

Annual Report

Fiscal year 1440 - 1441 H

2019



Enable to Manufacture

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the Name of Allah, Most Gracious, Most Merciful



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The Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al Saud
(May Allah protect him)



His Royal Highness
Prince Mohammed bin Salman bin Abdulaziz Al Saud
(May Allah protect him)
Crown Prince, Deputy Prime Minister, Minister of Defense

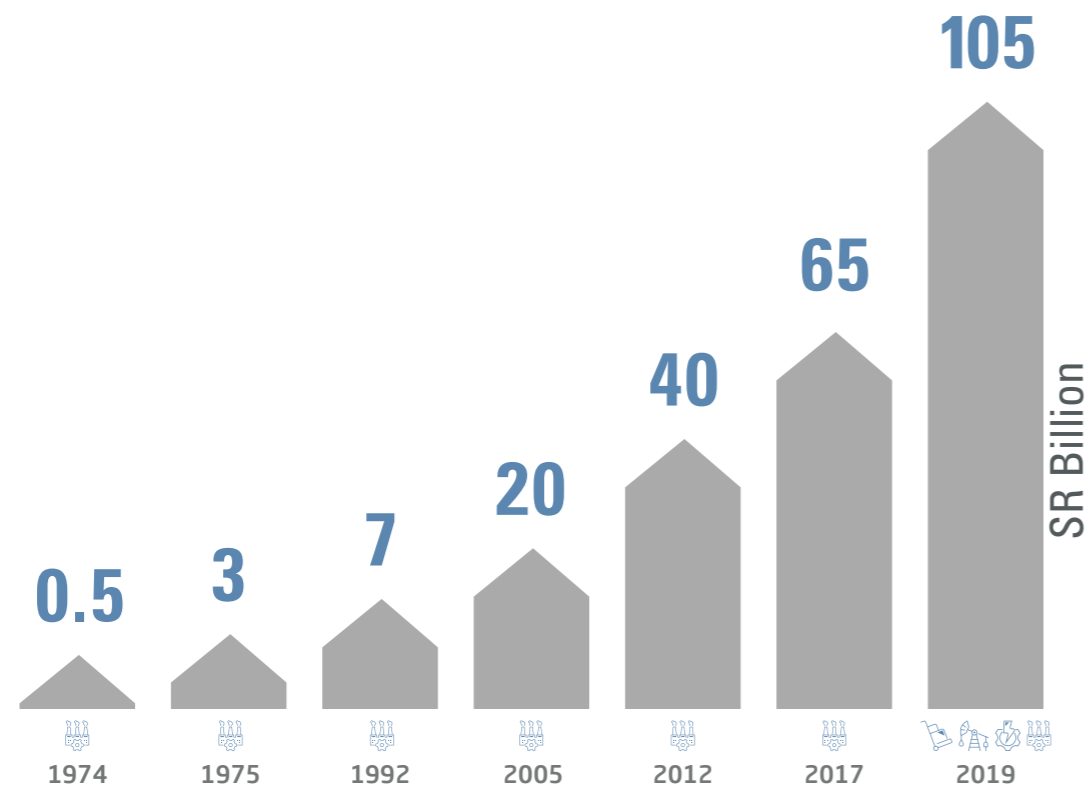
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About SIDF

Saudi Industrial Development Fund (SIDF) was established in 1394H (1974) with an initial capital of five hundred million riyals, to provide financial enablement to the industrial sector in KSA. Its capital was gradually raised to be SR 105 billion in 1441H (2019). For 45 years, SIDF has provided support to the industrial sector as per the needs of each stage.

SIDF Capital Growth



Vision

Provide financial enablement to achieve industrial renaissance in KSA.

Mission

To develop and diversify the Saudi economy by supporting industrial landscape, and stimulating priority sectors and competitive projects.

Role

SIDF is the financial partner who is interested in developing the sectors of industry, energy, mining and logistics, providing job opportunities, and moving the development wheel in KSA.

Values





Board of Directors



Chairman of the Board of Directors
H.E. Mr. Bandar bin Ibrahim Alkhorayef
 Minister of Industry and Mineral Resources

The Board Members



H. E. Dr.
Ghassan bin Abdulrahman Al-Shibl
 Chairman of Local Content & Government
 Procurement Authority



H. E. Engineer.
Saleh bin Nasser Al-Jasser
 Minister of Transport



Mr.
Stephen Grove
 Governor of the National
 Development Fund



Dr.
Abdulrahman bin Mo'ayyad Al-Qurtas
 Deputy Minister for the Balance of Payments -
 Ministry of Economy and Planning



Dr.
Abdullah bin Abdulrahman Alnamlah
 Adviser - Ministry of Finance



Foreword by H.E. Chairman of the Board of Directors

Since its inception in 1394H, SIDF has contributed to support and develop the industrial sector through the provision of concessional loans. SIDF has become a reference in terms of industrial project study, and has been playing an important role in developing human capabilities, which we are proud of today, be it within or outside SIDF. Today, SIDF renews its mission with the launch of Saudi vision 2030, and reformulates its role in a way that serves this vision, to become the main financial enabler for the most important programs of Vision 2030, which is the National Industrial Development and Logistics Program "NIDL".

This phase is vital in keeping pace with what we aspire to in the industrial sector in terms of expanding the industrial base to become one of the most important sectors in diversifying the Saudi economy as a whole. SIDF will have a major role in pursuing the sector's development through lending capitals to projects, and through the new products provided such as "Working Capital Financing," "Acquisition Financing," etc. SIDF will also benefit from its previous experience in human resource development by launching the SIDF Academy, which role is aspired to be crucial in capacity building to serve SIDF's objectives and the industrial sector in general.

The new Bylaws of SIDF will enable studying the new needs, design solutions and products, and interact with the targeted sectors to enhance its role. It will also allow SIDF to build partnerships with the public and private sectors to reach these goals and achieve the requirement of sustainable development.

Finally, I would like to express my sincere appreciation and gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz and his faithful Crown Prince - may Allah protect them- for their support to transform KSA into an advanced and prosperous industrial country, and for their unwavering support to SIDF and its programs. I would also like to extend my thanks and appreciation to members of the Board of Directors, CEO, CEO's deputies, and all SIDF employees, for their considerable efforts in achieving the results and goals of our dear country.

Bandar bin Ibrahim Alkhorayef

*Minister of Industry and Mineral Resources
Chairman of the Board of Directors
Saudi Industrial Development Fund*



CEO's Message

Saudi Vision 2030 is the most important move in the history of the national economy. It is a vision that aims to restructure and diversify the sources and incentives of the national economy, depending on the competitiveness of the Saudi economy, and its position within the G20.

SIDF plays a vital role, as the main financial enabler for the industry, energy, mining and logistics sector in the National Industrial Development and Logistics Program "NIDLP"; in light of the goals of Saudi Vision 2030. In fact, NIDLP is considered as one of the key programs of Saudi Vision 2030.

SIDF is pursuing its pioneering role in improving the level of contribution and efficiency of the industrial sector, in addition to the sectors of logistic, energy and mining. During 2019, SIDF approved loans amounted to SR 12.5 billion to finance new and expansionary projects, which are expected to generate annual sales of SR 30.4 billion, including exports of about SR 5.6 billion. It is expected that these projects will create about 8775 jobs, plus raise the demand for raw materials by about SR 1.7 billion, of which 67% come from local sources. These projects will result directly in a total added value of about SR 22.2 billion, and it is expected to reflect on GDP of about SR 29.5 billion.

In 2019, SIDF continued its distinct lending activity compared to preceding year, as it achieved a record number since SIDF inception in the total loans approved and repaid during one year; the approved loans amounted to SR 12.5 billion, with an increase of 33% compared to the preceding year, to finance 114 projects with total investments amounted to SR 83.9 billion, and repaid about SR 5.1 billion of the total value, and what was disbursed during the reporting year amounted to SR 9.2 billion. Small and medium-sized enterprises received 96 loans, with 77% of the total number of approved loans, amounted to SR 1.5 billion. While promising regions and cities received 46 loans, with a total of SR 4.5 billion.

SIDF has also launched a number of specialized financing programs as incentive solutions for the private sector, including "Afaq" to stimulate small and medium-sized enterprises (SME) and entrepreneurs, "Tanafusya" to promote energy efficiency and develop a road map towards industry 4.0, "Tawteen" to motivate local and foreign investment to increase local content and support Saudi product, and "Mutajadede" to enable the manufacture of renewable energy components with the aim to meet local

demand, and provide consulting solutions to the logistics sector through supporting supply chains and logistical platforms inside and outside the industrial cities.

SIDF has also expanded its support and financing projects of mining sector. It has designed a number of specialized advisory and financial products that are compatible with the various requirements of investors within the sectors of industry, mining, energy, and logistics, including: "Working Capital Financing"; "Multipurpose Financing"; "Letter of Credit" and "Acquisition Financing" that are all included in a package of enablers to meet the needs of the private sector.

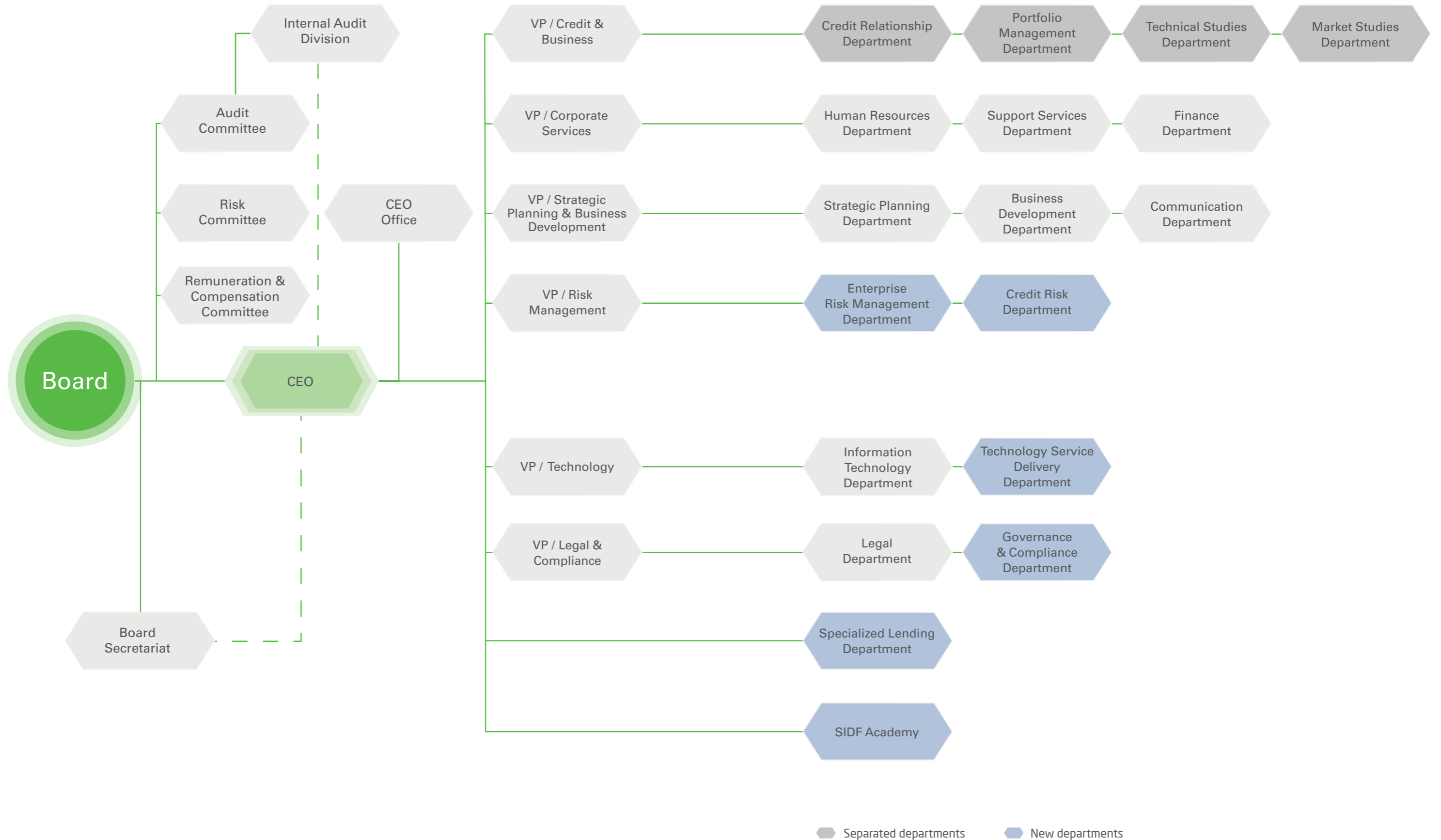
In order to facilitate customer experience, the internal work procedures were redesigned through the automation of all procedures, and the duration of processing loan applications was reduced by 60% while maintaining the quality of the provided studies and consultations. Moreover, SIDF Academy was established, which is an extension of long years experience in specialized training such as; "Nokhab Program" to provide high-quality training products in partnership with the best global training centers.

The achievements and development of SIDF's performance would not have been possible without the continuous support of our wise leadership. I would like to take this opportunity to express my great thanks and appreciation to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz and his faithful Crown Prince -may Allah protect them- for their continuous and endless support to achieve the goals of Vision 2030 to bring our dear country to the ranks of advanced industrial countries. I also thank the Chairman of the Board of Directors, members of SIDF Board of Directors, and my colleagues in SIDF for their appreciated efforts.

Dr. Saad bin Ibrahim Al-Moajil

*Chief Executive Officer
Saudi Industrial Development Fund*

Organizational Structure

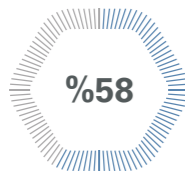




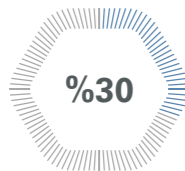
**Trends and Indicators of
KSA Domestic Economy**

The Economic Situation of KSA during 2019

The contribution of the non-oil sector to GDP is about 58%.



Increase of the non-oil commodity exports value by 30%, to reach about SR 221.8 billion.

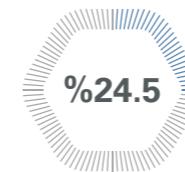


KSA is going through a period of transformation in all fields; despite the economic challenges that the world faces, Saudi economy is witnessing more structural reforms and continuous improvements that will increase the stability of the economic situation, and contribute to building a strong and diversified economy. In 2019, the GDP achieved a slight growth of 0.33% compared to the preceding year, according to GASTAT, and reached SR 2,639 billion at constant prices. This is due to the decline in oil prices during 2019, as the average prices of OPEC Basket decreased by about 8% compared to the preceding year. The non-oil sector achieved a growth of 3.31% at constant prices, bringing its contribution to the GDP to about 58%. This is due to improved growth in some economic activities such as financial services, insurance, business services, which achieved a growth of 8%, wholesale and retail trade, restaurants and hotels, which achieved a growth of 6.3%, non-oil, mining activities, which achieved a growth of 4.8%, and the construction activity, which achieved 4.6%.

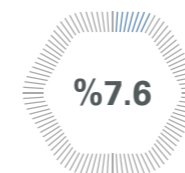
In 2019, there was a relatively stable level of inflation, as GASTAT data indicated a decline in the consumer price index during the same year by about 1%, according to the base year 2013. As for the current account of the balance of payments, and according to the preliminary estimates of Saudi Arabian Monetary Authority, it recorded a surplus of SR 187 billion until the end of 2019, compared to the surplus of SR 265 billion recorded for the same period of the preceding year with a decline of 29%. This is due to the trade balance, which achieved a surplus of up to SR 439 billion, with a decline of 28%, as the value of commodity exports in 2019 reached about SR 980 billion, as a result of the increase in oil exports by 18% amounted to SR 758 billion, and the increase in the value of non-oil commodity exports by 30%, to reach about SR 221.8 billion, while commodity imports increased, in 2019, by 6.7% compared to 2018, to reach about SR 541 billion.

On the financial and monetary levels, and in light of recent developments in the economy at both the domestic and global scales, the financial and monetary policies continued to take the necessary actions to ensure the availability of an adequate level of liquidity that responds to the needs of the national economy. The actual figures of KSA's budget for the year 2019 recorded good results, as revenues increased by 1.2% to reach SR 917 billion compared to the preceding year, while the volume of expenditures decreased by 2.9%

The fiscal consolidation of the state budget helped reduce the deficit by 24.5% over the preceding year.



The total credit by commercial banks for economic activities in the private sector during 2019 was about SR 1,552 billion, with an increase of 7.6% compared to preceding year

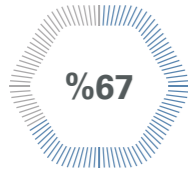


to reach SR 1,048 billion, compared to the preceding year. The financial control of KSA's budget helped reduce the deficit by 24.5% compared to the preceding year. The level of public debt to GDP remained at an acceptable level, reaching 24%, which is considered one of the lowest global rates. At the end of 2019, the money supply, in its broad definition (M2), registered a growth of 7% to reach SR 1,948 billion, compared to the end of 2018.

