

FEATURE ARTICLE

Innovation is the name of the game

To compete with regional markets, Saudi is engaging in a robust investment program to up research and development, train top talent and nurture startups in innovative sectors including artificial intelligence and cybersecurity

FORMAT: FEATURE ARTICLE | SECTOR: INNOVATION | MARKET: SAUDI ARABIA | FEATURING: SAUDI INNOVATION ECOSYSTEM

Saudi Arabia's rapidly transforming industrial ecosystem has positioned the country as one of the top players in global innovation. According to the World Intellectual Property Organization's Global Innovation Index, the Gulf's largest nation jumped up 15 places in 2022. Additionally, the European Center for Digital Competitiveness placed Saudi Arabia's ranking at second within G20 countries in its Digital Competitiveness Report in 2021. These accolades are a product of a huge uptick in spending on information and communication technology in the country that was expected to hit \$33.5 billion in 2022 and is expected to grow at a compound annual growth rate of 26.8% until 2026. The country is focusing on several sectors, namely fintech, cybersecurity, medtech and artificial intelligence. According to PwC, the country's artificial intelligence entities will be valued at \$135.2 billion by 2030, which would equate to 12.4% of its gross domestic product. All in all, the country has committed to annual investments worth 2.5% of its gross domestic product towards research, development and innovation until 2040.

"We are the oldest venture builder in Saudi Arabia. We are proud that we have helped more than 200 entrepreneurs implement their visions,"

RIYADH AL ZAMIL - CHAIRMAN

Saudi Arabia is also intent on becoming a global hub for knowledge sharing, talent creation and research. The country's King Abdullah University of Science and Technology has become a driving force for new technologies and upskilling since its inception in 2009. The institution now contributes towards advances in artificial intelligence, biotechnology and big data analysis. It has 30 deep tech startups within its portfolio and is currently lending its expertise to several Vision 2030 projects, including the NEOM smart city project in matters of marine conservation, water, energy and food security. The university is looking to establish the world's largest coral garden at Shushah Island in the Red Sea that will cover 100 hectares and become a global center for innovations in protection and restoration of coral reefs. Additionally, artists and inventors flocked to King Abdulaziz Center for World Culture's third Creative Solutions event in February 2023 that highlighted ten new local investment projects focused on digital content creation using immersive technologies such as virtual reality, augmented reality, mixed reality, haptics and immersive audio. Chosen participants of the annual initiative receive funding of \$100,000 and a four-month mentorship track to capitalize on their new products.

To address the growing need for cybersecurity, the government created the National Cybersecurity Authority in 2017 and launched the CyberIC program in 2022 with the aim of localizing cybersecurity technology and encouraging cybersecurity startups. The latter program aims to initially support 60 national companies and 40 startups through its cybersecurity accelerator. In June 2023, the government announced plans to establish a new institution for the Global Cybersecurity Forum in Riyadh that is meant to address global cybersecurity issues facing the public and private sectors. It will work

alongside local entities National Cybersecurity Authority and the Saudi Federation for Cybersecurity, Programming, and Drones. These organizations are actively driving up activity within the sector while unlocking opportunities for investors and local industry players. Due to its ongoing efforts, Saudi Arabia was ranked second for the segment in the International Institute for Management Development's World Competitiveness Yearbook in 2022.

A key player in supporting the creation and success of innovative small and medium-sized enterprises is Raz Holding Group, which was established in 2008 and has seen the market shift dramatically towards public sector participation and digital industries. The entity provides endowment through financing and mentoring programs. It allows companies to keep at least 20% of any venture in the hands of their employees or co-founders. "We are the oldest venture builder in Saudi Arabia. We are proud that we have helped more than 200 entrepreneurs implement their visions," said Riyadh Al Zamil, chairman of Raz Holding Group. The company has worked in more than 12 different industries, including edtech and most recently with auto parts innovator Autobia to build a platform for automotive aftersales and spare parts that raised \$2.5 million in its seed funding round in June 2023. "We are moving towards industry 4.0 that relies on information technology, the internet of things and artificial technology; these are investments that cannot go through normal pathways," he said. The company's leader points to the government as being a huge source of support for startups: "In the last years with Vision 2030 the government has begun raising the funding and lending portfolio of small and medium-sized enterprises from 2% to 20% by 2030. This was a strong decision."