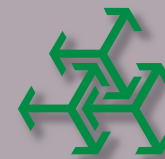
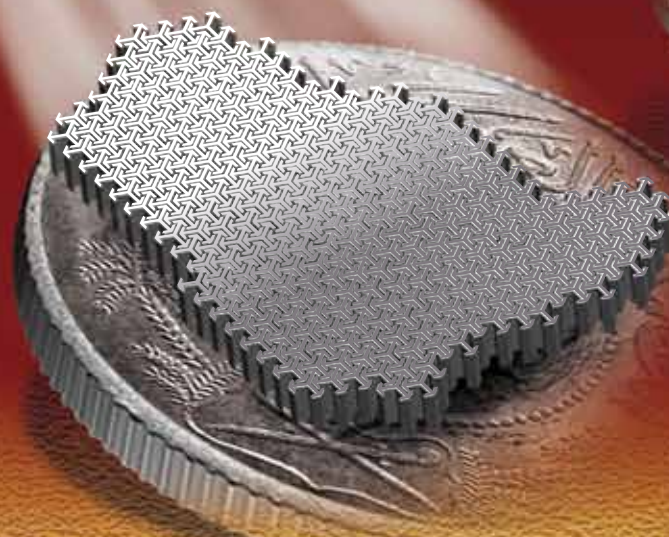


**Kingdom of Saudi Arabia**  
**Ministry of Finance**



**Saudi Industrial Development Fund**



**Annual Report for the Fiscal Year**  
**1430 / 1431H (2009G)**

**IN THE NAME OF ALLAH  
MOST BENEFICENT, MOST MERCIFUL**





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



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



**His Royal Highness**  
**Prince Naif Bin Abdulaziz Al Saud**  
**The Second Deputy Premier**  
**and the Minister of Interior**



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## Foreword by H.E., The Minister of Finance

At the end of the fiscal year 1430/1431H (2009G), I am pleased to introduce the annual report of the Saudi Industrial Development Fund, the thirty-fifth anniversary of the Fund's establishment, underlining yet again its role as one of the major pillars of industrial development in the Kingdom.

Since the middle of 2008G, through 2009, the world has witnessed a severe economic crisis. Its repercussions for the financial sector have also affected all sectors of production on a global scale resulting in a massive decline in demand for commodities and services. Obviously, the industrial sector has been among those adversely affected by the crisis particularly the automobile manufacturing and petrochemical industries as well as their ancillary industries.

The consequences of the crisis have been clearly reflected on the Fund's lending activities, particularly in relation to the petrochemical industry which is conspicuous for its huge investment capital. A number of investors refrained from involvement in certain projects until the features of the post-crisis economy have become evident. As a result, SIDF approvals to the Chemical Industries sector have been curtailed during the fiscal year 1430/1431H (2009G). However, the Fund continued to steadfastly support other industrial sectors. Most of these sectors witnessed significant growth in terms of value of approved loans during the fiscal year 1430/1431H (2009G). Since its inception in 1394H up to the end of the fiscal year 1430/1431H, the Fund has approved a total of 2694 industrial loans to implemented projects and those already under way. These loans assisted in establishing 1779 industrial projects, Kingdomwide, at a total cost of SR 272,228 million and net financial commitments amounting to SR 69,168 million.

In addition, SIDF has played a major role in implementing the Fund-run Small and Medium Enterprises Loan Guarantee Program in collaboration with the participant commercial banks. The aggregate number of guarantees approved by the Program, since its inception up to the end of the fiscal year 1430/1431H (2009G), has reached 1110 guarantees with a total value of SR 449 million against banks' financing of SR 1,070 million.

Finally, I would like to express my sincere appreciation and gratitude to the Custodian of the Two Holy Mosques and his faithful Crown Prince and Second Deputy Premier for their guidance and unstinting support not only to SIDF but also to other development funds in the Kingdom. Their efforts have enabled all participants to achieve most of their objectives and meet the aspirations of our country's wise and progressive leaders.

I would also like, on this occasion, to thank the Fund's Board of Directors, executive management and all employees for their valued efforts in support of industrial development in the Kingdom and their prudent response to the setbacks and challenges now engaging the world economy.

May Allah guide all of us!



Ibrahim Bin Abdulaziz Al-Assaf  
Minister of Finance





## Board of Directors



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



**Eng. Abdullah M. Al-Aboodi**  
Director General Directorate  
of Water in Riyadh Region



**Dr. Khalid M. Al-Sulaiman**  
Deputy Minister for Industry  
Ministry of Commerce and Industry



**Mr. Ibrahim Abdullah Al-Nassar**  
Deputy Governor for  
Administration & Finance  
Saudi Arabian Monetary Agency



**Dr. Ahmed H. Salah**  
Economic Consultant,  
Ministry of Economy and Planning

## Chairman's Statement

I am pleased to present the Fund's annual report for the fiscal year 1430/1431H (2009G) which has experienced, in the aftermath of the world financial crisis, prodigious economic challenges at both domestic and international levels.

In spite of the resultant repercussions, the Fund has maintained its characteristic professional and competent performance. About 111 industrial loans were approved compared to 107 loans in the previous fiscal year. By size, total loan commitments for the year amounted to SR 5,186 million. The loans approved during 2009G comprise 76 loans extended for the construction of new industrial projects and 35 loans approved for the expansion of existing industrial projects, with investments totaling SR 14,712 million. This latter figure underlines the strength and success of industrial investment in the Kingdom. Likewise, disbursements for the year have grown by 7.6% to SR 5,442 million: the highest ever disbursed amount over any one year since the foundation of the Fund in 1394H (1974G). Repayments during the year covered by the report amounted to SR 1,727 million, approximately equaling the figure of the previous year. By and large, this attests to the strength of the industrial base of the Kingdom, despite the repercussions of the world crisis.

In addition to the activity of the industrial lending program, the Fund-run Small and Medium Enterprises Loan Guarantee Program issued, during the year, 504 guarantees with a total value of SR 181 million against banks' financing of SR 464 million.

Development of the industrial sector, in any country, requires not only the necessary funding but also the appropriate solutions to the financial, administrative and marketing difficulties which the industrial investor may encounter. Hence, fortified by the experience gained throughout the past thirty-five years, the Fund was able to provide the consulting services, direction and assistance essential in resolving such complexities and challenges.

This success could not have been achieved without the blessing of Allah and the open-handed support granted to the Fund by the sagacious leadership and direct patronage of the Custodian of the Two Holy Mosques, his faithful Crown Prince and Second Deputy Premier.

Finally, I would like to express my grateful appreciation to those who continue to maintain their commitment to accomplishing outstanding achievements year after year: the Fund's executive management and all employees.

May Allah bless all of us!



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



**Preface :**  
**Trends and Indicators in**  
**the Domestic Economy**



## Preface: Trends and Indicators in the Domestic Economy

### KSA Economic Review for the Year 2009G:

The Saudi economy achieved good results in 2009G despite the impact of the global economic recession resulting from the global financial crisis and the consequent drop in oil demand. According to the Ministry of Finance's statement accompanying the state budget declaration, the Kingdom's gross domestic product (GDP) is expected to reach about SR 1,384 billion in 2009G, reflecting a contraction of about 22.3% at current prices. In terms of constant prices, overall GDP is estimated to grow by 0.15%. In addition, preliminary estimates indicate that the public debt volume will decline to around SR 225 billion, i.e. 16% of GDP, by the end of the fiscal year 2009G.

As for the private sector, it is expected to continue the positive performance it has consistently maintained for years, growing by 2.8% at current prices and 2.5% at constant prices in 2009G. In addition, the private sector contribution to GDP is projected to increase to 47.8% in terms of constant prices. Moreover, all components of the private sector recorded positive growth in 2009G. The Communications, Transportation and Storage sector is estimated to grow by 6%, the Construction sector by 3.9%, Electricity, Gas and Water sector by 3.35%, Non-oil Manufacturing sector by 2.2%, Wholesale, Retail, Restaurants and Hotels sector by 2%, and Financial, Business Services, Insurance and Real Estate sector by 1.8%.

With regard to inflation, the year 2009G has witnessed less severe inflationary pressures as the cost of living index shows an increase of 4.4% in 2009G compared to 9.9% in 2008G. The non-oil GDP deflator, a key economic indicator for calculating inflation for the whole economy, increased by 2.4% in 2009G.

The current account for the balance of payments, according to the preliminary estimates of the Saudi Arabian Monetary Agency (SAMA), is estimated to

achieve a surplus of SR 76.7 billion in 2009G compared to SR 496 billion in 2008G, a decline of 84.5 percent. In the same context, the balance of trade in 2009G is expected to achieve a surplus of SR 390.3 billion, i.e. a decline of 50.9% from the previous year, as a result of the decline in the total value of commodity exports by 41%. Non-oil exports are expected to decline in the year 2009G by 16.4% to about SR101.7 billion, accounting for about 15% of the Kingdom's total exported goods.

At the level of financial and monetary developments, and in the light of developments in local and global economies, the Kingdom continued its firm monetary and financial policy to achieve a suitable level of liquidity to satisfy the requirements of the national economy. The money supply, in its broad definition, achieved a growth rate of 8% in the first ten months of the fiscal year 2009G compared to a growth rate of 14% in the same period of the previous fiscal year.

With regard to the banking sector, commercial banks have continued to strengthen their financial capabilities. The capital and reserves of these banks increased by 24.1% to SR 163.6 billion for the first 10 months of 2009, while their total claims on public and private sectors declined by 5.7%. In the same period, bank deposits have increased by 8.2% to SR 916 billion. The banks also continued their vital role in supporting the private sector and expanding its economic activities. The total credit extended by banks to the various economic activities in the private sector totaled more than SR 750 billion during the first nine months of 2009. Loans extended to the Mining sector increased by 54%, Services sector by 41.6%, Finance sector by 33% and Electricity, Water and other services by 32.8%. On the other hand, finance granted to certain sectors slightly decreased i.e. Trade sector by 0.2%, Transport and Communications by 1% and Manufacturing and Production by 3.7%.

Likewise, the Saudi Industrial Development Fund continued its characteristic

outstanding commitment to the support of local industry in all spheres of industrial activities. SIDF's loan approvals in the fiscal year 2009G amounted to SR 5,186 million. Moreover, the Small & Medium Enterprises Loan Guarantee Program (KAFALA), run by the Fund, approved 504 guarantee documents during 2009G with a total value of SR 181 million to guarantee financing SR 464 million extended by local commercial banks to 315 small and medium enterprises.

Furthermore, the general Saudi Stock Market index registered 6122 points by the end of the fiscal year 2009G in contrast with 4803 points at the end of the year 2008G. During 2009G, 10 companies were enlisted in the market, bringing the total number of companies registered in the market to 135. Moreover, the Capital Market Authority (CMA) continued to draw up and issue a set of regulations to organize and develop the market, and enhance the principles of fairness, transparency, disclosure and investor protection. The CMA Council has issued an amended regulation for corporate governance, established a management body to handle corporate governance and developed a strategy to raise awareness of corporate governance. CMA has also licensed 14 new companies to be engaged in multifaceted securities trading business, bringing the number of total licensed companies to 124.

In furtherance of the movement towards structural and organizational reforms targeting the augmentation of the structure of the national economy, the government endorsed some new regulations, laws, rules and procedures in the year 2009G. These included the Agricultural Development Fund Regulation; the Saudi National Strategy for Industry; the GCC Monetary Union Agreement; the creation of the National Committee for Clean Development Mechanism, in addition to approval of Tax incentives for investors in specific geographical areas of the Kingdom. Approvals also include by-laws for the establishment of non-profit technical and vocational training; the rules and arrangements for dealing with national employees in the sectors targeted for privatization as well

as the action mechanism of the Real Estate Contributions Committee.

