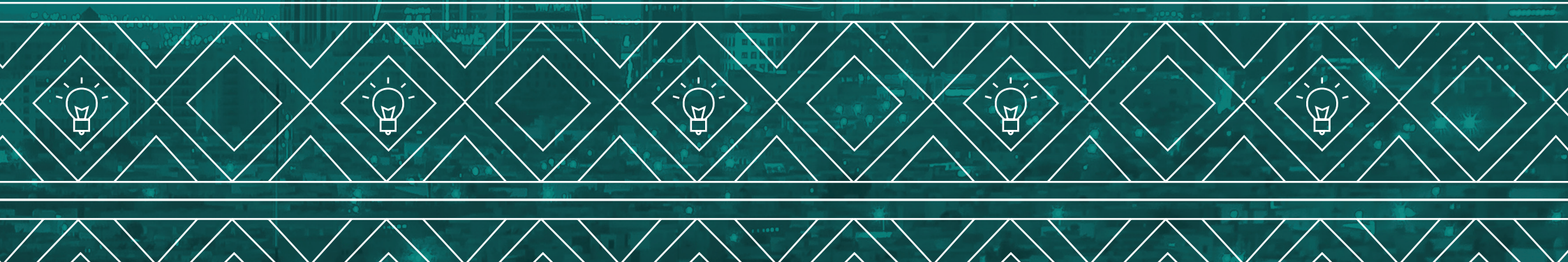


The Kingdom of Saudi Arabia:

Status of the entrepreneurship ecosystem

June 2017

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Wamda is a platform of integrated programs that aims to accelerate entrepreneurship ecosystems throughout the Middle East and North Africa (MENA) region. Its core focus includes media, community development, research, corporate, and government advisory services. In the past few years, Wamda has become the leading grassroots community and knowledge platform for entrepreneurs and supporting stakeholders.



The Wamda Research Lab (WRL) is Wamda's research program that produces studies on entrepreneurship in the MENA and seeks to foster thought leadership in this field. Its agenda is to inform investors, policymakers and other stakeholders on the challenges faced by entrepreneurs in the MENA region and the potential solutions for overcoming them.



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Introduction

The Kingdom of Saudi Arabia (KSA) is the largest economy in the Middle East and North Africa (MENA) region and currently has the second largest oil reserves in the world.ⁱ The petroleum sector accounts for more than 90% of KSA's revenues, and over the past decade, the economy has greatly benefited from the global oil price surge.ⁱⁱ As of 2014, however, economic revenues and fiscal surpluses have more or less been halted by the global decline in the price of oil.ⁱⁱⁱ

In response to this, KSA's government has put forth several initiatives to diversify its oil-dependent economy by strengthening its non-petroleum sectors. In 2016, the government released Vision 2030, an economic blueprint for national long-term economic growth^{iv}. The plan aims to move away from centralized planning and state-led growth towards open market policies, where entrepreneurship and the private sector can take a leading role in economic development through job creation and competitiveness^v.

In 2016, the government released Vision 2030, an economic blueprint for national long-term economic growth

Today, entrepreneurship is being brought to the forefront of the KSA strategic economic planning. The introduction of the (SMEA) Small and Medium Enterprise Authority (recently branded Monsha'at) signals that more favorable policies surrounding starting and doing business in the KSA are expected to follow, and already, the government has implemented large scale public programs focused on access to capital and support for startups^{vi}. Moreover, several key stakeholders such as universities and corporations are entering the entrepreneurship ecosystem and creating startup-tailored programs to better serve entrepreneurs. This high-level report aims to shed light on the current state of entrepreneurship in the KSA, the challenges entrepreneurs are currently facing, and the opportunities that exist in the market.



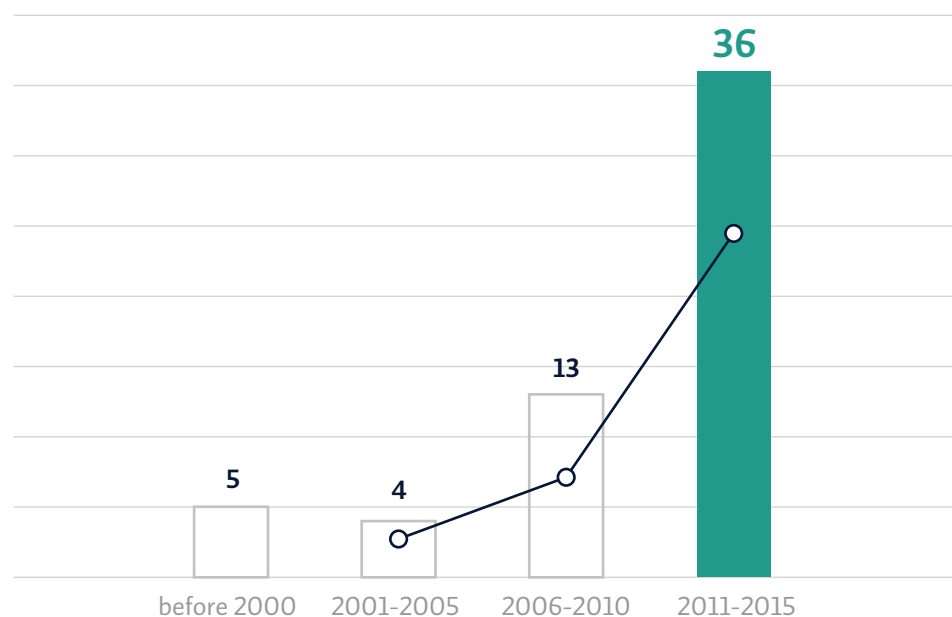
Khalid Alkhudair, Founder and CEO, Glowork

“KSA has the resources to become an entrepreneurial hub in the MENA but it needs an action plan. We have the biggest market, abundant financial institutions, capital, and knowledge - but we just need to bring these elements together and make them accessible for entrepreneurs. The country does not need more resources, but rather, a way to bring these resources together.”

1. Entrepreneurship is on the rise in the KSA

KSA's entrepreneurship ecosystem is relatively new, and most ecosystem support institutions were created between 2011 and 2015

Figure 1: Count of entrepreneurship support institutions launched in the KSA pre 2000 to 2016¹



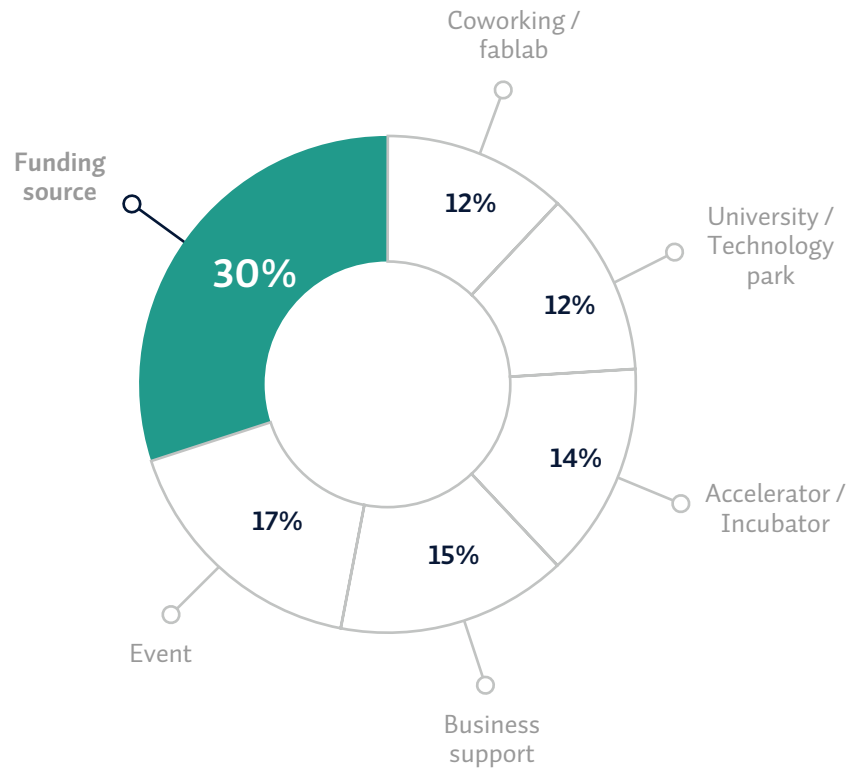
KSA's entrepreneurship stakeholders are offering startups financial and non-financial support

¹. Based on a WRL mapping of ecosystem support institutions in the KSA (non-exhaustive)

Image source (on the left): gan.co/members/view/flat6labs-jeddah

Funding sources account for roughly one-third of these support institutions

Figure 2: Percentage of entrepreneurship support institutions by type²



KSA's entrepreneurship stakeholders are offering startups financial and non-financial support

Figure 3: Mapping of key stakeholders (non-exhaustive)

Incubators/accelerators



Business support (non-financial)



2. Based on a WRL mapping of ecosystem support institutions in the KSA (non-exhaustive)

(Figure 3 continued)

Co-working spaces/fablabs



Funding sources



Technology parks/university-affiliated entrepreneurship programs



More than half (54%) of all entrepreneurship support institutions in the KSA are based in Riyadh. Riyadh is also home to more than 60% of all funding sources, accelerators and incubators in the KSA.

