

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

166 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

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Institution: Saudi Development Fund

Location: Riyadh, Saudi Arabia

Size:

Capital: SR 10 billion (Saudi Riyals)

Purpose: Established in September 1974, the SDF participates in financing development projects in the developing states by providing loans.

Source of Funds: Believed to be direct contribution from Saudi Arabian revenues.

Management Structure: The Fund is managed by a six man Board of Directors comprised of a Deputy Chairman, the Minister of Finance and National Economy, and four other members selected for three year terms of office by the Council of Ministers.

Management of Funds: Internal

Portfolio: The Fund will grant loans to projects of economic or social benefit to the recipient state on the condition that the loan is repaid in Saudi Riyals and that any one loan does not exceed 5% of the Fund's capital or 50% of the overall cost of the project being financed. In addition, any one country may not be extended loans totalling more than 10% of the Fund's capital. To date the Fund has extended more than fifty loans to a large cross-section of developing countries including Indonesia, Egypt, North Yemen, People's Republic of Congo and Niger.

Capital Structure: N.A.

Income: Believed to be retained.

SAUDI DEVELOPMENT FUND

Established September 1974.

Saudi Development Fund,
P.O. Box 5711,
Riyadh.
SAUDI ARABIA.

Telephone number: 21045

Managing director: Mahsoun Jalal.

Capital:

Authorised SR 10,000,000,000.

The Saudi Development Fund was set up under Royal Decree No.M/48 of 14 Sha'ban 1394(September 1st 1974) capitalised at SR 10 billion.

The Fund is managed by a six man Board of Directors and comprising a Deputy Chairman, the Minister of Finance and National Economy, and four other members selected for three year terms of office by the Council of Ministers.

The Fund will grant loans to projects of economic or social benefit to the recipient state on the condition that the loan is repaid in Saudi riyals and that any one loan does not exceed 5% of the Fund's capital or 50% of the overall cost of the project being financed.

In addition any one country may not be extended loans totalling more than 10% of the Fund's capital.

To date the Fund has already extended more than fifty loans to a large selection of developing countries that include Indonesia, Egypt, Noth Yemen, Peoples Congo, Niger etc.

STATUTES OF THE SAUDI DEVELOPMENT FUND

(The following is a translation from the original Arabic text of the statutes of the newly-created Saudi Development Fund, as published in the 20 September 1974 issue of the Saudi official gazette Umm al-Qura)

Article 1

There shall be established in accordance with these statutes a public organization called "The Saudi Development Fund," headquartered in the city of Riyadh, which shall enjoy corporate status and financial independence and shall participate in financing development projects in the developing states by providing loans to such states.

Article 2

The capital of the Fund shall be fixed at SR 10,000 million* half of which will be covered during the next three years in accordance with the budget allocations, and the remainder will be covered thereafter in accordance with the amounts specified in the State's General Budget each year.

The Fund's capital may be increased by a decision of the Council of Ministers.

Article 3

The Fund shall be administered by a Board of Directors, under the chairmanship of the Minister of Finance and National Economy, and composed of the following members:

- (a) Deputy Chairman and Managing Director, who shall be appointed by a decision of the Council of Ministers upon the proposal of the Minister of Finance and National Economy. The decision shall also determine his remuneration and stipulate the conditions of his employment and termination.
- (b) Four other members with expertise and specialized qualifications whose selection will be made by a decision of the Council of Ministers upon the proposal of the Minister of Finance and National Economy. The period of office of the aforementioned members shall be for three years, and it shall always be possible to reselect them following the expiry of their term of office.

The Board of Directors shall meet at the invitation of the Chairman or Deputy Chairman, whenever the need arises, and a quorum shall be constituted by the attendance of the majority of the members.

Without prejudice to any particular provision, the Board's decisions shall become effective by the approval of a simple majority of the members present; and in event of a tie, the view of the side which includes the Chairman shall prevail.

* 1 US \$ = SR 3,55

Article 4

The Board of Directors of the Fund is the authority that controls the Fund's affairs and carries out its business, and for this purpose the Board shall:

- (1) Approve the regulations and conditions for granting and recovering loans in accordance with the provisions of these statutes.
- (2) Approve the granting of loans for projects which the Board sees fit to finance.
- (3) Approve the investment of the Fund's unutilized monies in various investment fields.
- (4) Approve the Fund's employees' regulations in agreement with the General Employees Bureau.
- (5) Approve the Fund's administrative and financial regulations.
- (6) Approve the Fund's administrative and general draft budgets and closed accounts.

