



SME MONITOR

Monsha'at Quarterly Report
Q2 2022

Inside this report:

- › Food and beverage sector special
- › Makkah Province focus
- › Year of Saudi Coffee feature
- › SME statistics
- › Key interviews from experts and founders
- › Quarterly highlights from Monsha'at
- › SME success stories
- › Ecosystem updates



HOW MONSHA'AT DRIVES SME GROWTH IN SAUDI ARABIA

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



Create an inspiring environment for SMEs to grow in



Unlock the potential of promising enterprises



Foster a strong and supportive entrepreneurial community

These objectives are being accomplished through clear strategies, effective implementation, and a shared ambition among local and international public and private partners to see Saudi Arabia's SME sector thrive.

Monsha'at's main priority areas include:

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

WHAT QUALIFIES AS AN SME?



Micro companies have between **1-5 staff** or a revenue of **SAR 0 - 3 million**



Small companies have between **6-49 staff** or a revenue between **SAR 3 - 40 million**



Medium companies have between **50-249 staff** or a revenue between **SAR 40 - 200 million**

OPENING REMARKS

H.E. Dr. Nabeel Koshak

CEO & Board Member
at Saudi Venture Capital (SVC)



الشركة السعودية للاستثمار الجريء
Saudi Venture Capital Company



Based on Saudi Arabia's drive to achieve the Saudi Vision 2030 and belief in the importance of fostering

entrepreneurship and stimulating investment in startups and SMEs, Saudi Venture Capital (SVC) was established for the primary goal of stimulating and sustaining financing for startups and SMEs from pre-seed to pre-IPO by investing \$1 billion through investment in funds and co-investment in startups. Since SVC's inception in 2018, we have backed 30 funds and five angel groups that invested in over 400 startups and SMEs in various sectors.

Saudi Arabia is witnessing an unprecedented growth in the quality and quantity in the deal flow of startups as a result of the emergence of many innovative entrepreneurs, VCs, and angel investor groups, in addition to the availability of an advanced regulatory and legislative environment. The rapid evolution of the VC scene in Saudi Arabia is also due to the many governmental initiatives launched towards achieving the Saudi Vision 2030.

Based on the H1 2022 Saudi Arabia Venture Capital Report by MAGNiTT, funding deployed into Saudi Arabian startups grew a record 244% to SAR 2.19 billion (\$584 million) in H1 2022, year-on-year. Not surprisingly, Saudi Arabia maintained its position as the second-most

funded VC market in MENA over the same period. With 79 deals in H1 2022, a 36% increase, the Kingdom advanced to become the second-most active VC market in MENA. Additionally, a record-high of 88 investors participated in deals closed by Saudi startups in H1 2022, up 126% versus H1 2021, where 42% of the investors were from outside the kingdom.

Monsha'at played an instrumental role in developing the financing ecosystem for startups and SMEs in the Kingdom, through the establishment of SVC, the establishment of the Venture Capital and Private Equity Association, the establishment of the SME Bank, launching the indirect lending initiative, raising the capital of the SME financing guarantee program "Kafala", and launching the "Funding Portal" to link financing institutions with startups and SMEs.

We are committed at SVC, in cooperation with our partners in the public and private sectors, to provide support to startups and SMEs, by stimulating private investors, which leads to diversifying the national economy and achieving the goals of Saudi Vision 2030.



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QUARTERLY HIGHLIGHTS

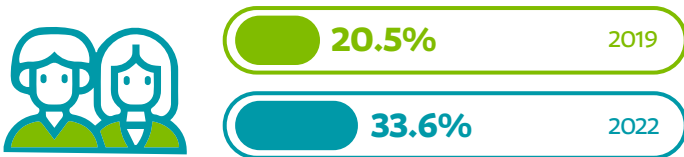
A look at Q2's key
developments from within
the Monsha'at ecosystem



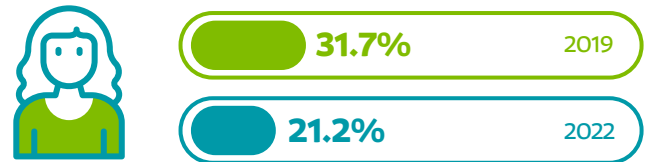
FEMALE BUSINESS PARTICIPATION CONTRIBUTES TO SAUDI ARABIA'S RAPID ECONOMIC GROWTH

Saudi Arabia counts among the 5 most improved countries globally to close the gender gap, according to the World Economic Forum. While most countries saw a reduction in female participation in the workforce in 2021 and 2022, Saudi Arabia reported the highest increase globally. Female workplace inclusion rates that take decades to achieve elsewhere have been achieved in the Kingdom in five years.

Female participation in the total workforce in Q1 2019 / Q1 2022



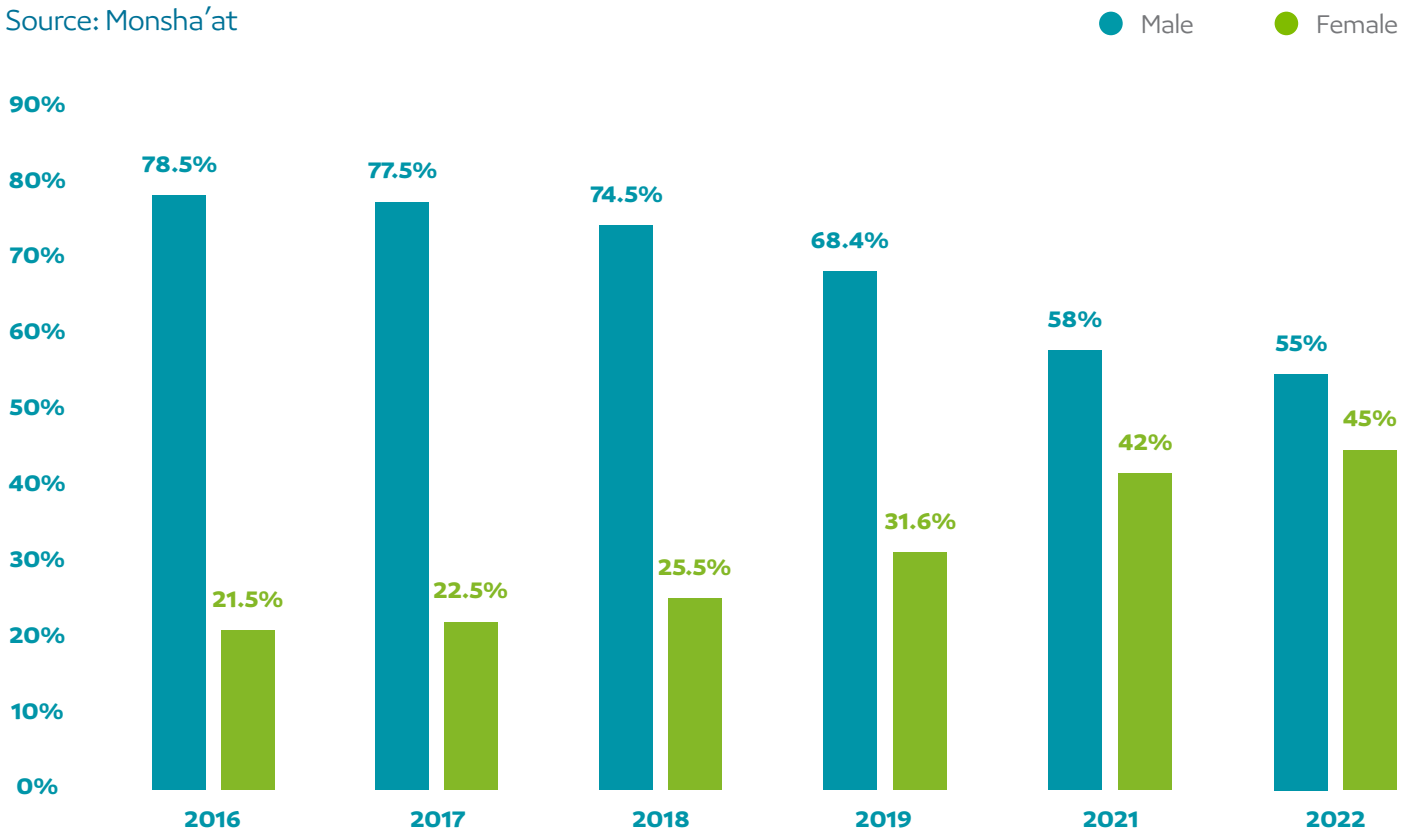
Female unemployment rate in Q1 2019 / Q1 2022



Female entrepreneurs are playing a larger role in the SME sector, with recent years seeing a dramatic realignment of the share of female SMEs compared to male SMEs.