Figure 4: Distribution of support institutions by city

● Riyadh ● Jeddah ● Dhahran ● Makkah/Thuwal & Eastern province

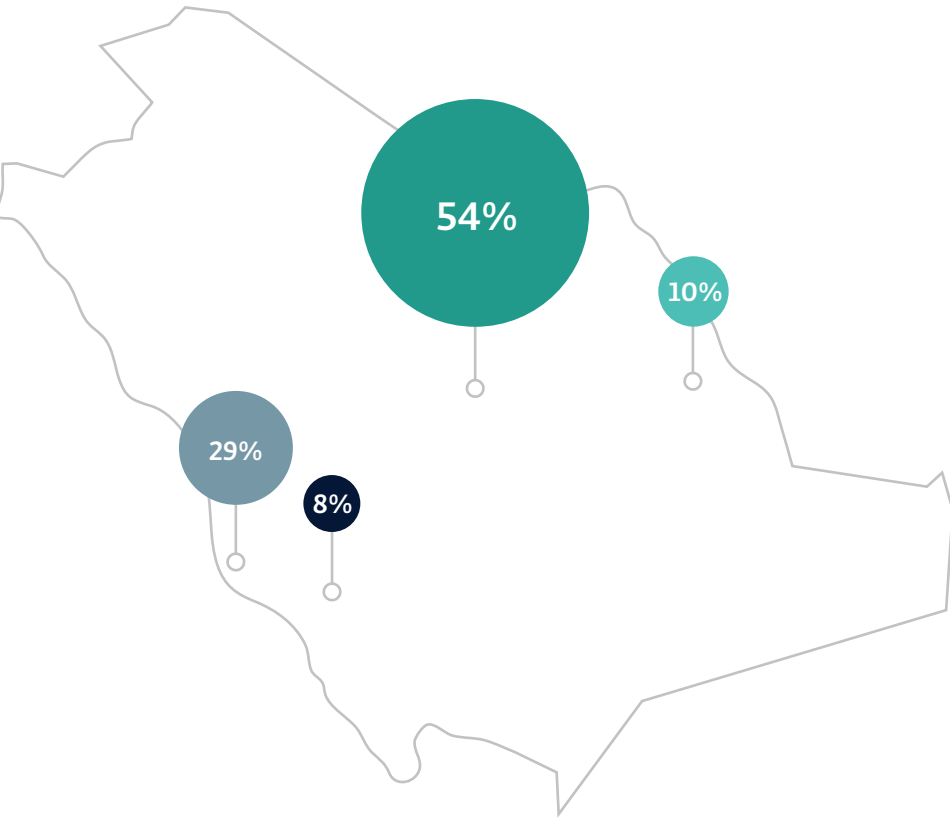


Figure 5: Distribution of support institutions by city

● Riyadh ● Jeddah ● Dhahran ● Makkah/Thuwal & Eastern province

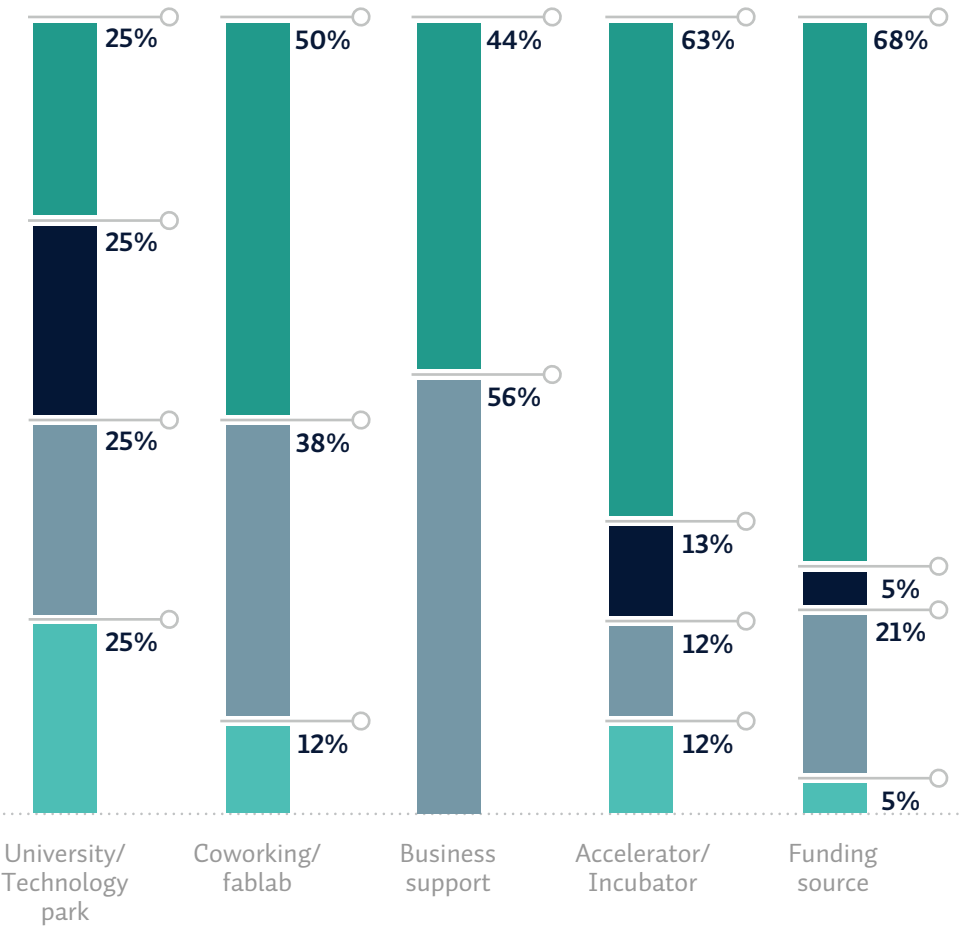


Figure 6: Mapping of entrepreneurship support institutions across KSA's four major cities (non-exhaustive)





Ibrahim Bamehriz, Co-founder and CEO, Kitch

“The idea of tech-enabled entrepreneurship has taken off in the KSA, and it is becoming more dominant among people who traveled abroad and gained international experience.”

The sheer geographic size of KSA allows it to have multiple ecosystems within its larger community.

Riyadh is the most active entrepreneurship ecosystem in the KSA, and it is also home to the majority of entrepreneurship support institutions. Riyadh is also home to three accelerators: Badir - Oasis500, launched in affiliation with KACST university, 9/10ths launched in partnership with KAUST, and last but not least, Inspireu, which was launched with STC as its main backer.

Moreover, most of KSA's supply of capital comes from Riyadh. While there are several active corporate venture capital firms, like STC Ventures, Mobily Ventures and the newly established ST Ventures, additional funding comes from government-backed funds, through matching funds as the Musharakah program run by Takamol or otherwise. This is the case with Taqnia Investments, a technology investment arm fully owned by the General Investment Fund, and operates under the umbrella of the Saudi Public Investment Fund. In general, the ecosystem in Riyadh is relatively balanced in terms of financial and support activities. The specific regional interest in the city may stem from the fact that it is the most populous city in the KSA, and it is also the capital of the country.

Jeddah is home to many of KSA's accelerators, most of which are specialized in certain industries. KAUST's Hikma focuses on IP-based startups, while Taqadam has a particular focus on financial technology startups. Flat6Labs is also a hallmark of Jeddah's startup support institutions as it offers a wide range of supporting services, including mentorship, technical training, and funding. The city is also home

to many non-financial support institutions like Qotuf AlRiyadah and Community Jameel.

Eastern Province has a concentrated focus on academia and technology parks with the presence of the Dammam Technology Park, the Prince Abdullah Bin Abdulaziz Science Park (PASP), and the Prince Mohammad Bin Fahd University. The cluster in Dhahran seems to be heavily focused on advancements in petrochemicals due to the large presence of Saudi Aramco and its various initiatives as well as the academic focus of The King Fahd University of Petroleum and Minerals (KFUPM). These institutions are primarily backed by Saudi Aramco, and the likes of SABIC and SEC are beginning to heavily engage with universities and parks. The entrepreneurship center from Saudi Aramco, known as Wa'ed, provides incubation, training, mentorship, grants, and business loans. In addition, Wa'ed Ventures, the \$200 million venture capital fund, is focused solely on the Saudi market, investing in seed to growth stage opportunities in energy, information & communication technology, manufacturing, healthcare, tourism, education and services, where local job creation and economic diversification can occur. Saudi Aramco Energy Ventures, the corporate venturing subsidiary of Saudi Aramco, provides venture capital to startups and high growth companies outside KSA. It specifically focuses on ventures with technologies of strategic importance to Saudi Aramco, which include upstream and downstream oil and gas, renewable energy, energy efficiency and water technologies.

Makkah and Thuwal are becoming key ecosystems in the KSA, especially because of the pilgrimage opportunities in Makkah and the presence of KAUST in Thuwal. Wadi Makkah is an initiative from Umm Al-Qura University, which includes an innovation center, an accelerator

and a venture capital fund. It has partnered with well-known national and international companies, such as Google, Saudi Aramco, STC and IBM. KAUST on the other hand, offers a variety of financial and non-financial support services, and has been a key player in enabling technology transfer and providing R&D facilities to entrepreneurs.

Comparing the four markets, it becomes clearer that the ecosystems in Riyadh and Jeddah are the most balanced in terms of financial and non-financial support. This makes the two regions more advanced in terms of entrepreneurial support networks and initiatives. While Riyadh offers more venture capital financing possibilities, the initiatives in Jeddah are targeting the business support side of the startup ecosystem.

The two other regions are mainly trying to establish clusters through universities. In Dhahran, the Dhahran Techno Valley combines KFUPM, corporations, most notably Saudi Aramco and SABIC and research initiatives. The clear academic and business focus on petrochemicals seems to heavily impact the initiatives on the ground. Therefore, it is debatable to what extent the initiative fosters entrepreneurship in the region, while it may still lead to innovative solutions in its focus sector. In comparison, Wadi Makkah offers an accelerator as well as a venture capital fund which explicitly targets startup companies from Umm Al-Qura students.

Another noticeable fact of all the four ecosystems is that most of the entrepreneurial support programs are run through big and established corporations or by the government.

2. Diverse initiatives to support entrepreneurship

Government buy-in continues to be the backbone of KSA's ecosystem

There are different government institutions mandated to directly support startup activity in the country. One example is the Loan Guarantee Program Kafalah, which issues bank guarantees to small and medium enterprises throughout the Kingdom. In 2012, Saudi Arabia formally launched new national information, communication and technology (ICT) fund for startup ventures worth \$133 million under the name Riyadh Taqnia Capital in Riyadh. Besides from ICT investments, the fund will also target investments in the sectors of energy, sustainability and advanced materials.^{vii}

Another important governmental institution is the Saudi Public Investment Fund which has joined forces with Japan's Softbank in order to create a new global tech investment fund.^{viii} The Authority fund already roughly invested \$3.5 billion in June 2016 into Uber, a ride hailing service.^{ix}



The government is indirectly funding universities, nonprofits, economic cities, and signing partnerships with corporations to further drive entrepreneurship support

The Saudi government introduced SME in 2015 to boost the economy by creating jobs for young Saudi nationals. The program works on introducing favorable laws and initiatives and on improving access to finance to support SMEs. Currently, SMEs are not major contributors to the GDP as compared to developed or advanced economies. Aligning with Vision 2030, the SME authority is planning to increase SME's contribution to GDP from 20 to 35%. This is done through the development of human capital and by strengthening the role of chambers in offering supporting programs like the Centennial Fund, Kafalah program and Abdulatif Jameel program. The Authority has also signed a strategic partnership with KAEC to host the SMEA 2017 Forum.







It is also important to underline that the government is indirectly funding universities, nonprofit, economic cities, and signing partnerships with corporations to further drive entrepreneurship support. An example of the above is KAUST, which is very active in the entrepreneurial sphere and which has received a sizable grant from the Saudi government.







***Muthanna A. Al Hassan**, Senior Strategy Analyst, Small & Medium Enterprises Authority (SMEA)*

“Our mission is to increase SMEs’ GDP contribution to 35%. Today, SMEs in advanced countries contribute to more than 50% to GDP.”

Figure 7: Sample of notable government initiatives related to entrepreneurship in the KSA (non-exhaustive)

		
Entity	Initiative	Description
 <p>Ministry of Labor Kingdom of Saudi Arabia</p>	<p>A. National Labor Gateway (Taqat)</p> <p>B. 9/10th</p>	<p>TAQAT is building the Kingdom's largest virtual labor market platform for both the public and private sectors. The platform aims to create training opportunities and acting as a one-stop shop for labor market services.</p> <p>Sponsored by HRDF (Human Resource Development Fund) and operated by Takamol holding, the 9/10th is an accelerator program for early stage entrepreneurs.</p>
 <p>البنك السعودي للتسليف والإيداع Saudi Credit & Saving Bank</p>	<p>Loans to SMEs and entrepreneurs</p>	<p>Financing SMEs and providing zero interest loans to Saudi nationals starting from \$80,000 and reaching \$2 million. Preference is given to non-traditional projects, and ones in underdeveloped areas.^{xi}</p>
 <p>الهيئة العامة للمنشآت الصغيرة والمتوسطة Small & Medium Enterprises General Authority</p>	<p>A. New laws, rules and regulations to develop business. Improving access to capital</p> <p>B. Facilitating business environment</p>	<p>The authority is undertaking several initiatives to foster SMEs development in the Kingdom, one of which is signing partnerships with large established organizations, like STC, to allocate 15% of their procurement in favor of SMEs.^{xii}</p> <p>The authority is working on facilitating access to capital by improving financial institution funding from 5% to 20% by 2020. Moreover, the authority provides entrepreneurs with training and education that allows them to understand business opportunities and practices. It also supports SMEs in the incubation and acceleration process.^{xiii}</p>

(Figure 7 continued)

