



منشآت
monsha'at

المدينة العامة للمنشآت الصغيرة والمتوسطة
Small & Medium Enterprises General Authority



SME MONITOR

Monsha'at Quarterly Report
Q1 2022

Inside this report:

- Entertainment sector special
- Riyadh Province focus
- SME statistics
- Key interviews
- Quarterly highlights from Monsha'at
- SME success stories
- Ecosystem updates



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OPENING REMARKS

Eng. Saleh Ibrahim Alrasheed
Governor, Monsha'at



SMES UNDERPIN BURGEONING NEW SECTORS

Given their enormous role in strengthening the national economy, boosting development, and expanding our production base, the Kingdom continues to lend its unlimited support to the SME sector. Through a variety of funding and support services, our assistance has already had a knock-off effect on key SME sectors such as entertainment and tourism. Strengthening the larger ecosystem not only helps other sectors: it also enhances overall SME competitiveness.

From business incubators and expansion to financing and marketing, the Public Authority for Small and Medium Enterprises (Monsha'at) is working hard to improve the skills and capabilities of SMEs in every sector. By unleashing the creative force of smaller businesses, we are creating an ecosystem that will help stimulate a more dynamic and entrepreneurial society.

Not only do our robust support services and business opportunities help businesses grow into their full potential; our firm backing for lone entrepreneurs also gives creative and visionary individuals the tools they need to build the businesses of tomorrow. Together, our efforts are already fast on the way to ensuring that SMEs account for 35% of GDP by 2030.

Another one of Monsha'at's mandates is helping ensure that SMEs have the tools they need to turn traditional firms into fully modern business models. In addition to helping them access better data and market research, our decision-making support services also give them a critical competitive advantage. Bolstered by new technologies,

Monsha'at helps them expand their market share in addition to reducing exit rates.

A key part of this are Monsha'at's Thakaa Centers, which give SMEs critical support in emerging technologies. By helping enterprises and entrepreneurs access the latest technological breakthroughs, Thakaa Centers help SMEs boost efficiencies and jump ahead of the field in data science, AI, IoT, cybersecurity, just to name a few. In specializing in these cutting-edge fields, we are helping them bring new technologies and services to market nearly the moment they are made available.

To keep pace with the aspirations of young people and enable them to enter the market, we have also designed a number of specialized initiatives to help them get their ideas off the ground. For example, we launched the University Startups Initiative to create a stimulating and enabling environment for male and female entrepreneurs still completing their studies. By creating synergies between students, faculty, and businesspeople, this program helps students from a variety of backgrounds forge the business solutions of the future.

All together, Monsha'at is forging a stimulating and self-sustaining environment where entrepreneurs and SMEs are able to get the support they need and deserve to build the Kingdom's next generation of problem solvers. Through a robust combination of services, programs, and initiatives, we are helping businesses and individuals secure the funding and technology they need to grow, compete, and innovate for tomorrow.

VISION 2030: BOOSTING SMES AND EMPOWERING ENTREPRENEURS



The role of the private sector in the Saudi economy is growing rapidly, and SMEs are the backbone of this positive trend. The Kingdom currently has over 750,000 SMEs, defined as a micro, small, and medium.



Micro companies

have between

1-5 staff

or revenue of

**SAR 0-3
million**



Small companies

have between

6-49 staff

or revenue between

**SAR 3-40
million**



Medium companies

have between

50-249 staff

or revenue between

**SAR 40-200
million**

Saudi Arabia's ambitious Vision 2030 aims to transform the SME sector into an engine for economic growth, with clearly defined priorities.

Encourage entrepreneurship



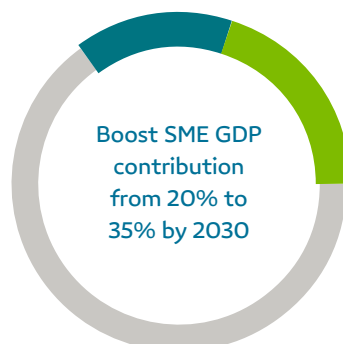
Increase private sector participation



Invest in new industries



These priorities contribute an overarching target:



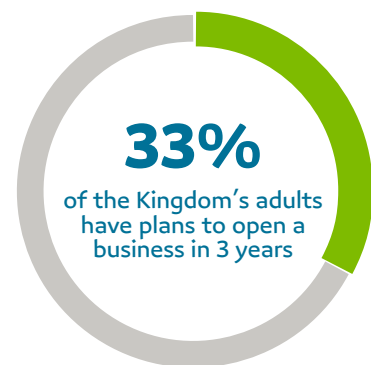


MONSHA'AT: MOVING SMES FORWARD TO VISION 2030 AND BEYOND

The General Authority for Small and Medium Enterprises, Monsha'at, delivers wide ranging support and advisory services to upskill SMEs and create a healthy ecosystem for sustainable growth. Monsha'at's mandate is to enable entrepreneurs through business-friendly regulations, eased access to funding, international partnerships, enhancing digitalization, efficiency and competitiveness, and creating awareness and opportunities.

- › Consultation, training, and advisory services.
- › Facilitating access to opportunities in the public and private sectors.
- › Spreading a culture of entrepreneurship, and innovation.
- › Diversifying sources of financial support for enterprises, in addition to stimulating venture capital sector initiatives.
- › Developing administrative, technical, financial, marketing, human resources, and other capabilities.
- › Eliminating obstacles facing establishments in cooperation with relevant authorities.

Over 20,000 SMEs received at least one type of support through the Support Center as of the close of Q1 2022. This assistance framework, combined with pro-SME legislation, has helped to promote entrepreneurship and private business as an economic driver and desirable career choice.





QUARTERLY HIGHLIGHTS

A LOOK AT Q1'S KEY
INITIATIVES FROM WITHIN
THE MONSHA'AT ECOSYSTEM

MONSHA'AT'S FINANCE TOOLS MOBILIZE BILLIONS OF SAR

By Q1 2022, Saudi enterprises had benefited from over SAR 100.2 billion of funding facilitated by Monsha'at services.



65,000
Saudi enterprises

SAR 23.2bn

in loans enabled through
the Tamweel platform
(Funding Gate)

Online one-stop-shop for
SME financing, aggregating
lenders and services



SAR 2.7bn

invested through the
Saudi Venture Capital
Company (SVC)

Stimulating the private
investment ecosystem



SAR 5bn

in loans facilitated
through the Indirect
Lending Initiative

Enabling finance companies
to provide low-cost loans



SAR 64.6bn

guaranteed through the
KAFALAH program

Loan guarantee service
reducing risk and increasing
appetite for lenders



KAFALAH PROGRAM: REDUCING RISK TO POWER SME LENDING



The Kafalah loan guarantee program forms the core of Monsha'at's funding effort and has helped to provide financing to 1,645 enterprises in Q1 2022.

Kafalah works by guaranteeing a proportion of a loan made by a bank to an SME, making it cheaper and easier for financial institutions to lend to smaller businesses. In reducing risk in the SME lending channel, Kafalah spurs greater lending volumes and lowers borrowing costs for SMEs across the country.



SAR 64.6bn

financing provided between 2006
and the close of Q1 2022



1,645

enterprises received funding
through the program in Q1 2022

Who can benefit from Kafalah?

All companies with sales or revenues less than SAR 30 million are eligible to apply to one of the product lines.

- **Working Capital Product** – helping enterprises to maintain and boost their growth.
- **Startup Product** - bridging the funding gaps of startups operating for under 3 years.
- **Franchise Program** - promotes the franchises expansion in the market by guaranteeing the funding of establishments holding or granting a franchise.
- **Technology and E-commerce Program** - supports the e-commerce development by introducing targeted funding solutions operators in the space.
- **Supply Chain Program** - develops national industries and logistics via supply chain funding guarantees for the industrial, transport and storage sectors.



FRANCHISE CENTER TAKES SAUDI ENTREPRENEURS TO THE GLOBAL STAGE

“Monsha’at” has provided a centre specialized in franchising, the main objectives of which are:

- **Improving** the Kingdom’s position internationally, placing it on the map as a destination for global franchising.
- **Encouraging** Saudi brands with the ability to manufacture national products to expand globally.
- **Increasing** franchise contribution to sustainable growth, for the purpose of diversifying and empowering the capabilities of the Saudi economy.
- **Contributing** to education, transfer of knowledge, raising the efficiency of technology, developing the skills of both the franchisee and franchisor and providing industry services in the Kingdom.
- **Growing** the number of pioneers and new leaders in the franchise industry and SMEs and spreading the culture of franchising in facilitating the initiation and operations of commercial activities in the kingdom.

Franchise brokers act as catalysts in the segment and are a key focus of the Center.



30

brokers enrolled in the qualifying program by Q1 2022



20

licenses issued to franchise brokers by Q1 2022

120

brands evaluated by Q1 2022



The Center’s **trademark evaluation service** encourages investment by ensuring that brands are eligible for franchising.

As part of its drive to establish a franchise marketplace, in Q1 2022 the Center held regular **virtual interactive markets**.



40

brands represented
in the virtual
interactive markets



18

legal, financial,
advisory and
government entities



3

seminars



3

awareness
workshops

Promoting Saudi brands at home and abroad is a key priority. In Q1, the Center held four **Franchise Fairs**, three virtually and one physical.

76

agreements across physical
and virtual events



71

brands across physical and
virtual interactive markets



The Center's **business franchise program** nurtures local firms that aspire to franchise status to ensure a steady flow of business opportunities.



130

applications to the
business franchise program



12

brands in first batch
of qualifications

Funding companies and facilitating a liquid cashflow as they progress through the franchise ecosystem is another important aspect of the Center's strategy. This is partly driven by forming key relationships with the private sector such as with Al Rajhi bank.

