2030's sustainability targets, the Kingdom is advancing an ambitious set of policy initiatives to boost sustainable business development through quality of life improvements, economic diversification, pursuing a Circular Carbon Economy, mitigating climate change, generating renewable energy, boosting conservation efforts, cutting red tape and promoting transparency, and pursuing international collaboration efforts that foster sustainable growth.

Alignment with Vision 2030 sustainability goals

As the benchmark of any healthy economy, SMEs are absolutely crucial to Saudi Vision 2030's wider sustainability targets, standing to gain from historic investments in the following sectors.

130 GW
of renewable energy creation targeted by 2030[12]

50%
of energy to be generated by renewables by 2030[13]

$2.5bn
to be invested by Middle East Green Initiative (MGI) in climate mitigation projects[14]

$186bn
being invested by Saudi Green Initiative (SGI) to support green economy

10bn
trees to be planted in Saudi and 50bn in Middle East by MGI[15]

2060
PIF net neutrality target to drive green economy growth[16]

Growth:
Promoted by the Mining Exploration Incubator Program (Nuthree) of sustainable SMEs[17]

The role of SMEs in Saudi Arabia's green economy transformation

As engines of innovation, dynamism, and diversification, SMEs are critical to achieving Saudi Arabia's ambitious green economy targets through the creation of new solutions in the energy, technology, tourism, and healthcare space.

- Economic diversification
- Innovation & sustainable technologies
- Hospitality & eco-tourism
- Circular economy
- Renewable energy
- Health & wellbeing
- Agriculture & agrobusiness

☆ SUCCESS STORY:

Mustafa Mousa

Co-founder and CEO,
Sadeem Technology

What inspired you to start Sadeem Technologies, and where do you envision Sadeem's role in the smart city ecosystem?

The idea for Sadeem Technologies started in 2009 when a major flood struck Jeddah. This incident pushed the four of us, Sadeem's co-founders, to think about flood management as a serious research challenge. During our PhDs, we had focused on reducing the risk of floods for cities, people, infrastructure, and property. What began as a research project eventually became a reality.

Today, Sadeem is becoming a local leader in disaster mitigation, addressing not only flooding during the rainy season but also working year-round to gather data that helps maintain city infrastructure. We're also expanding into wildfire mitigation, tackling another climate-related challenge. Our work aligns with Saudi Arabia's broader undertakings such as the Middle East Green Initiative, which aims to combat desertification through reforestation.

How does Sadeem integrate ESG principles into its flood management?

ESG principles are at the core of what we do, as our work directly impacts the environment, society, and government. We collaborate with government bodies to change policies and help reduce flood risks. This includes everything from maintaining storm drainage systems, which are the primary defense for cities, to demonstrating the social and environmental value of our data. After several rainy incidents, we use data visualization and financial metrics to show how our technology benefits communities and supports ESG goals.

What role do digital innovation and AI play in Sadeem's flood detection systems?

Digital innovation is fundamental to our work, with our technology based on IoT sensor systems combined with AI platforms. My PhD focused on machine learning algorithms for flood prediction, which we have incorporated into Sadeem. By combining data from IoT sensors with AI analytics, our platform provides real-time insights that enable quick responses from government authorities. Our platform not only relays data but also interprets it, offering valuable recommendations for decisions that can save lives and property. By integrating IoT and AI, we empower municipalities to better prepare for, manage, and recover from floods.

For SMEs, it's essential to remember that technologies like AI, IoT, and digital twins are tools—a means to a greater end, not goals in themselves. These tools should only be used when they add value. It's not about using the latest technology just because it's available; it's about using it purposefully. Ultimately, technology should serve a meaningful purpose in your work, rather than become an end in itself.

With operations across 17 cities in six countries, how has Sadeem's reach grown, and what partnerships have been key to that growth?

Our expansion has been driven by key partnerships. One of the most significant was with the Ministry of Municipalities and Housing in Saudi Arabia, which laid the foundation for us. This relationship allowed us to demonstrate the effectiveness of our technology on a national level, opening doors to work with cities across the Kingdom.

Internationally, we were fortunate to connect with the University of Texas at Austin's Department of Transportation, which supported one of our early projects. Attending events has also enabled us to build relationships, such as our collaboration with the UAE's Ministry of Infrastructure and Energy, which led to a project there. Our team's diverse backgrounds have been crucial as well. With founders from four continents, we bring the right language, approach, and cultural sensitivity to form strong partnerships as we expand into new markets.

CURRENT STATE OF SUSTAINABLE PRACTICES

Regulatory framework and initiatives

Committed as it is to wholescale climate action, Saudi Arabia has launched a number of ambitious regulatory frameworks and environmental reform initiatives designed to encourage sustainable practices and reposition the wider economy toward more environmentally friendly growth.

Saudi Green Initiative (SGI):

Launched in 2021, SGI unites environmental protection, energy transition, and sustainability programs with the overarching aims of offsetting and reducing emissions, increasing afforestation and land restoration, and protecting the Kingdom's land and sea.

10bn
trees to be planted

50%
renewable energy mix targeted by 2030

30%
increase in protected natural areas by 2030

85+
initiatives launched[18]

Middle East Green Initiative (MGI):

Launched in 2022, MGI is a regional effort led by Saudi Arabia to mitigate the impact of climate change and meet global climate targets by creating the infrastructure needed to reduce emissions and protect the environment.

50bn
trees to be grown in the region

$2.5bn
from Saudi Arabia to support MGI projects and governance[19]

670 tons
of CO2 emissions to be reduced region-wide[20]

National Renewable Energy Program (NREP):

Launched by the Ministry of Energy in 2017, NREP aims to increase the contribution of renewables in Saudi's energy mix to nearly 50% by 2030 through significant investments in solar and wind projects.

278mn
ton/per year reduced emissions by 2030

$9bn
invested in renewable projects

11.4GW
capacity of new energy

1,200
geographical survey stations to gauge renewable energy sources[21]

Key sectors adopting sustainable practices

In line with the Saudi Vision 2030's circular economy goals, Saudi Arabia is driving sustainability in energy, water management, agriculture, smart cities, tourism, manufacturing, and infrastructure through green technologies and better carbon management strategies.

Renewables: Unprecedented investments in renewable energy, including solar, wind, and green hydrogen, are already increasing energy sustainability and helping achieve Saudi Vision 2030's goal of 50% renewable energy mix by the end of the decade.[22]

Agriculture: Implementation of water-efficient irrigation technologies, organic farming practices, and sustainable supply chains are helping SME producers reduce their environmental impact.[23]

Tourism: New eco-friendly and community-based travel options are making Saudi's blossoming tourism industry more sustainable than ever.

Transportation: Historic investments in EVs, sustainable public transport systems like the Riyadh Metro, and carbon-efficient logistics are making mobility in the Kingdom more environmentally friendly.[24]

Healthcare: In addition to boosting wellbeing through increased access to clean water, improved air quality, and green spaces, the Kingdom is also investing in digital healthcare platforms and preventative solutions that boost sustainability in the sector.

