Kingdom of Saudi Arabia
Ministry of Finance

Annual Report For The Fiscal Year 2006 (1426/1427H)

Saudi Industrial Development Fund

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بسم الله الرحمن الرحيم

Custodian of the Two Holy Mosques
King Abdullah Bin Abdulaziz Al Saud

His Royal Highness
Crown Prince Sultan Bin Abdulaziz Al Saud
The Deputy Premier & The Minister of Defence
& Aviation & Inspector General

Foreword by H.E. The Minister of Finance

I am pleased to present the Annual Report of the Saudi Industrial Development Fund for the fiscal year 1426/1427H (2006G). The Report reflects the outstanding performance of the Fund during the year.

The Fund has set an all-time record in the value of loans approved in the year with commitments totaling SR 6,288 million representing an increase of (63%) over total commitments of the previous year 1425/1426H (2005G). Accordingly, the total loan commitments approved by the Fund since its inception up to the fiscal year 1426/1427H (2006G) have reached SR 58,262 million. These loans contributed to the founding of 1999 industrial projects throughout the Kingdom. Investors benefiting from these loans have repaid SR 27,019 million out of a total disbursed of SR 38,157 million.

Furthermore, the Small and Medium Enterprises Loan Guarantee Program, the management of which was assigned to the Fund by the Ministry of Finance, was initiated during the year. In this respect, the Fund issued 51 guarantees with a value of SR 22 million as a guarantor for SR 49 million financing provided by the local commercial banks to small and medium enterprises.

We acknowledge, here, the continued support of the government of the Custodian of the Two Holy Mosques and his faithful Crown Prince. Among other things, this is manifested in the sizeable SR 13,000 million capital addition to the Fund's existing capital, raising it to SR 20,000 million. This will enable the Fund to continue achieving its objectives and to diversify its instruments of support for the continued industrial development of the Kingdom.

Finally, I would like to extend my cordial thanks to the Fund's Board of Directors, executive management and all of its employees for their achievements which inspire the nation's and its citizens' pride.

May Allah guide our actions.

Ibrahim Bin Abdulaziz Al-Assaf
Minister of Finance

Board of Directors

H.E. Eng. Yousef bin Ibrahim Al-Bassam
Vice Chairman and Managing Director,
SFD and Chairman of the Board, SIDF

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Ministry of Water and Electricity
and Member of the Board, SIDF

Mohammed A. Sindi
Assistant Deputy Minister
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Ministry of Commerce and Industry
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Dr. Abdulrahman A. Al-Hamidy
Deputy Governor for Technical Affairs,
Saudi Arabian Monetary Agency
and Member of the Board, SIDF

Dr. Ahmed H. Salah
Economic Consultant,
Ministry of Economy and Planning
and Member of the Board, SIDF

Chairman's Statement

I am pleased to introduce the Fund's Annual Report for the fiscal year 1426/1427H (2006G), which witnessed a remarkable performance detailed in the Report.

The Fund has continued to achieve record figures in its lending activity. The number of loans approved for this fiscal year, increased to 86 loans extended to assist in building 57 new industrial projects and expansion of 29 existing ones. This represents an increase of 6.2% over the number of approved loans in the previous fiscal year 1425/1426H (2005G). Likewise, the value of loans approved during the fiscal year 1426/1427H (2006G) increased to SR 6,288 million, a 63% increase over commitments for the previous fiscal year, which was itself a record in terms of the Fund's commitments made in one fiscal year. Loans disbursed to investors, over the fiscal year covered by this report, totaled SR 2,952 million i.e. 37% higher than the previous year's disbursements. Total disbursed funds on approved projects, since the Fund's inception up to the end of the current fiscal year, amounted SR 38,157 million whilst repayments made by borrowers totaled SR 27,019 million for the same period. This, undoubtedly, reflects their positive interaction with the Fund as well as the prosperity of the borrowers' projects.

During this year, the Fund launched the Small and Medium Enterprises Loan Guarantee Program by approving 51guarantees, totaling to SR 22 million, as guarantor for loans totalling SR 49 million provided by local commercial banks to Small and Medium Enterprises.

In the area of the Fund's contribution to the economic development of the Kingdom through its continuous support to the local industrial sector, I would like to commend the Fund for obtaining the Gulf Economic Award for the year 2006G extended by the Middle East Development Award Institute, Dubai. I have full confidence in the Fund's management and its employees' ability to continue their ardent efforts in pursuit of accomplishing the objective of development in the Kingdom.

Finally, I would like to extend my thanks to the Fund's management and employees for their sustained outstanding efforts and for setting all-time record figures for two consecutive fiscal years.

May Allah Guide our steps.

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


DIEZ INTIS

Preface: Trends and Indicators of the International and Domestic Economy

Review of International Economy 2006G

The international economy maintained its positive growth projections during 2006G. Economic growth accelerated to 5.1% in (2006G) and is expected to reach 4.9% (2007G) compared to 4.3% in 2005G. However, the International Monetary Fund warns that global economic growth might decline to 3.25% or lower in 2007G due to a number of risk factors such as, the possible increase of inflationary pressures, geopolitical uncertainties and the possibility of a slowdown of the US economy due to the slowdown in the housing market. Indicators show that global expansion was broad-based in 2006G. Growth was substantial, particularly in the USA, which was projected to show strong GDP growth at 3.4% (2006G) before slowing to 2.9% (2007G). In the Euro area, projections show sustained growth at 2.4% (2006G) – the highest rate in six years – before moderating to 2.0% (2007G). In Japan, growth is expected to be moderate in accordance with the economic cycle. The emerging economies witnessed high growth, particularly China and India. The Middle Eastern and African countries, also maintained impressive growth rates supported by high prices of basic commodities.

Global inflation has picked up slightly in response to higher oil prices but remained at a moderate level. In the industrial countries, inflation is expected to increase moderately to 2.6% (2006G) compared to 2.3% (2005G). As for the emerging economies, inflation rate is projected to drop to 5.2% (2006G) compared to 5.9% (2005G).

Concerning international trade, the volume of world trade in goods and services witnessed a remarkable growth of 8.9% in 2006G. However, it is projected to decline slightly to 7.4% in 2007G.

With respect to international commodity markets, oil and metal prices recorded higher levels in 2006G. These high prices are attributed to increased demand in international markets supported by GDP growth, supply shortages and labor disputes in some countries. According to market prospects, oil prices are expected to maintain their high levels in 2007G.

With regard to monetary developments, many major central banks responded to the increasing global economic growth and increasing inflationary pressures by tightening their monetary policies. Both the US Federal Reserve Bank and the European Central Bank raised their interest rates further during 2006G. Moreover, the Bank of Japan terminated its zero-interest rate policy in 2006G, after being in place for a prolonged period of time. However, long-term interest rates remained stabilized. As for the foreign exchange markets, the US dollar depreciated against the Euro and to a lesser degree, against the Japanese Yen during 2006G.

KSA Economic Review for the Year 2006G

The Saudi Economy witnessed an economic development boom in 2006G. Sustained high oil prices in 2006G, coupled with continued effective economic policies and strategic structural and organizational reforms adopted by the government, have contributed to the ongoing positive growth in the Saudi economy. According to the government budget statement published by the Ministry of Finance, the Kingdom's GDP is expected to reach SR 1,301 billion (2006G), representing a positive growth rate of 12.4% in current prices or by 4.2% in constant prices. In addition, preliminary estimates indicate that the public debt volume will drop to around SR 366 billion (i.e. 28% of the GDP) by the end of the fiscal year 2006G.

As for the private sector, it is expected to witness a growth rate of 7.9% in current prices and 6.3% in constant prices, with its contribution to the GDP estimated at 44% in constant prices. Furthermore, all economic activities including the private sector are expected to achieve positive growth rates. The manufacturing sector, other than oil refining, is estimated to grow by 10.1%; communication; transport and storage sector by 9.5%; building and construction sector by 6.3%; electricity, gas and water sector by 5.5%; retail and wholesale trade, restaurants and hotels sector by 5.2% and finance, insurance and real estate services sector by 5.1%.

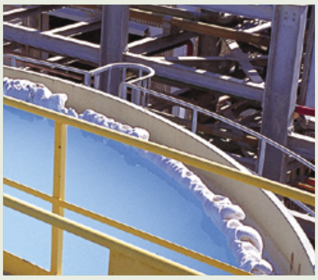
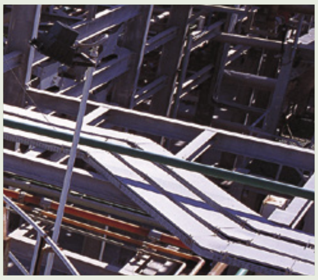
Inflation rates in the Kingdom continue to be among the lowest internationally recorded rates, in spite of the increasing inflationary pressures due to the expansion of government expenditure and the private sector's activities. Estimates of the cost of living index show an increase of 1.8% (2006G) compared to 0.7% (2005G), while the non-oil GDP deflator, a key indicator for measuring inflation for the whole economy, is expected to increase (by 2.1%) for 2006G compared to 0.9% in the previous year.