Article 5

The Deputy Chairman and Managing Director shall be responsible for the executive management of the Fund and shall represent it in the courts and in its relations with other parties. He shall also be responsible for the implementation of the decisions of the Board of Directors.

Article 6

The Fund, prior to the granting of a loan, must investigate the loan's profitability and repayment guarantees taking into consideration the following:

- (a) The financial capacity of the state requesting the loan as regards the size of the loan and the adequacy of the economic and financial resources available for its repayment.
- (b) The importance of the project for which the loan is to be obtained, its priority rating with regard to other projects, and the extent to which it complements the other economic facilities of the borrowing state.
- (c) The adequacy of the feasibility and evaluation studies for the project from the economic and technical points of view.
- (d) The availability of the funds necessary for the implementation of the project in the borrowing state in addition to the amount of the loan.

Article 7

The Fund shall grant loans subject to the following conditions:

- (a) That the economic or social benefits for the borrowing country of the project to be financed shall be established by the Fund.

- (b) That the loan shall be paid out and repaid in Saudi Riyals.
- (c) That the amount of the loan for any project shall not exceed five percent of the Fund's capital or 50 percent of the total cost of the project for which the loan is being granted.
- (d) That the total amount of loans granted to any country at any one time shall not exceed 10 percent of the Fund's capital.

The Council of Ministers, upon the recommendation of the Board of Directors and the proposal of the Minister of Finance and National Economy, may waive any one of these conditions whenever there is justification for so doing.

Article 8

All loan agreements concluded by the Fund with a recipient country should provide for the following:

- (a) The whole amount of the loan shall be allocated to the project for which the loan is being made, and the Fund shall be advised how the sum is being spent and being coordinated with the other sources of finance.
- (b) All information and facilities requested by the Fund regarding the progress of work on the project for which the loan has been granted shall be made available from the date of the signature of the contract until the loan has been fully repaid.
- (c) Every facility shall be accorded to employees who are assigned duties by the Fund in connection with the loan in the recipient country, together with immunities similar to those of diplomatic missions.
- (d) All the Fund's financial activities in the recipient country shall be facilitated. Also the loan and assets of the Fund in the said country shall be exempted from all direct and indirect restrictions related to controls on the transfer of funds, currencies and cheques, to the extent of the value of the loan.
- (e) All the Fund's transactions and income in the recipient country shall be exempted from all taxes, fees and duties in whatever form.
- (f) All the assets of the Fund in the recipient country, regardless of their nature, shall be immune from all kinds of expropriation, nationalization or sequestration as well as seizure or attachment.
- (g) All the documents, records and correspondence of the Fund shall be treated as confidential, and total immunity shall be accorded to the Fund in the recipient country in respect of censorship and inspection of publications.

Article 9

The Fund may, as it deems fit, request from the borrower adequate guarantees for the loan.

Article 10

Without prejudice to the rights of the Fund in respect of the loan agreement, principles of public law or international practice, the Fund may - in the event that the recipient state violates any of the obligations stipulated in the loan agreement - suspend payment of the outstanding installments of the loan, consider that the installments already paid are due for repayment with immediate effect, and recover such sums together with all costs specified in the loan agreement without notice or warning or resort to legal action.

Article 11

The financial year of the Fund is the State's fiscal year, and at the end of each financial year the Minister of Finance and National Economy shall submit to the Council of Ministers:

- (a) A detailed annual report on the Fund's activities which shall include a comprehensive review of the Fund's operations during the year and plans for the following year.
- (b) The Fund's general budget and closed accounts.

Article 12

Without prejudice to the authority of the Comptroller General of State Accounts, the Board of Directors of the Fund may appoint one or more auditors or licensed accountants.

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Institution: Arab Bank for Economic Development in Africa

Location: Khartoum, Sudan

Size: Authorized and subscribed capital: U. S. \$231 million

Purpose: Established in 1974 under aegis of Saudi Arabia and League of Arab States. Operations commenced in 1975. Membership consists of 18 Arab states which have contributed from U. S. \$50 million (Saudi Arabia) to U. S. \$1 million (Jordan, Bahrain, Sudan, Syria, Egypt, Mauritania, Palestine) to initial capital. Purpose is threefold: (1) assist in financing economic development in African countries; (2) stimulate the contribution of Arab capital to African development; (3) help provide technical assistance required by Africa's economic development.

