



Growing new industrial supply chains

Supporting new SMEs in Saudi Arabia to build local industries



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Introduction

The world has seen significant disruption in supply chains over the past few years, but as countries rebound from the effects of the Covid-19 pandemic, it is more important than ever to consider how to support Small and Medium Enterprises (SMEs) looking for their place on the local and global stage. Governments understand that supporting SMEs means bolstering economies and societies, which has led to programs to mitigate the effects of the pandemic on these enterprises. As Saudi Arabia looks to diversify its sources of revenue and increase the contribution of SMEs and the industrial sector to the GDP, supporting emerging industrial enterprises in the country will be vital.

A concerted effort to guide industrial SMEs through their journey from setting up their industrial supply chains to finding their way onto the global market will help bring Saudi Arabia closer to its Vision 2030 goals for the industrial sector. The Kingdom can support SMEs and entrepreneurs to increase their participation the industrial economy and developing local supply chains by addressing the challenges that budding enterprises face in the country and by providing the means to conquer them. There is a role that the government, through the Ministry of Industry and Mineral Resources and other national and international agencies, such as UNIDO, can perform, which would provide SMEs with financial and non-financial support to boost their local presence and facilitate their ability to expand to international markets. There are multiple avenues of support for nascent industrial enterprises. Still, there is a need for a clear Kingdom-wide strategy for industrial SMEs to navigate the ecosystem of agencies and programs that can support them.

This paper describes the journey that SMEs undertake to set up industrial supply chains, the ecosystem of support that industrial SMEs navigate, and the challenges they face in the Saudi economy. It outlines global examples and benchmarks to identify disparate strategies adopted by other nations and distill them into concise recommendations, which could be applicable in the Kingdom when aiding industrial SMEs set up their supply chains.



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The SME ecosystem in Saudi Arabia

Industrial SMEs in Saudi Arabia operate in a rich ecosystem of ministries, agencies, and programs that can provide various facets of support to growing enterprises. The efforts of the ecosystem are underpinned by the Kingdom's Vision 2030 and the goals of diversifying the economy and increasing the industrial sector's contribution to GDP. The Small and Medium Enterprises General Authority (Monsha'at) is a significant player in the industrial SME ecosystem. Monsha'at strives to develop policies and standards for funding SMEs, including initiatives to further technology knowledge transfer, performance, productivity, and supply chains. Monsha'at joins forces with ministries, authorities, government entities, and NGOs to further collaboration and alignment.

Many ministries have a hand in promoting industrial SME interests, whether directly or indirectly. The Ministry of Investment of Saudi Arabia (MISA) partners with local and international businesses to streamline investments in the Kingdom and improve Saudi Arabia's overall business environment, which can benefit the growth of the local industrial sector. MISA also supports investors through market and economic intelligence, matchmaking, setting up meetings with stakeholders and ministries, corporate set-up assistance, and feasibility studies. Meanwhile, the Ministry of Finance (MoF) has supported industrial SMEs by signing supply chain financing agreements with three local financial institutions in 2020 to enable the growth of the private sector, which is one of the pillars of the financial sector development program (FSDP). Through the FSDP and other agreements, the MoF is streamlining its role in developing many industrial, commercial, and service sectors.

The Ministry of Industry and Mineral Resources (MIM) is taking more of a lead role in advancing the interests of industrial SMEs. MIM has signed a partnership and cooperation agreement with the Association of Supply Chains and Procurement, among many other initiatives. The agreement aims to develop industrial supply chains and localize them to support national industry, reduce dependence on imports, and provide export opportunities and enablers to the industrial sector.

One of the significant initiatives MIM has undertaken to localize promising industries is establishing the National Industrial Information Center (NIIC). The center collects industrial data and classifies it according to international standards. It will create a database for facilities and industrial products—to be included in dashboards and

reports—and a national product guide. A reliable industrial knowledge center in Saudi Arabia will contribute to market transparency and enhance the confidence of investors and decision-makers. The National Industrial Development Center (NIDC) is also an agency that supports the sustainable development of the industrial sector in the Kingdom by recommending effective policies and coordinating industrial initiatives with government institutions and the private sector.

Since government procurement can play a significant role in the business of industrial SMEs, a good agency in the ecosystem is the Local Content and Government Procurement Authority (LCGPA). The LCGPA aims to grow local content in the national economy and improve the government procurement process by formulating policies and regulations, developing local opportunities, and promoting transparency in the public and private sectors.

