



**DIGITAL
INNOVATION**
SPECIAL REPORT

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وحدة التحول الرقمي
National Digital Transformation Unit



DIGITAL INNOVATION SPECIAL REPORT

The changes that have emerged in the Kingdom during the past two years are dramatic. You might say that about any nation, but Saudi Arabia is immersed in a program of radical change motivated by Crown Prince Mohammed bin Salman that is generational in stature. Other countries have worked from home or used online payments more often, but Saudi Arabia emerged a very different place post-pandemic than pre. It is easy to miss this fact without being there, or without speaking to the figures that made it possible, but it is genuinely difficult to think of another nation whose trajectory has been so fundamentally altered by technology. This publication documents the historic adoption of technology that is transforming life in Saudi Arabia today. This publication is about adaptation. It is about the change that took place during the pandemic and about what that change has created in the post-pandemic era.

The Vision 2030 reform program has restructured the public sector and the economy to adopt a series of technological advances, but no policy tool has been as effective as Covid in driving radical change. The Kingdom adopted a health-first policy toward COVID-19, limiting spread through strict limits on travel and contact and resulting in technological solutions being adopted almost overnight. Government targets for 2030 for adoption of digital pay-

ments and application-based health management tools were nearly achieved in months.

The public sector's response to the pandemic also demonstrated the depth of the reform process in that area over the past 5+ years. A bureaucracy once known for being sluggish and requiring extensive paperwork was suddenly communicating with citizens exclusively through online platforms that had already been developed. Customs and the ports would have ground to a halt in 2014, but by 2020 the government had already implemented a technological solution that made going contactless possible. Ports set new records for imports instead.

The recent adoption of tools is likely to shape the Kingdom's long-term economy by radically increasing the productivity of the public sector and generating opportunities for the young. That long-overdue increase in productivity is needed in light of a shrinking government payroll and growing population. In short, in the Kingdom technological adoption is not just convenient but existential.

The pandemic served as a validation of many of Saudi Arabia's internal reforms. It also created massive opportunities for some of the nation's up and coming businesses. In this publication, we show how technology completely changed the Kingdom during the pandemic. Things will never be the same. ✖

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وحدة التحول الرقمي
National Digital Transformation Unit



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EMPOWERING GROWTH

Ali Nasser Alasiri
CEO,
NATIONAL DIGITAL TRANSFORMATION
UNIT (NDU)

NDU is at the forefront of Saudi Arabia's digital revolution and playing a key role in Vision 2030.

BIO

Ali Nasser Alasiri is CEO of NDU. He is a seasoned executive with experience in organizational leadership, people management, and program management. Alasiri has a proven record in sales and business development, solutions delivery, services sales, and a solid understanding of the IT and telecoms industry. His experience includes being CEO of eGovernment Program (YESSER), Chief Commercial Officer at Huawei Technologies, Founder & CEO of Cloud Builders Technology, sales and solutions delivery GM of Juniper Networks, and program director of Saudi Telecom Company (STC), among many others.

You joined NDU as CEO in 2021 after being instrumental in earlier national-level digitalization efforts. How has the government's digitalization program evolved over time, and what is your mandate at NDU?

Digital government and the digital transformation of the public sector is a critical part of the Vision 2030 reform plans. What we need to focus on at NDU—and what we have been doing for the past year—is building up three areas. The first is to develop a business-friendly legislative and regulatory environment. Second, we want to introduce new business models with the private sector in emerging technologies, such as using drones in agriculture or autonomous vehicles (AVs) for public transportation. These new business models are important to NDU, as is adapting the regulations to evolve in line with them. This is where the success of business models will come from. The third thing is the international aspect of the digital economy. We want the digital economy to contribute a large proportion of GDP, which is why we are currently creating a digital economy index together with international partners. The project will take six months and will guide us toward the initiatives, regulations, and facilitators that will boost the digital economy in the country and work as a compass. These are the three areas that NDU has been focusing on and will continue to focus on in the coming years.

The pandemic was a perfect test lab for digitalization within the private sector and government entities. What were the learnings over the last year?

The pandemic was a test for the whole world and accelerated digital transformation on a massive scale. The reason this acceleration did not occur earlier is because before the pandemic, the appetite for risk was low. There were many alternatives to get the job done. Apart from a few areas that are not suited to remote work, the whole government worked from home. In education, some 6.4 million people, students, across all grades from elementary

to university, went completely online. Once everyone was online, we developed a platform from scratch to allow for collaboration between students, staff, and parents. It was important for us to ensure education would continue, and, accordingly, we built the systems, processes, and procedures, the management, the content, and everything else in just a few months so that education could continue across the country. The pandemic gave us the opportunity to prove that technology can sustain and deliver the outcomes, which is extremely important. With the momentum gained during and after the pandemic, between March 2021 and September 2021, Saudi Arabia strongly increased its mobile technology payments further by 18%, totaling more than SAR11.7 billion. Almost 94% of the mobile transactions were on an NFC device, making it the country with the highest contactless adoption in all of MENA. The pandemic was a significant accelerator, and as digital transformation leaders, we have used it to push through the digital agenda to ensure people remain connected.

The explosion in the payments sector is a perfect example of regulatory change empowering growth. How do you plan to replicate this?

In the three verticals mentioned, the first one is where we consult on policies for new policy adoption, new regulations, and new business models. We evaluate the current regulations, laws, and bylaws and determine how they fit new business models and what we need to change. This is important. We have many business cases that need a change in the law in order to succeed, and we have started to propose new laws. In our policy lab, we review all the active policies to determine if they support new technologies and business models and, if not, what we need to do about it. The second one is sending a message as NDU to the private and public sectors that we are a safe environment to test these new technologies, and we issue reports when a particular technology, for a particular business case, is successful. When a report is published, it sends the message that this technology was developed and tested in the country. One example is using drones for agriculture. We tested it with a few entities, and now we have released it to the public. Currently, the policy lab is determining what could prevent this from being adopted across the country. The same is true for AVs. When we propose policy, we ask ourselves what will contribute to the digital economy. However successful this cooperation is, this success needs to be reflected in the economy. For example, we test 40-45 business cases across all technologies. We have found that six or seven of them boost the digital economy index, and we accordingly focus on those. ✖



Image: NDU



NETWORK KINGDOM

Dr. Mohammed Altamimi
GOVERNOR
COMMUNICATIONS AND INFORMATION,
TECHNOLOGY COMMISSION (CITC)

CITC is vigorously investing in networks across the country to facilitate and encourage the digitalization agenda.

BIO

Dr. Mohammed Altamimi, Governor of the Communications and Information Technology Commission (CITC), has extensive experience in organizational governance, politics, and competitive economics, and is recognized as a global expert in wireless networks and cloud computing. He graduated from Harvard University's Leadership Development program and holds a Ph.D. in telecommunications and networking from the University of Pittsburgh in the USA, a master's degree in communications technology and policy from the University of Strathclyde in the UK, and a bachelor's degree in electrical engineering from the King Fahd University of Petroleum & Minerals in Saudi Arabia.

The past year and a half witnessed a historic jump in digitalization across every sector of the Saudi economy. How has CITC responded to this unprecedented change and what role did it have in spurring it on in the first place?

Under the auspices of Saudi Arabia's Vision 2030, every sector of the Saudi economy has been on a national digitalization journey. This restructuring of the economy was accelerated due to the spread of COVID-19 and resulted in the kingdom being one of the most successful countries in the world at innovating technologies to confront the pandemic. This change was driven by empowering digital education, providing digital health services, and adding new smart government services. These technologies were possible due to the robustness of digital infrastructure in Saudi Arabia and CITC's world-leading spectrum allocation policies, resulting in the country ranking among the top 10 in global mobile internet speeds. Indeed, to meet the increasing demand for data during the pandemic, CITC also provided additional frequencies for operators in the 700 and 800 MHz bands, increasing their frequency by over 50%. This additional spectrum has considerably eased the burden on mobile networks and fast tracked the expansion of 5G. Numerous other measures were taken, such as waiving data costs for users of health apps, e-learning platforms, and

social distancing apps. Taken together, these measures have greatly expedited the kingdom's transformation into a truly digital society. Given the unprecedented increase in demand for logistics and delivery services during the pandemic, Saudi Arabia quickly rose to the occasion by fast-tracking licensing and enhancing communications between ICT and e-commerce service providers, working to expedite deliveries across the country. In response to this dramatic surge in demand—a phenomenon we expect to continue well after the pandemic—CITC also developed a regulatory sandbox for delivery apps that provides companies with a safe space to test iterate products as they come to market. It is worth mentioning that Saudi Arabia recorded a significant growth of average daily orders by 350% between 4Q2019 and 4Q2021 to reach 525,000 orders per day. In the same period, there was a substantial growth in monthly average order value by 455% (reaching SAR1.7 billion). The regulatory sandbox enables CITC to smartly control and regulate Saudi Arabia's delivery applications ecosystem while nurturing and supporting a culture of innovation and entrepreneurship, in line with Vision 2030. In addition to advising firms according to their service provision, business model, legality, and customer service, we also highlight financing options available for innovators in the scale-up stage. Finally, CITC has also been focusing on cementing our strong digital foundations and increasing the provision of innovative technologies by ensuring there is adequate spectrum allocation for International mobile technologies (IMT). Crucially, this includes the kingdom's recent move to license the entire Wi-Fi 6E frequency spectrum, an innovation deployed in partnership with industry giants Intel and Broadcom. This development gives users vastly increased internet speeds while opening the door to a wide array of other emerging low-latency technologies and services such as the metaverse and IoT. This, alongside a range of connectivity advances such as low-Earth-orbit satellite internet, positions the Kingdom as a regional leader in emerging technology and digitalization.