Source of Funds: Anticipated to be capital subscriptions by member states, plus borrowings (up to a limit of 2x paid in capital and reserves), deposits and retained earnings. Special funds also authorized.

Management Structure: Board of Governors (one from each member country) oversees general operations and policies. Initiation and implementation of policies and direction of management via Board of Directors (12, based on share ownership) through President (Chairman of Board of Directors) and staff.

Management of Fund: Internal policies prohibit disbursement of funds without prior provision for supervision of related project by bank staff.

Portfolio: Operations of bank may take the form of (1) loans and guarantees granted to development financing institutions; (2) participation in financing of major economic projects, especially agriculture and industry, to make up any deficit from external sources of financing; (3) technical and financial assistance aimed at identifying and structuring economic development projects, especially Afro-Arab projects; (4) technical and financial aid with respect to technological development. Eligible recipients limited to (1) African governments and agencies; (2) public and private companies, organizations and projects in African

Portfolio: countries, majority owned by African governments or
(cont'd.) citizens; (3) mixed, African or Afro-Arab economic
development companies. Present portfolio believed to
consist of 20-25 loans in 20 African states. Maximum
participation by Bank in any one project to be lesser of
U. S. \$10 million or 50%; term of loans to vary based on
project; and interest charges to vary from 1% to 6%. All
loans and investments must be guaranteed.

Capital Structure: See "Source of Funds" above.

Income: Allocated to reserves or members' capital accounts by
Board of Governors.

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ARAB BANK FOR ECONOMIC DEVELOPMENT IN

AFRICA.

Established February 1974.

Arab Bank for Economic Development in Africa,
Baladia Road,
P.O. Box 2640,
Khartoum.
SUDAN.

Telephone numbers: 73645-7.

Telex number: KM 248.

Directors: Dr. Shazali Al Ayari (Chairman)
There are eleven other directors each of whom under Article 22 of the 'General Agreement' is entitled to hold the office for a period of four years renewable.

Authorised capital: ₤ 231 million - to be increased.

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GENERAL AGREEMENT
establishing the
**ARAB BANK FOR ECONOMIC
DEVELOPMENT IN AFRICA**
(A.B.E.D.I.A.)

THE GOVERNMENTS of the Arab League States on whose behalf this Agreement is signed,

Believing in the need to strengthen the ties between African States and the Arab Nation,

Seeking to further the economic development of African countries within a framework of solidarity and mutual interest,

Recognizing that coordinated efforts aimed at bringing about the economic independence of African countries are a crucial factor in achieving our national goals,

Seeking to give African-Arab solidarity a concrete and efficient shape, based on equality and friendship,

Being convinced that the establishment of a financial institution to support the economic development requirements of African countries constitutes a major step towards stimulating Arab-African cooperation, and

Pursuant to the decisions of the Vth Arab Summit of Algiers, taken at its session of 26th November 1973, and to the recommendations made by the Economic Council at its session of 5th December 1973,

AGREE AS FOLLOWS :

Chapter I
GENERAL PROVISIONS

Article One : FORMATION OF THE BANK

An Arab financial institution is hereby established. Its name shall be :

THE ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

(hereinafter called « The Bank »)

Article 2 : PRINCIPAL OFFICE

The principal office of the Bank shall be at Khartoum.

The Bank may establish subsidiaries, branches or offices in member countries or in any other country, as its operations may require.

Article 3 : LEGAL STATUS

- I. The Bank is an independent international institution enjoying full international legal status and complete autonomy in administrative and financial matters.
- II. The Bank is governed by the provisions of this Agreement and the principles of international law.

Article 4 : PURPOSE AND FUNCTIONS

The purpose of the Bank is to foster economic, financial and technical cooperation between African countries and countries in the Arab world. In carrying out this purpose, the Bank shall .

- I. Assist in financing economic development in African countries.
- II. Stimulate the contribution of Arab capital to African development.
- III. Help provide the technical assistance required for Africa's development.

Article 5 : MEMBERSHIP

- I. The states on whose behalf this Agreement is signed are original members of the Bank.

- II. Any Arab state is entitled to become a party to the Agreement establishing the Bank by sending a note to that effect in writing to the Secretary General of the League of Arab states. The Secretary General shall notify member countries and the Chairman of the Board of Directors of the Bank of such membership instrument.
- III. No member shall be liable, by reason of its membership, for obligations of the Bank, except within the limits provided in this Agreement. Nevertheless, each member's liability extends to that portion of its subscription that has not been paid in.