Moreover, another important indicator that reflects the improving economic performance during the year is the satisfactory performance of the current account for the balance of payments, which is expected to achieve a surplus of SR 358 billion (2006G) compared to a surplus of SR 337.7 billion (2005G) i.e. an increase of 6%. In the same context, the balance of trade is expected to achieve a surplus of SR 553.4 billion (2006G) i.e. an increase of 17.5% than the previous year, due to high oil and non-oil exports. Non-oil exports are expected to achieve a growth rate of 10.8% to reach SR 79 billion, accounting for 10.1% of the Kingdom's total exported goods.

As for financial and monetary developments and in the light of firm local and global economic developments, the Kingdom's financial and monetary policies contributed to the retention of an adequate level of liquidity to satisfy the requirements of the national economy, in addition to maintaining stability of local prices and Riyal exchange rate. The money supply, in its broad definition, grew in the first ten months of the fiscal year 2006G, by 11.8% compared to a growth rate of 8.8% in the same period of the previous fiscal year.

With regard to the banking sector, commercial banks maintained their positive performance and solidified their financial capabilities. Results declared by all



banks in the Kingdom for the first ten months of the year 2006G showed that capital and reserves of all banks increased by 20.5% to SR 80.3 billion. In the same period, their total claims on the public and the private sectors increased by 4.9% and total deposits by 13%. They, also continued to play an important role in supporting the private sector and expanding economic activity. Total credit extended to various economic activities in the private sector increased by 8.3% up to the third quarter of the year 2006G. In the same period, loans extended to the manufacturing and production sector increased by 2.2%; electricity, water and other services by 5%, building and construction sector by 15.4%, trade sector by 18.8% compared to the same period in 2005G. Another indicator related to the financial sector activity is the performance of the Saudi Industrial Development Fund, which continued its support to local industry in all spheres of industrial activity. In the fiscal year 2006G, SIDF's loan approvals reached their highest levels since its establishment: SR 6,288 million, representing an increase of 63% over the previous year.

The all shares index of the Saudi Stock Market reached 7,983 points by the end of 2006G, compared to 16,712 points at the end of the previous year. The number of companies enlisted in the market increased from 77 (2005G) to 86 (2006G). The Capital Market Authority continued to improve the legal environment by issuing by-laws aimed at regulating, organizing and developing the market. During the current year, the Capital Market Authority issued three important by-laws; Real-Estate Investment Fund's Regulation, Securities Business Regulation, and Investment Fund's Regulation.

Moreover, the Kingdom's credit rating has been upgraded by international rating organizations, due to improvement in its economic development indicators. During the year 2006G, the Standard & Poors and Fitch organizations have raised the Kingdom's sovereign rating to "A+". Recent years have witnessed the issuance and approval of a number of resolutions and regulations for enhancing the structure of the national economy. Among the complementary laws that were drafted and/or approved during the year 2006G are: The Unified Industrial Law of the GCC countries, Electricity Law, Contractors Classification Law, Government Tenders and Procurement Law, Unified Anti-dumping Law for the GCC countries, Regulations for Health Practitioners, Civil Aviation Tariff Law, Social Welfare Law and the Law of the Saudi Credit & Saving Bank.

In general, the Saudi economy enjoyed substantial growth as well as positive developments during 2006G, which are reflected positively in the local investment environment. There is noticeably a developing trust amongst major international investors that has translated into increased foreign direct investment flows in all sectors of the economy, particularly the production sector, with investment value amounting to US $ 5 billion. These results will enhance the economic image of the Kingdom as an attractive environment for investments and will contribute to the continued ongoing improvement and enhancement of the local economy while maintaining the expansion of the private sector's activities.

The Kingdom's Industrial Sector's Performance in 2006G

The non-oil manufacturing sector in the Kingdom achieved substantial growth, approximately 10.1% (in real terms) in 2006G. In addition, the relative contribution of the industrial sector to the country's GDP had increased to 13% by the end of 2006G, representing impressive growth within this sector. At another level, the industrial sector has contributed extensively to the growth of Saudi exports to international markets. The oil-based manufacturing sector, i.e. the petrochemicals and fertilizers industries, has also achieved remarkable success in international markets.

Figure (1)
Value-Added per Worker (SR Thousands)

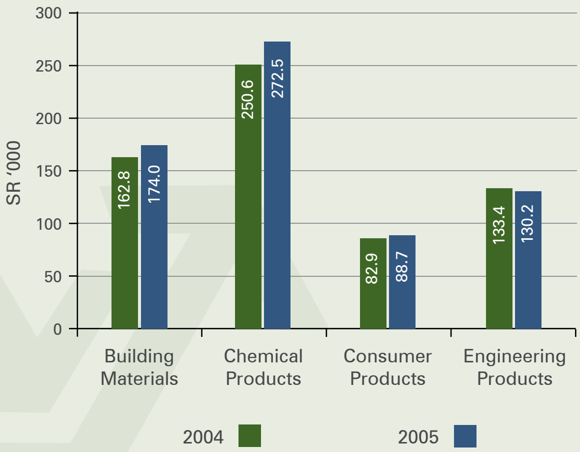
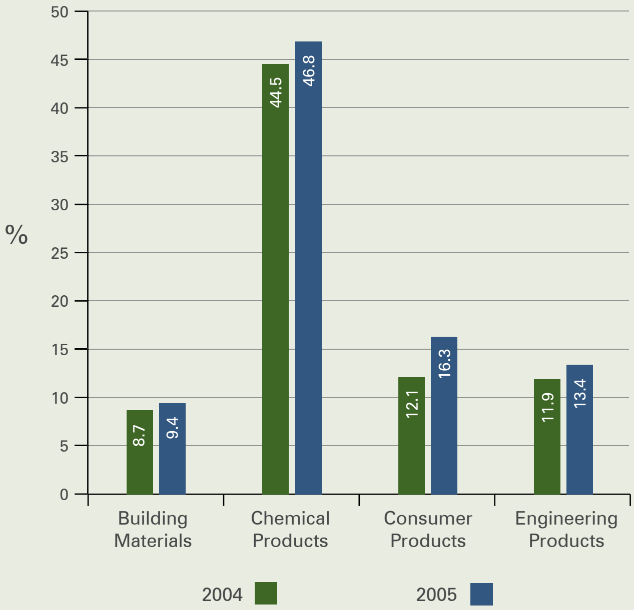


Figure (2)
Percentage of Exports to Total Sales (%)



In the context of the general picture of the industrial sector outlined above, we should consider the performance indicators of some of these sectors. Since the data for the year 2006G is not available, we will depend on the available data for the year 2005G as compared to the year 2004G. Performance indicators, for the period 2004-2005G, show continued solid growth for most of the industrial sectors in the Kingdom. Figures (1,2,3) show performance features and trends by major manufacturing sectors for the period 2004-2005G.

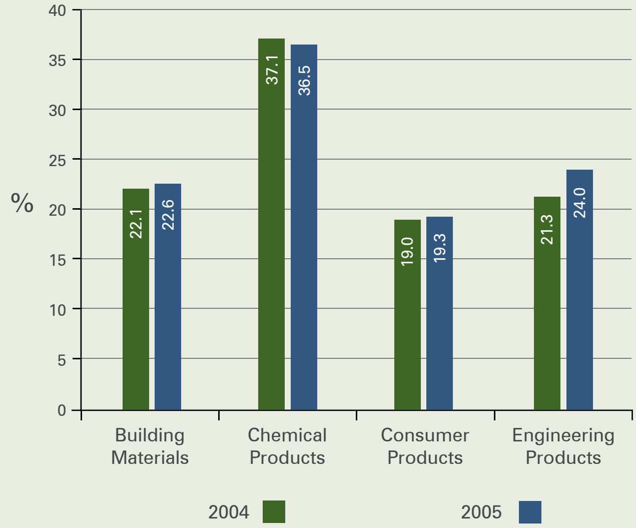
As for industrial productivity, figure (1) shows the average value added per worker in the main industrial sectors for the years 2004-2005G. During the year 2005G, the Chemical Products sector ranked first in terms of average value added per worker. The Building Materials sector came next, followed by the Engineering Products sector. The Consumer Products sector occupied the last position with the lowest average value added per worker.

Another indicator, which has gained increasing importance in the Kingdom, especially in recent years, is average industrial exports. Government Plans focus on consolidating and increasing non-oil industrial exports, as a strategic objective for the national economy to minimize dependence on oil exports. Figure (2) shows average export ratios as a percentage of total sales in the years 2004G and 2005G. A review of 2005G ratio indicates that the Chemical Products sector ranked first (47%), followed by the Consumer Products sector (16%), followed by the Engineering Products and the Building Materials sectors at 13.4% and 9.4% respectively.

The Saudi labor ratio to total industry labor is a factor that is currently gaining increasing importance at national level. Figure (3) shows the ratio of Saudi employment to total employment for the major industrial sectors during 2004-2005G. According to 2005G figures, the Chemical Products sector led the other sectors at 36.5%. The Engineering Products sector came next, (24%) followed by the Building Materials sector (22.6%) and finally, the Consumer Products sector (19.3%). These Saudi employment ratios are considered moderate, as foreign labor still accounts for the bulk of the labor force in the industrial sector. However, as illustrated in Figure (3), the Saudi employment ratio has been on the rise in recent years. This Saudization trend points to the private sector's efforts and continued cooperation with the government in achieving the objective of increasing Saudi industrial employment levels.

