

صندوق التنمية الزراعية  
Agricultural Development Fund  
المملكة العربية السعودية



## **Credit Regulations In the Agricultural Development Fund (ADF)**

1443 H



---

**These Regulations were issued pursuant to ADF Board Resolution No. 6, at Session No. 471 dated 25/03/1439 H, as amended by ADF Board Resolution No. 4, at Session No. 480, dated 21/04/1441 H; ADF Board Resolution No. 2, at Session No. 488, dated 22/10/1441 H; and ADF Board Resolution No. 1, at Session No. 503, dated 01/12/1443 H.**

---



---

## Table of Contents

<b>Article (1): Regulations Terminology</b> .....	4
<b>Article (2): Objective of the Regulations</b> .....	4
<b>Article (3): Classification of ADF's Clients</b> .....	4
<b>Article (4): Types of Credit Services</b> .....	5
<b>Article (5): Credit Services Financing Percentage</b> .....	7
<b>Article (6): Credit Decision</b> .....	7
<b>Article (7): Credit Services Guarantee</b> .....	8
<b>Article (8): Risk Tolerance</b> .....	10
<b>Article (9): Credit Services Activities</b> .....	10
<b>Article (10): Credit Decision Powers</b> .....	10
<b>Article (11): Eligibility for Credit Services</b> .....	11
<b>Article (12): Credit Services Collection</b> .....	11
<b>Article (13): Credit Services Exceptions</b> .....	١١
<b>Article (14): Credit Services Fees</b> .....	١١
<b>Article (15): Intended Persons of the Regulations</b> .....	١١
<b>Article (16): Regulations Legislations</b> .....	١١
<b>Article 17: Regulations and Agricultural Development Fund Law</b> .....	9

---



---

## Article (1):

The meanings of the following words, wherever they are found in these Regulations, are as follows:

**ADF:** Agricultural Development Fund

**Board:** Agricultural Development Fund's Board of Directors (ADF Board)

**Law:** Agricultural Development Fund Law issued by Royal Decree No. M/9 on 01/02/1430 H.

**ADF's client (Borrower):** An individual, institution, company, cooperative, body, or organization that submits an application to ADF for its services.

**Loans:** Amounts provided by ADF to its clients to support the agricultural sector.

**Credit facilities:** Partnership with commercial banks in providing financing products.

**Credit services:** Loans and credit facilities offered by ADF to its clients.

**Credit services guarantee:** Guarantee for fulfilling an obligation for credit services.

**Credit portfolio:** Amounts allocated for the credit services provided to ADF's clients.

**Specialized projects:** Projects in which economic resources are invested to build and manage production structures to have an annual return in a specified period.

**Development loans:** Loans that are provided to finance agricultural fields to cultivate all kinds of field crops, fruit farms, apiaries and fishing boats.

**Credit services for financing working capital:** Credit services provided to cover the operational costs of specialized projects.

**Investment credit services:** Credit services provided to all specialized projects.

**Operational development loans:** Loans that cover the operating costs of one production cycle.

## Article (2):

ADF provides credit services to achieve the objectives of KSA's agricultural and water strategy and in line with the strategic objectives of ADF, according to its Bylaws.

## Article (3):

ADF's clients are classified based on the volume of annual revenues or credit services provided to their facilities, as follows:

**First: Micro-enterprises**



---

They are ADF's clients (borrowers) to which both or one of these two cases apply:

- a) Their annual revenue does not exceed three million riyals.
- b) Their financial liability to ADF does not exceed five hundred thousand riyals.

**Second: Small Enterprises:**

They are ADF's clients (borrowers) to which both or one of these two cases apply:

- a) Their annual revenues range from three million riyals to forty million riyals.
- b) Their financial liability to ADF does not exceed six million riyals.

**Third: Medium Enterprises:**

They are ADF's clients (borrowers) to which both or one of these two cases apply:

- a) Their annual revenues range from forty million riyals to two hundred million riyals.
- b) Their financial liability to ADF does not exceed twenty million riyals.

**Fourth: Large Enterprises**

They are ADF's clients (borrowers) to which both or one of these two cases apply:

- a) Their annual revenue exceeds two hundred million riyals.
- b) Their financial liability to ADF exceeds twenty million riyals.