Construction: The widespread adoption of green building standards, sustainable materials, and energy-efficient designs is reshaping urban infrastructure.

Challenges and benefits of sustainability adoption among SMEs

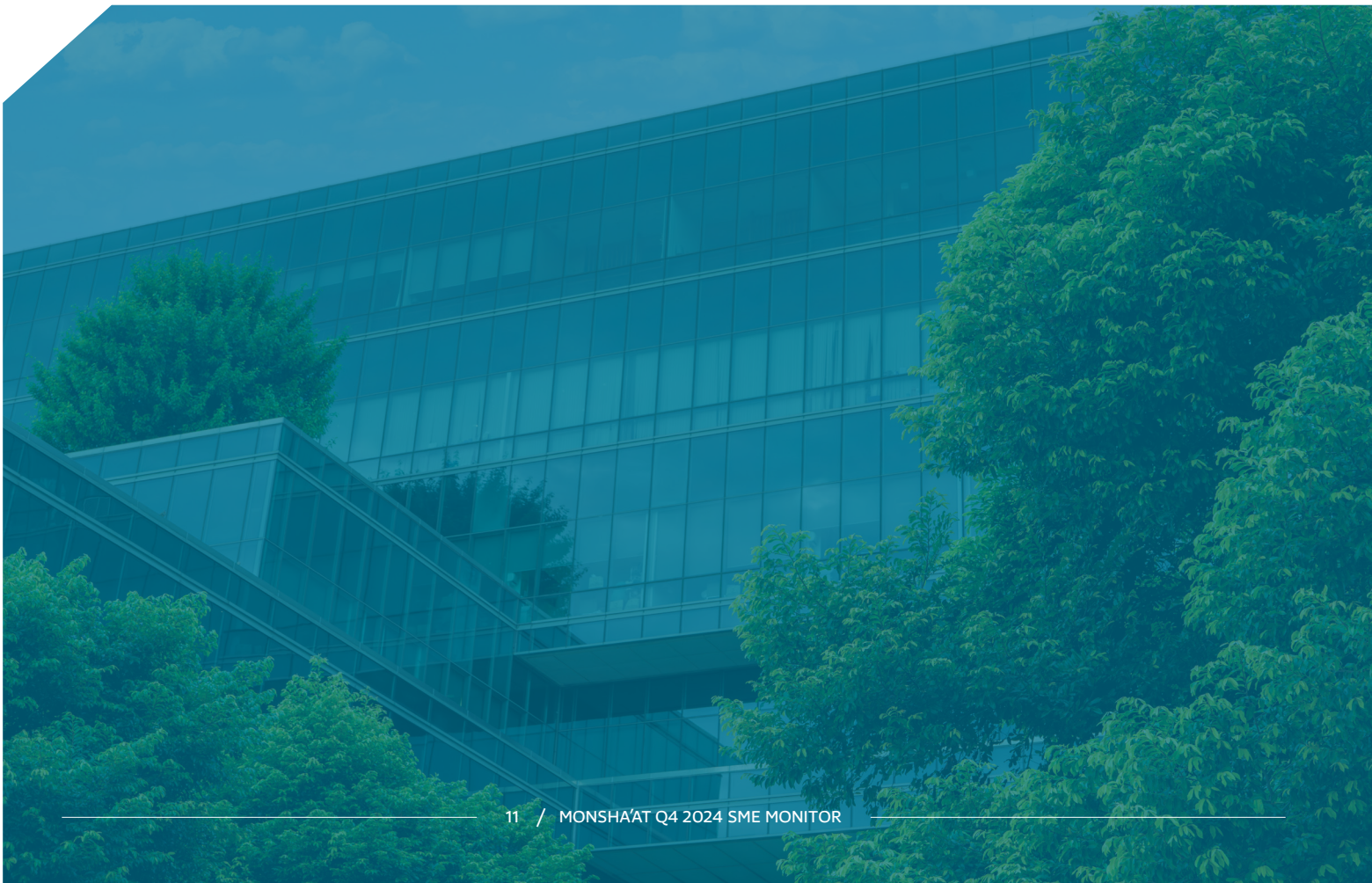
Although SMEs play a crucial role in the transition towards a sustainable economy, they face numerous challenges in adopting the necessary policies, technologies, and approaches. Addressing these barriers through targeted support, education, and access to resources will help them benefit from the many long-term advantages of sustainable business practices.

Challenges:

- Financial constraints of compliance and technology adoption
- Lack of knowledge and expertise on sustainability in smaller firms
- Regulatory and legal challenges
- Limited access to green finance due to lack of data
- Supply chain limitations due to limited market influence
- Short-term survivability precludes sustainability investments
- Cultural resistance to change in smaller more tight-knit teams

Benefits:

- Build trust and enhance reputation
- Improve financial performance
- Identify and mitigate risks
- Better access to sustainable finance
- Operational efficiency and cost-savings
- Regulatory compliance and competitive edge
- Attract and retain talent
- Innovation and improved resilience
- Improved stakeholder relationships
- Enhanced long-term value creation[25]



Green technologies and renewable energy solutions

SMEs can benefit from a range of dynamic new green technologies and renewable energy solutions that reduce inefficiencies and carbon footprint, drive down energy costs, and increase firms' sustainability.

Solar power: SMEs can invest in solar photovoltaic (PV) systems for on-site energy generation and solar solutions for customers such as rooftop installations and solar farms, building on broader momentum within the ecosystem that recently produced a $3.2bn project between ACWA and Badeel in Q4 2024 to generate 5.5 GW of solar PV by 2027.[26]

Smart Energy Management Systems: Smart technologies such as energy management systems (EMS) and IoT applications allow SMEs to optimize energy consumption by enabling real-time monitoring of energy use, helping businesses identify inefficiencies and reduce waste.[27]

Water Management technologies: SMEs in various sectors can adopt innovative water management solutions such as drip irrigation systems, smart water meters, and wastewater treatment technologies to help improve water efficiency in agricultural practices and industrial processes.

Energy-efficient appliances and equipment: SMEs should invest in energy-efficient appliances and machinery that can significantly reduce operational costs by utilizing equipment that meets high energy efficiency standards, minimizes energy consumption, and aligns with their sustainability goals.

Green Building technologies: SMEs involved in construction or real estate can adopt green building practices such as sustainable material sourcing, implementing energy-efficient designs, and ensuring proper insulation, reducing environmental impact and attracting eco-conscious clients.

Circular economy & waste management: SMEs like Naqaa Solutions are helping other SMEs implement circular economy solutions and improve waste management by introducing recycling bins, reverse vending machines, office recycling programs, and corporate sustainability programs.[28]

Biogas production: SMEs in agriculture or waste management can produce biogas from organic waste as a sustainable solution for waste disposal that generates renewable energy for heating or electricity generation.

MARKET OPPORTUNITIES AND FUNDING STRATEGIES FOR SUSTAINABILITY

Access to green financing and incentives

Green Financing Framework (GFF)

In line with the PIF, Ministry of Finance, and the National Debt Management Center (NDMC), Saudi Arabia launched the Green Financing Framework in 2021 to help achieve a Circular Carbon Economy by promoting investments that support sustainable development and carbon reductions to achieve the Kingdom's ambitious greening targets.