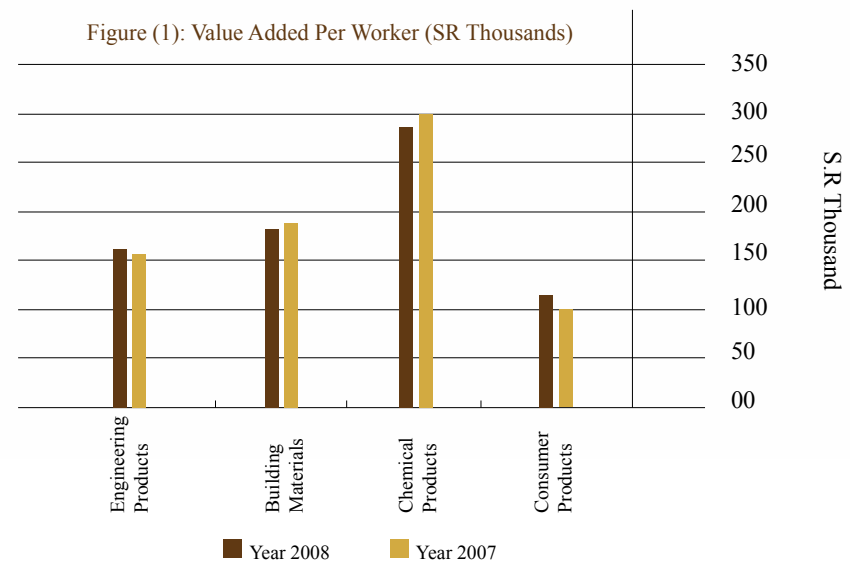
Overall, the Saudi economy's performance in 2009G was the subject of appreciation and praise by the global economic community. The International Monetary Fund (IMF) praised the Kingdom's economic policies adopted to face the current global financial crisis, and highly regarded the Kingdom's efforts in consolidating its macroeconomic position and financial sector. In addition, the Standard & Poor's rating reaffirmed the strength of the Government's financial position, thanks to the strong balance of payments and successful implementation of Government expenditure and reform plans in the adverse global economic environment. Therefore, the Standard & Poor's rating of (AA-) assigned to the Kingdom was retained. In the same context, the World Bank in its report on Ease of Doing Business in 2010 ranked the Kingdom 13th among 183 countries.

Finally, the year 2009 was a distinctly exceptional year for the Saudi economy's performance in view of the current global economic recession resulting from the global financial crisis. This success attests to both the strength of the Saudi economy and the successful structural reforms adopted by the government to further advance the economic growth driven by the private sector. Furthermore, it will enhance the Saudi economy's status internationally and reaffirm that the Kingdom is an investment-attractive environment where resident companies are able to have access to business financing at lower cost.

### Local Industrial Sector's Performance Indicators:

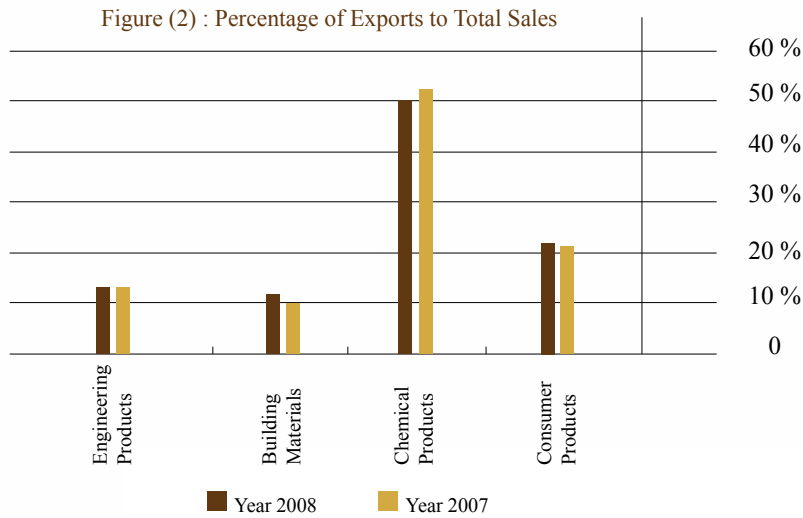
Despite the implications of the financial crisis now afflicting the world's economies, reflected in a severe drop in demand for manufactured products, the annual growth rate of the manufacturing sector output in the Kingdom only declined from 5.4% in 2008G to 2.2% in 2009G. This growth rate is considered satisfactory if compared to the global industrial sector performance during the period referred to, as the World bank has projected the global industrial output to decline substantially by about 15% in 2009G.

In the context of the aforementioned general picture of the industrial sector, we take a closer look at some of the performance indicators of the sector. As data for the year 2009G has not yet become available, we will refer to the available data for the period 2007-2008G. Performance indicators for this period show continued satisfactory growth for most of the industrial branches in the Kingdom. Figures (1,2,3) show performance features and trends by major manufacturing sectors for the period 2007-2008G. As for the industrial productivity indicator, figure (1) shows the average value added per worker in the main industrial sectors for the years 2007-2008G. During the year 2008G, the Chemical Products Sector ranked first in terms of average value added per worker. The Building Materials Sector is next, followed by the Engineering Products Sector. Lastly, the Consumer Products Sector had the lowest average value added per worker. With respect to performance trends for the average value added during 2007-2008G, figure (1) shows a variable pattern within major industrial sectors. The Consumer Products & Engineering Products sectors recorded an increase of 15% and 5% respectively in 2008G over the 2007G figures. However, the Chemical Products & Building Materials sectors have recorded a minor decline in the value added per worker indicator, by falling by 4% and 2% respectively in 2008G. This decline in the average value added, for these two sectors, can be attributed to the decline in the global demand for and prices of the products of the two sectors, due to the global financial crisis.



Source: SIDF Manufacturing Database (2008G)

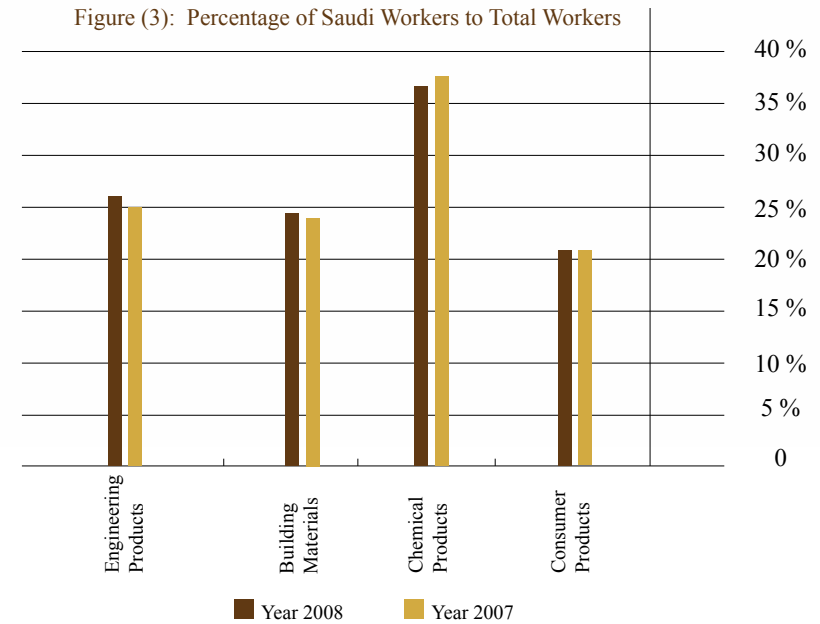
Another indicator of vital importance in the Kingdom, especially in the few past years, is that of average industrial exports. The government attaches major significance to consolidating and increasing non-oil industrial exports as a strategic objective for the national economy, to minimize dependence on oil exports. Figure (2) shows the average export ratio as percentage of total sales for the years 2007-2008G. A review of the ratio for the year 2008G, shows that the Chemical Products Sector ranked first with a ratio of 51%, followed by the Consumer Products Sector with a ratio of 22%. Then follows the Engineering Products and Building Materials sectors with ratios of 13.2% and 11.6% respectively. The performance indicators according to figure (2) shows an increase in average exports to total sales for the Building Materials sector which recorded an increase in the average export ratio in 2008G of 17%, followed by the Consumer Products sector (2%) and the Engineering



Source: SIDF Manufacturing Database (2008G)

Products sector (1.2%), while the Chemical Products sector showed a minor decline of 3.7% in 2008G.

The Saudi labor ratio to total industry labor is a factor that is currently gaining increasing importance at the national level. Figure (3) shows the ratio of Saudi employment to total employment for the major industrial sectors during 2007-2008G. By 2008G levels, the Chemical Products Sector led the other sectors with 36.6% Saudi employment ratio. The Engineering Products Sector came next, with a 26.1% Saudi employment ratio. The Building Materials Sector followed with a 24.4 % Saudi employment ratio. Finally, the Consumer Products Sector showed a 20.8 % Saudi employment ratio. These Saudi employment ratios are considered moderate where foreign labor still accounts for the bulk of the labor in the industrial sector. However, as indicated in figure

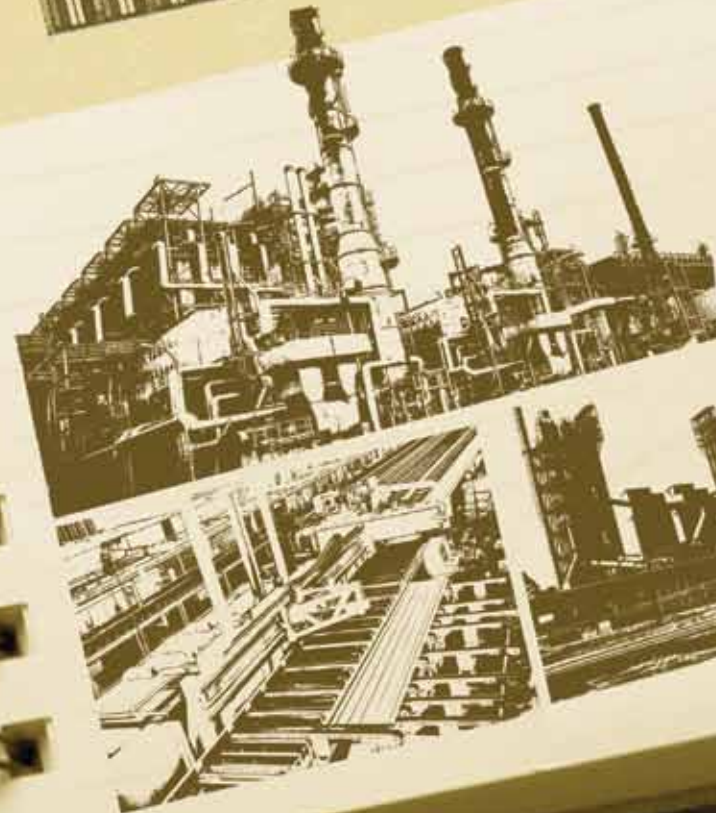
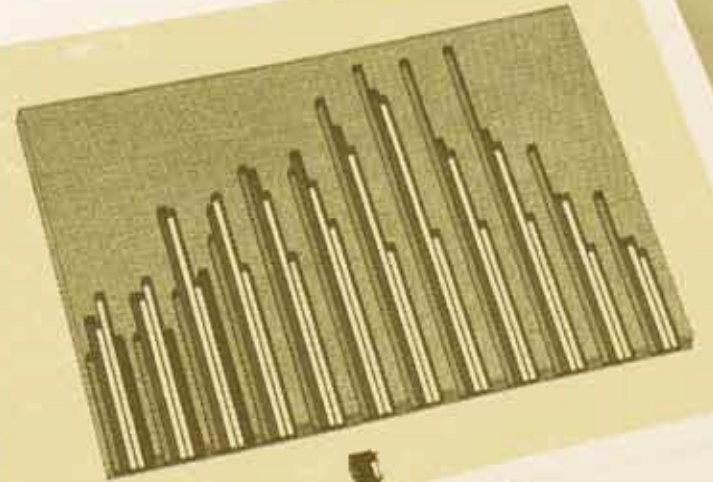


Source: SIDF Manufacturing Database (2008G)

(3), the Saudi employment ratio has shown rising trends during recent years. This Saudization trend points to the private sectors' continued cooperation with the government in achieving the objectives of increased Saudi employment levels in industry.