Male vs. Female-led SMEs, Q2

Source: Monsha'at





Saudi Arabia's private sector has been a major beneficiary of the influx of dynamic female workers, with many female entrepreneurs grabbing new and emerging opportunities in the accommodation and food, wholesale and retail, health, and professional support service industries. Many factors, including the programs and initiatives of Monsha'at, have empowered female entrepreneurs to pursue their goals.

Key factors contributing to this positive trajectory for female entrepreneurs include:



Regulatory reforms focused on empowering women in the workplace and creating female entrepreneurs



Programs like She's Next providing access to credit and financing



Wusool Program which provides support mechanisms to working women, subsidizing 80% of their transportation costs between work and home



Empowerment of female entrepreneurs to enter and grow in certain sectors, including beauty services and childcare, where Monsha'at provides workshops



Monsha'at's Women Dashboard which provides female entrepreneurs with an exclusive portal for SME support services



Qurrah Program subsidizes daycare for 3 years for women making under SAR 6,000, allowing them to take on jobs or develop their own businesses

Monsha'at works alongside various stakeholders, including the Ministry of Human Resources and Social Development, to develop policies and programs that empower female entrepreneurs. Monsha'at has already contributed to the development of daycare centers at workplaces; created a mandate for daycare centers at shopping malls; and has been involved in the creation of residential area daycare centers.

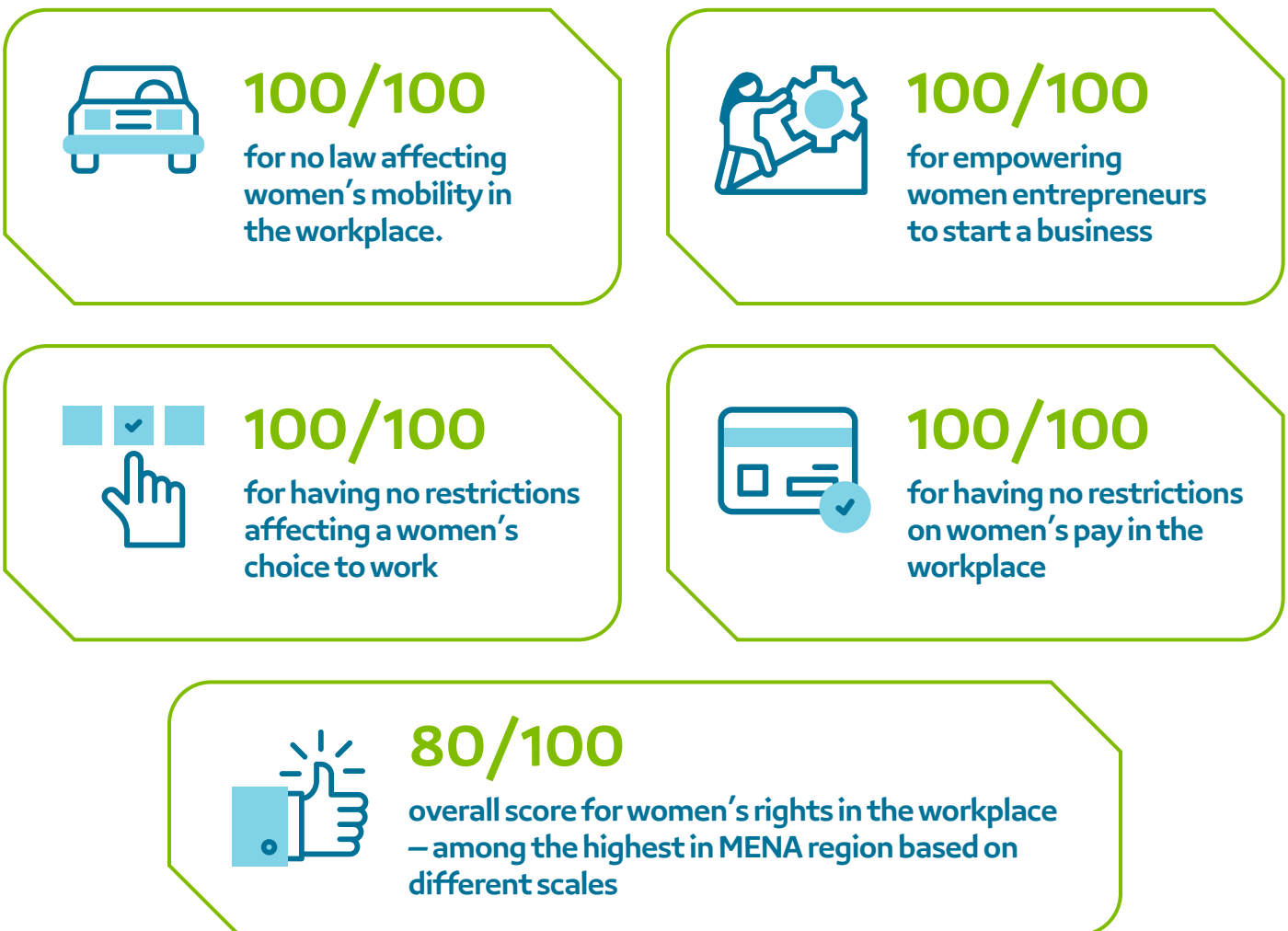


New frontiers:

HOW SAUDI FEMALE ENTREPRENEURS CAN BUILD OUT BETTER AND EXPAND

Monsha'at, through its SME services, is empowering Saudi women across different industries and plays an active role in the positive reforms at work in the Kingdom.

The World Bank has recognized Saudi Arabia as a top performer in regulations governing women's rights in business. Saudi Arabia's score of 80 far exceeds the MENA average of 51.5.



Monsha'at is propelling Saudi female-led SMEs forward through its projects. Much of this involves boosting SMEs competitive advantages through upskilling programs and the incorporation of efficiency-driven technologies into business operations. So too, Monsha'at helps these entrepreneurs create fit-for-purpose products and services, making them more competitive and scalable.

Support programs from Monsha'at, the Ministry of Human Resources and Social Development, the Social Development Bank and other stakeholders, have led to a growing class of prominent female entrepreneurs in Saudi Arabia.

Ruba Fahad

Co-founder & head of creativity at CEYAAQ, a Riyadh-based design services agency



CREATIVE STUDIO



What was the inspiration behind founding Ceyaaq?

My definition of success has never been contingent on trying to make global trends work in Saudi Arabia. What drives me is developing the cultural character of products and services in Saudi Arabia, and to build upon our rich heritage to create high-quality products that reflect their environment while also adhering to the highest international standards. In all my commercial undertakings, I seek to employ elements inspired by the Saudi environment as the basis of each product. Embracing local identity and ambiance, I also weave traditional customs and an understanding of the seasons into my work. This work is dedicated to playing a part in the ambitious industrial revolution underway in Saudi Arabia. To do this, we take the Saudi consumer as our first guide since they are conscious, informed, and have good taste.

What were some of the biggest challenges you faced in setting up wacafe and Ceyaaq?

Two key challenges stand out. The first, as mentioned, was building a concept that included elements of culture in our product design. This can be difficult, as we are working with people's ideas of tradition, modernity and innovation. In our case, the challenge was to manufacture products and connect them with a visual identity that fit to international standards while also remaining true to our culture.

The second challenge was about quality of life. In general, there is a prevalent fear that engaging in entrepreneurship will force the entrepreneur to give up everything they hold dear. However, times have changed, and people are better at finding compatibility between work, family, social life, and personal and professional development.

What advice would you give to a young female entrepreneur keen on entering entrepreneurship, and are there any communities or initiatives they are able to benefit from?

There are no longer any obstacles related to being a woman: the market is open to everyone. What matters is courage and knowing how to find it. People never know how brave they are until their courage is put to the test. At the end of the day, it's only when we're under pressure that we discover how much strength and ingenuity we have. For many businesspeople, in fact, your first failure could really be your first success. Since the country is in a unique historical stage, this is an opportunity for entrepreneurial pioneers to really pave a new path. When it comes to getting help, the Prince Mohammed bin Salman Charitable Foundation (Misk) and a variety of programs through Saudi universities and various ministries have been key.