 <p>الهيئة العامة للاستثمار SAUDI ARABIAN GENERAL INVESTMENT AUTHORITY SAGIA</p>	<p>A. Network of business centers across KSA</p> <p>B. Licensing program</p>	<p>SAGIA created a network where each center provides resources to help with an agile set up of businesses. Services include advice on license requirements and post-license support.</p> <p>In partnership with KAUST, SAGIA launched a new license class for innovators, both local and international students, involving all the Kingdom's educational and scientific institutions.</p>
 <p>صندوق التنمية الصناعية السعودي Saudi Industrial Development Fund</p>	<p>Kafaleh</p>	<p>A program launched by SIDIF in partnership with Saudi banks to promote financing of SMEs within the KSA, urging banks to fund such businesses by guaranteeing those financial institutions a percentage of the funding. In 2014, the construction sector received 60% of the guarantees.^{ixv}</p>
 <p>وزارة التجارة والصناعة Ministry of Commerce and Industry</p>	<p>Exemption package</p>	<p>The Ministry offers a package to help SMEs by exempting them from paying for an office space for five years in King Abdallah Economic City (KAEC).</p>
 <p>السلطة الائتمانية SIMAH Saudi Credit Bureau</p>	<p>Saudi Authority for Accredited Valuers (Taqeem)</p>	<p>Taqeem is a methodological probability of default tool (quantitative and qualitative data) for SMEs that encourages banks to offer them loans. With this access to finance SMEs can expand their businesses.</p>

Corporations are also engaging with startups, mainly through funding and sponsoring events

Most funding institutions available for startups in the KSA have been launched by corporations, either through venture capital funding or through designated investment arms. Notable examples are the funding options from Wa'ed that include grants up to \$27,000, business loans up to 1.3 million, and the Wa'ed Ventures fund that can invest up to \$10 million of equity in a single venture. Additionally, the Wa'ed Startup Lab incubator offers startup companies an array of services, training and amenities to support them as these companies grow. Wa'ed offers other Kingdom focused workshops dealing with ideation, pitching, business plan formulation, etc, including a recent bootcamp called Litenmoo held at Prince Mohammed Bin Salman College (MBSC).

Similar programs have been launched by Etihad Etisalat, MBC Group and the Saudi Telecom Company. While Wa'ed does not focus on a specific industry, these organizations have a clear focus on information technology, telecommunications, and digital media/entertainment sectors. Even multinational corporations are taking note of entrepreneurship in the KSA, with Ford signing a strategic partnership with Effat University to further promote women entrepreneurship in the Kingdom.









Corporations in the KSA, which have long been home to large family-owned conglomerates, are beginning to recognize the importance of digitization and the usage of technology to become innovative and competitive. Larger corporations have already started supporting entrepreneurs. but aside from a handful in the KSA, they remain the exception rather than the trend.



Mohammad Zekrallah, Cofounder & CTO, Cura

“Although there are many entities in the KSA working with and investing in startups, they are often more focused on late stage startups rather than on seed or early stage ones. That’s one of the reasons why early stage startups are having a hard time getting investments in the KSA.”

Figure 8: Mapping of notable corporate initiatives (non-exhaustive)

		
Entity	Initiative	Description
		Founded in 2012, STC Ventures is a capital venture fund investing in both early and late stage companies with a focus on GCC, MENA and Turkey. Some of its investments include Careem, Compareit4me and Modanisa. ³
		A technology venture capital fund, established in May 2017, it aims to fulfill the technological ambitions set by Vision 2030, by investing in digital sectors. Size of the fund is \$500 million making it the biggest venture capital fund in the Middle East.
		Inspireu is KSA's first corporate digital incubator targeting ICT and early stage startups. It offers seed funding of \$20,000, access to STC's infrastructure, an exchange program, and investors. These include Newgen, Zeewhere and DLVR.
	Startup Lab	The StartUp Lab incubator targets innovative entrepreneurs with ideas in areas such as mobile applications, electronic devices, and technology startups which are in the early stages of the development process and require incubation to help develop proof of concept and to facilitate further funding. Grants of up to \$27,000 are available to worthy startups
	Wa'ed loans	Wa'ed has approved over 85 business loans of up to \$1.3 million to KSA companies spread across the entire country that has yielded over 3000 direct jobs.
	Wa'ed Ventures	A \$200 million venture capital fund dedicated to investing in KSA-based entrepreneurial and growth companies to further support economic development including job creation for Saudi nationals, technological improvement, knowledge transfer, economic diversification and growth within the Kingdom.

(Figure 8 continued)



Small business finance program

MITEF is an NGO founded in 2015 in partnership with MIT, that is working on informing, coaching, and connecting tech entrepreneurs in the Kingdom.

It offers zero interest loans for women and youth with creative business ideas to help them set up their businesses.

Other initiatives from Community Jameel include Injaz Saudi Arabia and Bab Rizq Jameel.



Founded in 2014, the venture capital specializes in early stage, seed, and growth-stage investments offering between \$300,000 and \$3 million. It focuses on MENA startups in the telecommunication, information technology, media and entertainment industries. Portfolio companies include Fetchr and Anghami.



Offering training in accounting and business management for low income groups, based in Makkah.

Founded in 2005, in collaboration with MIT it aims at unleashing the youth's scientific creativity. It features engineering and electronic equipment including 3D printers.



Invests in telecommunication, media and technology startups in the MENA, offering funding of \$500,000 in return for 10-20% of equity. Its portfolio includes Anghami, Kharabeesh and Supermama.

In partnership with Potential, MBC Al Amal launched a program providing better entrepreneurial access for women in the MENA by providing training, finance, and support.

The rise of non-governmental organizations and funding institutions is facilitating the access to mentorship, training, and capital for entrepreneurs

Several non-governmental institutions, such as Injaz, I2 Institute and Bab Rizq Jameel, are providing mentorship and trainings in business-related subjects to entrepreneurs. Qotuf is an example of a nonprofit institution that was established with the support of the Ministry of Labor or Taqnia investments, which operates under the umbrella of the Public Investment Fund. Others include multipurpose foundations, like the King Khalid Foundation, which aims to improve KSA's social and economic welfare by offering incubation programs, grants, social entrepreneurship, and youth development programs.

Moreover, a large number of venture institutions explicitly focus on ICT technology, media and entertainment, while the other majority invests in energy, sustainability, and material science. Few of the evaluated investment companies, including Raed Ventures, Kingdom Holding, and Malaz Capital have a broader portfolio, investing across different sectors from real estate to digital health. Some provide additional services, mostly in business-related fields, while often allowing access to their own industry network. Malaz Capital offers a Saudi SMEA fund focused on value added sectors like consumer goods and services, media, education and healthcare. KSA is also attractive to global ventures capital players, including Bluevine and iTech Capital.

KAUST Innovation Fund, a relatively active fund, invests in high-tech startups within an institutional research focus on science, engineering, energy, and computer science. The fund offers less than \$200,000 in the

seed stage and up to \$2 million as early stage funding. Some of the startups that were launched through the KAUST Innovation Fund are receiving extensive external funding as well as media funding, two examples of which are NOMADD and Falconviz. The most active investors seem to be the venture funding arms established through corporate entities as the associated websites are offering a portfolio and funding overview.








In general, most of the funds offer between \$0.1 million and \$2 million in the seed stage for around 10% to 20% equity stake. The largest funding is made available by Saudi Aramco Energy Ventures which offers between \$5 to \$10 million over two to three rounds of financing, with a flexibility to invest from \$1 million up to \$30 million total exposure per company for 5% to 35% in equity shares.







Trey Goede, Origination, Investment and Portfolio Management, Aramco Entrepreneurship Ventures, Wa'ed

“Given the emerging status of the ecosystem in Saudi, it is encouraging to know that if entrepreneurs have some general knowledge, experience and passion, then there are many support systems and mechanisms in place to help them.”

Figure 9: Sample of key funds in the KSA (non-exhaustive)

			
Name	Location	Description	Year Founded
 N2V.com	Riyadh	<p>Description: One of the largest internet holding groups in the KSA investing in Arabic consumer web and mobile ventures. N2V is a member of National Technology Group (NTG), the region's largest ICT conglomerate.</p> <p>Focus: A large focus on digital disruption in the Arab world as well as San Francisco, looking for ventures in ecommerce, digital publishing, social media, games, mobile apps, web forums, and user generated content.</p>	2007
 KAUST	Thuwal	<p>Description: A private research university that has also established funds for early stage VC. Includes KAUST Innovation Fund as well as the recently established Sharia-compliant Beacon I Venture Fund, created in collaboration with the Islamic Corporation for Development of the Private Sector and Anfaal Capital. KAUST partners with companies like SABIC, Aramco and Hikma.</p> <p>Focus: High-tech startups from seed (less than \$200,000) to early stage (up to \$2 million) in the region and internationally.</p>	2009
 أرامكو السعودية saudi aramco entrepreneurship	Dhahran	<p>Description: Wa'ed Ventures is a \$ 200 million venture fund and is the capital arm of Saudi Aramco Entrepreneurship Center (Wa'ed), established by Saudi Aramco with the vision of promoting the spirit of entrepreneurship in the Kingdom of Saudi Arabia. The funding offered is up to \$ 5 million per transaction, currently the venture has 18 approved deals 13 of which have closed. It offers a range of programs that assist entrepreneurs in enhancing and establishing their businesses. These programs support innovative ideas and SME's that localize industries and diversify KSA's economy.</p> <p>Focus: The fund offers Seed, Early Stage Venture, and Later Stage Venture Investments with a broad industry scope of investment excluding retail, real estate, construction or defense.</p>	2011

(Figure 9 continued)

	Dhahran	<p>Description: The corporate venturing subsidiary of Saudi Aramco, the world's leading integrated energy and chemicals company. Mission is to invest in companies with technologies of strategic importance to Aramco, to accelerate their development and their deployment in the Kingdom of Saudi Arabia.</p> <p>Focus: Globally invests into early stage and high growth companies dealing in upstream and downstream oil and gas, petrochemicals, renewables, energy efficiency, and water sectors.</p>	2012
	Jeddah	<p>Description: SVCIC is a Saudi Closed Joint Stock Company that is fully Sharia-compliant. The objectives of the company are to provide dealing, managing, advisory, arranging, and custodial services.</p> <p>Focus: Currently provides corporate finance and asset management services that includes private equity to institutional investors, corporate clients, and high net worth individuals in the region, while slowly attempting to lead the development of the venture capital industry.</p>	2004
	Riyadh	<p>Description: A comprehensive financial services firm that adheres to the highest standards of Sharia compliance. In addition to asset management and financial advisory, it also focuses on private equity investments. So far, it has invested a total of five billion Saudi riyals in nine PE transactions. Their added value is focused on corporate governance, strategy, corporate finance, management, and business development.</p> <p>Focus: Investment philosophy rests on privately held companies with reputable partners, strong market position, and great potential in their respective sectors.</p>	2007
	Riyadh	<p>Description: Venture Capital focused on MENA seed funding to middle-stage funding. It has a Saudi SME fund which plays a role in developing qualified and independent workforce as well as in encouraging woman entrepreneurship.</p> <p>Focus: It invests in sectors like education, healthcare, communications between \$10,000 to \$1 million.</p>	2000

Invested stakeholders and entrepreneurs cite awareness and acceptance as the top two catalysts for the KSA's ecosystem growth

Public perception regarding entrepreneurship has significantly improved over the years, especially among more privileged individuals. In a recent Global Entrepreneurship Monitor (GEM) report about KSA's startup ecosystem, more than two thirds of 4,000 survey respondents of the working population consider setting up a business as a good career choice, and a quarter of them cited that they are thinking of starting their own business.^{xv}




Universities also play an important role in promoting entrepreneurship in the country. The King Fahd University of Petroleum and Minerals (KFUPM) is one example of a university institution working on developing an entrepreneurial mindset and culture among university students and staff by offering them incubation, entrepreneurship education and studies centers. Some of the startups that were born there include Feelit, Zeez and Innosoft. Another example is King Saud University's intellectual property and technology licensing program, which protects UP for ideas and innovations in addition to facilitating the patent registration process and funding scientific research. KAUST and Effat University are also launching startup-related programs and initiatives.



