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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

KSA Experience

Coupling of e-Commerce, Digital Transformation and SMEs for Development and Impact

Preface

As the international arena races towards a digital prima lux, and with the rise of the digital economy, risks of a digital divide are heightened. As such, the Kingdom of Saudi Arabia recognizes the importance of building foundations on the basis of development and leaving no one behind.

This note provides an overview of the efforts undertaken by the government of the Kingdom of Saudi Arabia to harness the potential power of electronic commerce, in order to catapult the Kingdom to the global forefront of developed economies and societies and thus fulfilling the 2030 Sustainable development Goals Agenda, and the Kingdom's own ambitious Vision 2030.

The kingdom therefore considers electronic commerce a tool to tackle global challenges relating to economy and society, which will otherwise be exacerbated if not addressed.

Given the global consensus on the vital role SMEs play in any given economy, this note will highlight the Kingdom's success story on coupling SMEs and e-Commerce for development.

This note demarcates the ecosystem within which e-commerce in the kingdom exists, namely the Kingdom's Vision 2030, the National Digital Transformation Strategy, the E-Commerce Strategy and finally the E-Commerce Council. The note attempts to draw a rapid sequential progression of E-commerce and the National and Digital Agenda it falls within. Furthermore, the kingdom tackles E-commerce as a domain in a top-down and bottom-up approaches, addressing issues of policies, regulations and governance, while also building the services and initiatives around the wants and needs of the merchant. This holistic approach ensures merchant's journey with all its touchpoints are addressed in the best possible manner.

To display the effectiveness of the comprehensive approach and methodology the Kingdom is adopting in treating e-commerce, this note will also display two success stories of e-commerce SMEs services: "Tomooh" and "Maroof".

Contribution to Sustainable Development Goals

Goal 1: No Poverty

Goal 5: Gender Equality

Goal 8: Decent Work and Economic Growth

Goal 9: Industry, Innovation and Infrastructure

Goal 10: Reduced Inequalities

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Overview of Vision 2030

Recognizing the importance of sustainable development and the imperative need to preserve the kingdom's resources for future generations while still competing in a global arena with advanced economies and societies, the kingdom launched an ambitious transformational plan in 2016 titled "Vision 2030".

Vision 2030 is a long-term national strategy, built on the premise of three thematic pillars: a vibrant society, thriving economy and an ambition nation. These pillars carve out the path for the future of the kingdom. As such, KSA is currently experiencing wide-ranging and vivid social and economic transformations, touching upon all aspects of citizens and residents' lives.

The Kingdom's Vision serves as a high-level framework and agenda that policy makers refer to for any major decision taken. In order to ensure the aforementioned targets are hit, the Kingdom's Vision 2030 is reinforced through a cohesive and comprehensive governance system, bringing together a range of stakeholders from the public, private sectors and the third sector.

As such, the Kingdom's Vision 2030 tackles transformation and reforms in a top-down and bottom-up approaches, in a coordinated manner, ensuring maximum positive impact on the ultimate beneficiary: the individual.

An assessment exercise was undertaken nationally, by dint of royal decree, to explore to which degree the Kingdom's Vision 2030 and The SDGs are congruent. The entity entrusted with said exercise is the Kingdom's Ministry of Economy and Planning (MEP). The assessment exercise found that the SDGs and Vision 2030 are aligned to a large extent[1].

Through policies, programs and initiatives that are geared towards building a robust economy, Vision 2030 aims to introduce reforms that will ground the Kingdom's economy on a diversified portfolio, achieve fiscal balance and reform the support system while

[1] The Kingdom of Saudi Arabia's 1st Voluntary National Review, UN High-Level Political Forum 2018

providing a social security safety net to protect the most vulnerable groups from the potential negative impacts of the reforms.[2]

With the size of the global digital economy reach 23 trillion USD by 2025[3], and with 3.3 trillion USD of generated value from data assets worldwide by 2025[4], the Kingdom took the decision to develop a National Digital Transformation Strategy (currently under development). The National Digital Transformation Strategy identifies e-Commerce, along with five other sectors (Health, Education, Smart Cities, Industry 4.0 and Culture & Tourism) as a priority sector, that will have the highest impact on leapfrogging Saudi Arabia to the forefront of the global race to digital and reaping its social and economic benefits. The Kingdom's strategy will be a short, focused strategy that tackles short-term goals that have a long-term impact.

Moreover, e-commerce plays a vital role in development, especially when coupled with SMEs/MSMEs; the Kingdom's policymakers recognized this and set ambitious targets that rely directly and indirectly on leveraging e-commerce, to be fulfilled by the year 2030.
Most notably to increase:

- **SMEs contribution** to GDP from **20%** to **35%**[5].
- To increase Women's participation in the workforce from **22%** to **30%**.
- To The private sector's contribution from **40%** to **65%** of GDP.
- **Digital Economy**'s contribution to **non-oil GDP**.