What is the state of the F&B market today, and what does it take to turn a good idea into reality for young people in Saudi Arabia?

The general scene is dominated by burger and specialty coffee shops. Many Saudi brands have been influenced by global brands, but then tailor their products to better fit the national market, thanks to their highly innovative spirit. Diverse and dynamic, the Saudi market greatly rewards the creative, ingenious, and cooperative. In the end, we only learn by experience and practical struggle through everyday challenges. If there is one thing I would do differently, it would have been to try even sooner, and relinquish my initial fears of entering the market.



Unlocking innovation:

THE NATIONAL BUSINESS INNOVATION PORTAL

In partnership with the King Abdulaziz City for Science and Technology (KACST), Monsha'at launched the National Business Innovation Portal in March, providing entrepreneurs with the extra support tools they need to launch innovative ideas. Key to spurring commercial innovation, this initiative is helping build a national network of businessmen and women that can draw from a wide array of public and private sector expertise to launch the next generation of Saudi startups.



Provide entrepreneurs with all the necessary support tools to start a business



Guide business innovators through necessary stages of bringing a project to success



Search engine that reviews services provided by over 60 governmental and private entities



Connect new businesses and entrepreneurs with investment entities



Specially geared toward empowering youth entrepreneurs across the Kingdom



As one of several new initiatives undertaken by Monsha'at to empower small businesses with big ideas, the National Business Innovation Portal is taking a key step toward enabling the next generation of entrepreneurial change makers to achieve Vision 2030's long-term diversification targets.



SME'S IN NUMBERS

An insight into broad trends
in the sector



A BREAKDOWN OF SAUDI SMES

The Kingdom's thriving SME sector showed its resilience in the first half of 2022, with the number of SMEs, including micro enterprises, reaching 892,063 by the close of the second quarter.

At the end of Q2 2022, micro-sized firms made up most of the registered SMEs in the Kingdom.



724,886

Micro-sized companies



150,141

Small-sized companies

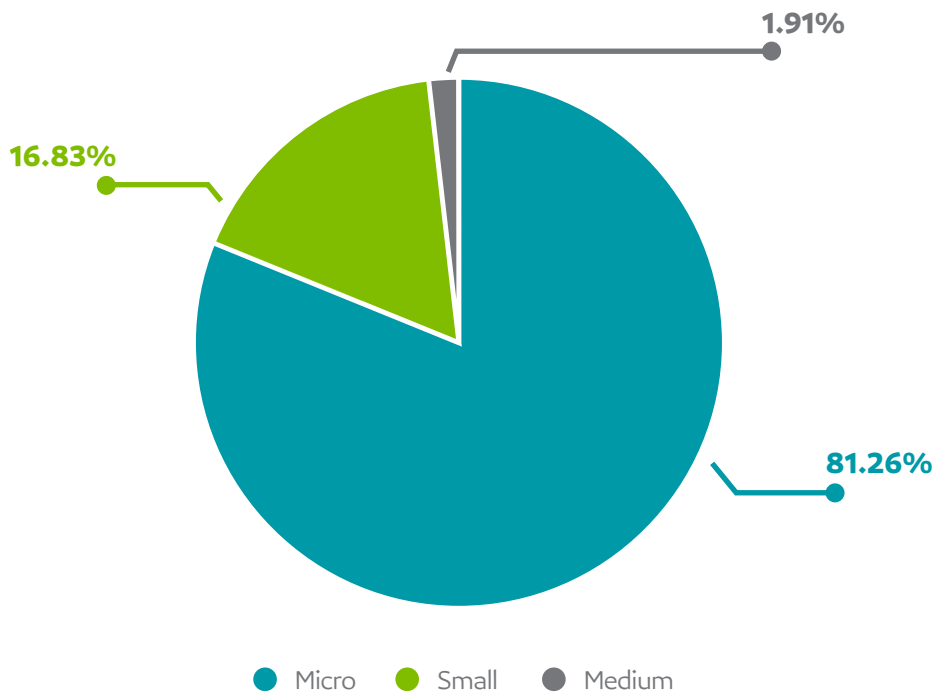


17,036

Medium-sized companies

SMEs by Size, Q2

Source: Monsha'at





A COUNTRY-WIDE LOOK AT SME DISTRIBUTION

Riyadh accounted for 35.4% of the Kingdom's 800,000+ SMEs as of June 2022. Makkah and Eastern Province hosted the next-largest concentrations of SMEs, accounting for 21.0% and 12.7% of the total, respectively.

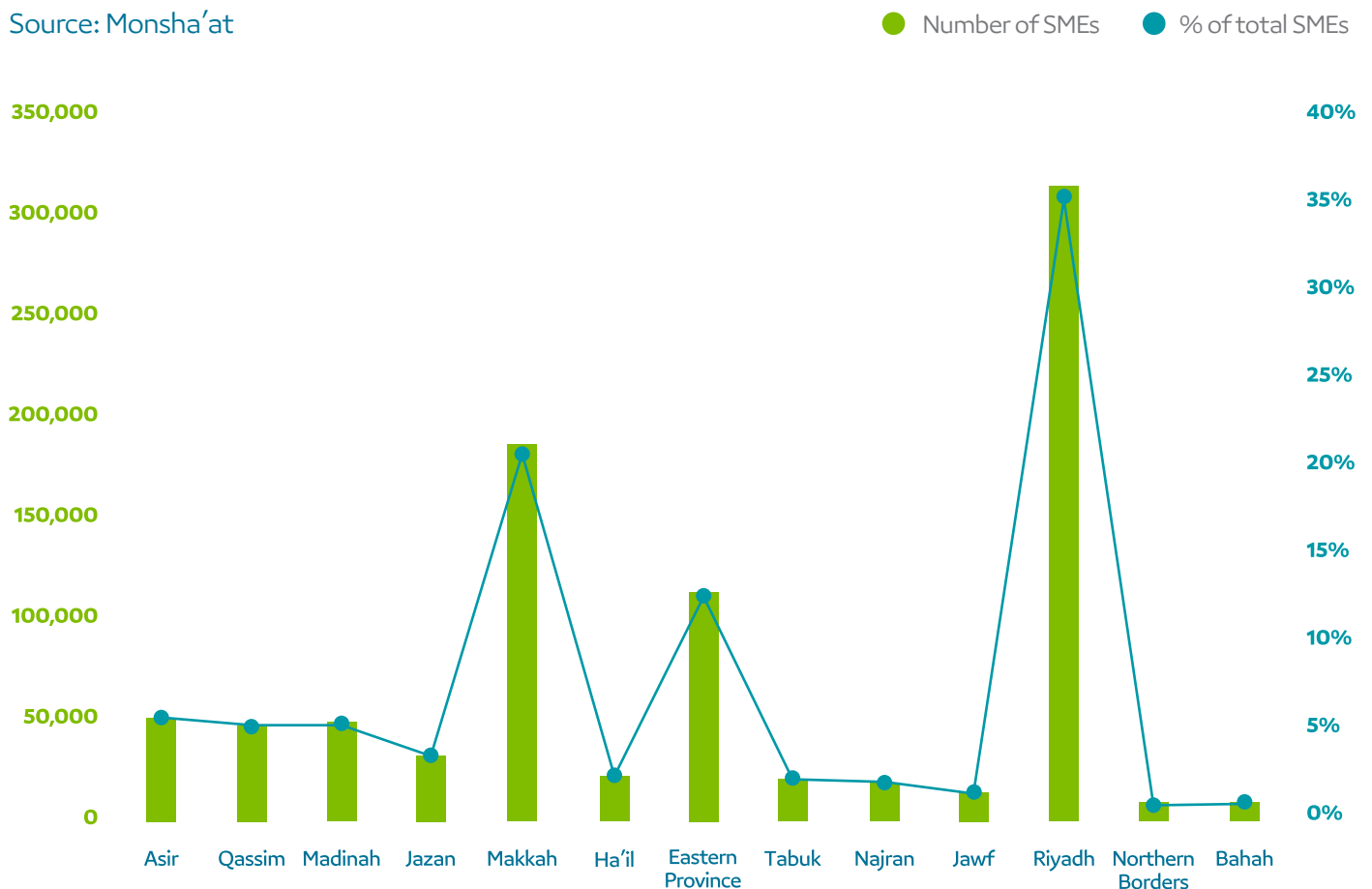


69.1%

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

SMEs: Regional Distribution, Q2

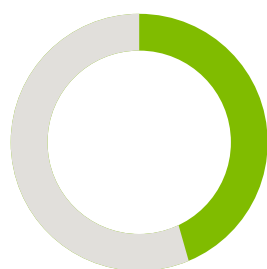
Source: Monsha'at





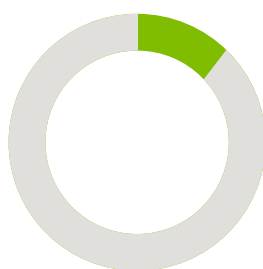
THE STRENGTH OF THE PRIVATE SECTOR

Saudi Arabia's private sector employs a total of 9,065,648 people, with the majority of those employed located in Riyadh, Makkah, and the Eastern Province.