With regard to the banking sector, the capital and reserves of commercial banks increased at the end of 2019 by 13% to reach about SR 343 billion. Its total liabilities from the public and private sectors increased during the same year by 10.4% to reach SR 1,991 billion. The volume of bank deposits also increased at the annual level and achieved a growth of 7.3% compared to its level in the preceding year. Regarding the role of commercial banks in supporting various economic activities, the total credit by commercial banks for economic activities in the private sector during 2019 was about SR 1,552 billion, with an increase of 7.6% compared to the preceding year. Concerning the credit details as per the sub-activities, the volume of bank financing has grown for most economic activities, the most growing of which was in the transport and communications sector, as the volume of bank financing for this sector increased by 18%, followed by water, electricity, gas and health services sector by 17%, and financing sector by 11%, then mining sector by 2%. On the other hand, the volume of financing granted to some sectors, such as the industrial and production sector, decreased by 9%, while the building and construction sector decreased by 5%, and agricultural and fishing sector by 1%.



The projects approved by SIDF enhance the local content, by relying on 67% of raw materials from local source.



The Saudi Stock Exchange Index increased in 2019, achieving 8389 points; an increase of 1% compared to the preceding year.

During 2019, SIDF approved 114 loans amounted to SR 12.5 billion to finance new or expansionary projects, during their period of operation, they are expected to generate annual sales of SR 30.4 billion, including exports of about SR 5.6 billion. It is also expected that these projects will create about 8775 job opportunities, of which about 17% are for Saudis. Moreover, such projects will raise the demand for raw materials by about SR 1.7 billion, of which 67% are from local sources. These projects will result in a total direct added value of approximately SR 22.2 billion, and it is expected for this to reflect on the GDP of about SR 29.5 billion.

On the other hand, the general index of Saudi Stock Exchange (Tadawul) increased at the end of 2019 by 7.2%, to record 8389 points, compared to 7826 points recorded at the end of 2018. The total value of shares traded during 2019 was about SR 880 billion, compared to SR 871 billion in 2018, at an increase of 1%. Tadawul recorded an increase in financing and growth opportunities for companies and at an increase in investment channels during 2019, as 6 new companies were listed in Tadawul, in addition to public offering of part of the shares of 6 companies from energy sectors, real estate traded funds, consumer services, applications & technology services, commercial & professional services, and management and development of real estate, bringing the total number of companies listed in Tadawul to 199 companies by the end of the year. The market value of the companies offered and listed in Tadawul during 2019 reached about SR 7,068 billion. Also in this year, Saudi Arabian Oil Company (Aramco), joined the main market index (TASI). In the context of strengthening the role of Tadawul in the Saudi economy, increasing investor confidence, and steadily developing market functions, Tadawul has been announced to join the MSCI for Emerging Markets Index. This is reflected in the great development that is taking place in Tadawul towards enhancing the competitiveness of the financial sector and increasing investment stimulus.

With respect to structural and organizational reforms aimed at strengthening the structure of the economy, many reforms were implemented in 2019, most notably: the establishment of Ministry of Industry and Mineral Resources, the establishment of General Authority for Foreign Trade (GAFT), the establishment of National Center for Non-Profit Sector Development, the approval of the organizational arrangements for National Transformation Center and the Local Content & Government Procurement Authority, the approval of Public Investment Fund Law, Competition Law and National Strategy for Statistical Development Law, in addition to the approval of Premium Residency Law, the approval of KSA's joining the multilateral agreement between the competent authorities regarding the exchange of reports on economic activities in the countries, granting a license

In 2019, Ministry of Industry and Mineral Resources was established and a number of organizational arrangements got approved.

to Credit Suisse Bank and Standard Chartered Bank; and the approval of organizing Saudi Business Center and Saudi Center for Commercial Arbitration.

The Saudi economy has gained appreciation and praise from many global economic bodies, and the International Monetary Fund praised the stature, robustness, and improvement of the Saudi economy, labelling it as one of the best growing economies among G20. KSA was also praised for the positive economic and social undertaken reforms, highlighting that the continued implementation of these reforms will contribute to the achievement of KSA's objectives for public finance, and to the prosperity of the growth of the non-oil sector and Saudi society. In the same context, officials at the International Monetary Fund praised the mechanism of implementing the value-added tax, in addition to the reforming of energy prices, and encouraged to continue improving spending management, strengthening the public finance framework, and improving the government procurement law. KSA still enjoys a distinct credit rating at the global level. In September 2019, Standard & Poor's credit rating agency rated KSA at (A- / A-2) with a stable outlook. In October 2019, FitchRating also gave KSA's sovereign credit an (A) rating with a stable outlook, in addition to Moody's, which gave KSA a rating of (A1) in September 2019; this is due to the strength of the Saudi economy and the effectiveness of the large-scale economic reforms, in addition to the high reserves and low public debt.

KSA's economy has gained the praise of the International Monetary Fund, as it is among the best growing economies in the G20.

What has been achieved in 2019 confirms the KSA's determination to reach a diversified economy that enjoys sustainability and growth.

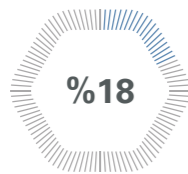
In conclusion, the Saudi economy has proven its strength and resilience during 2019. The positive factors drawn by Vision 2030 continued despite the economic challenges that the world faced during 2019. It is expected that the Saudi economy will continue to strive on the path of economic and structural reforms with the aim of strengthening the local economy in all its sectors. What has been achieved during 2019 confirms KSA's determination to move forward to meet what has been planned to achieve a diversified, sustainable and growing economy.



Performance Indicators of the Local Industrial Sector

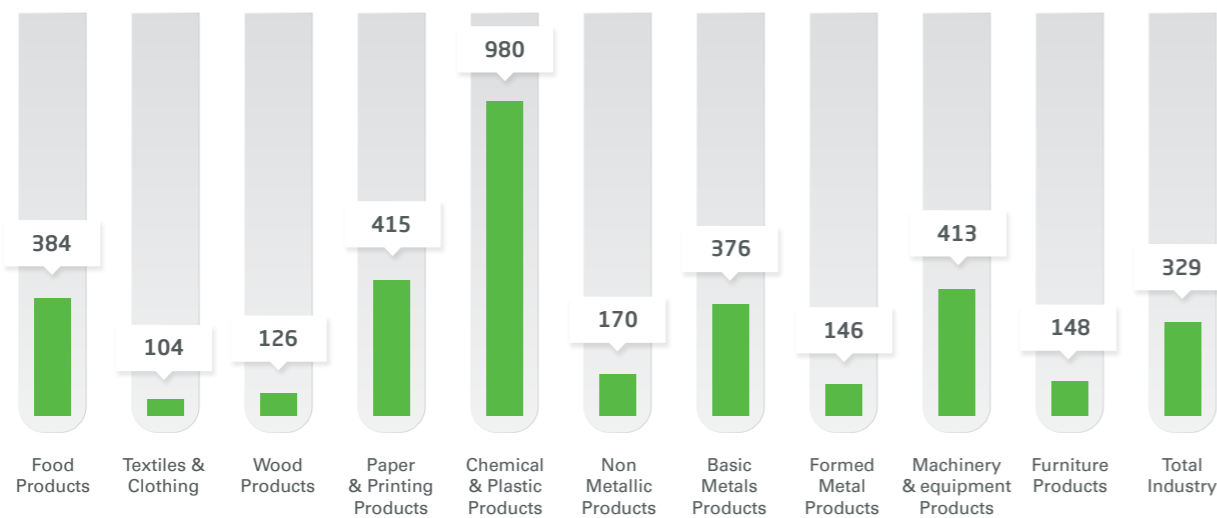
The performance of the non-oil manufacturing industries sector in KSA slight declined by 0.9% in 2019, compared to a growth of 4% in the preceding year, according to GASTAT (as per constant prices of 2010). This decline is due to several international and local factors, including the slowdown in global and local economic growth, and the decline in oil prices. The following is a more detailed look at some of the performance indicators of the non-oil manufacturing sector according to the main industrial activities of 2018.

The average value added per worker in the non-oil manufacturing sector increased by about 18%



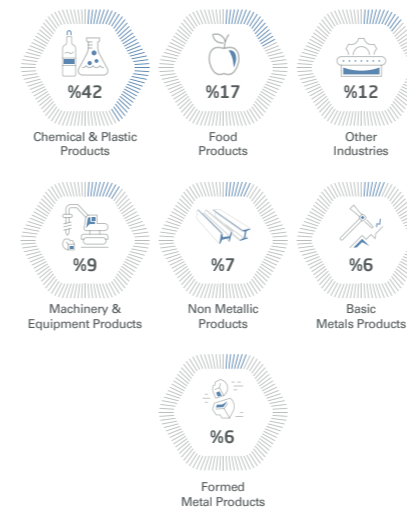
In 2018, the average value added per worker in the non-oil manufacturing sector increased by about 18%, which is one of the most important indicators of productivity. It is noticed from the figure below that the chemical and plastic products activity ranked first in terms of the average value added per worker SR 980 thousand, followed by the activity of paper and printing products SR 415 thousand, the activity of machines and equipment SR 413 thousand, and the activity of food products SR 384 thousand, then the activity of basic metals products with an average value added per worker of SR 376 thousand, while the average value added per worker in the non-oil industries sector amounted to about SR 329 thousand.

Average Value Added per Worker by Industrial Activity in 2018 (SR thousands)



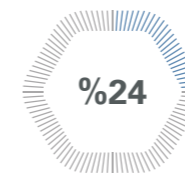
Source: GASTAT

The Structural of KSA Industry Sector in 2018



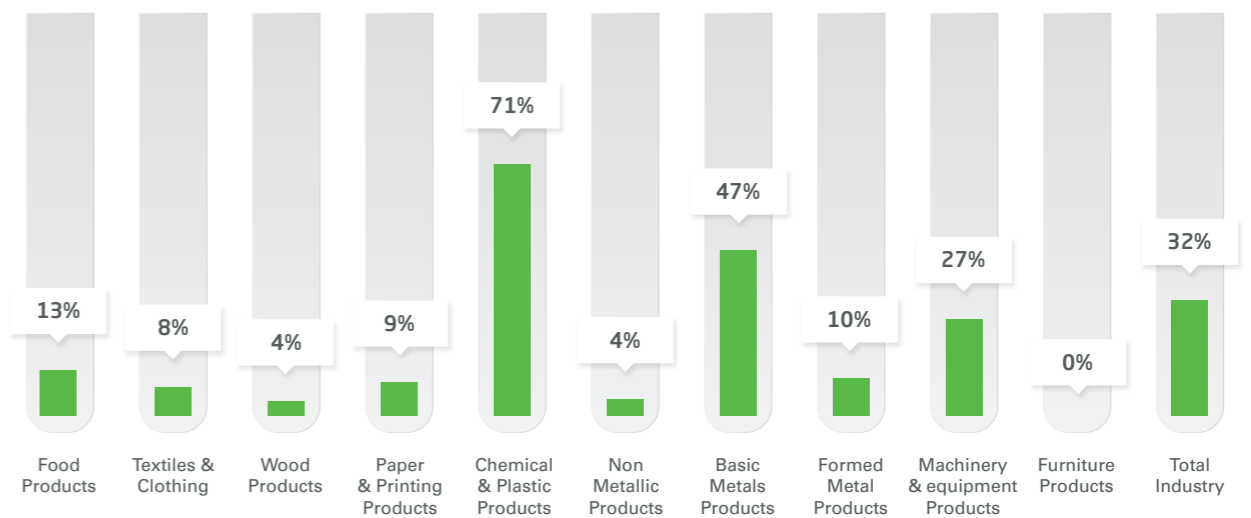
Regarding the structure of the KSA industry sector of in 2018, the non-oil industrial activity was concentrated in the activity of chemical and plastic products, which include petrochemical, pharmaceutical, and rubber products by 42% of the volume of non-oil manufacturing industries, followed by activity of food products by 17%, activity of machinery and equipment products by 9%, activity of non-metallic minerals products, that include building materials products by 7%, formed metal products and basic metals products by 6%, each. The total contribution of other activities, including the activities of paper products, furniture and others, consists of 12% of the total volume of non-oil manufacturing industries in KSA. This structural concentration in industrial activities needs - while preserving the gains achieved in some activities, such as the chemical and plastic products activity- to consider enhancing the contribution of sustainable industrial activities that would diversify the industrial structure, raise the level of technology, increase exports, and create job opportunities.

Industrial exports increased by 24%



Along the same lines, the value of non-oil industrial exports (excluding re-exports) increased by 24%, compared to the preceding year, which was about SR 198 billion. The figure below shows the percentage of industrial exports to total sales according to different activities. The prominent role of chemical and plastic products activity in boosting KSA's industrial exports is noted, where the percentage of exports to the total sales in this activity is about 71%, followed by the activity of basic metals products, with sales of 47%, followed by machinery and equipment, where the percentage of exports to total sales reached 27%, then food products with 13%. The average percentage of exports to total sales in non-oil manufacturing industries sector is estimated at 32%.

Share of Industrial Exports to Total Sales by Industrial Activity in 2018



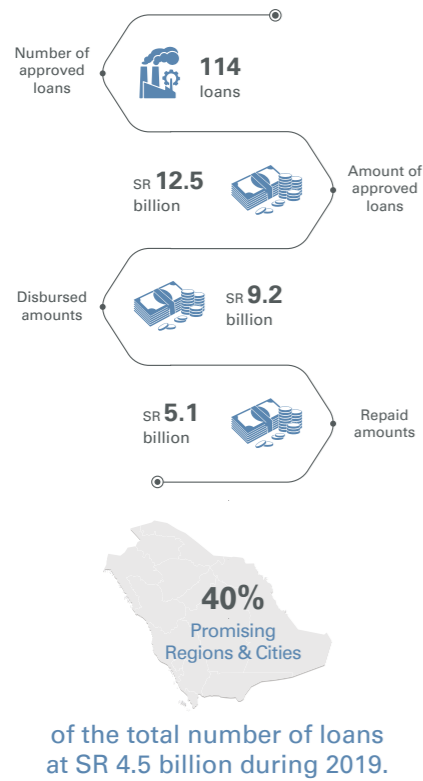
Source: GASTAT



**SIDF Performance
and Strategic Review**

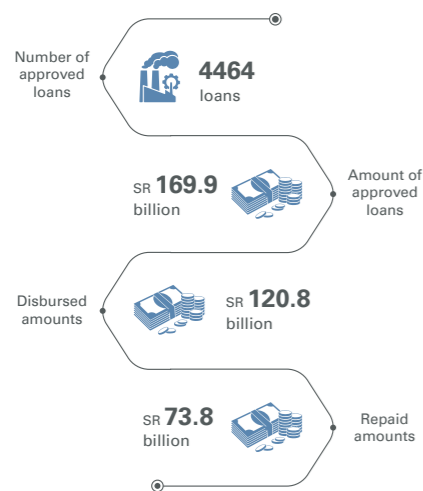
Lending Activity

Lending Activity during 2019



78% of the number of approved loans is for small and medium-sized projects

Cumulative lending activity until the end of 2019



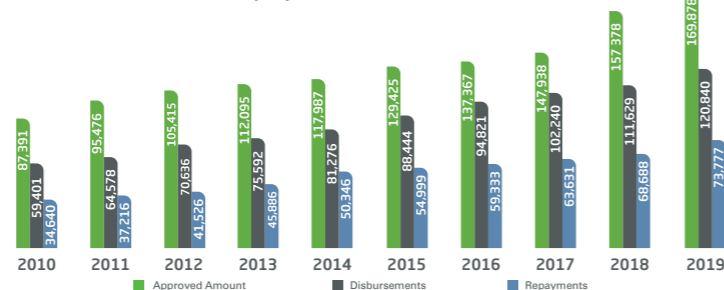
SIDF has continued its distinguished efforts to develop the local industrial sector. The number of loans approved by SIDF during the fiscal year 1440/1441H (2019) reached 114 industrial loans amounted to SR 12,499 million. The approved loans helped in establishing projects with total investments of SR 83,888 million. The amount disbursed during the year reached SR 9,211 million, an amount close to the sums disbursed during the preceding fiscal year. On the other hand, loans amounted to SR 5,089 million were repaid during 2019, with a 1% increase over the amounts that were repaid during the preceding fiscal year. Thus, what was approved and repaid within one year is considered a record since the inception of SIDF.

SIDF was also able, during 2019, to achieve a high percentage of approved loans for industrial projects located in promising regions and cities, as it reached 40% of the total number of loans and 36% of the total amount of loans approved during the year. Note that, previously, the percentage did not exceed 14% of the total number of the SIDF's loans, and 15% of its amount before applying the controls for increasing the percentage of SIDF's financing for industrial projects in less developed regions and cities by no more than 75% of the project cost instead of 50%, and increasing the loan repayment period to become 20 years, instead of 15 years.

The high number of loans approved by SIDF for small and medium-sized projects during the fiscal year 1440/1441H (2019) is also considered one of SIDF's remarkable achievement, as it constituted 78% of the total number of loans approved by SIDF at SR 1,476 million throughout the year.

In general, the total number of industrial loans approved by SIDF since its inception in 1394H and until the end of the fiscal year 1440/1441H reached 4464 loans with a total amount of SR 169,878 million. The total loans disbursed from these approvals amounted to SR 120,840 million, of which SR 73,777 million were repaid, representing 61% of the disbursed loans. This highlights the success of SIDF-financed projects and the advisory support provided to these projects in the technical, administrative, financial and marketing fields.