Chapter II
FINANCIAL RESOURCES

Article 6 : SUBSCRIBED CAPITAL

- I. The capital stock of the Bank, as initially subscribed shall be Two Hundred and Thirty One Million US Dollars, divided into Two Thousand Three Hundred and Ten registered shares, having a par value of One Hundred Thousand US Dollars each, to be allocated in accordance with the Subscription List attached hereto.
- II. The price of the shares subscribed by members shall be payable in four equal successive installments. Each member bound by this Agreement shall pay the amount of the first installment into the account of the Bank opened with the party designated at the first meeting of the Board of Governors, within thirty days from the date the Board of Governors shall have made such designation.
Those countries that have deposited their ratification instruments after the effective date of this Agreement shall make payment within thirty days from the depositing of such instruments. Subsequent installments shall be paid into the Bank's account opened with the party designated by the Board of Directors. The capital shall be fully paid up within a period not exceeding two years after the effective date of this Agreement.
- III. No less than Ten Shares may be subscribed.
- IV. The amount of installments due shall be paid in United States dollars.

Article 7 : TRANSFERS OF SHARES

Shares shall be transferable only to the Bank, in accordance with the provisions of Article 43 in respect of withdrawals.

Article 8 : INCREASE OF CAPITAL

- I. The capital of the Bank shall be increased by the amount of the subscriptions of new members or by the amount of additional subscriptions by any member, in addition to such member's initial subscription.
- II. The amount of capital stock may be increased as required by a decision of the Board of Governors taken by a three-fourths majority of the total voting power. Such increase shall be binding upon all members that have agreed thereto.
- III. In the event of an increase of capital stock as provided in the two preceding paragraphs, the Bank's financial management procedures shall establish the criteria to be used in determining the amount to be paid by each member in consideration for its subscription for new shares.

Article 9 : BORROWING

- I. The Bank shall endeavour to increase its resources by borrowing, obtaining sureties and long and medium term deposits, issuing securities in national and international financial markets, at such times as it can start this type of transaction without jeopardizing either its solvability or its purpose and function with regard to development financing.
- II. The Bank shall always secure the prior approval of any country in whose territory the Bank proposes to obtain additional financing.
- III. The aggregate amount of funds borrowed by the Bank shall not at any given time exceed Two Hundred percent of the sum of paid-in capital plus reserves, except as the Board of Governors may otherwise expressly resolve. This limitation is not applicable to deposits.

Chapter III OPERATIONS

Article 10 : OPERATIONAL PRINCIPLES

The operations of the Bank shall be conducted in accordance with the following principles :

- I. The Bank may not take part in any operation whatsoever that is contrary to, or likely to restrict or modify its purpose or functions.
- II. The Bank may not undertake any operation in an African country if the country concerned objects to it.
- III. The Bank shall apply generally accepted principles to development financing on favourable terms without jeopardizing its overall solvability.
- IV. The Bank shall undertake its financing operations upon such terms as are deemed appropriate to the nature and circumstances of each operation.
When determining the conditions governing its activities in the less developed African countries, the Bank shall take into consideration the general situation of those countries, as well as their requirements for financing on more favourable terms.
- V. In its financing operations, the Bank shall take into consideration the ability of the recipient, or, as the case may be, of the recipient's guarantor to fulfill its obligations.
- VI. The Bank shall take any and all steps necessary to ensure that the loans made are used exclusively for the purpose for which they were made available, due regard being paid to economy considerations in costs and to efficiency considerations in implementation.
- VII. Any loan granted by the Bank to provide finance for a particular project shall be subject to international bid procedures in African and Arab countries for the procurement of goods and services produced in those countries.
The Board of Directors may, whenever it deems it expedient, authorize the purchase of goods and services from any other country. Similarly, it may waive the international bid requirement.

Article 11 : FORMS OF OPERATIONS

The Bank shall conduct its operations in such form or forms as the Board of Directors may deem appropriate to the purpose of the Bank.

Priority shall be given to the following operations :

- I. Loans and sureties granted to development financing institutions of a local, mixed or regional nature.
- II. Participation in the financing of major economic projects, especially in industry and agriculture, in order to make up any deficit from external sources of financing
- III. Technical and financial assistance aimed at identifying opportunities conducive to economic development, preparing related programmes and projects, drawing up their financing schedules and ensuring that they are implemented, especially as concerns Arab-African joint ventures.
- IV. Technical and financial aid necessary to acquire modern production techniques and know-how.