# SIDF's Lending Activity



## SIDF's Lending Activity

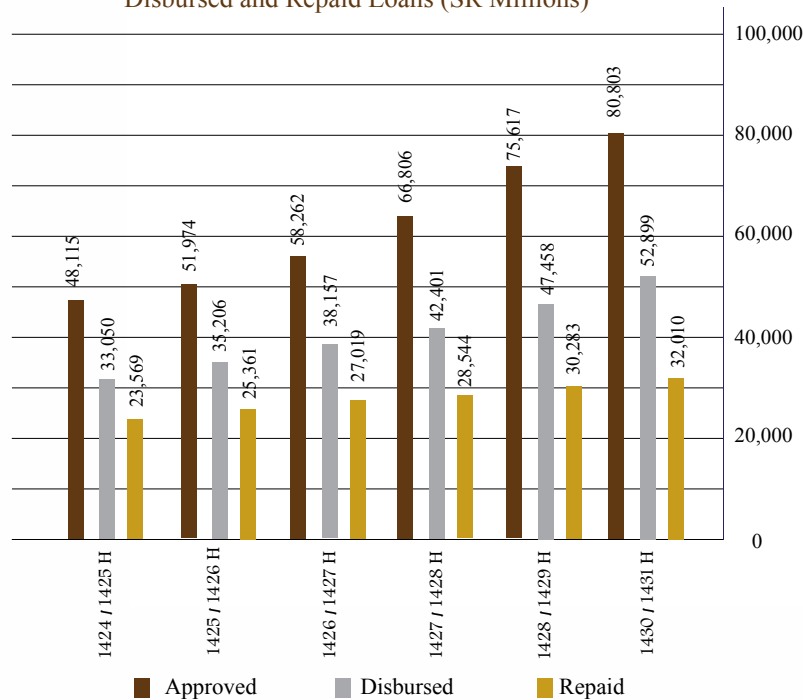
### I. Summary of Lending Activity During 1430/1431H (2009G):

The Fund continued its unwavering support of the development of the domestic industrial sector by providing soft, medium and long term loans as well as rendering appropriate consulting services to borrowing projects in the financial, technical, marketing and management fields.

Although the world economic crisis of 2009G affected the world economic growth rate, its influence on the Saudi economy has been limited. The latter can be attributed to the fact that financial and monetary policies adopted by the Kingdom contributed to the mitigation of the negative impacts of the world financial crisis on the Saudi economy.



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



As for the Fund's lending activities during the fiscal year 1430/1431H (2009G), the crisis impacted only on the petrochemical industry which is characterized by huge investments. Uncertainty over the outcome of the crisis influenced investors to the extent that they were reluctant to become involved in certain projects until the features of the post-crisis economy had become evident. As a result, the total value of loans approved during the fiscal year 1430/1431H, declined to SR 5,186 million compared to the value of loans approved in the previous year which amounted to SR 8,811 million.

If we look at the Fund's approvals during the year covered by this report to the Chemical Industries sector, the petrochemical industry comprising its major component, we find that the Fund's approvals to the sector dropped from SR 5,532 million during the previous fiscal year, to only SR 672 million in the report year. However, the other industrial sectors have, in most cases, recorded noticeable increases in the value of loans approved during the year 1430/1431H compared to previous years. Furthermore, the number of loans committed by SIDF during the fiscal year 1430/1431H increased to about 111 loans compared to 107 loans committed in the previous year. Disbursements for the year have grown by 7.6% to SR 5,442 million: the highest ever disbursed amount over any one year since the foundation of the Fund in 1394H. Repayments, during the year covered by the report amounted to SR 1,727 million, approximately equaling the figure of the previous year. By and large, this performance attests to the strength of the industrial base of the Kingdom.



Overall, the number of industrial loans committed by the Fund since its foundation up to the end of 1430/1431H (2009G) reached 3131 loans with a total value of SR 80,803 million approved for support of 2216 new industrial projects Kingdomwide.

Of the gross total of committed loans, SR 52,899 million was disbursed and SR 32,010 million was repaid as of the end of the fiscal year 1430/1431H (2009G). These figures reflect the success of borrowing projects, which benefit, not only from the Fund's financial support, but also from the consulting services it

provides in the technical, management and marketing fields.

During the year 1430/1431H (2009G), the Fund approved 111 loans, representing an increase of 3.7% over the number of loans approved in the previous year. Out of these loans 76 were committed to new projects, and 35 were approved to finance expansion of projects that had formerly been granted SIDF loans. These expansions stand as evidence of the success of SIDF-assisted projects in facilitating upstream and downstream expansion and the upgrading of the quality of the finished products.

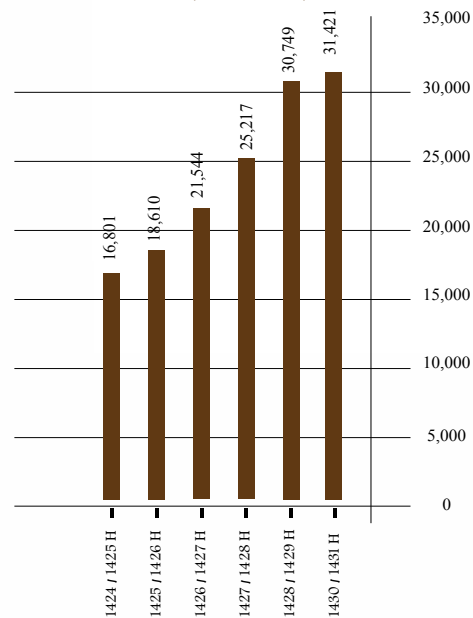
## II. Distribution of Loans by Sector:

A review of the main industrial sectors by the value of loans committed reveals the following salient features.

### Chemical Industries: Cumulative Amount of Loans:

This sector still leads all other sectors by amount of loan commitments since SIDF's inception up to the end of the fiscal year 1430/1431H (2009G). Cumulative commitments extended to the sector totaled SR 31,421 million, representing 39% of total value of loans approved by the Fund during the period.

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



### Projects Approved During the Report Year:

During the fiscal year 1430/1431H (2009G), SIDF approved 27 loans to this sector representing 24% of the total number of loans approved during the year. Total commitment to this sector amounted SR 672 million, representing 13% of the value of all loans approved during the year. These loans supported the establishment of 18 new industrial projects and the expansion of 9 existing projects. Accordingly, the sector was ranked second last - for the first time – in terms of the value of approved loans, and second according to the number of these loans. This indicates that this sector suffered the most from the international financial crisis as a result of which investors abstained from involvement in projects normally characterized by substantial investments, particularly the petrochemical industry.

Among the new loans approved to this sector, a loan of SR 109 million was approved for the construction of a plant in Dammam for the production of polypropylene and polyethylene films. Another loan amounting to SR 70 million was extended for the erection of a Jubail-based factory for the coating of pipes with epoxy in addition to a third loan (SR 48 million) committed



towards the building of a plant in Jubail for the production of styrene butadiene latex as well as styrene acrylate latex. A fourth loan amounting to SR 40 million was extended for the erection of a plant in Rabegh for the production of different types of polypropylene woven bags.

As for expansion loans, they included a loan for the sum of SR 72 million committed to the expansion of a polypropylene and polyethylene unwoven fabrics producing plant in Jubail; a loan of SR 37 million for the expansion of a plant producing transparent packing films in Dammam and a SR 28 million loan for the expansion of a Riyadh-based factory producing pre-paid plastic and paper cards and smart cards.

## Engineering Industries:

### Cumulative Amount of Loans:

This sector came second in terms of the value of approved loans since inception of the Fund up to the end of the fiscal year 1430/1431H (2009G). Cumulative commitments extended to this sector totaled SR 16,444 million representing 20% of total loans approved by SIDF.

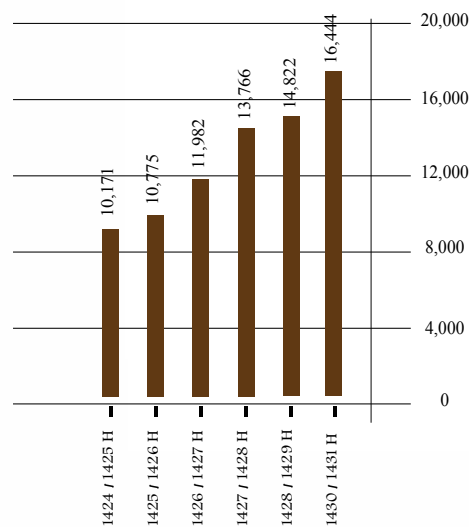


### Projects Approved During the Report Year:

SIDF approved 32 loans to this sector amounting to SR 1,622 million or approximately 31% of the total value of loans approved during the fiscal year 1430/1431H (2009G). Thus, the sector came first in terms of number and value of loans approved during the year. These loans financed the construction of 20 new industrial projects and the expansion of 12 existing plants.

Among the new loans committed to this sector during the year, a loan amounting to SR 600 million was extended to assist in the building of a plant in Jizan for the production of square steel bars and reinforcement bars; their purpose is to assist construction development in the region. Two other loans, one for SR 155 million, the other for SR 82 million were extended for the erection of two plants for the production of low and medium voltage electric cables and wires in Bahra (Makkah Region) and in Yanbu.

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



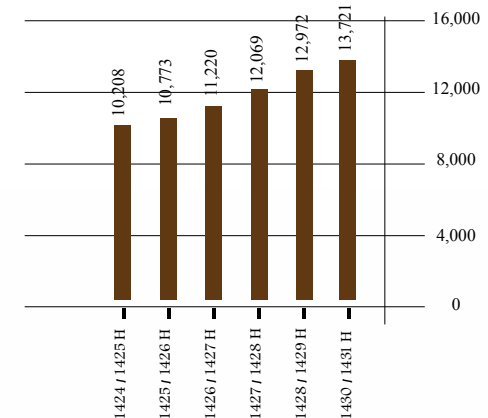
Moreover, expansion loans included a SR 161 million loan extended for the expansion of a Jeddah-based factory for the manufacture of high, medium and low voltage electric cables and wires and another for SR 61 million to finance the expansion of a plant in Jubail producing seamless steel pipes.

## Consumer Industries:

### Cumulative Amount of Loans:

This sector occupies third place in terms of the cumulative value of approved loans. By the end of 1430/1431H (2009G), cumulative commitments extended to this sector totaled SR 13,721 million representing 17% of the total loans approved by SIDF since inception up to the end of the said period.

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





### Projects Approved During the Report Year:

During the fiscal year 1430/1431H (2009G), SIDF approved 24 loans to this sector totaling SR 749 million representing 14% of all loans approved during the year. Thus, it was ranked third by number of loans and fourth in terms of their value. The loans extended to this sector assisted in the erection of 15 new industrial projects and the expansion of 9 existing plants.

Among the new loans committed to this sector, a loan of SR 165 million was granted for the establishment of a factory in Jeddah for the production of jams, halawah, processed meat and other food products. Another loan amounting to SR 86 million was extended for the construction of a processed poultry meat plant in Hail. A third loan (SR 41 million) was approved for the building of a factory in Haradh for the production of cheese.