Cumulative Approved Loans, Disbursements and Repayments (SR million)

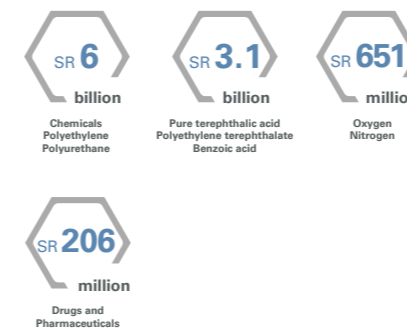
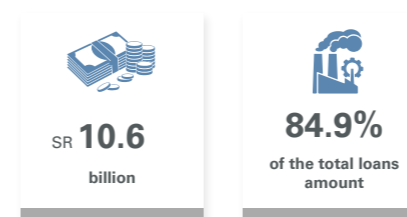
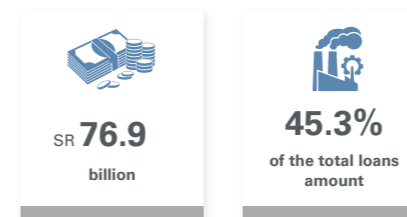


1- Sectoral Distribution

Below is a review of the main industrial sectors by approved loan amount:



Chemical Industries



Cumulative Approved Loans (SR million)

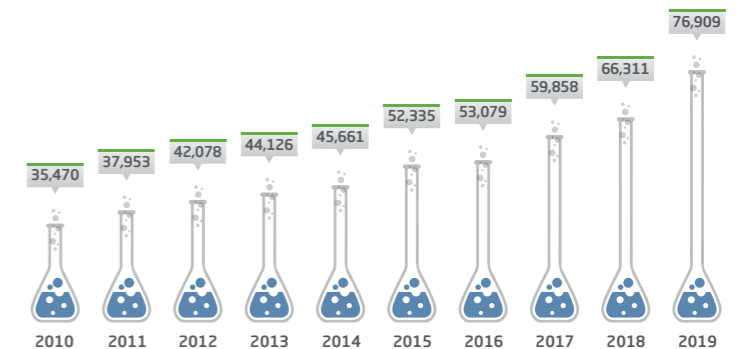
Cumulative Loan Amount:

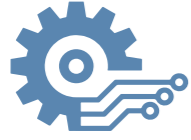
This sector has been a leading sector in terms of the amount of approved cumulative loans. The total loan amount of this sector since the inception of SIDF and until the end of the fiscal year 1440/1441H reached SR 76,909 billion, representing 45.3% of the total loans amount approved by SIDF.

Loans approved during 1440/1441H (2019):

This sector got the highest share in approved amount for the fiscal year 1440/1441H, as 38 loans amounting to SR 10,618 million were approved, representing 84.9% of the amount of approved loans during the year and 33% in number of loans. Thus, it ranked first in terms of loan amount and second in terms of number of loans during the year.

Among the new loans approved in this sector during the reporting year, 4 loans amounted to SR 6,000 million to produce chemicals, polyethylene and polyurethane in Jubail, and 2 loans of SR 3,150 million in Jaizan to establish a factory to produce pure terephthalic, polyethylene terephthalate and benzoic acid, and a loan of SR 651 million to produce oxygen and nitrogen in Jubail, and 6 loans amounted to SR 206 million to produce drugs and pharmaceuticals in various cities such as Dammam, Rabigh, Madinah and Sudair.

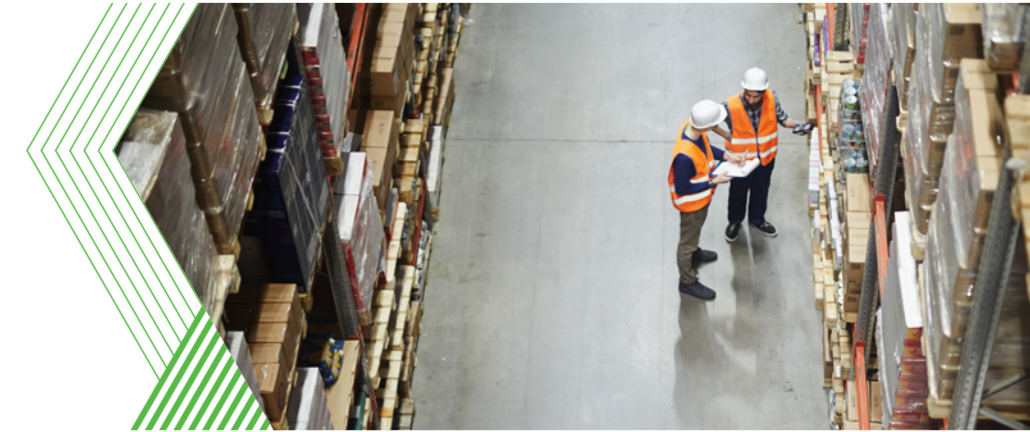




Engineering Industries



Consumer Industries



SR **32.9**
billion



19.3%
of the total loans
amount

Cumulative Loan Amount:

This sector ranked second in terms of the amount of cumulative loans approved since the inception of SIDF and until the end of the fiscal year 1440/1441H, as the amount of the loans approved reached SR 32,854 million, representing about 19.3% of the total amount of loans approved by SIDF.



SR **375**
million



3%
of the total loans
amount

Loans approved during 1440/1441H (2019):

During 1440/1441H, SIDF approved for this sector 15 loans amounted to SR 375 million, representing 13% of the total number of loans approved by SIDF during the year and 3% of the amount of loans. Thus it ranked fourth in terms of number and amount of loans approved during the year of the report.



SR **26.3**
billion



15.5%
of the total loans
amount

Cumulative Loan Amount:

This sector ranked third in terms of the amount of the cumulative loans approved, as its value until the end of 1440/1441H reached SR 26,327 million, representing 15.5% of the total amount of loans approved by SIDF since its inception and until the end of the aforementioned period.



SR **874**
million



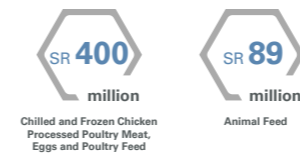
6.9%
of the total loans
amount

Loans approved during 1440/1441H (2019):

During 1440/1441H, SIDF approved 39 loans amounted to SR 874 million, representing 34.2% of the total number of loans approved by SIDF during the year, and about 6.9% of its amount. Thus, it ranked first in terms of number of loans, and second in terms of amount of approved loans during the year of the report.

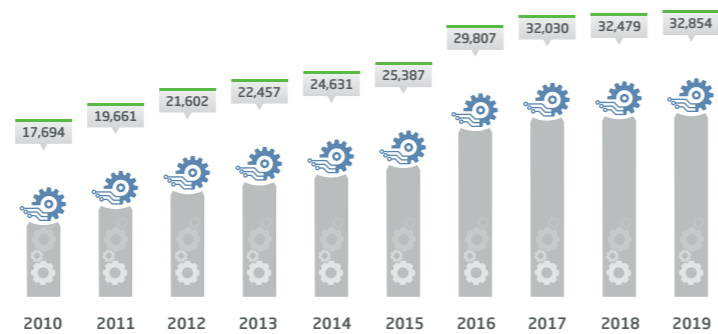


Among the new loans approved in this sector during the year of the report, a loan of about SR 75 million for the manufacture of energy storage containers in Dammam. In addition to a loan of about SR 51 million to establish a factory of spare parts in Riyadh, and a loan to a factory that produces iron blocks amounted to SR 44 million in Jeddah, and a loan of SR 20 million to set up a factory in Dammam produces pipe fittings.

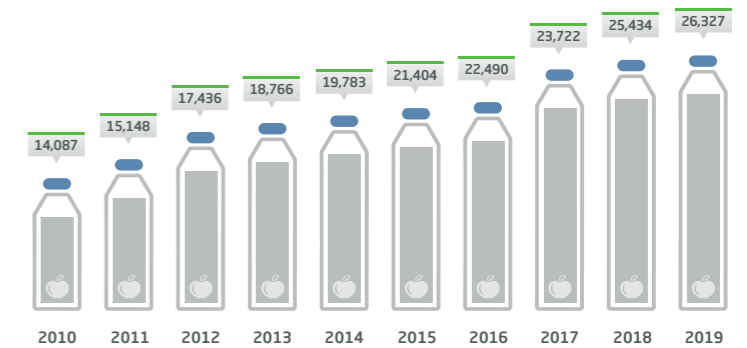


Among the new loans approved in this sector, during the year of the report, a loan of SR 400 million to establish a factory in Qassim to manufacture chilled and frozen chicken, processed poultry meat, eggs and poultry feed, and 5 loans amounting in total to about SR 89 million to establish projects aiming to produce animal feed in Jubail, Jeddah, Al Badayea, Dammam and Kharj.

Cumulative Approved Loans (SR million)



Cumulative Approved Loans (SR million)





Cement Industry



SR **12.7**
billion



7.5%
of the total loans
amount

Cumulative Loan Amount:

The total value of the cumulative loans approved by SIDF for the cement sector since its inception and until the end of 1440/1441 amounted to SR 12,686 million, representing about 7.5% of the total amount of the loans approved by SIDF. Thus, the cement sector ranked fifth in terms of amount of approved loans and sixth in terms of number of loans.



SR **57**
million

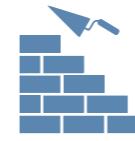
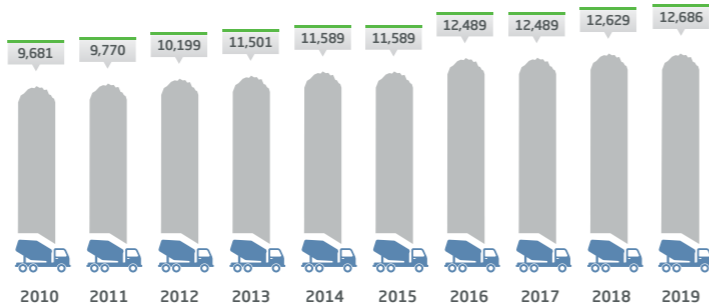


1
Industrial Loan

Loans approved during 1440/1441H (2019):

During the reporting year, SIDF approved one industrial loan of SR 57 million for a factory in Turaif that produces cement.

Cumulative Approved Loans (SR million)



Building Materials Industry



SR **14.1**
billion



8.3%
of the total loans
amount

Cumulative Loan Amount:

The total amount of the cumulative loans approved by SIDF for the building materials sector other than cement until the end of 1440/1441H amounted to SR 14,132 million, representing 8.3% of the total amount of the loans approved by SIDF for the industrial projects since the inception of SIDF. Thus, this sector ranked fourth in terms of the amount and number of approved loans.



SR **32**
million



0.3%
of the total loans
amount

Loans approved during 1440/1441H (2019):

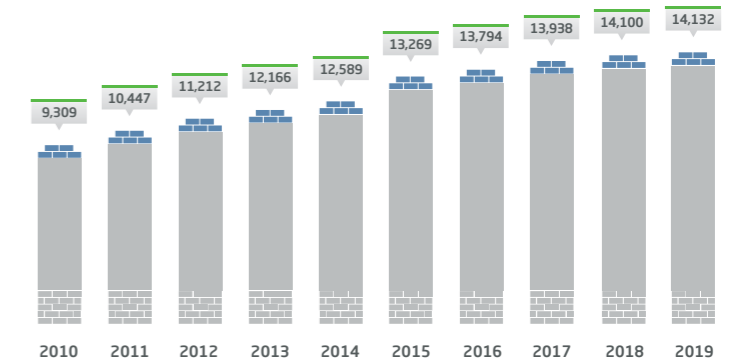
During the year 1440/1441H, SIDF approved three loans to this sector amounting to SR 32 million, representing about 3% of the number of loans, and about 0.3% of the amount of loans approved during the year.

SR **17**
million
Lime

SR **13**
million
Gypsum Powder

Among the new loans approved in this sector during the year of the report was a loan of about SR 17 million to establish a factory in Yanbu to produce lime, and a loan of about SR 13 million to establish a factory to produce gypsum powder in Ehsaa.

Cumulative Approved Loans (SR million)





Other Industries



SR 7 billion



4.1% of the total loans amount

Cumulative Loan Amount:

The total amount of the cumulative loans approved by SIDF for the other industries sector since its inception and until the end of 1440/1441H reached SR 6,970 million, representing 4.1% of the total amount of loans approved by SIDF. Thus, the other industries sector ranked fifth in terms of number of loans and sixth in term of amount of approved loans.



SR 544 million



4.4% of the total loans amount

Loans approved during 1440/1441H (2019):

During the year 1440/1441H, SIDF approved for this sector 18 loans amounted to SR 544 million, representing 15.8% of the number of loans and 4.4% of the amount of loans approved during the year. Other industries sector ranked third in terms of amount of approved loan and fourth in terms of number of loans approved during the year of the report.

SR 375 million

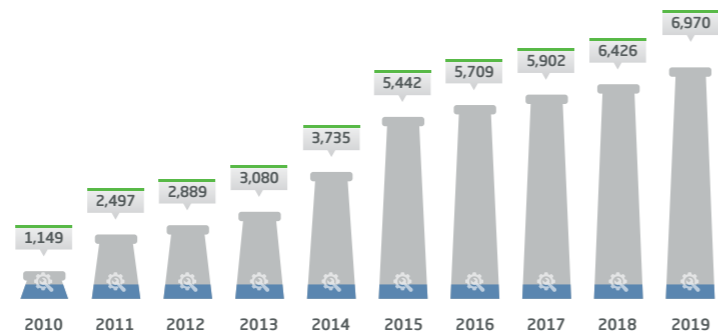
Water Desalination

SR 99.7 million

Warehouse Services

Among the new loans approved in this sector during the year of the report is a loan of about SR 375 million to establish a water desalination project in Rabigh, and 11 loans for warehouse services with an amount of SR 99.7 million in Dammam, Hafouf, Qassim, Hail, Khams Mushait, Tabouk, and Riyadh.

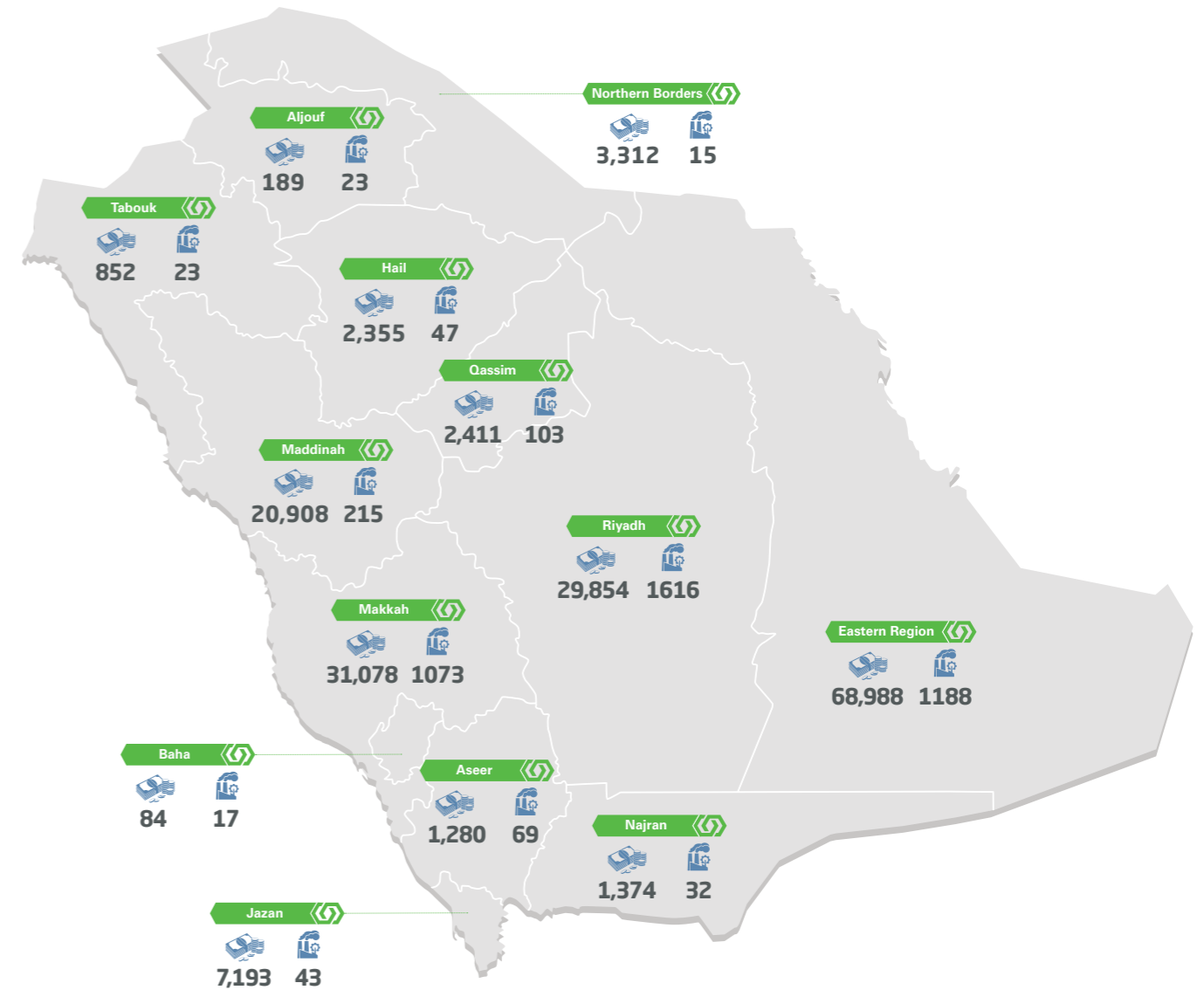
Cumulative Approved Loans (SR million)



2- Geographical Distribution

Below are the geographical distribution of the number and amount of total approved loans according to the different regions of KSA:

Cumulative distribution of SIDF loans by regions until the end of 1440/1441H (2019).



