

Kingdom of Saudi Arabia



Saudi Industrial Development Fund

Annual Report For the Fiscal Year 2004G (1424/1425H)

30

years of outstanding track
record in serving the local
industrial sector



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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



Custodian of the Two Holy Mosques

King Fahad

Bin Abdulaziz Al Saud



His Royal Highness

Crown Prince Abdullah

Bin Abdulaziz Al Saud

The Deputy Premier and Head of the National Guard



His Royal Highness

Prince Sultan

Bin Abdulaziz Al Saud

The Second Deputy Premier and the Minister of Defence and Aviation and Inspector General



On the occasion of the Fund's completing its 30th year of outstanding track record in serving the local industrial sector, I am pleased to introduce this report which reflects these achievements over that period including the fiscal year 1424/1425H (2004G).

Foreword by H.E. The Minister of Finance

Since its inception on Safar 1394H (1974G) up to the end of the fiscal year 1424/1425H (2004G), the Fund has approved 2650 industrial loans with commitments totaling SR 48,115 million. These loans contributed to the erection of 1899 industrial projects all over the kingdom. Actual disbursements under such loan commitments aggregated to SR 33,050 million, while investors benefiting from such loans have repaid SR 23,569 million. The success of these projects at the business level, which is based on systematic scrutinization of feasibility studies before approval, played a major role in their ability to meet their financial obligations towards the Fund, thus enabling the Fund to recommit these amounts in loans to many other new projects every year.

The continued success was only possible through the generous support of the government of the Custodian of the Two Holy Mosques, his faithful Crown Prince, and HRH The 2nd Deputy Premier and the substantial ability of the Fund's management to adapt to new developments in the investment and industrial lending environment. Another factor that contributed to such a high degree of success was the Fund's ability to attract professional Saudi youth qualified in all specializations, and the continued application of high professional standards in their training and refining of their talents using the services of reputable local and overseas institutes.

On this occasion, I would like to express my gratitude and appreciation to the Fund's Board of Directors, executive management and all employees for their dedicated efforts without which such outstanding achievements would not have been possible particularly those of the current year which witnessed a record figure of SR 3,291 million in commitments. The foregoing clearly reflects the strength of the national economy and the great confidence it enjoys on the part of local as well as foreign investors. The Fund and other government institutions shall continue to make every effort to enhance this image over the years to come.

Ibrahim Bin Abdulaziz Al-Assaf
Minister of Finance

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Saudi Arabian Monetary Agency



5. Hassan F. Akeel
Assistant Deputy Minister for Finance
Ministry of Economy and Planning



On the occasion of the closing of the fiscal year 1424/1425H which coincides with the completion of the 30th year of the Fund's service in the industrial development of the Kingdom, I am pleased to introduce this annual report which highlights the Fund's activities during the past year, and its achievements over the past thirty years.

Chairman's Statement

The Fund has not only continued its outstanding performance during the year but also achieved record figures in such performance with loan commitments totaling SR 3,291 million for the fiscal year 1424/1425H, representing an increase of 20% over last fiscal year's commitments. Loans actually disbursed to investors over the year totaled SR 1,768 million i.e., 32% higher than last year's disbursements. Moreover, repayments made by borrowers to the Fund aggregated to SR 1,507 million, an increase of 7% over the amounts repaid during the past year.

The number of loans approved for this fiscal year aggregated to 76 loans to assist in the erection of 43 new industrial projects and the expansion of 33 existing projects. The steady growth in the erection of new projects and the high percentage of loans committed to the expansion of existing projects firmly reflect the success of investment in the national industrial sector, the high actual return of such projects and the confidence in the future of the sector within the group of well performing economic sectors in the Kingdom. This would not have been possible without the generous support of the government to the various development sectors, elimination of obstacles in the way of investors and offers of a continued revision of incentives to ensure an attractive investment environment.

On this occasion, I would like to refer to the new window of opportunity to be opened by the Fund for the benefit of a critical sector of the national economy, i.e. the small and medium enterprises Loan Guarantee Program. This program will be launched in the near future offering its customized services to this key sector of the national economy.

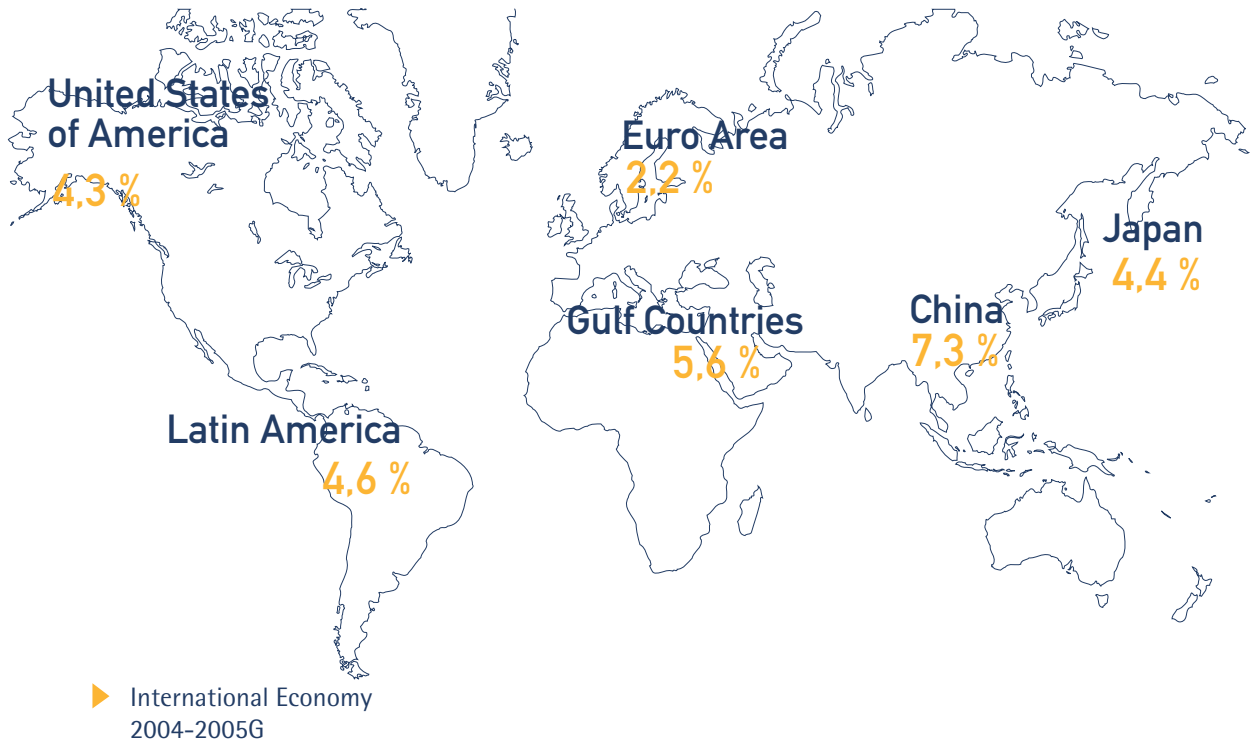
I should also take this occasion to express my appreciation to the Fund's management for its dedicated efforts in the area of human resources development and training of SIDF employees through the numerous programs adopted in this connection, as well as the established collaboration with similar financial institutions within the Kingdom and abroad. This policy has proved to be a rewarding one as it made available to the Fund a resource of competent Saudi professionals to exploit in the various specializations commensurate with the Fund's business requirements.

