

THE SAUDI FUND FOR DEVELOPMENT (SFD)

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Established in 1974, the Saudi Fund for Development (SFD) extends concessional loans for financing projects that contribute to the social and economic well-being of the beneficiary countries. Although all developing countries are included, assistance is concentrated primarily on the least developed countries (LDCs), particularly the low income countries (LICs) and most seriously affected.

The terms and conditions of SFD financing depend on the type of project and the economy of the beneficiary country. SFD assistance is only in the form of soft loans with a 2 to 2.5% average interest rate, representing a de facto 65-70% grant element. The Saudi Fund's share in the financing of a project will not exceed 50% of its total cost, and overall financial assistance provided to any country must not exceed 10% of the SFD capital, which currently stands at US\$10 billion. By the end of 1996, the Saudi Fund had signed loan agreements for a total value of close to \$US6 billion with 64 countries.

The SFD policy of providing assistance to LDCs does not accord any preference or priority to any region or sector. The Fund will give due consideration to the priorities of the recipient countries and only deals in sovereign loans. It will agree to finance a private sector project but only if the recipient country agrees; the loan agreement still have to be signed by the host country. Sectoral distribution was 49% for energy, 34% for agriculture and irrigation, and 17% for social infrastructure. 75% of the SFD loans went to Africa and 25% to Asia. Arab countries are due to receive a larger share of its assistance in the future. Lebanon has received recently substantial loans; other Arab beneficiaries include the Maghreb countries, Yemen and Egypt. In Africa, assistance is mostly concentrated in West Africa and the Sahel; and in Asia, Nepal and Bangladesh. Countries with arrears in repayments will not receive further assistance.

The Saudi Fund has a policy of participating in co-financing for most of its projects, usually with other Arab or Islamic bilateral or regional funds, but also with the World Bank, the African Development Bank and even CIDA.

Procurement is untied and International Competitive Bidding (ICB) procedures apply. There is no pipeline of projects as such as each project is dealt with on a case by case basis and the SFD does not release procurement information. The SFD appears to delegate to the recipient country most of the