TOMOH: A SCALE UP PROGRAM THAT PROVIDES A UNIVERSAL SME SUPPORT FRAMEWORK

As the needs of SMEs have matured into 2022, the Tomoh scale-up program has grown and adapted to provide a range of services that suit the evolving needs of the market. Tomoh (Arabic for 'ambition') programs are driven by the belief that it is the entrepreneurs of promising firms who will increasingly lead the economy, and must be given the tools they need to achieve.

Tomoh

Tomoh is Monsha'at's main capacity building service offered to SMEs enjoying above-average growth in revenue and/or increased employee numbers of at least 20% over the previous three-year period, though with some sector-based exceptions.

The program helps such suitably qualified 'scale-up' companies develop their growth plans through numerous channels. The initiative begins with a comprehensive diagnostic analysis for client firms, establishing pain-points and real-world needs, moving forward to suggest specific services from the following nine-point portfolio.

- Access to market
- Access to talent
- Access to professional services
- Access to facilities and equipment
- Access to funding
- Leadership development
- R&D and innovation support
- Technology and ICT support
- Networking and business matching

Tomoh Elite

The "Tomoh-Elite" program forms part of the main program, and focuses on attracting small and medium-sized enterprises with rapid growth and qualified for listing in the financial markets to enhance their growth, access to a network of investors around the world, and prepare them for the pre-initial offering stage through several programs in different fields. The program aims to:

- Enhancing the growth of the targeted enterprises and preparing them for the stage before the initial offering.
- Access to a diverse network of local and international advisors and investors.
- Joining a global network and various markets that include more than 900 companies.

Tomoh Franchise

Tomoh Franchise is Monsha'at's franchise incubation program, helping young brands build an operational, legal, and administrative structure. The incubator runs in stints, with KPMG acting as the most recent partner in a stint which saw five franchises graduate.

Several priority sectors are targeted under the program.

- Health
- Entertainment
- Education
- Services
- Retail
- Food and beverages

Tomoh Endeavor

Endeavor is a leading global community for high-impact entrepreneurs, where the unique challenges faced by high-growth SMEs are discussed and overcome.

The program focuses on supporting rapidly growing enterprises by facilitating access to the best guides in local and global networks and linking with Endeavor offices in regional and global markets to facilitate their entry. It aims to:

- Facilitating access to global markets
- Connecting entrepreneurs to local networks
- Support through access to guidance





Tomoh E-Commerce

Tomoh E-Commerce is a standalone program that aims to support the growth of SMEs in the sector, and works to provide the basic services they need to improve their growth and performance, and also raise their contribution to GDP. The program provides the opportunity for SMEs to apply for support vouchers for a suite of services:

- E-Commerce expansion and growth strategy.
- Improving and raising the efficiency of supply chains, including procedures for supplying, displaying, warehousing, marketing, payment, processing, delivery and technical support.
- Developing technical processes such as an integration system, customer relationship management system, accounting systems, enterprise resource planning systems, E-store support systems.
- Building and developing content, product descriptions and photography.
- Improving user experience and after-sales services.
- Developing operations, human resources and store management.

In addition to this service portfolio, the program has also pioneered three assistance initiatives aimed at helping the burgeoning e-commerce sector take advantage of unprecedented demand.

1) Support for The Establishment of E-Stores

Support for The Establishment of E-Stores is a webpage that provides "The E-Store Journey", a tool that details the basic information needed to start in e-commerce, linking them to training services, consulting and financing, in addition to service providers and outlet verification through the "Maroof" platform.

<https://www.monshaat.gov.sa/seec>

2) Business Directory for E-Commerce

Business Directory for E-Commerce is a directory that connects e-commerce businesses with suppliers and service providers. The directory also provides support to owners of SMEs providing services and products in the e-commerce space, allowing them to access a larger segment of customers.

<https://www.monshaat.gov.sa/business-directory>

<https://www.monshaat.gov.sa/node/7755>

3) Electronic Applications Directory

Electronic Applications Directory is a directory that provides support to application owners by linking them with product and service providers. As we experience increased demand for digital applications, this directory brings together the entire service ecosystem, benefiting application owners and SMEs servicing the space.

<https://www.monshaat.gov.sa/apps-list-index>



SME STATISTICS

AN INSIGHT INTO BROAD
TRENDS IN THE SECTOR

The Kingdom's vibrant SME sector showed its resilience in 2020, growing by 5% in the first year of the pandemic. It continued to expand throughout 2022, with the number of SMEs, including micro enterprises, exceeding 750,000 by the close of the first quarter.

At the close of Q1 2022, micro-sized firms made up the majority of the 752,560 registered SMEs in the Kingdom. Taken together, the Kingdom's SMEs account for 99.5% of all businesses.



599,790

micro-sized companies



136,740

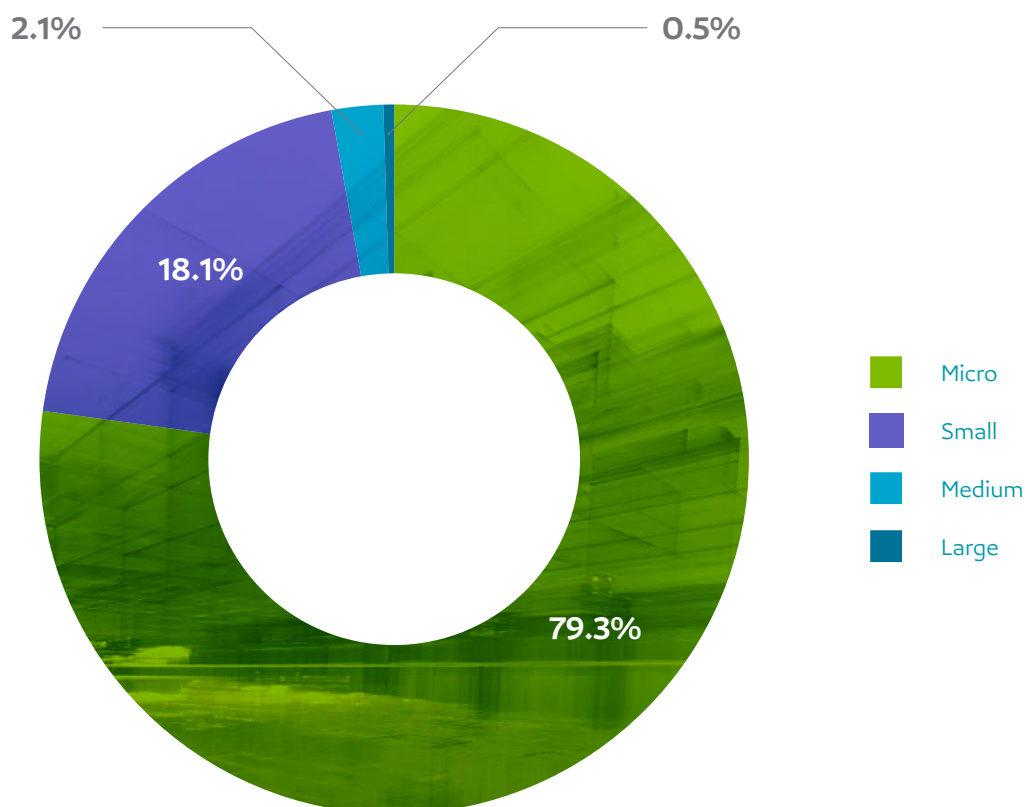
small-sized companies



16,030

medium-sized companies

Companies in Saudi Arabia by Size, Q1 2022
Source: Monsha'at



The Kingdom's SME distribution is concentrated in the capital: Riyadh accounted for 31.8% of the Kingdom's 750,000+ SMEs as of March 2022. Makkah and Eastern Province hosted the next-largest concentrations of SMEs, accounting for 20.9% and 7.5% of the total, respectively.



60.2%

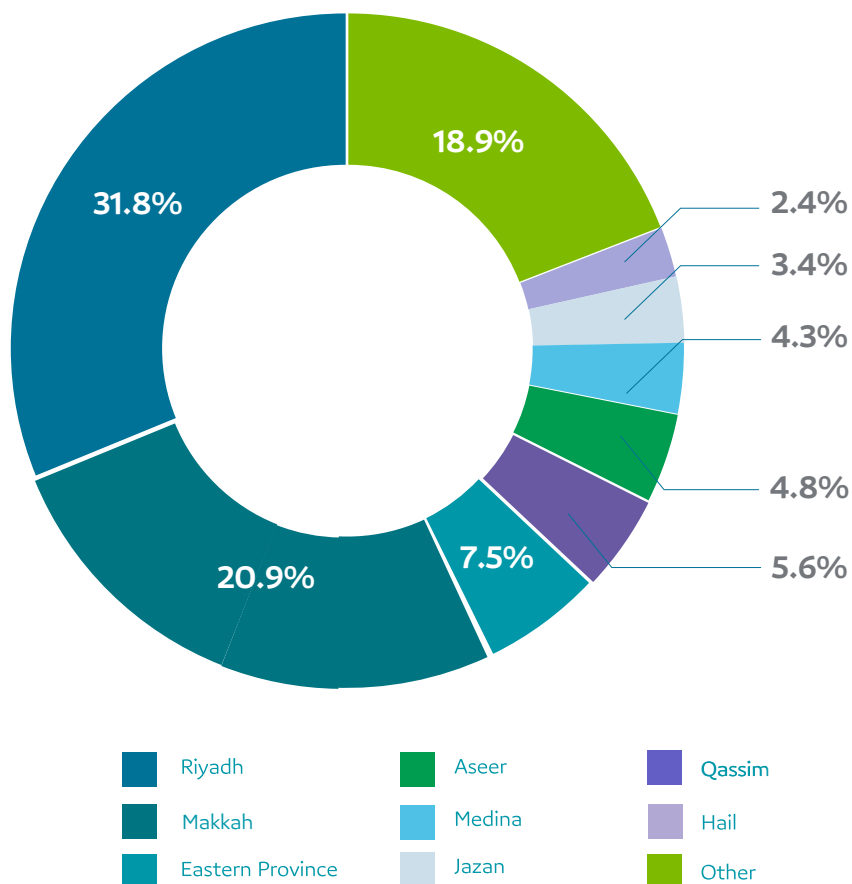
of enterprises are located in Riyadh,
Makkah, and Eastern Province



+75%

of total employment concentrated in
Riyadh, Makkah, and Eastern Province

SMEs Regional Distribution, March 2022
Source: Monsha'at



The Kingdom's SMEs employed an impressive 4,924,239 people across the Kingdom, as per the latest available data in October 2021.