Finally, I would like to extend my commendation for the dedication, strong motivation and professionalism of the Fund's employees, all of which combined to achieve this outstanding performance.

Yousef Bin Ibrahim Al-Bassam
Chairman of the Board of Directors

Preface

Trends and Indicators of the International and Domestic Economy



📍 The global economy achieved strong growth of approximately 5.0 % in 2004, the highest for nearly three decades 📍

Review of International Economy 2004-2005G

The global economy achieved strong growth of approximately 5.0 % in 2004, the highest for nearly three decades, as a result of gains in the economies of North America, Latin America, China and Japan. This has been underpinned by continued accommodative macroeconomic policies, rising corporate profitability, wealth effects from rising equity markets, house prices and rising employment.

However, the world economic growth in 2005 is expected to moderate back to about 4.3%, mainly due to the unusually sharp and persistent rise in oil prices, the steady decline in output gaps across the world, and the ongoing withdrawal of fiscal and monetary stimulus.

At another level, inflation across the world, after falling to unusually low levels in 2003, has increased slightly. World inflation is expected to be approximately 2 to 3% in 2004, and it is not likely to be a serious concern in 2005.

At the level of international trade, world trade in goods and services grew substantially by 8.8% in 2004, but is expected to decline to 7.2% in 2005. Regarding commodity markets, the index of overall primary commodity prices increased by about 27% during the first eight months of 2004. From another perspective, average oil prices rose substantially during the first 8 months of 2004 when very high levels were recorded. Looking ahead, future markets suggest that oil prices will remain high during 2005.

At the level of monetary developments, 2004 witnessed very low volatility in major stock markets, bond markets and foreign exchange markets. Despite some volatility, the major currencies have moved rather slowly in trade-weighted terms, with a moderate depreciation of the U.S. dollar and Yen.

KSA Economic Review 2004G

For the second subsequent year, the Saudi economy continued to achieve outstanding results in 2004. The ongoing recovery of the global oil market, the consequent pick up level of oil prices, the expansion of the local economic activity base as well as the continued flow of the returning capital contributed to positive growth in the Saudi economy in 2004.

According to the government budget statement published by the Ministry of Finance, GDP is expected to reach SR 931.8 billion, representing a positive growth rate of 16.9% in current prices or 5.3% in constant prices in 2004. The high growth rate of GDP can be mainly attributed to the substantial recovery of the oil sector, which is expected to record a growth of 28.2% based on current prices. Such a high growth rate positively impacted on the private sector and the other local economic activities.

The GDP of the private sector is expected to continue its growth by 6.7% based on current prices and by 5.7% based on constant prices. The economic reform measures adopted by the Kingdom has been instrumental in recording the positive growth rates in the private sector. As for economic activities in the private sector, the non-oil manufacturing sector is estimated to grow by 6.4%; transport, communication and storage sector by 7.8%; electricity, gas and water sector by 4.5%; construction and building sector by 7.5%; retail and wholesale trade and the restaurants and hotels sector by 4.9%. Judging by the positive growth rate, the manufacturing industry sector emerged as a significant contributor to private economic activity in the Kingdom.

Concerning inflation rates, estimates of the cost of living index increased in the first ten months of 2004 by 0.2% over the year 2003. However, inflation rates in the Kingdom continue to be among the lowest internationally.

As for the performance of the current account of the balance of payments, primary estimates indicate that it is expected to achieve, for the sixth consecutive year, a surplus of SR193.2 billion in



the fiscal year 1424/1425H compared to a surplus of SR 105.2 billion in the fiscal year 1423/1424H. In the same context, non-oil exports are expected to achieve a growth rate of 23.8% or SR 51 billion, representing 11.3% of the total exported goods of the Kingdom in 2004.

On the financial and monetary developments side, financial and monetary policy contributed to the retention of an adequate liquidity level. The supply of money increased by 9.6% during the first ten months of 2004 compared to 4.2% in the same period of the previous year. Moreover, commercial banks' performance remained on the positive side, with total assets soaring by 23.4%; profits increasing by 13.7%, and bank deposits growing by 10.1%. Bank loans to the private sector show that commercial credit to economic activities increased by 25% up to the third quarter of 2004 compared to the same period of the previous year. An examination of the details of sub-sectors reveals that financing increased by 8.7% for the manufacturing and production sector; 83.6% for electricity, water and other utilities sector; 6.9% for the trading sector, and 12.6% for the building and construction sector. Another aspect related to private industrial activity is SIDF loan commitments which amounted to SR 3,291 million in 2004G, the highest annual commitments ever extended by the Fund since inception.

At another level, the stock market showed substantial growth in 2004 due to the outstanding performance of companies and soaring oil prices. The stock index for local stocks increased by 86.5% by the end of the year to reach 8206 points compared to 4400 points at the beginning of the year.

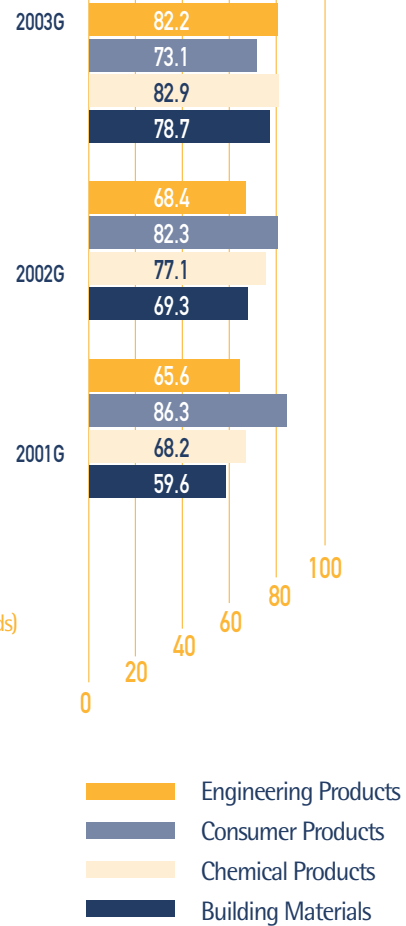
The year 2004 witnessed a number of positive economic developments, which will enhance the Saudi economy and motivate the private sector to expand investments and its contribution to the national economy as well as to increase the sector's share in the GDP. Among these developments were the commencement of the activities of the Stock Market Commission; approval of a number of regulations aiming at improving the investment environment in the Kingdom such as the foreign investment taxation and mining investment acts; the gas supplies and prices and LGP for small and medium enterprises regulations, and the opening of a gas separation and treatment plant in Haradh. As evidence of the strength of the Saudi economy, Fitch Foundation awarded the Kingdom an "A" rating in credit classification in 2004.

In general, the Saudi economy exhibited substantial growth in the year 2004. It is worth mentioning that growth during the year wasn't confined to the oil sector - it also included the non-oil sectors. Due to the expected continued satisfactory growth of the economy and its various sectors, opportunities of growth in 2005 are promising. The private sector, particularly production activity, is expected to be one of the main beneficiaries of the improvement of the environment of local business and the favorable opportunities of the economy as a whole.