Expansion loans included a SR 149 million loan for the expansion of a Jeddah-based plant producing craft paper; another loan amounting to SR45 million for the expansion of a desalinated water plant, also in Jeddah, and a third for SR 39 million for the expansion of a Riyadh-based factory producing fruit juice.

### Cement Industry:

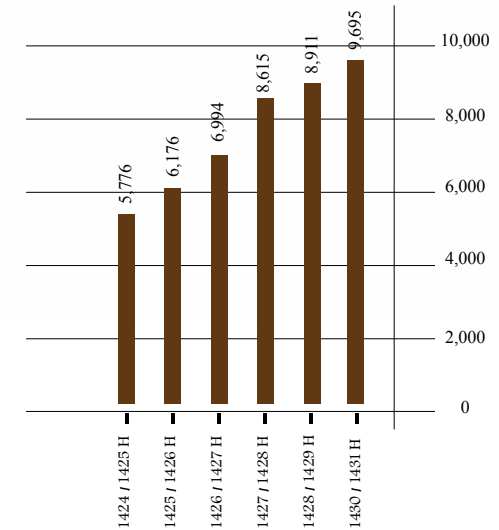
#### Cumulative Amount of Loans:

The amount of loans committed to this sector since inception of the Fund up to the end of the fiscal year 1430/1431H (2009G) totaled SR 9,695 million or 12% of total loans approved, thereby ranking the sector fourth by amount of loans committed.

#### Projects Approved During the Report Year:

During the fiscal year 1430/1431H (2009G), SIDF approved two loans to this sector amounting to SR 784 million; one was made to assist in the construction of a new cement factory in Turaif and the other for the expansion of a cement factory in Yanbu.

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



## Other Building Materials Industries:

### Cumulative Amount of Loans:

By the end of 1430/1431H (2009G), the loans SIDF committed to the “Other Building Materials” sector totaled SR 8,645 million, or 11% of the cumulative loans approved to industrial projects since inception of the Fund. Thus, the sector was ranked fifth by the size of loans approved.

### Projects Approved During the Report Year:

During the year 1430/1431H (2009G), SIDF approved 23 loans to this sector totaling SR 1,112 million or 21% of all loan approvals for the year. Thus, the sector was ranked second by value of loans approved during the year. This is attributed to the increasing activity of the building and construction sector in the Kingdom which is expected to continue in the future. These loans



were extended in support of 18 new industrial projects and the expansion of five existing ones.

Among the loans approved to this sector, a loan of SR 200 million was extended for the construction of a Jubail-based factory for the production of fiberglass reinforced hoop, chop and woven roving. Another loan approximating SR 96 million was committed for the erection of a Riyadh-based plant for the production of precast concrete components. A third loan of SR 93 million was

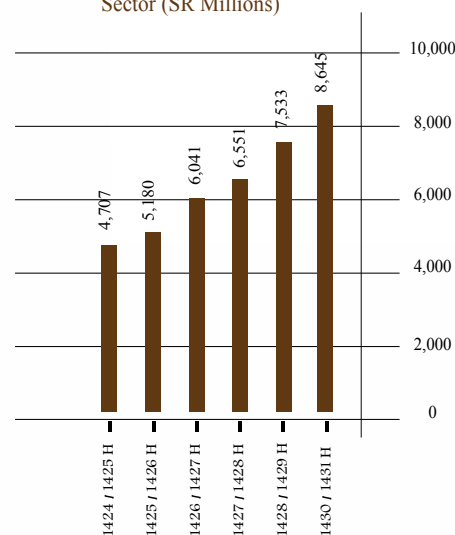
approved for the building of a granite slabs and tiles factory in Rabegh.

Expansion loans included a SR 47 million loan extended for the expansion of a plant in Yanbu producing flat glass, and two loans totaling approximately 28 million to support the expansion of a Riyadh-based factory producing granite tiles, marble tiles and stones.

### Projects Which Commenced Production During the Report Year:

The number of SIDF financed industrial projects which commenced production during 1430/1431H (2009G), totaled 67 of which 40 were new projects and 27 were expansion projects to existing plants. The breakdown of these projects by sector is as follows:

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



Sector	Number of Projects which commenced production during the Report Year	Projected Number of Workers
Chemical Industries	18	2485
Engineering Industries	27	6374
Consumer Industries	11	1010
Other Building Materials Industries	11	1868
Total	67	11737

### III. Distribution of Loans by Region:

A review of geographical distribution of the total number and value of approved loans by region Kingdomwide reveals a pattern of distribution as follows:

#### Riyadh Region:

##### Cumulative Amount of Loans:

The number of loans committed by the Fund towards the setting up of industrial projects in the Riyadh region totaled 1149 loans granted to 802 projects, or 37% of the total number of loans approved since inception of the Fund up to the end of the year 1430/1431H (2009G). Thus, the Riyadh region was ranked first in terms of the number of approved loans. However, the region came second in terms of the value of loans committed with a total of SR 16,955 million representing 21% of the value of all loans approved by SIDF.

##### Loans Approved During the Report Year:

During the fiscal year 1430/1431H (2009G), SIDF approved 41 loans to industrial projects in the Riyadh region, representing 37% of the total number of loans approved. These loans were extended for the financing of 25 new industrial projects and the expansion of 16 existing ones. The Riyadh region was ranked first by number of loans committed, and third in terms of the value of these loans, which totaled SR 814 million, or 16% of the total value of loans approved during the report year.

#### Makkah Al-Mukarramah Region:

##### Cumulative Amount of Loans:

The Fund approved a total of 811 loans to assist in the initiation of 547 industrial projects in Makkah region. In terms of value, these loans totaled SR 14,429 million, representing 26% of the number and 18% of the value of loans approved. Thus Makkah region was ranked third in terms of number and value of loans committed by the Fund since its inception up to the end of the fiscal year 1430/1431H (2009G).

##### Loans Approved During the Report Year:

During the fiscal year 1430/1431H (2009G), SIDF approved 23 loans amounting to SR 1,258 million for industrial projects in Makkah region, representing about 21% of the number and 24% of the value of loans approved by SIDF during the year. Thus, Makkah region was ranked third by number of loans but second in terms of the value of loans approved during the year 1430/1431H (2009G).

#### Eastern Region:

##### Cumulative Amount of Loans:

The Fund approved a total of 874 loans to assist in the construction of 618 industrial projects in the Eastern region, with total commitments amounting to SR 35,046 million or 28% of the total number and 43% of the total value of loans approved. Thus, the Eastern region was ranked



first in terms of the value of loans and second in terms of the number of loans committed by the Fund since inception up to the end of the fiscal year 1430/1431H (2009G).

##### Loans Approved During the Report Year:

During the report year, SIDF approved 36 loans amounting to SR 1,320 million for industrial projects in the Eastern region, placing the region first in terms of the value of loans and second in terms of the number of loans approved during the fiscal year 1430/1431H (2009G). In percentage terms, the region was granted 32% of the number of loans and 25% of the value of loans approved during the year.



### **Al-Madinah Al-Munawarah Region:**

#### **Cumulative Amount of Loans:**

By the end of 1430/1431H (2009G), the Fund had committed loans towards the establishment of 85 projects in the region totaling 112 loans amounting to SR 8,716 million representing 4% and 11%, respectively, in terms of number and value of loans approved. Thus, the region was ranked fourth in terms of both number and value of loans committed by the Fund since its inception up to the end of the fiscal year 1430/1431H (2009G).

#### **Loans Approved During the Report Year:**

During the fiscal year 1430/1431H (2009G), SIDF approved five loans for industrial projects in Madinah region for the sum of SR 607 million, respectively representing 4% and 12% of the total number and value of approved loans. Thus, Madinah region was ranked fourth in terms of



both number and value of loans approved during the year. The high percentage of the value of loans in contrast to their number can be explained by the substantial investment in industrial projects completed in the industrial city of Yanbu in the Madinah region.

### **Qassim Region:**

#### **Cumulative Amount of Loans:**

The Fund approved 63 loans in support of the construction of 52 industrial projects in Qassim region for total sum of SR 1,310 million, representing 2% of both total number and value of loans approved. Thus, the region came fifth in terms of the number of loans and sixth in terms of the value of loans approved by SIDF since its inception up to the end of fiscal year 1430/1431H (2009G).

#### **Loans Approved During the Report Year:**

During the fiscal year 1430/1431H (2009G), SIDF approved one loan of SR 5 million for the construction of a welded steel pipes plant in Buraidah.

### **Other Regions of the Kingdom:**

#### **Cumulative Amount of Loans:**

By the end of the fiscal year 1430/1431H (2009G), SIDF had approved 122 loans amounting to SR 4,348 million for industrial projects in other regions of the Kingdom, representing about 4% and 5% of the total number and value of loans approved by SIDF since inception.

#### **Loans Approved During the Report Year:**

During the fiscal year 1430/1431H (2009G), SIDF approved a loan of SR 600 million for the construction of a steel bars factory in Jizan; another loan amounting to SR 483 million for the building of a cement plant in Northern Frontier; and a third loan of SR 86 million for the construction of a poultry meat plant in Hail in addition to a loan of SR 6 million for the establishment of a bottled drinking-water plant in Tabuk and another loan of SR 6 Million for the establishment of a ready mix concrete plant in Al-Jouf.

#### IV. Joint-Venture Financing:

Direct Foreign Investment is considered an effective means of attracting and implementing state-of-the-art technologies in the Kingdom and creating new job opportunities for Saudi citizens as well as providing access for national products to international markets. Therefore, SIDF has spared no effort, since its inception, in encouraging the establishment of joint venture industrial projects, particularly in partnership with reputable international companies, based on its firm belief that all the factors which ensure the success of such projects are already in place in the Kingdom.

The Fund does not require Saudi partnership in these projects as it also finance projects that are wholly owned by foreign investors. In this context, SIDF treats wholly foreign-owned projects on an equal footing with projects wholly or partly owned by Saudi investors.

The number of joint-venture projects approved by the Fund since its inception up to the end of the fiscal year 1430/1431H (2009G), totaled 608 projects or 27% of all projects approved. Moreover, loans committed to such joint-venture projects amounted to SR 30,358 million or 38%



of total SIDF loans. Foreign partners' share in these projects accounted for 31% of their capital.

It should be noted that 107 of these projects, with commitments amounting to SR 8,754 million, have become wholly owned by Saudi investors after acquisition of the shares of the foreign partners, following the eventual success of these projects and their repayment of all debts. The Chemical Industries sector led all other sectors by value of loans committed to joint-venture projects, in view of the substantial investments required for the sector's projects. The Chemical Industries sector acquired a share of 60% of the value of SIDF cumulative loans, followed by the Engineering Industries sector, with 24% and the Consumer Industries sector with 11%.

During the report year 1430/1431H (2009G), SIDF approved 26 loans for the establishment of 20 new projects and the expansion of 6 existing ones. Commitments to these projects totaled SR 1,841 million or 35% of SIDF commitments for the year. Loans for the new joint-venture projects comprised eight loans to projects in the Chemical Industries sector; five loans to the Building Materials sector; four loans to the Engineering Industries sector, and three loans to the Consumer Industries sector.

Joint-Venture projects approved during the year provided 3563 jobs, or approximately 15% of the total jobs provided by all projects approved by SIDF during the year 1430/1431H (2009G), representing 23,155 positions (approximately).



## Small and Medium Enterprises Loan Guarantee Program

The fourth year of the program set the benchmark for outstanding performance. During the year 1430/1431H (2009G), the program management approved 504 guarantees compared to 292 guarantees approved in the previous year, i.e., a growth rate of 73%. Guarantees issued during the year totaled SR 181 million, compared to SR 118 million for the previous year, or a growth rate of 53%. Loans provided by commercial banks to Small and Medium Enterprises during the year amounted to SR 464 million, compared to SR 279 million extended during the previous year, i.e., 66% higher.