Turki Fageera, Founder, EduMe

“People became more exposed through the government’s scholarship program, and they have been the real driving force before the ecosystem development. Students come back after university and shift away from the secure government or large corporate job mentality.”

Figure 10: Mapping of notable events (non-exhaustive)

		
Name of the event	Description	Year
Aramco Entrepreneurship Center: Entrepreneurs Network	A network for entrepreneurs has been created by Aramco's entrepreneurship center for entrepreneurs who received either financial or non-financial support from Wa'ed, where they were given the opportunity to learn and collaborate with each other.	2013
Flat6Labs Jeddah Demo Day	The Flat6Labs Jeddah accelerator founded by Qotuf, hosted a group of diverse Saudi startups/entrepreneurs and allowed them to showcase and pitch their ideas to investors and industry-leading professionals.	2013
Startup Weekend KSA	Part of KACST's activities, the intense 54-hour event was focused on coding, designing, and validating Saudi entrepreneurs' ideas. It allowed anyone to pitch their ideas and get feedback from the attendees.	2013
Global Entrepreneurship Week (GEW) Saudi Arabia	In partnership with Qotuf, GEW was brought to KSA where innovators and entrepreneurs came together to celebrate bringing ideas to life, drive economic growth, and expand human welfare.	2014
UQU Innovation and Entrepreneurship Forum	Entrepreneurship experts joined local experts and discussed strategic development plans for Makkah and how they could transform KSA's economy into a knowledge-based economy.	2014
StartSmart Saudi Arabia	20 international and local speakers gathered to talk about entrepreneurship and digital innovation challenges and opportunities. The purpose of the conference was to motivate and encourage Saudi entrepreneurs to think of successful ideas.	2015

(Figure 10 continued)

MITEF Saudi Arabia	The forum provided local entrepreneurs with the knowledge, training and network for diverse social and commercial fields allowing them to bring their ideas to life.	2015
MISK Global Forum	Local, regional, and international speakers came together to empower KSA youth and unleash their potential. In the forum, leadership sessions were offered, knowledge exchange, and networking.	2016
Arabnet Riyadh	KSA’s leading forum, it focused on the opportunities that rose from Vision 2030. Tackling entrepreneurship, media, and business, it invited regional and global speakers to discuss KSA’s digital frontier.	2016
Mix N’ Mentor Riyadh	Mix N’ Mentor is Wamda’s flagship event that connects entrepreneurs in need of mentorship and advice with experienced investors. The event took place in partnership with KSU’s King Salman Institute for Entrepreneurship.	2017



Trey Goede, Origination, Investment and Portfolio Management, Aramco Entrepreneurship Ventures, Wa’ed

“The ecosystem needs more experienced mentorship from individuals who have done this before. The tried and true private equity experience in Saudi Arabia doesn’t necessarily translate into venture capital, therefore it is very important that the first movers here, doing things the right way, share this knowledge and collaborate often with anyone that has an interest in entrepreneurship.”

3. Entrepreneurship in the KSA: A difficult endeavor

Despite KSA's ecosystem growth, entrepreneurs in Saudi and those seeking to enter this market are facing many challenges. While most of these challenges are region-specific, and not necessarily KSA-specific, they do shed light that more tailored resources need to be deployed to further develop and better integrate the ecosystem. Today, KSA's ecosystem lags behind other ecosystems in Asia and Oceania. A recent GEM report assessed 12 factors in the KSA's entrepreneurial ecosystem and compared it to other countries in Asia and Oceania, and out of the 12, only one factor (physical infrastructure) was more sufficient compared to the other countries. The remaining 11 out of 12 were lagging behind in areas that included government policies on taxation and entrepreneurship programs. ^{xvi}

During interviews conducted with entrepreneurs and ecosystem stakeholders, we concluded that the top challenges entrepreneurs face when setting up and doing business in the Kingdom are access to talent, access to capital, and bureaucracy.

Today, KSA's ecosystem lags behind other ecosystems in Asia and Oceania



Osama M. Ashri, Head, SME and Entrepreneurship, King Abdullah Economic City, KAEC

“One thing I have noticed is that the top three challenges: policies and regulations, access to finance and talent, are not unique to Saudi Arabia. These three challenges are universal, and entrepreneurs in the USA might face the same ones. What is different is the scale, the context maturity, and the nature of the business.”

Figure 11: Expert ratings of the entrepreneurial ecosystems (ranked out of 66)

— Asia & Oceania — Saudi Arabia 1 = highly insufficient, 7 = highly sufficient

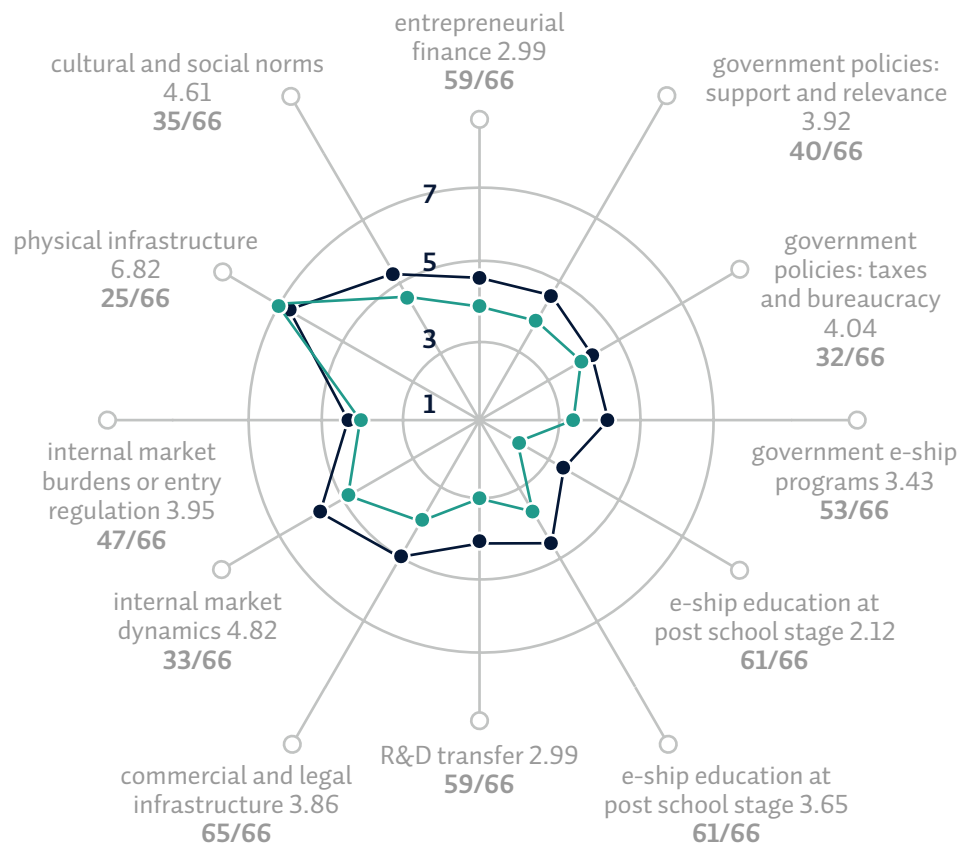





Figure 12: Top three challenges entrepreneurs and ecosystem stakeholders identified in the KSA

		
Challenge	Description	Quotes from interviews
Access to talent	Interviewees noted that talent is available in the Kingdom, but access to that talent remains a challenge. This may be due to underdeveloped HR processes, insufficient hiring channels, and/or entrepreneurs who are having to compete with larger, more secure organizations for talent.	<p>“There is a lack in HR practices and startups are not willing to invest money in hiring qualified HR personnel that can identify the skills required for specific jobs. They think that qualified individuals do not exist, when in fact, they do not have the right processes in place to find who they are looking for.”</p> <p>– Khalid Alkhudair, founder & CEO, Glowork</p> <p>“Hiring talent in the KSA is very tough- it’s not easy to find qualified talent with both soft and technical skills. Talent is available in the Kingdom but access to employment channels is not very organized.”</p> <p>– Ibrahim Bamehriz, cofounder & CEO, KITCH</p>
Access to early stage funding	Interviewees acknowledged that KSA is abundant in terms of financial resources, but entrepreneurs find it difficult to access the funds, claiming that investors are risk-averse and look for more mature startups. Even with the availability of loans offered to SMEs, this creates a new set of challenges for entrepreneurs if they can’t repay the loan, especially that a high percentage of startups fail.	<p>“Investors in the MENA are used to real estate investments since it is the safest and because no one is there to blame them. However, the region needs more risk-taking investors. That will make 10 times or 100 times ROI success stories happen, which will boost the entire regional ecosystem.”</p> <p>– Mohammad Zekrallah, cofounder & CTO, Cura</p> <p>“SME loans account for less than 2% of commercial banks’ total loans. Our role is to assist in increasing this number and unlock access to various sources of funding channels for entrepreneurs either equity or debit.”</p> <p>– Muthanna A. Al Hassan, senior strategy analyst, Small & Medium Enterprises Authority (SMEA)</p>

(Figure 12 continued)

Legal hurdles

Although the government has made strides in reducing the regulatory obstacles for starting a business, entrepreneurs and ecosystem stakeholders still cite legal hurdles as one of the top three challenges facing their company. More specifically, the bureaucratic and costly procedure associated with obtaining a commercial or industrial license. This challenge is also exacerbated for non-Saudi nationals trying to enter KSA.

“We would like to see more relaxed regulations in the KSA when it comes to technology startups as most of those are operating remotely, so why should they rent an office space to obtain a commercial registration and incur huge costs at the beginning? Regulations should lower the barrier of entry so we see more startups born every day and let their work in the market determine their success or failure not a huge upfront office rental bill.”

– **Mohammad Zekrallah**, cofounder & CTO, Cura

“Government contracts are not startup-friendly. More often than not, international consulting companies are awarded government contracts but they outsource it to startups. But, we do not meet the eligibility criteria for government RFPs.”

– **Khalid Alkhudair**, founder & CEO, Glowork



Dr. Faisal Al-Kadi, President, Faiour Enterprises

“KSA ranks number one out of 65 countries in the perception of potential entrepreneurial opportunities—that doesn’t mean everyone will become an entrepreneur, but that there is a favorable attitude towards this path and an inviting environment for it”

4. Through challenges, success stories are born



The Kingdom is the most populous country in the GCC and the fifth most populous the Middle East

KSA is an important country for entrepreneurs, mainly because it is the biggest market in the MENA. The Kingdom is the most populous country in the GCC and the fifth most populous in the Middle East. Moreover, it has one of the highest average incomes per capita in the region making it an attractive market for regional and international businesses. A Wamda Research Lab (WRL) report shows that while most entrepreneurs from the UAE, Jordan, Egypt, and Lebanon wanted to enter KSA, a small percentage have been able to do so, as shown in Figure 13 below.^{xvii}

Already, the country is breeding the next wave of unicorns. Several tech startups, like Paytabs, Morni, and Dokkan Afkar are making their footprint in the KSA. Paytabs backed with \$16.5 million from Wa'ed and angel investments aims to revolutionize the ecommerce market with its online payment processing tools. Morni operates in the services industry and is utilizing technology to allow individuals and organizations request on demand roadside assistance. They have raised \$1.1 million since 2014 from both Raed Ventures and 500 Startups. Last but not least, Dokkan Afkar founded in 2012 is an ecommerce platform for creative and inspirational products backed by Mobily Ventures and in May 2017 the company closed a \$2 million round from Riyadh Taqnia Fund (RTF).^{xviii}



Bader Alzahrani, Managing Director, Endeavor Saudi Arabia

“Resources needed for the ecosystem to flourish are - the delivery of the correct impression and awareness about the journey and to separate the social aspect from entrepreneurship. Risks should be taken to shape our landscape, no shame of failure from both startups, and even emerging VC funds. Everyone should take calculated risk, we need more VCs coupled with effective mentorship. Both aspects of mentorship are vital; holistic one about the strategy and vision of the company and another one a more in-depth vertical based mentorship”



Yousef Hammad, Managing Partner, BECO Capital

“To build a truly successful business, one needs to go all in and not work on five or six projects simultaneously.”