Figure (3)

Percentage of Saudi Workers to Total Workers (%)



SIDF's Lending Activity

I. Summary of Lending Activity During 1426/27 (2006G)

SIDF continued its leading role in supporting the industrial sectors effectively contributing to the continued industrial development in the Kingdom as well as enhancing the performance of national factories through the provision of soft loans and consultative services in the technical, administrative and marketing fields to borrower projects.

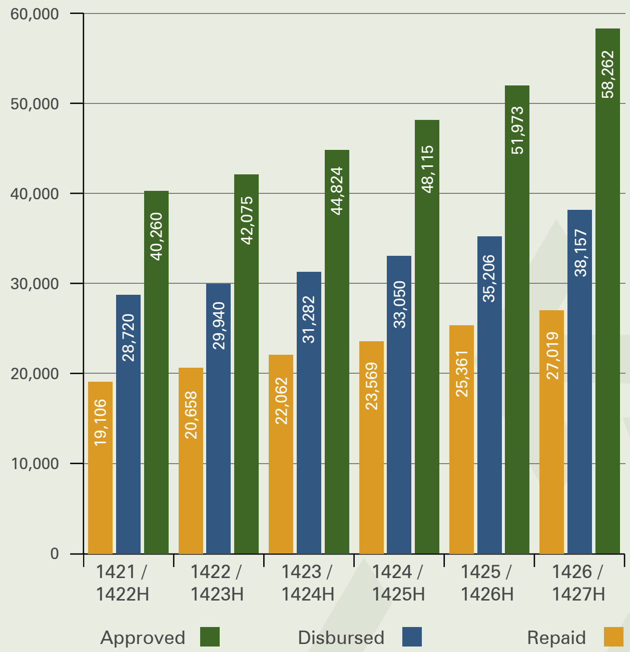
The year of the report has been characterized by an unprecedented increase in the value of approved loans. Loan commitments approved by SIDF during the fiscal year, 1426/1427H (2006G) totaled SR 6,288 million, a 63% increase over the previous year's commitments, which previously represented the highest value approved in one year.

During the period since inception up to the end of the current fiscal year 1426/1427H (2006G), SIDF has extended a total of 2,817 loans, amounting to SR 58,262 million. These loans have assisted in the establishment of 1999 industrial projects throughout the Kingdom. Loan disbursements from such commitments totaled SR 38,157 million, whilst repayments have reached SR 27,019 million, reflecting the prosperity of industrial development in the Kingdom.

During the year 1426/1427H (2006G), SIDF approved 86 loans, committed to support 57 new industrial projects and 29 expansions of existing industrial plants. These existing plants had previously been granted loans by SIDF and have also through SIDF's support have achieved success, prompting them to expand their activities vertically and horizontally and enhance their product quality.

Also 1426/1427H (2006G) witnessed the start-up of the Small and Medium Enterprises Loan Guarantee Program. The management of which was assigned to the Fund by the Ministry of Finance; however, it is separate from the Fund's lending activity. During (2006G), SIDF issued 51 guarantees to the value of SR 22 million as guarantor for SR 49 million financing provided to small and medium enterprises by local commercial banks.

Figure (4)
Cumulative value of
SIDF Approved, Disbursed and Repaid Loans
(SR Millions)



II. Distribution of Loans by Sector

A review of the main industrial sectors, according to value of loans committed, reveals the following information:

Chemical Industries

Size of Loans

This sector still occupies the leading position among the various sectors by amount of loan commitments. Since SIDF's inception (1974G) to the end of the current fiscal year 2006G, the cumulative value of total commitments to this sector amounted to SR 21,544 million, representing 37% of total value of loans approved.

Projects Approved

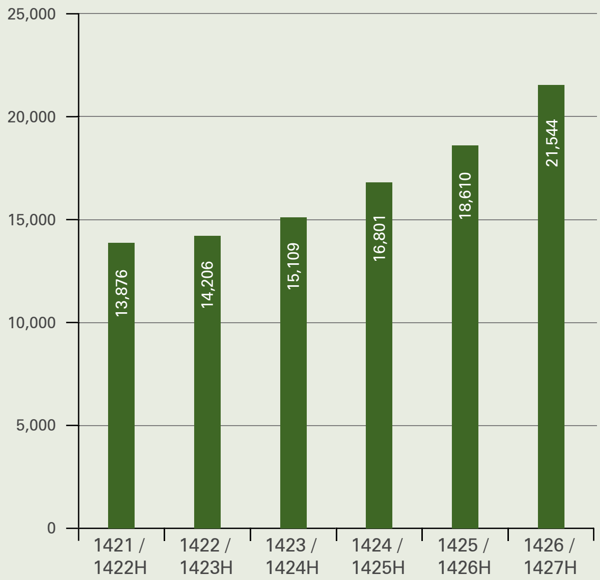
During the fiscal year 2006G, SIDF approved 27 loans to this sector representing 31% of the total number of loans approved during the year. Total commitment to this sector amounted to approximately SR 2,934 million (47% of all loan approvals during the year). These loans supported the establishment of 18 new industrial projects and the expansion of 9 existing projects. This sector ranks first in terms of both number and value of loans approved during the year. Because of the immense funding required for investment in chemical projects, it is not surprising that only six loans approved to this sector, account for 46% of the total value of loans approved during the year. SIDF expects to continue extending new loans to this sector, particularly to industries engaged in petrochemical products, mainly, on account of the competitive advantage enjoyed by the Kingdom in these industries.

Among the loans approved to this sector, two loans, each amounting to SR 600 million, were approved one of them for the production of ethylene and propylene, the other for the production of high and low density polyethylene. In addition, two loans each amounting to SR 400 million were approved for the construction of two plants, also in Jubail: one for the production of Vinyl Acetate Monomix, and the other for the production of Acetic Acid and Anhydrous Acetates. Expansion loans included the approval of SR 360 million loan for the expansion of a Yanbu-based plant producing titanium dioxide, caustic soda and hydrochloric acid.

Projects which Commenced Production

This sector rank first in terms of projects which commenced production during the year with a total of 14 projects in Riyadh, Kharj, Jeddah, Dammam and Jubail. These projects manufacture a wide-range of products including linear alkyl benzene, butanediol and tetrahydroflourine, regular paraffin, medical and diagnostic products, veterinary drugs, lube oils, PVC thermostats, plastic oxidation inhibitor additives, polystyrene products, polyethylene, plastic cards, synthetic wood as well as plastic meshes, tapes and crates. These projects comprise of 7 new industrial projects and 7 expansions of existing plants.

Figure (5)
Cumulative value of Approved SIDF Industrial Loans
For the Chemical Industries Sector
(SR Millions)



Engineering Industries

Size of Loans

This sector occupied second place in terms of the value of approved loans. By the end of 2006G. Cumulative commitments extended to this sector totaled SR 11,982 million representing 21% of total loans approved by SIDF since inception up to the year of this report.

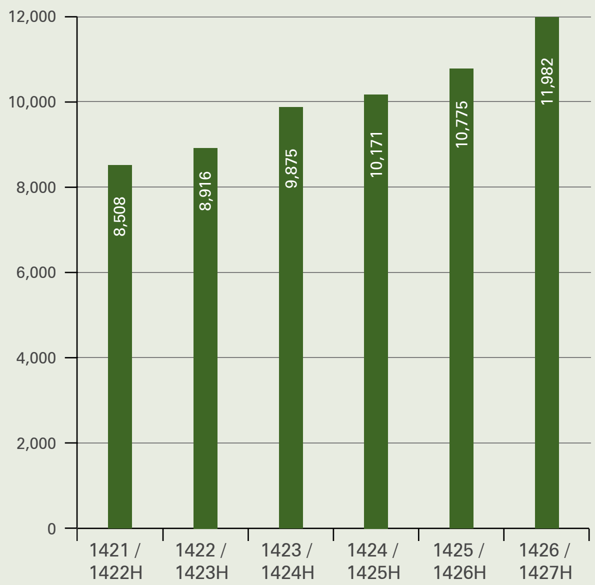
Projects Approved

During 2006G, SIDF approved 22 loans to this sector amounting to SR 1,206 million, or approximately 19% of the total lending value. This allocation places the Engineering Industries Sector in second position in terms of the value of loans approved. These loans financed the establishment of 16 new industrial projects and the expansion of 6 existing ones.

Among the loans committed to this sector during the year, a loan amounting to SR 539 million, the highest value of a single loan to this sector was approved for establishing a seamless steel pipe factory in Jubail. Another SR 193 million was approved to assist in the construction of a plant in Jeddah for the production of beverage cans. A third loan amounting to SR 40 million was approved for the establishment of a Riyadh-based factory for the production of armored vehicles and luxurious bus bodies.

Expansion loans include SR 33 million for the expansion of a Dammam-based plant producing steel structures and pressure vessels and another SR 19 million for the expansion of a Riyadh-based factory producing electric and telephone towers and poles.

Figure (6)
Cumulative value of Approved SIDF Industrial Loans
For the Engineering Industries Sector
(SR Millions)



Projects Which Commenced Production

This sector ranked third in terms of the number of projects which commenced production during the year 2006G, with a total of 10 projects in Riyadh, Jeddah, Bahrah, Dammam, Jubail and Huraimla. These projects are involved in the production of steel pipes, iron-billets, reinforcement steel, crushers, hydraulic rock pounders & spare parts, iron rolls galvanized by immersion, ductile alloys, refrigerators and freezers shelves, electric meters, transformers and circuit breakers, corrosion proof metal cathode, call boxes, water and electric meter boxes and ambulance. These projects include 5 new projects and 5 expansion projects of existing plants.