Since its initiation at the beginning of 1426/1427 up to the end of the fiscal year 1430/1431H (2009G) the Small and Medium Enterprises Loan Guarantee Program has issued a total of 1,110 guarantees of SR 449 million against a total commercial-bank financing of SR 1,070 million extended to 769 small and medium enterprises.

The Contracting sector led all other sectors with 451 guarantees amounting to SR 160 million, or 41% of the number and 36% of the value of total guarantees issued up to the end of the year 1430/1431H (2009G). The Services sector came second with 274 guarantees for SR 121 million, i.e., 25% of the number and 27% of the value of approved guarantees. The Industrial sector was ranked third with 260 guarantees valued at SR 118 million representing 23% of the total number and 26% of the value of issued guarantees, respectively. The remaining 125 guarantees, representing 11% of the total number of issued guarantees are distributed among the remaining sectors: Commercial (78), Medical (28), Educational (15), Entertainment (2) and Agricultural (2).

Riyadh region was ranked first in terms of value and number of guarantees issued by the Program during the year 2009G. It received 219 guarantees amounting to SR 87 million, or 43% of the total number and 48% of the value of guarantees issued during 2009G. Makkah Region came second with 130 guarantees of SR 41 million, followed by the Eastern Region with 87 guarantees totaling SR 27 million. Qassim Region ranked fourth behind the three major

regions, with 18 guarantees. Asir Region came fifth with 17 guarantees. It is significant that approvals for the year 2009G covered all of the administrative regions of the Kingdom.

Although Riyadh Bank came first in terms of total number and value of guarantees approved by the Program during the year 2009G with 201 guarantees amounting to SR 74 million, the National Commercial Bank headed all other banks in terms of the total number and value of guarantees with 367 guarantees totaling SR 145 million, or 33% of the total number and 32% of the total value of the guarantees issued by the Program since its launch up to the end of the report year. Riyadh Bank came second with 328 guarantees for the sum of SR 120 million, or 30% of the number and 27% of the value of guarantees. Arab National Bank was ranked third with 172 guarantees totaling SR 53 million, or 15% of the number and 12% of the value of guarantees.

For the first time, the report year witnessed applications from the financing banks to liquidate some of the guarantees. About 15 guarantees totaling SR 7,809,250 were liquidated in 2009G as follows: 7 guarantees for the Saudi Arabian British Bank; 5 guarantees for the National Commercial Bank; 2 guarantees for Riyadh Bank, and 1 guarantee for Al-Rajhi Bank.



Table No. (1)

## Number and Value of Approved Guarantees and Number of Enterprises by Financing Commercial Banks

Bank	2009G Approved Guarantees				Total Since Launch of the Program			
	No. of Guarantees	S.R. 000		No. of Enterprises	No. of Guarantees	S.R. 000		No. of Enterprises
		Value of Finance	Value of Guarantees			Value of Finance	Value of Guarantees	
Riyad Bank	201	194,047	74,749	147	328	298,095	119,548	236
National Commercial Bank	176	108,949	56,357	95	367	288,969	144,791	260
Arab National Bank	80	102,900	28,409	36	172	171,213	53,022	68
Saudi French Bank	17	25,282	7,742	10	39	52,532	19,286	27
Al-Rajhi Bank	13	13,795	5,967	13	89	120,173	46,132	81
SAMBA Financial Group	11	11,050	4,425	8	24	23,820	10,023	16
Saudi British Bank (SABB)	6	7,950	3,138	6	87	112,940	54,685	79
Al-Jazira Bank	0	0	0	0	4	2,187	994	2
Saudi Hollandi Bank	0	0	0	0	0	0	0	0
Saudi Investment Bank	0	0	0	0	0	0	0	0
Al-Bilad Bank	0	0	0	0	0	0	0	0
<b>Total</b>	<b>504</b>	<b>463,973</b>	<b>180,787</b>	<b>315</b>	<b>1110</b>	<b>1,069,929</b>	<b>448,481</b>	<b>769</b>

## Manpower and Training

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

During the fiscal year 1430/1431H (2009G), 643 training programs were implemented for Saudi employees, both domestically and abroad. These included specialized core courses; master's degree programs; short-term courses; workshops; professional conferences, and in-house training courses. A total of 481 Saudi employees received training courses commensurate with work requirements and in accordance with scheduling of domestic and overseas training courses. Of this number, 95 employees joined specialized core courses, including master's degree programs, and intensive overseas English language courses, while 175 Saudi employees attended short courses outside the Kingdom, 92 employees attended short courses inside the Kingdom, together with 119 Saudi employees who attended short courses inside the Fund. In addition, 45 university-graduate employees received on-the-job professional and practical training within the various departments of the Fund.



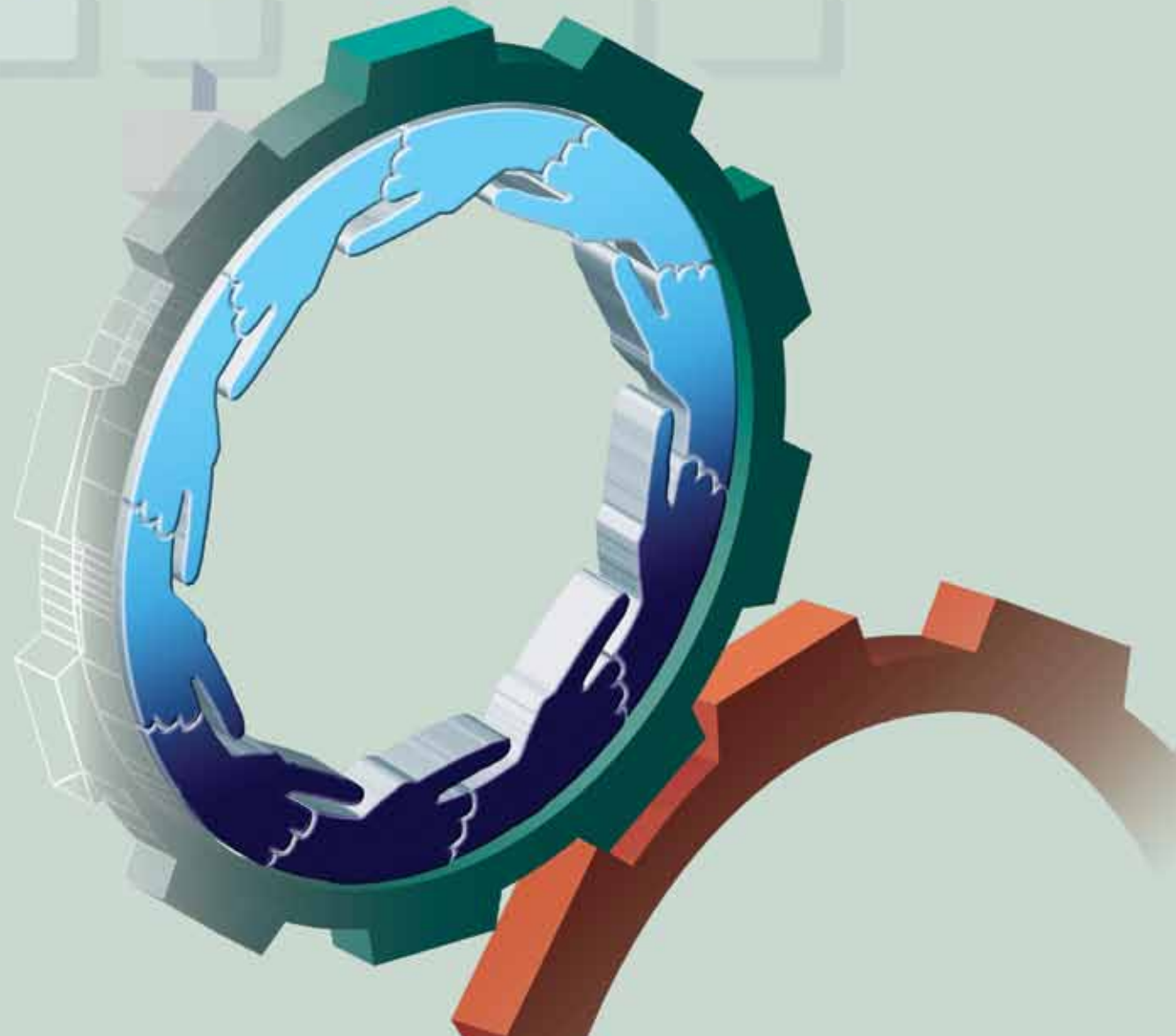
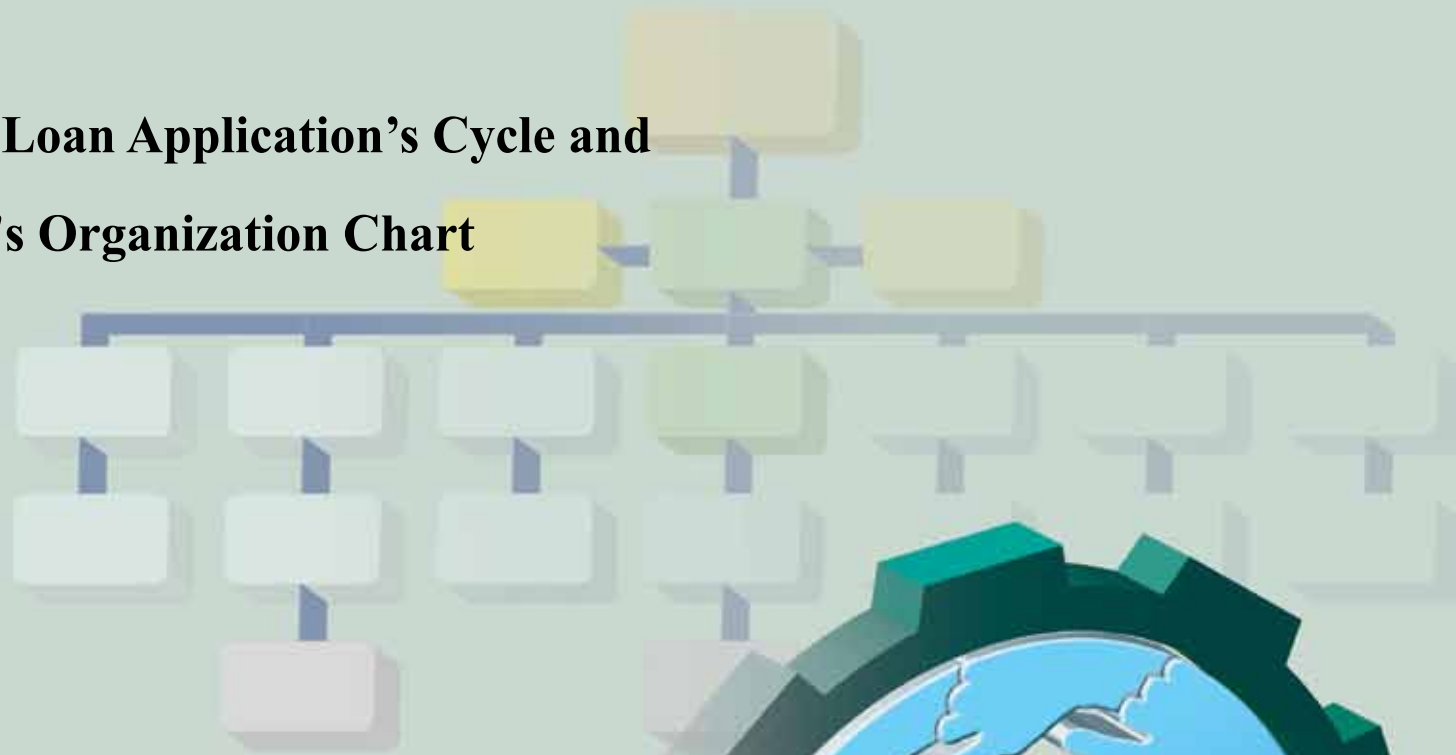
The Fund benefits from its good relations with many similar local and international financial institutions in improving the professional capabilities of its professional Saudi employees. This process is achieved through active participation in specialized professional conferences, symposiums, and practical workshops in which these organizations have a role. Such participation ensures the exchange of professional know-how and scientific expertise, which, in turn, broaden the capabilities of Saudi employees while simultaneously improving the Fund's overall performance.