The Kingdom's Industrial Sector's Performance in 2004G

The manufacturing sector in the Kingdom achieved substantial growth, approximately 6.4% in 2004G. In addition, the relative contribution of the sector to the country's GDP had increased to 11% by the end of 2004G. It is worth noting here that, among non-oil sectors, the manufacturing sector's contribution amounting to SR 80.4 billion comprised the major share of the GNP in 2004G.

Figure 1
Value-Added per Worker (SR Thousands)



On another level, the industrial sector has contributed to a great extent in the growth of Saudi exports to international markets. Also, the non-oil by-products sector, including the petrochemical, chemical and fertilizers industries, achieved remarkable success in the international markets.

As for the industrial productivity indicator, figure (1) shows the average value added per worker in the main industrial sectors for the years 2001-2003G. During the year 2003, the Chemical Products Sector ranked first in terms of average value added per worker. The Engineering Product Sector is next with a minor difference, followed by the Building Material Sector (excluding cement). Lastly, the Consumer Products Sector had the lowest average value added per worker.

As for the industrial exports indicator, figure (2) shows the exports ratio as percentage of total sales for the years 2001-2003G. A review of the year 2003G, shows that the Chemical Products Sector ranked first with a ratio of 29%, followed by the Engineering Products Sector with a ratio of 24%. Then follows the Building Material and the

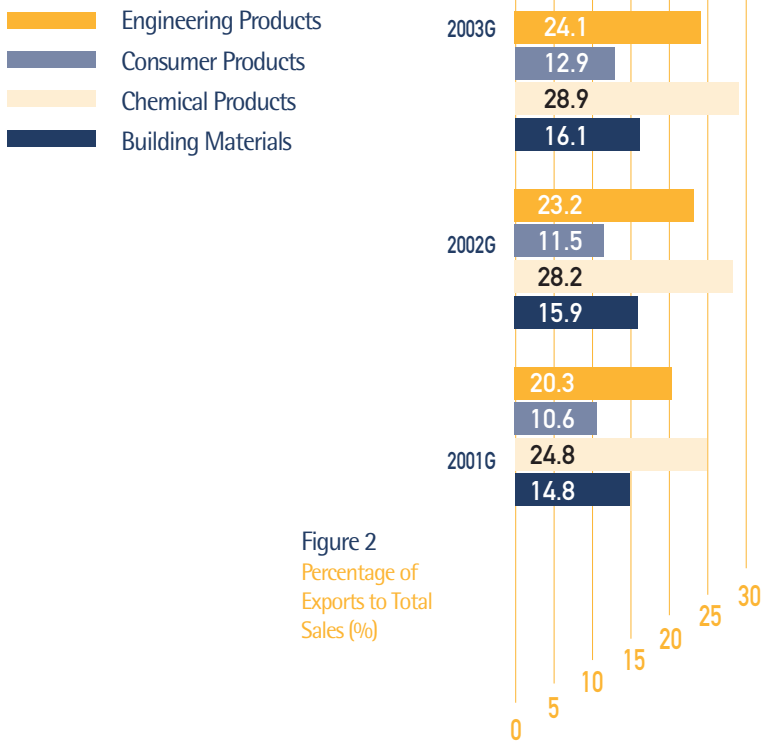


Figure 2
Percentage of Exports to Total Sales (%)

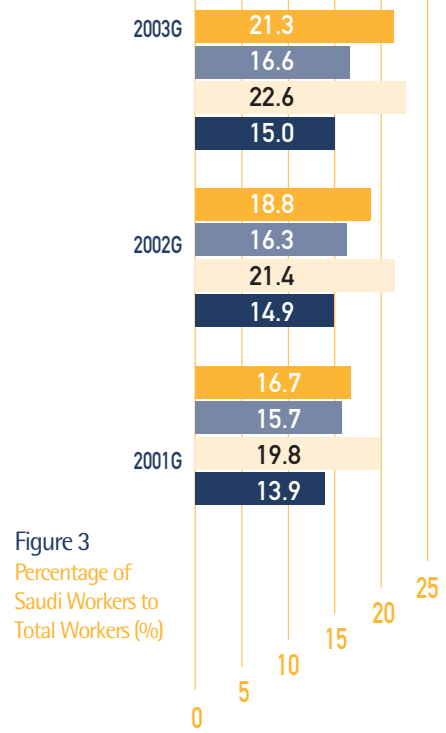


Figure 3
Percentage of Saudi Workers to Total Workers (%)

Consumer Products sectors with ratios of 16% and 13 % respectively. The performance indicators show an increase in average exports to total sales for all sectors with a range of (7-14%) and (1-12%) in 2002G and 2003G respectively.

trend points to the private sectors' continued cooperation with the government in achieving the objectives of increased Saudi employment levels in industry.

The Saudi labor ratio to total industry labor is a factor that is currently gaining increasing importance at the national level. Figure (3) shows the ratio of Saudi employment to total employment for the major industrial sectors during 2001-2003G. By 2003G levels, the Chemical Products Sector led the other sectors with 23% Saudi employment ratio. The Engineering Products Sector came next, with a 21% Saudi employment ratio. The Consumer Products Sector followed with a 17% Saudi employment ratio. Finally, the Building Materials Sector (excluding cement) showed a 15% Saudi employment ratio. The Saudi employment ratio, at about 15-23%, is considered moderate where foreign labor still accounts for the bulk of the labor in the industrial sector, which is a main weakness point for the future development of the industrial sector. However, as indicated in figure (3), the Saudi employment ratio has shown rising trends during recent years. This Saudization



SIDF's Lending Activity

Thirty years have elapsed since SIDF's inception in the year 1974. During this period, the Fund has substantially contributed to the industrial development of the Kingdom and the enhancement of the performance of national factories through provision of soft loans and consultative services in the technical, administrative and marketing fields to borrower projects.



◀ Loan Committee

1424/1425

43

projects

76

Loans

Value of Loans (SR Millions)