Article 12 : RECIPIENTS

The parties that may take advantage of the Bank's operations pursuant to this Agreement are as follows :

- I. The Government of African countries, including any province, agency or organization thereof.
- II. Public or private companies, organizations and projects carrying out their business in African countries and in whose capital the governments or citizens of those countries have a majority holding.
- III. Mixed, African or Arab-African companies whose purpose is economic development and that need financing for a specific project.

Article 13 : SPECIAL FUNDS

- I. The Bank may undertake the management of any financial resources whose utilisation is compatible with its purpose and functions.
- II. Such resources shall constitute special funds that are distinct from other accounts of the Bank.

- III. The Board of Directors of the Bank shall establish the procedures and make the recommendations necessary for the management of such funds.

Article 14 : IMPLEMENTATION OF OPERATIONS

- I. The Bank shall conduct its operations in accordance with such conditions as the Board of Directors may deem appropriate for each case, in such manner that no project shall receive financing until it has been reviewed and its plan of operation has been completed and until its importance for the national economy of the recipient country has been demonstrated.
- II. The Board of Directors shall establish the necessary rules and regulations for each type of operation undertaken by the Bank.

Article 15 : LIQUID ASSETS

The Bank shall invest its liquid assets in finance bills and bank deposits, pursuant to a decision taken by the Board of Directors. Such investments shall, to the extent possible, be made in Arab and African countries, due regard being paid to safety, liquidity, convertibility and diversification standards and to the best returns obtainable.

Article 16 : LIMITATIONS ON FINANCIAL OPERATIONS

The Board of Directors shall establish the rules for the maximum amount of loans and guarantees granted, at any given time, as well as the rules for the maximum level of each individual financing granted, due regard being paid to the situation of the Bank's resources and to the requirements of its solvability.

Chapter IV

THE BOARD OF GOVERNORS

Article 17 : COMPOSITION

Each member of the Bank shall appoint a Governor and Alternate Governor to act as its representative on the Board of Governors. No Alternate Governor may vote except in the absence of his principal.

Article 18 : POWERS

- I. All the powers of the Bank shall be vested in the Board of Governors.
- II. The Board of Governors shall give the Board of Directors any and all directions relative to the general policy of the Bank. The Board of Governors may delegate to the Board of Directors authority to exercise any of its powers, except the power to :
 - a) increase the capital stock of the Bank pursuant to Paragraph (II), Article 8
 - b) appoint the Chairman of the Board of Directors and President of the Bank
 - c) approve the Bank's financial management procedures as proposed by the Board of Directors
 - d) appoint auditors for the Bank, and determine the amount of their compensation
 - e) approve the budget of the Bank and its operating accounts, after having taken cognizance of the Board of Directors' reports and the Auditors' report
 - f) allocate the net income for the financial year
 - g) interpret and amend the provisions of this Agreement.
 - h) suspend a member
 - i) decide to suspend permanently the operations of the Bank and to distribute its assets.
- III. The Board of Governors shall keep the right to exercise all the powers it shall have delegated to the Board of Directors under the preceding paragraph.

Article 19 : MEETINGS

- I. The Board of Governors shall hold an annual meeting and such other meetings as it may decide to hold or as called by the Board of Directors. The Board of Directors shall call a meeting of the Board of Governors whenever five of the members of the Bank shall so request.
- II. A quorum for any meeting of the Board of Governors shall be a majority of members exercising not less than two-thirds of the total voting power.

- III. At its annual meeting, the Board of Governors shall select one of the Governors as Chairman of the Board of Governors. The Chairman so selected shall hold office until his successor has been elected.
- IV. The Board of Governors may by regulation establish a procedure whereby the Board of Directors, when it deems it desirable, may obtain a vote of the Governors on a specific question without calling a meeting of the Board of Governors.
- V. The Secretary General of the League of Arab States shall, as an observer, attend the meetings of the Board of Governors.
The Secretary General or his delegate shall have the right to participate in the debates of the Board of Governors but shall not vote at such meetings. All decisions of the Board of Governors shall be notified to the Secretary General.
- VI. The Secretary General of the Organization for African Unity shall attend, as an observer, the meetings of the Board of Governors.
He or his delegate shall be entitled to participate in the debates of the Board of Governors but shall not vote at such meetings.