Consumer Industries

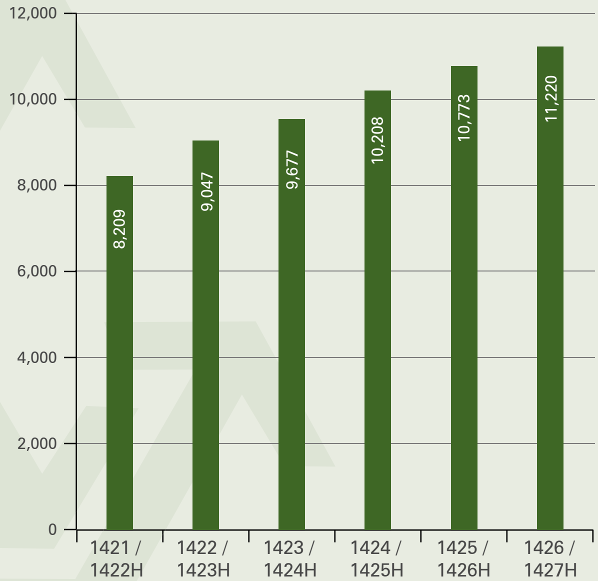
Size of Loans

This sector occupies third place in terms of the cumulative value of approved loans. By the end of 2006G, cumulative commitments extended to this sector totaled SR 11,220 million representing 19% of total loans approved by SIDF since inception up to the fiscal year referred to.

Projects Approved

During the fiscal year 2006G, SIDF approved 23 loans to this sector totaling SR 447 million representing 7% of all loans approved during the year. This allocation ranks the sector fifth in terms of value of approved loans. However, in terms of the number of approvals, the sector comes second. Loans extended to this sector assisted in the financing of 16 new industrial projects and expanding seven existing ones.

Figure (7)
Cumulative value of Approved SIDF Industrial Loans
For the Consumer Industries Sector
(SR Millions)



Among the new loans extended to this sector, a SR 78 million loan was extended for the establishment of a plant in Jeddah for the production of carbonated drinks and fruit juices. Another loan of SR 41 million was committed to the establishment of a factory in Riyadh for the production of wood fibre boards. Additionally, a loan amounting to SR 31 million was approved towards the construction of a plant in Tabouk for the production of frozen potato fingers and potato powder. Expansion loans included a SR 26 million loan for the expansion of a Jeddah-based plant producing white sugar. Another SR 24 million loan was extended for the expansion of a factory in Dammam producing biscuits and chocolates. Furthermore, a SR 17 million loan was approved towards the expansion of a Dammam-based plant producing carpets.

Projects Which Commenced Production

This sector comes second in terms of the number of projects, which commenced production during the year 2006G, with a total of 13 projects in Riyadh, Jeddah, Khumra, Dammam, Al-Ahsa, Yanbu and Tabouk. These projects manufacture a variety of products including carbonated drinks and juices, frozen potato fingers, processed meat, dates and vegetables, biscuits, ketchup, salinated sea water, non-woven fabrics, polypropylene filaments, prayer carpets, tissue-paper, diapers, cardboard rolls and duplex carton boxes. Most of the projects in this sector which commenced production during the year are expansions of existing plants.

Cement Industry

Size of Loans

By the end of 2006G, cumulative commitments to this sector totaled SR 6,994 million or 12% of total commitments made since inception, placing this sector fourth in terms of size of loans.

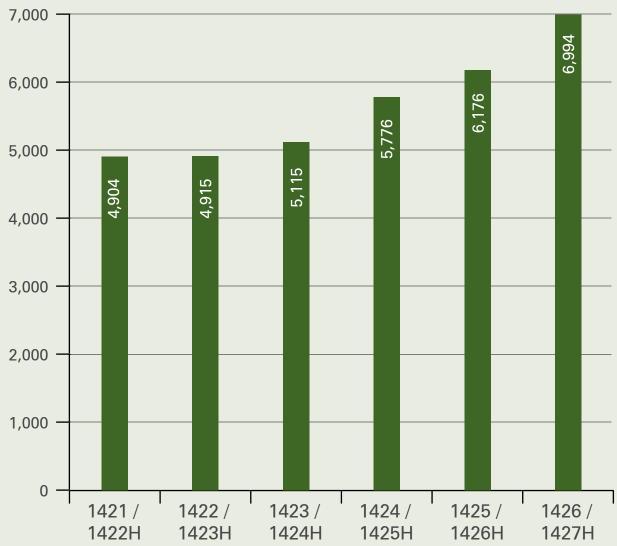
Projects Approved

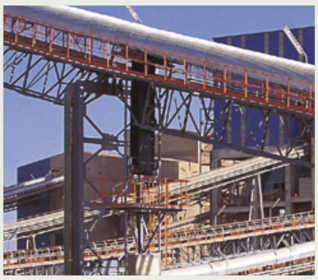
During the fiscal year 2006G, SIDF approved two loans to this sector amounting to SR 818 million or 13% of the value of approved loans, placing the sector fourth in terms of value of approved loans during the year. Both loans were made to assist in the construction of two cement factories in Marat and Rabegh. SIDF is expected to continue financing new projects in this sector, in the coming years, due to increased construction activity and the marked improvement of the Kingdom's economy. Because of the competitive edge enjoyed by the Kingdom in this field, financing will focus on benefits accrued from export opportunities to neighboring countries.

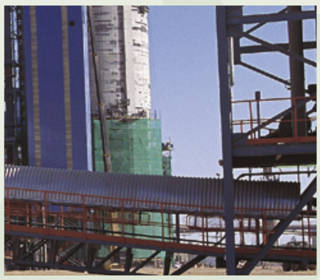
Projects Which Commenced Production

Only one project in this sector commenced commercial production during the year of the report, it is an expansion of a Riyadh-based cement factory.

Figure (8)
Cumulative value of Approved SIDF Industrial Loans
For the Cement Industries Sector
(SR Millions)





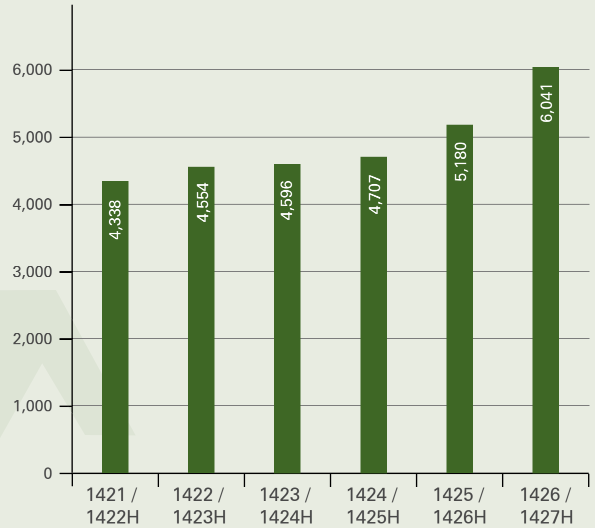



Other Building Materials

Size of Loans

By the end of 2006G, SIDF committed to this sector a total value of SR 6,041 million which represents 10% of the cumulative loans approved to industrial projects since inception. This sector ranks fifth in terms of cumulative volume of loans approved.

Figure (9)
Cumulative value of Approved SIDF Industrial Loans
For the Other Building Materials Sector
(SR Millions)

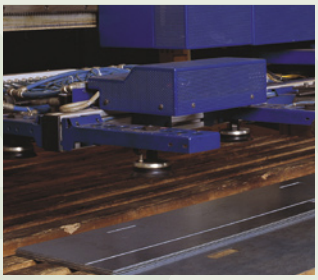


Projects Approved

During the year 2006G, SIDF approved 11 loans to this sector totaling SR 861 million or 14% of all loan approvals, placing the sector third in terms of the value of loans approved during the year. These loans were extended in support of five new projects and the expansion of six existing ones. Among the projects approved in this sector during the year, a loan of SR 229 million was extended towards construction of a factory in Yanbu for the production of glass panels. Another loan amounting to SR 113 million was extended for the building of a plant in Jeddah for the production of red bricks. Expansion loans included three loans totaling SR 126 million for the expansion of a Riyadh-based plant producing ceramic tiles and ceramic sanitary ware.

Projects Which Commenced Production

This sector ranks fourth in terms of the number of projects which commenced production during the year 2006G, with a total of 7 projects in Riyadh, Jeddah, Dammam, Ain-dar and Khumra area. These projects manufacture a wide range of products including ceramic tiles, porcelain, suspended ceiling tiles, red bricks, tiles grout and burnt dolomite stone. Most of these projects are expansions of existing plants.



III. Distribution of Loans by Region

A review of the geographical distribution around the Kingdom of the total number and value of approved loans denotes the following:

Riyadh Region

Size of Loans

By the end of 2006G, the number of loans committed to the Riyadh region totalled to 1051 loans or 37% of the total loans approved by SIDF since inception establishing 745 industrial projects. The Riyadh region occupied first position in terms of the number of approved loans. However, the Riyadh region came second in terms of the value of approved loans. By the end of the said fiscal year, cumulative commitments extended to the Riyadh region totaled SR 13,745 million representing approximately 24% of the value of all loans approved by SIDF since inception.