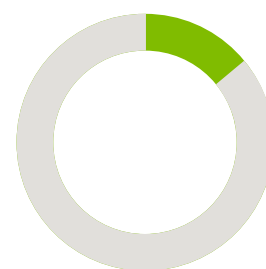
43.4%

of private-sector employment is in Riyadh



19.7%

of private-sector employment is in Makkah

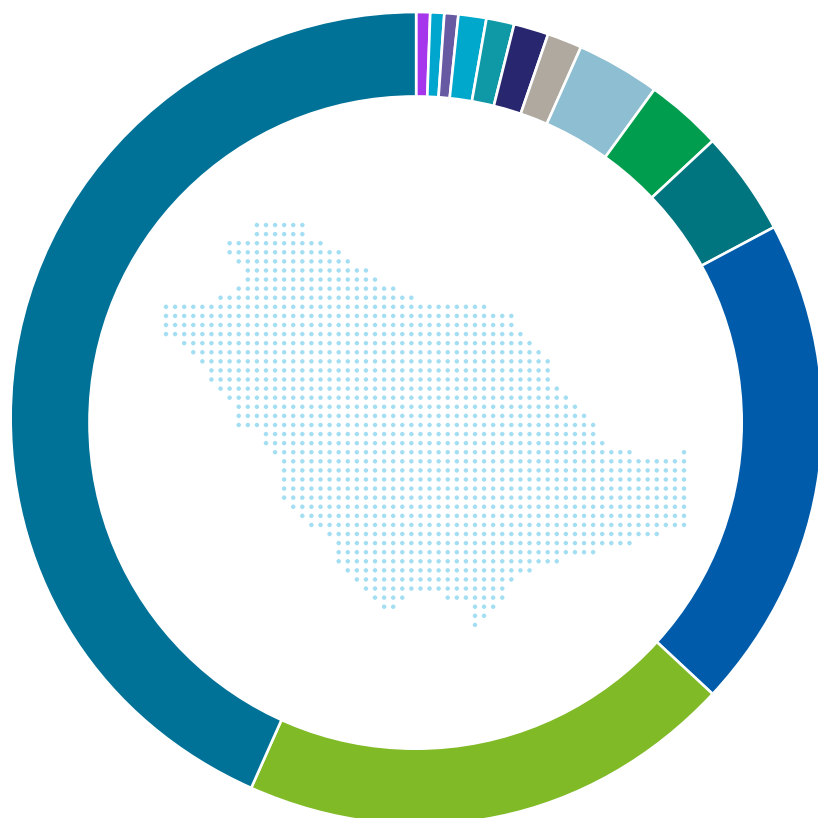


19.9%

of private-sector employment is in Eastern Province

Number of Employess in the Private Sector, by Region, Q2

Source: Monsha'at



- **Riyadh**
43.4%
- **Eastern Province**
19.9%
- **Makkah**
19.7%
- **Qassim**
4.1%
- **Asir**
3.2%
- **Madinah**
3.2%
- **Jazan**
1.5%
- **Najran**
1.3%
- **Ha'il**
1.2%
- **Tabuk**
1%
- **Jawf**
0.7%
- **Northern Borders**
0.5%
- **Bahah**
0.4%



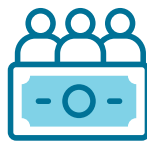
INCREASED INVESTMENT INTO SMES, DRIVEN BY SVC

Saudi Venture Capital (SVC) is a government VC of over \$1 billion in assets under management, established in 2018 by Monsha'at as part of the Financial Sector Development Program with the primary aim of stimulating and sustaining financing for start-ups and SMEs. These enterprises are financed from pre-seed to pre-IPO through to the investment in funds and co-investment in start-ups.

Since inception, SVC has:



30
funds backed



5
angel investor
groups
supported



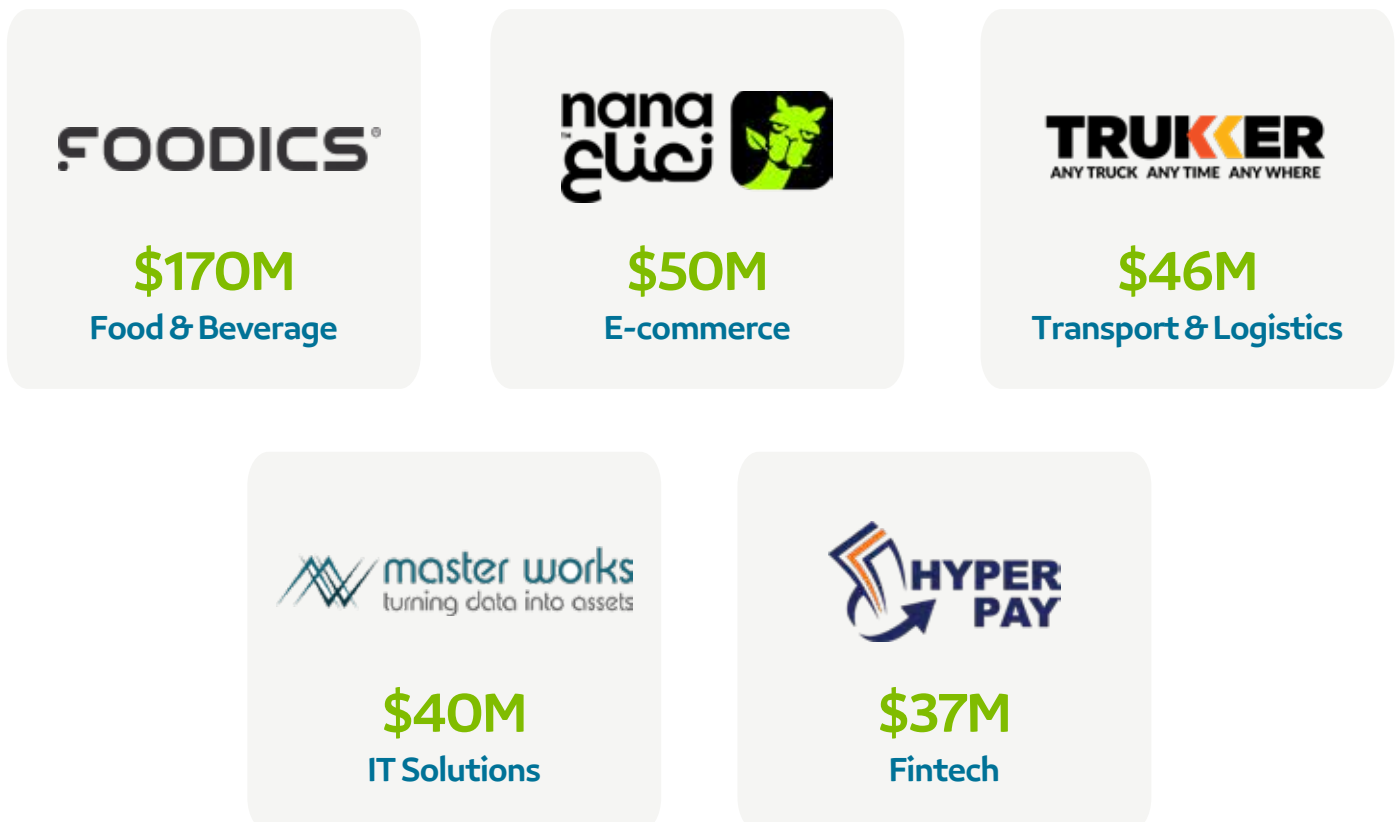
401
startups and
SMEs facilitated
investment



KEY FUNDING ACHIEVEMENTS IN THE SPACE

- Venture capital funding reaching over SAR 2 billion in 2021, representing a 106% Capital Annual Growth Rate, and rising from SAR 239 million in 2018
- In the first half of 2022, early-stage deals aggregated the lion's share of deals in the Kingdom (82%), compared to peers such as the UAE (57%) and Egypt (68%)
- Investment agreements in the SME sector worth some SAR 51 billion emerged from the recent Global Entrepreneurship Congress 2022

Top 5 Disclosed Funding Rounds in Saudi-Based Startups in H1 2022



Philip Bahoshy

Founder and CEO of MAGNiTT, a leading data analytics and investment tracking firm



How has the VC market in Saudi Arabia developed over the past 5 years, and what is the role of data?