Article 20 : VOTING

- I. During voting at the Board of Governors, each member shall have two hundred votes in its own right plus one additional vote for each share of stock held.
- II. Each Governor, or Alternate Governor (in the event of the absence of the former), shall be entitled to cast the number of votes which the member by which he was so appointed is entitled to cast.
- III. Except as otherwise expressly provided in this Agreement, all matters before the Board of Governors shall be decided by a majority of the votes represented at the meeting.

Chapter V

THE BOARD OF DIRECTORS

Article 21 : COMPOSITION

- I. The management of the business of the Bank shall be

vested in a Board of Directors composed of one Chairman and 11 Directors.

- II. Any member holding two hundred shares or more has one seat on the Board of Directors. The other members of the Bank shall, according to their voting power in the Board of Governors, jointly select the remaining Directors.
- III. Any Bank member not represented on the Board of Directors shall have the right to delegate a representative to attend meetings of the Board of Directors and participate in such meeting without being entitled to vote thereat.
- IV. In the event of the absence of their Chairman, the Directors shall select one of their number to preside over the meeting.

Article 22 : TERM OF OFFICE OF THE DIRECTORS

- I. Directors shall hold office for a term of four years renewable.
Directors shall continue in office until their successors have duly assumed office.
- II. The Bank shall bear the costs necessary for the participation of the Directors and Auditors in the meetings of the Board.

Article 23 : VACANCY OF A DIRECTOR'S OFFICE

If a seat on the Board of Directors becomes available for use by those countries whose individual capital stock holding is less than two hundred shares, the candidate who shall have received the largest number of votes at the election of the representatives of those countries shall occupy said seat. Should there be no such candidate, the countries referred to above shall designate a representative to occupy the vacant seat.

A Director that is appointed to replace another shall hold office only for the remainder of the term of his predecessor.

Article 24 : MEETINGS

- I. Meetings of the Board of Directors shall be held at the principal office of the Bank or at any other location that the Board of Directors may designate.
- II. The Board of Directors shall meet every four months or whenever the business of the Bank may so require. Meetings of the Board shall be convened by its Chair-

man or by two Directors.

- III. A quorum shall be a majority of the Directors.

Article 25 : POWERS

All the powers necessary to conduct the business and affairs of the Bank, except such powers as are reserved for the Board of Governors, shall be vested in the Board of Directors.

The powers of the Board of Directors include the following :

- I. To lay down the general policy of the Bank and follow up its implementation, pursuant to the provisions of this Agreement and to the directions of the Board of Governors.
- II. To establish standards and rules and adopt measures necessary to the smooth functioning of the business of the Bank, due regard being given to economy considerations in expenditures and efficiency considerations in implementation.
- III. To develop a plan of operations identifying the level of transactions and the procedures to be followed.
- IV. To approve loans and securities granted by the Bank.
- V. To take decisions relating to borrowing and the issuance of securities.
- VI. To prepare the meetings of the Board of Governors and the documents to be submitted to it, including an annual report on the activity of the Bank.
- VII. To establish branches, subsidiaries and offices of the Bank, as required by the business of the Bank.

Article 26 : DECISIONS

- I. The decisions of the Board of Directors shall be taken by a majority of the members present, except as otherwise provided in this Agreement. Each member shall have one vote only.
- II. The Chairman of the Board of Directors shall have no vote, except a deciding vote in case of an equal division.

Chapter VI
OFFICERS AND STAFF

Article 27 : THE PRESIDENT OF THE BANK

- I. The Chairman of the Board of Directors shall be the President of the Bank.
He shall be appointed for a period of five years renewable. He shall hold office until his successor duly takes over.
- II. The President shall be the chief of the operating staff of the Bank. Under the direction of the Board of Directors, he shall conduct the ordinary business of the Bank.
The President shall be responsible for the organization, appointment and dismissal of the operating staff, in accordance with the recommendations that the Board of Directors may make in this respect.
- III. The President shall be the legal representative of the Bank.

Article 28 : VICE-PRESIDENTS

- I. The Board of Directors shall have the power, on the recommendation of the President, to appoint vice-presidents who are not directors. The Board of Directors shall determine the powers and duties of each such vice-president.
- II. Vice-presidents may participate in the meetings of the Board of Directors but shall not vote at such meetings.

Article 29 : OFFICERS AND STAFF

Subject to the paramount importance of securing the highest standards of efficiency and of technical competence, due regard shall be paid, in appointing the officers and staff of the Bank, to the importance of making maximum use of Arab and African capabilities, on as wide a geographical basis as possible.