**Article (4):**

Credit services are divided based on their terms and purpose, provided that these services are not used for purposes other than for which they were provided. The explanatory instructions and work procedures specify the provisions to be taken into account, as follows:

**First: Long-term credit services:**



---

Credit services or loans with no more than 10-year repayment period and with two-year grace period as follows:

**a) Investment credit services: -**

They are provided for applications for financing new specialized projects, expansion, and rehabilitation, which require economic feasibility studies. Credit service payment period is determined based on cash flows, project study, and credit analysis.

**b) Development loans:**

Loans that are provided to finance agricultural fields to cultivate all kinds of field crops, fruit farms, apiaries and fishing boats.

**Second: Short-term credit services:**

Credit services or loans with no more than 4-year repayment period as follows:

**a) Credit services for financing working capital of specialized projects:**

These are (revolving/non-revolving) credit services that are provided to finance operational costs by studying and analyzing the working capital needs. The repayment period shall not exceed (2) two years, except for projects damaged for reasons beyond the control of the client, such as agricultural pests and epidemic diseases, which require an additional period, provided that the repayment period does not exceed (4) four years.

**b) Operational development loans:**

Loans that cover the operating costs of one production cycle for: (i) small enterprises, with a repayment period not exceeding (2) two years after the grace period; and (ii) small livestock breeders, beekeepers, fishermen and the like, with a repayment period of (4) four years after the grace period and according to the study of each product.



---

## Article (5):

Credit services and development loans are provided to ADF's clients, taking into account the clients' liability to ADF, in varying proportions, as follows:

1. Financing up to (100%) of development loans with investment costs less than two hundred thousand riyals.
2. Financing up to (75%) of specialized projects and development loans with investment costs of three million riyals or less.
3. Financing up to (50%) of specialized projects and development loans with investment costs of three million riyals.
4. Financing up to (70%) of the investment cost of projects used for modern technologies.
5. Cooperative societies are financed in accordance with the regulations adopted in this regard.
6. Financing up to (75%) of the investment cost of projects used for modern technologies for listed joint stock companies.

The above percentages shall be increased or decreased as deemed appropriate by the Board.

## Article (6):

Subject to the client classification set out in Article (3) of these Regulations, the credit decision shall be taken in accordance with the following:

- a. With regard to development loans, the credit decision is made through evaluation models and tools for specific criteria that give indicators that contribute to determining the creditworthiness of the client.
- b. With regard to investment credit services and specialized projects, credit decision-making is based on the following three pillars:

### **First: Business Analysis: It includes the following: -**

1. Analysis of the client's position (as to the experience in the sector, and studying the project in terms of specifications and techniques used and their compatibility with the size of the project).
2. Analyzing the market of the sector to be invested in (studying supply, demand and prices offered).

### **Second: Financial Analysis: It includes the following: -**

1. Analysis of the financial statements.



2. Studying the investment costs.
3. Analysis of cash flows.

**Third: Analysis of ADF's position** on the client, including:

1. Studying guarantees provided.
2. Defining requirements of credit services.

## **Article (7)**

ADF approves credit services, if they are secured by one or more of the following types of guarantees:

### **1. Bank guarantee**

An unconditional and irrevocable guarantee issued by a commercial bank licensed to operate in the Kingdom of Saudi Arabia. It includes the value of the credit service covered by the guarantee, and covers only (100%) of the value of the credit services.

### **2. Personal guarantee:**

- Guarantee of one person for loans and credit services up to a maximum value of 250000 riyals.
- Guarantee of at least two persons for loans and credit services up to a maximum value of SAR 500000.
- Guarantee of at least three persons for loans and credit services up to a maximum value of SAR 750000.

ADF may agree to provide the credit service if it is satisfied with the personal guarantor's financial solvency. Each guarantor shall collectively or individually pay the full value of the guarantee (the credit service) as the payment and performance bond.

### **3. Corporate guarantee:**

A guarantee by a credit service company or companies without a specific limit according to the financial solvency of the company or companies. It covers (20%) of the value of the credit services.

### **4. Pledge of the project's assets covered by credit services (equipment and machinery):**





---

Assets (equipment and machinery) for specialized agricultural and food projects shall be pledged at (40%) of their estimated value and (50%) of their estimated value for listed joint stock companies.

#### **5. Real estate guarantees:**

The real estate guarantee coverage percentage is estimated as follows:

- Commercial and residential properties cover 80% of their estimated value.
- Agricultural properties cover 70% of their estimated value.

