

صندوق التنمية الزراعية
Agricultural Development Fund
المملكة العربية السعودية



Credit policy
Agricultural Development Fund



This policy was issued in accordance to Resolution No. 6 of the board of directors of Agricultural Development Fund in its Session No. 471 dated 25/03/1439H (13/12/2017G), amended by Resolution No. 4 of the board of directors of Agricultural Development Fund in its Session No. 480 dated 21/04/1441H (18/12/2019G), amended by Resolution No. 2 of the board of directors of Agricultural Development Fund in its Session No. 488 dated 22/10/1441H (14/06/2020G)



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Article (01)

The following expressions whenever stated herein will have the following meanings assigned thereto;

Fund	: Agricultural Development Fund (ADF)
Board	: ADF board of directors
Law	: ADF law promulgated by royal decree N° M/9 dated 01/02/1430 AH
ADF client (borrower)	: Individual, establishment company, cooperative association, organization or enterprise applies to ADF to obtain ADF services.
Loans	: Amounts provided by ADF for its clients to support agriculture sector
Credit Facilities	: Partnership in delivery of finance products with commercial banks
Credit Services	: Loans and credit facilities provided by ADF to its clients
Credit Services Guarantee	: Securities against commitments of credit services
Credit Portfolio	: Allocated amounts against credit services provided to fund's clients
Specialized projects	: Economic resources are invested to build and manage productive structures with the aim of obtaining an annual return in a specified period
Developmental loans	: Loans provided to finance agriculture fields for cultivation of field corps of all types such as fruit farms, apiaries, and fishing boats.
Working Capital Loans	: Credit services provided to cover operational costs for Specialized projects.
Investment credit services	: Credit services provided for all Specialized projects.
Operational development loans	: Loans covering operational costs for one production cycle



Article (2)

ADF provides credit services to achieve the objectives of the Saudi Arabia Agriculture and Water Strategy, and in line with ADF strategic objectives according to its articles of associations.

Article (3)

Clients of ADF are classified based on volume of annual revenue or credit services provided to their entities as follows:

First – Micro Enterprises:

ADF clients (borrowers) with to whom both or one of the following cases apply

- a. Total annual revenue volume not exceeding (3) three million Saudi Riyals
- b. TOTAL LOANS with the Fund not exceeding SR 500,000 (five hundred thousand Saudi Riyals)

Second – Small Enterprises:

ADF clients (borrowers) TO WHOM BOTH OR ONE OF THE FOLLOWING CASES APPLY:

- a. Annual revenue ranges from (3) three million Saudi Riyals to (40) forty million Saudi Riyals
- b. Total loans with the Fund not exceeding (6) six million Saudi Riyals

Third – Medium Enterprises:

ADF clients (borrowers) to whom both or one of the following cases apply:

- a. Annual revenue ranges from (40) forty million Saudi Riyals to (200) forty million Saudi Riyals
- b. Total loans with the Fund not exceeding (20) twenty million Saudi Riyals

Fourth – Large Enterprises:

ADF clients (borrowers) to whom both or one of the following cases apply:

- a. Annual revenue exceeds (200) million Saudi Riyals
- b. Total loans with the Fund exceed (20) twenty million Saudi Riyals



Article (4)

Credit services are divided based on its terms and the objective thereof provided that such services shall only be used for the designated purposes. The explanatory directives and work procedures will identify the provisions that should be considered thereto as follows:

First – long term credit services:

Credit services or loans that repayment of which shall not exceed (10) ten years and grace period (2) two years as follows:

a. Investment Credit Services:

Investment credit services are provided to new specialized projects, expansion and rehabilitation, requiring economic feasibility studies, and the repayment period for credit services is determined, based on cash flow, project study and credit analysis.

b. Development Loans:

Loans provided to finance agriculture domains for cultivation of field crops of all types, fruit farms, apiaries and fishing boats.

Second – Short Term Credit Services:

Credit services or loans that repayment of which shall not exceed (4) four years as follows:

a. Specialized Projects working capital financing credit services

Credit services (revolving / non-revolving) provided to finance operational costs based on study and analysis of working capital needs. The repayment period is set not to exceed (2) two years except Damaged projects due to reasons beyond control of clients such as plant insects and epidemics which requires an additional period provided that its pay back duration shall not exceed (4) four years.



b. Operational Development Loans:

Loans covering operational costs for one production cycle of small enterprises, with repayment periods not exceeding two years after the grace period, and for small livestock breeders, beekeepers and fisher and others the repayment period is four years after the grace period, depending on the study of each product.

Article (5)

Credit services and development loans are provided to ADF clients in varying proportions as follows:

1. Financing up to (100%) of the value of development loans whose investment cost is less than SR 200 thousand (two hundred thousand Saudi riyals).
2. Financing up to (75%) of the value of specialized projects and development loans whose investment cost is (3) three million riyals or less.
3. Financing up to (50%) of the value of specialized projects and development loans whose investment cost is exceed (3) three million riyals.
4. Financing up to (70%) of the projects investment cost who use new technologies.
5. Finance to cooperative in accordance with approved regulation in this regard.
6. Financing up to 75% of the projects investment cost who use modern techniques for the listed joint-stock companies

The above percentages maybe increased or decreased based on the opinion of the board.



Article (6)

Subject to clients' classification in article No (3) of this regulation, a credit decision will be taken in accordance with the following:

a. In terms of development loans: credit decisions are taken through specified standards assessment tools and forms that provide indicators that participate in identifying clients' creditworthiness.

b. For investment credit services and Specialized projects: credit decision will depend on fulfilling the following three pillars:

First – business analysis including:

1. Analysis of the client's position (in terms of experience in the sector and study the project in terms of the specifications and technologies used and how they fit the project's size).