While the pandemic was full of challenges, the solutions that were developed here have the potential to power growth for years to come. How does CITC approach the post-pandemic era?

The complexity of the ecosystem requires cross-regulation and the implementation of a comprehensive and collaborative mandate to regulate. As the pandemic continues to spread, the ICT sector must continue to innovate in order to remain connected. In many ways, it is as important to public health as the vaccination campaigns. Imagine a world in which you couldn't video call your grandmother, or call your children from quarantine? ICT is also what helps us understand the virus and prevent its spread, while also maintaining our social fabric. While the current crisis has created new challenges for the ICT sector, such as dramatically increased demand, our regulatory framework has proven flexible and able to incentivize innovation and investment while maintaining effective levels of competition. Still, a key challenge will be keeping digital networks running at optimal standards while working to extend connectivity to as many as possible, especially in remote areas. The impact of the pandemic on the ICT and postal ecosystems can also be seen in our increased data consumption and cloud usage, not to mention the explosive growth of the digital economy and an ever-widening digital gap within society. Whatever the challenges, CITC will continue to vigorously invest in networks across the country, particularly by localizing cloud services. In rolling out its local roaming initiative, CITC is enhancing rural connectivity by allowing free network switching, giving users connectivity to any available Mobile Network Operator. To ensure greater inclusivity, we are working to digitally connect the nation by building an ICT infrastructure that is fast, reliable, and, most importantly, affordable. This is how you develop a truly national digital infrastructure. Indeed, the ever-growing importance of ICT in our everyday lives has opened many doors for investing in digital and emerging technologies. Resilience of broadband infrastructure has enabled the scaling up of the

capacity for e-government services. In the era of COVID-19, this is no longer a luxury but a necessity, especially in health and education. Given its role in enabling ICT technologies in line with Vision 2030's goals, CITC is also working to make the kingdom a leading developer of IoT services. Even in a post-pandemic era, online education and e-health are here to stay. With CITC's help, the country can harness the power of IoT and other smart solutions to pave the way for greater user-integration across the entire kingdom.

E-sports and digital content have seen massive growth in the kingdom in recent times. How is CITC encouraging this area?

The digital content and e-sports segments are of strategic importance to Vision 2030; having a clear and transparent regulatory framework is critical to attracting investment in these segments. CITC recently launched a public consultation on this topic to provide an attractive and transparent regulatory environment that is fair to entrants of every kind. In the e-sports and digital content segments, we are working closely with other government entities, notably through the Digital Content Council, to create an integrated governance structure that encourages the sectors' innovative capacity through world-leading IP rules and investment attraction. As CITC, we also launched an initiative called "Game Mode" to enhance the user experience with reduced latency by 82%, promote competition between service providers, and more fully involve the gaming community in setting priorities for how to grow the gaming segment. We are proud to see that the community through this initiative grew by 1.2 million subscribers with improved packages in 2021 only. Our digital segments, on the other hand, are continuously evolving, and are always at the top of CITC's agenda as it works to ensure that Saudi Arabia is ready for the future. As the kingdom's digital regulator, we remain as committed to innovation, healthy investment, and fair competition in every segment of the market that we encounter. ✖



STRONG MANDATE

Ibrahim M. Babelli
DEPUTY MINISTER FOR PLANNING AND
VISION REALIZATION,
MINISTRY OF COMMUNICATIONS AND
INFORMATION TECHNOLOGY

The ministry is striving to close digital gaps and ensure the population is well versed in future technologies.

BIO

Ibrahim M. Babelli is currently the Deputy Minister for Planning and Vision Realization, as well as the Acting Deputy Minister for International Cooperation and Partnerships, at the Ministry of Communications and Information Technology. His experience spans the public and private sectors in Saudi Arabia, with stints in the UK, France, Germany, the MENA region, and the US. Prior to his current assignment, Ibrahim was the CEO of a family holding company, overseeing and restructuring the holding activities in Europe, the MENA region and Southeast Asia.

What is your mandate as Deputy Minister for Planning and Vision Realization, and how is your department in line with the efforts of the National Digital Transformation Unit (NDU)?

I was part of the inception of NDU when I worked at the Ministry of Economy and Planning, where the NDU was born and incubated before it moved to the Ministry of Communications and Information Technology (MCIT). After a break of two years working in the private sector, I returned to MCIT and assumed my current role in January 2021. Planning entails determining what we will be doing and how we will do it. We do significant mission planning, and we help achieve it. I also oversee how we implement the various initiatives under the vision realization programs towards Saudi Vision 2030. MCIT has engagement with the National Transformation Program (NTP), the National Industrial Development and Logistics Program (NIDL), the Human Capability Development Program (HCD), and others. My role is to make sure that we are on track and are executing in a timely fashion and on budget. I am grateful that the teams are achieving the objectives. An example is the mobile internet coverage in Saudi Arabia, which reached 99% of all populated areas. We are working to close the remaining gap; with a focus on connecting all emergency services in the Kingdom by the end of 2023.

How has the digitalization program evolved in the last two years as a result of the pandemic?

The digital evolution in Saudi Arabia started in the early 2000s with the establishment of the eGovernment Program "Yesser" that provided government services and transactions electronically, evolving into the Digital Government Authority (DGA). During the pandemic, this investment in digital infrastructure, governance and processes enabled the Saudi government to deal with the unprecedented challenges that resulted from the pandemic, including providing stable education systems online, e-healthcare, and

e-commerce.

How has this reoriented your strategy, and how are you approaching the post-pandemic era?

When you have a strategy to digitalize how public and private businesses are conducted, and then you are faced with a pandemic that requires that system to work in any and all circumstances, you need to accelerate the strategy. Gig work is a key way in how we conduct business now; remote working used to be unthinkable, and now results are being delivered with people working across the Kingdom and the world. e-commerce emerged as a key sector, and there is a need to look at the entire value chain, from a local content and balance of payments point of view. The realization of the importance of data has also availed new opportunities and ways to conduct business, new start-ups, and companies. The government created the National Technology Development Program (NTDP) to foster the development of IT services, software and hardware that would serve this new digital economy. We have developed sandboxes to proactively deal with new developments in FinTech, ride hailing and e-commerce to ensure that our regulatory framework is not only open and conducive, but also enables further growth.

How is the Kingdom preparing the next generation to be digitally able and fluent?

The Saudi government launched initiatives to digitize processes in 2003 to ensure streamlining and optimization of all government processes. The National Committee for Digital Transformation was established to ensure this was done successfully at both the government and economy levels. Thanks to these and further initiatives, there were massive improvements on how we deal with customers at ports with vessels entering Saudi Arabia, establishing a company, having a document notarized online, obtaining online permits for leasing houses, and so on. We facilitate processes and deal with challenges that used to slow down or impede economic development or market creation efforts. We connected fiber to homes, which helped continue activities from home during the pandemic, and we laid out the foundation for 5G in the Kingdom to ensure there is connectivity for businesses to be conducted. MCIT is at the core of the digitalization of the economy. We just launched the second wave of the future skills development program (Future Skills 2.0). We have successfully trained over 47,000 beneficiaries and secured employment for more than 22,000 in the digital skills program. ✖

2020 – 2021:



75%

increase in the use of digital payments



30%

decline in cash use



Only **20%**

of the Central Region's population use cash every day



While **48%**

in the Southern Region do so



Only **18%**

of those 16-22 years old use cash daily



While **46%**

of those over 60 do so



74%

of the population has used a fintech solution



69%

of the population regularly use e-payment solutions



21%

of the population using non-payments fintech solutions



Over **60%**

have heard of other types of fintechs



LIGHT SPEED

Sultan Bin Abdulaziz Al Deghathier
CEO,
ZAIN KSA

Zain's improved customer experience and innovative solutions, combined with the high speed of its 5G network, all make for an exceptional customer journey in the Kingdom.