On the financial side, the Saudi Export-Import Bank (EXIM) is another major supporter of SMEs. In the first quarter of 2022, EXIM allocated around SAR250 million (US\$66.6 million) for SMEs and plans to allocate another SAR300 million by the end of the year. EXIM has also established a Supply Chain Finance Guarantee (SCFG) that is offered to lenders and assists U.S. exporters and their suppliers through accounts receivable financing. It is designed to increase liquidity in the supply chain and provide suppliers, especially small businesses, with access to capital faster and at a lower cost.

The Saudi Industrial Development Fund (SIDF) also promotes industrial investment opportunities and strengthens local industrial efforts. It has also introduced a new package of financial products and services through the National Industrial Development and Logistics Program (NIDL), which adds SAR1.2 billion to the national GDP, generates job opportunities, improves the balance of payments, and strengthens local content.

When it comes to human capital development, there are initiatives, among others, led by the Human Capital Development Program (HCDP), Colleges of Excellence (CoE) and the Technical and Vocational Training Corporation (TVTC). While these are intended to upskill or to contribute to the upskilling of SMEs, it remains a challenge to upskill enough industrial SMEs.

The challenges facing new industrial SMEs during their journey in Saudi Arabia

Throughout their journey of establishing local industrial supply chains, SMEs may face various challenges, which can be exacerbated by global occurrences and shocks, such as the global Covid-19 pandemic. The broad challenges that may plague any industrial SME looking to establish itself in the Kingdom's local industrial complex are the following.



Fluctuations in demand and supply

While an increase in demand can equal more profit, some extreme demand surges can leave businesses reeling and can cause supply chain disruptions. As we have seen in recent years, significant events such as natural disasters or pandemics can cause panic buying making businesses unable to respond to demand. The pendulum can also swing the other way. Consumers may halt consumption of certain products, which has also occurred recently, as needs shift due to external pressures and occurrences. For example, while demand skyrocketed for food products, it severely declined for automotive industry products. SMEs must be ready to face such challenges, have access to reliable suppliers for demand surges, and have contingency plans to innovate in the face of market crises. The presence of local Saudi suppliers can play a pivotal role in subduing the effects of such fluctuations. To face these challenges, SMEs must be on top of their demand forecasting and continuously seek to meet consumer demand, identify product lines early, and plan supply and manufacturing accordingly.



Attracting a skilled workforce with the right experience

A skilled workforce plays a key role in building a business's reputation and its ongoing success. As products and occupations evolve, so do required skills and competencies. The accessibility of industrial SMEs to such a talent pool is crucial for their success, which further underlines the importance of a local workforce to grow the Saudi industrial sector. This will help SMEs generate job opportunities and access local capacities, which are more lucrative for the national economy than employing foreign labor. The lack of Saudization in the industrial SME labor force leads to wages being transferred abroad instead of contributing to the local economy. It also hinders the development of a skilled domestic workforce and labor development within Saudi Arabia. To mitigate these issues, industrial SMEs need mentorship opportunities and vocational training availability to acquire the skilled workforce they need.



Attracting investments

The ability of enterprises to attract investments relies on internal and external factors. Internally, as a business, SMEs must have a clear and detailed business model to prove their credibility as a good investment. They must also have research, data, and analytics about their domestic performance and how they might fare in an international setting. The limited size of many SMEs can hinder their ability to access resources and produce the needed data. Externally, enterprises must rely on their government to provide an attractive environment for foreign investors. In Saudi Arabia, investors have complained about issues with regulations. Still, the government has plans to offer incentives, revamp regulations, and create special economic zones to attract more investment. SMEs will need to boost their internal capabilities to portray themselves favorably to domestic and foreign investors and compete effectively with their larger counterparts.



Regulatory challenges

Industrial SMEs and investors in Saudi Arabia have to contend with a complicated regulatory ecosystem. For example, SMEs have limited visibility into the pipeline of government tenders, which stuns their planning and operations. Even though the Kingdom has made acknowledgeable efforts to enhance its worldwide rankings for business-friendliness, there is room for improvement. There is also limited alignment with stakeholders when implementing critical policies, especially those impacting manufacturers. The Saudi government plans to address these issues, primarily through Vision 2030 and the NIDL program. Industrial SMEs will need a streamlined regulatory framework that they can navigate easily when setting up their enterprises and supply chains, making it easier for investors to support them.