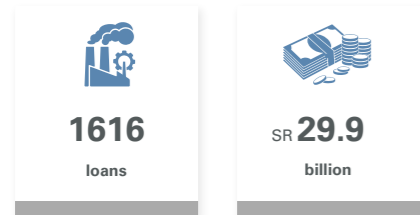
Number of Approved Loans



Amount of Approved Loans (SR Million)

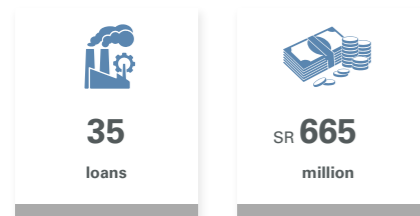
Administrative Regions

Riyadh Region



Cumulative Loan Amount:

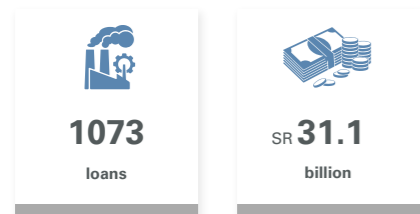
The total number of cumulative loans approved by SIDF to contribute to the financing of industrial projects in Riyadh region reached 1616 loans, representing about 36.2% of the total number of loans approved by SIDF since its inception and until the end of the fiscal year 1440/1441H (2019). Thus, Riyadh region ranked first in terms of number of approved loans, and third in terms of amount of approved loans, as their value amounted to SR 29,854 million, representing about 17.6% of SIDF's total approvals.



Loans approved during 1440/1441H (2019):

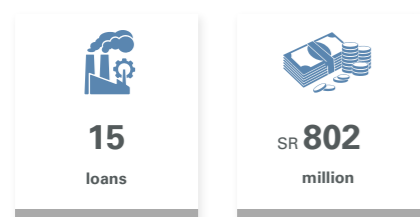
During the year of the report, SIDF approved 35 loans amounted to SR 665 million for projects located in Riyadh region, representing about 30.7% of the number of loans and 5.3% of the amount of approved loans during the year. Thus, Riyadh region ranked first (jointly) in terms of the number of approved loans equally with Eastern Region, and fourth in terms of amount of approved loans during the year of the report.

Makkah Region



Cumulative Loan Amount:

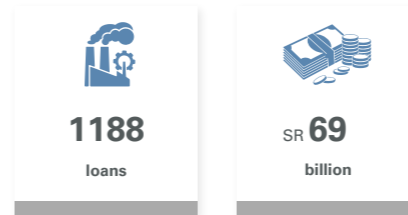
The total number of cumulative loans approved by SIDF to contribute to the financing of industrial projects in Makkah region reached 1073 loans, representing about 24% of the total number of loans approved by SIDF since its inception and until the end of the fiscal year 1440/1441H (2019). Thus, Makkah region ranked third in terms of the number of approved loans and second in terms of the amount of approved loans, as their value amounted to SR 31,078 million, representing about 18.3% of SIDF's total approvals.



Loans approved during 1440/1441H (2019):

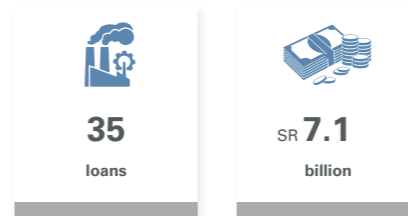
During the year of the report, SIDF approved 15 loans amounted to SR 802 million for projects located in Makkah region, representing about 13.2% of the number of loans and 6.4% of the amount of approved loans during the year. Thus, Makkah region ranked second in terms of the number of approved loans, and third in terms of amount of approved loans during the year of the report.

Eastern Region



Cumulative Loan Amount:

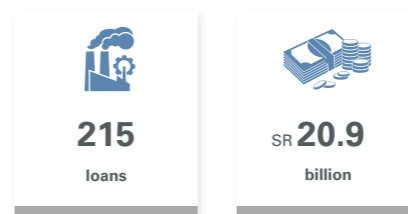
The total number of cumulative loans approved by SIDF to contribute to the financing of industrial projects in Eastern Region reached 1188 loans, representing about 26.6% of the total number of loans approved by SIDF since its inception and until the end of the fiscal year 1440/1441H (2019). Thus, Eastern Region ranked first in terms of the amount of approved loans and second in terms of number of approved loans, as their value amounted to SR 68,988 million, representing about 40.6% of SIDF's total approvals.



Loans approved during 1440/1441H (2019):

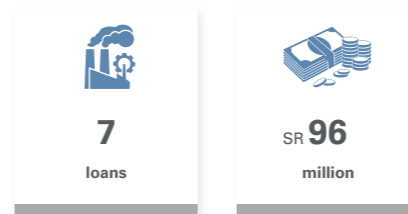
During the year of the report, SIDF approved 35 loans amounted to SR 7,100 million for projects located in Eastern Region, representing about 30.7% of the number of loans and 56.8% of the amount of approved loans during the year. Thus, Eastern Region ranked first in terms of number and amount of approved loans, equal to the Riyadh region in terms of the number of approved loans during the year of the report.

Madinah Region



Cumulative Loan Amount:

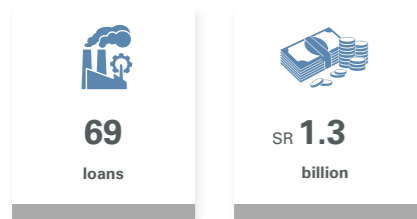
The total number of cumulative loans approved by SIDF to contribute to the financing of industrial projects in Madinah Region reached 215 loans, representing about 4.8% of the total number of loans approved by SIDF since its inception and until the end of the fiscal year 1440/1441H (2019). Thus, Madinah Region ranked fourth in terms of number and amount of approved loans and as their value amounted to SR 20,908 million, representing about 12.3% of SIDF's total approvals.



Loans approved during 1440/1441H (2019):

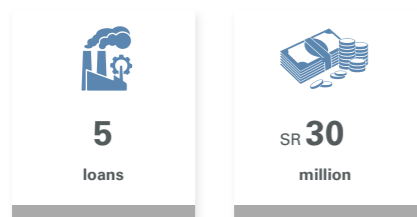
During the year of the report, SIDF approved 7 loans amounted to SR 96 million for projects located in Madinah Region, representing about 6.1% of the number of loans and 0.8% of the amount of approved loans during the year. Thus, Madinah Region ranked third in terms of the number of approved loans, and seventh in terms of the amount of loans approved during the year of the report.

Asir Region

Cumulative Loan Amount:

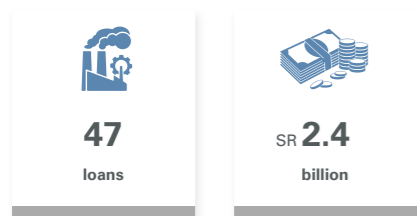
The total number of cumulative loans approved by SIDF to contribute to the financing of industrial projects in Asir Region reached 69 loans, amounted to SR 1,280 million, representing about 1.5% of the total number of loans and 0.8% of the total amount of loans approved by SIDF. Thus, Asir Region ranked sixth in terms of the number of loans and tenth in terms of amount of approved loans, since the inception of SIDF and until the end of the fiscal year 1440/1441H (2019).



Loans approved during 1440/1441H (2019):

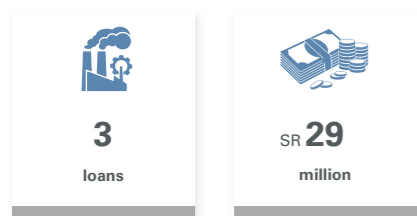
During the year of the report, SIDF approved five loans amounted to SR 30 million for projects located in Asir Region, representing about 4.4% of the number of loans. Thus, Asir Region ranked fourth (jointly) in terms of the number of approved loans, and ninth in terms of amount of loans approved during the year of the report. Asir is considered as one of the promising regions that have clearly benefited from the new regulations for activating the decision to increase the percentage of financing for less developed regions and cities by not more than 75% of the project cost, instead of 50%, and with a loan repayment period of up to 20 years instead of 15 years.

Hail Region

Cumulative Loan Amount:

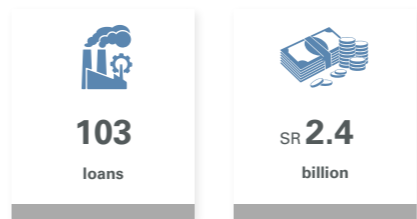
The total number of cumulative loans approved by SIDF to contribute to the financing of industrial projects in Hail Region reached 47 loans, amounted to SR 2,355 million, representing 1% of the total number of loans and 1.4% of the total amount of loans approved by SIDF. Thus, Hail Region ranked seventh in terms of the number of loans and eighth in terms of amount of approved loans, since the inception of SIDF and until the end of the fiscal year 1440/1441H (2019).



Loans approved during 1440/1441H (2019):

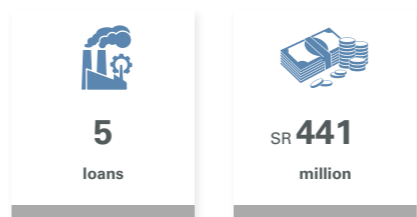
SIDF approved 3 loans amounted to SR 29 million for industrial projects located in Hail Region. Thus, Hail Region ranked fifth (jointly) in terms of the number of approved loans, and tenth in terms of amount of loans approved during the year of the report. Hail considered as one of the promising regions, benefited from the new regulations for activating the decision to increase the percentage of financing and repayment period for projects in less developed regions and cities.

Qassim Region

Cumulative Loan Amount:

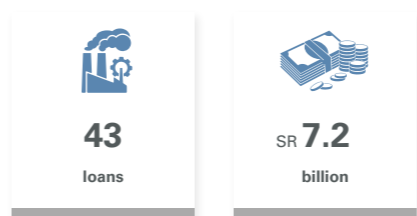
The total number of cumulative loans approved by SIDF to contribute to the financing of industrial projects in Qassim Region reached 103 loans, amounted to SR 2,411 million representing 2,3% of the total number of loans and 1,4% of the total amount of loans approved by SIDF. Thus, Qassim Region ranked fifth in terms of the number of loans and seventh in terms of amount of approved loans, since the inception of SIDF and until the end of the fiscal year 1440/1441H (2019).



Loans approved during 1440/1441H (2019):

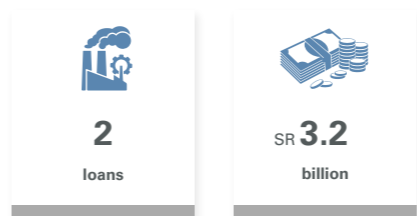
SIDF approved 5 loans amounted to SR 441 million for industrial projects located in Qassim Region. Thus, Qassim Region ranked fourth (jointly) in terms of number and fifth in terms of amount of loans approved during the year of the report.

Jazan Region

Cumulative Loan Amount:

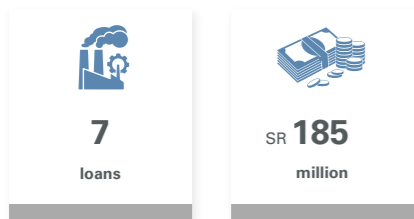
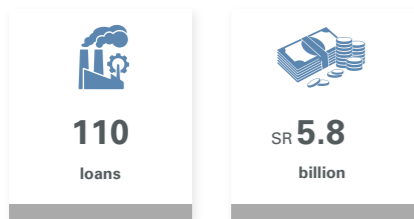
The total number of cumulative loans approved by SIDF to contribute to the financing of industrial projects in Jazan Region reached 43 loans, amounted to SR 7,193 million, representing 4.2% of the total amount of loans and 1% of the total number of loans approved by SIDF. Thus, Jazan Region ranked fifth in terms of amount of loans and eighth in terms of number of approved loans, since the inception of SIDF and until the end of the fiscal year 1440/1441H (2019).



Loans approved during 1440/1441H (2019):

SIDF approved 2 loans amounted to SR 3,150 million for industrial projects located in Jazan Region. Thus, Jazan Region ranked second in terms of amount of loans approved during the year of the report. Jazan is considered as one of the promising regions benefited from the new regulations for activating the decision to increase the percentage of financing and repayment period.

Other Regions of KSA



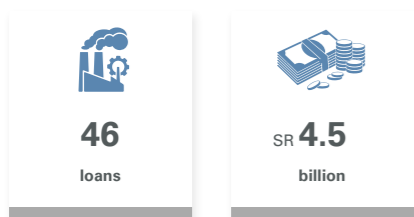
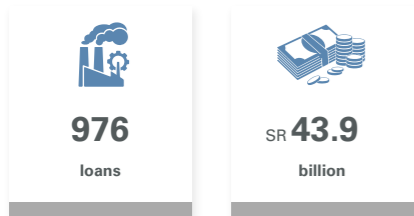
Cumulative Loan Amount:

The total number of cumulative loans approved by SIDF in other regions of KSA reached 110 loans, until the end of the fiscal year 1440/1441H (2019), amounted to (5,811) million, representing 2.5% of the total number of loans and 3.4% of the total amount of loans approved by SIDF, since the inception of SIDF until the end of the year of the report.

Loans approved during 1440/1441H (2019):

SIDF approved 7 loans amounted to SR 185 million for industrial projects located in other regions of KSA. These new projects are distributed as follows: three loans in Tabuk region, and two loans for each of Najran region and the Northern Border region. These regions received about 6% of the total number of loans, and 1.5% of the total amount of loans approved by SIDF during the year of the report.

Promising Regions



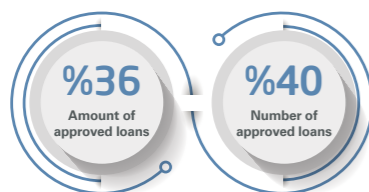
Cumulative Loan Amount:

The total number of cumulative loans approved by SIDF to contribute to the financing of industrial projects in promising areas and cities reached (976) loans, representing 22% of the total amount of loans approved by SIDF since its inception and until the end of the fiscal year 1440/1441H (2019). The value of these loans amounted to SR 43,883 million representing 26% of the total amount of the loans approved.

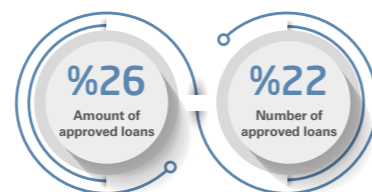
Loans approved during 1440/1441H (2019):

SIDF approved (46) loans amounted to SR 4,520 million for industrial projects located in promising regions and cities, representing 40% of number of loans and 36% of loan amount approved during the year of the report.

During 2019



Cumulative since the inception of SIDF until the end of 2019



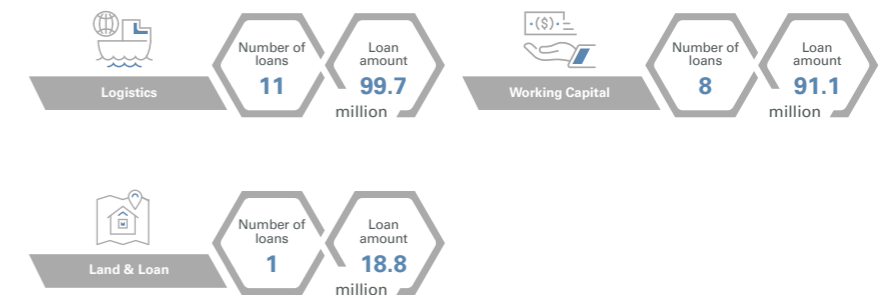
3- Loans Approved as per Programs and Financing Products:

The lending activity of SIDF is characterized by the expansion in supporting projects in various sectors through a set of specialized financing programs and products, including:

Financing Programs during 2019

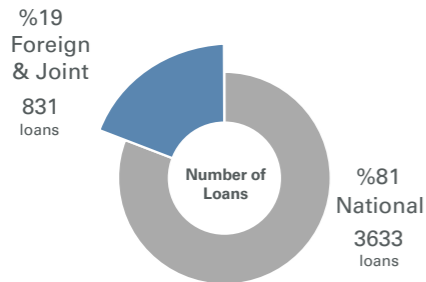


Financing Products during 2019

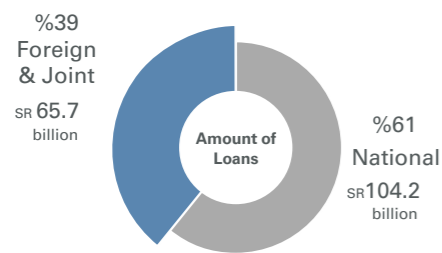


4- Foreign and Joint Ventures:

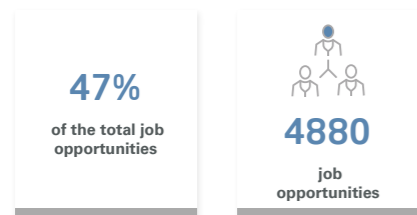
Number of loans approved for projects by type of ownership until the end of 2019



Amount of loans approved for projects by type of ownership until the end of 2019



During 2019
SR 9.5 billion is the value of foreign and joint projects representing 76% of SIDF total approvals



Since its inception, SIDF has been encouraging the establishment of foreign and joint industrial projects; foreign direct investment is one of the main pillars of attracting and transferring modern technology into KSA and creating new job opportunities for Saudis. In addition to its important role in opening global markets for national products, SIDF has paid special attention to attracting foreign investments, especially well-established international companies. Whether these projects are with Saudi partners or wholly foreign ownership, SIDF deals with them on the same basis as it deals with projects owned or contributed by Saudi investors.