BIO

Sultan Bin Abdulaziz Al Deghathier embarked on his new role as CEO of Saudi Mobile Telecommunications Company (Zain) in 2018. His first role at Zain Saudi Arabia was director of network planning, after which he was assigned a number of roles before becoming chief technology officer and then chief operating officer. Al-Deghathier, who holds a bachelor's degree in communications and electronics engineering from King Saud University, will commence the strategic transformation of the company to fully utilize the tremendous growth opportunities available in the Kingdom's telecommunications sector.

When this crisis started, what were you responsible for on an internal basis for all of your employees and the management of status quo at Zain?

Zain KSA immediately activated the business continuity committee, of which half of the management team is part of. We built a new strategy to adapt and accommodate the current situation, and it had three main phases. The first phase was adapting to the current situation to the best of our ability. The second, was stabilizing operations, conducting a stress test to the P&L, and protecting the cash flow. Finally, we prepared the rebound strategy on how we can return to the market stronger and with a larger market share. Our main priority now is to sustain our services at the highest quality and ensure an exceptional customer experience, as most of our customers are working from home, and the demand for telecom services is at its peak. In addition to that, we delayed the disconnection cycle for bills to ensure customers have enough time to pay their bills. And because we have a social responsibility obligation towards protecting the health of our employees and their families, we activated a work-from-home policy and reviewed all the policies and procedures within the company to adapt to the current situation. We even set up a direct hotline for all our employees and their families to respond to their needs almost immediately.

Where do your first half 2020's financial results stand from this crisis?

The first half of 2020 was about scoring net profits, which accumulated to SAR164 million, as we continue on the 8th consecutive quarter to report a net profit while simultaneously reducing our

accumulative losses. We saw many opportunities, considering we announced in December 2019 the completion of the largest 5G network not only in Saudi but across the Middle East, Europe, and Africa, landing the fourth largest roll-out in the world. Since COVID-19 emerged, we have offered promotions for data packages, in addition to our ongoing investment in our 5G network, as it is now available in all the kingdom's 13 administrative regions and across 35 cities. We now have multiple use cases for 5G: fixed wireless access, where people enjoy an ultra-high speed, reliable connection in their homes, and mobility, for people to use on their mobile phones. We were already heading towards the digital transformation in Saudi as part of Vision 2030, but COVID-19 definitely accelerated our speed and helped us take bold decisions.

How did you modify your strategy to manage your customers and other external stakeholders?

It is extremely hard to compete on products, services, and prices these days. This is why we aim to be the best-performing business focusing more on customers and the things that matter most to them. In doing so, we tried to strike a balance between sticking to our original strategy and ensuring we are flexible enough to adapt to a modified one based on the current situation. In addition, as part of our humanitarian strategy, and as one of the largest Saudi companies we have a social obligation towards our customers and our people as a whole both citizens and expats. We launched several CSR initiatives, to name a few, we donated 30,000 data SIM cards to those who need to connect remotely for education purposes. We have also made education and health applications free of charge so customers can use them without consuming any data. We also provided those who were quarantined with a free Zain SIM and free data usage during the month of April to ensure they could connect with their families in their quarantined locations. In terms of solutions, we have launched our flagship cloud-computing service Zain Cloud that allows subscribers to take appropriate strategic decisions throughout a sophisticated platform that supports our vision in enabling IoT and AI functionalities. We also released Saudi's first next-generation chipset technology solution, the embedded SIM card (e-SIM). ✖



KEY TOOLS

Naif Albuty
CEO,
ESRI SAUDI ARABIA

Esri's services extend far beyond traditional mapping and include the collection, processing, and geo-representation of data. Its services have been crucial for the government during the pandemic.

BIO

Naif Albuty was appointed CEO of Esri Saudi Arabia in 2018, bringing with him around 20 years of experience in the international IT industry. He was previously acting general manager at Mobily and regional sales director at Teradata, amongst other positions at Microsoft, Riyadh Bank, Atheeb telecom, PCCW, and Integrated Telecom. Albuty holds a master's degree in business administration from American University of London University and other diplomas in strategy and leadership from Harvard Business School.

Can you provide an overview of your key lines of business and clients in Saudi Arabia?

We have been extremely successful in harnessing the power of Esri's geospatial services platform for Saudi clients. Our services extend far beyond traditional mapping and include the collection, processing, and geo-representation of data. Data-based decision-making has become extremely critical to policy in the Kingdom, so this is an important moment for us. Esri Saudi Arabia addresses the entire industry of geospatial services, which covers maps, licenses, services, professional services, and building platforms for analytics. We have around 170 products available in our catalog, all related to this core mission of making sense out of data and gathering information. From a legacy perspective, we used to only provide the ArcGIS base map, but it has evolved over time. Now, geospatial services and various platforms are combined under one hub called an atlas. It is not only one service, system, or dataset but a combination of many elements. It can be defined as the hub of hubs or platform of platforms, as we combine all this under the umbrella of the geospatial atlas, known as the Industrial Esri Atlas. We work across industries including health, education, industry, oil and gas, central government, and national security. One of the core global businesses for Esri has always been central government with security and defense. In the last five years, we leveraged education, health, and oil and gas. These trends also apply in Saudi Arabia.

Esri's solution has been essential for the Ministry of Health and the wider government during the pandemic. What was the process of setting up this solution, and what makes it useful in this context?

We started in February 2020 at the time when COVID-19 reported cases were surging in the Kingdom with the Ministry of Health trying to work on a tool of representation in order to calculate and identify the future impact of the pandemic. We used one of our solutions, which can be adapted to different industries and tweaked it to be applicable to the COVID-19 situation. We adapted a solution that John Hopkins University with the help of Esri have implemented and used to track the pandemic, which has been shared widely on social media platforms and replicated the dashboard for the Saudi Arabian context. This has been a key public tool for the ministry in the effort to manage the pandemic across the Kingdom. You are able to view for every city what the historic and current data for the pandemic is. We launched this in May when the pandemic was at its peak, and this was one of the major assets that helped the authorities have a full overview of the situation. We would call this as the command and control for the pandemic since all hospitals and 90,000 governmental health centers around the Kingdom are connected to one platform with live data. You can see the data in each city for Covid 19 test results in real time, all reflected immediately. Every day, the Ministry of Health presented this data during its daily spokesmen briefings, and it is the only official result of COVID-19 within Saudi Arabia. All other government agencies also take their data from this. We are also working on the back end with predictive analysis to understand where we are heading. There is a global second wave of COVID-19 where the numbers in Europe and the US have surged significantly, but in Saudi the numbers are still contained at a much lower level. This is one of the advantages that our solution provides: a predictive analysis of where things will happen within the coming period of three months, six months, a year, or five years. It gives the Ministry of Health an understanding of where we are going and is the reason why Saudi Arabia did not lock down again. This gives us a roadmap vision as the important element for every atlas to build on is predictive analysis.✘

PAY YOUR WAY

COVID-19 resulted in an explosion of new digital payments solutions across the country.

THERE HAS PROBABLY never been such rapid growth in the use of digital payments anywhere in the world or at any time as Saudi Arabia saw during the first 12 months of the pandemic. Other countries used digital payments more than the Kingdom pre-COVID-19, with East Africa and the Nordics being standouts, but these areas achieved high penetration through steady growth and regulatory reform. In Saudi Arabia, it all happened almost overnight.

Or, at least, adoption did, because the groundwork that enabled such explosive growth was laid over the past half-decade of careful reform and an intentional nurturing of the payments sector. SAMA, the Kingdom's central bank, established a regulatory sandbox for fintechs several years ago. The first class was payment companies, and the first licenses for digital wallets and other services had just been issued months before the pandemic made these services crucial.

The response of regulators and policymakers also played a significant role, as did increased coordination between the two, often managed by the National Digital Transformation Unit (NDU). A flurry of new licenses was issued in the opening months of the crisis. The relevance of the payments industry was also legislated by mandating that food-delivery and SME retail establishments accept digital payments. A clever application of Covid relief funds made this painless by paying the fees involved for the first half year. This intelligent intervention saw adoption explode.

These policy moves were coordinated across the government, with SAMA, the SME Authority (Monshaat), and other agencies playing crucial roles in designing and implementing the intervention at speed. Esam Saleh Althukair, the Vice Governor for Entrepreneurship at Monshaat told TBY about the effect of the moves; "...before the pandemic, people who paid with credit cards and fintech solutions represented 20%, but since the pandemic only 20% now pay with cash. We were shocked by the huge adoption of payment solutions, as it shows people are eager to change their lifestyles."

No one in the sector seems to believe that things will return to how they once were, either. Some of the numbers around the fintech boom support this theory. Geidea is the largest payment aggregator in the Kingdom and its solutions allow merchants to accept payments from virtually any source, giving it a birds' eye

view of the sector.