What are other countries doing to support their SMEs?

Governments worldwide understand the value of supporting their SMEs to become economically viable since it boosts their economies and societies.

Each nation is unique in its resources, local content, and talents and thus has taken different paths to achieve the same goal of supporting its budding industrial businesses.



Australia

Australia has implemented federal policies to support local SMEs at the state level and set them up for success in the market. Western Australia designed the Western Australian Buy Local Policy (WA BLP) in 2022 to provide local businesses with enhanced access to the government market by applying a range of initiatives and price preferences. The policy gives regional businesses every opportunity to participate in government procurement. It ensures that the local government agencies prioritize businesses and workers based in the region where the work or service is being delivered. Government agencies here implemented procurement procedures to allow SMEs to meet supply requirements. This includes the publishing of 'look-ahead' lists and early tender advice to provide prospective suppliers more time to prepare a competitive bid.

In New South Wales (NSW), there is an SME and Regional Supplier Exemption that allows government agencies to negotiate directly with an SME or regional supplier for goods and services valued at up to AUS\$150,000. The objective is to make engagement with SMEs and regional businesses easier through direct purchasing arrangements.

NSW government agencies must also consider purchasing from an SME, before any other supplier, for procurements of up to US\$3 million—in cases where the agency is permitted to purchase goods and

services from a supplier directly. NSW government agencies must also provide pre- and post-tender briefings when reasonably requested by SMEs and regional suppliers to clarify requirements and provide feedback on unsuccessful bids. They also must, whenever feasible, limit the length of tender responses when seeking more than one quote and minimize tender and contract requirements wherever possible (such as insurance levels or technical requirements).

Saudi Arabia has similar regulations in place to either directly favor SMEs in local government contracts, or indirectly support their growth through localization-focused procurement policies. Tenderers for government contracts are allocated a 40% weightage in the procurement criteria for local content. They need to specify the localization threshold they are aiming to achieve at the end of the project, which is taken into consideration while allocating contracts. There is also a concept of minimum threshold localization that needs to be achieved which must be agreed by all bidders. While bidding, the participants also need to specify the portion of local versus foreign composition in their bids. A mechanism is in place to grant national products a price preference by adding 10% to foreign products in government tenders. This contracting method of Localization of Industry & Knowledge Transfer (LIKT) is a newly introduced government contracting method in the new Government Tenders and Procurement Law. LCGPA is responsible for supervising the activation of the method through cooperation with global investors and owners of leading technologies to localize the targeted industries in Saudi Arabia.

While these initiatives by Saudi Arabia are conducive, a learning that can be applied from the Australian example is to make it mandatory for bidders to first consider local manufacturers and suppliers for any product required before turning to foreign suppliers. Also, the government can set-up a minimum threshold amount below which the government departments can directly allot contracts to a reputed local SME, bypassing the complex and time-consuming procurement process.



Singapore

While Australian measures seek to boost the prospects of existing SMEs, Singapore focuses on strengthening the capabilities of existing SMEs and helping new ones emerge. Singapore is the top shipping hub in the world for the ninth year in a row, according to the global maritime index, and is constantly looking to develop its supply chains and emerging enterprises.

In 2021, Singapore announced the launch of an S\$18 million (US\$13.1 million) Supply Chain 4.0 Initiative, which aims to integrate more technology to assist SMEs with future supply chain disruptions. This means developing digital and automated solutions such as artificial intelligence (AI) that can meet the demands of businesses. This government initiative brings together industry partners, academia, and public sector research institutes to translate research into industrial applications. More than 50 companies from across five sectors (aerospace, pharmaceuticals, fast-moving consumer goods, semiconductors, and precision engineering) have shown eagerness to participate in the initiative.

Singapore also has established agencies to support SMEs, such as the Economic Development Board (EDB), a government agency under the Ministry of Trade and Industry responsible for strategies that enhance Singapore's position as a global center for business, innovation, and talent. EDB undertakes investment promotion and industry development in the manufacturing and internationally tradeable services sectors. Industries within their purview account for more than a third of Singapore's annual GDP.