62% of all employment in the private sector was through SMEs, as of the start of Q4



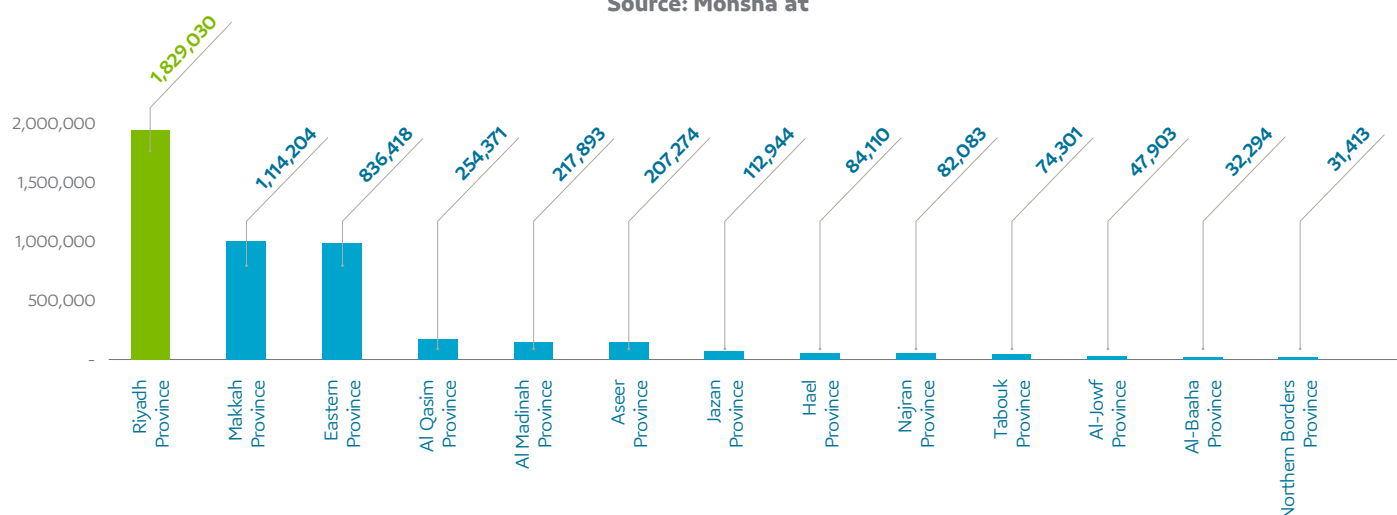
12 people hired per enterprise on average, at the beginning of Q4 2021



While the Riyadh province led in terms of hiring activity, Najran hired more people than Hail and Tabuk regions, despite a lower number of registered SMEs.

Number of Employees in the Private Sector, by Region, Q4 2021

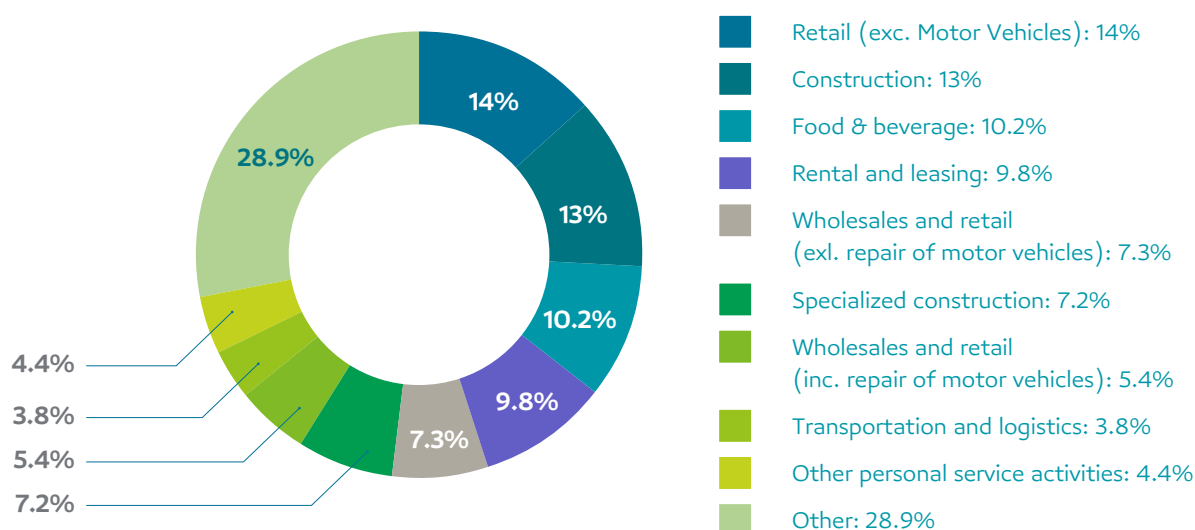
Source: Monsha'at



The Kingdom's SMEs are distributed across a broad range of economic activities, with the retail sector accounting for the single biggest share (14% of the total), closely followed by the construction sector (13%), and food and beverage (10.2%).

SMEs by Sector, Q1 2022

Source: Monsha'at





SME FUNDING

INSIGHTS INTO THE RAPIDLY
GROWING AND DIVERSIFYING
FUNDING ECOSYSTEM

QUARTERLY FUNDING FIGURES FOR SMES

The programs and initiatives of the General Authority for Small and Medium Enterprises “Monsha’at” contributed to the ease of access of the small and medium enterprises sector to appropriate financing, as the total value of the financing exceeded 100.2 billion Saudi riyals in the first quarter of 2022.