3,291

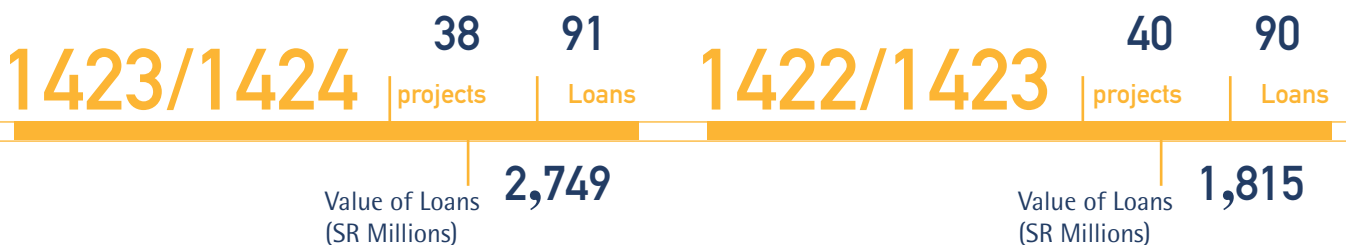
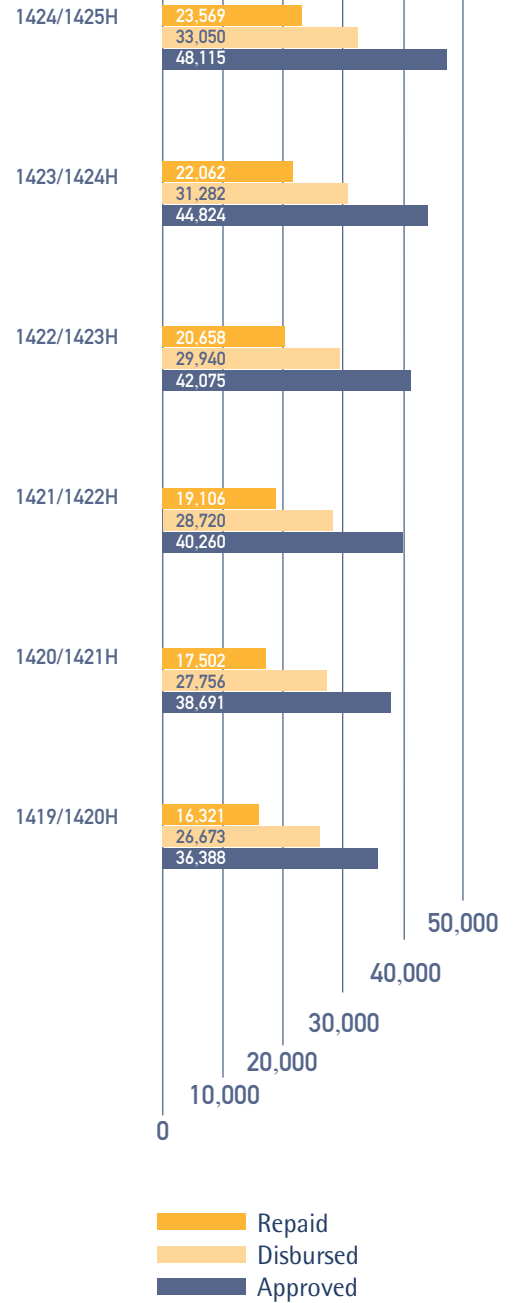
► Cumulative value of SIDF Approved, Disbursed and Repaid Loans (SR Millions)

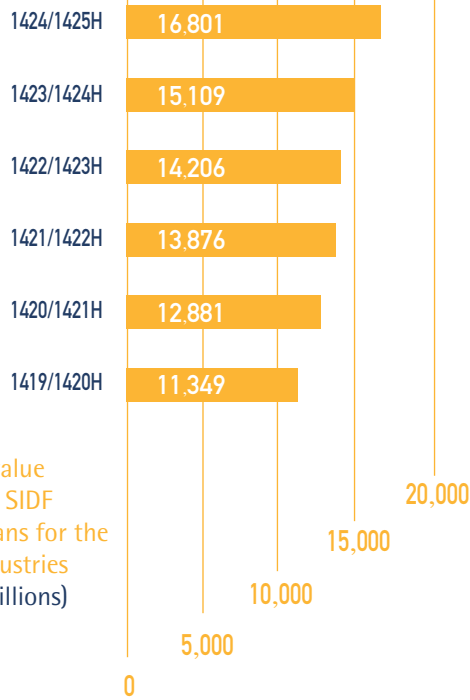
During the period since inception up to the end of the fiscal year 2004, SIDF extended a total of 2650 loans amounting to SR 48,115 million. These loans have assisted in the building of 1899 industrial projects throughout the Kingdom. Loan disbursements from such commitments totaled SR 33,050 million, while repayments reached SR 23,569 million, reflecting the success of industrial development in the Kingdom.

During the year of the report 2004, SIDF approved 76 loans committed in support of 43 new industrial projects and 33 expansions of existing industrial plants. The high percentage of loans granted to expansion projects highlights the success of the projects already approved by the Fund, as they continued to enhance their business activities and upgrade their products.

First: Distribution of Loans By Sector

A review of the main industrial sectors by value of loans committed provides the following information:





► Cumulative value of Approved SIDF Industrial Loans for the Chemical Industries Sector (SR Millions)



Size of Loans

This sector still occupies the leading position among the various industrial sectors calculated according to the amount of loan commitments. Throughout the period (since SIDF's inception in 1974 up to the end of the fiscal year 2004), the cumulative value of total commitments to the sector reached a figure of SR 16,801 million, representing 35% of the total loans approved.

Chemical Industries

Projects Approved During the Year of the Report

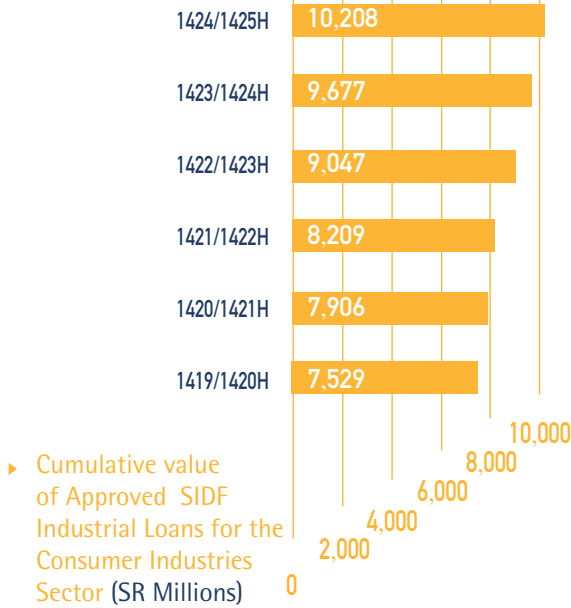
During the fiscal year 2004, SIDF approved 21 loans to this sector representing 28% of the total number of loans approved during the year. Total commitment to these loans amounted to approximately SR 1,692 million representing 51% of all loan approvals during the year. These loans were made to support the establishment of 13 new industrial projects and the expansion of 8 existing ones. Though the sector comes second in terms of the number of loans extended during the year (28%), it comes first in terms of the value of approved loans. This can be attributed to the huge amounts required for investment in the projects of the chemical products sector compared to the other industrial projects.

Among the loans approved to this sector, two loans, each amounting to SR 400 million, were approved for the construction of plants in Jubail; one for the production of ethyl benzene, gasoline and propylene, the other for the production of styrene. In addition, a loan amounting to SR 315 million was approved for the construction of a plant in Jubail for the production of epichlorohydrine, sodium chloride, caustic soda, chlor and hydrochloric acid. Expansion loans included approval of a SR 400 million loan for the expansion of a Jubail-based plant producing ammonia and urea. The loans extended to these four projects accounted for about 46% of the total loans approved during the year. This confirms the magnitude of investment in chemical products.

Projects Which Commenced Production During the Year of the Report

This sector came second in terms of the number of projects which commenced production during the year with a total of 11 projects in Riyadh, Makkah, Yanbu, Dammam, Hofuf and Jubail. These projects manufacture a wide range of products including perfumes, cosmetics, industrial gases, printing inks, plastic cards, PVC and epoxy pipes, packing materials and plastic bags. They include 4 expansion projects for some existing factories.

Period	Projects	Loans	Value of Loans (SR Millions)
1421/1422	42	73	1,569
1420/1421	54	83	2,303
1419/1420	46	83	1,320



Consumer Industries

Projects Approved During the Year of the Report

During the fiscal year 2004, SIDF approved 25 loans to this sector totaling SR 531 million, representing 16% of all loans approved during the year. This places the Consumer Products Sector first in terms of the number of approved loans or 33% of the total number of approvals. However, in terms of the value of approved loans, the sector comes third, following the chemical products and the cement sectors. These loans assisted in financing 14 new industrial projects and expanding 11 existing ones.