Because of its progressive administrative and financial regulations, SIDF was able to implement currently approved programs for the recruitment

of Saudis during the fiscal year 1430/1431H (2009G). One hundred and eighty (180) Saudi employees were recruited during the year in accordance with the provisions of the approved budget to fulfill the recruitment demands of the various departments and divisions of the Fund.

  
**Mohammad Bin Salem Al-Dobaib**  
Director General

# SIDF Loan Application's Cycle and SIDF's Organization Chart



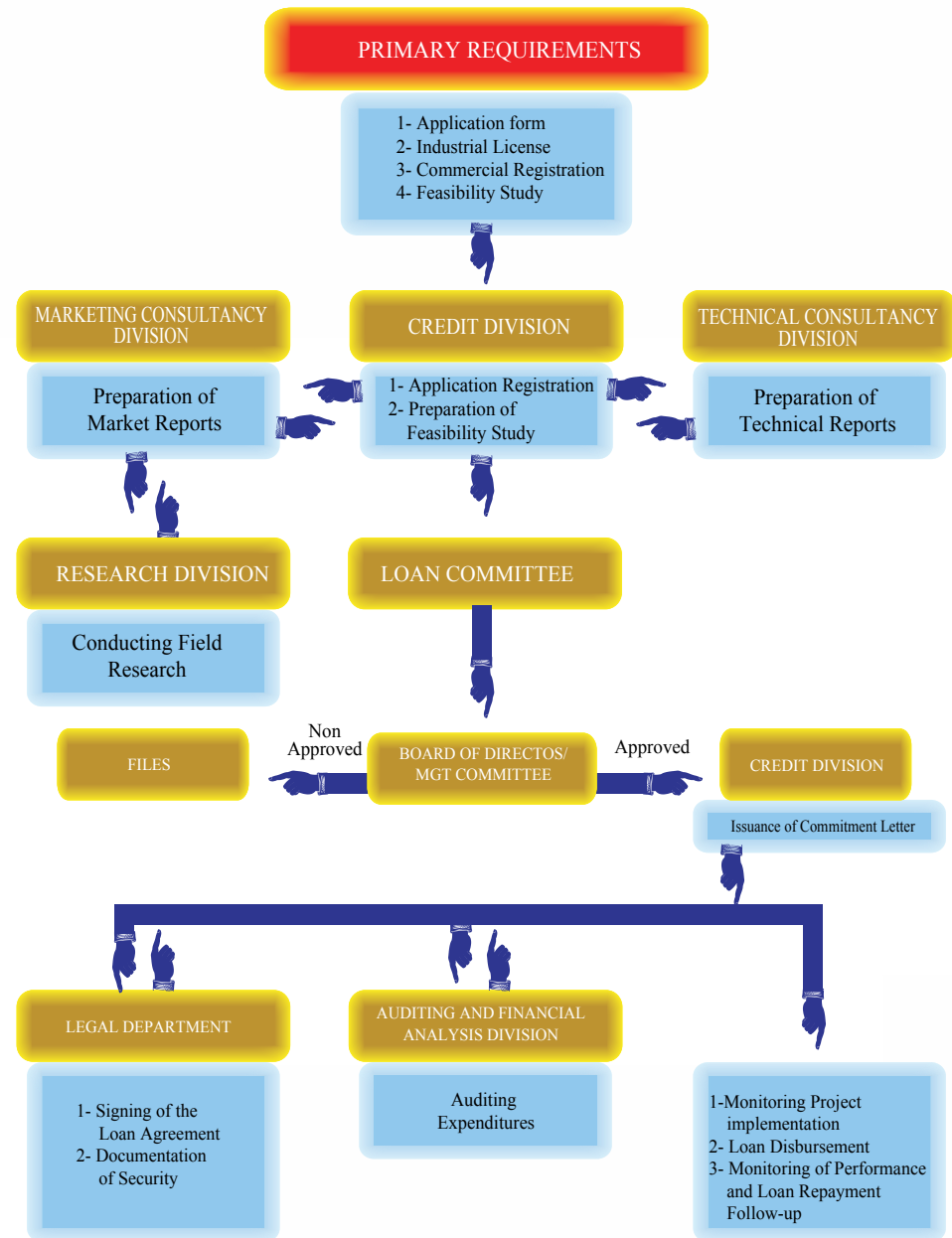
## SIDF Loan Application's Cycle

The Fund's management is unceasing in its efforts to extend its lending services to national and foreign industrialists with due speed and efficiency. Therefore, it is constantly developing procedures, guidelines and policies to improve the lending activities of the Fund so as to cater for such requirements and keep pace with the lending schemes of similar financial institutions worldwide.

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

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

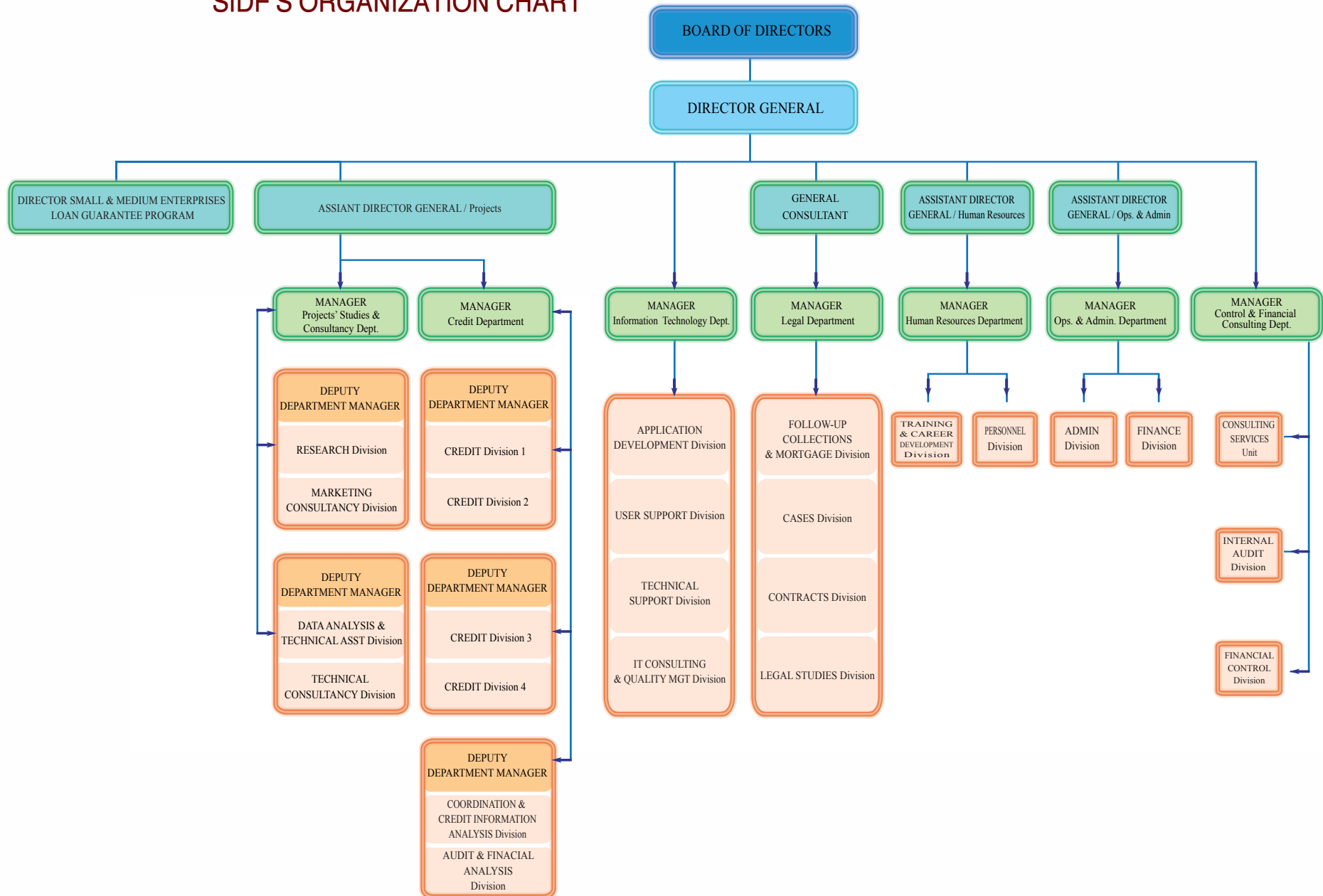
## LOAN APPLICATION'S PROCESSING FLOW CHART



Note No.:

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

# SIDF'S ORGANIZATION CHART





## **In Focus:**

### **Information Technology Department**

The Information Technology Department is a key SIDF department carrying out all functions and responsibilities relating to the infrastructure for information technology, rendering development of and support to all programs and applications; providing all required hardware to all departments, and ensuring continuity in handling these services by national staff. Its objectives may be summarized as follows:

- Preparing and developing the required short-and-long-term strategic plans for the optimum utilization of the information technology services.
- Providing and/or developing applications compatible with the requirements of SIDF objectives.
- Facilitating transport, usage and exchange of information technologies in addition to setting up a communications network in conformity with the work requirements in the Fund.
- Increasing productivity and functional effectiveness of Saudi staff at SIDF who benefit from information technology.
- Providing consultative services in information technology for SIDF employees and clients in accordance with internationally accredited policies and standards.

- Preparing an annual plan for developing applications to be approved by the Director General with the objective of preparing the operating and capital plan of the Information Technology Department.
- Providing optimum support to all users.
- Upgrading the level of awareness through facilitating the spread of information technology in the Fund.
- Providing different means which would enable the Fund to utilize the best and advanced information technology in addition to determining the appropriate practical systems and applications required by the Fund on short-and-long-term bases.

The Information Technology Department consists of four major divisions as follows:

#### **First: Technical Support Division**

This division undertakes to provide technical support to all users in the Fund. Such support includes all activities related to computer equipment and accessories; operating systems; communications, programs and networks, and the infrastructure of information technology.

#### **Second: Consultancy and Quality Management Division**

This division undertakes to provide information technology consultancy services to the Fund

and its customers. These include information technology services regarding the policies, standards and procedures to ensure high level of information technology methods within the Fund. Furthermore, this division sets policies and standards to ensure high levels of information technology safety and security.

#### **Third: User Support Division**

This division undertakes to provide support to users in the various departments of the Fund. Support is related to the programs and applications available in the production environment. This division also undertakes the management and monitoring of databases as well as the upgrading, support and updating of the internal and external electronic websites of the Fund.

#### **Fourth: Applications Development Division**

This division undertakes the preparation and development of applications systems and programs for the different departments of the Fund and the creation of an ongoing mechanism to rebuild former applications systems and programs so as to comply with the up-to-date information technology.