11mm
CO2 of annual Carbon Capture, Utilization, and Storage (CCUS) capacity by 2035

90%
of national energy demand targeted for reduction through Energy Efficiency Program

8
hydrogen-powered pilot projects launched by 2023

20%+
of Saudi territory protected by 2030[29]

The GFF will help achieve these targets by issuing a range of debt instruments to fund eligible green products in line with the UN's Sustainable Development Goals (SDGs).

- Green bonds & sukuk
- Loans & other debt instruments
- Solar, wind, & hydro projects
- LED lighting
- Smart city & building management systems
- Smart grids
- Climate change mitigation & adaptation
- Sustainable use & protection of water & marine resources
- Natural resource & biodiversity conservation
- Pollution prevention & control[30]

Sustainability-focused accelerators and VC funds spur innovative growth

A number of exciting new accelerators have recently been launched to spur the growth and development of sustainability-minded SMEs and startups in Saudi Arabia and the region.

Sidra Business Acceleration Program

Launched by the Ministry of Environment, Water, and Agriculture (MEWA) in Silicon Valley in 2024, Sidra is a 12-week intensive program offering startups and SMEs personalized mentorship, access to global networks, and collaboration with venture capital firms to foster growth and innovation in the environmental sector for companies in Riyadh, London, and Silicon Valley.

- **Personalized guidance & mentorship from industry experts**
- **Opportunities to connect with local & int'l investors & venture capital firms**
- **Access to global ecosystems & int'l markets**
- **Training programs to address areas of improvement & skill development**
- **Accelerated growth opportunities facilitated by supportive network & strategic resources**[31]

Mega Green Accelerator

Launched in part by PepsiCo, Sabic, and Astrolabs in 2024, Mega helps firms across MENA achieve net-zero emissions through three accelerator tracks: food security, water, and agriculture; circular economy; and energy transition. The 6-month enablement program saw 363 submissions for its inaugural 8-company intake, the winner of which will receive $30,000.[32]

Mirai Solar (Saudi Arabia): Solar tech startup specializing in expanding solar energy to improve energy efficiency of food production and smart buildings.

Ahya Technologies (Saudi Arabia): Climate software and AI startup building a unified platform for scaling climate action across MENA & Pakistan.

Mrüna (UAE): Consulting firm providing innovative urban solutions.

The Surpluss (UAE): Climate tech startup helping SMEs reduce greenhouse emissions through resource sharing via digital sustainability exchange.

YY ReGen (Lebanon): Innovative solutions through renewable energy, sustainable water management, and regenerative farming.

Viridia Tech (Egypt): Platform for crop analytics at scale for industrial ag companies leading to significant improvements in yield, unit economics, and sustainability metrics.

P-VITA (Egypt): Biotech hub specializing in natural raw materials for cosmetics and food & beverage industries using AI and IoT to reduce carbon footprint.

Kumulus (Tunisia): Water tech start-up that turns air into fresh drinking water through innovative AWG machines.[33]

Sustainability-focused VC funds

Buoyed by the Kingdom's unprecedented commitment to empowering new private sector solutions to climate- and sustainability-related sectors, a range of exciting new VC funds are driving investment in Saudi SMEs.

Wa'ed Ventures:

Saudi Aramco's VC fund supports the local startup ecosystem by investing in local tech-based startups with a focus on sustainability and tech through funding, mentoring, office and co-working spaces, bootcamps, workshops, and networking events for SMEs across AI & IoT, e-commerce, fintech, cloud and super-computing, energy and industrial applications, agtech, edtech, and healthtech.

$500mn
fund

50+
companies invested in

≤$20mn
investment ticket sizes

12-month
business incubation period [34]

STV Investment Fund:

Established by stc Group in 2018 and now the largest VC technology fund in the Middle East, STV invests in disruptive and sustainable SMEs and startups across a wide range of sectors.

$800mn+
in total capital[35]

$200mn
Series D co-investment in Tabby, MENA's first fintech unicorn[36]

$25mn
co-investment in Calo meal-delivery app[37]

$8mn
investment in Invygo car-subscription pioneer[38]

$18mn
Series A co-investment in Abyan Capital, Saudi Arabia's leading robo-advisory and savings app[39]

$130mn
pre-IPO co-investment in Salla, the leading SaaS e-commerce enabler in Saudi Arabia[40]

Steel Atlas:

Founded in New York in 2022 by a Saudi-American duo, Steel Atlas is a VC fund focused on climate-tech investments in Saudi Arabia, the GCC, and beyond, particularly in industrial-focused software and hardware.

$10mn
raised to launch climate-resilience tech investment fund

$750,000-1.5mn
per investment[41]

$11.6mn
co-investor in Valar Atomics' effort to produce synthetic, net-zero fuels[42]

$22mn
co-investment in Transmutex to enable global transition to carbon-free[43]

EXPERT INSIGHT:

Jeffery Beyer

Founder and Director,
Zest Associates

How did Zest Associates come into existence, and how does its mission align with Saudi Arabia's long-term sustainability aims?

I founded Zest in 2020 because I've dedicated my professional life to tackling climate change, and I wanted to bring my experience and drive to help the region decarbonize. It was around the time that Saudi Arabia set its net zero target and launched the Saudi Green Initiative. There was a clear need to convene global expertise to support Saudi's ambitious sustainability goals – and that's what Zest does.

How does Zest help SMEs?

Zest has two arms: innovation support through Zest Cleantech and consulting services through Zest Associates. Zest Cleantech works with SMEs that have truly groundbreaking innovations. Our role is to help these innovators commercialize their technologies, find partners and investors in the region, and launch projects that benefit the local economy and the environment.

Our consulting work often involves helping governments create new programs and initiatives that leverage the expertise of SMEs across the supply chain. For example, the Global Desertification Demonstrator program that we presented at COP16 in Riyadh aims to incubate, accelerate and scale-up SMEs with revenue-earning solutions to desertification.

What major trends in low-carbon technology could become future major market forces in Saudi Arabia, and why?

At Zest, we always start by looking at a country's competitive advantages and its risks to target the technologies that make sense. Saudi Arabia has lots of land, sun and wind, energy industry expertise, proximity to export markets, low capital costs, and huge state-owned enterprises. This means it can make ultra-low cost renewable energy, handle combustible fuels, ship to European and Asian markets, and design and invest in massive capital projects. Taken together, Saudi has huge advantages in solar PV and solar thermal technologies, hydrogen, carbon capture and utilization, sustainable aviation fuels, resource recovery from brine and tailings, and arid agriculture technologies. These are exactly the types of companies that Zest Cleantech has sought out to help enter the Saudi market.

Are there any cities or countries whose sustainability policies Zest takes inspiration from?