The total number of foreign and joint project loans approved by SIDF since its inception and until the end of the fiscal year 1440/1441H reached 831 loans amounted to SR 65,724 million, representing 19% of the total number of approved loans and 39% of total amount of approved loans. Loans of completely foreign projects represent 5% of the total number of loans approved by SIDF for all projects and 6% of total amount.

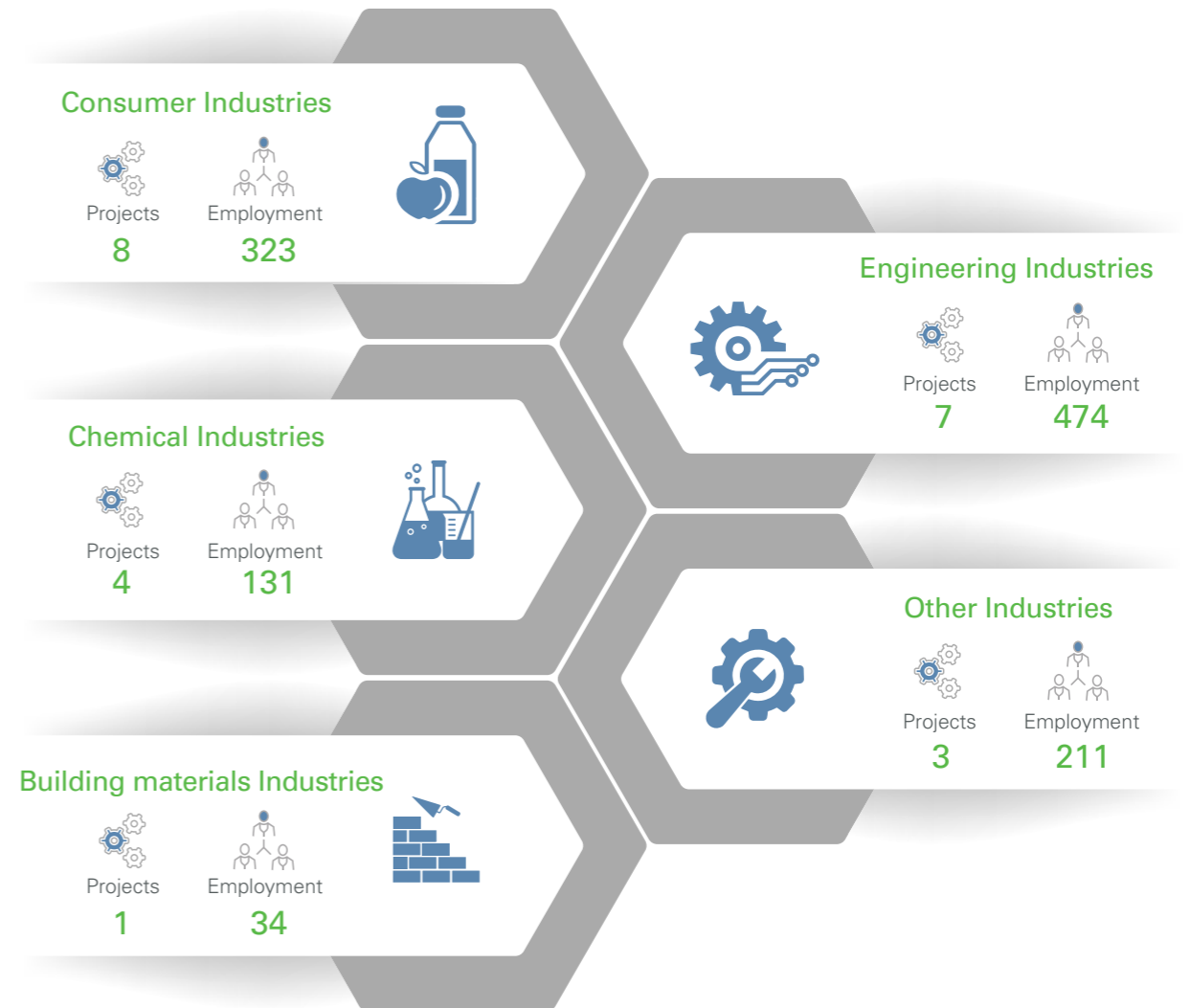
It is worth noting that the average share of the foreign partner represents 39% of the joint projects that SIDF has loaned since its inception and until the end of 2019. the chemical industries sector is at the top of the industrial sectors in terms of amount of loans approved for joint and foreign projects since SIDF inception and until the end of the year 1440/1441H (2019); due to the huge investment in the projects of this sector, as its share reached about 64%, followed by the engineering industries sector of 24%, and then the consumer industries sector of 6%.

In the year of the report 1440/1441H, SIDF approved 16 loans aiming to establish foreign and joint industrial projects. These loans amounted to SR 9,500 million, representing a lion's share of 76% of the total approvals of SIDF during the year. The new joint venture project loans were distributed by 10 loans to the chemical industries sector, and three to each of engineering industries and the consumer industries sectors.

Foreign and Joint projects approved during the year of the report provided new direct and indirect job opportunities to 4880 employees and workers, representing 47% of the total job opportunities 10317 provided by projects loaned by SIDF during the report year.

5- Projects that started production in 2019:

The number of industrial projects financed by SIDF that started production during the reporting year reached 23 industrial projects, the details of which are shown below:



Strategic Plan



Development of SIDF Strategy

With the launch of Vision 2030, it became necessary for SIDF to keep pace with the tremendous development in the government agencies work and role and to update its strategy to go along with its vital role in one of the most important programs of Vision 2030, which is NIDL P.

In 2019, SIDF appeared in a new look; issued its new Bylaws, launched new financial and advisory products that pursue its journey in supporting and enabling the private sector, created new business procedures that fit the expansion of the customers segment, and launched new values and corporate identity that keep up with the transformation taking place in KSA by Vision 2030.

SIDF developed its business strategy to be in line with the outputs of NIDL P, as the implementation of the transformation strategy project was started in December 2017. The objective of this project is to transform SIDF to become the main financial enabler for industrial transformation in KSA by aligning SIDF's strategy with the aspirations and objectives of NIDL P to cover the financial and advisory requirements of the target sectors. In light of this, SIDF expanded to support all the target sectors of the program to include other sectors, such as energy, mining, and logistics, while continuing to support the industrial sector. SIDF, in collaboration with government agencies, has worked to support and encourage the local industry and other economic activities of viability in KSA, and to provide innovative solutions for the growth and development of the local industry and raise its level of performance in order to achieve sustainable investment returns in industrial sector, and to develop the added value of the local economy through supporting the local product, promoting non-oil exports, and integrating the industrial sector with other sectors, in addition to raising the participation rate of Saudi competencies in the industrial sector, attracting foreign capital, and to bring in and localize technology.

SIDF has become the main financial enabler of the industrial transformation in KSA through the development of SIDF's business strategy

Pillars of the Main Strategic Objectives:

First Pillar:
Enabling NIDL P



The SIDF's strategy work in 2019 was based on SIDF's transformation strategy to pursue the work that started in 2018, by focusing on four main pillars:

Targets:

- Launch new financing products (Multipurpose Loan, Working Capital Financing and Acquisition Financing).
- Develop plans to support the target sectors (logistics, mining, Industry, and Energy).

Second Pillar:
Continuing to achieve the objectives of SIDF's core credit operations.



Targets:

The total approved loans: SR 13 billion distributed as follows:

- Percentage of small and medium-sized enterprises (SMEs), out of the total approvals: 21 %.
- Percentage of the least developed regions out of total approvals: 40%.
- Total amounts disbursed: SR 9.5 billion.
- Total amounts collected: SR 4 billion.

Third Pillar:
Continuing the implementation of SIDF's strategic transformation initiatives focusing on launching Bylaws and new business procedures.



Targets:

- Implementing new credit procedures that target 4-5 months as a maximum as a period of time for approval or rejection of loans.
- Completely automating procedures, including, the second version of the mobile application, and the launch of "Tamkeen" system and platform.
- Establishment of two risk departments:
 1. Credit Risk.
 2. Enterprise Risk Management.

Fourth Pillar:
Build national capacities and calibers.



Targets:

- Establishment of SIDF Academy.
- Continue to train and raise the efficiency of SIDF's staff by launching new training and practical training programs.

Overview of the Amendment of Bylaws

SIDF has become the main financial enabler of NIDL



The amendment of the Bylaws enabled SIDF to expand its support to include new and promising sectors, by providing a new set of services and financing products that meet the needs of the private sector in the fields of industry, mining, energy and logistics included under NIDL.

Integrated portfolio of financial products and advisory services



SIDF's activity expanded from supporting the industrial sector only to supporting establishments in the sectors of industry, mining, energy, and logistics, and from providing a single financial product and limited advisory services to providing a portfolio of financial products and integrated advisory services to support start-ups and existing businesses, and moving from focusing on the internal work related to the evaluation and collection of loans, to the initiative in attracting specific investments for SIDF products and services, and to work with the industrial system and the project financing system to exchange knowledge and create investment opportunities.

Increase SIDF capital



The capital of SIDF has increased after it was approved as the main financial enabler for NIDL, bringing SIDF capital to SR 105 billion, allowing it to expand covering all program sectors to include energy, mining, logistics and expansion in the industrial sector.

Development and automation of loan procedures



SIDF has improved the customer experience, through:

- The procedures and process of loan applications were automated in a more efficient and rapid manner.
- The period for approving loan applications has been reduced to a maximum period of 5 months, while preserving the quality of the studies and consultations provided, which equates to a 60% reduction of the period of preceding procedures.
- New roles have been allocated and unified the contact point with the customers to support them in executing their applications quickly.
- International standards that would raise the level of service quality were applied.
- The new version of SIDF's external electronic portal (customer portal) was issued with the new design and logo that are consistent with the new SIDF's identity. It is worth noting that the external portal includes many electronic services that comply with the requirements of the National CIT Plan (NITP).
- Effective risk management tools have been established, including policies, models and measurement tools that enable SIDF to proactively identify, analyze and respond to risks related to its organizations and operations.

Reduce the time to approve loans application by 60%



Establishment of SIDF Academy



SIDF established an academy to serve NIDL system that would raise awareness, gain experience in new sectors and to provide international standards training programs in partnership with leading educational and training bodies, which will contribute to building a future that keeps pace with the latest developments of this era, meet the development needs and renewable labor markets and raise the level of human capabilities at all levels.

Expanding Coverage of New Sectors



SIDF expanded in serving and supporting sectors of NIDL, as it provide financial and advisory solutions to the "logistical sector" by backing all support services for the industry and supply chains, including logistical platforms inside and outside industrial cities, in addition to logistical platforms in train stations and ports, to create a suitable climate to attract industrial investments and achieve the required competitiveness for local manufacturers. SIDF also expanded in supporting the mining sector. Mining sector is one of the most important investment pillars targeted in Vision 2030, due to the availability of untapped mineral resources in KSA. SIDF aims to develop the mining sector by financing mining projects for all types of minerals, financing the final stage of the exploration process, which includes drilling and processing mines, and backing support services companies that contribute to raising the added value and sustainability of the mining sector in KSA. Finally, SIDF announced its support to the energy sector through its new program "Mutajaded" aiming at enabling the manufacture of renewable energy components to meet local demand and achieve national aspirations in the production of renewable energy.

SIDF provided financial and advisory solutions to mining, energy and logistics sector as well as industry

Launching New Financial Products



SIDF launched the "Financing Working Capital" product to stimulate projects by covering additional operating expenses that include debit accounts, inventory and credit accounts. The "Multipurpose Financing" product was also launched, with the aims to improve the operating performance of projects without increasing the productive capacities of the projects. The "Acquisition Financing" product was launched, which aims in its first phase to finance the acquisition of local establishments within KSA that have added value to the sectors financed by SIDF. Finally, the product "Letter of Credit" product, which provides the necessary liquidity to investors by SIDF guarantee to finance letter of credits for its clients through commercial banks.

Launching a Stimulus Program to Support the Energy Sector



The Launching of "Mutajaded" program, which aims to finance and enable the industry of renewable energy components to meet the local demand needs. This program aims to empower local developers in the field of renewable energy production, to raise the quality of specialized products in solar and wind energy, and to harmonize them with local and global demand through three financing paths:

1. Manufacturers of renewable energy components.
2. Independent renewable energy production projects.
3. Renewable energy production projects for the industrial, commercial and agricultural sectors.

New Programs and Products

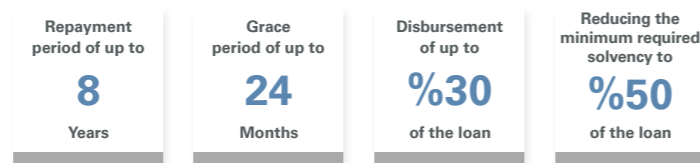
SIDF's New Programs:

Afaq Program



A program that aims to support the development and advancement of small and medium-sized industrial enterprises through several products and initiatives:

Stimulating promising SMEs: This product aims to support enterprises that have proven their competitiveness to be among the pioneering companies in KSA, by providing financial facilities that allow such enterprises to jack up their production capacity, and achieve the desired growth and expansion. Facilities include the following:



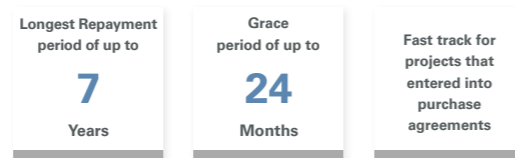
Stimulating industrial entrepreneurs: SIDF provides this product through partnership with business incubators and accelerators such as Industrial Enterprises Accelerator that was established in cooperation with "Badir" program with the aim of supporting start-up enterprises, that are part of the economy, in their early stages. The program includes a number of facilities:



Tawteen Program

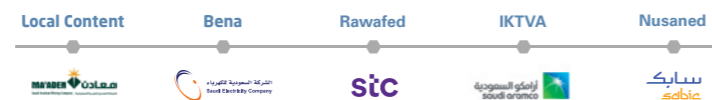


A program that aims to stimulate local and foreign investments to increase local content and link demand with supply in partnership with major companies in KSA, in addition to measure SIDF's contribution to local content. The program offers many facilities, including:



The program achievements:

- The elements of measuring local content were applied in SIDF's periodic reports.
- Agreements were signed with five program partners:



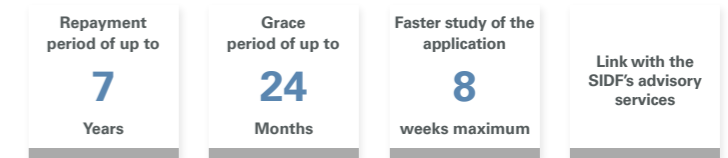
Tanafusya Program



Tanafusya Program aims to develop the industrial base to increase the competitiveness of local products through two products:

- **Energy Efficiency:** aims to improve energy efficiency and reduce operating costs of industrial enterprises.
- **Industrial Digital Transformation:** to support the current industrializing base to improve productivity by technology and digitization.

facilities:

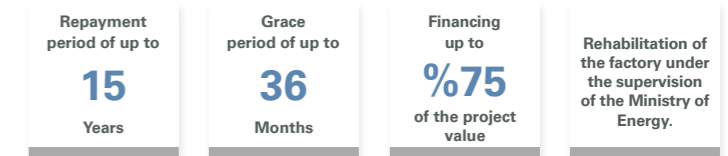


Mutajadedda Program

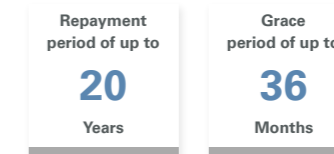
A cooperation agreement have been signed with Renewable Energy Projects Development Office (Ministry of Energy).

This program aims to participate in laying the foundations of the renewable energy sector in KSA for the agricultural, industrial and commercial sectors of project developers / contractors and real estate owners, through qualifying developers in the field of renewable energy production, and to support the manufacture of products specialized in solar energy, wind energy, and align them with local and global demand, through:

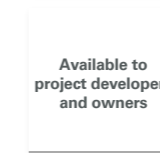
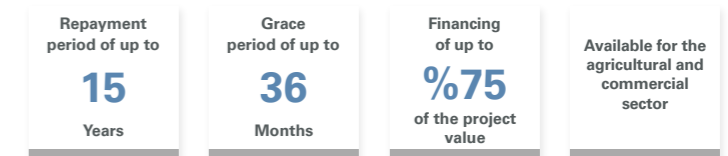
1. Financing the manufacture of renewable energy components, with the following facilities:



2. Financing renewable energy production projects, with the following facilities:



3. Financing projects to generate distributed renewable energy with the following facilities:



New SIDF Products:

Multipurpose Financing:

Through this service, SIDF provides financing for capital expenditures aiming at improving the operational value of the project, and this includes: production lines, services, buildings, technical programs, modernization of safety equipment or cars and warehouses.

The product targets two categories:

- Existing factories.
- Existing / New Customers.

Advantages of this Product:

- Medium term financing, with a maximum of 5 years.
- Disburse 30% of the loan amount in advance.
- Speed of evaluation.

Acquisition Financing:

Through this product, SIDF provides the financing of local firms 'acquisitions of enterprises within KSA with added value for the sectors financed by SIDF.

The Product Targets:

- Financing the acquisition of a technology or manufacturing method or the acquisition of intellectual property.
- Financing the acquisition of a competitor to integrate and develop proposals.
- Financing the acquisition of a supplier or customer to achieve integration in cost or revenue.