Loans Approved

During the fiscal year 2006G, SIDF approved 27 loans to industrial projects in the Riyadh region representing 31% of the number of loans approved. These loans were extended for the financing of 17 new industrial projects and the expansion of 10 existing ones. The Riyadh region ranked second in terms of the number of approvals. However, it ranked third in terms of the value of approved loans, which totaled SR 926 million, or 15% of the total value of approved loans.

Makkah Region

Size of Loans

By the end of 2006G, the number of loans approved to Makkah region, establishing 508 industrial projects, amounted to 752 loans representing a total cumulative commitment of SR 11,641 million representing about 27% of the total number of approvals and 20% of total value of approved loans since SIDF's inception. This places Makkah region in second position in terms of the number of approved loans and in third position in terms of the value of approved loans since inception up to the end of the fiscal year 2006G.

Loans Approved

During the fiscal year 2006G, SIDF approved 17 loans to industrial projects in the Makkah region, to the amount of SR 999 million, representing about 20% of the number of approved loans and 16% of the value of loans approved. Thus, Makkah region ranked third in terms of the number of approvals but came second in terms of value of loans approved during the year 2006G.

Eastern Region

Size of Loans

The total number of loans approved towards establishing 529 industrial projects in the Eastern region amounted to 752 loans representing a total cumulative commitment of SR 23,588 million and about 27% of total number of approvals as well as 40% of the value of loans approved by SIDF since inception up to the end of the fiscal year 2006G. This places the Eastern Region first in terms of the value of loans and second (repeated) in terms of the number of approved loans.

Loans Approved

During the fiscal year 2006G, SIDF approved 32 loans to industrial projects in the Eastern Region totaling SR 3,421 million. This allocation places the Eastern Region in the first position in terms of, both the number and value of approved loans with 37% of the approvals and 54% of the value of the loans approved in the said year. The high percentage of the value of loans approved to the Eastern Region is attributed to the fact that most of the petrochemical projects in Jubail, in the Eastern Region require huge investments.

Madinah Region

Size of Loans

By the end of 2006G, the number of loans approved to the Madinah Region for the establishment of 65 industrial projects amounted to 89 loans, making a cumulative commitment of SR 5,797 million representing 3% of the total number of approvals and 10% of the value of loans approved by SIDF since inception; thus placing the Madinah Region fourth in terms of both the number and value of approvals.

Loans Approved

During the fiscal year 2006G, SIDF approved 6 loans to industrial projects with a total value of SR 847 million representing 7% of the number of approved loans and 13% of the value of loans approved. This places the Madinah Region fourth in terms of both the number and value of loans approved during the year of the report. This high percentage of the value of loans, in contrast to their number, is due to substantial investment in the industrial projects in Yanbu in the Madinah Region.

Qassim Region

Size of Loans

By the end of the year 2006G, the number of loans approved to the Qassim Region, for the establishment of 49 industrial projects, amounted to 60 loans making a cumulative commitment of SR 1,252 million representing 2% of the total number of and value of loans approved by SIDF since inception. This places the Qassim Region fifth in terms of both the number and value of approved loans.

Loans Approved

During the fiscal year 2006G, SIDF approved one loan to the amount of SR 4 million for the expansion of a plant in the Qassim Region.

Other Regions of the Kingdom

Size of Loans

By the end of 2006G, SIDF had approved 113 loans to industrial projects in other regions of the Kingdom making a cumulative sum of SR 2,239 million or 4% of the total number and value of loans approved by SIDF since inception. Jizan and Aseer regions are top of the list in terms of both the number and the value of approved loans, while Al-Baha occupies the bottom place.

Loans Approved

During the fiscal year 2006G, SIDF approved 3 loans to industrial projects in Aseer and Tabouk regions, totaling SR 91 million representing 3% of the number of approvals and 1% of the value of loans approved.

Reviewing the cumulative value of loans approved by SIDF to the different regions of the Kingdom, it is clear that by the end of the last three years, the value of loans approved to the Eastern region increased from 38.9% (end of 2004G) to 40.5% (end of 2006G). However, the value of loans approved to Riyadh and Makkah regions dropped respectively, from 24.9% and 20.4% (end of 2004G) to 23.6% and 20% respectively by the end of 2006G. On the other hand, the value of loans approved to industrial projects in Madinah region has increased from 8.8% (end of 2004G) to 10% by the end of 2006G. This increase is due to the fact that most of the industrial projects in Jubail and Yanbu industrial cities are capital-intensive projects requiring substantial financing.

IV. Small & Medium Enterprises Loan Guarantee Program

Since the start up of the Small & Medium Enterprises Loan Guarantee Program at the beginning of the fiscal year 2006G and up to the end of the year, the program management has approved and issued 51 guarantees to the amount of SR 22 million to guarantor SR 49 million financing extended by banks to 36 small and medium enterprises.

The number of guarantees issued to small and medium enterprises in the industrial sector amounted to 27 guarantees totaling SR 11 million, i.e., 53% of the total approved guarantees and 50% of their total value. The services sector received 11 guarantees to the amount of SR 4.3 million representing 22% of the total number of guarantees and 19% of total value of guarantees. The contracting sector received 6 guarantees with a value of SR 4.1 million while the medical sector received 4 guarantees in the amount of SR 1.6 million.

Of the guarantees approved during the year, 39 guarantees totaling SR 17.1 million representing 76% of the total number of guarantees and 77% of the value of guarantees were issued to small and medium enterprises in Riyadh region. Makkah region came second with 7 guarantees totaling SR 3 million. The Eastern Region came third with 4 guarrantees totalling SR 1.9 million.

On the other hand, 4 of the guarantees approved in the year 2006G or 8% of the total number of guarantees were issued to projects sponsored by women.

Table (1) Number and Value of SIDF Loan Guantees Issued During 1426/1427 by Financing Bank

Financing Bank	No. of Guarantees	Value of Guarantees (SR)	Financing Value (SR)
National Commercial Bank	15	5,413,750	11,650,000
Riyadh Bank	9	4,902,500	9,940,000
SABB	8	2,952,500	6,430,000
Rajhi	7	3,211,250	7,750,000
Arab National Bank	7	3,362,500	8,250,000
Saudi French Bank	3	1,800,000	4,000,000
Jazirah Bank	2	462,500	1,000,000
Total	51	22,105,000	49,020,000

V. Joint-Venture Financing

SIDF continues to encourage the establishment of joint-venture projects in collaboration with internationally renowned companies in the belief that there is considerable potential for such projects in the Kingdom. Foreign investments are considered an effective means for attracting and transfer of modern technology as well as the creation of new job opportunities for Saudis. Furthermore, foreign investments are instrumental in importing capital and providing access to international markets for national products. It is noteworthy that SIDF deals with wholly foreign-owned projects exactly as it deals with projects wholly or partially owned by Saudis.

The number of joint-venture projects approved by the Fund since its inception up to the end of the fiscal year 2006G reached 558 projects, or 28% of total projects approved. Loans committed to these projects amounted to SR 22,131 million or 38% of total SIDF loans. Foreign Partners' share in these projects accounted for 32% of their capital. It should be noted that 103 of these projects, with commitments amounting to SR 7,202 million, have become wholly owned by Saudi investors after purchase of the share of the foreign partner.

The Chemical Industries Sector, taking into account its immense investment requirements, has outpaced all other industrial sectors in terms of loan commitments to joint-venture projects with a share of 54% of SIDF cumulative loans by the end of 2006G. It is followed by the Engineering Industries Sector, with a share of 23% and then the Consumer Industries Sector with a share of 15%.

During 2006G, SIDF approved 17 loans for the establishment of 10 new joint-venture projects and the expansion of 7 existing ones. Commitments to these projects totaled SR 3,974 million or 63% of SIDF commitments for the year. The high percentage of loans approved to joint-venture projects is a clear indication of SIDF's keen interest in attracting foreign capital, particularly after the ceiling of a single loan was raised to SR 600 million.

Loans for the new joint-venture projects comprise of six loans to projects in the Chemical Industries Sector; two loans to the Consumer Industries Sector; and one loan each to the Engineering Industries Sector and the Building Materials Sector.

Joint-venture projects approved during the year provided 3,859 job opportunities representing about 23% of the total opportunities provided by all projects approved by SIDF during the year 2006G (totaling 16,430).

VI. Manpower and Training

Through its well-designed programs, the Fund's management was able to attract and employ qualified Saudis in various professions and specializations related to SIDF activities. The recruitment process is linked to career development and efficiency upgrading programs. These programs cover the disciplines of financial analysis, auditing, information technology, statistical and economic studies, marketing, accounting and finance, management, technical studies and consultations, information analysis, legal studies and others.

During the fiscal year 2006G, 339 training programs were implemented for Saudi employees, both domestically and abroad. These included specialized basic courses, short-term courses, symposiums, professional conferences and in-house training courses. A total of 258 Saudi employees received training courses commensurate with work requirements and timing of domestic and overseas training courses. Of this number, 22 employees joined specialized core courses, including intensive English language courses while 26 university-graduate employees received on-the-job professional and practical training.

The Fund benefits from its good relations with many similar local and international financial institutions in upgrading and developing the professional capabilities of its Saudi employees. This is achieved through active participation in specialized professional conferences, symposiums and scientific seminars in which these organizations have a role. Such participation ensures the exchange of professional know-how and scientific expertise, which, in turn, enhances the capabilities of Saudi employees and positively impacts on the Fund's overall performance.