1 in 33

SMEs receive funding

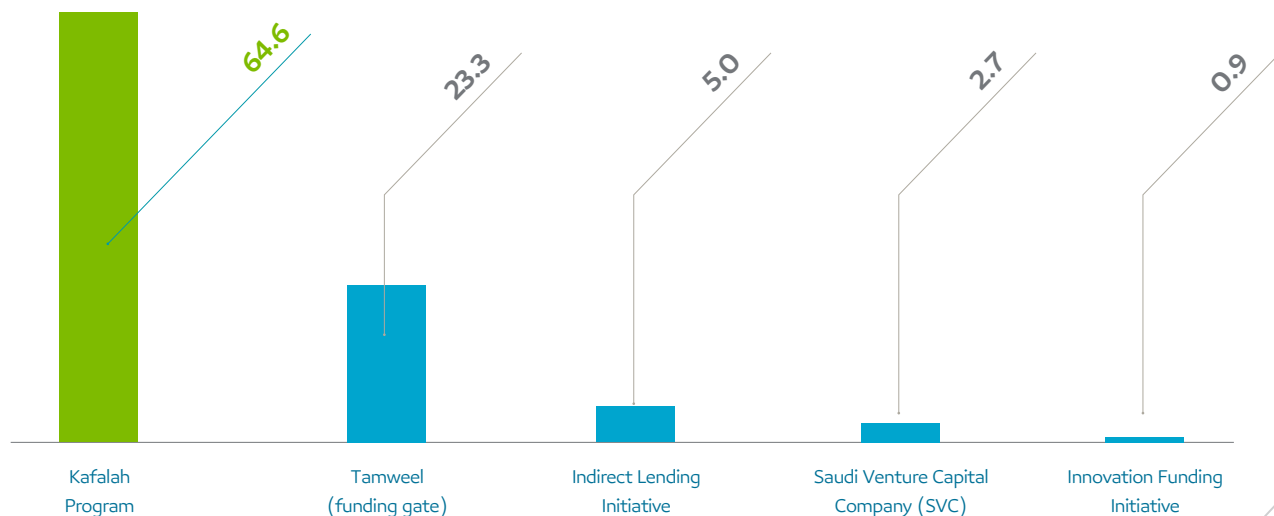


7.8%

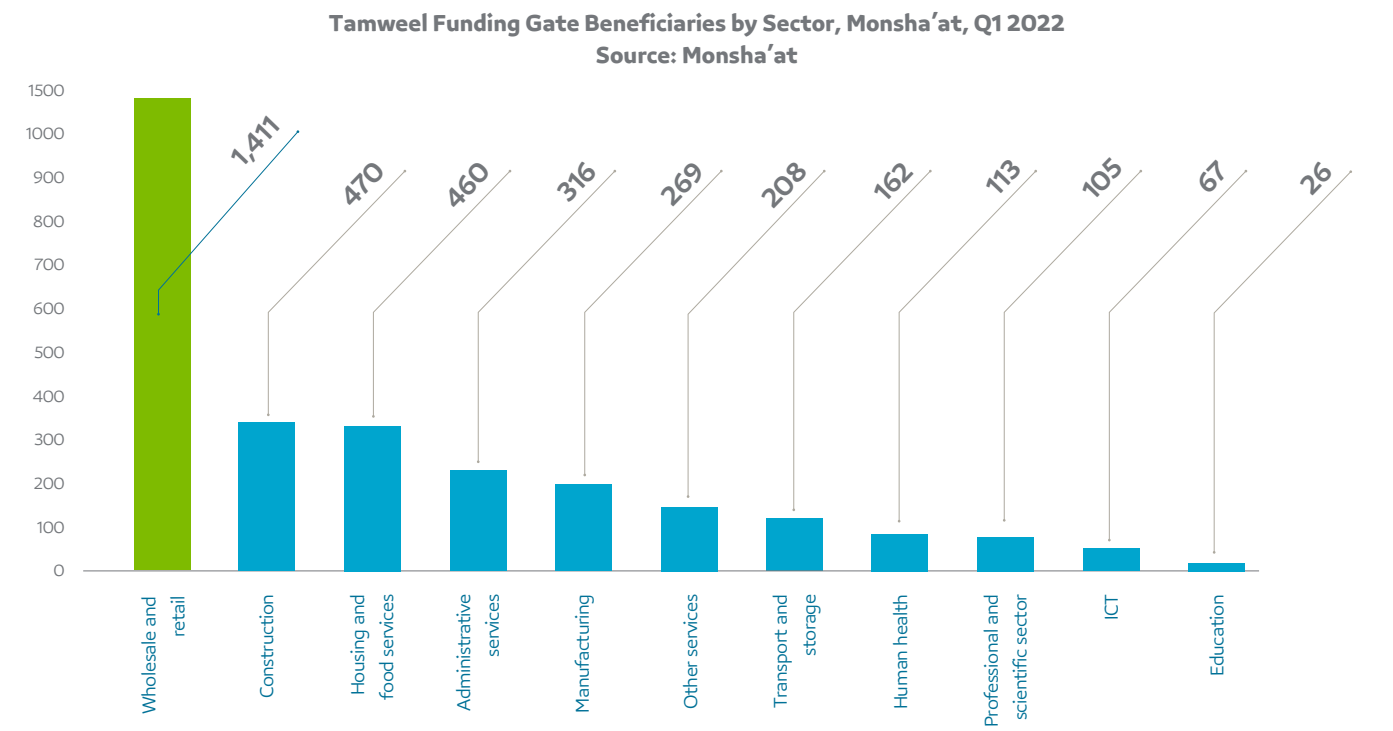
The current 9.7% average SME lending portfolio of Saudi banks is lower than the OECD average of 44%

By the close of Q1 in 2022, Monsha’at helped facilitate finance worth over SAR 100.2 billion through its various funding platforms, including the now closed Esteredad program. Monsha’at connects with funders and enterprises through a variety of platforms that offer a broad range of funding channels.

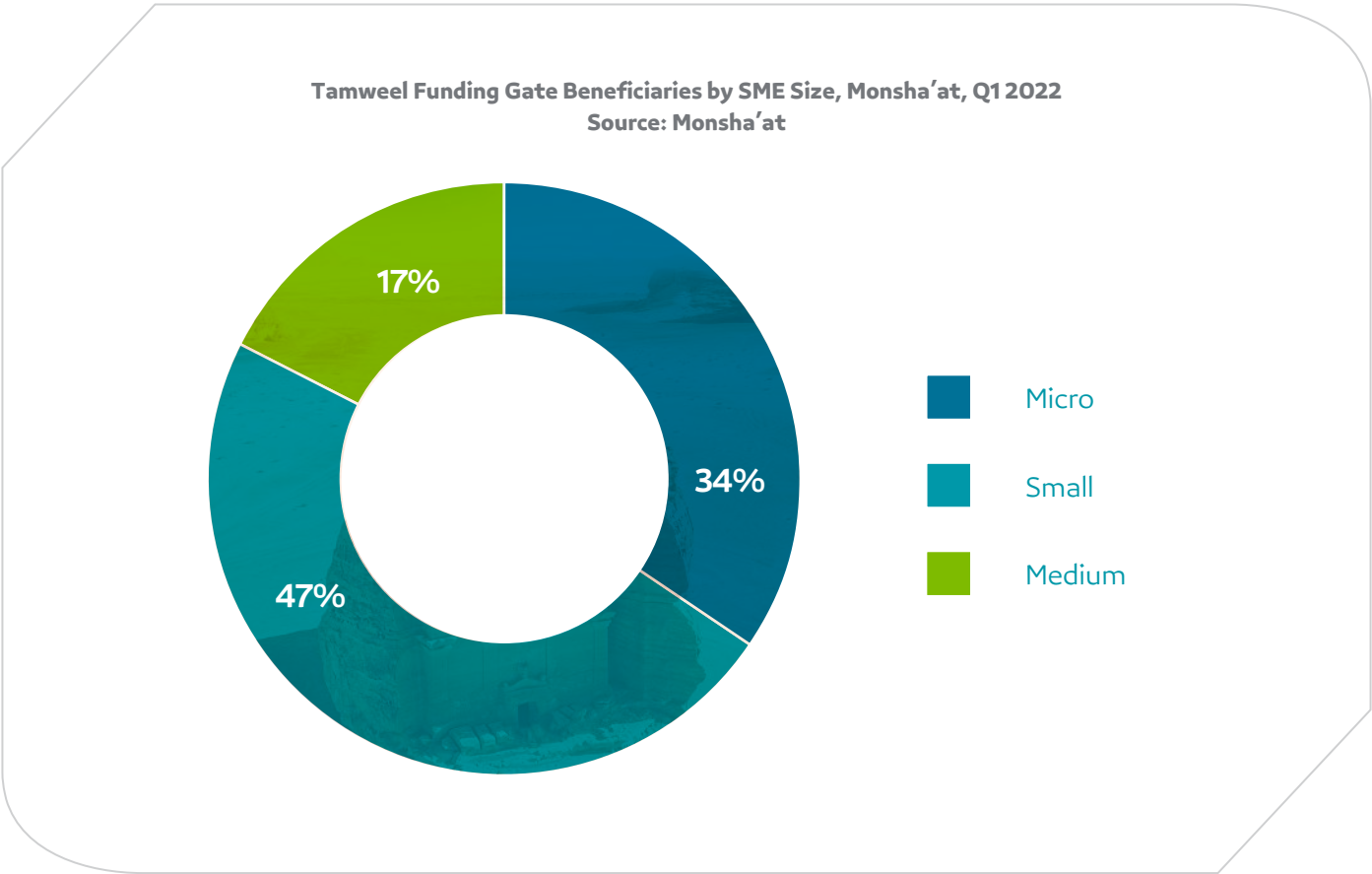
Total Funding Facilitated by Active Monsha’at Platforms, Q1 2022, SAR Billion
Source: Monsha’at



Monsha'at-assisted funding is directed across the entire span of the Kingdom's increasingly diverse economy, with the wholesale and retail, construction, and housing and food services sectors claiming the largest funding tranches.



The majority of the enterprises receiving funding through Funding Gate are small-sized companies, followed by small and medium-sized firms.



The number of registered enterprises on Tamweel, a fully automated funding gate for lenders and borrowers, as well as the amount of funding, reached impressive levels as of Q1 2022 as the number of SMEs using funding gate to reach financiers rose rapidly.

3,600+

enterprises
receiving assistance



45

entities already
providing funding
through the platform



SAR 23+bn

in facilitated loans by the
end of Q1 2022, up from
SAR 1.15 billion in 2020



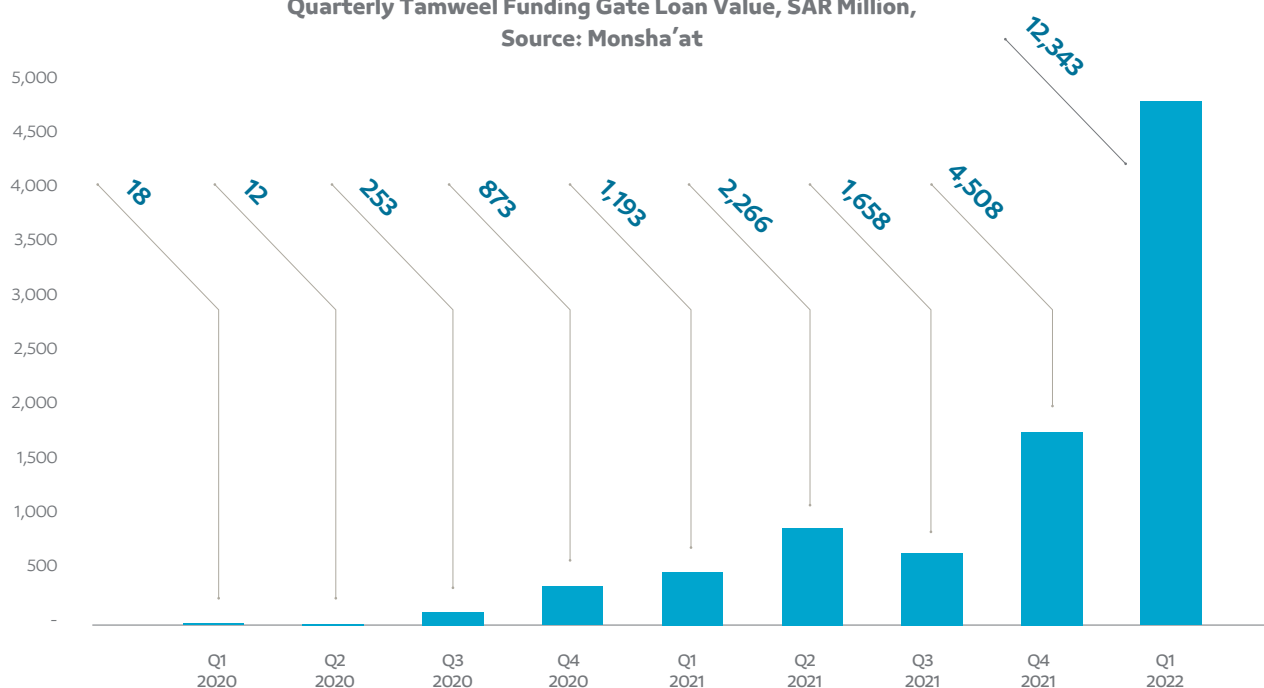
884%

growth in facilitated
loans between 2020
and 2021



The quarterly loan value provided through the funding gate rose for six consecutive quarters and exceeded SAR 2.2 billion in Q2 2021. Despite a slight quarterly drop in Q3 2021, the loan value continued to perform an annual increase, reaching SAR 12.3 billion by the close of Q1.