EDB facilitates investments and engages Singapore's existing base of companies to transform their operations, boost productivity, and generate growth in adjacent and disruptive areas by growing new businesses out of Singapore. They provide companies

with information, connections to partners, and access to government transformation and growth initiatives. They also work closely with other Singapore government agencies to constantly improve Singapore's pro-business environment and ensure that a globally competitive workforce supports the industries through talent development.

Saudi Arabia has similar capability enhancement programs in place for SMEs. Since 2020, Monsha'at has offered over 200 training programs to Saudi entrepreneurs in a bid to promote the local start-up and SME sector. They also established an online academy in 2020 to support aspiring entrepreneurs and business owners by improving their ability to access markets, manage established enterprises and explore options to grow their businesses, including programs on technology and innovation, planning and strategy, sales and marketing, accounting and financial management, human resource, franchise, e-commerce and retail business.

Launched in 2011 by SIMAH, the Tameem program is another such program that serves to create a higher level of credit transparency in the local business arena by sharing information on payment behavior, associated with trade credit and credit facilities of borrowers. This risk assessment system allows members to evaluate the risk of small and medium firms' and generates a risk score to make sound future decisions. Tameem takes into account sectors' data, SME financials, management and other non-financial aspects. SMEs with higher credit score are likely to benefit in accessing funds for growth.

In the sidelines of the recent Global Entrepreneurship Congress (2022), the SIDF and Monsha'at signed an agreement to support industrial SMEs in the Kingdom. This agreement aims to support the SMEs through their programs Afaq and Tomoh to enable SIDF's clients and SMEs to benefit from the services provided by Monsha'at. Afaq provides partnership financing program for successful SMEs that have been in operation for at least two years in value added sectors, to help them realize their true potential. The Tomoh-ELITE program from Monsha'at aims to support fast-growing enterprises eligible for listing in the financial markets. The program connects entities with a network of local and international advisors and investors, with the aim of promoting their growth and preparing them for financing or an initial public offering on Nomu, the parallel market.

There is also support from academia: in 2020, King Abdullah University of Science and Technology (KAUST) announced the launch of the country's first university engagement program intended specifically to foster the growth of SMEs. The university's newest department helps SMEs gain access to deep technological resources and capabilities.

Enterprise Singapore is another agency under the Ministry of Trade and Industry responsible for helping Singapore enterprises grow and building trust in Singapore products and services. Enterprise Singapore helps enterprises with financing, capability development, technology and innovation, and market access. As the national standards and accreditation body, Enterprise Singapore develops and promotes internationally recognized standards and quality assurance infrastructure.

While Saudi Arabia has Monsha'at as a counterpart to Enterprise Singapore, Monsha'at, there are some meaningful learnings to extract. The organization in Singapore employs more technology in upgrading the skillset and capabilities for SMEs, whether related to technical aspects, skillset upgradation of employees, avoiding business risks – like supply chain disruptions – or improving business operations. While financial support for capability upgradation is readily available, the government and local authorities could do more by developing specific national programs that use latest technology to provide capability upgradation and business support.



Malaysia

Malaysia has developed programs that focus on boosting its labor force's skillset and participation in the national economy. These initiatives focus on increasing the local workforce's capabilities through the country's broader economic programs, such as the Northern Corridor Economic Region (NCER). The NCER is one of the regions identified under the Ninth Malaysia Plan to promote balanced and equitable national economic development. It is one of five economic corridors in Malaysia that were established to ensure equitable distribution of wealth across the country, in line with national aspirations to become a high-income developed nation. The region has a highly evolved, business-friendly environment, with local businesses adopting world-class delivery standards to cater to the needs of multinational corporations.

The National Talent Enhancement Program (NTEP) is a human capital incentive program for companies investing and expanding in the NCER and actively hiring within it. The NTEP encourages companies to employ fresh graduates and provide adequate training instead of hiring experienced personnel or foreign workers.

This incentive is also tailored to boost the employability of local graduates, unemployed graduates, retrenched workers, contract workers, part-time workers, and graduate trainees by providing them job opportunities and ensuring a skilled workforce that matches the industry needs within the NCER.

Similar to these government initiatives in Malaysia, Saudi Arabia has the Nitaqat Program in place to boost local employment of Saudis. As a consequence of the introduction of this program, private sector firms are mandated to hire more Saudi workers – and, in the case of the retail shops serving women, to employ only Saudi women. To make such steps more practicable, MHRSD has introduced various training and wage-subsidy programs to improve the job-relevant skills and increase the employability of Saudi workers, especially women. These programs include Support Women's Jobs in Factories (SWJF), Female Employment in the Retail Sector (FERS), Telework, and Part-time Work, all of which seek to improve the supply of labor by subsidizing training for up to twelve months of wages for two years. The rationale for these policies is the assumption that the training subsidies provided by the government will incentivize private sector firms to continue investing in the capacity development of these workers beyond the subsidized period.