Article 30 : INTERNATIONAL STATUS OF OFFICERS AND STAFF

- I. The officers and staff, in the discharge of their offices owe their duty entirely to the Bank and to no other authority. They shall refrain from any act that is contrary to the international nature of their duties or to their independence.

- II. Each member of the Bank shall respect the international character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties.

Article 31 : SALARIES AND COMPENSATION

When establishing the level of the salaries and compensation for the personnel of the Bank, the Board of Directors shall pay due regard to the need for the Bank to attract the personnel it requires.

Chapter VII
FINANCIAL PROVISIONS

Article 32 : FINANCIAL YEAR

The financial year shall start on the first of January and end on the thirty first of December of each calendar year.

The Board of Directors shall determine the duration of the first financial period.

Article 33 : OPERATING BUDGET

The President shall submit to the Board of Directors, not later than 30 th September of each year, estimates of the operating accounts for the next financial period.

Article 34 : ANNUAL ACCOUNTS AND REPORTS

- I. The President shall cause to be kept true books of account faithfully reflecting the financial position of the Bank and showing its operations in detail.
- II. The Board of Directors shall submit to the annual meeting of the Board of Governors an annual report containing an audited statement of the Bank's accounts, including a summary statement of its general budget, a statement of the origin and utilization of its resources and a profit and loss account. The Board of Directors shall determine the form of these statements and the extent of detail in each such statement. A copy of this report shall be sent to the Secretary General of the League of Arab States for submission to the appropriate bodies of the League.

Article 35 : AUDITING

The Bank's accounts shall be audited by a reputable firm of auditors to be designated annually by the Board of Governors.

Article 36 : PROFITS AND RESERVES

The Board of Governors shall, on the recommendation of the Board of Directors, allocate the Bank's net earnings by transferring them to reserves, or integrating them into the capital account proportionately to each member's stockholding, or in any other manner conducive to the purposes of the Bank.

Chapter VIII

IMMUNITIES AND PRIVILEGES

Article 37 : IMMUNITY OF THE BANK'S ASSETS

The Bank, its funds, property and assets shall be immune, in the territories of its members, from nationalization, attachment, expropriation, seizure, search and any other form of enforcement as a result of a decision by the executive or judicial powers.

The funds of the Bank shall be free from any foreign exchange controls.

The immunities set forth above shall be equally applicable to the deposits of the Bank.

Article 38 : IMMUNITY OF ARCHIVES

The archives of the Bank shall be inviolable.

Article 39 : IMMUNITY AND PRIVILEGE FOR COMMUNICATIONS

The communications of the Bank shall enjoy immunity in the territory of any and all members. They shall be accorded by each member all the privileges that are accorded to the official communications of other members.

Article 40 : IMMUNITIES FROM TAXATION

- I. The subscription of members in the capital stock of the Bank, the Bank's funds, monies, earnings, operations, and the deposits it receives and the securities it issues by whomsoever held, as well as the transactions authorized by this Agreement, shall be immune

from all taxation and all customs duties in the territories of members. The Bank shall also be free from restrictions on imports of goods necessary to carry out its functions and from any customs duties in respect thereof; however, this shall not apply to any dues payable for services actually rendered to the Bank. The Bank shall also be immune from liability for the collection or payment of any tax or duty.

Article 41 : JUDICIAL PROCESS

Actions may be brought against the Bank in courts of competent jurisdiction in the territories of a member in which the Bank has a branch, an agency or an office, or has issued or guaranteed securities.

Article 42 : IMMUNITIES AND PRIVILEGES OF OFFICERS AND EMPLOYEES

- I. In the territories of all members, the Governors, Alternate Governors, Directors, officers and employees of the Bank :
 - a) shall be immune from legal process with respect to acts performed by them in their official capacity;
 - b) shall be accorded the same immunities from immigration restrictions and alien registration requirements, and the same facilities as regards exchange representatives of comparable rank of other members ;
 - c) shall be immune from taxation on or in respect of salaries and emoluments paid by the Bank;
 - d) shall be granted the same treatment in respect of travelling facilities as is accorded by members to the representatives of comparable rank of other members.
- II. The privileges, immunities and facilities set forth in this Article shall be accorded exclusively in connection with the discharge of the Bank's official functions.

Chapter IX

WITHDRAWAL AND SUSPENSION OF MEMBERSHIP

Article 43 : WITHDRAWAL

- I. No member may withdraw from membership in the

Bank until five years have lapsed since the date it became a member of the Bank. Withdrawal is effected by transmitting a notice in writing to the Bank at its principal office. Withdrawal shall become effective either upon the date such notice is received, or upon any later date fixed by such notice, which shall in any event be within six months thereof.