Among the new loans approved for this sector, a SR 82 million loan was extended for the construction of a factory in Abha for the production of processed and frozen chicken meat. Another loan of SR 69 million was committed to the installation of a plant in Riyadh for the production of long-life liquid containers. Additionally, a loan amounting to SR 60 million was approved towards establishment of a Riyadh-based drinking water desalination plant for industrial purposes. Expansion loans included a SR 38 million expansion loan for a plant in Jeddah producing coarse and fine sugar, and another expansion loan, for SR 15 million, for a factory in Dammam producing recycled paper rolls.

Projects Which Commenced Production During the Year of the Report

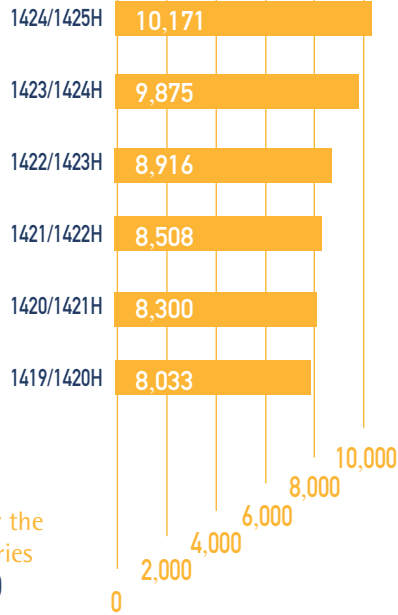
This sector comes first in terms of the number of projects which commenced production during the year 2004, with a total of 14 projects in Riyadh, Kharj, Jeddah and Buraidah. These projects manufacture a variety of products including biscuits, fruit juice, aseptic containers of foodstuffs, soft drinks, animal feed, paper bags, carton boxes, carpets, synthetic filaments, unwoven fabrics, paper envelopes and commercial posters. Expansion programs represent the majority of these projects.



Size of Loans

This sector occupied second place in terms of the value of approved loans. By the end of 2004, cumulative commitments extended to this sector totaled SR 10,208 million representing 21.2% of all loans approved by SIDF since inception up to the fiscal year referred to.

1418/1419	57 projects	95 Loans	1417/1418	63 projects	100 Loans	1416/1417	68 projects	109 Loans
Value of Loans (SR Millions)		2,204	Value of Loans (SR Millions)		2,183	Value of Loans (SR Millions)		2,429



► Cumulative value of Approved SIDF Industrial Loans for the Engineering Industries Sector (SR Millions)

Size of Loans

This sector occupied third place in terms of the value of lending approvals. By the end of 2004, approvals totaled SR 10,171 million representing 21.1% of SIDF cumulative commitments since inception up to the end of the fiscal year referred to.

Engineering Industries

Projects Approved During the Year of the Report

During the year 2004, SIDF approved 20 loans to this sector, amounting to a total of SR 296 million, or approximately 9% of the total lending value. This places the Engineering Products Sector in fourth position in terms of the value of loans approved that year. These loans were made to finance the establishment of 13 new industrial projects and the expansion of 7 existing ones.

Among the loans committed to this sector during the year of the report, a loan amounting to SR 108 million was approved for establishing a reinforced steel bars producing factory in Jizan. Another SR 20 million loan was approved to assist construction of a plant in Jeddah for the production of aircraft auxiliary equipment and landing and control systems. A third loan, for SR 16 million, was approved for the installation of a Riyadh-based factory for the production of ambulances. Expansion loans included a SR 19 million loan for the expansion of a Dammam-based plant producing steel structures, iron sheets and metal products, and another loan of SR 18 million for the expansion of a factory, also in Dammam, producing pre-fabricated buildings and steel sheets.

Projects Which Commenced Production During the Year of the Report

This sector comes third in terms of the number of projects which commenced production during the year 2004, with a total of 9 projects in Riyadh, Jeddah and Dammam. These projects involve the production of steel bars; electric light poles; steel structures; floor grids; fluorescent lamps; covers of boxes and electric lamps. The projects include 5 new projects and 4 expansion projects of existing plants.

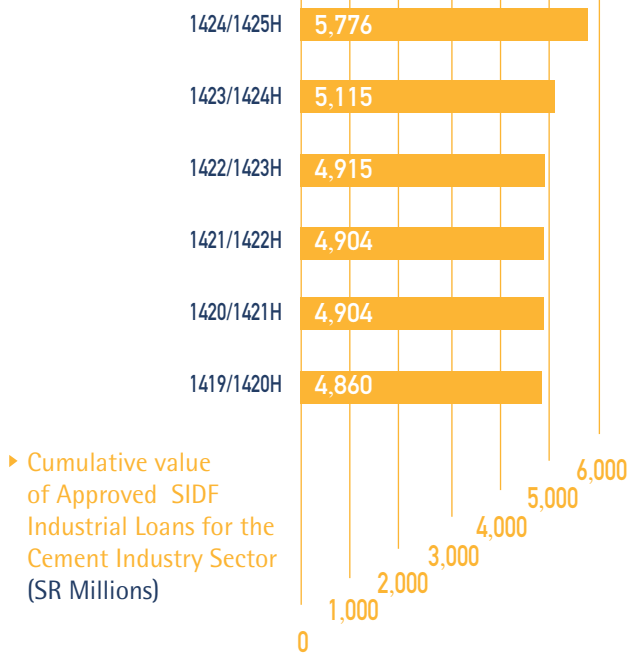


1415/1416	82 projects	105 Loans
Value of Loans (SR Millions)	2,410	

1414/1415	66 projects	102 Loans
Value of Loans (SR Millions)	2,312	

1413/1414	82 projects	111 Loans
Value of Loans (SR Millions)	1,808	

Cement Industry



Size of Loans

By the end of 2004, cumulative commitments to this sector totaled SR 5,776 million or 12% of all total commitments made since inception, placing this sector fourth in terms of the size of loans granted. Recently, this sector witnessed an increase in demand due to the continuing growth in the construction industry. Consequently, this induced SIDF to resume financing new expansions in this sector.

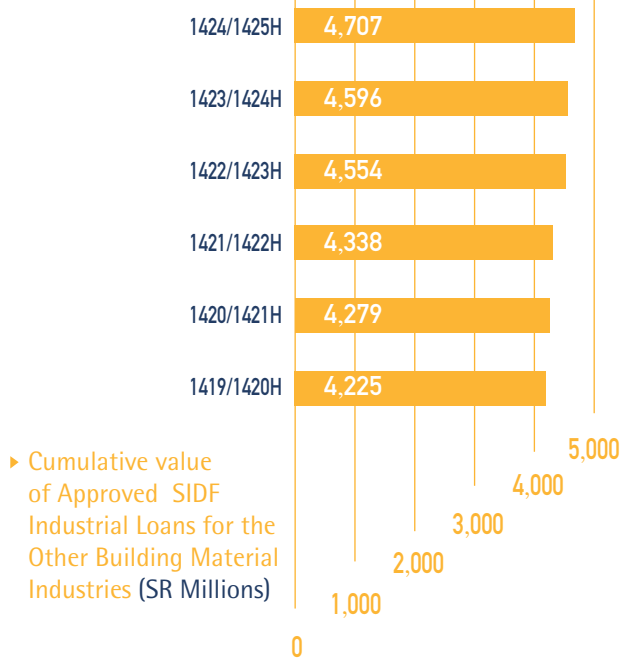
Projects Approved During the Year of the Report

During the fiscal year 2004, SIDF approved four loans to this sector totaling SR 661 million representing 20% of all loan approvals during the year. This places the Cement Sector second in terms of the value of loans. This can be attributed to the sizeable investments in this sector. These loans assisted in financing expansion projects in the existing cement companies in Riyadh, the Eastern Region and Qassim Region.