Because of its advanced administrative and financial regulations, SIDF was able to implement current approved programs for the recruitment of Saudis. During the fiscal year, 50 Saudi employees were recruited, as per the approved budget for the year 2006G, to meet work requirements in the various departments and divisions of the Fund.

Mohammad Bin Salem Al-Dobaib
Acting Director General

Industrial Projects' Cycle and SIDF Organization Chart

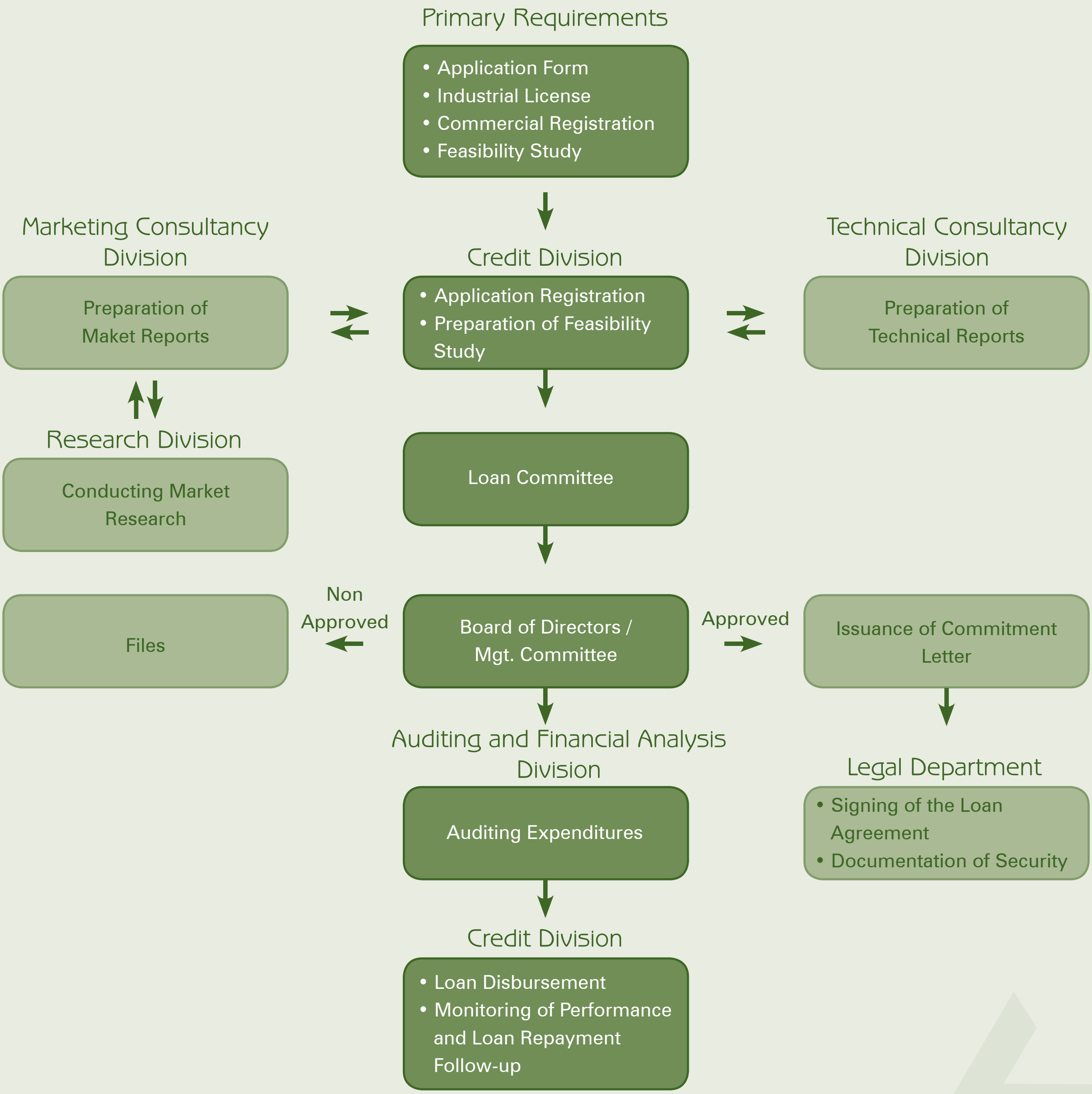
I. Industrial Projects' Cycle

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.

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

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

Loan Application's Processing Flow Chart



Note:

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.

II. SIDF Organization Chart

The organizational chart of the Fund comprises of specialized departments compatible with the nature of its responsibilities. Besides, there are professional support departments assisting the Fund in achieving its goals and objectives. In addition, there is the Small and Medium Enterprises Loan Guarantee Program, the management of which was assigned to the Fund. The rationale behind this assignment is the creation of a new instrument which, effectively, contributes to activating the economic sector of the Kingdom. The organization is as follows:

1. Credit Department

This department is responsible for the administration 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 in collaboration with the Projects' Studies and Consultancy Department.

2. Projects' Studies and Consultancy Department

This department is responsible for studying and evaluating the technical and the marketing aspects of the projects submitted to the Fund for financing. 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 & Career Development Division.

5. Legal Department

This department comprises four divisions, i.e. Contracts Division, Cases Division, Legal Studies Division, and Follow-up & 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 functions include budgeting and an actual performance analysis for each fiscal year.

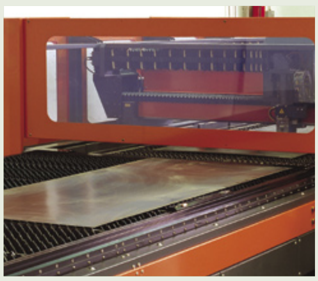
7. Information Technology Department

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

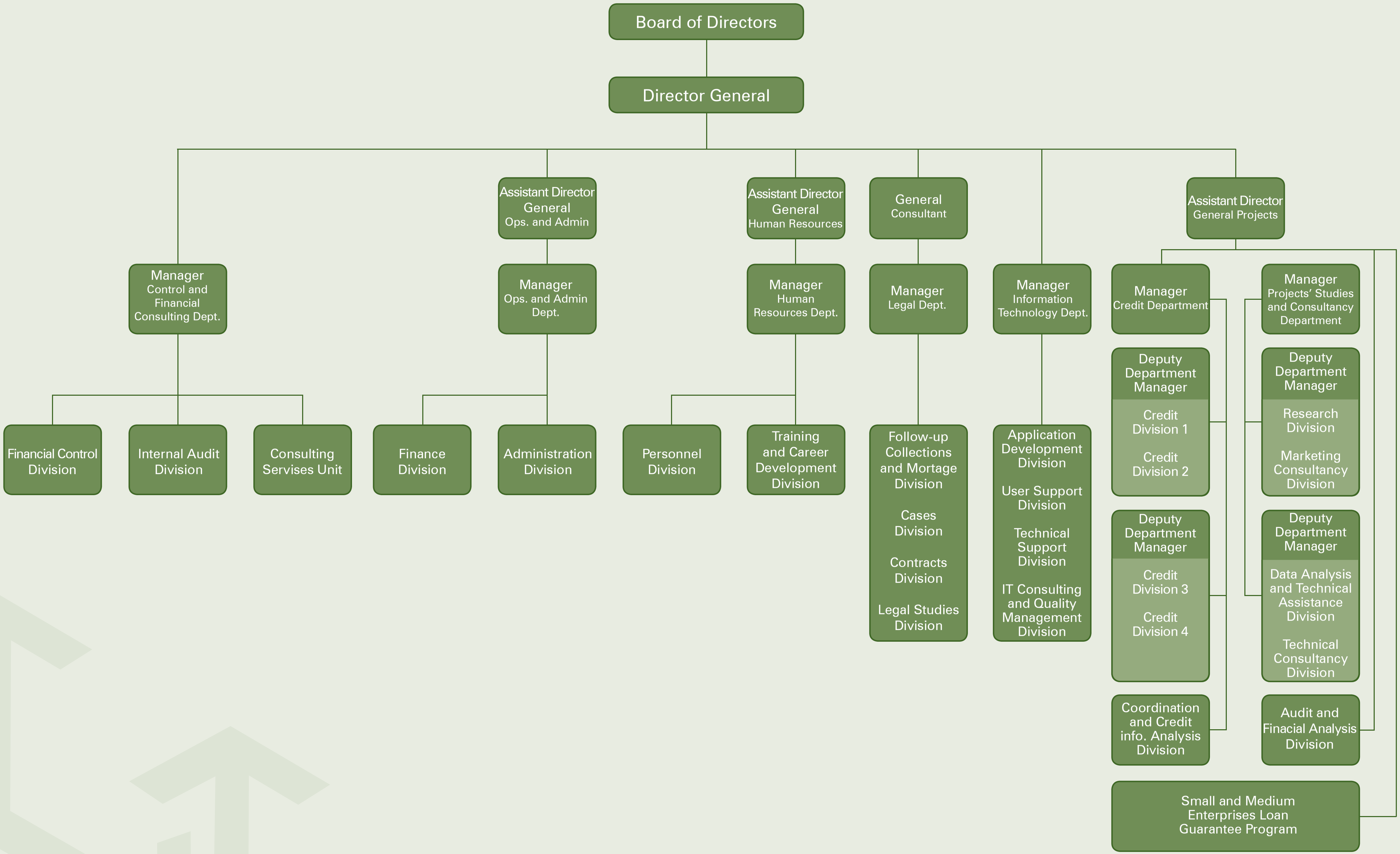
- **Small & Medium Enterprises Loan Guarantee Program**

The Ministry of Finance assigned the management of this program to the Fund with the objective of overcoming the financing difficulties encountered by small and medium enterprises. This is to be attained by mitigating the credit risk of commercial banks by the Fund's guarantees of up to 50% of the loans extended by these banks to small and medium enterprises.