UAE

At the regional level, the UAE has undertaken various projects to direct public spending and foreign attention to local industries. The UAE's National In-Country Value (ICV) is a government program that enables the Ministry of Industry and Advanced Technology to boost economic performance and support local industries by redirecting higher portions of public spending to the national economy.

The ICV Program aims to achieve: the strategic localization of supply chains and development of new local industries and services, the attraction of foreign investments and diversification of the economy, the creation of valuable job opportunities in the private sector, the enhancement of spending on R&D and advanced technology, and the increase in the private sector's contribution to national GDP.

The Emirates Development Bank (EDB) officially launched its operations in 2015 and plays a vital role as a financial enabler for the UAE's economic diversification and industrial transformation agenda. The EDB extends SME financing support to UAE nationals and residents who own and manage businesses in priority sectors—such as manufacturing, healthcare, infrastructure, food security, and technology. The EDB provides business support and financial solutions to SMEs, from micro and small business financing to advisory services and business skills development resources.

The EDB is also one of the critical financial engines for the "Make it in the Emirates" program under "Operation 300 billion." The latter is a comprehensive Ministry of Industry and Advanced Technology program attracting investors, innovators, and developers to contribute to the UAE industry and advanced technology sectors. The EDB will act as a financial supporter, allocating AED300 billion to support priority industrial sectors and finance 13,500 large companies and SMEs.

Similar to the financial initiatives introduced by EDB, Saudi Arabia too has a number of financial support initiatives in place for SMEs. The Saudi Central Bank (SAMA) is taking initiatives in providing financial support for SMEs. In 2020, SAMA launched the Private Sector Financing Support Program, providing SAR50 billion in order to promote economic growth within the private sector with a key support for the financing of SMEs.

Already in 2006, SIDF, in partnership with Saudi banks, launched the Kafalah program to promote financing to SMEs. Thus far, this program has provided financing guarantees to more than 14,600 enterprises with a value of more than SAR30 billion.

A new initiative, which was established in 2021 and is about to go live is the SME Bank. Affiliated to the National Development Fund (NDF), as the umbrella for all developments funds in the Kingdom – including the Public Investment Fund (PIF), this new institution aims to increase financing provided to the SMEs, bridge the financing gap, and enhance the contributions of financial institutions in providing innovative financing solutions, and achieving financial stability.

In the UAE, another notable initiative to attract talent and innovation to the industrial sector is the Golden Visa program. Some foreign individuals are eligible for this long-term residence visa, allowing them to live, work, or study in the UAE while enjoying exclusive benefits. Investors, exceptional talents, entrepreneurs, scientists, outstanding students and graduates, humanitarian pioneers, and frontline heroes are among those eligible for the Golden Visa.

Governments around the world have been exerting efforts to boost economic contribution and participation of SMEs in the economy. There is considerable emphasis on their contribution to the industrial economy, ranging from policies that enable them to get a fair share of government procurement at a regional, segmental and sectoral level, to building their capacity and capability, financial or technological support. These initiatives are predominantly aimed at the ripple effect that would result from uplifting and increasing the industrial SMEs, across the different stages of industrial supply chains including manufacturing, value chains and logistics. There have been a number of initiatives supporting SMEs in Saudi Arabia across various sectors, and there is great potential to roll these out further in the industrial sector in the Kingdom. The case studies here can provide learnings on how SME participation – including industrial SMEs – in the national economy and achieve the Vision 2030 targets.

Industrial SMEs play a vital role in the Saudi economy



In Saudi Arabia, SMEs contribute around 20% of the GDP and employ 62% of the private sector workforce. Monsha'at announced earlier this year that the number of SMEs has grown by 15%, to 752,600 SMEs, in the first quarter of 2022. The Kingdom is seeing growth as the maturity and skillset of local entrepreneurs increase, despite the hits taken by the global market in recent years. To ensure that this growth continues, SMEs must weather some of the persistent issues in the Saudi economy.