Financing Options:

- Pre-acquisition financing.
- Post-acquisition financing.

Repayment Period:

- From 5 to 7 years, maximum.

Working Capital Financing:

24-month short-term financing to stimulate projects by covering additional operating expenses that include accounts receivable, inventory and accounts payable.

Advantages of this Product

- Simplified and fast evaluation process.
- Does not require additional guarantees.
- The loan is fully disbursed in advance.

Eligibility Criteria:

- Existing project.
- Provide details of working capital needs.
- Good relationship with SIDF.
- The loan shall be fully disbursed.
- The project's operational period shall not be less than 18 months.

Letter of Credit:

Through this service, and in coordination with commercial banks, SIDF provides the issuance of Letters of Credit to finance credits for importing machinery and equipment on their due dates with the aim of:

- Providing the necessary liquidity for project costs.
- Speeding up project implementation procedures.
- Taking into account the implementation of at least 25% of construction and works and fulfillment of any required conditions.

The agreement has been signed with the following banks:

Riyad Bank - Al Jazira Bank - Samba Bank - Al Inma Bank - Saudi Fransi Bank - Saudi British Bank - Al Bilad Bank.



Challenges and Future Vision

The most important challenges faced by SIDF:

Automation of External and Internal Operations

During 2019, SIDF faced a number of challenges:

SIDF automated all external and internal operations procedures through Tamkeen system, which replaced 70 systems with one. The challenge is to ensure the efficiency and stability of the new system.

SIDF works on several solutions, including:

1. The establishment of a weekly committee headed by the CEO, and including of all the Deputy Chief Executive Officers and membership of directors of relevant departments to ensure the stability of the system and find out quick and effective solutions to overcome challenges.
2. An indicator was created to measure the customer's satisfaction with the new Tamkeen system.
3. The launching of a strategic initiative in 2020 aiming to measure customer satisfaction regarding all SIDF's services and products.

Lack of Qualified Experienced Human Calibers

SIDF employed experienced human calibers in the sectors for which SIDF's support is expanded, as well as the newly created departments such as Risk Management and Relationship Management.

1. The attraction and employment of experienced human calibers in the sectors for which SIDF's support is expanded.
2. The attraction of experts in sectors where SIDF has expanded its support.
3. The provision of specialized and qualitative training for SIDF's employees to advance knowledge in the expanded sectors.

Unified Classification for Industry System Bodies

Unified classification among the industry system bodies. SIDF works with representatives of "NIDL" program and the relevant authorities in the industry system, to link with international classifications and standards such as "ISIC4" for economic activities and HS Code for products, which enables the issuance of statistical and economic reports and indicators that are comparable with international indicators.



SIDF Future Vision:

In fulfillment of the aspirations of Vision 2030 and the objectives of NIDL, for SIDF to be the financial enabler of the economic renaissance in KSA, and to complement the efforts exerted during the SIDF's strategic transformation journey, the future strategy of SIDF has been defined in five perspectives:

1- Economic Impact Perspective:



Increase the economic impact of SIDF-financed projects

This perspective focuses on activating the role of the private sector and increase its contribution to the GDP by stimulating investments in the industrial activities of private enterprises by providing medium and long-term loans to establish new projects related to the industries targeted by "NIDL" program.

2- Financial Perspective:



Stimulate investment in priority and strategic sectors

This perspective focuses on diversifying the economic base and localizing advanced industries by stimulating investments in sectors that suffer from lack of services.

Ensure the financial sustainability of SIDF

SIDF provides adequate financing for industrial projects through medium and long term loans. SIDF maintains the face value of assets and financial capital over the long term, following a consistent approach of asset management.

3- Customer Perspective:



Enhance SIDF's product and services portfolio

This perspective focuses on increasing the satisfaction of SIDF's customer by enhancing it's portfolio of products and services to keep pace with the expansion of support for "NIDL" Program sectors. SIDF also provides advisory services to these sectors in the fields of marketing, technical, financial and economic.

Improve customer experience

Customer satisfaction is a fundamental factor in the success of the industrial transformation experiment in KSA's national economy. SIDF aims to improve customer experience in every aspect of the programs and services it provides.

Strengthen partnerships to enable financing the industrial system

National and international partnerships are the key for SIDF to achieve diversification in the economic base and localize advanced industries. SIDF seeks to become a regional reference point for project-based financing through strategic external partnerships with the main stakeholders.

4- Processes Perspective:



The processes perspective focuses on the goals of SIDF's internal and operational processes.

Enhance the efficiency and effectiveness of the processes
SIDF aims to apply best practices in its processes to make optimal use of its resources. This is through clearly defining the roles, responsibilities and regulations. SIDF also aims to enhance its technologies to support business procedures, reduce errors and automate related processes.

Improve governance, risk management and compliance
SIDF aims to improve corporate governance, risk management and compliance as an integrated set of capabilities that enables the organization to reliably achieve goals, address uncertainty and act with integrity. SIDF also seeks to create effective risk management tools, including the development of policies, models and measurement tools.

5- HR Perspective:



This perspective focuses on enhancing the capabilities and skills of SIDF employees and establishing a culture that makes SIDF the best work environment in the region, through:

Ensure the availability of the required skills & competencies
The attractive workplace is the key to attract, develop and maintain the skilled and motivated workforce in SIDF, by providing many benefits, such as working time, rewards, promotions, occupational health and safety, in compliance with international standards such as (ISO 45001). SIDF also aims to develop a comprehensive approach of HR to become the best workplace.

Develop a culture of performance and productivity measurement
Build a performance-based culture and increase the sense of responsibility among employees. SIDF desires to create a workplace in which employees are motivated to perform at their best.

Improve the attractiveness of the workplace
To further enhance the accumulated experiences among its employees and stakeholders, SIDF provides specialized training programs for technical and expert workers that keep pace with the rapid changes in the industrial system as a priority in the skills development plan.



Human Capital Development

1- Recruitment & Training:



Recruitment



By the end of 2019, 95% of SIDF staff out of 861 were Saudis

Training



In 2019, the number of training courses for Saudis inside and outside KSA reached 612

"Nokhab Credit Program" was launched in partnership with:



By the end of the fiscal year 1440/1441H, the number of SIDF employees reached 861, of whom 816 were Saudi qualified employees who occupy leadership, supervisory, specialized and supportive administrative positions, as the percentage of Saudis reached about 95% of the total of SIDF's workforce.

SIDF management was able to attract and employ 177 (male and female) professionals during the fiscal year 1440/1441H, in its various departments and divisions, with emphasis on Portfolio Department, Technical Studies Department and Market Studies Department.

Training programs during the fiscal year 1440/1441H (2019):
HR Department applies modern standards in the qualification and training of Saudi calibers in connection with training programs related to career progression in the various job categories of SIDF that cover the areas of financial analysis, auditing, IT, and other specializations.

- During the fiscal year 1440/1441H, (612) training programs were held for Saudis inside and outside KSA, including specialized basic courses, short courses, seminars, conferences, internal and external training courses, and practical on-the-job trainings. As 360 male and female employees received general training courses, and 140 employees have received specialized basic courses, while 825 Saudi employees have received specialized short courses inside and outside KSA, and 271 Saudi employees have received training courses inside SIDF. Moreover, 23 Saudi trainees received cooperative training from various Saudi universities in the various departments of SIDF, while the number of trainees in training courses from outside SIDF reached 145 trainees.

- "Nokhab Credit Program" was launched in partnership with "Fitch Learning" and Stanford University, in which 32 trainees from SIDF took part along with 3 trainees from Kafalah program of financing Small and Medium-sized enterprises.

- Launch of the "Fundamentals of Business Analysis and Evaluation" program, with the participation of 11 trainees from SIDF's employees and 8 from other of agencies, namely the Ministry of Energy, MODON, and others.

- The "Accounting and Auditing" program was launched within SIDF to qualify 5 employees of the accounting positions in SIDF, in preparation for completing their practical training at a number of local accounting and auditing offices.

- 17 candidates of SIDF's employees were sent to study masters in universities outside KSA that are ranked among the top 80 universities in the world, three of them joined universities that are on the list of the top 10 universities in the world.

- Leader Creation Program was launched to select those with leadership qualities among team managers and department managers.

- "Coaching" sessions were held for some executives in SIDF, in partnership with distinguished training bodies. The Executive Assessment 360 was also launched.

- The second version of the "Mini MBA " program was implemented in cooperation with Stanford University, with the participation of 20 trainees of SIDF's employees and 15 trainees from other entities, such as: Ministry of Energy, General Authority for Small and Medium Enterprises, Public Investment Fund, and others.

- SIDF is keen to benefit from its distinct partnership with many financial institutions in making use of professional events inside and outside the Kingdom to sharpen the capabilities and skills of its Saudi employees, through active participation in professional and specialized conferences, seminars, practical and scientific discussion sessions and workshops.

- SIDF has signed a number of agreements with the British HSBC Group, Ronald Berger Company, ENGIE and Citibank in order to train and develop employees practically and benefit from the successful global practices applied in these agencies. This training provides an opportunity to develop a wide range of interpersonal skills such as teamwork, dealing with customers, operating in an international work environment, and others. Practical training with these entities focuses on transactions related to private financing product solutions, capital markets, debt, financing and borrowing. The first group of 5 SIDF employees has started their practical training at HSBC and the second group is expected to start in June 2020.

- 6 of SIDF employees have been trained along with 3 from other entities have been trained, namely the Royal Commission for Jubail & Yanbu, Public Investment Fund, Capital Market Authority, on-the-job training at the "Ronald Berger" company in a number of countries around the world as part of SIDF's plan to train 22 participants within the contract period. SIDF also intends to train 6 of its employees with ENGIE Company in October 2020.

The Leadership Creation Program is designed in cooperation with the best international centers to identify the distinct leaders in SIDF among the team and division managers.

SIDF is taking advantage of its good links with similar financial institutions at home and abroad to sharpen the professional skills of its employees.

Practical training programs to share experiences and benefit from global practices



SIDF signed a number of agreements with a group of the best training agencies to benefit from successful global practices.

On-the- job training at the "Ronald Berger" company in a number of SIDF and other entities' employees.

2- SIDF Young Leaders Council:



SIDF Young Leaders Council was established based on the CEO's belief in the potential of SIDF's youth and their creativity and ability to innovate, and in order to provide a platform to present their ideas and proposals and enhance their effective contribution to serve SIDF, industry and KSA as a whole.

The Council focuses on 4 main areas of work around which its initiatives are centered:

- **Consulting solutions:** by conducting in-depth studies in the various fields of SIDF.
- **Development of SIDF's business:** by identifying areas for improvement and submitting recommendations to relevant departments.
- **Social Impact:** the Council focused on enhancing the work environment and SIDF's youth participation in activities.
- **Continuity of the Council:** ensure a smooth replacement process for new members to pursue achievements. The council revises and updates its policy and ensure that projects are delivered upon completion to the concerned departments.

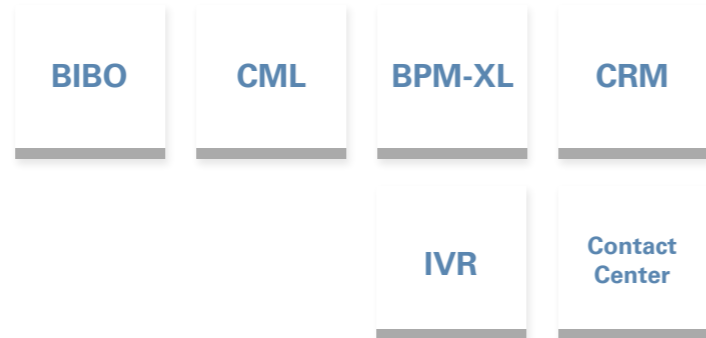
Main Achievements of the Council in 2019:

- ✓ "Great place to work" initiative was created.
- ✓ Worked with HR Department to update code of conduct and business ethics.
- ✓ Participation in preparing offers for trainees from universities students.
- ✓ Formed a team to launch "employment counseling" initiative by communicating with the concerned departments and linking them with recently graduated employees.
- ✓ Launched "SIDF gathering" initiative.
- ✓ Launched the "Jusoor" platform in cooperation with Communication Department.
- ✓ Designed a training program aimed at speeding up the integration of the Council team.
- ✓ Members interviewed and evaluated candidates of the third session of the Council.

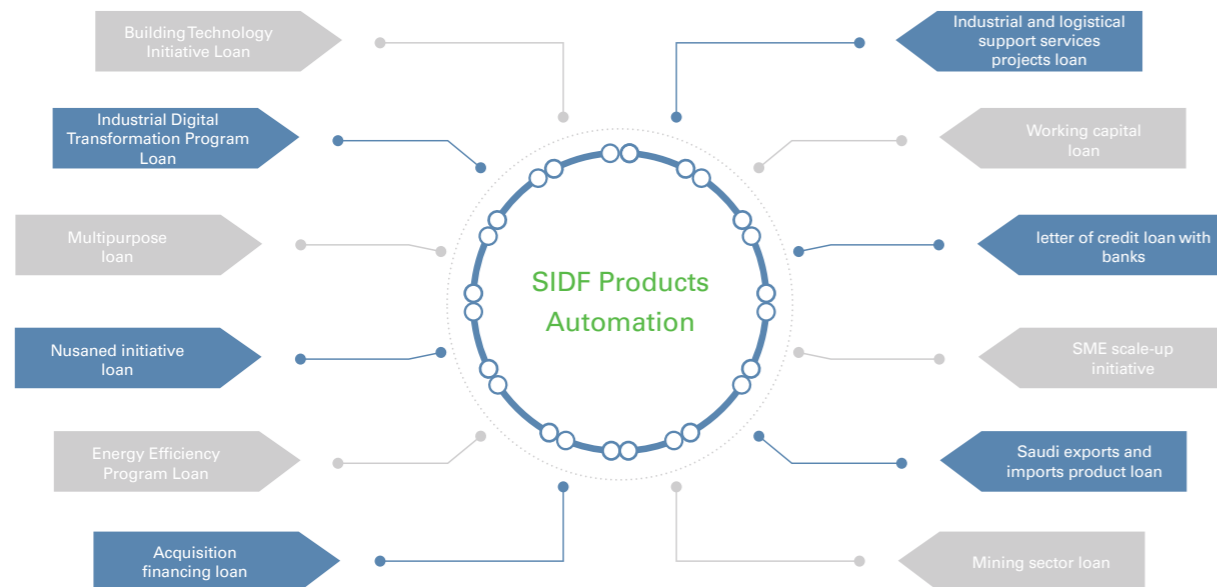
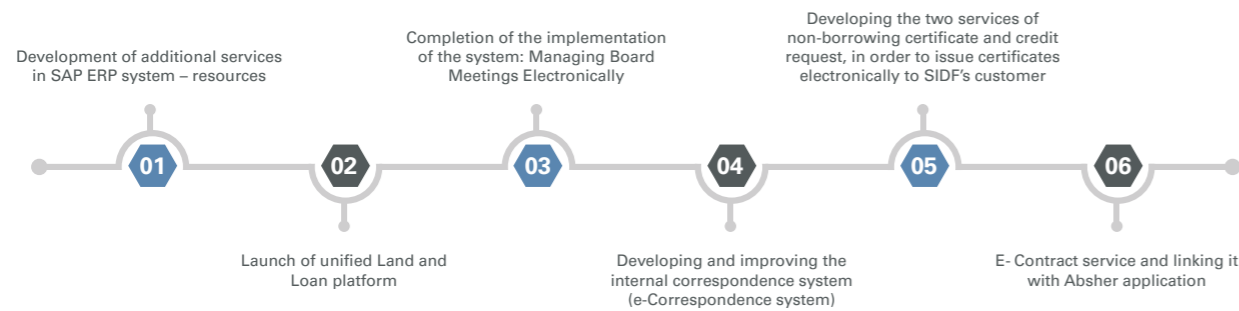
Launch of Tamkeen System and Automation of Credit Procedures:

Tamkeen System

Lending and Customer Relation Management (LMS / CRM) project Tamkeen System Project was launched through the use of SAP solutions in LMS / CRM Application, as many paperwork procedures were automated, in addition to providing many electronic services for all customers and employees, which includes:



Automate Credit Procedures



Other Achievements:

Certificates and prizes awarded:



SIDF Agreements:



SIDF has awarded many certificates, including (ISO27001: 2013 in IT Security, ISO9001: 2015) in Quality Management and IT Quality, and ISO20000: 2011 in IT Services Management by SGS International Company.

Awarded King Abdulaziz Award for Quality and Institutional Excellence in its fourth session for the government sector category, the branch of ministries affiliated- bronze level.

Bronze level- SAP Quality Award in the category of business transformation in the Middle East and North Africa.

SIDF has signed several cooperation agreements with:

MODON and King Abdulaziz City for Science & Technology to support the digital transformation of 100 factories.

The Arab Mining Company (MA'ADEN), Ministry of Environment, Water & Agriculture, and STC, with the aim of financing the opportunities included in its initiative to support local content.

The Local Content & Government Procurement Authority with the aim of developing local content in the industrial sector.

Social Development Bank with the aim of stimulating cooperation between government institutions and facilitating the customer journey.

Aim to Search:

The possibility of providing training programs and courses for the SIDF's employees and the relevant authorities.

Provide cooperative training opportunities inside SIDF.

Provide SIDF's employees with opportunities to participate and contribute in Misk Foundation's programs.