2. Analysis of sector's market in which investment is intended (and study supply, demand, and prices offered).

Second – financial analysis including:

1. Financial statements analysis.

2. Studying investment costs

3. Cash flow analysis

Third: Analyzing the Fund's position on the customer, and it includes:

1. Study the guarantees provided.

2. Determine the requirements for credit services.

Article (7)

The fund approves the granting of credit services, if they are guaranteed by one or more of the following types of guarantees/collateral:

1. Bank Guarantee

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



2. Personal Guarantee

- One person guarantee for loan or credit services that value of which is maximum 250 thousand (two hundred fifty thousand Riyals).
- Two persons guarantees for loan or credit services that value of which is maximum 500 thousand (five hundred thousand Riyals).
- Three persons guarantees for loan or credit services that value of which is maximum 750 thousand (seven hundred fifty thousand Riyals).

ADF may approve the provision of credit service if ADF is convinced of the financial solvency of the personal guarantor, and that each guarantor is committed to repay the full amount of bail (credit service) to ensure the performance and fined collectively or individually

3. Companies Guarantee:

Credit services company (s) guarantee without specific limit in accordance with company (s) credit credibility and covering 20% of credit service value.

4. Mortgage of project assets covered by credit services (equipment and machinery):

Assets (equipment and machinery) for specialized agricultural and food projects are mortgaged at a rate of (40%) of the estimated value and at a rate of (50%) of the estimated value of the listed joint-stock companies.

5. Real Estate mortgage:

The coverage percentage for real estate mortgage is estimated as follows:

- Commercial and residential real estate covers 80% of its estimated value.
- Agricultural real estate covers 70% of its estimated value.

6. Inventory-collateral:

Inventory collateral is provided for working capital loans, provided that this guarantee applies to the credit services related to working capital financing and the coverage ratio is (50%) of its estimated value.



7. Assignment of contracts revenue
Collection of the receivables of the ADF's client, by assigning all revenues to the Fund provided that this guarantee is applied to the credit services for financing working capital and covers 50 % of their estimated value.
8. Investment portfolio as collateral:
Investment portfolio (share and deeds) as a collateral is accepted by ADF provided that it shall be routinely evaluated and cover 60% of its estimated value.
Moreover, ADF approves additional types of securities that participate in supporting client situation to obtain credit services as follows:
 1. Pledge receipt: pledge and attestation by individual or entity to fulfill and pay clients dues and its calculation percentage is estimated based on property percentage or as deemed by ADF credit approval authority.
 2. Promissory note: applicable to all ADF clients as an additional obligatory documentation in order to approve credit services.

Article (8)

ADF will identify his risk tolerance in accordance with three main aspects as follows:

1. Maximum credit services limit of each client shall not exceed 4.5% of ADF capital and without exceeding 5.5% of ADF paid capital to enlisted companies or an amount (720) seven hundred twenty million Saudi Riyals and enlisted companies (880) eight hundred eighty million Saudi Riyals. Strategic projects and related to food security related will have maximum ceiling (900) nine hundred million Saudi Riyals and enlisted stock companies one billion Saudi riyals whichever is higher. Board may increase amount to client beyond pre-established percentage if needed for public interests.
2. Credit portfolio will be distributed annually to agriculture sectors based on the business plan and budget of annual, and it is reviewed periodically. Quarterly reports shall be submitted to the relevant committees and the board.



3. Credit services are covered by guarantees determined by the fund, based on the size of the credit risk for each service, and at guarantee percentages, as follows:
 - a. 85% of credit portfolio shall be covered by guarantees of percentage equal or higher than 100%
 - b. 12.5% of credit portfolio shall be covered by guarantees of percentage equal or higher than 50%
 - c. 2.5% of credit portfolio shall be covered by guarantees of percentage less than 50%

Article (09)

ADF board of director will identify agriculture activities to which credit services are intended and distribute it to credit portfolios in accordance with ADF articles of associations.

Article (10)

Authority for approval of credit services shall be identified in accordance with the following:

1. Board of directors: approval of credit services exceeding 50 million Saudi Riyals
2. Loans committee: approval of credit services ranges from SR 10 million Saudi Riyals up to SR 50 million Saudi Riyals
3. Internal loan committee: approval of credit services ranges from SR 500 thousand Saudi Riyals up to SR 10 million Saudi Riyals
4. Branch: approval of credit services up to 500 thousand Saudi Riyals>

Article (11)

Credit services installments are payable for due date and lender will be deemed to be in default if 45 days elapsed from due payment notice date expiry.

Article (12)

Installments shall be collected based on the credit analysis of the credit services and divided based on clients' cash flow and distributed to monthly, quarterly, semi annually or maximum annually installments.



Article (13)

Loan payment re-scheduling will be considered for who has debt transfer or debt re-structuring. Furthermore, repayment period will be extended based on client's credit study, project financial performance, and general economic situation in accordance with lending and collection procedures and regulations.

Article (14)

Financial charges for credit services provided by ADF according to ADF board approved pricing policies.

Article (15)

The stipulations of this regulation shall apply to all individuals, establishments, companies, organizations and cooperatives which are recorded in accordance with related law.

Article (16)

Executive department shall prepare explanatory directives and work procedures for lending, guarantee, collection and credit risks and thereafter approved by director general.

Article (17)

This policy is complementary to the laws and regulations of the fund and is not independent of it and in case of any conflict law's articles shall prevail.