1412/1413	56 projects	90 Loans
Value of Loans (SR Millions)	1,920	

1411/1412	48 projects	68 Loans
Value of Loans (SR Millions)	1,749	

1410/1411	44 projects	62 Loans
Value of Loans (SR Millions)	953	



Other Building Materials

Projects Approved During the Year of the Report

During the year 2004, SIDF approved 6 loans to this sector totaling SR 111 million or 3% of all loan approvals during the year. These loans were extended in support of two new projects and the expansion of four existing ones. Among the projects approved in this sector during the year, a loan of SR 10 million was extended for the setting up of a factory in Riyadh for the production of marble garnishing works. Expansion loans included two loans totaling SR 43 million for expansion of a Riyadh-based factory producing porcelain, ceramic tiles and glazed coating materials.

Size of Loans

By the end of 2004, SIDF committed to this sector a total sum of SR 4,707 million, which represents 10% of the cumulative loans approved to industrial projects since inception. This places the sector fifth in terms of loan volume.

Projects Which Commenced Production During the Year of the Report

During the year, only one project in this sector commenced production: manufacture of red bricks in Jeddah.



1409/1410 | 39 projects | 55 Loans
Value of Loans (SR Millions) | **643**

1408/1409 | 32 projects | 53 Loans
Value of Loans (SR Millions) | **1,348**

1406/1408 | 59 projects | 94 Loans
Value of Loans (SR Millions) | **1,002**

Second: Joint-Venture Financing

SIDF continues to encourage establishment of joint-venture projects in the Kingdom particularly in collaboration with internationally renowned companies on the basis that the elements of success in such projects are evident.

Foreign investments are considered an effective means for transfer of modern technology; importation of capital and provision of access to international markets for national products. In addition, foreign partnerships contribute to the upgrading of production efficiency of the industrial sector by providing job opportunities and technically advanced training for Saudi nationals.

The number of joint-venture projects approved by the Fund since its inception up to the end of the fiscal year 2004 increased to 538 projects, or 28% of total projects approved. Loans committed to these joint-venture projects amounted to SR 17,469 million or 36% of total SIDF loans. Foreign partners' share in these projects accounted for 35% of their capital.

The Chemical Products Sector has outrun all other industrial sectors in terms of loan commitments to joint-venture projects with a share of 43%. The Engineering Products Sector came second with a share of 26%.

During 2004, the year of the report, SIDF approved 15 loans in support of the establishment of 10 new joint-venture projects and the expansion of 5 existing ones. Commitments to these projects totaled SR 1,516 million, or 46% of SIDF commitments for the year.

The loans for the new joint-venture projects



comprise four loan commitments to projects in the Chemical Products Sector; three loan commitments to the Engineering Products Sector, two loan commitments to the Consumer Products Sector, and one loan commitment to the Other Building Materials Sector.

The joint-venture projects approved during the year provide 1,734 job opportunities representing about 15% of the total job opportunities (11,889) provided by all projects approved by SIDF during the year 2004.

Mohammad Bin Salem Al-Dobaib
Acting Director General

1405/1406	53 projects	66 Loans	1404/1405	42 projects	68 Loans	1403/1404	55 projects	70 Loans
Value of Loans (SR Millions)	753		Value of Loans (SR Millions)	939		Value of Loans (SR Millions)	1,222	

Industrial Projects Cycle and SIDF Organization Chart

Industrial Projects Cycle

The Fund's management spares no effort in extending its lending services to industrialists with due speed and efficiency. Therefore, it is constantly developing procedures, guidelines and policies to improve the lending activities of the Fund so as to cater for such requirements and keep pace with the lending schemes of similar financial institutions worldwide.

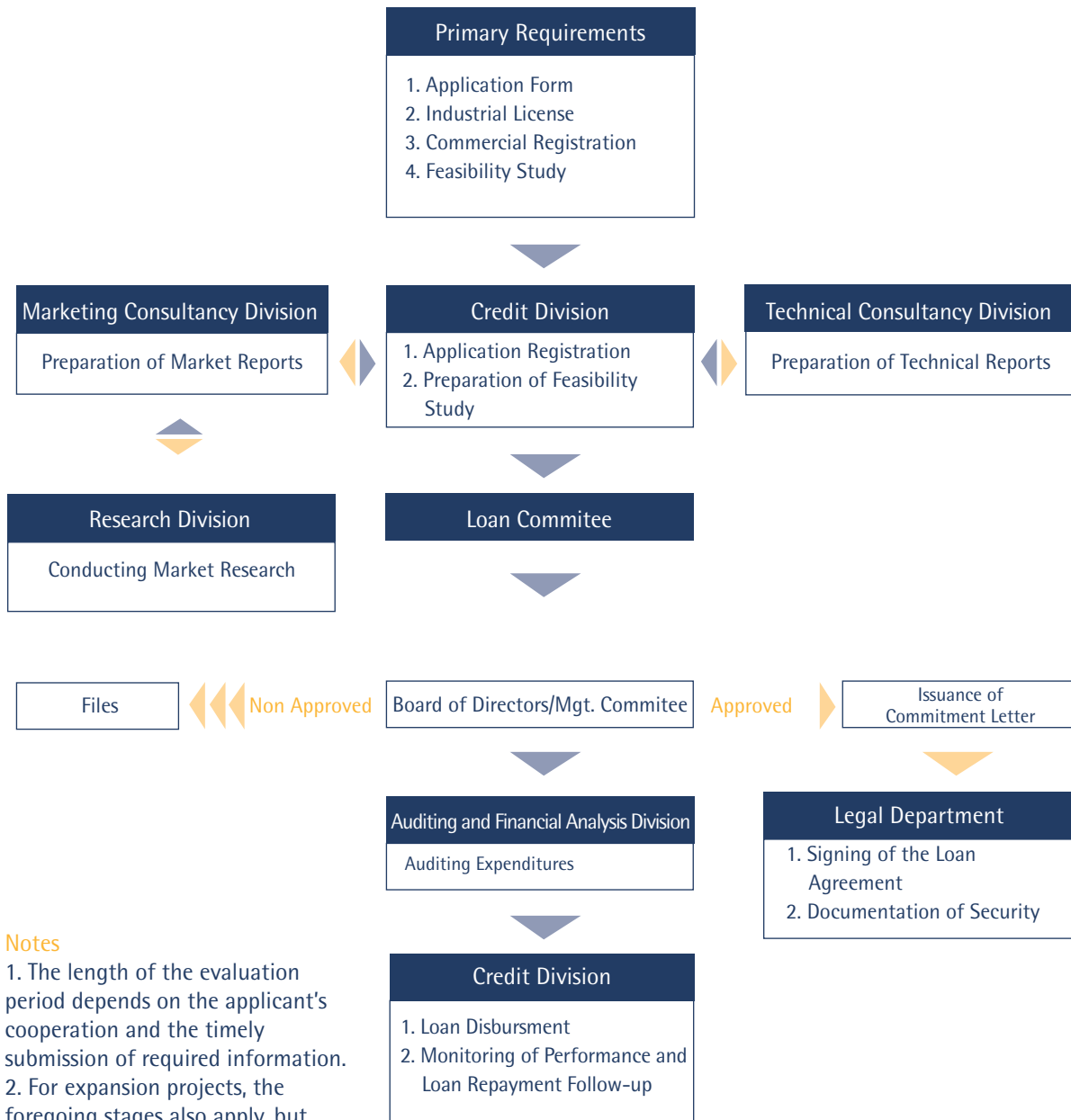
The following figure shows the project cycle currently adopted by the Fund in the form of a flow chart reflecting processing, appraisal, and implementation follow-up of the projects to be financed. It further highlights disbursement of Fund's commitment in loans, and the monitoring of loan maturities' repayment by beneficiary borrowers.

