

## Initiatives and Measures to Support the Small and Medium Enterprises (SMEs)

March 30, 2020

### Speakers



Mr. Muhammad Al-Maliki  
Deputy Governor of the  
General Authority for Small  
and Medium Enterprises  
"Monshaat."



Mr. Mohammed Abu-Naja  
Executive Vice President,  
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Riyad Bank



Dr. Fahd Al-Shethri  
Monitoring Undersecretary  
of the Saudi Arabian  
Monetary Agency (SAMA).



Mr. Badr Al-Suwailem  
CEO of Oryx Company.



Mr. Humam Hashem  
General Manager of the Small  
and Medium Enterprises  
Bailout Program.



Mr. Nabil Al-Mubarak  
Former CEO of the Saudi  
Credit Information Company.

### Moderator

## The most prominent recommendations

Stressing that the affected small and medium-sized enterprises operationalize crisis management plans and set a clear and dynamic work plan that is adaptable to any urgent developments.

The SMEs should focus on setting priorities and ensuring that loans and the current State support are optimally used to raise their efficiency now and in the post-Corona stage.

The SMEs should be keen on knowing about the services and initiatives provided by the State to support them in facing the Corona crisis, and communicating effectively with the official authorities in this regard, especially "Monshaat" and the financing agencies.

The SMEs should investigate the financing opportunities before starting their future projects, which helps to benefit from the best financing options, without having to accept the options available only when experiencing future crises.

 The webinar is on the International Aspar Forum YouTube channel

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the Small and Medium  
Enterprises (SMEs)**  
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## Themes:

- **First:** Recommendations.
- **Second:** SAMA initiatives and measures supporting small and medium enterprises affected by the Corona crisis.
- **Third:** Small and Medium-Sized Enterprises Bailout Program and its role in facing the negative financial and economic impacts of the Corona crisis.
- **Fourth:** Initiatives and measures of the General Authority for Small and Medium-Sized Enterprises (SMEs) in facing the Corona crisis.
- **Fifth:** Programs and initiatives of the Saudi banks and the financial sector to support small and medium-sized enterprises to overcome the effects of the Corona crisis.
- Sources and references.

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**First: Recommendations.**

- Stressing that the affected small and medium-sized enterprises operationalize crisis management plans and set a clear and dynamic work plan that is adaptable to any urgent developments.
- The SMEs should be keen on knowing about the services and initiatives provided by the State to support them in facing the Corona crisis, and communicating effectively with the official authorities in this regard, especially "Monshaat" and the financing agencies.
- The SMEs should focus on setting priorities and ensuring that loans and the current State support are optimally used to raise their efficiency now and in the post-Corona stage.
- The SMEs should investigate the financing opportunities before starting their future projects, which helps to benefit from the best financing options; without having to accept the options available only when experiencing future crises.



**Second:** SAMA initiatives and measures supporting small and medium enterprises affected by the Corona crisis.

The Corona crisis stands out as an unprecedented challenge for small and medium enterprises, given the financial and economic consequences it brought about including: The sudden decline in demand for products or services, shortage of manpower, interruption of supply for small and medium-sized enterprises, weak purchasing power, and employees availability at workplaces, especially for facilities that cannot operate remotely.



Saudi Arabia has approved several measures and initiatives to mitigate the financial and economic impacts of Coronavirus on the private sector; especially on the small and medium-sized enterprises. In this context, the Saudi Arabian Monetary Agency (SAMA) has worked on preparing a bailout program in the amount of about (50) billion riyals. The program aimed at supporting and empowering the private sector which plays a pivotal role in promoting economic growth through a package of measures, the most important of which include the following:

• **First: Supporting SMEs:**

This is done through three integrated programs aimed at mitigating the effects of precautionary measures to combat Coronavirus. This is particularly aimed at reducing the burden of fluctuating cash flows and supporting working capital for this sector, enabling it to grow during the coming period and contributing to supporting economic growth and maintaining employment in the private sector. These programs are as follows:

1. **Deferred payments program:** Depositing an amount of (30) billion riyals for banks and financing companies, in exchange for delaying the payment of the dues to the financial sector (banks and financing companies) for six months by the SMEs.
2. **Loan Funding Program:** Providing concessional funding for SMEs in an amount of (13.2) billion riyals, through loans granted by the banks and financing companies to the SMEs. Such funding is aimed at supporting business sustainability and growth during the current stage. This contributes to supporting economic growth and maintaining the levels of employment in these SMEs over a period of six months.

**3. Loan Guarantee Program:** An amount of (6) billion riyals is deposited with the banks and financing companies to enable them to exempt SMEs from the costs of the loan guarantee program granted to these enterprises. This is aimed at reducing the cost of lending to facilities benefiting from these guarantees during the fiscal year 2020 and supporting the expansion of financing for a period of six months for SMEs.