Abdullah Al-Othman, the Founder & Chairman of Geidea pointed out a key trend seen across the sector: "The number of digital transactions increase[ed] significantly in comparison to pre-COVID-19 levels, as well as the average transaction value going down by 25%. The latter could be erroneously perceived as a negative indicator, but it is actually an extremely strong sign that many buyers now rely on digital payments for most of their purchases, as they were only using cards for higher transactions earlier."

The rise in overall transaction volume, accompanied by a fall in the average transaction value points convincingly to a phenomenon seen in other digitalized economies known as cash replacement. As payment technology becomes more accessible people turn to it for more things and use cash less. Saudi Arabia was always a prime candidate for a cash replacement trend since its citizens are young, technology savvy, and were mostly still using cash before 2020. However, a process that would likely have taken a decade instead occurred in a matter of months.

The historic nature of this transition was borne out in valuations and fundraising as well. Saudi Arabia's first unicorn, or billion-dollar startup, was created by the payments boom. STC Pay received a USD200 million investment from Western Union during 2020 on the strength of its digital solutions for remittance payments. The investment gave it a USD1 billion valuation and was a milestone in the region.

Payments are not the only fintechs though. There are a vast variety of applications in the pipeline awaiting full licenses from SAMA. TBY spoke to several consumer lending platforms that had already seen incredible success. More interesting still are the likes of Lendo, a platform that allows retail investors to provide short-term liquidity to SMEs by using invoices as collateral.

Since the pandemic, venture deals have grown by leaps and bounds, amounting to USD157.2 million in the first three quarters of 2021 alone compared to only USD7.8 million in all of 2020. While USD110 million of that amount is from a single investment in Tamara, a buy-now-pay-later firm, investments at every stage of development grew significantly in size and number. Saudi Arabia now has a genuine startup ecosystem, complete with big winners, investors hungry for deals, and a pipeline of startups working on innovative solutions. ✖



LEADING THE CHARGE

Abdulaziz Al Afaleg
MANAGING DIRECTOR,
SAUDI PAYMENTS

Saudi Payments has coped outstandingly with the challenges of the COVID-19 pandemic and taken advantage of them to promote the transition toward a cashless society.

BIO

As the Managing Director of Saudi Payments, the national payments infrastructure provider and main enabler of payment services to the Kingdom of Saudi Arabia, Abdulaziz Al Afaleg has a proven track record of running the Kingdom's systemically important payment systems. He has over 17 years of experience within the financial services sector. He is a graduate of King Saud University and obtained his MBA from Alfaisal University as well as attending Harvard Business School for Leadership Development.

What have been some of the main achievements for Saudi Payments over the last year, and how have your operations aligned with the financial sector program goals within Vision 2030?

Since the establishment of Saudi Payments, we have continued the previous efforts of the payments system, under the supervision and follow-up of the Saudi Central Bank, in line with the objectives and pillars of the Financial Sector Development Program, one of KSA's Vision 2030 programs. One of the key achievements we are proud of is the Sarie system, which was launched by the governor of the Saudi Central Bank in 2021. The system has made a quantum leap in financial transactions and bank transfers, and the figures reveal that during the first six months of 2021, the system has achieved rapid implementation of financial transfers between local banks in a few seconds. The system helped facilitate financial transactions for beneficiaries, enabled them to meet their financial obligations, and provided them with a much-needed innovative solution. Since the launch of the Sarie system, more than 179 million transactions have been processed with a total value of SAR276 billion. The percentage of approved transactions out of total transactions was 98%, with an increase in the share of low-value transfers. In line with the Financial Sector Development Program targets of reducing cash transactions, the value of monthly ATM withdrawals was reduced to -10% in December 2021 as compared to January. Saudi Payments' digital transformation efforts reflected Saudi Arabia's first rank in NFC adoption rate of 95% ahead of the MENA region and many payments-advanced countries (such as EU countries, Hong Kong, and Canada). Saudi Payments' last achievements include the preparation of the electronic payment environment for King Abdulaziz Project for Riyadh Public Transport (buses and Riyadh metro)

and providing Mada service in this project, in cooperation with the Royal Commission for Riyadh City, Saudi Banks, and payments service providers, by developing the infrastructure of the National Payments System mada. From December 2020 to the end of December 2021, we registered 52% growth in POS transactions, 18% POS value growth, 111% growth in smart devices payments, and 41% growth in POS terminals in KSA.

How do you characterize Saudi Payment's role in furthering the fintech market's development? How do you characterize Saudi Payment's role in furthering the fintech market's development?

Saudi Payments has developed the infrastructure and systems to offer fintech companies the opportunity to benefit from these systems, allowing them to provide hosting services for mada POS and e-commerce operations and issue mada banking cards by non-bank entities. We also worked on a project to connect licensed financial technology companies with SADAD to enable them to play roles previously limited to banks and enable users to pay their bills through fintech companies. Consequently, the fintech sector in KSA witnessed continued growth at an accelerated pace over the past 12 months. The number of fintech companies has increased by 37%, and the investment volume index exceeded SAR1.3 billion (USD347 million). Confirming Saudi Arabia's ability to attract fintech companies, a report by Magnitt recently revealed that one out of every four deals executed in Saudi Arabia went to a start-up fintech company. Fintech and F&B start-ups combined accounted for 44% of investments.

What were the main lessons learnt from the pandemic?

Saudi Payments has coped with the challenges of the pandemic and took advantage of them to promote the transition toward a less cash-based society. One of the key steps we have worked on is increasing the allowed limit for NFC payments without the need to enter a PIN from SAR100 to SAR300 per transaction, while maintaining the required cumulative limit of SAR300. During the pandemic, thanks to the innovative payment solutions offered by Saudi Payments, the number of stores supporting the mada e-commerce online service reached about 9,000 online stores, with a growth rate of 300% for 2020. Ongoing reflections in developing innovative e-payment solutions by Saudi Payments, both during the pandemic and after, have had positive results. The 2020 Global E-commerce Index ranked KSA ranked second in the Arab world and 49th globally. ✖

COME IN & grow



The fintech sector spans large, developed finance players to small, scrappy start-ups. To help develop a better ecosystem in pursuit of the next big thing, the Saudi central bank launched FintechSaudi.

Nejouad Al Mulaik
DIRECTOR,
FINTECHSAUDI

BIO

Nejouad Al Mulaik is the Director of FintechSaudi. She previously worked for 10 years at JPMorgan Chase Bank in the corporate investment banking space.

What role is FintechSaudi playing in Saudi Arabia's financial ecosystem?

Saudi Arabia's central bank launched FintechSaudi as an initiative to act as an ecosystem developer. We know that fintechs cannot operate on their own. They are dependent on regulations, banks, and investors. Fintechs need to fill gaps in the market and can do so if they are properly managed throughout all the stages. We started by building a map of stakeholders. The central bank partnered with the Capital Market Authority in 2019 to create a physical space that will help attend to fintech needs, create a space for organic growth, and improve access to finance. We will use the space to launch accelerator programs as needed, depending on the stages and needs of fintechs. We are talking to operators around the world to support our programs. Regulators have been opening up the testing environment, the sandbox, and the fintech lab to receive more applications for fintechs wanting to operate, either directly or as infrastructure providers. The first cohort mainly consists of wallets and payment providers. The second group focused more on lending platforms. We will soon start reviewing the third cohort, which has more than 100 applications.

Where would you say Saudi Arabia currently is in its journey to become a cashless society?

No one is aware of the impacts of a 100% cashless society from liquidity or stability standpoints. There is also the impact on trade as well. Every country needs to find its own balance and target. In Saudi Arabia, the government's target is 10%, as beyond that is not considered healthy for the economy. Aging societies like Japan have different healthcare needs and requirements compared to countries with a young population, such as Saudi Arabia. The dynamics and demographics are totally

different. Globally, we share the same direction, but with different indexes. Some of the steps we are taking are the introduction of new instruments and payment industry regulations. In recent years, several payment providers and processors, POS, and e-money wallets, including back office wallets for management, have entered the Saudi market.

What balance do you hope to achieve through FintechSaudi's integration plan?

All central banks have committees and forums. When it comes to local regulations and economy, I think we need to develop our own direction. It is encouraging to do so because more international banks and institutions would feel more comfortable to understand the Saudi market and adapt their services accordingly. Culture and population are a just a few distinguishing factors. In Saudi Arabia, we have our own challenges in terms of behavior and adoption. Yet, we have one of the highest mobile penetration rate in the region. Saudi Arabia also ranks high in terms of international collaborations as well. For example, Saudi and Emirati companies collaborate together. We would love to see more companies owned by GCC citizens enter Saudi Arabia and expand their regional presence.

How are sandbox regulations contributing to connecting the dots in the market?

