

# Saudi Government OSS Adoption – Building New Teck “Blue Ocean”

INVESTMENT OPPORTUNITY

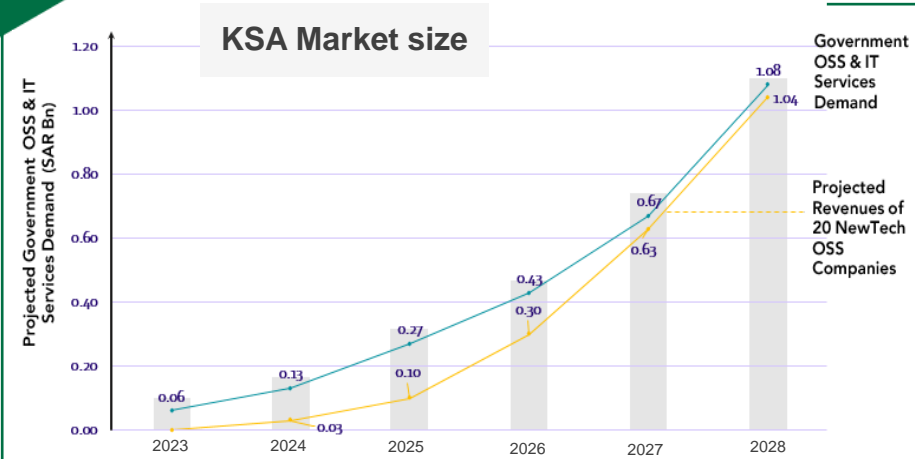
ICT



# Saudi Government OSS Adoption – Building New Teck “Blue Ocean”

**OPPORTUNITY’S DESCRIPTION:** Building a New Tech ecosystem through creation/attraction of companies and jobs that serving & support Saudi government demand for expected OSS and related IT services. Saudi Government is mandating the OSS first across its public sector to move from commercial licensing providers to localized OSS tech companies with local capabilities and skillset via building new Tech supply “ Blue Ocean”

## DEMAND



## INVESTMENT OVERVIEW

### INVESTMENT HIGHLIGHTS

- The market size consist of a conservative government accumulative demand of **SAR 2.6Bn until 2028** which is non-inclusive of private sector demand.
- Min of **20 companies** to support the demand
- To meet the projected demand, **SAR 346 Mn** of investments is required over the coming 5 years
- EBITDA of 37% is expected
- IRR of 14% is expected
- Targeting 1822 Saudi professionals by 2028 on OSS serving the government demand which could qualify for Saudization government support.

### VALUE PROPOSITION

- Saudi Gov. total Licenses Spend accumulatively from 2020-2025 is SAR 18.41Bn
- The Saudi Gov. is aiming to have accumulative demand of SAR 2.6Bn on OSS
- The Cabinet of Saudi Arabia has approved the OSS regulation to mandate the OSS first choice over commercial licenses
- DGA has launched a Code of Banks to collect all Gov entities on one platform to be reused and co-developed with the private sector for better scalability

## KEY DEMAND DRIVERS

- Royal Decree No. 14 Date on 11-Aug2021 mandating the OSS first choice over commercial licenses.
- Saudi Gov. fast plans to adopt cloud solutions through National Framework Agreement is fueling the OSS adoption to elevate the use of Emerging Technologies.
- Saudi IT sovereignty over its software.
- Localizing the OSS in country.

## MARKET READINESS AND COMPETITOR ANALYSIS

– A very well-regulated ICT market in Saudi Arabia with huge demand from the government around 22% of the national demand. While commercial Licenses are dominating the software market in government by the big 4 (MS, SAP, Oracle, IBM). Saudi government decided through its Cabinet to move formally to OSS with a clear strategy launched by DGA till 2026.

Application Deployment Software						
Application Server Software Platform	Deployment Centric Application PaaS	relational Database Mgmt. Systems	Relational Database Mgmt. Systems	Message Oriented Middleware		
Function Service	System analytics	AI software	Data collection	IoT Services	API Mgmt.	Content Analytics

## MARKET OVERVIEW

### GLOBAL TRENDS

- +32 USD Billion global OSS market size and expected to grow at CAGR of 24%
- +24 Million developers in 20+ countries contributed to 67+ million GitHub project repositories
- 90% Of IT organizations worldwide use OSS in mission-critical workloads
- 78% Of all companies are running OSS in some way, shape or form

Key acquisitions in the industry





## SUPPLY

### SCALABILITY AND LOCALIZATION

- Rise of digitalization in KSA leading to significant demand for software applications. Regionally tailored applications can tap into the growing demand
- KSA is an optimal location within the MENA region, where standard software applications can be easily exported to the region given similar use cases and requirements
- Having local suppliers will result in increasing localization in the high value chain providers which is a main objective in KSA ITC sector

### IMPORT DEPENDENCY

- Due to late adoption of OSS in KSA leads to lower numbers of OSS developers and a limited number of local OSS companies.
- High dependency on international players and Saudi Gov. is looking to build local suppliers “Blue Ocean” organically/non-organically to localize its SW supply.

## ENABLING FACTORS

### ENABLERS

- KSA Regulation that mandating OSS first
- Launch of OSS adoption strategy led and executed by DGA
- Gov. fast adoption of the cloud via NFAs and existence of hyper scalers in Saudi likes Google/Alibaba
- Channeling Government Demand from commercial software to Open-Source

### ECOSYSTEM ANALYSIS

- KSA IT market has evolved around international software and hardware vendors selling and implementing their technology products to the market
- With the increased demand for technology and solution complexity, the KSA IT market has grown more reliant on international system integrators delivering integrated solutions, especially to the government.
- Local IT companies and IT service providers have emerged to represent the international vendors in the KSA market as well as sell and implement their products and technologies to KSA organizations.
- As local IT companies have focused on selling international vendors’ products and technologies, their focus has become on sales, IT support, and operations. This opportunity is directed towards the high value
- Opportunity can be focused on three categories (1-CRM, Data Analytics & BI, 2-ERP & Supply Chain, 3- Database Mgmt.) which represent 50% of the government spend

### COST OF DOING BUSINESS IN KSA

OSS vendors

OSS integrators

Beneficiary  
(Government entities)

### KEY STAKEHOLDERS\*



# DEFINITIONS

#	SCORECARD SECTION	DEFINITIONS
1	Market size	Size of market in value/volume in KSA and/or Region (MENA/GCC) covering future projections based on available estimates from published /government sources
2	Business drivers	A select number of factors that will influence future demand for the related product/service
3	Investment highlights	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	Value proposition	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	Market readiness	An overview of KSA market structure, market maturity and level of participation by local and global players
6	Global trends	Latest business developments within the sector/product category
7	Scalability and localization	Ease of scaling the business across the value chain or into new adjacent products or geographies that would maximize the opportunity's investment returns and the ability and potential to locally manufacture the product and its components
8	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
9	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
10	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
11	Enablers	Factors that enable investment in the underlying opportunity
12	Cost of doing business in KSA	Key factors that position KSA as a competitive destination for investment in the region. Productivity adjusted wages do not include cost of \$1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance

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