Figure 13: Percentage of entrepreneurs who would like to scale into KSA versus entrepreneurs that have already scaled from the UAE, Jordan, Egypt, and Lebanon.

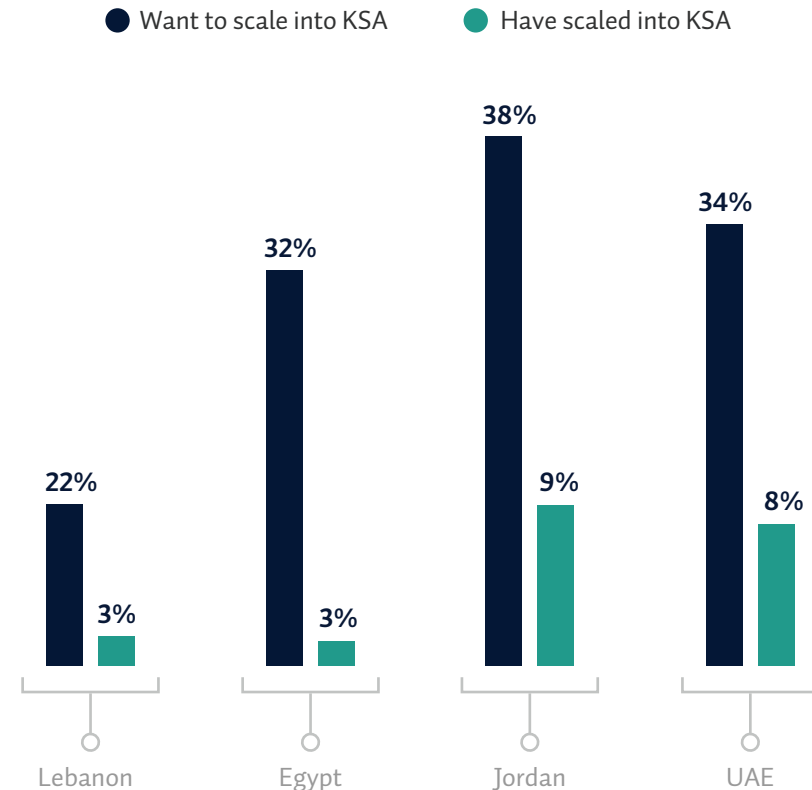


Figure 14: Major startups in the KSA

Online services

Legend:

 Founded
  Industry
  Country
  Website
  Funding

**1. Selsal**

Provides all the details about Saudi wedding requirements and assists you to take care of every detail in the lead-up to the wedding.



2015



Jeddah



Online wedding planner



www.selsal.co

**2. Vanoman**

Furniture transport service providers in the KSA.



2015



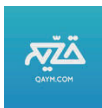
Jeddah



Online booking platform



www.vanoman.com

**3. Qaym**

Allows users to write their own reviews on restaurants and cafés. Delivers easy access content for Arabic readers. Offers B2B services to enhance online visibility and advertising.



2008



Riyadh



Online reviews



www.qaym.com

**4. Polisher**

A mobile car wash service that allows customers to get their car's exteriors and interiors washed anywhere they might be.



2014



Jeddah



Services



www.polisher.co

**5. HungerStation**

Online food court that operates in Saudi and Bahrain.



2012



Ad Dammam



Online ordering



www.hungerstation.com



Acquired by Foodpanda
in August 2016

**6. Sawerly**

Offers a medium between photographers and clients for photoshoots, events or family gatherings.



2013



Jeddah



Online marketplace



www.sawerly.com



Raised \$211,000 seed
in January 2015

that allows, remove will

B2B and ecommerce



1. Ejadah

A world-class software service to small and medium enterprises in all Arab countries.



2014



Jeddah



Software as a service



www.ejadahsoft.com



2. Sondooq

Bundles different sets of products together to save hassle and confusion.



2014



Jeddah



Ecommerce



sondooq.co



3. Kanoosh

Mobile app that connects people's needs to relevant products.



2013



Riyadh



Marketplace



www.kanoosh.com



4. Offways

Offers deals and perks for companies that install the platform. Gives employee discounts for these companies.



2013



Jeddah



B2B



www.offways.com



5. Estickery

Sells customized wall stickers and wallpapers.



2013



Jeddah



Ecommerce



www.estickery.com



6. Wateeny

Allows users to snap and sell on their application.



2015



Riyadh



Classifieds



www.wateeny.com

(B2B and ecommerce continued)

**7. Arabrooms**

Targets local traveling from the Gulf region. Offers serviced apartments.



2011



Jeddah



Ecommerce



www.arabrooms.com

**8. Halalat**

Offers discounted deals on restaurants, hotel accommodations, beauty treatments, activities, and retail products.



2013



Jeddah



Ecommerce



www.halalat.com

**9. Abi Sayara**

Offers credible information from users and car experts to help customers formulate an opinion on what to buy, from where, and for how much.



2011



Riyadh



Classifieds/digital media



www.abisayara.com

**10. Lammt.com**

Provides entertainment solutions for weekends/vacations with family/friends.



2015



Jeddah



E-Ticketing solutions for event organizers



www.Lammt.com

**11. Mother & Child Guide**

Offers tips and advice for mothers with children.



2011



Riyadh



Content



www.motherchildguide.com

**12. Almawred**

Arabic e-book publisher.



2011



Riyadh



Education/publishing



www.almawred.biz

GOLDEN SCENT

13. Golden Scent

A premier online shopping destination for fragrances, makeup and cosmetics that aims to revolutionize the beauty market in the KSA.



2014



Dubai



Ecommerce



www.goldenscent.com

**12. Haraj**

A leading company in ecommerce in the KSA, becoming a one-stop shop for all classifieds in the Kingdom after starting with a focus on cars and moving on to Real estates.



2007



Riyadh



Ecommerce



haraj.com.sa

Technology



1. Wade7

Online math courses to help students learn, solve, and prepare for exams.



2013



Jeddah



Edtech



www.wade7.com



2. Irehab

Combines many different tools for applying exercises like online consultation, face to face or by email, 3D visual exercises, weekly lessons and home exercise programs for children.



2008



Jeddah



Healthcare/tech



www.irehab.co



3. Smartable

Smartable narrows the gap between education outputs and workforce skill requirements through best utilization of psychometric and aptitude exams.



2014



Jeddah



Edtech



www.smartable.me



4. Aidmaid

Aims to reduce crime rates and help save lives.



2015



Jeddah



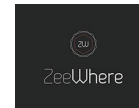
Emergency app



www.aidmaid.net



April 29th, 2015,
\$200,000 seed



5. Zeewhere

Location-based social network.



2013



Riyadh



Tech



www.zeewhere.com



Raised \$34,680 seed
in August 2014

Others

**1. Smartwashr**

Location-based service app for local laundries which allows customers to request pickup and drop off by using top laundry companies.



2014



Jeddah, Riyadh



Mobile app



www.smartwashr.com

**2. Aya Games**

Serves the huge Arabic market through creating unique culturally relevant content and also localizing successful international games and concepts.



2014



Jeddah



Gaming



www.ayagames.co

**3. Nujeed**

Saudi online platform to bridge the gap between local private companies and employable Saudi talent.



2015



Jeddah



Recruitment



www.nujeed.com

**4. Uturn**

A leading Arabic regional entertainment network on YouTube, creating premium content with a vision to promote Arabic content around the globe.



2010



Jeddah



Media and entertainment



www.uturn.me



Raised \$10 million series B from leap ventures in February 2016

**5. Teamreem**

Focuses on game genres that have language and cultural content at their core.



2015



Jeddah



Gaming



www.team-reem.com

**6. Maharah**

Application that enables individuals to get quick home maintenance services with high quality and comparative price by skilled labor.



2015



Jeddah



Blue collar service



www.maharah.co

5. Multiple startup opportunities

I. Media and ecommerce

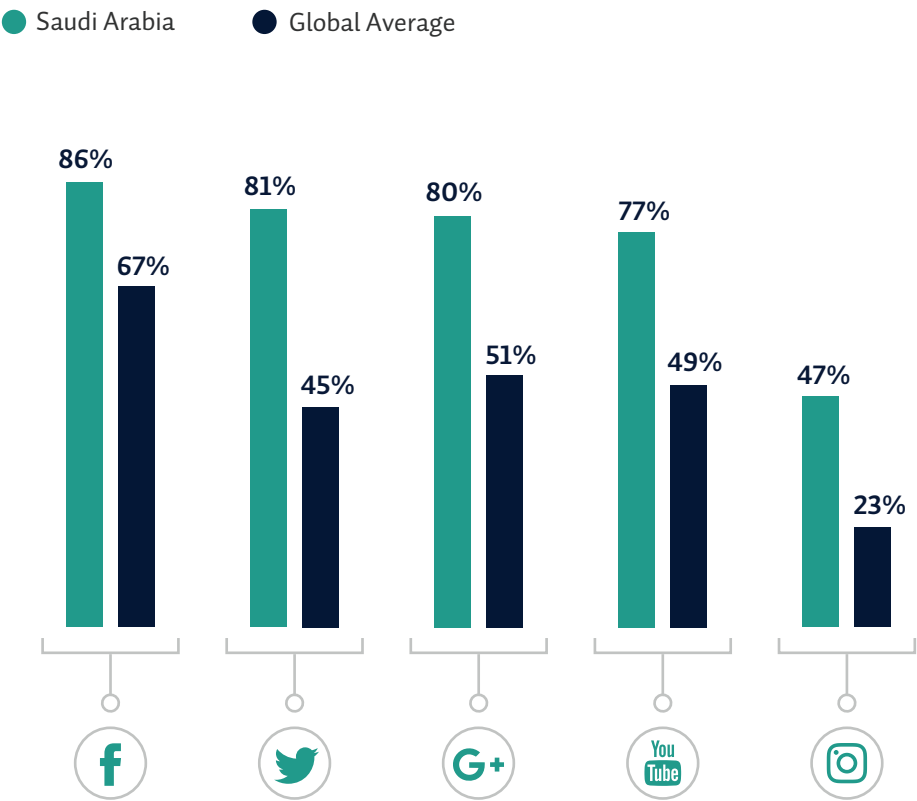
In line with global trends, KSA's media landscape is undergoing fundamental changes fueled by technology, content digitization, and bulging youth consumers.