For local enterprises to grow and achieve Monsha'at's goal of increasing SMEs' GDP contribution from 20% to 35% by 2030, they will need support. In turn, if the Saudi government provides structured support to increase the resilience of local industrial SMEs in particular, it will provide benefits to the economy as a whole such as:

- **Large organizations, which run the bulk of the economic activity of the Kingdom, will be able to benefit from better security of supply through the presence of local industrial suppliers.** This will aid in restructuring large enterprises by streamlining manufacturing complexes.
- **The presence of SMEs across the industrial spectrum can help curb the monopoly of large enterprises over specific sectors.** SMEs will also be able to offer complementary services to their larger counterparts and absorb the fluctuations of a modern economy.
- **To meet their specialized skill needs, SMEs will contribute to creating a skilled local industrial base.** By developing industries and skillsets, SMEs will establish a sector capable of providing higher value-added services, reducing costs, and maximizing their competitive advantage, leading to a sizeable GDP contribution.



What do Saudi industrial SMEs need to push the local limits and go global?

Going global can mitigate some of the challenges industrial SMEs face when confined to the local sphere, such as fluctuations in supply and demand. Local SMEs will have to transform into resilient and technologically-savvy operations to compete on the global stage.

Market research

A crucial aspect of expanding a business is understanding the market that the SME will be entering. A typical approach is conducting a regional industry-based market sizing and resource estimation. This will help SMEs decide what region or sector they should focus on. Since expanding globally is costly, the targeted allocation of marketing resources is of utmost importance.

Digitize fast

Digitization is central to managing a modern supply chain, but the process becomes more critical when an SME goes global and expands its business. SMEs should work with third-party knowledge partners to access the technical skills and experience they need to build new digital solutions, enhance their capabilities as data streams become increasingly complex, evaluate performance, and maintain contractor relationships.

Leverage technology

SMEs need to leverage the capabilities of technology to resolve business challenges instead of only relying on their skilled workforce. A slick digital interface would be able to do business directly with retailers or

customers. Platforms to organize production stages, from planning to manufacturing and fulfillment, can be local to the SME or purchased as a service from a third-party provider. This means that some SMEs may be able to become such third-party providers for others as well, which will create new revenue streams by monetizing surplus capacity.

Speed to market

SMEs are often known to work at their own pace, building avenues for growth slowly and steadily over the years. To become globally competitive, SMEs will have to increase their speed to market by accelerating innovation and product development by harnessing their use of technology and specialized skillsets.

Quality management

The ability of enterprises to trade internationally depends on their ability to enter into global value chains established by transnational corporations. This requires working on supply and enabling SMEs to manufacture products with high-export potential in the quantities and at the level of quality needed for the markets. An acceptable level of quality requires evidence of market conformity, which enables enterprises to ensure that their products conform to the relevant international standards, particularly private buyer and technical requirements.



Streamlining support to industrial SMEs

A crucial part of government support for industrial SMEs is the availability of tools that can aid them at every stage of their lifecycle. Financial support coupled with advisory services and a government strategy to boost the industrial SME presence can set up SMEs for long-term success and equip them to deal with the challenges they face in the Kingdom—such as attracting investments, keeping up with digitalization, navigating regulations, and securing the right talent.

Providing and directing SMEs to relevant resources is of utmost importance, and the government can take on this mandate through one or many entities, such as MIM. The ministry can play a vital role for industrial SMEs given its continued efforts to achieve Vision 2030, primarily focusing on the energy, mining, industry, and logistics sectors. The ministry and other vital agencies can supply advisory, transformation, capability-building, and networking opportunities to help SMEs achieve their goals.

The Saudi government can support SMEs throughout their journey to alleviate their challenges in establishing their enterprises and supply chains. The Kingdom has made great strides in promoting the role of the industrial sector in boosting the national economy. Still, there is room to improve the synergies between all the agencies offering aid to industrial SMEs, the business environment where industrial SMEs operate, and the capabilities of the national workforce in supporting the growth of the industrial sector.