I'm currently serving as the UNDP's Chief Technical Advisor to the Saudi Ministry of Energy, and we do a lot of international benchmarking to see how great ideas can be localized to suit Saudi's unique challenges and opportunities. I worked at the UK's Carbon Trust 15 years ago, and they had a terrific program where zero interest energy efficiency loans were given out to small businesses alongside advice that targeted common hotspots for energy savings. For example, when I helped write the business plan for the UK's National Centre of Excellence for offshore renewables, I made sure that a program was developed specifically targeting the SME supply chain. It ensured there was a link between SMEs and big developers, and helped create markets for the SMEs' innovations, which boosted confidence and drove innovation.

What public policy interventions would you like to see introduced in Saudi Arabia to lower the Kingdom's carbon footprint?

A great idea is subsidizing energy efficiency, which in Saudi could actually benefit the government since it reduces electricity demand and lowers the price subsidy it already gives to energy users. Programs that help innovators demonstrate promising technologies in the real world are also hugely beneficial, and Saudi's Research Development and Innovation Authority is a great vehicle for that kind of support.

GROWTH PROJECTIONS AND FUTURE OUTLOOK

Scaling sustainability through innovation

With sustainable development key to Saudi Vision 2030's broader social and economic transformation goals, the Kingdom has launched a number of innovative private sector enablement initiatives that will help spur sustainable growth across a variety of key sectors.

Alat: Sustainable Manufacturing

Launched in 2024, Alat is a PIF company that's building a new industrial and electronics hub to deliver sustainable industrial solutions powered by clean energy sources through AI and Industry 4.0. Focusing on economic diversification, industrial development, innovation, and job creation, it is slated to invest $100bn across nine business divisions by 2030.[44]

- Smart health
- Semiconductors
- Advanced industrials
- Smart devices
- Next-gen infrastructure
- Smart buildings
- Electrification
- Smart appliances
- AI infrastructure

Sustainability research at KAUST

Founded in 2009, King Abdullah University of Science and Technology (KAUST) is helping the Kingdom become a global model for resource circularity and a technoscientific leader in the protection and restoration of the Kingdom's land and coastal environment by supporting education, research, innovation, and entrepreneurship in a number of sustainable sectors.[45]

Renewable energy research

Water security and desalination

Sustainable agriculture and food security

Smart cities and sustainable infrastructure

Environmental conservation and biodiversity

Circular carbon economy and carbon capture and storage

Deep tech research at KAUST Innovation

Emerging sustainable technologies

If many have yet to set foot in the Kingdom, a range of sustainable new technologies are emerging that SMEs can adopt to deliver better energy, water, agriculture, environmental conservation, urban planning and municipal services, and other solutions.

- **Advanced renewable energy technologies:** Next-gen solar panels; Concentrated Solar Power (CSP); advanced wind turbines for low-wind desert conditions; and green and blue hydrogen.[46]

- **Water desalination & management:** Solar-powered desalination; graphene-based membranes for efficient water desalination; atmospheric water harvesting; and smart water grids.[47]

- **Sustainable ag tech:** Hydroponics and aquaponics for minimal water use in soil-free farming systems; genetically engineered salt-tolerant crops; vertical farming through climate-controlled food production systems; AI and IoT to optimize water and resource use.[48]

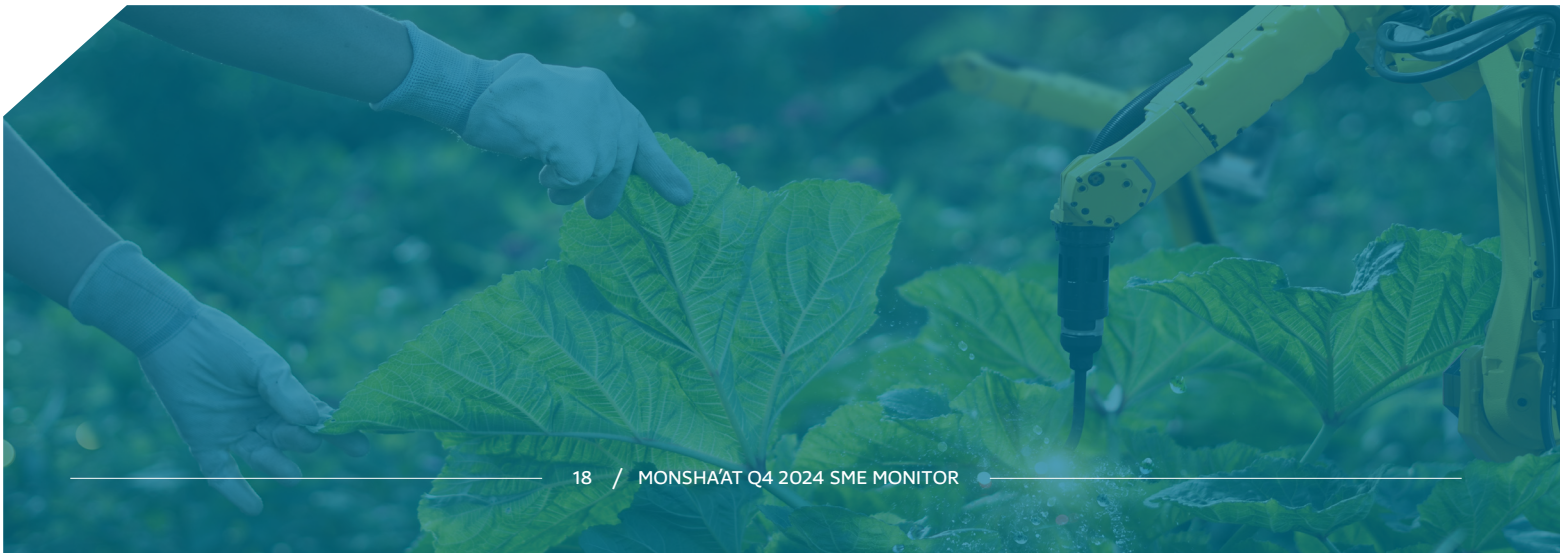
- **Smart infrastructure & cities:** Smart HVAC systems, green insulation, and automated energy management systems for energy efficient buildings; smart grids with AI-powered electricity distribution; electric and hydrogen-powered public transportation systems; and sustainable cooling technologies.[49]

- **Marine & environmental conservation tech:** Lab-grown coral for restoring marine ecosystems in the Red Sea; IoT devices for real-time marine health data collection; and biodegradable plastics and materials.[50]

- **Sustainable fuel alternatives:** Biofuels from algae; synthetic fuels from captured carbon dioxide; and hydrogen fuel cells to create zero-emission energy sources for transport and industry.[51]

- **Energy storage technologies:** Advanced battery systems for grid-scale energy storage and thermal energy storage in molten salt or phase-change materials.[52]

- **Smart waste management:** AI waste sorting systems to separate and repurpose waste efficiently; waste-to-bioenergy Plants that convert organic waste into biofuels and fertilizers; and upcycling technologies to transform waste into valuable products.[53]



☆ SUCCESS STORY:

Abdulmajeed Alyemni

CEO and Co-founder,
Salasa

What new solutions does Salasa offer in supply chain management, and how can SMEs implement them to achieve greater sustainability in their business operations?