KSA consistently ranks among the most connected and engaged countries across the region. The current internet penetration among Saudi nationals stands at 93%, and smartphone penetration is at 73% per capita.^{xix}

When it comes to social media, KSA is considered a key target market for entrepreneurs and advertisers. The rise of social media is one of the key driving forces behind the shifting digital content consumption in the KSA. Today, KSA residents are approximately spending five hours a day using social media. In terms of network platforms, Facebook, Facebook Messenger, Twitter, and Instagram continue to take the lead. With 2.4 million users, KSA is home to 40% of all active Twitter users throughout MENA, and the country accounts for 10% of all Facebook users throughout MENA. Moreover, its YouTube consumption is the highest per capita in the world. Recently, Snapchat has been gaining more popularity, and with live features of Makkah and Riyadh, it has attracted millions of viewers.

The country is also on a mission to improve the national talent pool which requires better educational methods and school curriculum

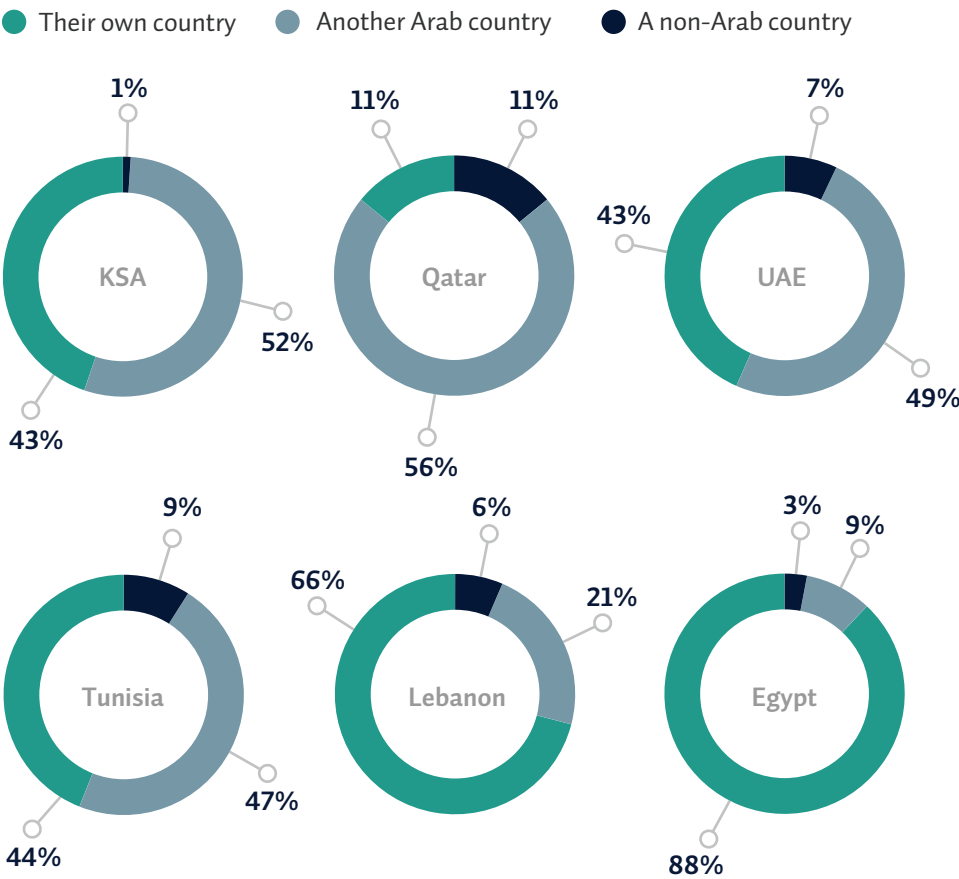
Figure 15: Social Media in Saudi Arabia.^{xx} Saudis join social networks at a higher rate and spend more time on them than internet users around the world.



Source: GlobalWebIndex Saudi Arabia Market Report, 1Q 2015 (Bloomberg)

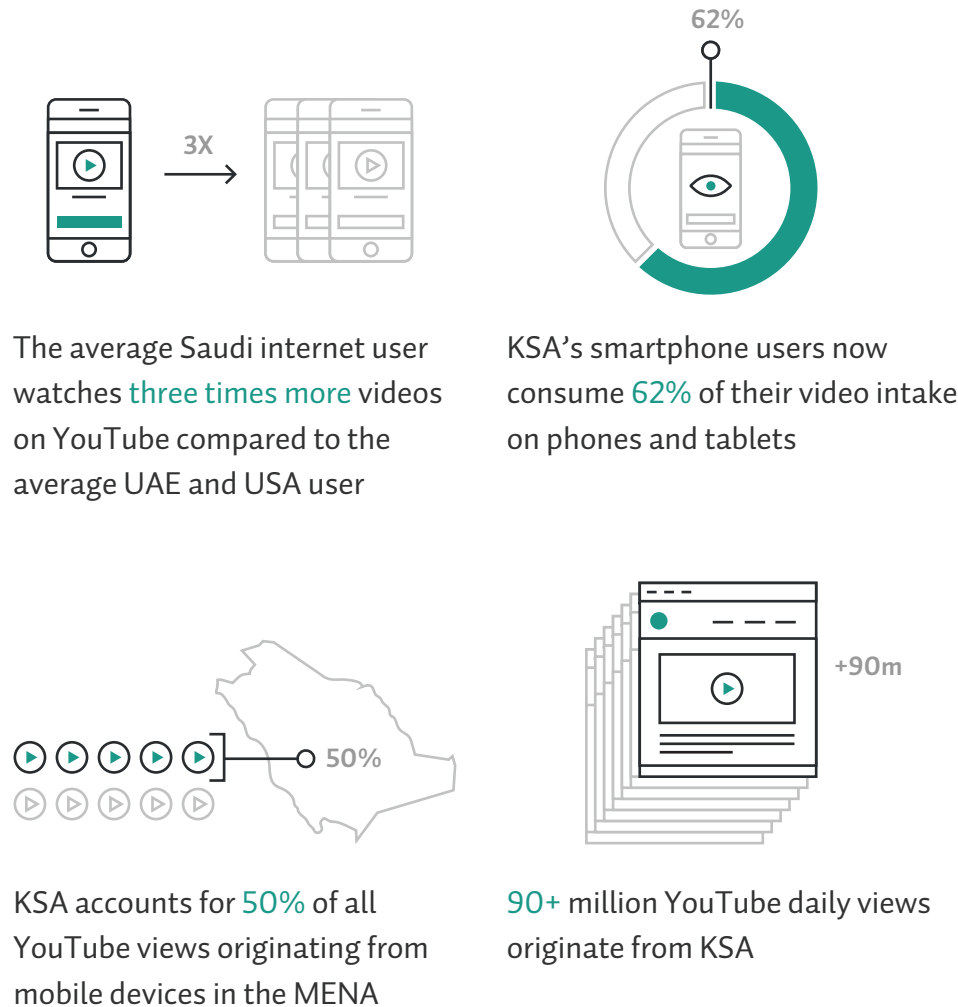
Around 99% of Saudis access the internet in Arabic, compared to 81% in Lebanon.³ Moreover, the majority of Saudi nationals consume entertainment from Arabic nations, 95% of Saudi’s surveyed said their favorite entertainer comes from an Arabic country with 43% saying their favorite entertainer is from KSA as seen in Figure 16.⁴

Figure 16: Percentage of respondents that said that their favorite entertainer is from:



The country also accounts for half of all YouTube videos viewed from mobile devices in the MENA

Figure 17: Video consumption in the KSA among Saudis



While KSA's digital youth are primarily consuming social media for entertainment and keeping up with their social networks, a wide array of entrepreneurs, especially women, are capitalizing on platforms like Instagram to sell products and shop. Doing so allows them to bypass the regulatory restrictions and cultural complications of physically setting up shops. 'Insta-businesses' are considered part of the informal economy in the KSA, and a source of economic independence for Saudi women.




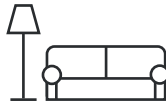

In 2016, the ecommerce market in the KSA grew by 37%. KSA and the UAE together account for nearly three quarters of total ecommerce transactions in the region.^{xxv} Receiving an investment of \$1 billion in a seed round led by Alabbar group, an ecommerce platform called Noon, inspired by its customers, is expected to launch this year and will offer 20 million products. Noon will expand next year to Iraq and Egypt in the next year and is projected to be profitable in the next five years.^{xxvi}

3. Middle East Media use report, Northwestern University in Qatar, 2016

4. Middle East Media use report, Northwestern University in Qatar, 2016

In line with global trends, the ecommerce market is growing and social media is influencing purchase decisions

Figure 18: Ecommerce revenue by category in the KSA (in million US\$) ^{xxvii}

						
	Clothes & shoes	Consumer electronics	Food, cosmetics & pharmaceuticals	Furniture & home appliances	Special interest	Total
2015	1,316.80	1,380.20	322.7	536.2	796.5	4,352
2016	1,482.10	1,512.50	358.9	630.5	887.9	4,872
2017*	1,678.80	1,672.50	403.7	724.7	991.6	5,471
2018*	1,911.30	1,856.60	457	838	1,107.70	6,171
2019*	2,174.60	2,057.70	517.7	968.2	1,232.8	6,951
2020*	2,461.30	2,266.60	583.7	1,111.00	1,364.30	7,787
2021*	2,774.80	2,473.20	652.3	1,218.10	1,524.10	8,642

* expected forecast

Opportunities for startups in media and ecommerce industries

1. Media and advertising: By understanding consumer habits in Saudi, companies can stay relevant and engaged. For example, knowing that most active Twitter users come from KSA (29%) in comparison to the region, and videos being the most consumed form of content, could help businesses alter their advertising to reach and target the right audience. Utilizing this information will allow for personalization and humanization of brands. Digital advertising is gaining momentum globally and regionally. In the MENA, digital ad spending reached 10% and is trying to catch up with developed countries, where ad spending reached 30%. This is an opportunity to exploit in the MENA, and KSA is no exception.

2. Creation of localized original content in Arabic that targets millennials: Arabic content is considered one of the under-represented languages online in terms of websites shares when compared to global figures even though the number of Arabic speaking internet users is on the rise. In a study conducted by Mideast Media, out of the 50 most visited websites in Saudi only 32% have Arabic as their primary language, 36% had Arabic but was not a primary language, and 32% did not have Arabic. The content generated on social media by users compensates for the corporate shortcoming. Arabic is becoming a dominant language used on Facebook in the MENA. In the same survey, only 13% of nationals used English online, which clearly shows an opportunity to tap in Arabic digital content in the KSA and MENA in general, keeping in mind the youthfulness of the population.

3. Mobile commerce: Mobile commerce has a great potential in the MENA and KSA, where two thirds of online shoppers used a smartphone for their latest purchases. This is not surprising with KSA's youthful population and the fact that KSA ranks third in mobile penetration globally. More people are paying through apps compared to other online shopping platforms and convert three times as much as the mobile web. Moreover, social media platforms facilitate business for Saudi women entrepreneurs, especially those facing social restrictions or preferring not to be in the labor force, by allowing them to market their products. This is particularly appealing because women can continue to lead private lives, as well as be physically close to their family members.





II. Healthcare

In light of recent budget cuts since the oil crash of 2014, the government has been reducing costs across multiple sectors. Healthcare is no exception and in 2016, while the government expected to spend \$33 million on health and social development, the actual expenditure totaled \$27 million. This number is projected to increase to \$32 million in 2017 to allow for the completion of the construction and the equipment of hospitals and healthcare centers.

The reality on the ground is that the demand for healthcare by Saudis, expats, and pilgrims is much higher than the slight increase in budget of 2017. The country's ageing population with the increasing burden of chronic diseases means that there will continue to be a shortage in the provision of public healthcare.

This will create opportunities for private players to enter this space and target the gap in an efficient manner.