• **Second: Supporting points of sale and e-commerce transaction fees:**

In this context, payment fees are supported for all stores and private sector establishments for (3) months, with a total amount greater than (800) million riyals. The Saudi Arabian Monetary Agency (SAMA) bears these fees for the benefit of payment service providers participating in the national system. The Agency instructed all banks to defer the payment of installments for three months for all financing products without any additional cost or fees for the Saudi workers covered by the unemployment insurance system (Sanid), starting April 2020 .

• **Third:** Regarding the enterprises affected by the precautionary measures that have been adopted, coordination has been made with banks and financing companies to facilitate payments related to funding these facilities.

The importance of these programs is evident while having the negative effects brought about on the SMEs by the breakout of the Corona crisis. Such programs are inevitable due to the fact that the SMEs sector is extremely important in the national economy in terms of contribution to local production and employment. Furthermore, SMEs sector has a significant role to play in realizing the Saudi Vision 2030.



Hence, SAMA has worked to mitigate the burdens on the SMEs during the Corona crisis, with the funding agencies focusing on the priority aspects. SAMA also provided the opportunity to communicate with any establishments that were affected by the Corona crisis and worked with them, case by case, to find appropriate measures and assess the damages they suffered. These measures included adjusting or restructuring the current funding without incurring any further fees.

Indeed, SAMA's support for SMEs during the Corona crisis would contribute to reducing their losses and helping them retain their employees and workers. This would enable these enterprises to play their role in a manner that reflects stable markets, safe purchasing power and reaching the target growth rates.



**Third: Small and Medium-Sized Enterprises Bailout Program and its role in facing the negative financial and economic impacts of the Corona crisis.**

It is worth noting that the bailout program for SMEs was established in accordance with the decision of His Excellency the Minister of Finance No. (1166), dated 4/5/1425 with the aim of overcoming the obstacles to financing economically viable SMEs that do not have the ability to provide the required guarantees to the financing agencies. The program aims at assisting SMEs in obtaining the necessary Islamic funding to develop and expand their activities. It encourages financial institutions to deal with the SMEs sector, and attracts a new segment of owners of these enterprises that are not accustomed to dealing with financing agencies. The overall goal is to develop the SMEs to play their important role in the national economy through providing new job opportunities and developing the provinces that are less economically active.



Over the last period, the guarantee program raised its share in the Kingdom's total funding from 4% in 2018 to more than 9% now of the total funding that is granted for SMEs.

Under the current Corona crisis, the Saudi Arabian Monetary Agency, in cooperation with the SMEs, launched the Guaranteed Funding Program.

This program guarantees (95%) of the funding amount based on the mechanisms approved under the Loan Guarantee Program (Kafala). The main goal here is to provide additional support, enhance the creditworthiness of the micro, small, and medium enterprises and overcome the challenges of financing these facilities. This reduces the impact of tight cash flows, facilitates the service of its customers, and supports the payment of salaries and dues of its employees. Access to the Guaranteed Funding Program was made available through banks and finance companies subject to SAMA supervision. Such companies are part of the SMEs Loan Guarantee Program. All micro, small and medium enterprises were also allowed to benefit from the Loan Guarantee Program for the various types of facilities currently provided for these establishments, including but not limited to (funding employees' payrolls, funding utility bills, funding the working capital, and refinancing facility).

The Guaranteed Funding Program exempted the establishments from any administrative fees and from providing any guarantees in kind. The Monetary Agency also bears the security fees in favor of the Loan Guarantee Program (Kafala). The Guaranteed Funding Program will allow facilities to start paying off in six months after funding, guaranteeing maximum profits and fees charged by the funding agencies not exceeding (4%) of the annual funding.

**Fourth:** Initiatives and measures of the General Authority for Small and Medium-Sized Enterprises (SMEs) in facing the Corona crisis.

The main objectives of the General Authority for Small and Medium-Sized Enterprises (Monshaat), which was established in 2016, can be summed up as follows: Organizing, supporting, developing and nurturing the SMEs sector in the Kingdom according to the best international practices. The aim behind this effort is to raise SMEs productivity and share in GDP from 20% to 35% by 2030. Monshaat is also diversifying the sources of financial support delivered for SMEs, and it sets policies and standards for funding projects that are classified as small and medium projects. It also provides administrative and technical support to the facilities in developing their administrative, technical, financial, marketing, human resources, etc. It promotes the role of banks and the lending funds and motivates them to play a bigger and effective role in financing and investing in enterprises. It establishes and supports programs necessary for enterprise development. This requires that "Monshaat" seeks to remove administrative, organizational, technical, procedural, informational and marketing obstacles facing enterprises in cooperation with the relevant authorities. It also finds the technology and business incubators, in addition to setting and introducing programs and initiatives to find investment opportunities for enterprises. It transfers and localizes relevant technology to develop the performance and productivity of these facilities, including supply chains.



As for the role of "Monshaat" in light of the announced initiatives to stimulate and support the affected SMEs during the Corona crisis, and in line with the concentrated efforts of the Saudi government, "Monshaat" announced the deferral of due payments to its clients within the indirect lending initiative for a year as of 3/17/2020.