Financial support coupled with advisory services

Industrial SMEs have access to financing through government programs such as EXIM, SIDF, and Monsha'at. These programs help support industrial SMEs in establishing their operations, but they must be coupled with targeted non-financial advice. In Singapore, the Economic Development Board (EDB), a government agency under the Ministry of Trade and Industry, facilitates investments to grow new businesses while providing companies with

information, connections to partners, and access to government transformation and growth initiatives. The Kingdom has agencies to gather metrics and information on the industrial sector, such as the NIIC, which can prove helpful to industrial SMEs looking to set up their business in the Kingdom. In addition, the SIDF can expand its portfolio to include industrial SMEs. If processed and made accessible to industrial SMEs, this information can highlight the gaps in the national industrial ecosystem and supply chains and provide clarity in the planning stage of an SME's lifecycle. Further support to SMEs in the form of non-financial services may include courses on customs clearance, commercial registrations, international standards and conformity, networking, and market access.

Concerted effort and alignment are required between the various entities controlling the facets of industrial SME support. This effort can manifest through an accessible platform, guided by a ministry, similar to UNIDO's ITPO's support and programs, to provide industrial SMEs in the Kingdom with all the needed information such as financial program availability, metrics on the domestic industrial landscape, regulation requirements, and access to available advisory services.

A welcoming regulatory landscape

The ease of doing business in the Kingdom has improved significantly over the last few years, but difficulties remain in navigating the regulatory framework for industrial SMEs and investors. The Kingdom has been making changes to regulations to boost entrepreneurship, most recently in June 2022, with the new Companies Law, which is meant to improve financing and business dynamics in all sectors of the economy. The government has also introduced regulations to prioritize local SMEs in government tenders and procurement, but a lack of visibility into the government tender pipeline remains, which hinders industrial SME planning and operations.

Other nations have found methods of implementing policies to support SMEs in government tenders, which can be considered when looking to improve conditions in the Kingdom. In Australia, federal-level policies support local SMEs by providing them with enhanced access to the government market through a range of initiatives and price preferences. The policies focus on giving regional businesses every opportunity to participate in government procurement. The Kingdom can benefit from continuing to improve on the regulatory framework governing industrial SMEs and investor presence in the country. A more agile and transparent framework will enhance the ease of doing business and promote investor interests. It will also allow industrial SMEs to partake in every opportunity available.

A specialized and skilled workforce

A skilled workforce is essential for bringing expertise to budding industrial SMEs. Upskilling and promoting the employment of the local Saudi workforce has been a priority for the Saudi government, and many organizations and campaigns are in place to advance this goal. Most notably, the LCGPA is running a national campaign—“Mina w Fina,” meaning “from us and in us”—to promote local content, including in the workforce. The Ministry of Human Resources and Social Development also sets Saudization requirements for private sector companies in specific sectors, which dictate the ratio of local employment and the minimum salary for Saudi workers. These measures will help improve the local nature of the labor force, but providing industrial SMEs with an efficient workforce requires efforts to promote specialization.

In Malaysia, the government has implemented a human capital incentive program for companies investing and expanding in one of its economic regions to encourage companies to employ fresh graduates and provide adequate training instead of hiring experienced personnel or foreign workers. This provides local talent with job opportunities and ensures the presence of a skilled workforce which matches the industry needs of the region. The UAE has taken a different route and encourages increased specialization through imported talent via its Golden Visa program. Even when not local, skilled talent can help through knowledge transfer and mentorship of the local workforce.

The government can also take measures to increase local employability in the industrial sector by promoting the development of specialized curricula with universities and vocational centers. Within the context of creating a unified platform for industrial SME advisory services, such an endeavor can also include access to mentorship programs and knowledge transfer to enhance the skills of all teams within an industrial SME.



Boosting SME participation in both local industrial development initiatives and the global market, creates opportunities to scale up, accelerate innovation, advance technology adoption, and optimize productivity levels. Global value chains (GVCs) allow SMEs to integrate into the global economy, but this cannot happen without a holistic government approach and strong sponsorship from Ministries such as MIM, which will have to look further into aligning financial support with advisory services for local SMEs. This two-pronged approach will effectively create resilient and sustainable industrial supply chains capable of growing within the local economy. Valuable Supply Chain Management lessons from the experience of industrial SMEs in other nations can also be mined to provide support within the Kingdom. Good SCM can help industrial SMEs stay in business and offer competitive rates, which benefits the national economy. Since Saudi Arabia is looking to diversify its economy and increase industrial SMEs' contribution to GDP, taking steps at the government level to guide investors and entrepreneurs will optimize the journey of creating the necessary local industrial supply chains.