The Sandbox is a complete in-testing environment. The majority of fintechs that come to us are ready to hire, but they need better connectivity. That is why we have more than 55 partnerships across the ecosystem, either with universities, banks, or other providers. Once a fintech enters the sandbox, they are given a period of time to set up their business. Then, they are required to go to market with certain limits and caps. We work closely with them throughout the process. We have already identified seven areas that do not require regulation, but rely a lot on technology and development. It is our role to support fintechs because there are only a few other expensive alternatives in the market. Cybersecurity is another issue that all the financial providers are facing. It takes a lot of time and investment for a start-up to become capable of looking after its cybersecurity. ✖



DIGI-*tales*

Waleed Al Mogbel
CEO,
AL RAJHI BANK

Al Rajhi has led the sector in digitalization and the adoption of new technologies, a process expedited by the impact of COVID-19.

BIO

Waleed Al Mogbel was appointed as the CEO of Al Rajhi Bank in 2020, after previously serving the organization in various executive positions such as deputy CEO, chief operating officer, and chief financial officer. With a broad experience of 23 years in the financial services industry, he is a professional who is skilled in risk management, banking, accounting, and financial audits. He has a strong academic background with qualifications that include a PhD in auditing from Cardiff University, a master's degree in accounting and finance from University of Southampton, and a bachelor's degree in accounting from King Saud University.

Al Rajhi has been a leader in digitalization and the adoption of new technologies. Where does digitalization stand in the bank's overall strategy?

Digitalization has been one of the main pillars of our strategy; we have been extremely ambitious in our digitalization strategy from the beginning. We set up a digital banking group to consolidate the digital agenda, and the first step of the strategy was to make available most of our branch and phone banking services via our mobile app. After this, we digitalized our key products (personal finance, cards, mortgages, and so on) end-to-end. The results have been outstanding, and today we have more than 85% of new customers joining the bank by opening current accounts via either our internet banking website or mobile app. We see a rapid migration toward digital channels of many of the services offered by the bank including cards such as debit, prepaid, and credit, remittances, local transfers, and personal finance. Our mobile banking app has been the key driver for this success. We started a similar journey in our SME and corporate business, where we see digital growth happening at a rapid pace.

You assumed the CEO position just before the pandemic, and steered the organization through a historic crisis and still post a 4% YoY profit. What key changes did you implement?

COVID-19 has been a challenge unlike other economic recessions in terms of the extent and duration of the impacts on our customers and the economy. There was no standard playbook to refer to, meaning our whole team had to adapt quickly. We have, however, kept several things front of mind when making these decisions: protecting our team members and customers; adapting our business operations to ensure we remain accessible to our customers;

and supporting the Saudi government in its efforts to navigate the pandemic and ensure a recovery on the other side. To protect our team members, we reduced branch operations during the first wave lockdown, instituted changes to cash handling, and moved our call center operations to remote working. We were able to move quickly thanks to a combination of our recent investments in technology and the tireless work by our team members. For our customers, there was a rapid and enthusiastic switch to remote channels due in large part to the great investment and effort we have made in the last three years to make most service and sales capabilities available over our desktop and award-winning mobile banking app. All our retail banking products are now available for purchase online, which is a first for Saudi banks. These innovations have been greatly welcomed by customers, as seen by the rapid uptake in online account opening and loan applications for Al Rajhi and our new Emkan finance company. Al Rajhi has also supported the numerous government initiatives to support the economy and customers during the pandemic, including fee waivers and support for small business customers.

In what ways did the pandemic shift the way banks operate?

The lockdown to prevent the spread of the pandemic halted economic activity across many sectors, with important repercussions for firms and households. The banking sector was also affected. While banking services can be provided remotely and do not rely on direct customer contact, the linkages of the sector with the real sector as the provider of payment, savings, credit, and risk management services had to operate smoothly without any disruption from COVID-19-induced restrictions. Digital solutions provided a lifeline to households and businesses; for example, the value of POS transactions via mobile increased by about five times in 2020 compared to 2019. At the same time, the banking sector had to support firms and households during this period of lower revenues and incomes, which triggered important policy actions by financial supervisors and governments. In Saudi Arabia, the government stimulated the economy by supporting households and businesses through the banking system; SAR100 billion (equal to 3% of 2019 GDP) in stimulus support was deployed in the banking sector as part of a larger stimulus package. ✖

quick AND EASY

stc pay leads the fintech sector in the region with its innovative payment solutions in line with the growing demand for convenience and contactless solutions.



Ahmed Al Enezi
CEO,
STC PAY

BIO

Ahmed Al Enezi has more than 14 years of experience in the banking sector, focusing on the quality and development of business and products, in addition to his financial technology expertise. One of stc pay's founders, Al Enezi previously held the position of general manager of Injaz sector at Al Bilad Bank.

stc pay graduated from SAMA's sandbox relatively recently, one of only two fintech firms to do so. What allowed you to excel in this process and move to market quickly?

As part of stc pay's vision and commitment to be the leading regional operator in the field of fintech, we started looking at the services roadmap a few years ago. We saw many complexities in the financial sector and not enough focus on the actual customer journey map as one of the major factors in achieving this vision. We believe that we should go back to the basics, offering simplicity, security, and convenience to our customers and injecting that into our services, starting from the design phase moving into the strategy. Everyone should "simply take control" of their financials, whenever, wherever they are. We believe nothing is impossible to create the future we want, and that is key to excel, lead the industry, and persevere when it gets tough. You must have a great passion in order to succeed. The second thing is SAMA's blessing in launching the fintech Saudi initiative that aims to support the financial technology ecosystem by transforming Saudi Arabia into a fintech hub that harbors a flourishing and proficient ecosystem. It is also aimed at lifting the SME sector, diversifying the domestic economy, and creating job opportunities.

What was your experience throughout the pandemic? How did you react initially, and what patterns have you seen in spending and data since it began?

Today, Saudi Arabia is notably more advanced than any country in the region or globally in the payment sector. It has the infrastructure, and the government had already started e-govern-

ment before the COVID-19 pandemic. For many activities, the base was already there, and all we needed was a trigger to promote it, get people to start using it, and build their confidence in it. After months of lockdown and social distancing as a result of COVID-19, consumers were forced to pay differently around the world and across sectors, fully relying on online and cashless payments for everything, pushing toward a cashless society. As we are a fully digital platform that came to remove hassles and provide digital wheels of financial controls, we were ready for such a pandemic. Our product has no mediator and offers directly to customers through digital solutions. SAMA increasing the purchase limit (supporting NFC technology) from SAR10,000 to SAR20,000 to support digital payments and digital solutions for a single transaction with no need to enter PIN played a vital role in increasing the demand for contactless payment.

What key trends enabled this rapid growth?

There is a unique formula that helped in forming stc pay. One main component is our young generation. In today's world, with 70% of the region's population are youth, wanting everything instantly, including financial services. We designed a product that fulfilled those needs offering international payments at the lowest rates in the market with the easiest, most simple steps. It is easy to split a bill between friends at a restaurant and receive the money in less than a minute using a phone number only. The Eid holidays occurred during the pandemic, and to preserve society's traditions and keep them alive during those hard times when no one was allowed to carry cash, we launched the "Eidya" campaign a few days ahead to celebrate early this time. The campaign was shared by millions of users across the Kingdom and the Gulf region, reaching a significant milestone with over 900,000 transactions within four days only. Another great project we worked on during the pandemic was to develop a payment system for all delivery companies, including Mrsool. They wanted to accept digital payments but did not know how to provide this to the handler or driver of shipments. We worked tirelessly to develop a great service that they could use during and after the outbreak. ✖



Image: NDU



DIGITAL DREAMS

Abdullah Al-Othman
FOUNDER & CHAIRMAN,
GEIDEA

Alongside a young population, growing access to financial services, and high smartphone penetration, COVID-19 has accelerated cashless transactions, benefitting firms like Geidea.

BIO

Abdullah Al-Othman is the Founder and Chairman of Geidea. He is also the founder of AO Holdings, a family investment house founded in 2019, and is the co-founder of Lemar United Real Estate, an international real estate and development company focused on the commercial sector. In addition to his business ventures, he is a member of the Business Entrepreneurs in the Chamber of Commerce, an institution designed to build commercial solidarity among businesses and protect their interests. He holds a bachelor's degree in information technology from King Saud University and an MBA from Al Faisal University.

What impact has Geidea seen from COVID-19 in volumes and types of cashless transactions?

The first few weeks of the pandemic were extremely challenging, and many industries saw a massive drop in activity, especially retail, hospitality, and real estate. We are fortunate that the government reacted both quickly and decisively by pushing and mandating digital acceptance in small shops, as well as for all deliveries. Furthermore, the authorities also supported many businesses by financing some of the costs on behalf of merchants, a major example of the commitment to make Vision 2030 a reality. This had a massively positive effect, with the number of digital transactions increasing significantly in comparison to pre-COVID-19 levels, as well as the average transaction value going down by 25%. The latter could be erroneously perceived as a negative indicator, but it is actually an extremely strong sign that many buyers now rely on digital payments for most of their purchases, as they were only using cards for higher transactions earlier.