Quarterly Tamweel Funding Gate Loan Value, SAR Million,
Source: Monsha'at





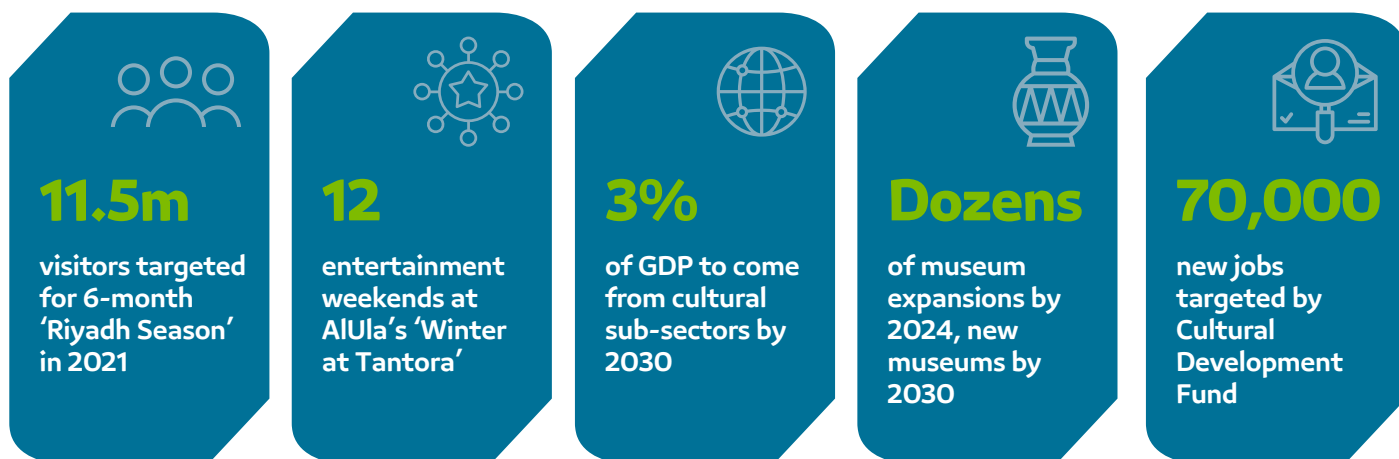
SECTOR FOCUS: ENTERTAINMENT

THE CULTURE, ENTERTAINMENT
AND SPORTS (CES) SECTOR BEGINS
ITS HISTORIC GROWTH TRAJECTORY

CULTURE, ENTERTAINMENT AND SPORTS

The Kingdom's culture, entertainment, and sports (CES) sector is at the forefront of the national agenda and one of the most rapidly developing areas of the economic landscape.

SME opportunities in the cultural segment are supported by a proactive government policy that has established 11 commissions to focus on promising sectors.



High individual spending power and strong population demographics underwrite the continued expansion of the entertainment segment.



20

entertainment destinations, 50 cinemas and two large theme parks planned by PIF-backed Saudi Entertainment Ventures (SEVEN)



370

site potential for cinema development

A young population and the government's budgetary support of the sports segment makes it an attractive proposition for SMEs.



58%

of population under the age of 35



1%

targeted sports economy share of GDP by 2030, from 0.07% in 2016



40%

sports participation rate targeted for 2030

BUILDING SUCCESSFUL SMES IN CULTURE, ENTERTAINMENT AND SPORTS

CES SMEs generate an average revenue of SAR 2.4 million per year, compared to an emerging sector average of SAR 3 million. Monsha'at is supporting the entry of SMEs to the CES sector by providing financial support.



Indirect lending via financing companies

Kafalah Loan guarantees through the Kafalah program

البرنامج الضامن للقروض الصغيرة والمتوسطة
Small & Medium Enterprises Loan Guarantee Program

Monsha'at also builds capabilities in the CES sector through the Monsha'at Academy, providing training in the areas below.



Electronic trade



Sales and marketing



Planning and strategy



Accounting and human resources



Wholesale and retail trade



Entrepreneurship



Technology and innovation

Monsha'at operates a dedicated entertainment accelerator that targets entrepreneurial pioneers and owners of intellectual property in the entertainment sector. Accelerator programs include:

- Market research
- Business model development
- Brand identity
- Product development
- Contracts and intellectual property rights
- Financial planning and cost structuring
- Leadership and management

Over the long-term, Monsha'at is focused on improving the performance of CES SMEs in relation to those operating in other sectors. In tackling the CES SME challenge, Monsha'at identified 7 pain points.

- Inability to secure business due to low trust and lack of scale
- Low community connectivity due to scattered services and platforms
- Lack of support to commercialize intellectual property or develop new revenue streams
- Lack of capability building and knowledge transfer
- Low access to finance
- Lack of awareness of sector opportunities
- Overlapping licensing regimes and lack of knowledge of procurement rules

Monsha'at reviewed national strategies, conducted benchmarking, sought expert input, engaged with the private sector and ran a number of SME workshops to produce 7 quick wins and 7 solutions for the CES SME sector.

The 7 quick wins identified by Monsha'at are to be completed in the short-term.

- **CES Expo** – to showcase products, sector leaders, large family businesses
- **Unlocking CES spaces** – designating co-working spaces, converting some spaces to experimental labs
- **Activation of innovation hubs** – including pitch presentations, speaker series, networking events
- **CES SME displays** – Large companies sponsoring smaller companies' public entertainments and displays
- **Sports incubator**
- **Testing spaces** – installing a 'sandbox space' in a mall and other high traffic locations
- **Entertainment investment fund** – PE instrument backed by private sector

Monsha'at's 7 solutions are designed to address the 7 pain points identified in its analysis of the sector.

- **CES marketplace** – to link SMEs with opportunities (G2B and B2B)
- **Intellectual property commercialization** – assist IP owners (eg. sports teams, authors) to find commercialization opportunities
- **Creating SMEs ready for the market** – upskilling existing SMEs, identifying new operator types
- **Facilitating funding** – inc. guarantee-based and collateral-based credit products, financial aid assistance
- **Dedicated accelerators** – targeting market needs
- **Franchising** – expanding franchising lists in high-potential sub-sectors
- **Business environment** – easing regulations, establishing SME-friendly procurement process.

Monsha'at's quick wins and longer-term solutions are expected to result in several positive outcomes by 2030



SAR 10
billion added to GDP



8,000
new SMEs



90,000
new employees



41%
SME participation rate to national GDP increased from 21%



50%
Saudization rate increased from 23%



SME SPOTLIGHT: FUNANK EXPLAINS HOW IDEAS CAN BECOME REALITY



“The sector is booming and becoming one of the main national sectors for non-oil revenues. People have been longing for entertainment and now is the time for them to get it.”

With more than 900 artists and 300 clients on its books, Funank has moved into an exciting space within the entertainment ecosystem – the interface of demand and supply. Its founders recognized the disconnect between artists and their potential audiences three years ago, as the Kingdom’s entertainment sector began to heat up after years of stagnation. With demand being driven by the Kingdom’s new ‘seasons’, concerts, entertainment venues and a growing acceptance of public and private entertainment, Funank’s value proposition rests on its ability to match creatives with the paying public.

“The story of Funank started when my aunt was asking for artists to perform in her wedding. At the same time, a friend of mine who plays the guitar was asking me to become his agent and find him gigs. I thought, why don’t we have a digital platform where clients can find and book artists easily? This is how Funank was born,” says Jawad Alidrisi, General Manager of Funank.

With the help of Monsha’at, Funank has moved from the ideation stage to its launch in 2021. The young company acts as an online booking service for an expanding roster of talent, including DJs, musicians, painters and acrobatic dancers.

“The main challenges were and still are about marketing the platform and reaching out to the right investors. Monsha’at promoted us by publishing an introductory video about the platform. They also helped by upskilling the team during the accelerator program, notably with developing entrepreneurship skills, networking, as well as with the opportunity to learn from top people in the field. They also assisted us with creating our pitch and subsequently with presentation skills,” says Alidrisi.

“Spreading the culture of entertainment is highly important for us. Businesses and people can use our platform to easily book artists and organize events, or hire a painter. In particular, we are focusing on corporates and private businesses that organize events and have a frequent need for artists and entertainers. And looking ahead, we’d like to bring our brand outside the Kingdom, starting in the UAE.”

SME SPOTLIGHT: 360VUZ EXPLAINS HOW SAUDI IS BECOMING A REGIONAL HUB FOR ENTERTAINMENT



“There has been growing, unprecedented support for the entertainment sector since 2016, and this is being driven by training opportunities, increased funding options, and of course the innovators in the sector.”

With over 15 million users, a raft of top Saudi investment partners, and an upcoming series-B round of funding worth \$20 million, it is hard to think of a more successful entertainment startup than 360vuz. A unique and immersive new social media technology, 360vuz is the pioneer of an immersive social video that teleports people in time to almost any concert, sporting occasion, or event of their choosing.