The VC market has grown significantly over the previous 5 years, and our part of that story has been creating data resources, and this has impacted the market in several ways. For one, the transparency we have helped create has supported policymakers in their decision-making which secondly has generated visibility for international investors. And despite sometimes initial reluctance, companies have come to understand the importance of data-centric transparency. Now investors are more comfortable sharing information and understand the need to. Overall, we have witnessed an important shift in the past 5-7 years, from trying to gather and understand data to trying to make it useful and actionable for them to use.

SMEs, for their part, have several ways to benefit from this new trend of data transparency. First, they can use information to identify investors. Second, for those who are not quite ready to start their own firm, they can use numbers as a means of identifying potential employers who are scaling fast. Third, SMEs can identify opportunities across different segments to tap into. Forth, by being a part of the MAGNiTT platform they allow potential investors, corporates and big tech companies to identify them for support.

Venture capital reveals a lot about investor appetites. Two or three years ago, it was e-commerce, transport, and logistics. Today, it's fintech in emerging markets. Tomorrow, it will likely be healthtech, education, gaming, and media. If you can understand who the successful companies are and what they did to gain success, you can translate that into other segments and industries. Most importantly, as we build more knowledge and data on historical trends, we will look to move forwards and use this information for predictive forward analysis for clients.

What is unique about the Saudi SME ecosystem?

In almost every emerging market, infrastructure, logistics, and e-commerce tend to thrive. Financial

services, too. What you haven't seen happen at scale, but is more likely to occur in Saudi Arabia, is investment in research and development which will in turn develop local startups in deep tech, sustainability and hardware startups that are tech, engineering, or science intensive.

What is special about Saudi Arabia is that it is one of the fastest growing countries for capital deployment and transactions; it has a large, sizable, and accessible market; and it has a large GDP and a strong national identity that supports initiatives to develop talent and infrastructure. There has also been a great embrace of tech-related solutions, which recent new regulations confirm. Saudi Arabia provides you with an excellent launch pad, which the government has actively established. However, in addition to making it easy to launch a business, people also need to be incentivized to get back on their feet even if their first attempt fails. If we can learn from our failures, without punitive costs or legal ramifications, we can grow even better companies a second time around.

What are the key drivers underpinning SME growth and investor interest in the market?

One thing that Saudi's ecosystem proves is that success breeds success. That's why everyone's so excited about stories like Jahez and their IPO, and the new international interest and acquisition spree currently underway. So patience is important. But so too are the broader efforts by the government. Startups and SMEs are a top priority to Vision 2030; SVC is having a tremendous ripple effect in attracting investors from abroad and deploying capital to the market; and the Ministry of Investment and Communication & Technology are creating programs to attract international entrants into the domestic market and further develop the ecosystem dynamics. There has been a huge shift to embrace competition, attract talent, and develop the wider market, which everyone stands to gain from in terms of intellectual capital transfer. The government's overall strategy is driving incredible growth in the ecosystem.



Sector focus:

FOOD AND BEVERAGE

F&B is experiencing soaring demand and unique innovation



FOOD AND BEVERAGE SPACE TAKES OFF

Saudi Arabia's Food and Beverage (F&B) sector is undergoing one of its most significant expansions in recent history. Thanks to a combination of proactive government policies to expand the private sector, boost culture, sports, and entertainment consumption, diversify the overall economy, and welcome women into the wider workforce, a huge range of new actors have entered Saudi Arabia's F&B sector in recent years.



6.3% growth

in Saudi Arabia's
Wholesale, Retail and
Trade, Restaurants, and
Hotels sector in 2022



\$59 billion

(SAR221 bn)
invested in food
manufacturing sector
in Saudi Arabia in 2021



\$511 million

(SAR1.91 bn)
food app and delivery market
value in 2021, set to grow
10% per year through 2026

From hip coffeehouses to fashionable food trucks and fine dining in cities across the country, the F&B sector in Saudi Arabia has never been more interesting. For this reason and others, investors are flocking into the sector, helping it raise the most funding of any in the Kingdom through Q2 2022.



F&B sector
took the lion's share of
VC funding, securing
\$187 million in H1 2022,
followed by FinTech



**German, Greek,
Japanese, French,
Italian, and UAE**
-based chefs, cafes, and
restaurants enter Saudi
market in H1 2022



★ SUCCESS STORY

Bakr AlHozaimi

Founder and CEO of Falak Foods, a rapidly expanding food & beverage company located in Riyadh



How were you first inspired to join the F&B industry?

Since I was a child, I have been very passionate about food. Though I worked as an investment banker for seven years, I never saw myself as a career person, though I'm fortunate to have gained the experience. As a foodie, I was finally lucky enough to try my hand and open a concept in 2015 while still working full-time. Within two years, I'd opened two more branches, which allowed me to quit my job and focus on the business full-time, a pasta bar called Pasta Box.

But the market for pasta was small. Since I've always loved Chick-Fil-A, I thought—why not have one in Saudi? So I started trials. In the meantime, I also launched a healthy concept called Yogi. Today we have 6 branches, though I recently exited from that. In the meantime, I have been working on flipping the Pasta Box chains into the chicken concept, Chick-N-Bun, which now has 11 locations across Riyadh. In addition to a fine dining concept, we also started a cloud kitchen, or a virtual brands group, that has two branches each serving three brands currently. We have plans to open at least three more before the end of the year.

What was it like to work full-time while also starting a business on the side?

It was hectic—especially considering the hours in investment banking. But since I always wanted to have my own business, I told myself to do it rationally. I had enough savings to live for two years, so it was the right time to take a risk. I had enough credentials to go back to work. For six months, then, every day after work, I would go to the restaurant and work late. I did HR, accounting,

operations, everything. That is, until I found someone I could trust, who helped with operation, business, HR, which gave me more time to focus on business development and expansion. After the first year, we opened a second branch and not long after, a third. The business wasn't making even 30% of my old income, but I was determined to take no salary and put every riyal back into it.

What's future of F&B in Saudi Arabia?

When I got my start, there was huge room for expansion and for better standards and concepts. For example, there was no enough fusion, Mexican, or healthy food concepts. Only pizza, burgers, typical shawarma and upscale concepts. There weren't different cuisines. But before long consumer behavior began to change. Local brands starting springing up like Burgerizzr and Hamburgini. People are proud of their country and want to try and support Saudi brands. We learned there was a huge market. We were also fortunate to get an enormous amount of help from Monsha'at. In waving our Ministry of Labor fees, Monsha'at made a tremendous difference in allowing us to hire and expand exactly when the company needed to.

I love this industry, and it has huge potential. My advice is: ride the wave early, lead, keep developing, and be able to hire the best talent. At the end of the day, success depends upon finding the right team, controlling operations, proper pricing, and quality control as you scale. You can give people the best burger for the first six months, the honeymoon period, but how do you keep that consistency? Sustaining it is the main issue, the solution to which is finding the right team.

★ SUCCESS STORY

Roaa Saber

Chocolatier and founder of Miss Feionkah Chocolate, manufacturing and distributing its products all over the Kingdom

Feionkah
CHOCOLATE BOUTIQUE



How would you characterize the SME ecosystem in Saudi Arabia today, and what achievement as an entrepreneur are you most proud of in the past five years?

Thanks to SME-friendly government regulations and a wide array of financial and non-financial support, the Kingdom's SME ecosystem has greatly evolved in recent years. With the quality and quantity of Saudi start-ups rising in every sector, this is a historic time for entrepreneurship in the Kingdom.