This decision is more bolstered by stimulating SMEs lending to overcome the effects of Coronavirus by adjusting the initiative performance indicators to exempt the initiative partners of the profit margin 1.5 %, and of the minimum and maximum lending, in addition to the conditions for lending in the promising areas and the targeted sectors to include all regions and sectors. It also allowed lending to the facilities that previously obtained funding by the partners by 50%.

Also, Monshaat's facilities and programs, including remote general and professional consulting, made it possible to implement the recommended preventive and precautionary measures to control Coronavirus. This is done by transforming the virtual services of the facilities support center.

The virtual center services include the provision of counselling, training, consulting services, and organizing workshops that can be attended remotely, and preparing an integrated guide for how to deal with crises.



In light of the Corona crisis, “Monshaat” is trying to provide its services remotely, including the funding portal. This portal is designed to connect small and medium-sized enterprises wishing to obtain funding with the various financing entities registered in the portal. Such entities include banks and financing companies, where SMEs can pick up the appropriate financing offers. The funding portal's aim is to assist small and medium-sized enterprises in obtaining the required funding, reduce funding costs, save time and effort spent on processing the application for funding, facilitate access to funding entities in all parts of Saudi Arabia, and bridge the funding gap through providing a one-stop-shop portal.

**Fifth:** Programs and initiatives of the Saudi banks and the financial sector to support small and medium-sized enterprises to overcome the effects of the Corona crisis.

Saudi banks were at the forefront of sectors that implemented initiatives and programs to support small and medium-sized enterprises. This effort emanated from the effort to mitigate the effects and repercussions of Coronavirus, support business sustainability, and the Kingdom's economic growth.

In fact, the role of the banking sector in supporting small and medium-sized enterprises starts from the programs offered by banks, and it comes as a complement to what this vital sector has. Other than the current situation that emerged due to the outbreak of Coronavirus, since the launch of the transformation program 2020 and the Saudi vision 2030, the packages of initiatives from all sectors related to SMEs, such as Kafala, Monshaat and other private sectors, have not stopped.

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Also, the banks extended the payment of installments for 6 months. They also cooperated with Kafala program to reduce the payments and fees related to granting or scheduling small and medium-sized enterprises' premiums. Such measures have a major role in ensuring business sustainability for these enterprises and the growth of this sector during the current stage. This is realized in a way that contributes to supporting economic growth and maintaining the workforce in these facilities, reducing the negative financial impact on suppliers and services related to this vital sector.

During the Corona crisis, the banks focused on the direct support of funding for the working capital of small and medium-sized enterprises and extending and rescheduling the installments in line with the cash flows. They also provided emergency facilities to support business sustainability, such as financing salaries and points of sale. As for electronic and cash services, they entered into partnerships with financial technology companies (Fintech) to activate e-commerce, collect funds and facilitate the entry of small and medium-sized enterprises into the e-commerce market.

It is noticed that the strength of the banking situation and the safety of the precautionary measures taken by the Saudi Arabian Monetary Agency and Saudi banks have contributed to their ability to take what have been referred to as initiatives and measures. Such tactic would mitigate the effects and repercussions of the Corona crisis on the private sector in general and on the small and medium-sized enterprises in particular.

They provided their support to the enterprises affected by the crisis with soft loans to pay the salaries of their employees and to resume their activities.

On the other hand, it is noticed that the role of the financial sector in funding small and medium-sized enterprises to overcome the Corona crisis has been divided into two parts.

The first relates to the implementation of programs announced by the Saudi Arabian Monetary Agency "SAMA", which included the Kafala program for funding small and medium-sized enterprises. The second relates to the program announced by the Public Authority for Small and Medium Enterprises (Monshaat). As for the role of the financing sector, it relates to postponing the installments for a period of 6 months, and this is what was worked on immediately to help small and medium-sized enterprises to overcome these critical moments.



In contrast to the announced programs, the financial leasing companies have taken several additional measures to support this vital sector. Such measures included stopping all legal measures taken against the small and medium-sized enterprises in default, rescheduling some debts that were not covered by the terms of the announced programs, and trying to reduce costs on small and medium-sized enterprises, either through rescheduling costs, or reducing profit margins on new operations.

It is further noticed that the initiatives announced by the Saudi Arabian Monetary Agency "SAMA" involved direct and indirect support to the financing companies themselves, in order to enable them to exempt small and medium-sized enterprises from the costs of the Loan Guarantee Program. The aim is to contribute to reducing the cost of lending to enterprises benefiting from these guarantees, especially in light of these installations being affected by the repercussions of the Corona crisis. This was also to face the fluctuating cash flows and supporting the working capital in general, and empowering it to grow.

Generally speaking and keeping in mind what has been mentioned in the themes earlier, it becomes evident that the Saudi government has taken several urgent measures to mitigate the effects of the Corona crisis on SMEs most affected by the consequences of this global pandemic.



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