Geidea has been extremely successful in graduating from the SAMA fintech sandbox and getting licenses. What allowed you to achieve this?

The shared vision between management, our shareholders, and myself has truly made this a reality. From the beginning, we focused heavily on investing in our people and technology, as well as understanding how we can meet the needs of merchants. We also went through this journey hand-in-hand with Saudi Payments and SAMA, by building both mutual respect and trust along the way. These factors allowed us to cement our position as one of the largest service suppliers in Saudi Arabia and the wider Middle East. Today, we have more than 75% market share in the sector, amounting to over 500,000 terminals and serving more than 100,000 clients. Moving forward, our goal is to leverage our licens-

es to offer a seamless and intuitive experience to smaller traders and companies, with a complete suite of payments, e-commerce, and business management tools aimed at growing and scaling their businesses. Today, we can onboard businesses in minutes and deliver our terminals on the same day that merchants request it.

You have two arms, Geidea Banking Business (GBB) and Geidea Merchant Business (GMB), which offer tools to SMEs and clients. What digital tools make Geidea attractive to SME customers?

Our Geidea application is really the core of our ecosystem: it brings merchants onboard in minutes, lets them manage orders, send e-invoices, and take payments or simply gives them access to their balance in real time, across all channels. No one else in the country gives small merchants an omnichannel experience with such a seamless experience.

Are the changes that have swept the Saudi digital payments sector recently long lasting, or will people return to cash?

We firmly believe these changes are here to stay. Digitalization was already in force pre-COVID-19; however, it has been accelerated because of the pandemic. Many pre-existing factors will continue to push this transition, such as a young population, access to financial services, and high smartphone penetration. The difference now, however, is that the increased convenience of digital payments and the growing reluctance to handle cash or a payment terminal is pushing for the adoption of digital and contactless payment methods to even greater heights.

Saudi Arabia has explicitly encouraged the payments space with a number of regulatory and policy decisions. What recent changes have you found most beneficial?

The creation of Saudi Payments with a clear positioning as an enabler for the market was remarkable, as the Kingdom now benefits from a more efficient and better priced card-based system. The recent introduction of instant payments is also opening the doors to an even-more promising future for the payment space, as the reduced fee and increased speed will create opportunities to pay merchants faster and more often. This will also contribute to supporting their cash flows financing and help boost business in the country. We are currently living in a world where everyone expects quicker payments in real time, and these changes will help meet these needs. ✖



Image: NDU

SAUDI ARABIA'S HISTORIC FINTECH GROWTH:

Saudi regulators worked for years to create a fintech ecosystem that could meet Vision 2030 objectives around access to finance and financial literacy. Growth and adoption exploded during the covid crisis as restrictions forced created solutions and government policy makers, advised by NDU, seized the moment. Regulators acted swiftly to aid this growth, with impressive results:



70%

Cashless payments
goal under Vision 2030



28%

2020 cashless
payments goal

REALITY:



2021 FINTECH STATS:



82

Fintech Companies
in Operation

37%

increase in the number
of active Fintechs from
2020

\$157.2
MILLION

in Investments (Up from
only \$7.8m in 2020)

KEY REGULATORY AND POLICY MOVES:



FINANCIAL SERVICES

Mastercard, Visa, and American Express, some of the world's largest financial services players, see unbound potential in Saudi Arabia thanks to its rapid embrace of digitalization.



J.K. Khalil
COUNTRY MANAGER
FOR SAUDI ARABIA,
BAHRAIN & LEVANT,
MASTERCARD

WHEN CASH moves from bank notes to electronic, you see vastly increased transactions, but lower individual amounts because small purchases are being converted to digital from cash. While cross-border spend plummeted in 2020, actually electronic spend on domestic categories shot through the roof. All the volumes that we lost in 1Q2020 because of the systemic shock to the system started coming back. We definitely saw a massive boost that will continue because consumer behavior will not return to where it was, and all indicators say it will continue to be the way it is now. This cash displacement has set up a new baseline, so once the second recovery starts to take place, and economic activity returns to 2019 levels, this new baseline will be set to the new level of spending and will take into account new behaviors that will no longer happen at cash points going forward. In Saudi Arabia today, we have cashless payments, cross-border remittances, account-to-account transfers, QR payments, which are quick response code payments, and e-commerce. We have done about 85% of all e-commerce flows in the market across all schemes. These are all different payment rails that we have brought to life in these markets in the Middle East and the GCC specifically. When regulators like the Saudi Central Bank (SAMA) open up to embrace the future and bring all these multi-rails, they are so hungry to unlock the digital economy across all levels and provide choice to consumers. It makes us excited because this is the ecosystem that we have contributed to globally. In terms of regulatory change, when we look at the upcoming open banking regulations that have already been announced, those will bring a new layer that will enable many use cases that will fit with other innovations, such as QR and real-time payments, which we are rolling out in Saudi with Saudi Payments.



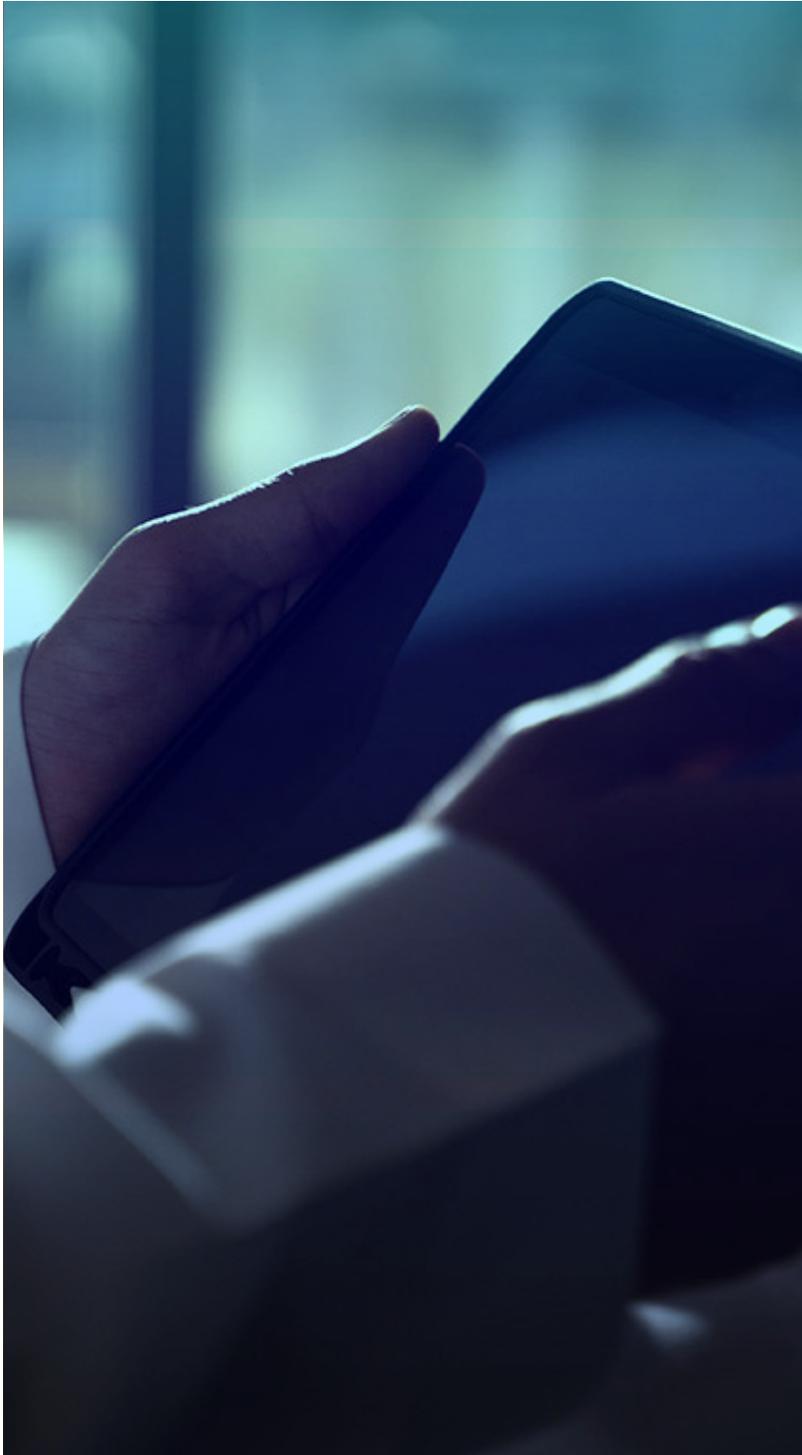
Ali Bailoun
GENERAL MANAGER -
SAUDI ARABIA, VISA

SAUDI ARABIA was making steady progress toward achieving a 70% cashless economy by 2030, as part of the goals for Vision 2030, and the pandemic has accelerated this shift toward digital commerce. As the pandemic began to impact daily life in Saudi Arabia, card payments (both face to face and online) saw double-digit growth while cash withdrawals declined. This trend is set to accelerate, as more consumers and merchants become used to these cashless options. International volumes have been hit, particularly due to travel restrictions, which has affected Saudi residents since April 2020. However, online shopping has increased sharply, and even the acceptance of digital payments has increased massively over all the different merchant sectors. Another trend is contactless payments, wherein nine out of 10 in-store transactions are tap to pay versus less than two out of 10 before the pandemic. Debit has been the biggest growth driver across all portfolios as opposed to credit and prepaid. That is another global trend we have seen in Saudi as more people spend their own money rather than tapping into credit lines. The pandemic has accelerated several years of change in a matter of months. The changes that we have seen definitely are long-lasting. The use of contactless payments was always in the best interest of public health, and we have no reason to believe things will return to the way they were. We see consumers demanding payment options that are more secure and do not necessarily require physical contact, and that was driving the preference for contactless. When it comes to in-person and high-ticket payments, there was definitely a drop. However, the transformation to digital payments created a new behavior in the market that will shift cash to digital in every sector.