**Economic Study:**

**National Industry Strategy (NIS) Until 1441H (2020G)**



## **Economic Study:**

### **National Industrial Strategy (NIS) Until 1441 H (2020G)**

The National industrial sector requires considerable attention because it embodies and employs the Kingdom's comparative advantages. This priority is reflected in the Saudi Council of Ministers' adoption of National Industrial Strategy, NIS, until 1441H (2020G) by resolution No. 35 dated 7/3/1430 H. NIS aims to diversify the industrial and economic base and to protect the national economy from global fluctuations of oil prices and revenues in order to ultimately ensure stability and balanced growth for all economic indicators. NIS involves ambitious objectives and certain axes to achieve these objectives, and identify the agencies responsible for achievement of each axis. The Council of Ministers' adoption resolution contains a number of guidelines and directives to achieve NIS and to realize its objectives timely as scheduled. The following are the main features of the Strategy and future projections:

#### **Main General and Specific Objectives of NIS Until 2020G:**

NIS aims to achieve a real transfer in various areas such as development of production technology; diversification of industrial products; transfer and adoption of proper technology, and development of the skills required for industrial sector advancement. The NIS also targets Saudi and foreign investments to increase the value added of the targeted industries. Additionally, NIS aims to build up the bases of industrial data to ensure industrial integration as well as the development of applied programs to adopt standard specifications and higher levels of quality necessary to penetrate foreign markets.

NIS also seeks to encourage diversification of comparative advantage industries and their complementary industries, as well as to stimulate development of infrastructure of industrial cities and technology zones. However, achievement of these objectives requires the advancement and modernization of the business

environment; the streamlining of industrial regulations and procedures by depending more on technology and electronic means, and the development of small and medium industries along with traditional and professional industries.

On the basis of the comprehensive objectives mentioned above, it is envisaged that the national industrial sector will, by year end 2020G, achieve the following specific rates as expressly set out in the Strategy:

- Increasing industrial sector's contribution to the GDP to 20%.
- Increasing industrial value added threefold.
- Increasing industrial exports share from current rate of 18% to 35%.
- Increasing technology based exports from current rate of 30% to 60%.
- Increasing Saudi industrial labor force from current rate of 15% to 30%.
- Upgrading the Kingdom's status to rank at least among the best performing 30 industrial countries by 2020G by improving its annual ranking by two places.

#### **NIS Major Axis:**

To achieve the objectives cited above, a number of principal axes have been outlined in the NIS to prepare and develop a variety of sectors and institutions linked directly or indirectly with industry to perform adequately the roles expected of them. Pursuant to the version approved by the Council of Ministers, NIS involves eight major axes which are supposed upon development to result in the achievement of the objectives outlined above, and to enhance sustainable industrial development in the Kingdom. These axes are:

### **First Axis:**

It involves the overall business environment, industrial investment, and global strategic alliances. It seeks to improve macro-economic policies, such as monetary and fiscal policies and wages, and to stabilize macro-economic indicators with the purpose of attracting local and foreign investments, particularly in the industrial sector. Furthermore, it seeks to improve trade policies and market competition. This axis also includes the development of regulations and procedures governing industrial institutions such as trade, work, energy and mining regulations.

### **Second Axis:**

It deals with industrial complexes, stimulates industrial diversification and achieves balanced development in all of the Kingdom's regions. It is the most important and largest axis of the Strategy as it consumes about half the funds assigned to the NIS. Globally successful practices in manufacturing confirm that industrial complexes and clusters of various interdependent industries such as feeding industries, production, distribution and services provision, located together in certain geographical areas are factors behind industrial development. This arrangement leads to lower costs and stimulates innovation and development resulting from combining and sharing skills. For this axis to achieve its ends, NIS adopts a number of relevant programs for industrial clusters and advanced

industrial technology complexes in support of advanced technology tracks and industrial promotion.

### **Third Axis:**

It involves the industrial business community and small and medium enterprises (SMEs). The fact that SMEs account for more than 85% of the projects operating in the Kingdom suggests that more attention be devoted to SMEs, particularly at this transitional stage of the Saudi economy. For this axis to be achieved, a number of programs must be implemented: industrial SME's support; industrial SMEs incubation; a business resources center; a competitiveness development and industrial modernization center, and an industrial financing mechanisms program.

### **Fourth Axis:**

This axis deals with the creation of industrial innovation strategies and systems to increase industrial productivity in the Kingdom. These are essential because one of the main issues that differentiates developed countries from developing countries is the status of their Research and Development (R & D), the linkage of the latter with development processes, and the linkage of educational output with the needs of the labor market and industry. Thus, the National Industrial Strategy asserts that, in order to reap the fruits of the efforts led by the

science and technology network in the Kingdom, it is necessary to maximize the value added of these efforts by linking them with innovation in industrial companies while promoting innovation in small and medium scale industrial facilities.

### **Fifth Axis:**

This axis involves human resources development and industrial skill systems as the availability of technically and scientifically qualified and well-trained human resources is a prerequisite for sustainable development. The importance of qualified human resources is vital in industry as personnel have to deal with, develop and maintain modern machinery and equipment. Thus, human resources play a key role in the industrial strategy for the Kingdom.

### **Sixth Axis:**

It deals with infrastructure, production services, and support activities for industry. It seeks to develop infrastructure not only in the traditional industrial regions but also in the new industrial cities and zones, by establishing industrial bases throughout the Kingdom. It also aims to enhance provision of industrial services and supportive activities such as handling, shipping and storage for the purpose of expanding trade domestically and internationally. In addition, it contains a supportive program to ensure a constant electricity supply for factories throughout the Kingdom.

### **Seventh Axis:**

The objective of axis 7 is to choose new industry verticals for KSA and define their implementation plans, in order to move KSA industry towards higher technology-content industries. Economic diversification and the deepening of the industrial base are the principal objectives for which the National Industrial Strategy was established. Therefore, the strategy stresses the importance of continued support for the development of existing industries which have earned successful comparative and competitive advantages nationwide and/or worldwide, for example, the petrochemicals industry.

### **Eight Axis:**

Axis 8 for the National Industrial Strategy was delegated the task of creating the governance mechanisms required to manage the implementation of the National Industrial Strategy. The mechanisms include the human, financial and administrative aspects of organization design, strategy management and funding availability through "National Industrial Strategy Fund 2020".



The Deputy of Industry at the Ministry of Commerce and Industry is entrusted with the responsibility of implementing various objectives and parameters of the NIS with a view to avoiding role-overlapping/and wasting of efforts and resources within the agencies assigned to implement the objectives.

The Ministry of Commerce and Industry as supervisor of Strategy implementation has already taken a number of appropriate actions during the period preceding the Council of Ministers' NIS approval or, afterwards, to put the Strategy and its parameters in place. These actions include development of parameters implementation plans and the establishment of a national program for industrial development to be directly concerned with NIS implementation.

The Ministry of Commerce and Industry has also taken procedural steps for NIS implementation by inviting a number of internationally experienced consultancy firms to bid for implementation of NIS parameters, so that each firm bids for a specific parameter as it is impossible for one consultancy firm alone to implement all parameters. Thus each firm, will be responsible for implementing a certain parameter when selected under the follow-up and supervision of the Ministry of Commerce and Industry, represented by the national program for industrial development and the Office of Project Management, which will periodically report on work in progress and Strategy implementation.

In conclusion, this Strategy is a quality leap forward in the light of the ambitious objectives it seeks to achieve for national industry. The challenges of the global financial crisis are to be borne in mind for a full and timely implementation of all NIS objectives. The Saudi Industrial Development Fund (SIDF), a leading institution in industrial development in the Kingdom, is fully prepared and suitably qualified to achieve the Strategy objectives and parameters in cooperation with all other competent, participating agencies.

## Subject Under Scrutiny:

### **Technological Developments in Industry and SIDF's Role in Supporting Modern Trends in Technology**

Modern industrial development was instrumental in creating radical structural changes that led to the formation of an autonomous production base capable of positive contribution to the diversification of the sources of income and the establishment of a balanced economy. Manufacturing proved to be the base best suited for the Kingdom to build its economy and ensure diversification of production. The national industrial sector in the Kingdom of Saudi Arabia has, therefore, demonstrated a tangible, government-supported trend towards capital intensive industries with an accelerating drive towards state-of-the-art automation systems and technologies; a healthy sign for a country with relatively easy availability of finance in proportion to population.

The contemporary world is now undergoing another era of revolution in modern technology, viewed, moreover, as only one link in a chain of global economic changes. However, the beginnings of such a revolution date back to the late 18th century, when the steam engine was invented. Mechanical industries then evolved along with the steel industry, to pave the way for the development of electrical power, the internal combustion engine, and chemical industries. This modern technological revolution, in which microelectronics play a pivotal role in the use of computers in information technology, is demonstrated in the extensive use of electronic and information technologies in all industrial activities. Moreover, many applications of such technologies have merged leading to the emergence of a wide variety of computer-assisted manufacturing techniques from product design through process automation; full production line control; testing and quality assurance procedures; packaging; storage, and delivery.

The following are some of the recent technological developments in the field of manufacturing:

### **Automation & Flexible Manufacturing Systems:**

The introduction of computers to industry in the early nineties of the last century contributed to the full automation of industrial production lines. It triggered conversion from conventional mechanical methods applied in the design of manufacturing machinery (pneumatic and hydraulic) to electronic automation. Through the successful mating of electronics and mechanics, it has now become possible to run the production cycle at large-scale plants with minimum manpower. It has also become possible to develop advanced industrial automation systems, high precision, electrical, IT industrial systems, and flexible manufacturing systems (FMS) using computer-aided design (CAD) and/or computer-aided manufacturing (CAM).

FMS constitutes a fully integrated production system of numerically controlled (CNC) computer technology interlinked by automated handling systems in which the system is totally controlled by a computer control unit. Numerical control (NC) and computer-aided manufacturing (CAM) are considered the most important FMS technologies. Moreover, the developments in robotics; automatically geared vehicles (AGV); programmable logic controls (PLC); computer vision (CV); grouping technology (GT), and statistical quality control (SQC) are the main contributors to the development of FMS applications. The automatic handling system carries out the processes of transfer and loading throughout. Added to this are the automated materials storage warehouses, and programmable measuring machines for manufacturing quality assurance. Of course, all the foregoing rely on information technology spread over control and monitoring systems through communication systems specially designed for this purpose and which have become more adaptive to the requirements of the local and global markets.

The automated assembly lines in the automobile and electronic parts industries are examples of flexible manufacturing systems where any stage of production could be modified or adjusted through numerical control. Other examples of flexible manufacturing are fully integrated machining centers where several consecutive machining operations are automatically performed according to the applied programming for multiple machines of the production units. A

variety of metal products can thus be manufactured within a short period, at a lesser cost and a higher level of precision, compared to the conventional operating systems, (e.g. the production of spare parts for machinery, steel dies (moulds), etc).

### **New Materials Technology**

Advanced technologies offer greater precision, and more productive and cost-effective manufacturing processes, contributing to an unprecedented manufacturing of new raw materials as alternatives to scarce natural raw materials, leading to savings on production costs, and making manufacturing processes much easier. Chemical and petrochemical industries have played, and are still playing, a pivotal role in developing new materials such as polyester fibers, nylon and synthetic rubber. This category also includes certain plastics, and lighter-weight fiberglass which are now applied in a variety of uses as alternatives to steel, aluminum, wood and other substances in the fields of manufacturing and building construction. The rapid advancement in the field over the past three decades clearly underlines the importance of the new materials characterized by high technical specifications and cost effectiveness, thereby improving the manufacturing economies of many industrial sectors.

### **Imaging Technology & Atomic Irradiation:**

Gamma and X-Ray irradiation and imaging techniques have evolved to cover numerous applications in industry, particularly Non-

destructive testing (NDT) systems used for the inspection of tires, oil and gas pipelines, and automobile spare parts, checking for weak points without causing any damage to the objects being tested. The techniques are crucial in the inspection of welding and location of defects. Moreover, Gamma Ray is used on a large scale in the sterilization of processed and canned food products for disinfection of germs and bacteria, and extending the shelf life of agricultural produce.

