



شعبة الترجمة الرسمية
Official Translation Department

Law of the Saudi Industrial Development Fund

Royal Decree No. M/3
March 21, 1974

Translation of Saudi Laws



NOTE:

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word "person" or "persons" and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.



Law of the Saudi Industrial Development Fund

Article 1: Independence and Headquarters

1. The Saudi Industrial Development Fund, hereinafter referred to as the 'Fund', shall enjoy a public legal personality and financial and administrative independence and shall report to the National Development Fund.
2. The Fund shall apply banking management methods that are in line with established professional standards.
3. The Fund shall be headquartered in the city of Riyadh and may establish branches as needed.

Article 2: Objectives

The Fund aims to support industrial and economic development in the Kingdom in accordance with relevant strategies.

Article 3: Powers

The Fund shall have the powers necessary to achieve its objectives as stipulated in this Law, including the following:

1. Financing private establishments organized in the Kingdom and operating in the fields of industry, mining, energy, industrial services, support and logistical services, and technology and infrastructure development for the purpose of establishing new projects, expanding their activities, running their operations, replacing their equipment, or modernizing their methods, or acquiring establishments outside the Kingdom operating in such fields with the aim of transferring technology and meeting the needs of the local industry, in accordance with rules set by the Fund's Board of Directors.
2. Financing establishments which are located outside the Kingdom, which operate in the fields referred to in paragraph (1) of this Article, and which are owned by Saudi investors or of which Saudi investors are shareholders for the purpose of transferring technology and meeting the needs of the local industry, in accordance with rules set by the Fund's Board of Directors.
3. Providing economic, technical, or administrative consultations to establishments operating in the fields referred to in paragraph (1) of this Article.
4. Providing guarantees not exceeding 10% of the Fund's paid-up capital.
5. Establishing and managing training centers specialized in the fields of finance, industry, energy, technology, mining, and logistics and providing training programs in such fields, in accordance with applicable regulatory procedures.
6. Extending loans and other forms of financing.
7. Accepting liens and other forms of guarantees.
8. Owning, selling, and pledging property, whether movable or real estate.
9. Borrowing and issuing *sukuk*, bonds, and other debt instruments in



coordination with the Ministry of Finance.

10. Carrying out other activities approved by the Fund's Board of Directors which achieve the Fund's objectives and are in line with the nature of its work.

Article 4: Investment and Lending Policy

First: The Fund's activity in supporting and promoting the industry and viable economic activities in the Kingdom shall be guided by the government's policy, programs, and strategies in the fields of industry, energy, mining, technology, logistics, and infrastructure. The Fund shall cooperate with other government agencies to achieve such purpose. In financing establishments and their projects, the Fund shall:

1. conduct a feasibility study of the project for which funding is requested and ensure the project is properly managed to achieve its economic, financial, and technical objectives;
2. consider whether the funding requested for the project is reasonably determined and whether it represents a reasonable percentage of the project's total funding;
3. obtain from the owner of the project for which funding is requested adequate guarantees which are proportionate with the type and amount of funding to be provided;
4. monitor the implementation of the project it finances to ensure it is carried out according to plan and provide recommendations to establishments relating to project challenges and obstacles. Such monitoring shall be carried out through inspections and reviewing project reports;
5. ensure that the loan does not exceed 50% of the project's requested funding. The Board of Directors may raise such percentage to 75% in underdeveloped regions or cities and for strategic projects;
6. ensure that the period of repayment of the loan does not exceed 15 years. The Board of Directors may raise this period to 20 years in underdeveloped regions or cities and for strategic projects;
7. ensure that it receives fees for services it renders and that the Board of Directors sets the criteria for determining such fees; and
8. ensure that the Board of Directors sets a maximum limit for project loans provided by the Fund.

Second: The Fund may invest its surplus funds, if any, inside or outside the Kingdom, pending use of such funds in its operations and ensuring the liquidity and security of such investments. Income generated from investments shall be added to the Fund's resources.

Article 5: Capital

The Fund's capital shall be 500 million riyals to be gradually paid by the Ministry of Finance, as agreed with the Fund. Such capital may be increased pursuant to a Council of Ministers resolution.



Article 6

Loans extended by the Fund shall enjoy the same benefits and guarantees as those of the public treasury rights and shall be collected in the same manner as other public funds and in accordance with the rules governing collection of public funds.

Article 7: Board of Directors

The Fund shall have a board of directors comprising the Minister of Energy, Industry, and Mineral Resources as chairman and four members appointed by the Council of Ministers upon the recommendation of the Minister of Energy, Industry, and Mineral Resources for a term not exceeding four years, renewable for another term or terms. The Council of Ministers shall determine the remuneration of the Board's Chairman and members. The Board shall be in charge of setting the Fund's policy and directing its activities.

Article 8: Board Meetings

The Fund's Board of Directors shall meet upon a call by its Chairman. A vice chairman shall be elected from among its members to act on the Chairman's behalf in his absence. A board meeting shall be valid only if attended by the majority of members, and its decisions shall be passed by majority vote of attending members. In case of a tie, the Chairman of the meeting shall have the casting vote.

Article 9: Executive Director

The Fund shall have an executive director whose appointment and dismissal are made pursuant to a decision by the Board of Directors. The Board of Directors shall determine his powers, remuneration, and other financial benefits. The Executive Director shall represent the Fund before government agencies and other entities within the Kingdom and abroad and may, for such purpose, delegate other Fund officers; he shall also represent the Fund before judicial authorities and may, for such purpose, delegate other Fund officers or others.

Article 10: Board of Directors Powers

Without prejudice to the powers of the National Development Fund, the Board shall be in charge of setting the Fund's policy, subject to this Law and other relevant laws. It shall assume powers and duties which achieve the Fund's objectives. To this end, the Board may take any decision or measure it deems necessary, particularly the following:

1. Approving Fund strategies and related plans and programs prior to submission for completion of procedures.
2. Overseeing the performance of Fund duties.



3. Approving the Fund's organizational structure.
4. Approving the Fund's administrative and financial regulations as well as internal and technical regulations and procedures.
5. Approving loans and other forms of funding.
6. Approving the acquisition, sale, or pledge of property, whether movable or real estate.
7. Approving the establishment of Fund branches within the Kingdom.
8. Approving the Fund's budget.
9. Reviewing the Fund's periodic progress reports and taking relevant decisions.
10. Proposing laws relevant to the Fund's jurisdiction, proposing amendments to existing laws, and submitting the same for completion of statutory procedures.
11. Approving agreements and contracts in accordance with applicable statutory procedures.
12. Setting criteria for determining fees of services rendered by the Fund.

To carry out such duties, the Board may form standing or ad hoc committees from among its members or others. The committee formation decision shall determine its chairman and members as well as their powers and remuneration. Said committees may seek the assistance of others to carry out any of their duties.

The Board may delegate certain powers to its members or the Executive Director or to any of the committees or Fund officers.

Article 11: Employees

Fund employees shall be subject to the Labor Law and the Social Insurance Law.

Article 12: Auditor

The Fund's Board of Directors shall appoint one or more experienced auditors to audit Fund accounts, in addition to any internal auditing required by the Fund's regulations or its Board of Directors. The Fund's Board of Directors shall determine the auditor's fees and term and may reappoint him.

Article 13: Fiscal Year

The Fund's fiscal year shall be the same as the State's fiscal year.

Article 14: Board of Directors Report

The Fund's Board of Directors shall submit to the National Development Fund a report on its activities and a report on its accounts certified by the auditors for completion of statutory procedures.