Priyan Attygalle
CEO, AMERICAN
EXPRESS SAUDI
ARABIA

THE PAYMENTS industry never sleeps. To provide service 24/7, you need to make sure your staff can work remotely from wherever they are located. American Express Saudi Arabia had the legacy infrastructure for remote access and we were able to extend this facility to all staff from the start of the pandemic. Our strategy for COVID-19 was designed around four stages—lockdown, transition, recovery, and the growth stage. For the lockdown stage, we looked at the payment services customers needed during a total lockdown. They would be ordering essentials online and driving to neighboring grocery stores and pharmacies. Traditional cash users started moving to cards and other electronic payment methods. Contactless payments started to become important for the customer. The central bank reacted fast and increased the contactless limit from SAR100 to SAR300 per transaction, so people did not have to touch payment machines when entering their PINs to make small payments. Subsequently, the first behavioral shift of paying for even a small item with a credit card or phone started. The second was the increased use of credit cards for local transactions in Saudi Arabia. Previously, many only used credit cards when they were overseas and still used cash or debit cards at home. Third, we noticed our ATM usage falling because people were using less cash and more electronic/card payment methods. All card and electronic payments saw a massive growth in transaction numbers locally. During the transition phase, consumers were buying home entertainment units such as televisions, sound systems and work from home essentials such as computers, large monitors etc.



A HELPING HAND

COVID-19 accelerated the growth of the Saudi start-up ecosystem, with a variety of VCs and other firms eager to fund exciting new ideas.

SEVERAL YEARS AGO, the Saudi Arabian start-up ecosystem barely existed. There were a handful of VCs and another handful of companies trying to raise money and pioneer new business models. Today, the game has moved on significantly.

There are a wide range of startups active in the Kingdom. The largest and best-known to investors and the public are in fintech (STC Pay, Tamara) and ecommerce (Souk.com, Mrsool), but there are now dozens of firms working in many sectors. Local venture capital firms have grown, and international ones have taken note of the fast-moving Saudi ecosystem. In 1H2021, USD168 million in deals were made, a 65% increase on the same period a year before. Across the region, one in every five deals was closed in Saudi Arabia.

The foundations of the current boom were laid by the Vision 2030 reform plans. The stated goal of the program is to raise the contribution of SMEs to GDP from 20% to 35% by 2030, and while this effort has many directions and includes government authorities like Monshaat (SME Authority), a key pillar is the increase in entrepreneurship. Saudi Arabia has consistently reformed regulations since 2015 to make it easier to start and grow businesses.

For example, a bankruptcy law passed in 2018 addressed a long-standing concern of entrepreneurs and investors, shielding company executives from liability and providing a recourse to investors other than a fire sale to recover assets. Before this legislation there was no bankruptcy protection, an arrangement that deterred foreign investors and especially VCs interested in highly risky ventures.

Other reforms allowed Saudi Arabia to become one of the 10 most-improved countries in the final World Bank's Doing Business ranking before that index was scrapped last year. Many of these changes involved reducing costs and red tape for starting a busi-

ness. They also improved the rights of minority investors, vastly reduced minimum capital requirements, improved access to credit, and enforce contracts through the legal system. The reform work is not over yet, with significant legal reforms in process that bring the Kingdom closer to a codified law that has greater clarity in business matters. Altogether, these moves represent a sea-change in the Kingdom's business environment, which heavily favors small-scale entrepreneurs and opens new areas for innovation.

It was not only regulatory reform that supercharged the Saudi ecosystem, but a clever approach that directly stimulated investment and cultivated entrepreneurs. In 2018 the government launched two funds—the Public Investment Fund (PIF) backed Jada Fund of Funds, and the similar Monsha'at-backed Saudi Venture Capital Company (SVC). These funds had the explicit goal of building a funding system in the Kingdom, and they have invested in many key funds raised by VCs across the region and in Saudi.

The result is much-increased liquidity from investors, and a significant ability to crowd in family offices and other private money into investments vetted by professional VCs. STC, the region's telecoms powerhouse, also started STV in 2018, a USD500 million fund and the largest in the region. Having a VC network in place also encourages angel investors, who can now see the path to an exit. As a result of the robust backing from the government, there are now 40 active VCs in the Kingdom.

While these changes laid the groundwork for a robust startup ecosystem over the past half-decade, the COVID-19 pandemic added propellant to a nascent sector. The dual effect of lockdowns and soaring asset valuations around the world produced headline liquidity events that cemented Saudi Arabia's place on the map of centers for entrepreneurship.

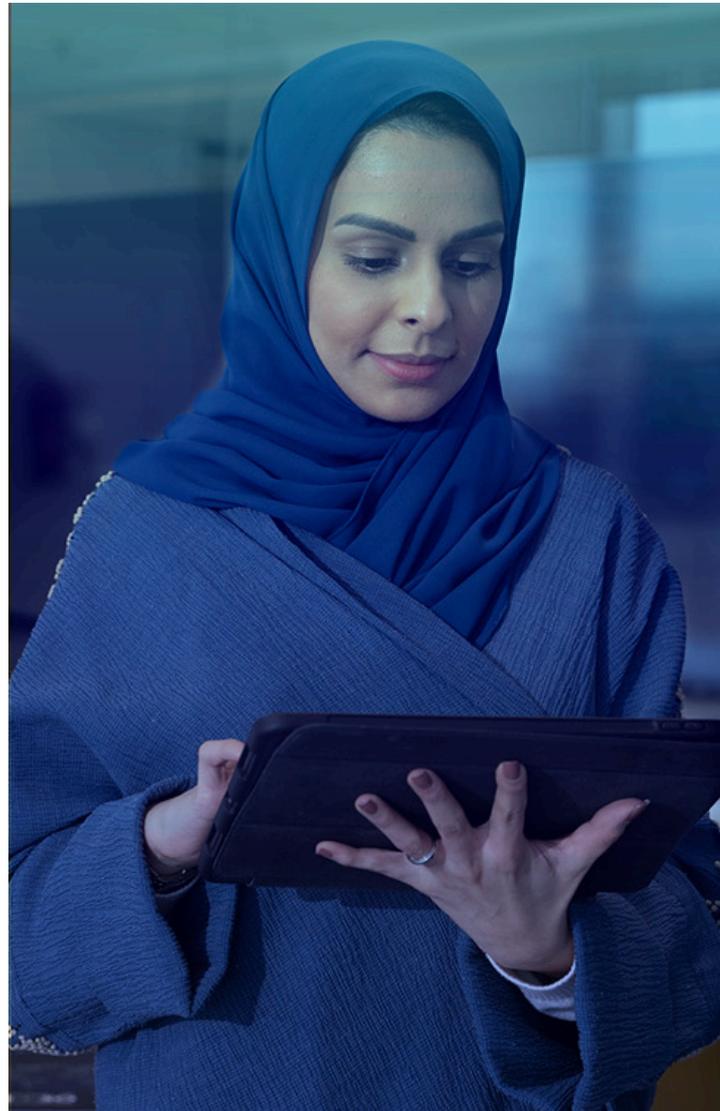
STC Pay was the first Saudi start up to achieve a USD1 billion

valuation when Western Union bought a 15% stake for USD200 million. This investment was partially in response to the incredible uptick in mobile payments and other fintech adoption brought about by the Kingdom's unique regulatory response to the pandemic, and it marked a kind of opening of the floodgates. Suddenly everyone was interested in Saudi startups, and they were commanding huge valuations.