### **Nano Technology**

It undoubtedly seems that «Nanotechnology» will be the technology of the future which could revolutionize global industry, and contribute positively to the benefit of the human race. The future challenge will be how to produce materials and machinery with such infinitely micro dimensions on an industrially feasible scale.

Nano-engineering is applied in the manufacturing of high-precision components of manufacturing machinery with view to speeding up production and improving efficiency. It also makes it possible to change consumables manufacturing and usage processes, ensure efficient power consumption; increase industrial production at low cost and at the same time ensuring environment protection. Developed countries now spend generously on development of this technology, on the premise of its potential as the new horizon for future engineering sciences. Nanotechnology involves tremendous prospects as it may trigger great changes in the fields of energy, medical technology, communications, military strategies, and national

security. The infrastructure for specialized nanotechnology laboratories is being diligently developed by three universities in the Kingdom, with tangible achievements expected over the next few years along with investment opportunities in the areas of electronic, pharmaceutical, food, plastic, and pipe industries among many.

### **Recycling & Environmental Protection Technologies:**

During the past five years, the environmental protection industry has developed rapidly, as demonstrated by the production of systems for environmental protection and prevention of environmental pollution by industrial effluents and emissions. The aim of developing such ecological systems is to protect air, water, and soil, recycle/re-use wastes, and safeguard the natural environment. Modern technologies offer great potential for recycling of waste, preserving the natural environment, and minimizing pollution. These objectives are attainable through the preservation of the resource materials and energy, saving on consumption, and protection of the land areas used for dumping by minimizing waste, thereby protecting the environment from toxic and harmful effluents and emissions from extraction and conversion industries.

Waste monitoring programs at chemical plants, particularly, help to track and neutralize plant waste, through provision of modern technologies to mitigate the processing of effluents. The main activities of waste recycling management include the recycling and reuse of used oils and the use of factory dust (dust collected from industrial air

filters) in concrete. Waste is disposed of, as necessary, according to international conventions.

### **SIDF's Role in Supporting New Technologies:**

The exploitation and financing of modern technologies are among the topmost priorities of the Fund. Industrial investors are encouraged by the Fund to go for state-of-the-art manufacturing technologies on the grounds of the Fund's commitment to the role of such technologies' in increasing productivity; improving manufacturing efficiency and product quality; mitigating wastage, and reducing production costs. All these factors combined would enhance industrial projects' chances of success. The automation of production processes not only increases the level of professional safety, but also creates employment opportunities for national, non-skilled labour whose role would only be to monitor work in progress. It also offers the opportunity to carry out certain routine operations, thus increasing Saudization potential, particularly for the female sector, in clean manufacturing environments such as the pharmaceuticals and food industries.

The success of any industrial institution is contingent on its ability to keep pace with the ongoing variables in its business environment, particularly those related to technology, and the adoption of modern methods of production to boost its competitive edge. Therefore, the Fund has assumed a major role both in the support and financing of new industrial projects with new technologies and encouraging investors to develop and replace their existing conventional technology-based systems.

For example, the Fund has extended finance to six pharmaceutical projects



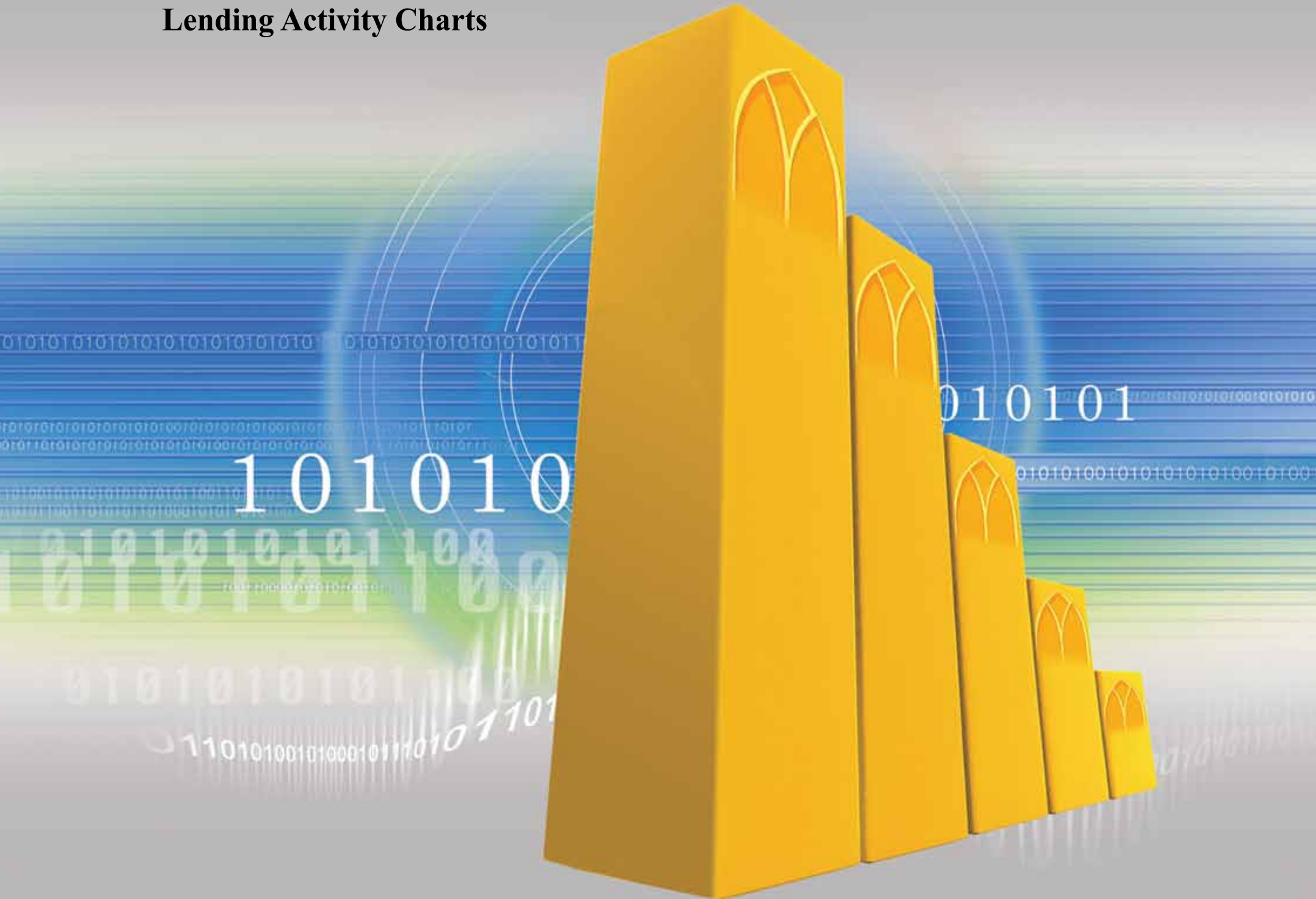
in the Kingdom with advanced technologies in buildings and manufacturing equipment and machinery, conforming to good manufacturing practices (GMP), starting with dispensary (raw materials preparation); active material batching; pharmaceutical mixing and blending to final form, and ending with quality assurance and packaging inspection. In these plants, production lines heavily depend on the extensive use of computer control systems deployed to discard the possibility of the human error factor, and ensure perfection of products in these highly sensitive industries. Most of these plants are equipped with advanced high precision product research and development systems, in addition to computer-based automated storage and delivery systems.

SIDF has also provided finance for more than 500 projects in the chemical industries and plastic resins sector. SABIC projects and expansions are major SIDF investments in the fields of modern fertilizer, petrochemical, and plastic resin industries. These projects apply the latest, state-of-the-art manufacturing systems in the areas of batching, processing, reactors, accelerators, and electronic control of temperature and pressure, to provide the highest level of chemical reaction precision for product quantity and quality assurance. SABIC is now the largest producer of granulated fertilizers worldwide and ranks third and sixth, respectively, among leading polyethylene, and polypropylene manufacturers around the globe, besides the competitive edge enjoyed by its products. Additionally, SABIC devotes special attention to research and product development technology activities. It also holds over 200 international patents and is the process technology licensor for more than 19 chemical manufacturers in 11 countries.

As for iron and steel, the Fund has assisted, so far, in the financing of 42 projects for metal and steel products and frame structures. These plants are based on high technology equipment and apply numerical control in automation of raw material handling, melting and reduction; kilns' efficiency upgrading for improvement of product quality; cutting of production costs, and optimization of production environment in terms of professional safety. Industry trends entail efforts to shift from a manual approach to automation in certain operations in line with the move towards substitution of technology for human resources with a view to mitigating casualties while handling the large scale machinery required by the industry. Moreover, with the current frequent breakthroughs in software capabilities and computerized design systems, it has become possible to produce sophisticated combinations which can be converted into profiles suitable for prefabrication with specific dimensions.



## Lending Activity Charts



## Lending Activity Charts

Table 1

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

Sector	1430/1431H	Cumulative Total
Consumer Products	15	602
Food	10	280
Beverages	2	49
Textiles	--	63
Leather & Substitutes	--	24
Carpentry Products	--	14
Wooden Furniture	1	51
Paper Products	2	85
Printing	--	36
Chemical Products	18	547
Chemicals	7	256
Oil & Gas Products	3	29
Rubber Products	1	17
Plastic Products	7	245
Building Materials	18	352
Ceramic Products	--	13
Glass Products	2	57
Other Building Materials	16	282
Cement	2	30
Engineered Products	20	642
Metal Products	11	378
Machinery	1	87
Electrical Equipment	8	123
Transport Equipment	--	54
Other Manufacturing	3	43
<b>Total</b>	<b>76</b>	<b>2216*</b>

\* Of which 437 loans were terminated.

Table 2

Table Showing Value of Approved SIDF Industrial Loans by Minor Sector (SR millions)

Sector	1430/1431H	Cumulative Total
Consumer Products	749	13,721
Food	472	6,801
Beverages	66	1,418
Textiles	--	2,072
Leather & Substitutes	--	133
Carpentry Products	--	205
Wooden Furniture	15	356
Paper Products	196	2,521
Printing	--	215
Chemical Products	672	31,421
Chemicals	327	25,733
Oil & Gas Products	56	1,314
Rubber Products	4	477
Plastic Products	285	3,897
Building Materials	1,112	8,645
Ceramic Products	14	1,143
Glass Products	431	2,465
Other Building Materials	666	5,037
Cement	784	9,695
Engineered Products	1,622	16,444
Metal Products	1,068	11,763
Machinery	10	861
Electrical Equipment	545	2,888
Transport Equipment	--	932
Other Manufacturing	247	877
Total	5,186	80,803*

\* Of which SR 11,635 million were terminated or reduced

Table - 3

Table Showing Number of Newly Approved SIDF Industrial Projects by Province

Province	During 1430/1431H	Cumulative Total
Riyadh	25	802
Makkah	17	547
Madinah	4	85
Qassim	1	52
Eastern Province	24	618
Asir	--	32
Tabouk	1	9
Hail	1	17
Jizan	1	18
Najran	--	11
Al-Baha	--	9
Al-Jouf	1	13
Northern Frontier	1	3
<b>Total</b>	<b>76</b>	<b>2216*</b>

\* Of which 437 loans were terminated

Table \_ 4

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

Province	During 1430/1431H	Cumulative Total
Riyadh	814	16,955
Makkah	1,258	14,429
Madinah	607	8,716
Qassim	5	1,310
Eastern Province	1,320	35,046
Asir	--	606
Tabouk	6	496
Hail	86	132
Jizan	600	1,320
Najran	--	626
Al-Baha	--	28
Al-Jouf	6	190
Northern Frontier	484	949
<b>Total</b>	<b>5,186</b>	<b>80,803*</b>

\* Of which SR 11,635 million were terminated or reduced





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