Salasa has established itself as a regional leader in fulfillment, drawing on years of experience to enhance our products and services for SMEs, particularly those committed to sustainable supply chain management. Our latest suite of solutions is designed to help them streamline operations, minimize environmental impact, and maintain profitability. To do so, Salasa has upgraded its technology stack, granting SMEs real-time access to essential features such as inventory management, route optimization, scheduled deliveries, and return management. By leveraging these capabilities, businesses can streamline operations, cut down on costs, and reduce resource wastage.

Salasa helps companies reduce packaging waste and improve delivery route efficiency. How much do these services enable companies to reach their sustainability goals?

Salasa has seen businesses significantly advance their sustainability initiatives by utilizing our sustainable packaging boxes and shipping solutions. By transitioning to recyclable, right-sized packaging, companies can lower material usage and waste by 20-30%. Meanwhile, route optimization can cut transportation distances and emissions by as much as 15-20%, depending on fleet size and shipping volume.

Does Salasa plan to integrate more sustainable practices into its expansion strategy within Saudi Arabia and the broader GCC?

Sustainability is a core focus and value at Salasa, and we intend to integrate more eco-friendly practices as we expand both in Saudi Arabia and across the GCC. This includes continued enhancements to our technology platforms aimed at reducing waste, streamlining logistics, and minimizing carbon emissions along with new partnerships that further support green innovation in last-mile delivery and packaging solutions.

What are the biggest challenges Salasa has faced in introducing sustainability into its fulfillment services and how can it overcome these?

Initially, we focused on securing the right partners and educating businesses on the long-term impact of sustainable processes and practices. A key priority has been balancing cost-effectiveness with the availability of eco-friendly materials and logistics solutions in the region. While some businesses still perceive sustainable options as costly or complex, we see this as an opportunity to bridge the cultural and educational gap. To address this, we are actively forming strategic partnerships with local material suppliers, logistics providers, and government initiatives to broaden access to sustainable resources.

Is there any low-hanging fruit when it comes to rapid sustainability gains in the region's wider e-commerce ecosystem?

The quickest way is to switch to eco-friendly, right-sized packaging. This directly reduces waste and shipping costs without any drastic operational changes. Secondary to this is optimizing fleet delivery routes, which lowers fuel consumption, cuts carbon emissions, and streamlines operations.

Are there any ways for Salasa to incorporate new sustainability measures into its regional expansion plans?

As Salasa continues to grow within Saudi Arabia and across the GCC, we're exploring ways to integrate sustainability at every stage, whether by securing locally sourced, eco-friendly materials to reduce our carbon footprint, partnering with green logistics providers for last-mile deliveries, or investing in renewable energy solutions for our warehouses. By integrating these measures into our long-term strategy, we aim to ensure that growth goes hand in hand with responsible business practices.

For young e-commerce companies looking to thrive in today's competitive market, what sustainability measures should they prioritize to ensure long-term success?

It's generally simpler for young e-commerce companies to implement meaningful changes from the outset. By prioritizing core sustainability measures such as eco-friendly packaging, efficient operations and logistics, advanced inventory management, and transparent sourcing, these businesses can significantly reduce their operational costs while laying a strong foundation for future growth.

GLOBAL SUSTAINABLE SME LANDSCAPE

A range of exciting new technologies, business solutions, and broader cultural shifts are creating new opportunities for SMEs to provide more sustainable products and services to an increasingly eco-conscious consumer base around the world.

OVERVIEW OF GLOBAL TRENDS

Market size and growth in sustainability-focused SMEs

While SMEs have traditionally faced greater challenges in adopting sustainability and green technologies than larger firms, newer micro-businesses often have sustainability built into their very business plan, showing that size is no barrier to adoption when it comes to SMEs incorporating resource-saving technologies into their core business practices.[54]

40%
of global emissions are from SMEs[55]

93%
of SMEs in EU have invested in sustainability[56]

33%
of SMEs in OECD show environmental engagement[57]

75%
of SMEs in OECD are attempting to reduce carbon footprint[58]

118%
increase in EU SMEs using mostly sustainable energy from 2015 to 2024[59]

12%
of SMEs in EU generate renewal energy onsite[60]

$134.9bn
global market for green technology and sustainability by 2030[61]

29.5%
CAGR growth in green technology and sustainability from 2024-2030[62]

62%
of UK SMEs surveyed did not perceive benefits of ESG[63]

23%
higher profitability for SMEs investing in digital transformation[64]

≤50%
energy consumption savings through variable speed drive (VSD) adoption[65]

≤$10,000
to implement VSD energy saving solutions[66]

69%
of global consumers more likely to work for sustainable firm[67]

If progress in SME sustainability adoption has increased in recent years, awareness levels and implementation practices could be higher, leaving ample space for public policy interventions.

Regional hubs and pioneers in sustainability

With sustainable pioneers emerging on every continent, green public policy hubs are springing up everywhere to create highly innovative community - and research-based solutions to some of the world's most pressing resource-scarcity problems.

Amsterdam:

Launching its first smart city initiative in 2009, Amsterdam was named European Capital of Innovation by the European Commission in 2016 and continues to lead in developing groundbreaking policies in circular economy, clean energy, and sustainable urban development.

Amsterdam Smart City: This open innovation platform spurs collaboration between citizens and public and private entities to make the city more energy-efficient, digitally connected, environmentally sustainable, and socially inclusive across these six sectors.

- **Infrastructure and technology**
- **Energy, water, and waste**
- **Mobility**
- **Circular city**
- **Governance and education**
- **Citizens and living**[68]

Impact Hub Amsterdam: Founded in 2008, this offers hands-on innovation support, deep expertise, and customized programs to help startups, scale-ups, SMEs, and corporates bring their sustainable visions to life through three special services.

Consultancy:
Helps organizations and governments uncover opportunities for innovation, find partners, and implement effective, sustainable solutions.

Accelerator programs:
Guides startups and scaleups to launch, scale, and grow their innovative ideas.

Partnerships:
Enables corporates and NGOs to collaborate on supporting groundbreaking innovations with Impact Hub's 100 global centers.[69]

Singapore:

Launched in 2021, the Singapore Green Plan 2030 is a national roadmap aimed at advancing the country's ambitious SDGs and achieving net-zero emissions by 2050 by investing in five key pillars that will position Singapore as a global green leader.

City in Nature: Plant 1mn new trees and have park within 10m walk of all inhabitants by 2030.

Sustainable Living: Reduce landfill waste and water consumption, increase public transport.

Energy Reset: Develop solar to power 350,000 households, make 80% of new builds green, and deploy 60,000 EV charging points.

Green Economy: Become a carbon trading hub of Asia, sustainable tourism hub, and groom a strong pool of local enterprises to capture sustainability opportunities.

Resilient Future: Enhance flood resilience and increase capacity of agri-food industry to produce 30% of Singapore's nutritional needs locally and sustainably.[70]

Sydney:

Australia's flagship city launched Sustainable Sydney 2030-2050 in 2004 to implement a wide range of green and sustainable policies that are reducing emissions, creating jobs, and improving lives, proving that action on climate change is good for business and the economy.