For our part, I am very proud of the economic contribution of Saudi Arabia's chocolate export replacement program. This has created new jobs, expanded GDP, increased the well-being of thousands of customers, and boosted our clients' trust. I am also excited about our new factory complex scheduled to be finished in Q2 2023 in Dammam Industrial City, which will contain a one-of-a-kind museum. All of this has been made possible with the support of the Saudi Authority for Industrial Cities and Technology Zones (Modon).

What were your key learnings while scaling from a smaller, local operation into a nationwide firm? Additionally, what are your biggest priorities as an entrepreneur right now?

Over the past few years, the Feionkah team and I went outside our comfort zone because this is the only way for people and organizations to grow. In doing so, we learned how to build a venture around our passion. But passion alone is not enough. Great teams must also navigate all the challenges facing small and growing companies. For example, the need to have a clear vision and strong determination while remaining flexible and adaptable. We also learned the importance of putting our faith in Allah. Going forward, we want to continue growing Feionkah abroad and create a more sustainable and well-governed company.

Where do you see the F&B industry in the next 3-5 years, and what trends do you see emerging in the market?

Looking at where the Kingdom is heading in terms of hospitality and tourism, we see big potential for growth for our niche and the high-end sweet market. As such, we deeply want to help achieve Vision 2030's goals regarding tourism and hospitality.

How would you describe the support available to entrepreneurs in the Kingdom, and what Monsha'at services might you recommend to budding leaders?

The fact that a new entity specializing in SMEs was established speaks volumes about the government's priorities. As such, Monsha'at has been instrumental to the growth of Feionkah Chocolate since its inception, from facilitating funding to consultation services, social media, and fee reimbursements, to name a few. I urge all entrepreneurs to take advantage of the many excellent opportunities offered by Monsha'at. What is equally admirable about Monsha'at is the passion of its employees: for them, it's far more than a job; they believe in the mission of Monsha'at.

What message do you have for other aspiring female entrepreneurs in the Kingdom, and what assistance is available to those looking to build ventures?

Don't procrastinate. You have everything you need to turn your dream idea into a venture. You have a strong market, a pool of high-caliber workers, and entrepreneur-friendly policies. It's also important to have a double bottom line venture, i.e., a company that has a social impact in addition to a good financial performance. Rely on Allah and start.



Food for thought:

WHY SAUDI'S F&B SECTOR TOPPED THE INVESTMENT CHARTS IN Q2 2022

Given the Kingdom's unique combination of high disposable income, tastes, demographics, cultural curiosity, and rapid private sector expansion, firms in the F&B space received the most funding of any Saudi startups in Q2 2022.



Young, prosperous, educated, well-connected, internationally minded, and eager to try new things



Sector a high priority for a government hoping to attract 100 million visitors a year by 2030



Culture, sports, and entertainment investment leading to massive growth in the F&B sector



New generation of entrepreneurs into food truck, café, pop-up dining, restaurant, and food delivery business

In Q2, leading international chains from the US, UK, and UAE entered the Saudi market to great consumer interest.



Black Tap, the NYC burger joint opens in Riyadh's King Abdullah Financial District (KAFD)



AOK Kitchen, a London staple combining Mediterranean and Californian fare opens in KAFD



Double Like Burger and Lobster, a UAE institution, announces first Saudi location



Coffee Planet, a veteran UAE specialty roaster opened its first Saudi location in May



FOODICS®

CASE STUDY

The F&B sector received the greatest share of foreign investment in Q2 2022, spearheaded by Foodics, a Saudi F&B technology startup offers restaurant management software, digital payments, and micro-loans to fast food businesses.



\$170 million

raised in April from a combination of Saudi, Dutch, and Indian investors



Huge increase

on the \$20 million round that Foodics raised in late 2021



Licensed

by the Saudi Central Bank to expand into FinTech



Second investment

in the Kingdom for Mumbai-based Sequoia Capital India



Investors motivated

by Foodics' plans to take over regional rivals and expand into FinTech



F&B DRIVING QUALITY OF LIFE IMPROVEMENTS

F&B have been as positively impacted by the comprehensive reforms of Vision 2030, and the Quality of Life program. The Kingdom's efforts to diversify the economy and provide for society have created perfect conditions for F&B growth, resulting in both far greater demand and far greater supply.

Quality of Life program 2030 goals:



3 Saudi cities
among the top 100
most livable cities



**10 restaurants
and cafes**
per 1000 individuals,
up from 1 in 2019



**0.54 upscale
restaurants**
per 1000 individuals,
up from 0.15 in 2019

Key growth drivers:



Developing amenities

Large increase in sporting events and entertainment infrastructure fuels F&B growth



Encouraged participation

Increase in female consumers, bolstered by end of gender-segregated dining, boosts demand for cafés, restaurants, food trucks, and many other eating options



Laws and regulation

Economic reforms drive lead to more disposable income, broader culinary tastes, and much more international investment



Financial sustainability

New generation of SMEs receiving resource support from Monsha'at to launch F&B businesses



Monsha'at Snapshot: DATES BUSINESS ACCELERATOR

Monsha'at's Dates Business Accelerator aims to create jobs and support startups in the dates sector. Located in Medina, Al-Qassim and Hasa, services target the entire value chain, from planting, harvesting, packing and storage, to preparation, processing, marketing, and sales, and is working to formalize and grow the dates sector.



175+

employees
recruited



30+

workshops
and programs
delivered



35+

experts and
speakers
hosted



1000+

consulting
hours provided
to startups



115+

total deals and
partnerships for
startups



2022:

THE YEAR OF SAUDI COFFEE



INVESTING IN TRADITION TASTES AND PRODUCTION

Though a central aspect of Arabian culture for over 600 years, only recently has the world begun to fully appreciate the role of coffee in Saudi Arabia's national culture. First brewed by highlanders along what is today's Saudi-Yemeni border in Jazan province, the taste and smell of rich arabica beans have long made life more enjoyable in the Kingdom.

To commemorate this heritage, the Saudi government has declared 2022 The Year of Saudi Coffee. Crucial to the Kingdom's rich tradition of hospitality and folklore, the country is going out of its way to celebrate the unique highland Khawlani bean, particularly when the plant is in full white bloom in the stunning green mountains of Jazan province.



400,000+
coffee trees

on over 2,500 plantations in the Kingdom's three coffee-producing regions, Jazan, Al Baha, and Aseer



800m
above sea level
cultivation,

the Khawlani coffee bean is one of Saudi Arabia's national treasures



70% increase

in Khawlani production in recent years has helped spur economic development in the country's southernmost Jazan province



\$319 million
to be invested

by Saudi Coffee Company in sustainable coffee production over next ten years



Though long a staple of local production, the government is working hard to boost sustainable production of the country's original black gold. With the establishment of the Saudi Coffee Company by the Public Investment Fund (PIF) in 2022, the country is investing heavily in the highest-quality sustainable coffee production.



JAZAN IN BLOOM

With many family-owned farms operating continuously for up to 300 years in Jazan province, Saudi Arabia's most mountainous and densely populated region is cultivating its rich heritage, spectacular geography, friendly disposition, and delicious black brew to open the region up to sustainable tourism.



330 km
of coastline



1985
coffee farms



340,000
coffee trees



2040
tons of green coffee
beans produced on
average per year



\$26.50/kilo
for Khawlani beans in
the domestic market

★ SUCCESS STORY

Ali Sheneamer

Angel Investor and Co-founder of Jabaliyah coffee company and Mango Jazan



What first inspired you to enter the coffee business, and how would you characterize the evolving demand in the space?

It started with our passion for the Jazan region and its agricultural assets, which inspired me to establish Mango Jazan. My partner and I had also been observing local development in the coffee sector, seeing Saudi Aramco and MEWA engage with local farmers. Such efforts at the corporate scale drove increased coffee production, which presented a window of opportunities to launch our own brand. We were also aware of the growing consumption of coffee in Saudi Arabia, especially among younger people. During lockdowns, we started working closely with coffee farmers in the Jazan heights before making our big launch on Saudi National Day in September 2020.

What key difficulties did you encounter in your entrepreneurship journey, and what support is available for those looking to enter the market?