#### **6. Inventory pledge:**

Inventory pledge guarantee is provided for working capital loans, provided that this credit service guarantee for financing the working capital is applied. The coverage percentage is (50%) of its estimated value.

#### **7. Assignment of contract revenues:**

Collecting the dues of ADF's clients, by assigning all revenues to ADF, provided that this guarantee is applied to the credit services related to financing working capital. It covers (50%) of its estimated value.

#### **8. Pledge of investment portfolios:**

Pledge of investment portfolios (shares and sukuk) approved by ADF shall be accepted. However, it shall be evaluated periodically. Furthermore, it covers (60%) of its estimated value.

**ADF also approves additional types of documents that contribute to supporting the client's position to have access to credit services as follows:**

1. **Declaration and undertaking:** It is a declaration and undertaking by an individual or legal entity that dues owed by ADF's client shall be paid. It is calculated based on the ownership percentage or as deemed appropriate by the credit approval entity in ADF.
2. **Promissory Note:** Taking a promissory note payable by partners in companies except for joint stock companies as they are not a party to the contract. In qualitative and strategic projects related to food security, the



signing of a promissory note shall be at the discretion of the authorized person, taking into account the guarantees provided.

**Article (8):**

ADF shall assess risk tolerance through the following three points:

1. The maximum ceiling for credit services for a single client shall be fixed at no more than (4.5%) of ADF's paid-up capital, and no more than (5.5%) of ADF's paid-up capital for listed joint stock companies, or an amount of seven hundred and twenty million riyals and eight hundred and eighty million riyals for listed joint stock companies. With regard to strategic projects associated with food security, the maximum ceiling is fixed at nine hundred million riyals, and one billion riyals for listed joint stock companies, whichever is greater. The Board may increase the amount over the specified percentage for the Client if the public interest so requires.
2. The credit portfolio shall be distributed annually to the agricultural sectors, based on the annual business plan and budget. It shall be reviewed periodically and quarterly reports shall be submitted to the relevant committees and the Board.
3. Credit services shall be covered by guarantees determined by ADF, based on the level of credit risk for each service, and with guarantee percentages, as follows:
  - (85%) of the credit portfolio is covered by guarantees at a percentage equal to or higher than (100%).
  - (12.5%) of the credit portfolio is covered by guarantees at a percentage equal to or higher than (50%).
  - (2.5%) of the credit portfolio is covered by guarantees at a percentage less than (50%).



---

### **Article (9):**

ADF's Board shall be responsible for determining the agricultural activities for which credit services are to be provided, and for distributing them based on the credit portfolio and according to ADF's Bylaws.

### **Article (10):**

Powers to approve credit services shall be determined as follows:

1. **Board of Directors** to approve credit services exceeding fifty million riyals.
2. **Loan Committee** to approve credit services ranging from ten million riyals up to fifty million riyals.
3. **Internal Loan Committee** to approve credit services ranging from five hundred thousand riyals up to ten million riyals.
4. **Branch** to approve credit services amounting to five hundred thousand riyals.

### **Article (11):**

Credit service installments are deemed payable, from the date they are due. The borrower is considered in default, in the event that (45) working days have passed from the date of the notice of maturity.

### **Article (12):**

Installments are collected based on a credit analysis of credit services, and are divided based on the client's cash flows. In addition, they are distributed in monthly, quarterly, semi-annual, or annual installments with a maximum.

### **Article (13):**

Consideration will be given to rescheduling, redistributing installments, or re-lending to those who have obtained debt restructuring or debt transfer. Furthermore, consideration will be given to repayment period extension by studying the credit situation of the client, the financial situation of the project and the general economic situation, based on collection and lending regulations and procedures.



---

**Article (14):**

ADF's credit services shall be charged in accordance with the pricing policy approved by the ADF's Board.

**Article (15):**

Provisions of these Regulations shall be applied to all individuals, institutions, companies, bodies, organizations and cooperative societies registered in accordance with the relevant Law.

**Article (16):**

The Executive Department shall prepare explanatory instructions and working procedures for lending, guarantees, collections and credit risks. Moreover, they shall be approved by the Director General.

**Article (17):**

These Regulations are complementary to the Law and are not independent and in the event of conflict, the Articles of the Law shall prevail.

**God bestows Success**