E-Commerce Strategy

The national e-Commerce Strategy was developed in collaboration and coordination with all national stakeholders. The cooperative methodology chosen to build the e-Commerce strategy ensures all stakeholders' business and digital challenges and priorities are part and parcel of the foundation of the strategy. The strategy adopts a holistic approach that aims to build an e-commerce ecosystem conducive to prosperity, catering to business priorities while simultaneously promoting consumer protection. Buyers, sellers and other enablers.

[2] Saudi Vision 2030: https://vision2030.gov.sa/en
[3] Oxford Economics, Huawei; Digital Spillovers "Measuring the True Impact of the Digital Economy"
[4] Ibid
[5] Saudi Vision 2030: https://vision2030.gov.sa/en

E-Commerce Council

The national e-Commerce Council comes supported by the backdrop of KSA's Vision 2030, the National Digital Transformation Strategy and the National e-Commerce Strategy.

The national e-Commerce Council was established by the Council of Ministers decision No. 537 of 19-10-1439H (3 July 2018), based on the recommendation of the national Bureau of Experts. The mandate of the council is to follow e-commerce market developments globally, regionally and locally, coordination of all local e-commerce efforts, to avoid duplication of efforts and spending, to remove blockers and hurdles, and to ensure efficient execution of all required activities. The council is headed by the Minister of Commerce and Investment, guaranteeing access to the highest level of decision-making. Membership in the board of the council includes senior representatives from all relevant stakeholders and decision makers, in order to ensure adeptness, efficiency, and comprehensiveness of the council.

Given the intrinsic role the private sector plays in e-Commerce, representatives from the private sector are granted memberships in the council.

The members of the council are:

- Ministry of Commerce and Investment.
- Ministry of Transport.
- Ministry of Communication and Information Technology.
- Ministry of Municipal and Rural Affairs.
- Saudi Arabian General Investment Authority.
- National Cybersecurity Authority.
- Small and Medium Enterprises Authority.
- Saudi Arabian Monetary Authority.
- Saudi Customs.
- Saudi Post.
- Local Content and Government Procurement Authority.
- National Digital Transformation Unit.
- Three representatives of the Private Sector.

The e-Commerce council is also entrusted with (but not limited to) the following responsibilities:

- Policy recommendations relating directly or indirectly to e-Commerce.

- Supervise the e-Commerce incentives program.
- Coordination with all relevant stakeholders, to eliminate duplication of efforts and remove direct and indirect hurdles to e-Commerce.
- Ensuring e-Commerce initiatives are actionable and executable.

Note-worthy policies and regulations development

E-Commerce ecosystem in the Kingdom of Saudi Arabia

Draft E-Commerce Law:

In a step to organize, and ground the direction of e-Commerce in the Kingdom, a new draft e-commerce law is currently under promulgation. The new draft lays the groundwork for the e-commerce ecosystem in KSA.

The draft law is expected to enter into force before the end of the year (2019).

Draft Couriers Law:

The new draft law aims to organize roles and responsibilities within the ecosystem to avoid conflict of interests and foster the fact growth of the domain. The draft law entrusts the Ministry of Communication and Information Technology with the regulations regarding the domain of package delivery. The law will separate regulations and operations, therefore eliminating conflict of interests.

The draft law recently approved and is expected to enter into force soon.

Development of Single Source of Data for e-Commerce:

A consortium of public sector stakeholders are currently developing a single source of data for all e-commerce related data. The initiative aims to increase trust in e-commerce by the general public, increase transparency, and provide better data for better, evidence-based policy making.

N.B. *Policies, regulations and legislations relating to e-Commerce are developed with a sense of being on par with international best practices and standards.*

Small and Medium Enterprises Authority

Mandate and Activities

Acknowledging the important role Small and Medium Enterprises play as an important engine for economic growth, The General Authority for Small and Medium Enterprises "Monsha'at" was established in 2016, with the objectives of the organization, support, development and sponsoring the SMEs sector in accordance with best global practices, and to increase the productivity of these enterprises and increase their contribution to the total GDP from 20% to 35% by 2030.

Monsha'at implements and supports programs and projects to promote entrepreneurship and innovation. Furthermore, Diversification of sources of financial support for SMEs, and stimulating venture capital initiatives, setting policies and standards for financing projects classified as small and medium enterprises.

As part of its mandate, Monsha'at provides administrative and technical support and support in developing the establishments' administrative, technical, financial, marketing, human resources and other capabilities that are considered vital supporting functions. Monsha'at plays an active role in supporting establishments in seeking funding and lending, while also stimulating and activating the role of banks in financing and investing in SMEs. Monsha'at removes administrative, regulatory, technical, procedural, informational and marketing hurdles facing SMEs in the kingdom, in cooperation with the relevant authorities. Monsha'at also creates and regulates technology and business incubators, as well as develops programs and initiatives to create and identify investment opportunities for SMEs and work on transferring and localizing related technologies to enhance their productivity

Monsha'at also plays a coordination and orchestration role that enhances strategic partnerships between different governmental and international entities related to Monsha'at's objectives.