Our primary challenge was how to make locally grown coffee commercially competitive. The ability to access water is one of the difficulties faced by farmers, whose costs here are astronomical compared to global players. Additionally, the absence of processing facilities limited our ability to improve quality. Traditional processing can really limit the quality and the ability to scale. Solving these issues was key to growth, and also incentivized us to innovate on the product side, creating new lines that minimize waste, such as Jabaliyah capsules and Jabaliyah ready pour-on filters.

Monsha'at has been always a key supporter for SMEs, and we were able to meet with the governor

to present Jabaliyah and the challenges it faces. Of course, we would always love more support from the public sector to help grow the coffee space. For one, our home-grown coffee is of a high quality and the origin of the Arabica strain. Second, increased consumption and demand encourages farmers to further invest in their capacity building and quality improvements. Three, as we can see from PIF's investments, developing local coffee is now a national priority.

How does the coffee sector differ from other startup sectors in the Kingdom, and in what ways is the supply chain maturing?

Most of the start-up space in Saudi revolves around tech and leveraging technology, such as with agri-tech startups connecting growers to buyers. Developing an agricultural brand like Jabaliyah is more challenging in the sense it requires building relationships and trust with local farmers, placing yourself in their shoes, living their lives, and being true partners as they develop and market their products in the best possible way. If you do not have the passion and energy to get close to local, committed farmers, you will not go far.

Local farmers have limited access to the supply chain, and historically, most home-grown coffee beans were sold in local markets during festivals as generic commodities due to the absence of branding. Jabaliyah has played a pivotal role in three ways. First, in turning a commodity into a branded product. Second, in marketing it outside the region. And third, in actively working with various stakeholders to develop the sector. We are proud to say that while still under two years old, Jabaliyah is the single largest buyer from local farmers in the Jazan heights.



Province focus:

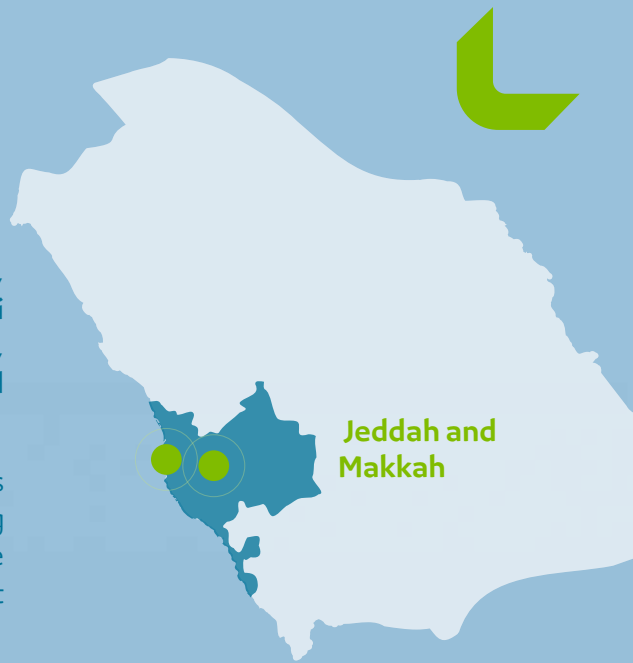
MAKKAH

An exploration of the impact
of SMEs in the home of the
Two Holy Mosques

A HISTORIC HOME OF COMMERCE

A home to global commerce for over 1,400 years, Makkah Province, with its major cities Makkah and Jeddah, is home to many of Saudi Arabia's most enterprising individuals and businesses. Historically, pilgrims and merchants from every corner of the earth have traded ideas and wares in Saudi Arabia's bustling Red Sea region.

Aside of its strong base economy sectors, the region boasts booming hospitality and construction sectors, while also supporting mining, media, and logistics. With women in the region entering the workforce at pace, entrepreneurs in Makkah Province are fast achieving the country's Vision 2030 targets.



 **9**
million people

 **25.9%**
of Kingdom's population

 **15%**
of national GDP
(\$104 billion)

 **Approximately 700 km**
of Red Sea coastline

 **21%**
of population with bachelor's degree or higher

 **Third-largest**
province by area
(137,000 km²)

 **3 seaports**
2 int'l airports, and
6,800km of roads

 **\$3,905**
average monthly household salary

 **Key sectors**
logistics, media,
mining, religious
tourism, Hajj and
Umrah, trade

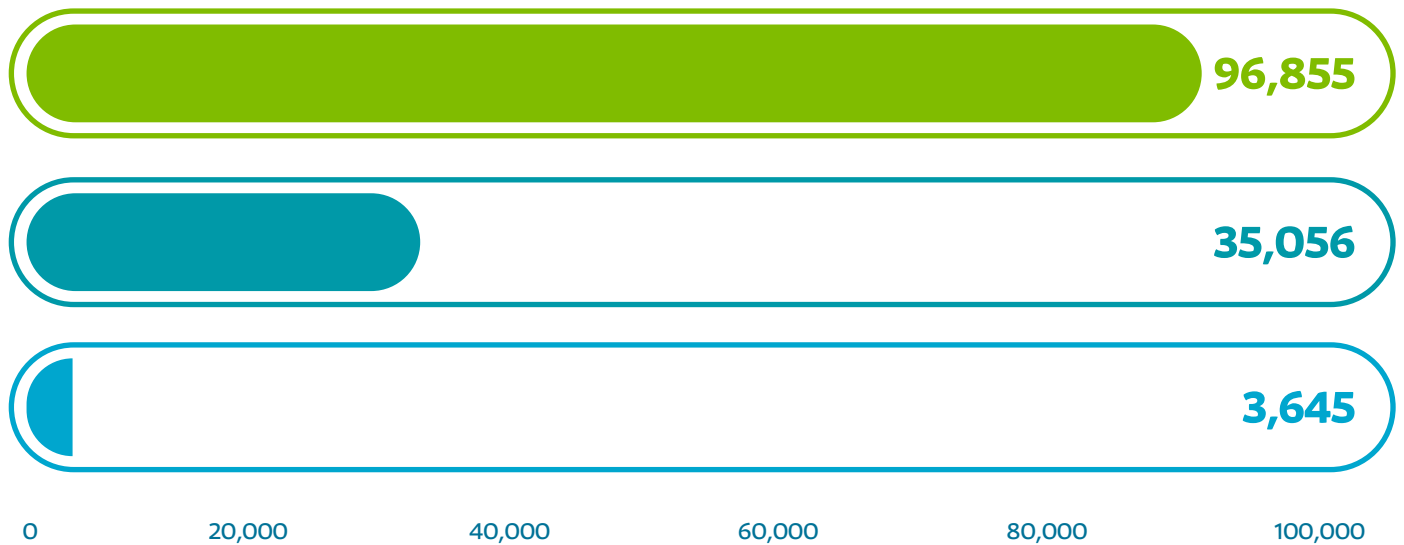


AS OF 2021, THERE WERE 130,000+ SMES IN THE REGION EMPLOYING 1,700,000+ WORKERS.

Number of SMEs in Makkah Province

Source: Monsha'at

● Micro ● Small ● Medium





A THRIVING PRIVATE SECTOR AND SME MARKET

Saudis in Makkah Province are entering the private sector at faster rates than ever. The workforce has been growing steadily, driven by growth in retail, tourism, hospitality, and construction. At 52.4%, women as a percentage of the Saudi private sector workforce in the region is also twice the national average, as of January, 2022 showing the region to be a leader in economic empowerment.



1.12 million people employed in the private sector in the region, 22.4% of total labor market



6.9% growth in number of SMEs between 2019 - 2021



44,000+ retail and wholesale SMEs



33,000+ construction SMEs



11,000+ hotels and restaurants



22.4% of all SMEs in the Kingdom

LEADING SECTORS IN MAKKAH PROVINCE – AND STRONGEST SME SECTORS



Hajj and Umrah



Construction



Hospitality and F&B



Manufacturing



Support and management services



Transport and storage



Professional, scientific, and technical activities



Agriculture, forestry, and fishing



Human health and social services



Information and communications



Retail and wholesale, vehicle, and motor repair

Sami Sarhan

Head of Industry Engagement
and SME Services

KAUST Innovation Center



KAUST
Innovation



What was the impetus behind the KAUST Innovation Center?