Memorandum of Understanding between SIDF and Misk Foundation



Memorandum of Understanding with International Bodies:

Two Memorandums of Understanding between SIDF and MUFG Bank Ltd., and Sumitomo Mitsui Banking Corporation (SMBC) with the aim of attracting Japanese investors interested in investing in the industrial and investment projects of SIDF, or any other related projects in KSA.

Memorandum of Understanding between SIDF and Angie S.I Co. with the aim of discussing the training of Saudi employees qualified for training from SIDF at Angie S.I.

Memorandum of Understanding between SIDF and Altran Middle East with the aim of providing digital transformation advice to current and potential clients of SIDF, and disseminating the concept of the Fourth Industrial Revolution.

Digital Transformation



SIDF ranked among the twenty-three best government agencies in digital transformation in KSA and one of the three best government agencies in the financial and economic sector.

E- Correspondence Governmental System



Link with E-Correspondence System platform "2" of E-Transaction Program (YUSR) among the top 39 government agencies in KSA, to support the digital transformation process in KSA.

99% Availability of Technical Services



SIDF provided the operating environment, infrastructure, and information technology services to its various departments and clients during official business hours by 99,77%.

Maturity of Digital Services Transformation



SIDF ranked within the platinum category (100%) in the index of Maturity Digital Government Services measuring level of digitization and development.

The Infrastructure for all Servers



SIDF improved and upgraded the storage and virtualization infrastructure for all servers, and upgraded the storage unit for backup, to contribute to keeping pace with the digital transformation process.

Automatic Backup Environment



SIDF has created and provided an isolated backup environment that is updated automatically twice a day.

level of security protection of the information security



The level of security protection for the information security environment has been raised through the activation of modern tools that provide multiple features, such as isolating suspected devices, advanced analysis of malicious programs and files, and allowing only authorized applications.

Educating Users about Security Phishing



A tool has been activated to educate users about security phishing and make it easier for them to inform about suspicious messages. It includes awareness programs for users about information security.

Self –Assessment of National Cybersecurity Authority Requirements



More than 80% self-assessment of the requirements of the Cybersecurity Authority was achieved. Work is currently underway to target 100% in 2020.

National Cyber Security Center (NCSC)



All security recommendations issued by NCSC have been implemented

Recommendation of (VA/PT)



Vulnerability Assessment & Penetration Testing (VA/PT) recommendations have been implemented.

Upgrade IT Service Center System



The IT service center system has been upgraded, and new features have been added to the system, most notably that it is capable of activating the mobile application feature.

Evaluating and Measuring Digital Transformation



7 factories were evaluated in cooperation with a third party in order to measure the extent of energy consumption, digital transformation, readiness, identify digital transformation opportunities, improvement opportunities, as well as financial return of the factories, and submission of a feasibility study from the third party.

Consulting Services for Industrial Sector



Consulting services were provided to the industrial sector with the aim of enabling knowledge and passing expertise and best practices to improve productivity, raise the operational efficiency of the industrial sector, and support troubled factories.

Join Investor Club



SIDF joined the investors club for the long term, in order to enhance KSA's international standing and achieve the interests of SIDF. The club includes specialized development banks from G20.

Digital Certification Services



The National Digital Certification Center has approved SIDF to continue as a provider of digital certification services among the 71 service provider accreditation centers in KSA.

Smart Devices Application for Customers



SIDF launched a new version of the smart device application to its customers with the aim of improving the customer's experience and ease of accessing services through applications for smart devices on operating environments (IOS, Android) and keeping pace with the progress in technology. An application for SIDF customers has been developed that includes 21 services.

Linking With Government Agencies



Continuing the process of linking with government agencies through the government integration channel (GSB) as beneficiaries or providers of (government-government) or (government-business) services. The connection with (55) entities has been completed and (141) services have been provided, and work is underway to link with other government agencies.

Land and Loan Platform



The unified platform (land and loan) has been launched, which allows the investor to apply for financing, including the allocation of land or factory for industrial investment, through a unified application in partnership with: King Salman Energy City (SPARK), MODON, the Royal Commission for Jubail and Yanbu, and Economic Cities and Special Zones Authority (ECZA).

The Strategic Partners Path Initiative

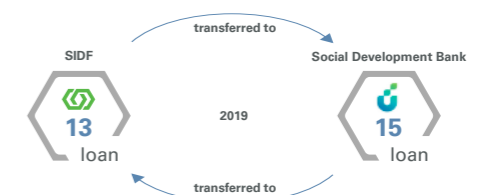


A special path has been defined for strategic partners (specialized in industrial development investment), by obtaining conditional approval from SIDF to help them establish a joint venture agreement with foreign investors before establishing a legal entity for the company, or financial closure.

Initiative to Motivate Investors from Small and Medium-Sized Enterprises



It aims to enhance integration between government agencies by guiding the client to the appropriate options available to him, from various government agencies, by transferring new and existing clients and investors between SIDF and the Social Development Bank, according to the agreed terms and standards.





**Industrial Study:
Auto Parts in KSA**

Industrial Study: Auto Parts in KSA



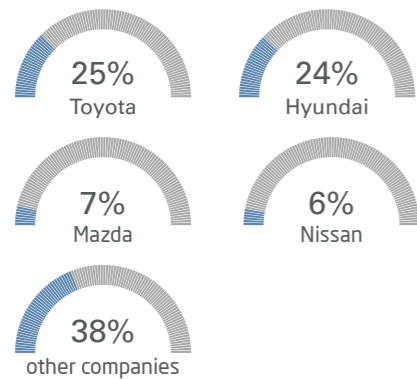
1- Introduction:

The expected benefit from the auto industry value chain in creating job opportunities ranges from 5 to 7 compared to its counterparts in any other industry.

The contribution of the auto industry and supporting activities to the Kingdom's GDP is estimated to reach SR 106 billion by 2030.

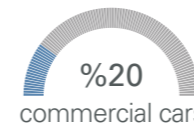
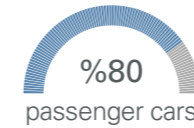
The auto industry is one of the most important industrial and economic pillars around the world; as it is a major engine of macroeconomic growth in both developing and developed countries. The value chain of the auto industry is wide and covers many of the manufacturing industries associated to it, and the expected benefit from it exceeds between five to seven of those in any other industry, in terms of generating direct and indirect jobs. Since KSA is one of the largest car markets in the Middle East, the government is seeking to develop auto industry through NIDL, by launching the Auto Development Program (ADP) initiative, with the aim of encouraging and attracting global manufacturers to establish local factories, and contribute to increase the domestic product, create job opportunities for Saudi youth, develop national skills and competencies, and facilitate the transfer of technology and knowledge from developed countries in this field. NIDL aims to raise the contribution of the automotive sector in KSA, and it is expected that the direct GDP from the automotive industry in KSA will reach about SR 60 billion by 2030. The additional gross domestic product could reach about SR 46 billion as a result of the support activities, in addition to generating job opportunities of 27 thousand direct jobs and 28 thousand indirect jobs opportunities.

Car Sales Volume by Company:



Fitch-Solutions

KSA has a strategic geographic position as a tie point of three main continents: Europe, Asia, and Africa, and is surrounded by the most important water crossings. The car market in KSA is the most dynamic in the region, as it represents about 40% of the total imported car market in the Middle East. Asian companies have the lion's share of car sales in KSA. Research indicates that, during 2019, the Japanese company, Toyota, led the sales and accounted for more than 25% of the car sales volume in KSA. The Korean company Hyundai ranked second largest company, with sales exceeding 24%, followed by Mazda, Nissan, and other companies.



With regard to KSA's car imports in 2018, the total number of imported cars exceeded 450 thousand cars, according to the information available from GASTAT. It is expected that imports will continue to grow, as the available statistics from Fitch-Solutions indicate that during 2019, the cars sales in KSA exceeded 494 thousands cars, and the cars market has boomed in terms of sales, due to the improvement of the local economic situation in general, as a result of multiple successes in the programs and initiatives of Vision 2030., in addition to the resolution allowing women to drive since 2018. In general, the cars market in KSA is divided into passenger cars, which accounted for 80% of the total car sales in 2019, and commercial cars, which constituted 20%. It is expected that cars sales will continue to grow positively in KSA, with a compound average growth of 3.5%.

The volume of car sales on the Saudi market during the period 2017-2022

Year	2017	2018	2019	2020	2021	2022
Passenger Car Sales	444260	337637	405165	430285	446205	464500
% Change	-	-24	+20	+6	+4	+4
Commercial Car Sales	92966	82027	89370	92764	95306	98260
% Change	-	-11	+9	+4	+3	+3

Fitch-Solutions

We also note from the above table that the volume of car sales in KSA during the past year 2018 has significantly decreased due to the economic conditions that accompanied the decline in oil prices, as well as the implementation of VAT. Sales recorded a remarkable growth in 2019, due to the acceleration of population growth in KSA, in addition to allowing women to drive. It is expected that car sales will increase during the period from 2020-2022, with an average of annual growth average of 4.7% for passenger cars, and 3.3% for commercial cars, as the market is expected to achieve sales of approximately 563 thousand cars annually in new car sales by 2022.

2- Auto Parts Industry in KSA:

KSA is the largest market for car sales in the Middle East, with an estimated rate of more than 40% of the volume of demand in the region.

KSA has vast resources of raw materials, and the main materials that enable auto parts to be manufactured locally. SABIC, Ma'aden, Tasnee, and Saudi Aramco are among the most important manufacturers of raw materials used directly in the manufacture of auto parts worldwide, such as black carbon, synthetic rubber for the manufacture of tires, carbon fibers, nylon, polyurethane, chemical compounds, and metal sheets for cars, aluminum sheets for cars, liquefied aluminum for cars, and others. The availability of infrastructure in economic and industrial cities, modern and developed ports, qualifies the auto parts industry in KSA to become economically viable, as KSA is the largest market for car sales in the Middle East region, with an estimated rate of more than 40% of the total volume of demand in the region.

Classification of auto parts:

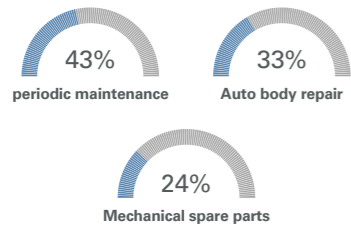
1- Regular maintenance spare parts



2- Mechanical spare parts



3- Auto body repair parts:



Automobile spare parts are classified into three main parts:

This category includes oils, oil and air filters, spark plugs, and brake pads. These spare parts are the most susceptible to wear due to the hot, dusty climate in KSA, and therefore they must be replaced frequently.

It includes multiple parts for the engine of the car. Among the most prominent of these parts are: shock absorbers, gears, and dynamo. These parts have a higher life span, compared to spare parts for periodic maintenance, and the greater the distance, the higher the demand for these parts. Mechanical repairs are higher on commercial cars than on passenger cars.

This category includes many different parts, the most prominent of which are: fenders, glass, bumper, front and rear lights, and others. The volume of demand for them depends on the damages resulting from accidents.

Based on multiple sources, the size of the local market for auto spare parts was estimated at SR 21 billion in 2019. In terms of consumption, the periodic maintenance category constitutes the largest part of the total sales of spare parts, which are estimated at about 43% of the total market size, followed by the auto body repair category 33% and mechanical spare parts 24%.

Benefits of localizing the auto parts industry

The most important economic benefits of localizing the auto parts industry can be summarized as follows:

Transfer of knowledge, technology and experience



The auto parts industry is one of the most important industries that convey technology and knowledge through the transfer of expertise between the workforce in this field.

Create new job opportunities



The auto parts industry is one of the most capable in generating many direct and indirect job opportunities.

Attract foreign investment



Raise the percentage of foreign direct investment in the gross domestic product from 3.8% to the world average of 5.7%.

Reduce imports and increase exports



KSA has taken many structural reforms to diversify the production base, and develop non-oil exports through the establishment of Saudi export development programs, such as the Export Development Authority, and THE SAUDI EXIM BANK.

Contribute to economic diversification



KSA government seeks to reduce its economic dependence on oil exports, diversify its economic base, and improve its investment environment.

Infrastructure development



KSA has provided an industrial base and an advanced infrastructure, through the development of local transportation networks, and the development of the efficiency of port services, electricity, and other logistic services.

Challenges of localizing auto parts:



Although there are many stimulating opportunities in the auto parts industry in KSA, it faces many challenges, including:

- **Scarcity of skilled Saudi workers:** The lack of experienced and qualified Saudi workers in this field, due to the lack of related vocational training in KSA.
- **Production costs:** the high wages of labor in KSA compared to some other industrialized countries.
- **Lack of auto factories:** the automobile industry and spare parts are fundamentally linked as it is the main driver of demand.
- **Governmental support:** the lack of some adequate incentives, or facilities that encourage development of the auto parts industry.
- **Consumer acceptance:** Lack of demand on the local product due to some quality-related problems, compared to the imported product.

3- SIDF Role in Supporting the Auto Spare Parts Industry:

SIDF contributed to supporting the auto parts industry in KSA through loans that exceeded SR 500 million.

For 45 years, SIDF has contributed to the development of the national industry, through its achievements in terms of the number and amount of loans approved for industrial projects in all different sectors. These achievements are in line with the wise government policy in accordance with the vision 2030 to achieve balanced development in all regions of KSA, and to maximize local content, and opportunities for localizing sectors, and support logistic services, and supply chains. SIDF is one of the largest supporters of the auto spare parts industry in KSA, and has significant contributions to provide support through loans made to this sector, that exceeded SR 500 million by the end of 2019.

The role of SIDF is not limited to direct support to investors in the auto parts sector, but rather includes support for the various stages of car manufacturing in general. This substantial support provided by SIDF had a clear impact on industrial activity, as the national factories were able to provide the local market's need of many products, and to provide job opportunities for Saudi youths, which confirms the success of the projects benefiting from these loans.



**In Focus:
Development of
Logistics Sector in KSA**

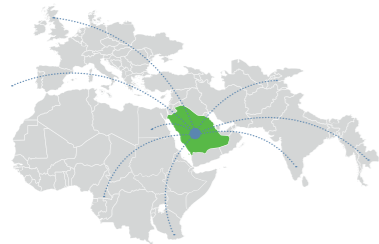
In Focus: Development of Logistics Sector in KSA



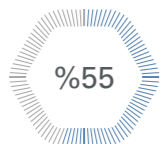
1- Introduction:

In the last three decades, the global logistics sector has grown substantially to become a major activity in the global economic system. Logistics sector include all operations concerned with the transfer of materials and information within the supply chain from producer to consumer, so it is the backbone and an important factor in the prosperity of global trade. The development of logistics sector and the increase in their efficiency have helped reduce commodity costs, reduce production costs, increase production and raise the level of global competition. Almost all areas of human activity are directly or indirectly affected, by logistical operations, especially with the developments in the fields of transportation, modern technology, and e-commerce. This development is reflects not only on the productive sectors, but also on the prosperity of all economic activities, and contributed to the development of the innovation process and its acceleration in creating new and varied opportunities for investments, which created many job opportunities and raised the volume of global gross product.

Global logistics center



The logistics sector in KSA constitutes 55% of the total logistics sector market in GCC.



Vision 2030 has adopted the logistic services sector as one of the most important sectors that are relied upon to raise the level of growth of the local economy, and move towards developing vital and important sectors to achieve economic diversification and reduce dependence on oil sector. NIDLP was launched in January 2019, as one of Vision 2030's programs; aim to make KSA a global logistics center by improving the transport infrastructure, transportation network, air, land and sea ports, and developing an effective interiors distribution network.

KSA has many advantages that support its transformation into an important global logistics center, including its strategic location linking the three continents of the world, Asia, Europe and Africa, the high quality of the logistics infrastructure, large and prosperous economy, and a young and educated society, which represents a unique advantage that helps transform KSA into a regional logistics hub, as the logistics sector in KSA constitutes 55% of the total logistics sector market for the GCC countries. KSA has embarked on an ambitious program

Total investments in the transport and logistics sector during the last ten years amounted to more than SR 400 billion.

NIDLP will support the growth of logistic investments by about SR 35 billion.

In 2019, KSA made remarkable progress in the global competitiveness index in the areas of infrastructure and the efficiency of train services.

to improve logistics sector. The program aims to improve the level and increase of logistics networks, and develop and adapt the changing transportation needs in the country, to benefit from them in transforming KSA into a global export and distribution platform. The value of investments in the transport and logistics sector during the last ten years amounted to more than SR 400 billion, which indicates that the transport infrastructure in KSA was and still one of the main targets of government spending.

NIDLP will contribute to achieving rapid and pivotal gains that will support the growth of investments in this sector, equivalent to SR 35 billion, and the air transport network in KSA consist of 27 airports, including 6 international airports, 8 regional and 13 local airports, and the activity and movement is constantly growing at a doubling rate. The total road network in KSA is 221 thousand kilometers, linking KSA parts with roads and land borders to all neighboring countries. The land transport network includes the new railway projects that include the north-south railway, and the Haramain high-speed train project. KSA is entering a new series of international partnerships, and it is also working with the private sector to complete, improve, and connect its infrastructure internally and across borders.

KSA has achieved significant progress in the transport infrastructure index in the Global Competitiveness Report Index, as it ranked (34) in 2019, compared to 40 in the preceding year. In the index of Efficiency of Train Services, KSA ranked 26 in the same year, compared to 50 in the preceding year. KSA ranked first in the field of communications and information technology in the Middle East and North Africa, and the thirteenth in the world.