Against the backdrop of Vision 2030 and in congruence with the National Digital Transformation Strategy, Monsha'at is implementing its strategic plans and launching its diverse programs to translate Vision 2030 into the SMEs sector on the ground by supporting innovation, facilitating business processes, enabling growth, developing capacity and creating suitable employment opportunities for citizens across the Kingdom by supporting entrepreneurship through better regulations, easier financing and more international partnerships for local firms than government procurement and competition.

Case 1: Tomooh (Aspire) Initiative

Tomooh is an initiative developed by the Small and Medium Enterprises Authority, under the auspices of the National Transformation Program, aiming to incentivize and enable 10,000 SMEs/MSMEs merchants across the Kingdom in the retail sector. The program was launched in late 2018. Enabling said merchants to achieve their targets, increase sales, and expand their business in the local market in a professional, digitalized manner is the ultimate target. It is also part of a program to incentivize e-commerce by providing technical and legal support for SMEs/MSMEs start-ups and logistics businesses.

This initiative contributes directly to one of the targets of the aforementioned National Transformation Program:

- Increase modern commerce and electronic commerce share to 80% of total retail by 2020.
- UNCTAD B2C E-Commerce Index: Baseline is 63; Target is 35 by 2020.

Through Tomooh, merchants are provided with free 24 months subscription. Moreover, the subscriber is granted the following benefits:

- Distance e-learning.
- Marketing and photography services.
- Complete support in the establishment of an e-store and access to supporting services such as shipping, storage, packaging and e-payment.
- Specialized workshops (based on need).
- Sales supervision and performance measurement support by experts.
- Comprehensive brand identity for the project.
- Data analytics services.

Tomooh currently has 500 active beneficiaries, with a target of expanding to 10,000 beneficiaries. Coverage of the initiative spans across 15 Saudi cities, many of them in remote and rural areas with limited income, markets and opportunities.

The gender breakdown of the beneficiaries is as follows:

- 51% Male
- 49% Female

Merchant employment status breakdown is as follows:

- 18% Students
- 41% Unemployed
- 41% Employed

Orders:

- Accomplished: 33 thousand
- Targeted: 500 thousand

Sales:

- Accomplished: 10+ Million SAR
- Targeted: 50 Million SAR

The initiative is considered a local success story that has real, measurable and concrete impact on individuals' lives. Given this success, the initiative is currently preparing to launch the next phases. Phase two aims to expand sectors and activities in which beneficiaries can partake.

These targeted sectors and activities are:

- Culture
- Health
- Sports
- Entertainment
- Professional Services
- Specialized Businesses

As for Phase three, Tomooh aims to scale up by establishing an additional 1000 e-stores in the retail sector, digital services platforms, logistics and delivery.

Case 2: Maroof Service Platform

Maroof is a free service platform launched by the Ministry of Commerce and Investment, as an initiative under the national e-commerce strategy, to increase consumer trust in electronic shops and simplify communication between merchants and customers. Currently, there are over 25 thousand registered online merchants on the service.

Online stores are listed under the following categories:

- Electronic Marketing
- Kitchen and Bakery
- Academic Services
- Electronic Solutions
- Women Products
- Photography
- Design and Print
- Event Planning
- Beauty and Hair
- Electronics and accessories
- Cars
- Real Estate
- Furniture and Décor
- Craftsmanship and Handicraft
- Others

The service subscription process is prompt, taking only a few seconds. After registration, the online merchant will receive a “Maroof” seal. The seal denotes the trustworthiness of the subscriber. In a step to expand access and facilitate registration, online merchants who do not have a registered business or trade name, can still register on Maroof. Once an online merchant subscribes to Maroof they can link their Maroof account to their commercial registration in the Ministry of Commerce and Investment, which will qualify them for the Maroof gold seal.

Online merchants can use the Maroof seal on their website and social media accounts. Equally, customers can go on Maroof website or use the application, to check if the online merchant is registered on Maroof indicating the authenticity and trustworthiness of the merchant. Maroof also provides authenticated customer reviews.

Appendix

Number of Businesses registered on Maroof:

electronic marketing	5475
Photography	626
kitchen and Bakery	4101
Electronic Solutions	895
Academic Services	361
Women Products	3510
Design and Print	1598
Event Planning	1215
Beauty and Hair	646
Electronics and accessories	1591
Cars	314
Real Estate	174
Furniture and Décor	647
Craftsmanship and Handicraft	1143
Other	4444
Total	**26740**