“We enable our customers, partners, and users to create content in 360° and explore it together and see things that otherwise cannot be seen, unless they’re recorded with our 360 technology,” said business and commercial development director Ahmed Alrasheed. “With technology, you can be the director of the show; you can choose which camera angle you’re looking at the show from, and you can actually be on the stage with the artists and people you love, performing with them, dancing with them, and getting more immersed in that experience.”

“Since 2015 and today, the entertainment scene has transformed immensely. Importantly, the General Entertainment Authority has formalized the sector, and this growth is being backed up by government funds. Bringing cinema into Saudi was really a watershed moment, that alone created a swathe of business opportunities, not to mention jobs. After this, the creation of regional ‘seasons’ worked to create a broader, more investable sector.”

“Now we have the financing, the offices, the market – in some ways the problems in the sector are now solved. The final challenge is to service the huge demand”

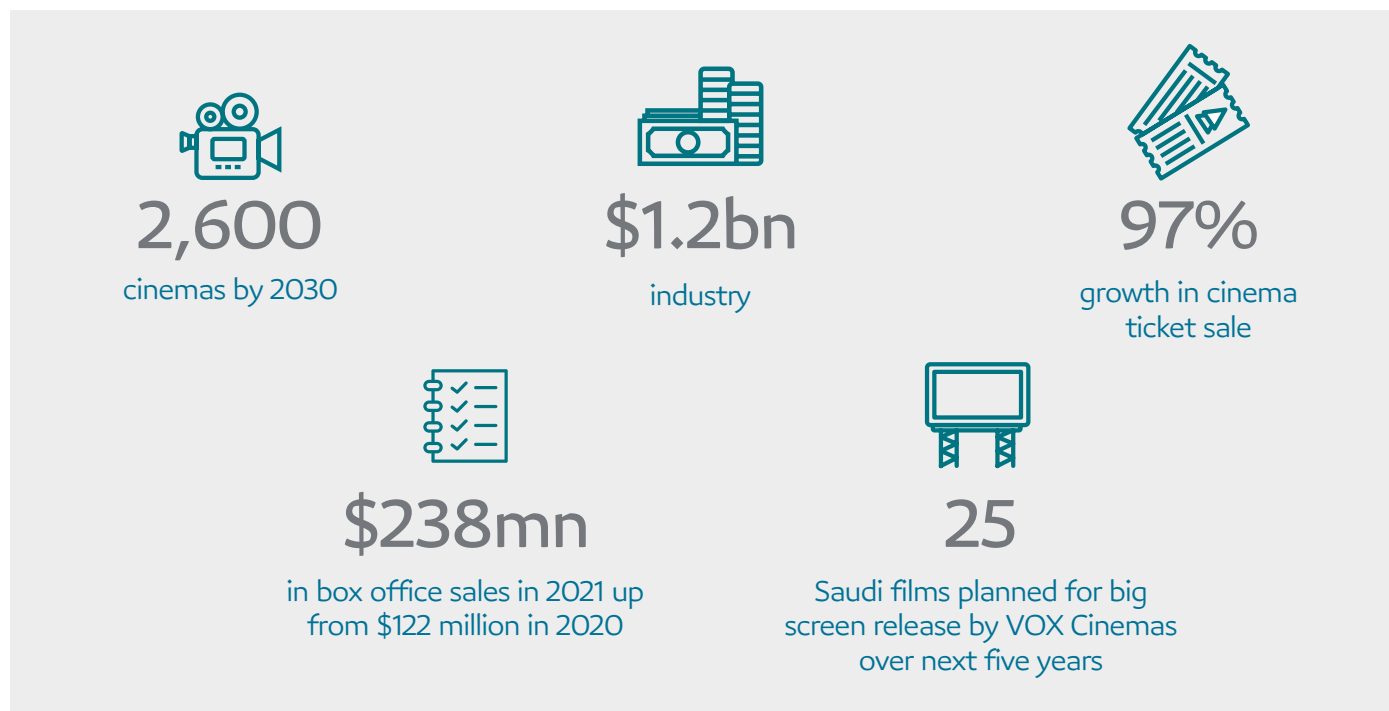
“Monsha’at has been instrumental in our growth, they have a fundamentally personal touch when it comes to supporting SMEs. Additionally, financing used to be a serious problem for SMEs, but with the emergence of bank support, venture capital and the upcoming SME Bank this problem is solved. The team within Monsha’at is also well staffed with actual start-up founders; they know the hustle, and this couldn’t be more valuable.”

“Our prime challenge remains human capital. 360vuz is blessed to have a team that rivals the best in the world, but to reach this can take time.”



SPOTLIGHT FOCUS: SAUDI ARABIA'S BURGEONING FILM INDUSTRY

The Kingdom's comprehensive investment in its entertainment industry over the past five years is already beginning to bear fruit. Since cinemas were allowed to reopen in 2018, the country has witnessed a rush of investment into every facet of the movie business. Not only have hundreds of screens opened around the country; a dynamic new local film industry highlighting the country's up-and-coming storytellers has also sprung up.



- **Red Sea Fund:** has supported 97 projects by emerging Middle East and North African filmmakers to date
- **Red Sea Lodge:** with TorinoFilmLab, offers 10-month professional and creative training program for aspiring filmmakers to see their project to fruition
- **Red Sea Souk:** a market and industry meeting during the festival made up of pitching sessions, one-on-one meetings, screenings, industry talks, and networking events

Founded by the Ministry of Culture in February 2020, the Film Commission has also been key to the Kingdom's cultural renaissance. Dedicated to fostering the long-term growth of a sustainable Saudi film industry and cultural sector, the Commission has enormous ambitions for what the Saudi people can achieve through cinema, art, and entertainment over the coming decade. Crucially, it is about far more than multiplying cinemas screening Holly or Bollywood's latest.



- **Dedicated to investing in local talent, both Saudi and regional**
- **Building a sustainable ecosystem capable of articulating the Kingdom's cultural renaissance**
- **Creating content to be distributed to national, regional, and global audiences**
- **Ensuring a credible, consistent, and transparent regulatory framework to facilitate organic growth**

As part of this effort, innovative new programs such as Film Al-Ula are now offering filmmakers generous incentives to shoot in Al-Ula, one of Saudi Arabia's most breathtaking regions. Not only does this pristine corner of the Kingdom offer unrivalled historical sites; its canyons, oases, volcanoes, and villages have never before been featured on the big screen. The first to do so will seal their place in cinematic history both locally and globally.



PROVINCE FOCUS: RIYADH

EXPLORING THE IMPACT OF SMES
IN THE PROVINCE HOME TO THE
KINGDOM'S CAPITAL, RIYADH

RIYADH: THE KINGDOM'S SME CAPITAL

Riyadh Province is home to a vibrant and growing SME scene, as well as hosting a rising regional capital that is attracting the biggest global corporations and businesses. The province boasts hundreds of thousands of enterprises employing millions of people, hosting the greatest number of SMEs with the highest rate of growth in terms of new enterprises from 2020 to 2022.

From tourism to financial services and technology, Riyadh's growing importance for Saudi Arabia and MENA offers unprecedented opportunities for SMEs in one of the 20 biggest economies in the world.

In addition to having the highest rate of increase in the number of SMEs, the province was also the top employer. Despite the pandemic, employment by SMEs in Riyadh has consistently increased since 2019.



264,030

Total establishments registered in Riyadh province as of Q1 2022



3,575,913

Total number of employees in the private sector as of Q1 2022



42.3%

of all employment in the private sector in the Kingdom, as of Q1 2022



Increased connectivity in communication and transportation infrastructure in Riyadh has contributed to the province's attractiveness for SMEs. Riyadh has moved up 23 places in the Institute for Management Development's (IMD) 2021 Smart City Index, ranking 30th globally and 3rd among G20 capitals. Following Seoul and Zaragoza, Riyadh made the third highest jump among the 118 global cities, showing a rapid development of infrastructure¹.



8.4

million population in the Riyadh province



25.2%

of the Kingdom's entire population



30%

of the Kingdom's roads are built in the Riyadh province



23%

contribution to the Kingdom's GDP



SAR 220+

thousand disposable income per household²

In addition, the presence of financial centers like the King Abdullah Financial District (KAJD) and research institutes like the King Abdulaziz City for Science and Technology (KACST) are transforming Riyadh into a global hub, contributing to an even more vibrant ecosystem for SMEs to flourish.



210,179

micro-sized companies



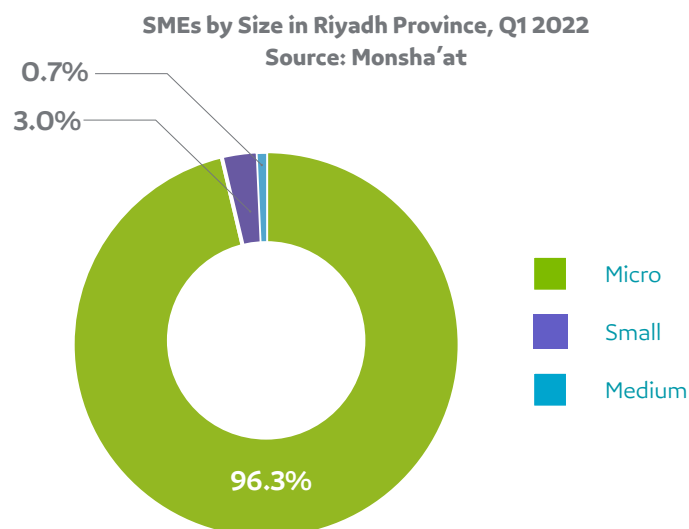
6,492

small-sized companies



1,565

medium-sized companies



¹ Source: Institute for Management Development's (IMD)

² Source: Euromonitor

SME GROWTH IN RIYADH

The first quarter of 2022 was a period of tremendous opportunity and growth for Riyadh-based SMEs, particularly at the strategic and funding levels. In addition to hosting the Global Entrepreneurship Conference in March, a milestone for local SMEs that this report covers in length, Q1 also witnessed huge investments in the ICT, fintech, e-commerce, financial, and military industries, among others.