100%
renewable electricity used by municipality by 2020

70%
emissions reduction by municipality achieved nine years ahead of target in 2021

66%
emissions reduction achieved by Better Buildings Partnership, a leading commercial office space conglomerate

26%
reduction in overall emissions despite 50% population growth from 2006-2020

6,000+
streetlights converted to LED

7,081
solar panels erected on 45+ city-owned buildings[71]

Future targets: With plans to reach net zero by 2035, Sustainable Sydney has huge but realizable ambitions to become even greener, cleaner, and leaner in the coming years.

Net zero
emissions in City of Sydney by 2035

40%
green cover in the city by 2035

27%
tree canopy cover by 2050

170lt
per person/day of potable water use in City of Sydney by 2030

15%
reduction in waste generated by each person from 2015-2030

90%
recycling & recovery of residential, commercial, industrial, construction & demolition waste by 2030

7.5%
of housing to be social and 7.5% affordable by 2036

10m
walk to all daily necessities for all residents by 2030[72]

REGULATORY ENVIRONMENT AND GLOBAL STANDARDS

International green certifications and compliance

A new generation of eco-friendly certifications are helping sustainable-minded SMEs reduce their carbon footprint, demonstrate transparency, strike a balance between profit and purpose, build trust, drive customer loyalty, and grow their business.

ISO 14001:

The internationally recognized standard for environmental management systems (EMS) provides a framework for SMEs to design and implement an EMS and continually improve their environmental performance.

- **Minimize environmental footprint**
- **Comply with relevant legal requirements**
- **Achieve environmental objectives**[73]

ISO 50001:

Adopting this globally recognized energy management system makes it easier for SMEs to integrate better energy management into their business operations.

- **Develop policy for more efficient energy use**
- **Measure results**
- **Fix targets & objectives**
- **Review how well policy works**
- **Use data to better understand & make decisions about energy use**
- **Continually improve energy management**[74]

B Corp Certification:

This demonstrates that a business meets high standards of verified performance, accountability, transparency, and sustainability by meeting the following criteria.

- **Demonstrate high social and environmental performance by achieving a B Impact Assessment score of 80 or above.**
- **Change corporate governance structure to be accountable to all stakeholders, not just shareholders.**
- **Exhibit transparency by allowing information about performance to be measured against B Lab's standards and be publicly available.**[75]
- **5,000 companies around the world have achieved this coveted status.**[76]

Global Reporting Initiative (GRI) Standards:

Provides a comprehensive reporting framework for companies to disclose sustainability performance by tracking their environmental impact, human rights record, labor practices, and anti-corruption record.

- **World's most widely used sustainability reporting standard**
- **Enhances transparency**
- **Helps meet stakeholder expectations**
- **Manage risks and opportunities**
- **Supports strategic decision-making**[77]

Leadership in Energy and Environmental Design (LEED):

Issued by the US Green Building Council, this global standard recognizes green building design, construction, and operations by energy efficiency, water conservation, waste reduction, and quality of indoor environment.

Improves building efficiency

Reduces operational costs

Enhances market reputation

Higher resale value & lease-up rates

Improved employee retention

Tax benefits in certain jurisdictions[78]

Cradle to Cradle (C2C) Certification:

This recognizes products designed with circular economy principles in mind, helping companies innovate and optimize materials and products across five sustainability categories.

Material health

Product circularity

Social fairness

Water and soil stewardship

Clean air and climate protection[79]

Fair Trade Certification:

This is an independent, third-party verification system that ensures products meet strict social, environmental, and economic standards through regular audits and rectification in case of non-compliance.

- **Empowers producers in developing countries**
- **Create sustainable livelihoods**
- **Protect the planet's resources**
- **Promotes fair wages**
- **Encourages sustainable supply chains.**
- **Enhances product value and consumer trust**
- **Enhances value of agriculture, textiles, and crafts**[80]

Case studies of successful adoption

A range of exciting new SMEs have emerged in recent years that are expanding the range of the possible by creating first-rate sustainable products whose green certifications have helped them expand their market share and attract a fiercely loyal long-term customer base.

Ecoalf (Spain)

ECOALF

Founded in 2009, Ecoalf's vision was to create the first generation of recycled products whose quality and design paralleled the best non-recycled products on the market by upcycling marine waste into designer clothing and accessories, creating a closed-loop production model whose sustainable certifications give it a huge competitive edge in the eco-conscious fashion market.

182
employees

2022 and 2023
most responsible company in Spain

1st
company in Spain to receive B Corp Certification in 2018

1st
net-zero store opened in 2022

100%
recycled tire-made flip-flops launched in 2014

700+
tons of waste removed from ocean through Ecoalf Foundation

3,000+
fishermen supported in Spain, Greece, Italy, and Thailand[81]

BioPak (Australia)

Founded in 2006 to disrupt a degrading industry ripe for change, all of BioPak's packaging is made from responsibly sourced plant-based materials and designed to support a circular economy that is carbon neutral from resource to disposal. In addition to being B Corp-certified, it also donates a significant percent of its profits to environmental conservation efforts.

168
employees

7.5%
of profits donated to Rainforest Rescue (Australia) and Forest & Bird (New Zealand)

$45mn
in private equity raised

B Corp-
certified[82]

1st
international expansion into Hong Kong in 2023[83]

1st
waste-free flight in the world conducted with Qantas in 2018[84]

Bee's Wrap (US)

Founded in Vermont in 2012 as a first mover in the reusable food storage category, Bee's Wrap is a natural, reusable alternative to plastic wrap and bags that makes it easy to reduce single-use plastic and store food sustainably.

10
employees

1-year
product lifetime after which can be composted[85]

#1
reusable food wrap on Amazon

12,000+
online reviews

16
awards

B Corp:
Best for the World – Environment winner[86]

☆ SUCCESS STORY:

Ali Abussaud

Founding Managing Partner,
HALA Ventures

HALA Ventures is devoted to investing in unique, creative products. Does sustainability factor into its decision to fund a promising startup, and if so, how?

While sustainability is not a primary requirement for approving or rejecting a deal, it plays a role in our investment philosophy. We prioritize unique and creative products with a focus on several core elements. For one, we actively seek innovative technologies that automate outdated processes or enhance accessibility to services at a lower cost. This can lead to greater efficiency and result in more sustainable business practices. Next, we prioritize startups that leverage technology to improve accessibility and reduce costs, creating a tangible difference in the market.

We also assess whether a startup's technology can scale efficiently by looking for solutions that automate processes or lower barriers to entry to rapidly expand market reach and contribute to sustainable growth. Since a sustainable business model hinges on economic viability, we focus on innovative solutions that reduce costs and improve efficiency, which position startups for profitability while minimizing their environmental impact. In the end, businesses that prioritize innovation and accessibility create lasting social and environmental benefits that will contribute to a more sustainable future.