All these efforts are embodied in the adopted project cycle which is modified from time to time in line with prevailing practices, with the adoption of the latest developments in the field of administrative organization.



1402/1403	64 projects	97 Loans	1401/1402	74 projects	88 Loans	1400/1401	73 projects	89 Loans
Value of Loans (SR Millions)	1,663		Value of Loans (SR Millions)	1,416		Value of Loans (SR Millions)	1,259	

Loan Application Processing Flow Chart



Notes

1. The length of the evaluation period depends on the applicant's cooperation and the timely submission of required information.
 2. For expansion projects, the foregoing stages also apply, but some are likely to be omitted.

1399/1400	110 projects	125 Loans	1398/1399	111 projects	125 Loans	1397/1398	136 projects	154 Loans
Value of Loans (SR Millions)	1,339		Value of Loans (SR Millions)	987		Value of Loans (SR Millions)	2,091	

SIDF's Organization Chart

It goes without saying that the organization chart of the Fund is in line with the pattern of the project cycle as shown above. Accordingly, following the recent breakdown of the Projects' Department into two departments, i.e. The Credit Department, and the Projects' Studies and Consultancy Department, for a better distribution of responsibilities, the Fund's activities are now carried out by the following departments:

1. Credit Department

This department is responsible for the running of the project lending program through appraisal, follow-up, disbursement, collection, and provision of consultancy services as deemed necessary for investors in the various areas. The department conducts, from time to time, studies on the performance of the various industrial sectors within the Kingdom and then formulates appropriate policies to support each individual sector. It further participates in the conducting of economic and statistical studies jointly with the Projects' Studies and Consultancy Department.

2. Projects' Studies and Consultancy Department

This department supports the Credit Department in all technical and marketing fields. It also assumes responsibility for the conducting of economic and statistical studies deemed to be in the best interests of the department's activities.

3. Operation and Administration

This department is concerned with in-house affairs of the Fund such as disbursement of approved loans and collection of repayments from investors. It consists of six sections: General Accounting, Loan Accounting, General Services, Purchases, Maintenance and Translation sections.

4. Human Resources Department

This department consists of two divisions, i.e. the Personnel Division and the Training and Career Development Division.

5. Legal Department

This department comprises four divisions, i.e. Contracts Division, Cases Division, Legal Studies Division, and Follow-up and Foreclosures Division.

6. Control and Financial Consulting Department

This department consists of the Financial Control Division, Internal Audit Division and Consulting Services Unit. Its key function include budgeting and an actual performance analysis for each fiscal year.

7. Information Technology Department

This department consists of the Technical Support Division, Applications Development Division, User Support Division, and Quality Consultancy Division.

1396/1397	134 projects	142 Loans	1395/1396	65 projects	65 Loans	1394/1395	21 projects	21 Loans
Value of Loans (SR Millions)	1,251		Value of Loans (SR Millions)	1,028		Value of Loans (SR Millions)	150	

Organization Chart



New Field of Activity (Prospectus)

Small and Medium Enterprises Loan Guarantee Program

Importance of the Support of Small and Medium Enterprises:

Small and medium enterprises are the cornerstone of the growth of the national economy as they are the source of new industrial investment ideas and the development of manpower and technology. If large enterprises are viewed as the driving force of the economy, small and medium enterprises would certainly be the fuel from which such a force derive its energy. It is for this reason that countries all over the world attach great importance to fostering such enterprises through financial and institutional support including training, legal protection facilities, and the provision of a stable environment that would enhance their creativity and healthy growth. Some countries have created ministries and public authorities to nurture small and medium enterprises with adequate care.

There are notable examples of what the fostering of small and medium enterprises can achieve. Sony Corp. of Japan and Apple Computer Co. of the U.S.A. were, only few years ago, small enterprises staffed by one or two employees. However, the substantial growth achieved by both companies, which positively contributed to the strengthening of the economies of the two countries, was backed by successful small and medium enterprises support programs adopted by both countries.

These enterprises are of particular importance to the Kingdom of Saudi Arabia where the national economy is inextricably related to oil prices, making it highly vulnerable to fluctuations, particularly unpredicted ones. It is, therefore, inevitable to seek domestic economy supports other than oil. SMEs rank highest in such supports as they are deemed to constitute an infrastructure essential for the national economy to play the following roles:

- Support the national product and upgrade the value added.
- Provide and promote employment opportunities.
- Assign and exploit resources and domestic natural wealth.
- Attract foreign investment and advanced technology.
- Encourage creativity and adopt innovations.





In the context of the government's endeavors to strengthen the economic infrastructure, the Saudi Industrial Development Fund was entrusted with the task of developing policies and procedures for a program concerned with the support of the SME sector and the management of such a program. Therefore, the Fund conducted a wide-ranging study of this basic sector. The study revealed that the sector faces several formidable challenges of which the greatest are the following:

1. Inability to obtain adequate financing.
2. Lack of feasibility studies.
3. Poor managerial proficiency and low productivity.
4. Difficulty of obtaining relevant market information.
5. Redundancy and over-saturation of certain similar enterprises within a limited area.
6. Cheap, low-productivity foreign labor.
7. Absence of a government authority that sponsors the sector and drafts business laws organizing its activity.
8. Almost total lack of sector-related data and information consequent to the absence of a specific authority responsible for providing the statistical data and advisory services essential for the sector.

The inability to obtain appropriate funding is the most widely acknowledged obstacle facing the SME sector. Therefore, it was the starting point or phase one in the process of promoting and developing the small and medium enterprises sector. Consequently, the small and medium enterprises loan guarantee program was established by the Fund to play a major role in facilitating and encouraging the funding of such enterprises by commercial banks and other financial institutions.

Small and Medium Enterprises Loan Guarantee Program (LGP)

Program Objectives

The study conducted by the Fund revealed that the inability to obtain appropriate funding constitutes a major obstacle in the way of development of the small and medium enterprises sector. Commercial banks are unwilling to provide the necessary funding for these enterprises, believing that extending loans to such enterprises involves high credit risks for several reasons, mainly:

- Inability of small and medium enterprises to provide the required guarantees.
- Lack of credit history especially for newly launched enterprises.
- Lack of managerial skills and poor planning.