Fintech spotlight

As part of its efforts to spur SME growth in the sector, the Saudi Central Bank (SAMA) granted licenses to three new Riyadh-based fintechs in Q1 2022. This brings the total number of payment companies licensed to operate in Saudi Arabia to 17,¹ in addition to eight others with 'In-principle approval,' helping Riyadh become the third-best fintech hub in MENA after Tel Aviv and Dubai.

- Electronic payments processor Mobily Pay, which is now eligible to provide e-wallet payment services in Saudi Arabia
- Debt-based crowdfunding company Lendo, a closed joint-stock company with SAR 5m, that was licensed after completing a successful trial in SAMA's regulatory sandbox
- Consumer microfinance provider FinZey, a closed joint-stock company with a capital of SAR 20 million

Riyadh-based fintech raises \$33 million from Sequoia Capital India

Leap Technologies, a platform that allows third-party financial services providers to access their customers' bank data and instantly initiate payments, raised \$33 million in an A seed round from Sequoia Capital India in January, marking the global giant's first investment in the Arab Gulf. This is part of a larger wave of investment that saw Saudi fintechs receive \$400 million last year.

- Key to Open Banking, i.e., open APIs, which has been legal in Saudi since 2021
- Will enable new services in e-commerce, accounting, and banking
- Speeds up creation of new businesses and platforms

¹ <https://www.sama.gov.sa/en-US/-/SandBox/Pages/Permitted-Fintechs.aspx>



EXPERT INSIGHT

Lateefa Alwaalan

Managing Director, Endeavor Saudi



› How do you see the entrepreneur ecosystem in Riyadh, and what are the latest entrepreneur trends?

Saudi Arabia's entrepreneur ecosystem is at an early stage of development, and rapidly expanding. Looking at the data from our Endeavour system we see growth in the number of requests we get from our international networks. Entrepreneurs understand that to gain a foothold in the Saudi market they need to set up offices in the Kingdom and install a local team to build relationships. Just as importantly, international entrepreneurs are beginning to consider Riyadh as their start-up city. They are attracted by a range of factors; the availability of capital, a growing network of incubators and accelerators, government-supported initiatives aimed at boosting the entrepreneurial arena, a developing culture of innovation. These are the building blocks of the ecosystem that is essential for the long-term growth of this segment.

› What makes the city such an exciting place for new businesses?

Many entrepreneurs see Riyadh as the gateway to the largest consumer market in the GCC, and a potentially fertile spawning ground for unicorns. The Kingdom has a strong, vibrant and increasingly diverse economy, and Saudi consumers have high levels of disposable income. Other pull factors include the government's proactive approach to entrepreneurship and the deep pool of funding and advisory services provided by a raft of venture capitalists and banks. This combination of market size and a government-supported entrepreneurial ecosystem is emerging as a significant pull-factor for entrepreneurs.

› What role do you think technology is playing in terms of innovation, business practices, and operations?

The Kingdom has a good tech infrastructure, from an entrepreneur's point of view. It is in the top ten globally for mobile internet speed, mobile penetration stands at over 100%, and the roll-out of 5G is opening up new opportunities for tech-based startups. In Riyadh, businesses enjoy good infrastructural access whatever part of the city they are in, which makes it a great e-commerce hub from which to serve other cities within the central region. Technology works hand in hand with human resources, and Riyadh-based companies have access to a deep pool of talent – the availability of young, educated Saudis is a valuable asset in the entrepreneurial ecosystem. We're also seeing the emergence of useful HR infrastructure such as co-working spaces. All this makes the city a very attractive proposition from a tech viewpoint.

› What advice would you give to companies that are trying to attract the best people possible?

A lot of our work is in this area – supporting entrepreneurs who want to expand in Saudi and need to secure local or international talent. Brand building is important in attracting good candidates, so being productively active in the right networks and online platforms is crucial. Existing employees need to be incentivized to stay with the company as it develops. Allowing employees to take ownership of tasks and projects is one way of ensuring that they feel part of an organization's growth story. Now that Saudi is opening up it is becoming easier to attract talent from abroad. Riyadh is becoming more family-friendly and vibrant, there are lots of entertainment options and good education infrastructure.

› What are the key growth challenges that SME start-ups are facing at the moment?

Challenges vary from sector to sector, and are also dependent on the growth stage of a company. Access to funding is often a key challenge to smaller companies. Interestingly, the majority of funded companies are early stage – pre-seed to series C. Late stage and post-exit funding has yet to mature. Crucially, the government is quick to react to any roadblocks identified by the private sector. Take the fintech sector, for example, where regulatory burdens designed to safeguard the banking industry were making it difficult for startups to gain early momentum. The regulatory sandbox framework developed by the Central Bank made it possible for young companies to launch and prove their fintech products in a flexible regulatory environment. This kind of approach is helping multiple initiatives to get themselves to a position where they can seek more funding for further growth.

› How do you think the SME landscape will develop in Riyadh over the long term?

Saudi Arabia, and especially Riyadh, is at a growth inflection point. We're going to look back at this moment and say, "that's when we had the first Saudi unicorn listed in the Saudi stock exchange." We are seeing a huge increase in startup activity, companies being acquired and investment gains realized. We're going to see many more success stories like those of Jahez and Careem, and tech is going to become a leading contributor to the storyline of entrepreneurship. Companies being built right now in Saudi are going to go regional and global, the medium- and long-term outlook is very exciting.



GEC RIYADH

REBOOT, RETHINK, REGENERATE

GEC RIYADH 2022: REBOOT, RETHINK, REGENERATE

After a several-year hiatus, the Global Entrepreneurship Congress (GEC) was held live in Riyadh for the first time before an eager audience of thousands. With speeches from some of the world's leading business minds, not to mention many of the Kingdom's most prominent leaders, the conference showcased Saudi Arabia's full commitment to developing its SME ecosystem with every policy tool at its disposal.



HRH Prince Abdulaziz Bin Salman
Minister of Energy



HE Khalid Al Falih
Minister of Investment



HE Abdullah bin Amer Alswaha
Minister of ICT

"We must support, incentivize, and promote SMEs. We will partner with them, work with them, support them, and let them go through the natural experience. People will make mistakes and failures, which is why we will be there to support and encourage them."

"The Kingdom is open to doing business globally, and it constitutes an attractive destination for investors, entrepreneurs, innovators, scientists, and capital. This also equips Saudi Arabia to contribute to global progress and innovation."

"We are fortunate with a leader who is creating what I call a "pioneering country" that is a home for technology and entrepreneurialism, complete with a remarkable presence of youth and women."



150

speakers



180

nations in attendance



9300

attendees

Under the theme "Reboot, Rethink, Regenerate," GEC Riyadh brought investors, entrepreneurs, and policymakers together from around the world to discuss how to empower entrepreneurs in a post-pandemic landscape. With tremendous turn-out from near and afar, the conference helped generate unprecedented investment in the Kingdom's growing SME ecosystem.



SAR 51.8bn

(\$192.2bn) of investment deals were signed at the four-day gathering



SAR 854k

(\$3.2bn) in financing set aside for Small and Medium Enterprises Bank



SAR 33.3mn

(\$125mn) raised by messaging platform Unifonic in largest round for Saudi startup



10+

rounds of financing secured for Saudi SMEs and startups

As the numbers clearly show, GEC demonstrated how quickly the Kingdom has become one of the most attractive places to do business in MENA.

EXPERT INSIGHT

Jeff Hoffman

Chairman of the Board,
Global Entrepreneurship Network (GEN)



► How will GEC impact Saudi Arabia in the long term?

When picking a host country, we put a lot of thought into why and what outcome we want. The whole Gulf region, but especially the Kingdom, has been very focused on being recognized as a resource and a great place to start and grow a company, but also to live and attract talent. We knew that the Kingdom wanted to spread that message, and we wanted our global audience to come and see that it's definitely true. There is an internal component, too. One of the things we work with in our ecosystem-building is ensuring that countries have what it takes to retain their talent. We want to let people know that they don't need to leave Riyadh or Jeddah and go abroad; there is an entire ecosystem right here in the Kingdom in which to launch, build, and grow their company. Talking to people from all over the world after GEC, we realized that this was extremely successful in those two regards. People learned how open the business environment is and left with the impression that the ecosystem was very welcoming.

► What advice would you give to someone who wants to start venture building in Saudi?

Data shows that the more entrepreneurial elements your system has, the higher your odds of succeeding. What does it take to register and create a company? Is there a talented or educated local population? Are the local schools and universities teaching entrepreneurship and supporting it? Is there access to investors and business angels? In the Kingdom, the answer is yes to all of these questions. Since GEN began working in Saudi Arabia, King Abdullah University of Science and Technology (KAUST) has been a tremendous help. King Abdullah University of Science and Technology (KAUST) has been a tremendous help. Environmentally, the government has also been extremely supportive of entrepreneurship. The universities and business angel networks show up every time. There is an absolute wealth of educated and talented people from many different backgrounds, which is exactly what you need to build a startup.