Figure 19: Budget for the fiscal year (2017) ^{xxxiv}

			
Sector	Projected expenditures (after distributing allocated budget) for the current fiscal year 2016 (SAR thousands)	Actual expenditures for the current fiscal year 2016 (SAR thousands)	Projected expenditures for the fiscal year 2017 (SAR thousands)
Public administration	28,463,916	26,770,107	26,716,039
Military	179,098,762	205,096,320	190,854,490
Security and regional administration	102,395,439	100,626,987	96,687,000
Municipality services	34,686,603	24,960,543	47,942,215
Education	207,144,501	205,826,142	200,329,066
Health and social development	124,835,481	101,435,223	120,419,691
Economic resources	36,767,919	38,248,009	47,260,814
Infrastructure and transport	30,827,314	37,584,060	52,161,000
Public programs unit	95,750,065	85,452,609	107,626,685
Total	840,000,000	825,000,000	890,000,000

Opportunities for startups in the healthcare industry

1. Electronic records: Startups working on integrating the digital healthcare services using electronic patient records (EPR) and wearable technology could help combat chronic diseases like diabetes and obesity, which have become more prevalent as a result of KSA's fast economic growth.



2. Data centers: KSA's healthcare IT market is forecasted to grow between 2014-2019 at a CAGR 12.28%.^{xxxv} Accommodating the growing data needs in the Kingdom, Cisco is planning on collaborating to create three data centers to accelerate the adoption of cloud in the KSA.^{xxvi} Saudi organization believe datacenters are of inadequate and subpar quality.^{xxxvii}

3. Big data: Startups collecting large pools of data would be able to offer personalized care efficiently and relatively quickly by monitoring chronic illnesses. Moreover, possessing this type of information can prove to be very valuable as it could be sold to organizations, such as big conglomerates and pharmaceutical companies. This could potentially aid in preventing disease and better accommodating patients' needs by gaining more insight into their conditions.^{xxxviii} With the big data market in the KSA expected to growth from \$920 million in 2013 to \$1.9 billion in 2018, along with a general regional big data market expenditure to \$12.4 billion in 2020, this particular market has proved itself worthy of scrupulous attention.

III. Cleantech

KSA is a strategic location for entrepreneurs in the cleantech industry. It has suitable environmental conditions, increasing demand and investment, as well as competitive costs. The government plans to spend \$109 billion on solar energy infrastructure by 2040. Notably, global aggregate investments in solar energy in 2014 were \$136 billion. The government also plans to increase its share of energy from renewables to one-third in the next 20 years. Already, the country is becoming one of the heaviest solar energy users in the world, and solar irradiation is already doubling that of Europe. With urbanization and migration, the peak power demand is estimated to triple in the next 20 years from 40 GW to 120 GW.^{xl}

Figure 20: Mega cleantech projects being developed in the KSA

 Project	 Description
Al Khafji Desalination Plant	The world’s first solar-powered large-scale desalination plant, located in northeastern Saudi Arabia, will produce 60,000 cubic/ml of water a year.
KACARE	The King Abdullah City for Atomic and Renewable Energy (KACARE) aims to create 41 GW of solar energy and support other sustainable energy related projects in the country.
The MENA ICT Forum 2014	Hosted a USAID-JCP Cleantech Sector roundtable discussion about the linkages between cleantech and ICT companies with regard to smart grids and energy efficiency.

Opportunities for startups in the cleantech industry

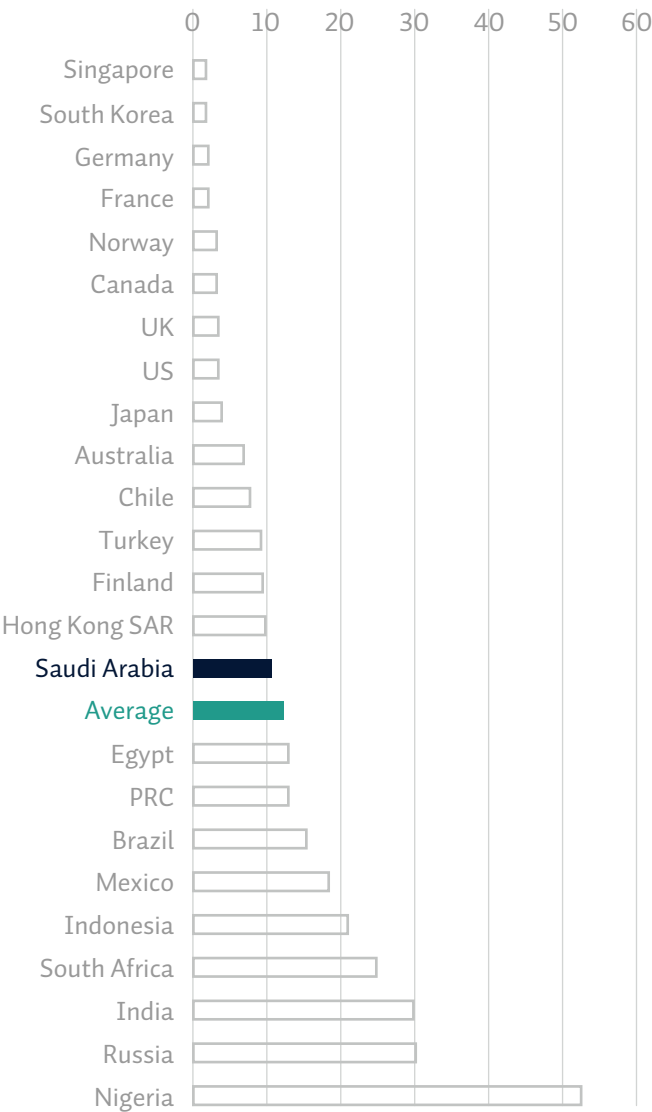
- 1. Smart home energy management:** Controlling and optimizing energy usage by offering automated connected energy management system for homes which allows for communication through sensed home appliances. KSA’s home energy consumption will be reduced significantly if startups tackle this area in the market.
- 2. The industrial internet:** Analyzing and monitoring data for energy consumption in infrastructure through the use of sensors, will allow managers to cut costs. Startups focusing on this area will aid KSA’s oil and gas industry to optimize energy costs. ^{xli}
- 3. Water desalinated:** KSA is considered the world’s largest desalinated water producer, consuming a great amount of fossil fuels, hence requiring cheaper/alternative desalination technologies. The Kingdom ranks third behind the United States and Canada in per capita water consumption. There is a growing demand for water as the population increases rapidly, quadrupling in the last four decades. ^{xlii}

IV. Edtech

As MENA governments are heavily investing in e-learning, the sector is expected to annually grow by 8% in the region. The use of digitized content/ education in the KSA is seen as a way to reach and educate a larger number of Saudis.^{xliii} The Saudi educational sector is attractive to international technology solution providers as there is a significant potential for growth.

Opportunities for companies and startups to tap into the edtech sector in Saudi Arabia continue to present themselves especially that the country is moving away from being heavily oil dependent towards becoming a more balanced, investment-focused nation in line with the 2030 Vision. The country is also on a mission to improve the national talent pool which requires better educational methods and school curricula. Currently, the skill base mainly consists of the immigrant workforce. The participation rate of the Saudi workforce in vocational and technical training is less than 10% according to the Saudi Skills Standards (SSS). In 2020, the global edtech market is expected to reach \$252 billion^{xliv}, and some KSA startups, like Alwasaet, have already seen an opportunity in the market and have been working on providing high quality content online.

Figure 21: Improvement in internet access in schools from 2015-2030 across different countries^{xlv}



Opportunities for startups in the Edtech industry

1. Augmented and VR reality: Using digital technology will facilitate the learning experience, Alwasaet is already considering to expand in educational apps with augmented reality using glasses such as Oculus and interactive gloves.

2. Special needs: There is a lack of technological tools and apps catering to the Arabic speaking population with disabilities. Offering such tools and adapting the learning experience will enhance the learning process for children with special needs. Startups like iRehab and Learn with May, currently cater to this market.

3. Gaming and Learning: Combining e-learning and gamification, Noon Academy, based in Riyadh is disrupting tutoring by offering adaptive and personalized education with more than 700,000 users on the platform.



Ignacio de la Vega, Professor, Entrepreneurship, Director BGCEL, MBSC



“The measures that are being taken, along with Vision 2030, will strengthen the already-vibrant entrepreneurial ecosystem, which is supporting the ambitious transformation of the Saudi economy by creating quality jobs, unlocking entrepreneurial innovation, developing opportunities for all, and generating collective and social wealth.”

Conclusion and recommendations

KSA's ecosystem has significantly developed in the past five years. An increasing number of stakeholders is entering the space providing support for current and future entrepreneurs. However, while both entrepreneurs and stakeholders agree that resources are available in the country to further promote and develop entrepreneurship, these resources need to be better integrated to target the current ecosystem gaps and the challenges that entrepreneurs are facing.

Resources need to be better integrated to target the current gaps in the ecosystem and challenges entrepreneurs face

Figure 22: *Suggested actions (or recommendations) to address the challenges entrepreneurs face as they grow their companies in the KSA*

 Challenge	 Action
Access to talent	Universities are encouraged to partner with startups and offer internship programs to promote entrepreneurship and working in a startup. Moreover, the education system should focus on nurturing and developing soft skills for students to graduate with the necessary skills demanded by the private sector. Finally, to lure talent, startups need to create better HR processes to acquire and retain talent, and focus on creating competitive non-wage benefit packages for employees.
Access to early stage funding	Investors need to create opportunities for early stage startups to access funding, and they should not treat tech investments as real estate ones. They should make riskier investment decisions, and understand that they have the potential to yield very high returns. They should also ask for a minority stake in startups. Moreover, banks are encouraged to provide startups with financing, in a way where the risk does not entirely fall on entrepreneurs.
Bureaucratic and legal hurdles	Minimizing legal challenges by implementing laws favoring entrepreneurship, such as creating a one-stop shop, attracting international entrepreneurs to enter the country, and reducing bureaucracy associated with procedures and obtaining permits.

Appendix

Saudi Arabia is the largest free economy in the MENA, accounting for a quarter of the total Arab GDP. But, KSA's economy is heavily reliant on oil, and 80% of its government revenues come from oil.

The 2014 oil price crash took a major toll on KSA's economic growth and slashed government budget. The IMF noted that the world's largest producer of oil, KSA, would see its GDP grow only by 0.4% in 2017 vs. 4% in 2013.

As a result, the government has taken several steps, mainly developing Vision 2030 to overhaul its economic structure and diversify its sectors.

Aside from creating the world's largest sovereign wealth fund, the steps the government will undertake remain unclear. One focus area the government is prioritizing is fostering an enabling environment for entrepreneurs. That entails easing regulatory conditions for entrepreneurs to launch, develop, and scale their companies as well as investing in providing the necessary financial and non-financial support to ensure that SMEs will account for over 20% of GDP by 2030

Economic opportunities for startups

I. Rising population

The country has also the highest population in the GCC (second highest in the Gulf), standing at 31.5 million in 2015, and growing at an annual rate of 1.49%. The country has also of the highest youth demographics in the world, as 45% of its population is under the age of 24.