Therefore, the program was established to bridge the gap and resolve the financing dilemma encountered by small and medium enterprises through mitigation of bank credit risks.

Capital

The program has been established with a capital of SR 200 million, of which the Ministry of Finance contributed a hundred million. Ten local banks contributed the remaining amount. Hence, the program rests on three vital supports:

- The government represented by the Ministry of Finance and the Saudi Industrial Development Fund.
- The commercial banks and funding institutions.
- Small and Medium Enterprises (SMEs).



Program Functioning Mechanism

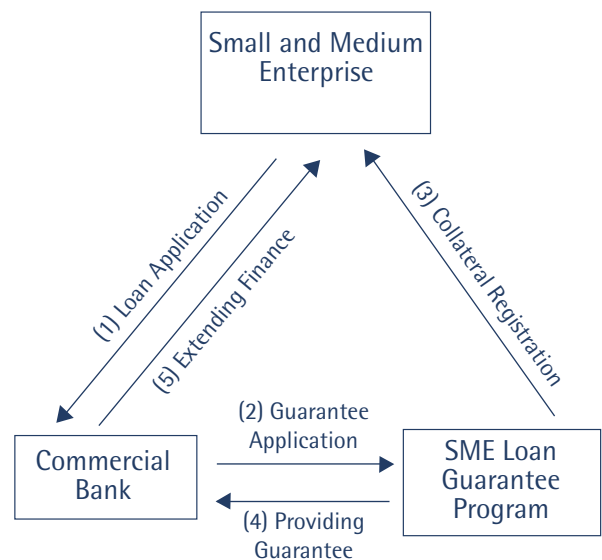
The program is based on the mechanism of providing guarantees. Therefore, the program will guarantee a given percentage of the financing required for each project to a maximum limit of two million Saudi Riyals against a mortgage on the fixed assets of the enterprise in addition to additional mortgages, if any, in favor of the lending institution to be held until the loan is fully repaid.

The Course of Action for the Program can be summed up as follows :

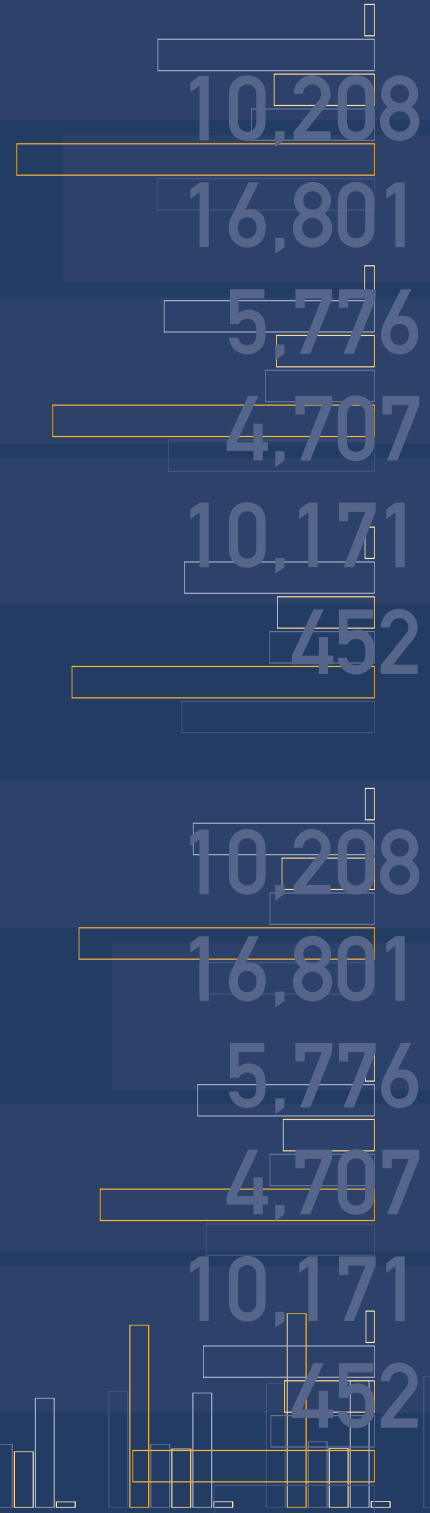
1. The small or medium enterprise having an investment proposal submits an application to the commercial bank to obtain bank financing. If the enterprise is unable to provide an adequate guarantee to the bank for its proposed investment financing, it may then request financing guarantee coverage under the SME Loan Guarantee Program as an additional security.
2. Being the immediate beneficiary of the guarantee, the bank submits an application to the SME Loan Guarantee Program.
3. The SME Loan Guarantee Program run by the Saudi Industrial Development Fund considers the application based on the bank's appraisal, business plan, and any additional documents required.

4. The Fund then issues the guarantee in favor of the bank after registration of the guarantees offered to the program.

5. Following the issue of the guarantee by the program, financing is granted to the enterprise.



7,529	7,529
11,349	11,349
4,860	4,860
4,225	4,225
8,033	8,033
392	392
7,906	7,906
12,881	12,881
4,904	4,904
4,279	4,279
8,300	8,300
421	421
8,209	8,209
13,876	13,876
4,904	4,904
4,338	4,338
8,508	8,508
425	425
9,047	9,047
14,206	14,206
4,915	4,915
4,554	4,554
8,916	8,916
437	437
9,677	9,677
15,109	15,109
5,115	5,115
4,596	4,596
9,875	9,875
452	452
10,208	10,208
16,801	16,801
5,776	5,776
4,707	4,707
10,172	10,172
452	452



0 5 10 15 20 25 30

Fund Lending Activity Charts

Table 1

► Table showing number of newly approved SIDF industrial projects by minor sector

Sector	1424/1425H	Cumulative Total
Consumer Products	14	539
Food	6	247
Beverages	2	41
Textiles	1	57
Leather and substitutes	2	24
Carpentry products	1	11
Wooden furniture	1	48
Paper products	1	75
Printing	-	36
Chemical products	13	456
Chemicals	7	210
Oil and gas products	-	23
Rubber products	1	13
Plastic products	5	210
Building materials	2	293
Ceramic products	-	8
Glass products	-	49
Other building materials	2	236
Cement	1	21
Engineered products	13	553
Metal products	9	324
Machinery	1	80
Electrical equipment	1	98
Transport equipment	2	51
Other manufacturing	-	37
Total	43	1899

Table 2

► Table showing value of approved SIDF industrial loans by minor sector (SR millions)

Sector	1424/1425H	Cumulative Total
Consumer Products	531	10,208
Food	212	4,796
Beverages	122	970
Textiles	10	1,786
Leather and substitutes	27	133
Carpentry products	16	153
Wooden furniture	6	333
Paper products	138	1,822
Printing	-	215
Chemical products	1,692	16,801
Chemicals	1,632	12,687
Oil and gas products	-	1,198
Rubber products	2	79
Plastic products	58	2,836
Building materials	111	4,707
Ceramic products	43	500
Glass products	38	1,404
Other building materials	30	2,803
Cement	661	5,776
Engineered products	296	10,171
Metal products	219	7,076
Machinery	5	761
Electrical equipment	26	1,464
Transport equipment	46	871
Other manufacturing	-	452
Total	3,291	48,115



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