The advice I would give local entrepreneurs getting started is to reach out and make a network. Sometimes people think a high-level investor is not going to take their call or have a meeting with them, but in fact they are. One of the comments I heard about Saudi Arabia, especially after GEC, was the number of people saying, "Everyone was so friendly and cooperative!" And I tell them: "You didn't know that because you didn't reach out to them." And I'm talking locally, too. My biggest advice is to reach out and ask for help. Tell people what you want, and what you need. The people in this ecosystem in the Kingdom will help you, they just don't know you need their help.

► How would you describe the moment of history we are in for entrepreneurs? Is this a high point for starting a business, or will it only get harder?

The pandemic had a silver lining in one important regard: it leveled the playing field. Overnight, the whole world became one giant market where people anywhere were in a position to offer global solutions to truly global problems. For the first time in history, we were all fighting the same enemy. This brought about new opportunities on a planetary scale. And those who found a way to create solutions for these problems immediately had access to a vast global market. And not merely for vaccines; this was also true for education; healthcare; and remote working—the three areas most impacted by innovation since the pandemic.

When it comes to remote work, for example, employers are still trying to figure out how to attract, retain, and motivate global talent. These are things we are still learning how to do. But in the field of education and telemedicine, entrepreneurs are already making enormous strides. Underpinning these innovations is a vast new pool of talent entering the labor market, so many people became entrepreneurs for the first time, and so many businesses changed and created new opportunities. What's happening right now has a long tail. We are not at a peak, but at a very good start for entrepreneurs. The world needs them more than ever.

HIGHLIGHTS FROM GEC 2022

In addition to over 150 talks, panels, and guest speeches from some of the leading business minds on earth, GEC 2022 was an opportunity for entrepreneurs and investors to write the next chapter of Saudi Arabia's transformative economic history. Yet GEC was about more than Saudi entities pledging to invest in local or foreign firms. Foreign startups in some of the most exciting fields also pledged to invest millions in the Kingdom.

- imVentures, a venture capital fund to offer venture lending worth **\$100 million**
- Plug and Play, a leading early-stage investor & accelerator to invest **\$25 million**
- Rabbitmart, an on-demand ultra-fast delivery company to invest **\$14 million**
- Cartlow, a leading re-commerce startup to invest **\$13.4 million**
- SOUM, an AI powered C2C second-hand marketplace to invest **\$4 million**
- Smileneo, a dental-based health-tech investing **\$5.8 million**



Day one

- Social Development Bank launches initiatives to support entrepreneurs worth \$3 billion
- SVC signs agreements with a variety of funds worth \$650 million
- SABIC launches the \$200 million Nusaned Fund II to support start-ups and industry

Day two

- Monsha'at & Amazon sign agreement to support entrepreneurs and individual merchants sell goods on Amazon Saudi
- Albilad Bank signs agreement to provide financing worth \$520 million
- Arab National Bank launches credit card for SMEs & other financial products worth \$293 million
- Ministry of Investment announces licensing for international companies to enter domestic market in addition to investment deals worth nearly \$1 billion

Day three

- Kafalah Fund signs 10 agreements and MoUs worth \$1.68 billion to finance SMEs with multiple parties, governments, and incubators
- Monsha'at launches fourth Tomoh mentorship program in cooperation with Endeavor KSA, a program that helps fast growing enterprises list on the stock exchange.



NOTABLE QUOTES

As GEC 2022 demonstrated, few places have more entrepreneurial promise than Riyadh. Blessed with a young and dynamic population and one of the most proactive governments on the planet, the Saudi capital is quickly transforming itself into the region's most exciting economic hub. Bolstered by a powerful combination of top-down vision and bottom-up talent, its SME ecosystem.

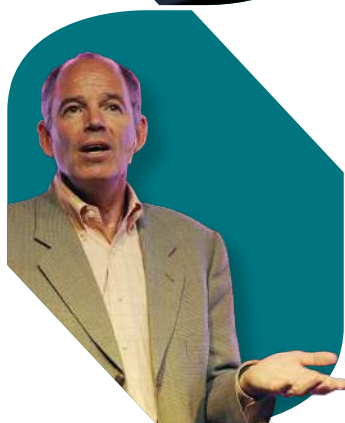
A wide variety of business leaders, ministers, policymakers, entrepreneurs, and investors from around the world shared key insights at GEC 2022.



In the end, innovation is really about helping other people. I wanted the best technologies ever to be developed for normal people in their normal, average lives. Business and engineering are about being useful to others.



STEVE WOZNIAK, CO-FOUNDER OF APPLE



I never fall in love with my ideas. I fall in love with the problem. The idea's always gonna break your heart, and run off with someone else. But the problem becomes more interesting, more nuanced. Trying to solve it is what keeps you going.



MARC RANDOLPH, CO-FOUNDER OF NETFLIX



What is happening in Saudi Arabia right now is mind-boggling. The sky is the limit in terms of opportunities. What's most exciting for me is how little the world knows it's open for business. It's only a matter of time until they find out."



SAMIH SAWIRIS, CEO, ORASCOM DEVELOPMENT HOLDING AG



Saudi Arabia has also been very good at identifying industries with high regional potential and at welcoming organizations moving in. Due to this commitment and momentum, its ecosystem is leap-frogging many other markets.



JONATHAN ORTMANS, FOUNDER & PRESIDENT, GEN



ECOSYSTEM UPDATE

A QUARTERLY DIGEST OF THE
MOST IMPORTANT UPDATES
FROM BOTH MONSHA'AT AND
THE WIDER ECOSYSTEM

MONSHA'AT NEWS



Monsha'at inks MoU with Amazon to enable SMEs

Amazon is working hand in hand with Monsha'at to enable 40,000 SMEs to sell to millions of customers across the Kingdom. Helping smaller businesses leverage Amazon's logistics capabilities, tools, services, programs, and people, the MOU will help train thousands of Saudi-based SMEs in the necessary e-commerce skills to be up and running on the Amazon.sa store by 2025.



SVC partners with Flat6Labs to introduce Startup Seed Fund

Founded by Monsha'at in 2018, Saudi Venture Capital (SVC) has partnered with one of MENA's leading VC firms, the Tunis-based Flat6Labs, to launch a SAR 150 million fund designed to help 20 Saudi startups off the ground within the tech and innovation sectors. Selected startups will receive between SAR 750,000 and SAR 1.5 million, in addition to follow-on funding to help them expand in the Kingdom and further afield. At least 180 entrepreneurs will benefit from the fund, spurring up to 6,000 local direct jobs.



Monsha'at partners with KACST to launch SME-friendly portal

In close partnership with the King Abdulaziz City for Science and Technology (KACST), Monsha'at launched the National Business Innovation Portal in March to help guide SMEs and innovators on how to bring their project to success, in part by offering a search engine that reviews services for SMEs provided by over 60 public and private entities.



Kafalah signs deals worth \$1.67 billion at GEC

After facilitating nearly \$5.9 billion in financing to SMEs in 2021, the Monsha'at-supported Kafalah Fund signed deals and agreements to help fund SMEs worth \$1.67 billion on the sidelines of GEC. With a focus on tourism, Saudization, and culture, agreements such as these have helped boost Kafalah's support to the total Saudi SME ecosystem from 4% to 13% in four short years, the fund's CEO Homam Hashem said.



Over 16,000 entities benefit from Monshati 360 program

Monsha'at announced a total of 16,011 entities benefited from the Monshati 360 program. Launched in 2018, the initiative measures the comprehensive performance of entities, identifying strengths and challenges, developing internal capabilities, while also helping firms attract investors by accessing financial information and providing accurate company reportage.

SME NEWS



Saudi-Austrian Economic Forum to boost investment in ICT-focused SMEs

Investment Minister Khalid Al-Falih announced the Kingdom's desire to become the chief cloud hub of the Middle East. To do so, he invited Austrian partners to invest in the Riyadh-based SMEs already transforming the ICT sector. Reps from NEOM, the Red Sea Development Company, and the Royal Commission for Riyadh City also showcased key opportunities for foreign investors, including the country's desire to create 290,000 ICT jobs by 2030.



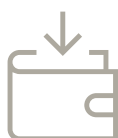
Saudi Capital Markets Forum highlights SME financing

Sponsored by the Saudi Tadawul Group, the inaugural Saudi Capital Market Forum brought together investors, private companies, government entities, and financial institutions. With experts from Muscat Securities Market, Bahrain Clear, Financial Sector Development Program, HSBC Saudi Arabia, Goldman Sachs, Citibank, Aramco, Edaa, Muqassa, and Saudi Exchange, the discussed a number of key trends facing the Kingdom's sector, chief among which were how to better finance SMEs.



Saudi Arabia-based HR platform raises crucial seed funding

With backing from a leading VC firm, the Riyadh-based SEEDRA Ventures, Saudi-based HR platform Squadio raised an initial seed round. Providing B2B solutions including vetting, hiring engineers, payroll services, and providing optional product managers, Squadio helps startups and companies seeking to hire and manage their own fulltime remote staff. Though based in Riyadh, the company already has a network of 350+ engineers in Saudi Arabia, Egypt, Tunisia, and elsewhere.



World Defense Show highlights opportunities for localizing defense sector

12 MOUs were signed with a range of defense leaders at Riyadh's inaugural World Defense Show in March. In order to boost local defense production, GAMI and MISA are seeking collaborative initiatives to increase Saudi SMEs' participation in defense supply chains, particularly for localizing key components of the Patriot air and missile defense system for domestic manufacture. This spur defense sector synergies with local and global SMEs



LEAP conference brings global tech community to Riyadh

The inaugural LEAP conference was held in Riyadh in February to bring together many of the world's most innovative tech companies, start-ups, and venture capitalists to discuss the future of the health, finance, energy, education, digital entertainment, transport, and smart cities. A key part of the government's plan to boost the digital economy by 50%, the event had 30,000 attendees, 600 speakers, and over 1,000 exhibitors.



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.