Figure 23: Population of various Gulf countries (1990-2015)

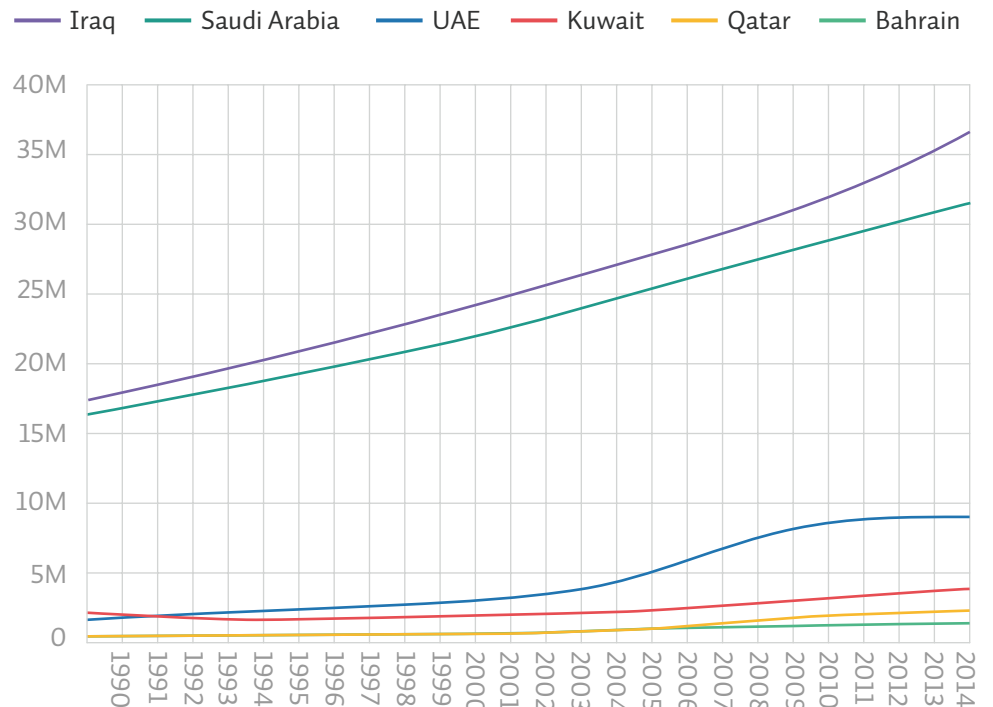
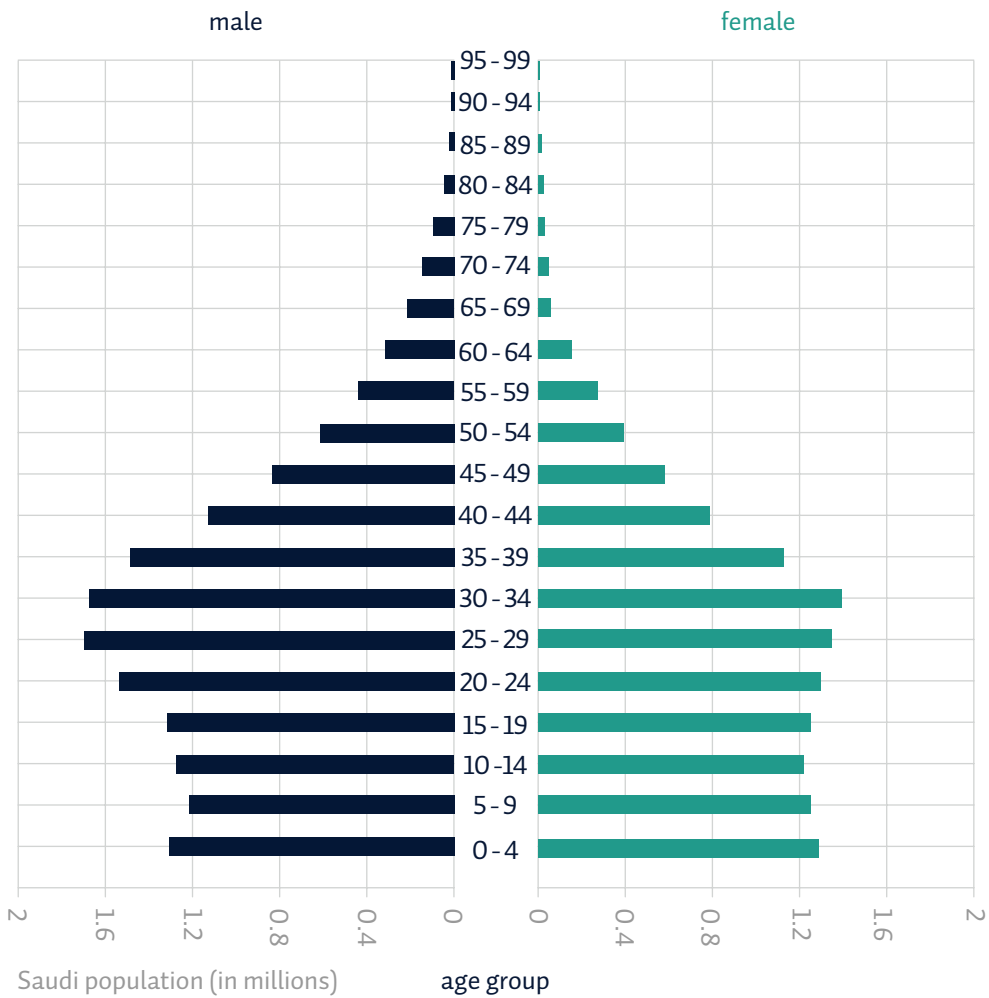


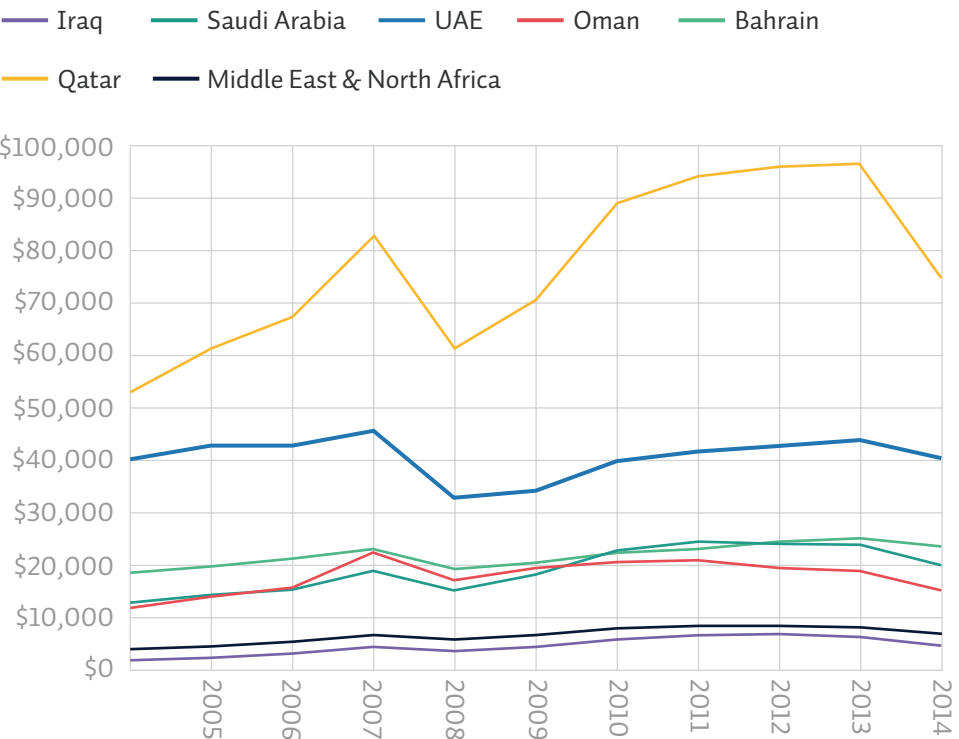
Figure 24: Population pyramid of KSA (2016)



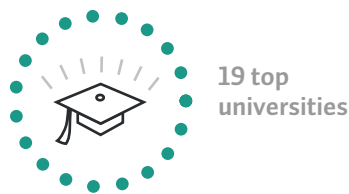
II. Regionally high GDP/capita

While KSA's GDP/capita is lagging behind other Gulf countries, it remains higher than the Levant and the MENA's average.

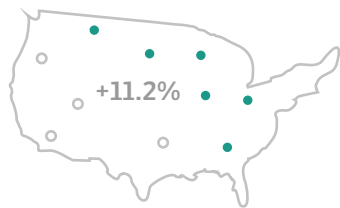
Figure 25: GDP/capita of various Gulf countries (1990-2015)



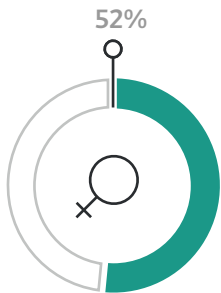
III. Developing human capital potential



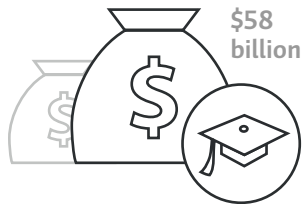
KSA has 34 universities (24 state-owned and nine private), 19 of which are considered among the top 100 universities in the Arab region.



Between 2015-2016, the number of Saudis studying in the USA rose by 11.2%.

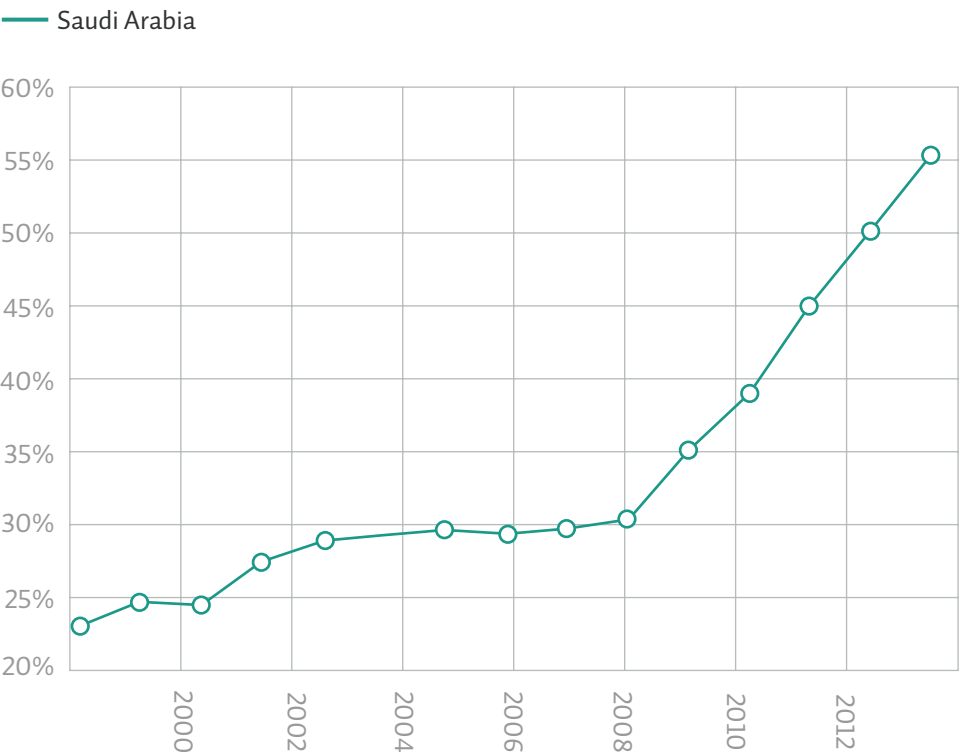


Saudi women constitute 52% of Saudi university students. There are over 25,000 women completing their graduate studies.



Despite budget cuts, the Saudi government is increasing its expenditure on education and training. In 2015, the education budget was set at \$58 billion - a 3% increase from 2014.

Figure 26: Gross tertiary enrollment ratio (%), both sexes, (2000-2014)



IV. Oil diversification and government buy-in

Figure 27: KSA’s budget balance as a % of GDP (2015)



Source: IMF Article IV consultation Sep 2015, table 2

-
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