SIDF Organization Chart



Foreign Direct Investment in the Kingdom (Facts & Challenges)

I. Introduction

As foreign direct investment becomes crucial, competition is intensifying worldwide among developed and developing countries to attract foreign investments. This trend is evident in the vigorous efforts towards changing national policies and laws related to foreign investment, increasing areas assigned for free investment and trade zones worldwide, expanding multilateral and bilateral investment agreements and the attention given to these issues at regional and global levels. Recent international experiences demonstrate that well-guided and well-employed foreign investments substantially contribute to the achievement of development targets, through provision of capital, raising investment levels, enhancing technical skills and capabilities, developing management methods, improving organizational capabilities in production and marketing, assisting in the penetration of international markets, improving international competitiveness of exports, improvements of balance of payments, and assisting in realization of other development objectives.

In this context, the Kingdom, relying on its enormous resources, seeks to sustain the current development boom through a development strategy in which foreign investment plays a significant role. In this regard, the Kingdom has commenced the development of a comprehensive work plan handling the pros and cons of the Kingdom's performance in the international competitiveness indexes. The work plan aims to propel the Kingdom into the top ten countries in the World in terms of competitiveness and attractiveness of investment by the year 2010G. In recent years, the Kingdom has witnessed major, rapid and consecutive economic and institutional developments and reforms, paving the way for the Kingdom's membership in the World Trade Organization (WTO) in December 2005G. In this context, the Kingdom established a number of governmental organizations and institutions for upgrading the government performance and improving investment environment. The major organizations which were established include: the Supreme Economic Council, Saudi General Investment Authority, Capital Market Authority, Competition Protection Board, etc. In addition to these organizations, a number of laws and regulations were promulgated with the objective of improving the investment environment in the Kingdom. Among these regulations is the new Foreign Investment Act issued in 2000G, which featured a number of incentives and facilities such as allowing foreign investors to wholly own their projects, and having the same incentives and facilities extended to national projects. The list of regulations issued in the same year, also include the Saudi Arbitration Law, the Regulation of Foreign Real Estate Ownership and Investment, and the new Mineral Investment Regulations. Moreover, the new Income Tax Act was also issued including a number of advantages in favor of foreign investors; of which is the reduction of the tax levied on foreign investors from 45% to 20%, the provision of transferring losses to upcoming years and the deduction of expenses on research and development (R&D) from taxable income. In the same context, the Saudi Industrial Development Fund (SIDF) has developed some of its Credit policies, such as allowing the extention of loans to foreign investors who have no Saudi partner (100% foreign investment).

II. The Development of Foreign Direct Investment in Saudi Arabia

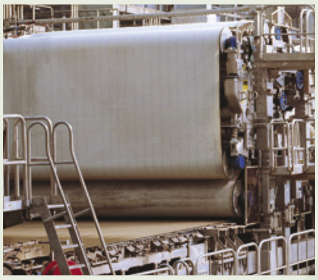
The World Investment Report, 2006G, issued by the United Nations Conference on Trade and Development (UNCTAD) indicated that global investment inflows witnessed continued growth throughout the years 2004G and 2005G, recording growth rates of 27% and 29% respectively. According to the report, the total global inflows of foreign direct investments in 2005G exceeded $ 916 billion. Moreover, the report pointed to the increased merger and acquisition (M&A) activities in these investments and justified the rush of multinational companies towards investment in natural resources as the main factor behind the growth of such flows. The implications here are of vital importance to the Kingdom being the largest producer and exporter of the essential natural resource: oil.

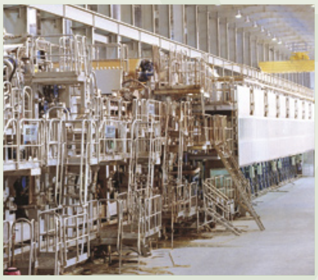
As for the performance of the Kingdom in the foreign direct investment inflows, the Kingdom has been transformed, within less than six years, from being a relatively obscure market on the international investment map to one of the most attractive markets in the region. As table (2) shows, the Kingdom's foreign direct investment inflows, during the last five years, have witnessed a progressive increase, where total FDI inflows amounted within this short period to more than $ 8.3 billion (SR 31.13 billion) representing approximately 32% of the total accumulated foreign investments since the seventies. Moreover, foreign investment activity in the Kingdom in the last five years has also experienced a high rise in terms of implemented projects, as the volume of the actual foreign investment inflows in 2005G has shown an increase of 818% over 2001G and 138.3% over 2004G, recording $ 4.63 billion (SR 17.4 billion). Also, the ratio of foreign investments to the total volume of investments in the Kingdom has increased from 1.5% in 2001G to about 10% in 2005G.

Table (2): The Development of Saudi Share of the Foreign Direct Investment Inflows (2001-2005G)

The Development	2001G	2002G	2003G	2004G	2005G
Foreign Direct Investment's Volume (in $ million)	504	453	778	1,942	4,628
Growth Rate (%)	175	-10	72	149.6	138.3
Ratio of Foreign Investment to the Total Volume of Investment in the Kingdom (%)	1.5	1.33	2.65	4.7	10

Source: The General Investment Authority and the UNCTAD.

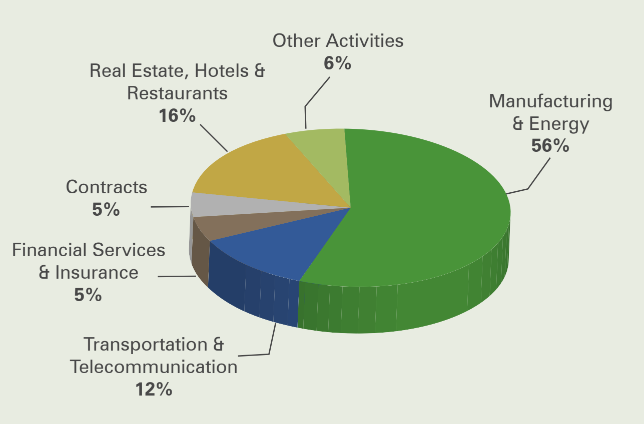




Among the important indicators of improvement in the performance of foreign investment inflows to the Kingdom, is the significant change in the structure of foreign investment, mainly during the last five years. According to the Investment Performance Report issued by the Saudi General Investment Authority (2005G), during the period 1960-2000G more than 91% of foreign investment inflows was concentrated in the Manufacturing Sector. However, in the last five years (2001-2005G.), the foreign investment umbrella expanded to cover other sectors of the economy, where the share of the Manufacturing Sector declined from about 91% to 56%; while the share of the real estate & renting sector amounted to (16%), transport & communication sector (12%), finance, insurance services sector (5%) and the contracting sector (5%), (figure (10). These marked changes in foreign investment in the Kingdom, are in harmony with the strategy of the General Investment Authority, which focuses on attracting foreign investments to the sectors that have more competitive advantages and rapid growth, offering a conclusive evidence for the success of the ongoing economic reform efforts. In addition, the Kingdom's membership in the (WTO), would increase the inflow of such investments, especially as multinational companies have growing confidence in the Saudi market.

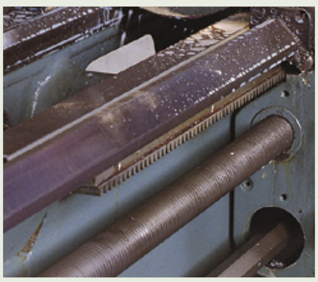
As for the main sources of these foreign investments, the number of countries having substantial accumulated investments in the Kingdom amounts to approximately 30, lead by the USA (SR 35.3 billion), then Japan (SR 17.1 billion), UAE (SR 11.7 billion), Holland (SR 4.9 billion), Kuwait (SR 3.2 billion) and the United Kingdom

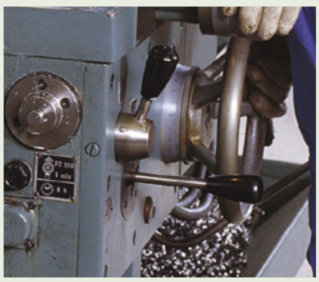
Figure (10)
Distribution of Foreign Direct Investment Inflow by Major Economic Activities & Sectors (2001-2005G)



Source: Annual Report of the Performance of Investment (2005G.) The General Investment Authority.

(SR 2.3 billion). This composition reflects the pattern of investment in the Kingdom, as concentration has still been mainly in high tech projects with large investments attracted from advanced industrial countries such as the USA and Japan. In spite of this, investments of some major countries, such as France, Germany and Britain, are, noticeably low, requiring additional efforts to attract investments from these countries in order to secure diverse and multi-source investments, which in turn serve the diversity of technology and means of production in the Kingdom. Such a policy will contribute to the variety and spread of local products.