Older SMEs often have trouble integrating sustainability into their operations, but newer micro-businesses in many markets are doing so from the beginning. Are there any easy solutions for Saudi-based SMEs and startups to integrate sustainability into their business plan from the get-go?

Integrating sustainability into Saudi-based SMEs and startups can be streamlined by focusing on several key areas. First, you must evaluate whether your technology is genuinely innovative or merely a minor tweak of legacy systems, which is why we aim for solutions that push boundaries rather than maintain the status quo. Next, it's key to ensure that your technology provides access to innovative solutions at a lower cost, which democratizes access while promoting sustainability. SMEs should incorporate sustainable practices from the very beginning, which not only enhances the brand's marketability but positions the business for long-term growth. In addition to sourcing materials from local sustainable suppliers to reduce their carbon footprint and support the local economy, SMEs should also implement energy-efficient practices and waste reduction strategies that help contribute to a circular economy.

You specialize in investing in cutting-edge, tech-driven startups. What role do newly emerging technologies such as IoT and AI play in your investment decisions, and how might they help companies integrate sustainability into their practices?

At HALA Ventures, we focus on investing in emerging technologies that drive innovation and business success, with a particular emphasis on AI. One of our notable investments is Intella, a leading AI startup that exemplifies the transformative power of technology. Intella's flagship product, Intella CX, is a comprehensive data analytics tool for call centers that turns conversations into actionable insights through transcriptions, performance tracking, KPI management, and sentiment analysis. By supporting startups like this, we enable businesses to enhance operational efficiency, improve customer experiences, unlock new growth opportunities, and create scalable solutions that align with broader economic goals and drive sustainable growth.

Are there any partnerships or collaborative initiatives HALA Ventures is involved in that promote sustainability among SMEs? If so, could you share some examples?

We have a number of partnerships that increase sustainable collaboration. In 2024, for example, we conducted over 50 corporate-startup matchmaking activities through our value creation team. At LEAP 2025 in February, we will do the same. As a company, we are committed to facilitating partnerships that drive the growth and sustainability of startups.

Are there any public policy interventions that you would like to see to make the Saudi SME and startup market more sustainable in the long-term?

It would be good to see more policies supporting early-stage startups in green tech, incentives for sustainable business models and eco-friendly practices, and more encouragement of public-private partnerships that enhance sustainability in the SME ecosystem.

POSITIONING SAUDI SMES IN THE GLOBAL SUSTAINABILITY LANDSCAPE

Global initiatives and programs empowering SMEs in sustainability

With a growing awareness of how key SMEs are to the future health of the world economy, leading international organizations like the UN and European Commission are spearheading many collaborative initiatives to help SMEs everywhere become more sustainable.

Enterprise Europe Network (EEN)

As the largest support network for SMEs in the world, the EEN is laser-focused on helping SMEs across the Common Market achieve greater sustainability and scale in equal measure.

In addition to helping SMEs access EU funding and achieve greater digitalization, resilience, innovation, and internationalization, the EEN offers the following sustainability support.

- **€10,000 grants for tailored energy sufficiency support**[87]
- **Sustainable and circular business models**
- **Innovation and green technologies**
- **Energy and resource efficiency**
- **Waste management**
- **Water management**
- **Sustainable finance**
- **EU certification schemes such as EU Ecolabel32 or EMAS33**[88]

SME Climate Hub

In collaboration with Normative and Net Zero team at Oxford University, this is an initiative of the We Mean Business Coalition, the Exponential Roadmap Initiative, and the UN Race to Zero campaign to empower SMEs to take climate action and build resilient businesses. With regional hubs in India, Latin America & Caribbean, MENA, Nordics, US, and UK, it has three core topics.

Business basics: Help SMEs build an understanding, establish clear climate goals, and accelerate progress through reporting and financing their net zero transition.[89]

Operational emissions: Give SMEs practical actions to help lower office emissions, transition to EVs, switch to renewable energy and heat pumps, and retrofit buildings with insulation.[90]

Supply chains: Help SMEs engage with suppliers to reduce emissions and reduce their own supply chain, data, IT services, freight, and transport emissions.[91]

United Nations Global Compact

As the world's largest corporate sustainability initiative, the UN Global Compact is a non-binding initiative to help companies align their strategies and operations with universal principles on human rights, labor, environment, and anti-corruption through actions that advance societal goals.

20,000+
companies and SMEs involved[92]

160+
countries represented

62%
of participants are SMEs[93]

5
regional hubs[94]

62
country networks[95]

100+
countries saw programmatic work through 2023[96]

Lessons and opportunities for Saudi SMEs

In addition to gaining insights and adopting better environmental standards through their involvement in international collaborations like the UN Global Compact, Saudi-based SMEs can benefit from a wide range of programming designed to spur sustainable development across key sectors.

Standard Incentives Program

Approved by the Council of Ministers in Q4 2024, Saudi Arabia is launching a $2.66 billion program to enable sustainable investments in industry and advanced manufacturing by de-risking foreign investments in chemicals, aviation, automotive, food, medical devices, pharmaceuticals, and machinery and equipment, creating huge opportunities for collaboration between local and foreign SMEs.

$2.66bn
to be allocated

≤35%
coverage of initial project investment

50%
of support is offered during construction phase and 50% during production

≤$13.3mn
in funding for qualifying projects

≤$6.1bn
in potential GDP growth projected over time[97]

PIF-powered renewable energy localization

The PIF is investing heavily in the localization of greater wind, solar, and green hydrogen production, striking deals with Envision Energy, Jinko Solar, Vision Industries, and TCL Zhonghuan Renewable Energy to produce wind turbine components and photovoltaic cells, modules, ingots, and wafers for solar power, helping create knock-off opportunities for industry-adjacent SMEs.

75%
of components in renewable projects to be localized by 2030

$9bn+
of investment from PIF in renewable energy projects through H1 2024

13.6 GW
of total renewable capacity at PIF-funded projects[98]

Nomu Accelerator and Incubator Program

As part of the broader effort to expand the Kingdom's sustainable manufacturing base, the Ministry of Industry and Mineral Resources recently launched this program to boost the efficiency of local industry by supporting local industrial SMEs.

17
industrial projects to be initially supported

92%
of industrial firms in Saudi are SMEs

34%
of the investment volume goes to SMEs

55%
of industrial workforce employed SMEs[99]

Circular economy innovations

A range of sustainable innovations have emerged that make circular economy principles easier to pursue, from tech-driven solutions and product-as-a-service businesses to biomimicry and nature-based materials and community engagement models that inspire sustainable lifestyles.

Textile-to-textile recycling: New technologies can break down polycotton blends into raw materials to be reused to create new fabrics, reducing reliance on virgin materials, minimizing textile waste in landfills, and creating a more closed-loop textile system.