In 2020 there was USD151.9 million in VC funding across the Kingdom, representing a 124% increase from 2018. As previously mentioned, 2021 surpassed this figure in less than six months is on track to nearly double it. Some notable deals include Tamara, a buy-now-pay-later company that raised a record-breaking USD110 million series A led by Checkout.com, a UK firm. Noon Academy, an educational startup that grew its customer base to 3 million students during the pandemic, raised USD13 million for expansion. More recently, Saudi fintech startup Lamaa, which offers supply chain finance and B2B lending solutions, raised a USD5.5 million seed round, one of the largest ever.

There are some interesting trends in the new deal boom. 2020 was dominated by ecommerce and payments, while 2021 is replete with fintech solutions other than payments. It has also become clear that many types of startups are attracting funding.

Saudi Arabia' startup ecosystem has come a long way in a short time. This is due to a series of reforms that made it possible to easily start and invest in a business, as well as careful government support of VCs and other investors to provide risk capital to startups with big ideas. The third factor was utterly unpredictable but had an enormous effect: COVID-19. The Kingdom's entrepreneurs have taken a crisis and transformed it into a bonanza of ideas and fast-growing companies. It seems that this kick-started system of innovation is here to stay. ✖



PAYMENTS

COVID-19 vastly accelerated development in the payments space, prompting increased adoption as well as new solutions.



Muhannad Ebwini
CEO, HYPERPAY

WHEN THE lockdown occurred in 2020, everything came in very quickly, and the future was uncertain. This created a panic where not everyone was prepared for online transactions, which meant those companies lost their business completely. We produced products quickly to bring companies online as soon as possible, with hyper invoicing and hyper payments. During this time, there was a spike in the market, sometime triple-digit growth. Looking at the present, while not everything is back to normal, the majority of restrictions have lifted. In the height of the pandemic, most government services were halted, as were travel services and events and entertainment. So if we had 300% growth during this spike, we have maintained 150% of that growth today, where services have restarted. That shows that half of the players that went online out of necessity during the pandemic have remained online for its benefits. We are in no rush this year; the pandemic is still ongoing. That is why commercial players have begun officially learning how to make their online presence. They are upgrading their websites and applications, as they are aware that another lockdown situation could arise at any time. Today, the market knows the importance of an online presence. It is no longer a luxury, but mandatory. It is just an important sales channel as a retail location. We are reaching the majority of users, both merchants and consumers. On the consumer side, people are becoming experts in finding what they want at the price they want to pay. The market is changing due to this online business. That is why we expect huge growth in the Middle East in the coming years.



Esam Al Nahdi
CEO, HALA COMPANY

WE WERE one of the few beneficiaries of COVID-19. We were pushing businesses to have digital payments as an option, which is more convenient for them and their customers. COVID-19 came as a boon for players in this domain. What used to be a luxury or convenience for them became a must. Our numbers of businesses accepting digital payments instead of cash is growing by a minimum 20-30% month on month. There is a huge shift from cash to digital, and we were one of the enablers of this domain. We are focusing on all types of businesses, mainly SMEs that want to digitalize their payments online or offline. In terms of fundraising, we had big plans prior to COVID-19, but as a result of the pandemic we had a shift in mentality even before investors and decided not to proceed with fundraising rounds during this period. We shifted to being self-sufficient and more resilient during this period. It changed our perspective of how tech companies are perceived. It used to be that payment companies were losing money, burning investors' funds until they got an exit. Now, things are different, which is why we decided to move into bootstrapping mode to prove we are able to be self-sufficient by growing our revenue stream. Recently, we started looking at a round again, but with a different mentality, size, perspective, and metrics since things have changed since we grew. There has been a major challenge in Saudi for a long time in terms of human resources. When a company decides to scale up quickly, it needs a large number of team members to come onboard, and it needs to think about how it can get around the scarcity of resources.



Abdulmajeed Alsukhan
CEO, FOUNDER,
TAMARA

I WENT TO SCHOOL IN THE US and when I returned, I established my first start-up in 2016 in the delivery space. While looking into my second start-up, I realized that the neighborhood corner store was competing with us in terms of proximity. It also has a ledger, and the cashier decides which customer to extend credit to. Certain customers can shop and pay at the end of the month. That was a competitive advantage that I was analyzing. The reason the mom-and-pop store can do it is because it has data that chain stores do not have. Small stores know their customers; they know where they live, the name of their children, and the car they drive. They have data that they do not analyze but use in a primitive way to decide whether the customer is a low- or high-fraud risk and extend a credit line based on that. Once I realized that, I looked into digitalizing that process because this is larger than grocery stores. We could bring this process to any online store if we had data, because data allows us to do what small stores are doing. By early 2020, it was clear to me that this was a great market and opportunity. We started building the team in early 2020 and wrote our first line of code. We subsequently launched in September 2020, and since then, we have been growing tremendously. We are seeing growth of about 40-45% month-on-month. We closed the biggest Series A funding in the region by far, which has only helped us become more aggressive in our approach to the market. We aim to become not just a regional player but a global player.



Osama Alraee
CO-FOUNDER & CEO,
LEND0

I USED to work at the Mohammed bin Salman Foundation (MiSK) as the Executive Manager of Misknovation. I encountered an interesting issue there, which was that in our dealings with local SMEs, we had many procedures that meant our time to payment for services was far too long for them. Long payment terms of up to six months on invoices from government clients are common. At that time, I met my co-founder, who was working on a similar idea but on the crowdfunding side. An idea emerged to finance SMEs that have invoices pending with large private or government sector, with the funding for these invoices coming from crowdfunding. This became immediately a scalable model. Quickly, we realized some amazing digital infrastructure in Saudi that is extremely rare worldwide. When we started lending, we were doing loans within 10 days. We have to be extremely quick but also do the proper due diligence because we are not disclosing any info about the SME itself. We applied for the SAMA Sandbox in March 2019, received the license in July, and funded our first loan on December 31. Since we started, we immediately saw unbelievable traction on both ends from investors and SMEs. We are extremely oversupplied with money, with millions in our banks waiting to be deployed, but we have cap from SAMA on how much we can lend to SMEs. We are putting investors on a waiting list because we have too much money. Every time we open a loan, it gets funded within 1 minute, and we are getting over 300% coverage. We are in the final stages of the licensing, and will be the first crowdfunding SME financing company license in Saudi Arabia.

EXPLOSION IN FOOD DELIVERY

By focusing on continuing to improve their delivery experiences and making their applications easier, faster, and more convenient for customers, food delivery services only expect to grow further across the region.



Assad Numan
CEO,
HUNGERSTATION

MOST OF OUR CUSTOMERS are young people. Thus, we take special care of them by providing products and services that meet their needs such as Fazaa and Quick Market. These young people have their daily habits that differ from the rest of the society segments; they stay in their workplaces for long periods, preferring to hang out in groups in resort areas, chalets, homes, or at sporting events such as football matches, all of which require facilitating their access to their favorite foods. This is where the role of Hungerstation comes in achieving this in the fastest and easiest way. As a leading national company, we understand the needs of our local community and know what motivates and what satisfies it, so we are keen to maintain communication with customers and ensure a constant presence in their minds by providing new offers throughout the year and actively participating in social responsibility and sponsoring national events and initiatives.



Ghassab Salman Ghassab bin Mandeel
CO-FOUNDER & CEO,
JAHEZ

JAHEZ has a vision to become the most loved lifestyle platform in the Middle East. Since our establishment in 2016, we have seen many gaps in the market. We started to fill in all the gaps for on-demand services in Saudi Arabia, leveraging our technological know-how and in-house capabilities. First, we offered our model to connect customer merchants and drivers under one platform in Saudi Arabia. When we started, we looked at the experience from the customers' and partners' (restaurant's) perspective, because of which we have earned the trust of many customers and have experienced substantial growth. In the first two years especially, our growth was mainly through word of mouth. Our dedication to understanding our stakeholder's needs remains, and as a result of this and other factors we have gained significant market share during this journey. In September 2021, the Capital Market Authority approved our application for an IPO on the Nomu parallel market on the Saudi exchange. We have announced the ITF and issued a prospectus and supplementary prospectus that investors can refer to for more information. We are the first start-up company to be listed on the Saudi Stock Exchange.



Eqbal Qur'an
CHIEF TECHNOLOGY OFFICER,
MRSOOL

OUR APP is a platform to connect people. We are one of the largest delivery platforms in the region. We provide a true order anything from anywhere personalized delivery experience in a human mechanism. Recently, we have been focused on scaling our solution and building the team, and structuring it in a way to assure productivity and agility so we can experiment with new ideas. The current pandemic has further highlighted the importance of delivery services and how it helped to keep citizens connected and public services functioning. We have been extremely flexible and had to make many adjustments. Our flexibility allowed us to operate better than our competitors. We had a strategy regardless of the pandemic, and we had a clear plan about what we wanted to do. We have always wanted to have a platform to provide a personalized experience between the courier and the end-user, and we always felt that culturally, people in the region enjoyed this experience.

thebusinessyear