III. The Kingdom's Performance in Foreign Investment Indices

Reports issued by international organizations and institutions concerned with indicators of the investment environment, performance and potential of attracting investments, indicate large improvements in the investment environment in the Kingdom in many ways. The World Investment Report includes two principal indices, the performance index and the investment potential index. According to this report, the Kingdom achieved significant success as per the actual performance index, which evaluates the actual performance for 141 countries in attracting investment. The Kingdom has improved its position from the 132th rank in 2000G to 123th rank in 2004G, then to the 110th rank in 2005G. [table 3]. As for the investment potential index, it evaluates the country's capabilities in attracting future investments by estimating the reform efforts of each country, table (3) shows that the Kingdom declined to the 35th rank in 2005G from its 28th rank in the year 2000G. However this reduction doesn't mean a decline in the Kingdom's reform efforts or a deterioration in the investment environment as the Kingdom was able to attract about $5 billion foreign investment in 2005G. Our explanation of this decline is that countries worldwide are engaged in tough competition to improve their investment environment, with the result that any country enjoying strong rapid development in this regard occupies a higher position. This means that in the Saudi investment environment there is still much room for improvement.

Furthermore, there are two other indicators that are used in evaluating a country's investment environment, which are: the "Economic Freedom Index" and the "Doing Business Index". According to the Doing Business Index issued by the (IFC) of the World Bank, the investment environment in the Kingdom achieved remarkable progress. The Kingdom's rank has improved very much to attaining 38th worldwide and the first in the Arab World, out of 175 countries covered by the indicator in 2006G. This compares to the Kingdom's 67th rank in 2004G (out of 135 countries). As for the Economic Freedom Index, issued by the Heritage Foundation, which is based on ten sub-indices, the Kingdom ascended ten ranks in one year, where it progressed from the 74th rank in 2004G to the 72nd rank in 2005G and to 62nd rank in 2006G, joining the group of countries mostly with free economies. In addition to these global indicators, studies conducted by SIDF on the investment environment in the Kingdom, indicated that there are many positive aspects that are considered encouraging to national and foreign investment. However, these studies also pointed to some obstacles and challenges that require additional effort to surmount.

Table (3) The Kingdom's Ranking in the World Investment Report Indexes For the Period 2000-2005G

Indicator	2000G	2004G	2005G
Performance in Attracting Investment	132	123	110
Potential in Attracting Investment	28	31	35

Source: World Investment Report 2006G, UNCTAD.

IV. The Main Challenges Facing the Investment Environment in the Kingdom

The indicators related to the Kingdom's share of foreign investment inflows and its ranking in the international indices, show that the Kingdom has witnessed substantial improvement in the investment environment. However, in spite of such improvement, the size of foreign investment inflow to the Kingdom is still below the capabilities and potential levels, which can be attributed to some lingering challenges that need to be addressed. We review below the major challenges with some suggestions for overcoming them:

1. Judicial Arbitration of Commercial Disputes

The recurring problem of judicial arbitration of commercial disputes is considered one of the main challenges. The slow litigation procedures and the attendant high costs constitute a serious problem which requires serious redness if the commercial sector is to attain the level of achievement implemented in other sectors. Many foreign companies in the Kingdom therefore, prefer to include a foreign arbitration clause in their agreements. This slow pace in the litigation process leads to the postponment of many investment and expansion decisions; and may also even lead to rejection of the idea of investment entirely. Therefore, it is essential to activate arbitration agreements and international arbitration institutions and to speed up the establishment of economic and investment courts. It is preferable to appoint special bodies for settling foreign investment disputes, a practice currently adopted in many countries. It is also recommended that commercial arbitration offices in investment zones such as industrial and economic cities, be established.

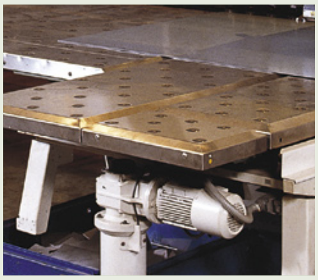
2. Labor Regulations

The Saudization plan, which is an important national policy, is causing widespread concern among investors. This plan could be activated and developed more effectively by the provision of various incentives such as subsidies and tax cuts to companies employing and training large numbers of Saudis. Another important recommedation is to lower the Saudization rate for sectors facing scarcity of skilled national labor. In addition, ongoing efforts to develop education and training curricula should be continued to make them more responsive to the requirements of the economy by relating more closely to areas and skills of interest to the labor market. Also, the private sector should actively participate in this process.

3. Expatriates Recruitment Regulations

Restrictions on expatriates' recruitment and the obtaining of entry visas for investors and their representatives constitute an additional obstacle that might delay implementation of projects. In spite of the recently-taken measures to solve this problem, complaints are still widespread. Hence, this problem needs immediate resolution. Among those solutions suggested is opening direct channels between passport offices at airports and other entry points and chambers of commerce and industry, or the General Investment Authority, to coordinate recruitment of expatriates






and allow partners of local companies or potential investors into the country, without undue delay.

4. Financing Sources

Among the shortcomings of the Saudi economy are: insufficiency of financing sources; limited number of banks; excessive restrictions on financing and scarcity of available information and data. To overcome these challenges, licenses to global funding institutions should be increased in order to contribute to the diversification of the financing sources and to develop the funding means. Furthermore, the regulations of the Saudi capital market should be activated; the number of companies enlisted in the market need to be increased; procedures for enlisting and offering should be facilitated and the other components of the market, including the bonds market, need to be completed.

5. Accuracy of Data

There is a considerable variation between the figures in government economic data and the estimates of international institutions such as the World Bank and the IMF, etc, posing a problem in obtaining reliable data on development indicators. This has serious implications as investment decisions are always based on studies and analysis of such data. On the other hand, accurate data is closely related to improvement in the investment environment. Moreover, a comprehensive survey of the available investment opportunities in all sectors and regions needs to be conducted and its findings circulated to all investors.

6. Promotion and Publicity

In spite of the promotional efforts of the General Investment Authority (SAGIA), the Saudi economy is still regarded as being dependent on government protection that is too restrictive. In addition, many foreign investors lack accurate information on local regulations and their implications as well as the Kingdom's economic and institutional reforms. Therefore, an intensive campaign should be launched to publicize these regulations through introductory programs directed at investors and investment bodies around the world. Also, the campaign should aim to promote investment opportunities in the Kingdom and emphasize its comparative advantages.

Finally, all praise is due to the positive role and distinguished efforts exerted by the General Investment Authority which has largely contributed to the improvement of the investment environment in the Kingdom. The Saudi economy is expected to be more attractive in the near future in keeping with the ratification and enforcement of relevant legislation and continuing the economic reform process.

Lending Activity Charts

Table – 1
Table Showing Number of Newly - Approved SIDF Industrial Projects by Minor Sector

Sector	During 1426/1427H	Cumulative Total
Consumer Products	16	566
Food	7	257
Beverages	3	44
Textiles	2	62
Leather & Substitutes	-	24
Carpentry Products	1	14
Wooden Furniture	1	50
Paper Products	2	79
Printing	-	36
Chemical Products	18	491
Chemicals	10	228
Oil & Gas Products	-	24
Rubber Products	-	14
Plastic Products	8	225
Building Materials	5	304
Ceramic Products	-	9
Glass Products	3	52
Other Building Materials	2	243
Cement	2	24
Engineered Products	16	577
Metal Products	13	340
Machinery	1	83
Electrical Equipment	1	101
Transport Equipment	1	53
Other Manufacturing	-	37
Total	57	1999

Table - 2
Table Showing Value of Approved SIDF Industrial Loans by Minor Sector (SR Millions)

Sector	During 1426/1427H	Cumulative Total
Consumer Products	447	11,220
Food	139	5,091
Beverages	134	1,104
Textiles	76	2,038
Leather & Substitutes	-	133
Carpentry Products	40	205
Wooden Furniture	3	341
Paper Products	55	2,093
Printing	-	215
Chemical Products	2,934	21,544
Chemicals	2,777	16,943
Oil & Gas Products	-	1,214
Rubber Products	-	217
Plastic Products	157	3,170
Building Materials	861	6,041
Ceramic Products	126	741
Glass Products	498	1,902
Other Building Materials	237	3,398
Cement	818	6,994
Engineered Products	1,206	11,982
Metal Products	1,114	8,725
Machinery	9	798
Electrical Equipment	43	1,538
Transport Equipment	40	921
Other Manufacturing	22	481
Total	6,288	58,262

Table - 3
Table Showing Number of Newly-Approved SIDF Industrial Projects by Province

Province	During 1426/1427	Cumulative Total
Riyadh	17	745
Makkah	12	508
Madinah	4	65
Qassim	-	49
Eastern Province	21	529
Asir	2	30
Tabouk	1	8
Hail	-	16
Jizan	-	17
Najran	-	10
Al-Baha	-	9
Al-Jouf & Northern Frontier	-	13
Total`	57	1999

Table - 4

Table Showing Value of Approved SIDF Industrial Loans by Province (SR Millions)

Province	During 1426/1427	Cumulative Total
Riyadh	926	13,745
Makkah	999	11,641
Madinah	847	5,797
Qassim	4	1,252
Eastern Province	3,421	23,588
Asir	61	597
Tabouk	30	490
Hail	-	46
Jizan	-	720
Najran	-	171
Al-Baha	-	28
Al-Jouf & Northern Frontier	-	187
Total	6,288	58,262

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