In 2019, we conducted an in-depth study into the SME sector to take stock of the ecosystem. After generating an internal report, we drew up a series of programs to work with the SMEs we surveyed and help to them innovate and develop the skills they need to compete now and into the future. We started by differentiating older SMEs from startups. The latter are often run by younger, savvier entrepreneurs. At KAUST, our mission is equally focused on upskilling a more established generation of SMEs that have long been overlooked. While startups are nimble by design, many older SMEs have done things the same way for decades. They can be highly resistant to change, which also makes them hesitant to new ways of growing or perfecting their business services. Our goal at KAUST is to fill these knowledge gaps.

What does the broader ecosystem look like, and how is it changing?

Our primary challenge was how to make locally Many of the entrepreneurs we work with are merchant and traders who do not have tertiary education, R&D departments, or intellectual property. Since most of the SMEs we work with which aren't startups do not have R&D in their DNA, our job is to help them innovate and localize processes. Though it's a gradual process, we are already seeing progress among companies we work with around Makkah Province.

With our Fikra program, for example, we emphasize how innovation can add value by helping introduce new products and develop new businesses. If appetites for innovation were low before the pandemic, the SMEs that survived understand one thing very clearly: change is no longer a matter of

preference. It's necessary to staying in business. Our goal, then, is to help coach SMEs into how to take the next step. It's a process, but one that's already paying off. More than 60% of participants in our programs have worked to implement changes into their business practices.

How are partnerships central to your work, and what programs do you offer SMEs?

Monsha'at has had a huge role in helping SMEs across the country grow and adopt an innovation-friendly mindset, and there is a strong presence in Makkah Province. KAUST is a university, but in teaming up with Monsha'at, along with MODON, the Jeddah Chamber of Commerce, and other public entities, we have been able to achieve far more. One example is our Knowledge Partnership Program (KPP), a free initiative that allows any SMEs to come to us for business advice. Our back-office team reviews their challenge, brainstorms relevant opportunities, and provides advisory. This has been highly effective, with many of the participating SMEs staying in our research park, receiving additional training, or spending time in our entrepreneurship centers. Another program is Fikra, which helps SMEs develop innovative new ideas. Then there's QALAB Series, which helps SMEs with product development, and RAQMANA Series, which helps with digitalization.

When it comes to new opportunities in Makkah province, the Kingdom's upcoming megaprojects have been key. Take the Shareek ("Partner") program, for example, which is helping local SMEs in Makkah Province land government contracts, particularly on megaprojects. A key aspect of Vision 2030, this program, like KAUST's initiatives, will be central to ensuring that SMEs and private sector actors account for 35% of GDP by 2030.



TRANSPORT, TOURISM, AND INFRASTRUCTURE TRANSFORM THE PROVINCE

With a quarter of all national SME activity located in the region and the world's most important pilgrimage site, Makkah Province is witnessing a boom in small business activity like the rest of the country.

Combined with a series of visionary transportation and infrastructure investments, the region is fast on pace to help deliver the Kingdom's ambitious Vision 2030 targets.



World-class new transport links

such as the Haramain Highspeed Railway open up the region



60 million passengers

expected yearly, Haramain can travel up to 300km/h



Held in Jeddah,

Saudi Arabia's first ever Formula 1 in December 2021 was a huge showcase for Saudi's second city



Jeddah-based International Islamic Trade Finance Corporation

launches huge program with Monsha'at and Saudi EXIM Bank to boost SME exports



5.7 million m² of waterfront

being revitalized, the \$20 billion Jeddah Central Project will add an opera house, museum, sports stadium, oceanarium, and 17,000 residential units to the city



New Terminal 1

at King Abdulaziz International Airport, which opened in 2019, boosts Jeddah's airport capacity to approximately 40 million passengers per year



SME NEWS

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



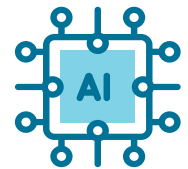
Monsha'at helps launch Small and Medium Enterprises Development Program

In partnership with the International Islamic Trade Finance Corporation (ITFC) and the Saudi Export-Import Bank (Saudi EXIM), in April Monsha'at helped launch the Small and Medium Enterprises Development Program, a comprehensive mechanism designed to increase trade finance facilities and capacity-building programs for SMEs across a wide variety of sectors.



Monsha'at and Saudi Data & AI Authority to boost SMEs in AI

Monsha'at inked a key MoU with the Saudi Data & AI Authority in late March to help develop the data and artificial intelligence (AI) sector in Saudi Arabia, find attractive investments for local and foreign investors, and pursue the National Strategy for Data & AI, which aims to catapult Saudi Arabia into the elite of data-driven economies, particularly through the growth of data-specialized SMEs.



Monsha'at strikes tripartite deal to boost Saudi SMEs' exports

The Saudi Export-Import Bank (Saudi EXIM), Monsha'at, and the International Islamic Trade Finance Corp. signed a tripartite deal to boost Saudi SME exports. As part of the agreement, Saudi EXIM has already allocated \$146 million to accelerate Saudi SMEs' export capacity.



KAUST and Monsha'at partner to advance Saudi economy by creating opportunities for SMEs

After signing an MoU with the King Abdullah University of Science and Technology (KAUST) and its Industry Collaboration Program (KICP), Monsha'at is continuing to work closely with Saudi Arabia's leading scientific research university to upskill SMEs. This means prioritizing projects such as KAUST SME Maharat, a program that has already helped over 1,300 SMEs develop better technical skills in AI, IoT, intellectual property, and design.



New Companies Law gives SMEs and startups important new tools to grow

Under the new regulations, companies registered in Saudi Arabia will enjoy a series of new competitive advantages. Smaller companies will be exempt from needing to appoint an annual external auditor, for example, while companies of all sizes will now be allowed to split shares, register as nonprofit professional companies and joint stock companies (JSC), and introduce family charters, among other things.



Rebound of tourism through SME support

The Tourism Development Fund, a sector enabler with \$4 billion in initial capital, has launched the Tourism Finance Program. The program was launched with Arab National Bank, and works to unlock SME opportunities in the tourism sector by providing finance, as well as a range of services to assist SMEs in their growth journeys.



Saudi food tech startup raises \$170 million

Foodics, a cloud-based Saudi technology firm serving restaurants across the Middle East, raised \$170 million in April from Prosus, a Dutch multinational investor, Sanabil, a subsidiary of Saudi Arabia's Public Investment Fund (PIF), and Sequoia Capital India.



Saudi and UK sign deal to boost SME exports

Saudi EXIM signs deal with UK Export Finance (UKEF) to help UK and Saudi businesses secure export contracts around the world. In addition to increasing diplomatic ties between the two countries, the agreement will also boost funding, knowledge transfers, and key networking ties for SMEs of each country, spurring growth and diversification in both.



SMEs in Culture, Entertainment, and Sports (CES) continue to thrive

One of the fastest growing sectors in the Saudi economy, the Kingdom established 11 new entities to focus on promoting growth in the Culture, Entertainment, and Sports sector in Q2 2022. Key to the sector's growth will be the opening of the 334 sqkm sport city, Qiddiya, located southwest of Riyadh and slated to open later this year.



National campaign to boost digital payments by 70% to boost SME growth

The Financial Sector Development Program (FSDP) launched the implementation plan for financial technology as part of a broader plan to make the Kingdom a home and global center for FinTech. It seeks to promote innovation and boost the number of FinTech SMEs in Saudi Arabia from 82 today to 230 by 2025. It is also working to increase usage of AI and the share of non-cash transactions in the Kingdom to 70% of all purchases, another move expected to boost demand for FinTech SMEs.



SME financier Morabaha Marina expands into digital payments

Morabaha Marina Financing Company, Saudi Arabia's leading independent non-bank SME and consumer financing company, announced the acquisition of an 80% majority stake in Saudi Digital Payment Company ("Loop"), the digital payments technology and services provider. This enables Morabaha Marina to expand its core lending business into fully integrated financing and payment services, particularly for SME-focused financial solutions.



International sales help Saudi SMEs surpass pre-pandemic volumes

A recent report by Mastercard's 2022 Borderless Payments Report revealed that 52% of Saudi SMEs registered greater revenues in Q2 2022 than before the pandemic, a clear sign that the Kingdom's small businesses have rallied to the challenges of the past two years. With 54% saying they have more international sales, 75% of Saudi SMEs say they changed their business models to survive, driven in part by a large increase in digital and cross-border payments.





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.



Mision

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



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