Opportunities to develop logistics sector in KSA:

- ✓ Establishment of the Saudi Logistics Company (SAL), in addition to the development of two new air cargo terminals.
- ✓ Establishment of 5 additional airports, in Taif, Jazan, Al-Qunfudhah, Farasan and Najran.
- ✓ Expand more than 20 airports in KSA in the coming years.
- ✓ Operation of the first metro services.
- ✓ Creation of new bus models and common carriers.
- ✓ Raise the capacity of sea ports to ship goods of all kinds.
- ✓ Increase the level of privatization and investment in seaports to increase their capabilities by developing digital systems that significantly reduce routine procedures and simplify cargo clearance procedures.
- ✓ Offering the Al-Khumrah Logistics Zone in Jeddah Governorate for investment to private sector with an area of more than two million square meters.
- ✓ Broadband penetration rates are accelerating, as one of the highest in the region.
- ✓ Availability of high speed internet connection.

2- Indicators for Measuring Logistics Sector Performance:

A- Logistics Performance Index (LPI):

The Logistics Performance Index (LPI) issued by the World Bank is one of the most important measures for determining the performance of commercial logistics by comparing 160 countries in the world. The index includes a number of sub-indicators to measure the efficiency of the performance of logistics sector along the logistical supply chain through the two dimensions: international and local:

- Efficiency of customs clearance procedures.
- Quality of infrastructure for trade and transport.
- Ease of arranging international shipments at competitive rates.
- Efficiency and quality of logistics sector- trucking, freight and customs brokerage.
- The possibility of tracking shipments.
- Deliver shipments on the expected time.

Countries can benefit from this indicator by identifying the strengths and challenges of all elements of logistics sector, which consist of several activities, including transportation, storage, rapid delivery, information management, and so on.

Rank of KSA compared to the top five countries in the Logistic Performance Index (LPI)* during (2012- 2018)

Rank	Country	General index	Customs clearance	Infrastructure	International shipments	Logistical competence	Shipments track	shipments delivery
1	Germany	4.19	4.09	4.38	3.83	4.26	4.22	4.40
2	Holland	4.07	3.97	4.23	3.76	4.12	4.08	4.30
3	Sweden	4.07	3.95	4.22	3.88	4.04	4.02	4.32
4	Belgium	4.05	3.74	4.03	3.97	4.10	4.11	4.40
5	Singapore	4.05	4.00	4.14	3.72	4.08	4.05	4.34
52	KSA	3.08	2.70	3.18	3.05	2.94	3.19	3.43

Source: World Bank. * (1 = low to 5 = high)

The top five countries in this index have advanced levels of competence on all sub-indicators, which confirms the mutual impact of the quality of the performance of the devices with the capabilities available for the work of the sector, as KSA ranked 52 globally in the performance index during the period from 2012 up to 2018. KSA achieved the best performance in the sub-indicators in the Infrastructure Quality Index for Trade and Transport, as it ranked 38 globally during the period, followed by the Cargo Tracking Index, in which it ranked 47 globally. The logistical efficiency and customs clearance were among the most prominent challenges facing the logistics sector in KSA, as it ranked 57 and 60, respectively, according to the logistics sector Performance Index.

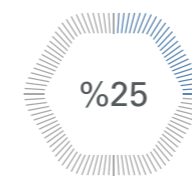
Comparison of LPI of countries in the efficiency of customs clearance:

Country	Number of agencies to complete the process		Number of required forms		Time for complete clearance (day)		% of visual examination to total imports
	Import	Export	Export	Import	Without visual examination	With visual examination	
Germany	1	1	1	1	1	1	2%
Holland	2	1	3	3	0	0	2%
Sweden	2	2	3	3	1	2	2%
Belgium	1	1	2	2	1	1	3%
Singapore	2	2	1	1	0	1	2%
KSA	3	3	3	3	2	3	25%

Source: World Bank

Customs clearance procedures constitute one of the most important sub-indicators. The above table shows that the number of agencies required to complete customs clearance processes in KSA for import and export 3 agencies, compared to a smaller number of agencies in the countries ranked top in the index. Import and export procedures require 3 forms to complete the operations, while the number of forms is less in Germany and Singapore and is limited to one form only, and two forms in Belgium. The table shows that the time required in KSA to complete customs clearance procedures is equivalent to almost twice the number of days compared to top countries. Customs clearance procedures in KSA require visual examination at a rate of 25% of the total incoming shipments, compared to a rate not exceeding 3% of the total incoming shipments in other top ranked countries. The volume of investments in the logistics sector, including the transformation of the General Customs Organization and the General Authority for Ports, into agencies with sufficient capacity and flexibility to improve the quality and efficiency of procedures and processes for logistics sector.

% of visual examination to total imports



Challenges Facing Logistics Sector in KSA:

- The large number of papers and documents required to transport goods.
- Duplication of data in follow up and trace systems.
- The use of multiple customs clearance criteria at different border points.
- Lack of qualified logistics sector providers compared to the sector's potential, which weakens KSA's competitiveness regionally and globally.
- The length of the customs clearance process for the entry and exit of goods into and out of KSA.
- The level of integration between the different means of transport to enhance the efficiency of logistical operations.
- The limited attraction of foreign capital in this sector.
- The length of time it takes to end import procedures from abroad (the flow of goods) through airports, ports, and land routes.

b- Cross Border Trade Index:

The quality of logistics sector affects the ease and prosperity of business, and the Doing Business Report issued by the World Bank has adopted the Cross-Border Trade Index, which measures the time and cost associated with logistical operations for the export and import of goods (excluding customs tariffs), as one of the most prominent indicators of ease of doing business. Data on Cross-Border Trade is collected through a questionnaire addressed to local shipping companies, customs brokers, port authorities and merchants.

KSA's ranking in the cross-border trade index in 2019

Standard	KSA		OECD		MENA		
	Export procedures	Import procedures	Export procedures	Import procedures	Export procedures	Import procedures	
Time required (hour)	Compliance with border laws	37	72	12.7	8.5	52.5	94.2
	Compliance with documentary terms and requirements	11	32	2.3	3.4	66.4	72.5
Cost (USD)	Compliance with border laws (USD)	319	464	136.8	98.1	441.8	512.5
	Compliance with documentary terms and requirements	73	267	33.4	23.5	240.7	262.6
Average ranking in the Cross Border Trade Index		86		26		117	

Source: World Bank, Ease of Doing Business Index report

KSA ranked 86 in this index out of 191 countries in the world. This relatively lower ranking compared to the OECD countries is due to the high costs and the long time required to complete import and export procedures.

As the above table shows, the export and import procedures in KSA take a long time compared to the OECD countries, as logistical transport means, whether by sea or land, are forced to stay for a period exceeding one day (24 hours) to complete the requirements and comply with the borders laws compared to (2-3 hours) in the OECD countries. However, KSA as a whole is relatively advanced compared to the countries of the Middle East and North Africa in terms of the time required to export and import.

As for the cost involved in import and export procedures in KSA, the costs of procedures are relatively lower compared to the countries of the Middle East and North Africa. The costs of import and export are also expensive, given that there are many developed OECD countries do not charge any costs on export and import procedures. From the above, we can summarize the challenges facing the logistics sector in two components: regulatory measures and investments. With the automation of the customs procedures systems

KSA will achieve an advanced position in global logistics sector by automating customs procedures, developing work at ports and attracting investments.

3-The sector of logistics and Industry 4.0 :

Logistics and supply chains influence the work and development of the industry through the processes of digital transformation, transportation and distribution.

at the General Customs Authority, the development of work procedures in the land, sea and air ports in line with the directions of Vision 2030, the government's investment in creating an advanced infrastructure for logistics sector, opening the way for private sector investments in this sector, and establishing a special program with SIDF to finance these investments, in addition to other measures and concerted efforts, KSA will be able to achieve an advanced position in the field of global logistics sector.

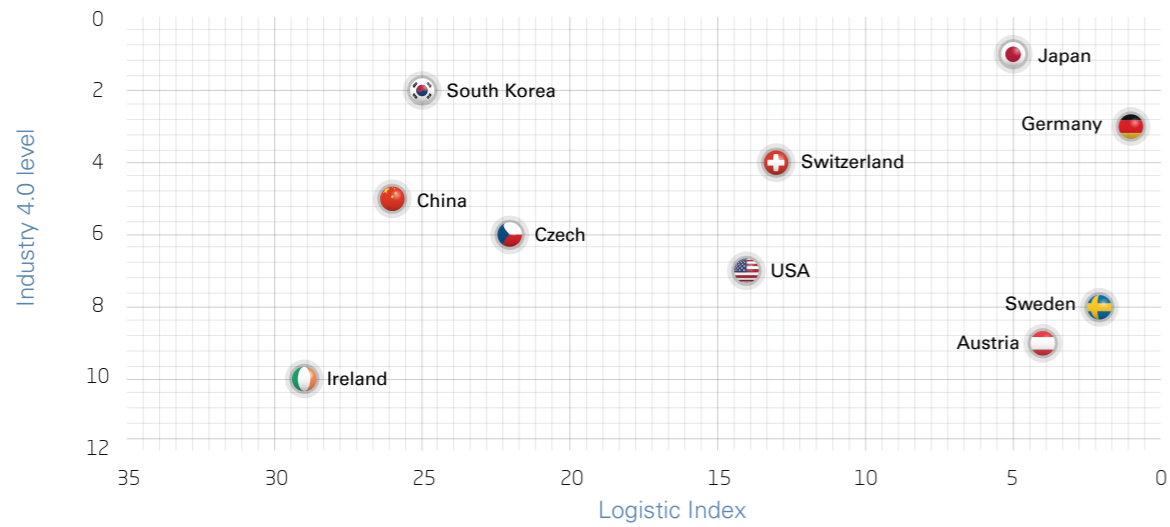
The logistics sector is closely related to the industry. The digital transformation, the internet of things, in addition to the new electronic systems for monitoring manufacturing processes, constitute the most important additions to the current trend of the Fourth Industrial Revolution (Industry 4.0). Although Industry 4.0 is receiving more attention, but there is another revolution occurring within the world of logistics sector, which is changing the way in which products pass from production facilities to customers in a similar term, which is the new logistics model (Logistics 4.0). Because of the industrial technical progress, we find that the logistics sector and supply chains affect the work and development of the industry, especially through digital transformation, transportation and distribution operations. The Logistics 4.0 model uses "smart" containers, vehicles, platforms, and transportation systems to create a complete networked supply stream that provides supply chain managers, shippers, freight forwarders, and others with the necessary vision to direct transportation, carry out other logistics sector and carry out tasks in an ideal way.

Technology plays a major role in redefining every element of the global supply process, from manufacturing to shipping, warehousing, competition, collaboration, and managing customer expectations, in addition to the presence of technologies aimed at identifying digital strategies that contribute to pushing work efficiency, to compete in the future. The digital transformation of logistics operations contributes to:

- 01 <<< Improve security and transparency, import / export control.
- >>> 02 Simplify and reduce paperwork and documents needed for import / export.
- 03 <<< Ease of tracking shipments in real time.
- >>> 04 Ensure the effective exchange of information between all parties involved in import / export operations.

Looking at the relationship between the world's ranking in logistics sector and the development in Industry 4.0 level, we find that there is a positive relationship between the progress of countries in the field of logistics sector, and their ability to practically apply the concepts of Industry 4.0.

LPI rank for the top 10 countries implementing Industry 4.0



Source: World Bank, Ease of Doing Business Index report

The above figure shows that the leading countries in the application of applying Industry 4.0 are among the top countries in the ranking of the Logistics Performance Index, which confirms the existence of a positive relationship between industrial development and improvement in the field of logistics sector. Thus we can say that the existence of strong and effective logistics sector will lead to development in manufacturing processes and will contribute to entering and activating Industry 4.0. Similarly, industrial development and apply of Industry 4.0 systems will contribute to raise and improve the quality of logistics sector to higher levels, and so on.

3- SIDF Role:

As the financial enabler of NIDL, SIDF is very interested in the logistics sector. The financing program provided by SIDF to enhance the role of the logistics sector covers several aspects, including:

1-Third-Party Logistics Projects



- Create value-added warehouses.
- Trucking support.
- Support logistics IT.

2- Infrastructure Projects for Air, Land and Sea Ports



- Design and construct ports and airports.
- Construction of port facilities: such as public roads, water networks and electrical extensions.

3- Port Handling Services



- Port handling.
- Support services, such as solutions for unloading goods through specialized equipment.

4- Projects of Cargo Transport



- Manufacture and purchase of container ships and feeding vessels.

5- Air Freight Projects



- Support air freight services transporting goods between global markets.

6- Rail Transport Projects



- Rolling stock.

The total costs of logistical projects financed by SIDF until the end of 2019 amounted to more than SR 1,35 billion, to which SIDF contributed more than SR 600 million.

This diversification in products, and the integration in covering all aspects of the development of the logistics sector, not only lead to the prosperity of the logistics sector, but will also lead to an increase in competitiveness, and the efficiency of unleashing the potential of many other economic sectors, the most important of which are industry, mining and energy.



89
76
11
31
05
57
10

78%

210.24
1,214.58
0.00

7,513.08
12,167.01
27,130.58

7777

SIDF Lending Statistics

SIDF Lending Statistics

Table (1)

Approved Cumulative Loans, Disbursements and Repayments (SR million)

Year	Repayments	Disbursements	Approved loans
1431/1432H (2010)	34,640	59,401	87,391
1432/1433H (2011)	37,216	64,578	95,476
1433/1434H (2012)	41,526	70,636	105,415
1434/1435H (2013)	45,886	75,592	112,095
1435/1436H (2014)	50,346	81,276	117,987
1436/1437H (2015)	54,999	88,444	129,425
1437/1438H (2016)	59,333	94,821	137,367
1438/1439H (2017)	63,631	102,240	147,938
1439/1440H (2018)	68,688	111,629	157,378
1440/1441H (2019)	73,777	120,840	169,878

Table (2)

Amount of Approved Loans during the year by Industrial Sectors

Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Chemical industries	3,706	2,483	4,125	2,047	1,535	6,674	744	6,779	6,434	10,618
Engineering industries	1,358	1,966	1,942	855	2,174	756	4,420	2,223	449	375
Consumer industries	758	1,061	2,287	1,330	1,017	1,621	1,086	1,233	1,731	873
Cement industries	-	89	429	1,302	88	-	900	-	140	57
Building materials industries	673	1,138	765	955	422	680	525	144	162	32
Other industries	91	1,348	392	191	656	1,707	267	193	524	544
Total	6,589	8,085	9,940	6,680	5,892	11,438	7,942	10,571	9,440	12,499

Table (3)

Amount of Cumulative Approved Loans during the year by Industrial Sectors

Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Chemical industries	35,470	37,953	42,078	44,126	45,661	52,335	53,079	59,858	66,311	76,909
Engineering industries	17,694	19,661	21,602	22,457	24,631	25,387	29,807	32,030	32,479	32,854
Consumer industries	14,087	15,148	17,436	18,766	19,783	21,404	22,490	23,722	25,434	26,327
Cement industries	9,681	9,770	10,199	11,501	11,589	11,589	12,489	12,489	12,629	12,686
Building materials industries	9,309	10,447	11,212	12,166	12,589	13,269	13,794	13,938	14,100	14,132
Other industries	1,149	2,497	2,889	3,080	3,735	5,442	5,709	5,902	6,426	6,970
Total	87,391	95,476	105,415	112,095	117,987	129,425	137,367	147,938	157,378	169,878

Table (4)

Number and Amount of Approved Loans (by sub-sector)

Sector	During 1440/1441H (2019)		Cumulative total	
	Number	Amount (SR million)	Number	Amount (SR million)
Consumer Industries	39	874	1271	26,327
Food	23	685	610	16,115
Soft Drinks and Beverages	4	55	118	2,293
Textiles	3	21	132	2,561
Leather and Alternatives	-	-	26	137
Wood Products	-	-	26	270
Wood Furniture	3	29	84	597
Paper Products	6	83	235	4,136
Printing	-	-	40	218
Chemical Industries	38	10,618	1225	76,909
Chemicals	22	10,471	571	63,841
Oil and Gas Products	-	-	80	5,407
Rubber Products	2	3	29	871
Plastics	14	145	545	6,790
Building Materials Industries	3	32	639	14,132
Ceramics	-	-	42	1,975
Glass Products	1	2	123	3,806
Other Building Materials	2	29	474	8,351
Cement Industries	1	57	48	12,686
Engineering Industries	15	375	1137	32,854
Metals Products	10	266	712	22,368
Machinery and Equipment	3	20	132	1,601
Electrical Equipment	2	88	210	3,777
Transport Equipment	-	-	83	5,107
Other Industries	18	544	144	6,970
Total	114	12,499	4464	169,878

Table (5)
Number and amount of approved loans by KSA Regions

Region	During 1440/1441 (2019)		Cumulative total	
	Number	Amount (SR million)	Number	Amount (SR million)
Riyadh	35	665	1616	29,854
Makkah	15	802	1073	31,078
Madinah	7	96	215	20,908
Eastern Region	35	7,100	1188	68,988
Qassim	5	441	103	2,411
Asir	5	30	69	1,280
Tabouk	3	13	23	852
Hail	3	29	47	2,355
Jazan	2	3,150	43	7,193
Najran	2	110	32	1,374
Baha	-	-	17	84
Jouf	-	-	23	189
Northern Borders	2	63	15	3,312
Total	114	12,499	4464	169,878