UNIDO ITPO offers extensive support to SMEs and entrepreneurs



The United Nations Industrial Development Organization (UNIDO) is a specialized agency with a mandate to promote and accelerate sustainable industrial and economic development. Small businesses in developing countries are struggling within the current global context and pressing challenges brought on by the food crisis, climate catastrophe, financial crises. UNIDO's motto is "Progress by Innovation," making it imperative for governments, industries, businesses, and societies to think outside the box. UNIDO has set several priorities for its work:

- To reduce hunger by helping businesses from farm to fork.
- To stop climate breakdown by using renewable energy and energy efficiency to reduce industrial greenhouse gas emissions.
- To support sustainable supply chains for developing country producers to get a fair deal and preserve scarce resources. This means setting global environmental and social standards and knowledge and technology transfer to improve quality and add value. Supply chains are essential to trade, and trade is necessary to job creation.

While UNIDO contributes to all goals of the 2030 Agenda, SDG 9 takes a particular position for the organization since it recognizes the role of industry, innovation, and infrastructure for sustainable development.

- UNIDO seeks to advance poverty eradication and inclusiveness, build inclusive productive capacities, and provide more opportunities for all women and men across social groups through partnerships with stakeholders in industrialization processes.
- It also promotes rapid economic and industrial growth, builds industry trade capacities, and ensures that all countries can benefit from international trade and technological progress by applying modern industrial policies and compliance with global standards and norms.

- While aiming to advance environmentally sustainable growth, build institutional capacities for greening industries through cleaner production technologies and resource efficiency methodologies, and create green industries spurred by technology facilitation, innovation, and partnership building.

Building on the mandate of UNIDO, the Investment and Technology Promotion Office in the Kingdom of Bahrain (UNIDO ITPO Bahrain), since its inception in 1996, aims to facilitate the mobilization of foreign resources to enhance industrial partnership and cooperation between companies in both the Kingdom and other nations. As industries worldwide confront growing challenges, investment and technology are two essential components to succeed in the global market. However, many developing countries and countries with economies in transition face enormous difficulties in attracting investors as well as in gaining access to technology and markets.

Through the UNIDO ITPO network offices in seven countries (China, Italy, Japan, Korea, Germany, Nigeria, and the Russia), ITPO Bahrain provides a broad spectrum of services to investors and entrepreneurs, from business counseling to the setting up of joint ventures. The office offers a unique combination of value-added services to client institutions and entrepreneurs who want to forge new alliances in international industrial investment and technology transfer.

Arab International Center for Entrepreneurship & Investment

The promotion of foreign direct investments and their positive correlation to domestic investment has led ITPO Bahrain, in 2001, to establish the Arab International Center for Entrepreneurship & Investment (AICEI). The center aims to develop conducive ecosystems for promoting domestic investments thus leading to mobilize foreign direct investments through the economic empowerment of entrepreneurs and innovators.

AICEI services include:

- Assisting in developing ecosystems for the development of micro, small, and medium enterprises (MSMEs) through **capacity-building programs, technology transfer, financing, and incubation management systems.**
- Unleashing and stimulating the spirit of entrepreneurship through providing **non-financial services and support programs** to entrepreneurs and SMEs.
- Sharing and disseminating best practices for developing value-added services for the growth of SMEs and entrepreneurs through **local support institutions.**
- **Institutionalizing counseling and mentoring programs** aimed at facilitating SME growth.
- Developing **linkages** between financial institutions and entrepreneurship programs.
- Serving as a **platform** to link entrepreneurs and SMEs to **develop joint ventures** and facilitate trade and global supply chains.

The Enterprise Development & Investment Promotion Program (EDIP) is one of UNIDO ITPO/AICEI Bahrain's flagship programs currently implemented in 52 countries around the world. EDIP is a well-structured package approach that offers non-financial linkages for start-ups and existing SMEs.

Growth ecosystem services entail technical and administrative support, like providing access to information and data, developing growth business plans, legal support, business counseling, as well as co-entrepreneurship and an angel investor program. Further, it includes technology upgrading, support on sourcing of raw materials and technology, quality management and upgrading to ensure adherence to international markets' demands and regulations.

UNIDO can also help finding access to new market, including franchising, clusters, export consortia, and subcontracting exchanges; offering financial linkages, medium to large loans, seed capital and equity, and venture capital funds; and infrastructure guidance: sector-specific incubators, technology parks, and research and development facilities.



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