Mycelium-based packaging: Mushroom® Packaging (USA) uses mushroom roots (mycelium) and agricultural waste to create biodegradable packaging materials that can decompose naturally in 30-60 days.[100]

Second-life EV batteries: France's Renault is repurposing used electric vehicle (EV) batteries for energy storage systems in homes and commercial spaces, giving EV batteries a second life before full recycling, reducing battery waste, and supporting renewable energy storage.[101]

Reclaimed building materials: The Netherlands' Excess Materials Exchange is a platform and matchmaking service for construction waste, enabling companies to sell or repurpose excess materials, which reduce landfill contributions and lowers construction costs.[102]

Circular food waste solutions: Denmark's Too Good To Go is an app that connects consumers with surplus food from restaurants and grocery stores at discounted prices, preventing food from going to waste while offering economic benefits to consumers and businesses, saving millions of meals from the landfill and reducing methane emissions.[103]

Furniture buy-back program: Sweden's IKEA now allows customers to return used furniture, which the company refurbishes, recycles, or resells, helping extend product lifespans, minimize landfill waste, and create more sustainable production cycles.[104]

Ocean plastic recycling: Canada's Plastic Bank pays local communities to collect ocean-bound plastic waste that's turned into recyclable plastic pellets for manufacturing, reducing plastic pollution, providing fair income opportunities, and promoting circular plastic usage.[105]

Chemical recycling of plastics: US-based Eastman's molecular recycling technology breaks down hard-to-recycle plastics into their molecular building blocks, allowing them to be reused in new products, even when the plastic is mixed or contaminated.[106]

EXPERT INSIGHT:

Ahmad Alkishi

Co-founder and Board member,
The Corporate Sustainability Association

What is the importance of ESG for businesses in the region, and what can be done to ensure that more of them incorporate it into their business plan?

In recent years, ESG has gained significant momentum for companies of all sizes and sectors in Saudi Arabia. Its increasing importance can be explained by several factors, namely Saudi Vision 2030's focus on sustainable development and a number of public initiatives to drive private sector sustainability such as the PIF's green financing framework; the Ministry of Finance's Sustainable Financing Framework; the Saudi Exchange's ESG guidelines; the Capital Market Authority's new strategy to establish a regulatory framework for sustainable debt instruments; and the Ministry of Economy and Planning's Sustainability Champion Program. In addition to these, a number of government entities have also begun publishing sustainability reports, including CSE, RCU, the Ministry of Energy, and SGI.

This is only a fraction of what is happening in Saudi Arabia and is an indicator of the evolving ESG landscape. Moreover, peer pressure and conformity among companies is very high in Saudi Arabia, especially if the government is involved, a positive trait that drives the collective action of companies towards advancing sustainability.

What does the sustainability landscape look like in Saudi Arabia? Where has it improved in recent years?

Saudi Arabia has emerged as a regional leader in sustainability thanks to Saudi Vision 2030, which integrates economic diversification with environmental stewardship and a strong commitment to social development. Many improvements have also been made in Saudi Arabia's sustainable development efforts, including but not limited to ESG-driven corporate reforms, community-centric social reforms, renewable energy expansion, nature-based solutions such as the Saudi Green Initiative, Circular Carbon Economy (CCE) efforts, green financing, and integrating ESG into investment decisions.

What advice would you give to SMEs trying to be more sustainable in Saudi Arabia? Can any quick fixes be easily and affordably implemented?

It is important that SMEs understand why are they adopting sustainability, since their efforts will vary according to their motives. It is key that they get commitment from top management by showing the added value of adopting sustainability. They should also establish a department or section to streamline their sustainability efforts throughout the organization, in addition to hiring passionate and experienced people to drive their efforts. To build capacity, they can reach out to peers for knowledge and best practices. To build connections, they can attend sustainability-related events and keep track of related news and developments. For companies just getting started on their sustainability journey, the most crucial step is preparing a sustainability report, which can be done even if the company does not have any sustainability efforts. This can be used as a baseline for the company to commit to sustainability and start making improvements over time.

What policies would you like to see implemented to ensure that more Saudi SMEs adopt ESG and sustainable practices?

I would like to see an ESG index similar to the MSCI ESG index, but adjusted to Saudi Arabia and aligned to international standards. There could also be national sustainability standards tailored to the national context and aligned with international frameworks like IFRS-ISSB and GRI. The government could also implement stringent and comprehensive capacity building programs.

What role do SMEs play in shaping a more sustainable global business landscape?

Saudi Arabia's SMEs are crucial in advancing sustainable development. They can be a valuable source of sustainable innovations in sectors like green technology, sustainable manufacturing, and eco-friendly services, too. By adopting sustainable practices and driving innovations, Saudi SMEs not only enhance their competitiveness, but also provide them with valuable exposure to investors and market opportunities.

MONSHA'AT & ECOSYSTEM UPDATES

In line with its long-term commitment to spur private sector growth and enable more Saudi entrepreneurs than ever to launch, grow, and expand their business, Monsha'at helped enable over 100,000 SMEs in 2024 through its suite of training, upskilling, networking, and funding opportunities, collective actions that helped the Kingdom retain its place is the most dynamic startup market in MENA for another consecutive year running.

MONSHA'AT KEY FIGURES AND SUSTAINABILITY INITIATIVES

Tens of thousands of SMEs, startups, and entrepreneurs benefitted from Monsha'at's extensive range of enablement and business development services through Q4 2024, revealing a rich array of growing opportunities in Saudi Arabia's increasingly dynamic private sector.

41,076
SMEs benefited from Monsha'at SME's Support Centers in 2024

51,110
trainees benefited from Monsha'at e-Academy in 2024

2,100
SMEs qualified for Monsha'at's Jadeer Service 2024

6,123
beneficiaries of Mazaya Platform in 2024

205
brands listed on the Franchise Center Platform in 2024

1,400
SMEs joined the Tomoh Program in 2024

4,258
beneficiaries of Monsha'at's Innovation Centers in 2024

10
SMEs from the Tomoh Program offered in Parallel Market "Nomu" market in 2024[107]

Sustainability initiatives

QUARTERLY VC FUNDING

After a liquidity crunch in 2024 that saw VC levels drop 44% y-o-y in Saudi Arabia and 41% in the wider region, analysts expect to see a much larger number of mergers and acquisitions and IPOs in Saudi Arabia particularly in 2025. Despite this dip, the Kingdom still led the Middle East in VC funding with $750 million invested in Saudi-based startups in 2024.

$750mn
in VC funding raised by Saudi-based startups in 2024[108]

1st
in VC funding in Middle East

178
VC deals in Saudi Arabia in 2024 for new record[109]

39%
of deals in Middle East went to Saudi-based startups in 2024[110]

44%
y-o-y drop in VC funding in Saudi Arabia in 2024

41%
y-o-y drop in funding in Middle East, Africa, Southeast Asia, Turkey, and Pakistan in 2024[111]

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.

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 transform the Small and Medium Enterprises sector into a vital pillar for economic development in Saudi Arabia and an enabler for achieving Vision 2030 and beyond.

Mission

Support SMEs growth and competitiveness through building a supportive ecosystem and an entrepreneurial society, by driving the cooperation with our strategic partners in the public and private sectors and the non-profit sector, locally and internationally.

Please visit our website below for more information.

www.monshaat.gov.sa

info@monshaat.gov.sa

+966 800 301 8888

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