- II. The Bank shall repurchase the shares of stock of the withdrawing member at a price equal either to their net book value at the end of the year preceding the date of notice of withdrawal or to their value at par, whichever is smaller.
- III. The Board of Directors shall determine the period of payment of the value of the shares repurchased, taking into account the financial position of the Bank. Such period shall not exceed ten years from the date of the notice of withdrawal, subject to the provisions of Paragraph (v) of this Article.
In no event shall any amount due to the withdrawing member be paid until six months after the date of its withdrawal.
- IV. The payment of the price of the capital stock shall be made in United States dollars.
- V. Payment shall be withheld so long as the withdrawing member or any of its agencies remains liable to the Bank either as a debtor or as a guarantor. In that event, the Bank may deduct the amounts due to the member from any obligation to the Bank as it becomes payable.

Article 44 : SUSPENSION

- I. If a member fails to fulfill any of its obligations to the Bank, the Bank may suspend its membership by decision of the Board of Governors, by a two-thirds majority of the total voting power.
- II. The member so suspended shall automatically cease to be a member one year from the date of its suspension, unless a decision is taken by the same majority of the Board of Governors to restore the member to good standing.
- III. When under suspension, a member shall not be entitled to exercise any rights under this Agreement, except the rights identified in the special provisions on with-

drawal and the settlement of disputes. However, it shall remain subject to all its obligations to the Bank, as a member, as a debtor, as a guarantor or in any other capacity.

- IV. The provisions on the repurchase of the capital stock of a withdrawing member shall be applicable to a suspended member which has ceased to be a member.

Chapter X

PROVISIONAL SUSPENSION OF OPERATIONS AND LIQUIDATION

Article 45 : PROVISIONAL SUSPENSION OF OPERATIONS

The Board of Directors may, under exceptional circumstances, provisionally suspend any new activity of the Bank, until the Board of Governors has had an opportunity to look into the matter and take a decision in respect thereof.

Article 46 : LIQUIDATION

- I. Not less than four months after a written notice to that effect has been sent to the members, the Board of Governors may decide, by a majority of three-fourths of the votes, to permanently suspend the operations of, and liquidate, the Bank.
- II. The Board of Directors shall take all necessary action for liquidation either by itself or through a committee of liquidators to be appointed by the Board of Governors on the recommendation of the Board of Directors.
- III. No distribution of assets shall be made to members until all liabilities of the Bank shall have been discharged or provided for.
- IV. The Bank shall distribute the assets of the Bank to members pro rata in proportion to capital stock held by each of them. Such distribution shall be made at such times and upon such terms as the Board of Governors may determine.

Chapter XI

MISCELLANEOUS

- I. Any question of interpretation or implementation of

the provisions of this Agreement arising between any member and the Bank or between two or more members shall be settled by the Board of Governors.

- II. For the purposes of interpretation and implementation of the provisions of this Agreement, the term « Arab State » shall mean any country that is a member of the Arab League; and the term « African State » shall mean any other country that is a member of the Organization for African Unity.

Article 48 : ARBITRATION

- I. Whenever a disagreement arises between the Bank and a country which has ceased to be a member, or between the Bank and any member after the decision to suspend the operations of the Bank has been taken, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators. The Claimant shall advise the other party to the dispute of the nature of the disagreement and of the name of the arbitrator appointed by it; and the defendant shall appoint the second arbitrator within thirty days from the date of the notice. If the defendant fails to do so, the claimant shall have the right to request the Secretary General of the League of Arab States to appoint the second arbitrator.

The umpire shall be appointed jointly by the Parties in dispute within sixty days of the date of said notice. In the event that the parties do not agree upon his appointment within the period stipulated, the Secretary General of the Arab League shall appoint said umpire at the request of either party.

- II. The decisions of the arbitration tribunal shall be taken by a majority of votes. Such decisions shall be final and binding upon the parties.
- III. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Article 49 : AMENDMENTS

- I. The provisions of this Agreement may be amended by decision of the Board of Governors, taken by a majority of three fourths of the total voting power.

- III. Any member, or the Board of Directors, may make a proposal to amend this Agreement. The proposal shall be communicated to all members not less than three months prior to the date of the meeting of the Board of Governors dealing with the proposed amendment.

- IV. Amendments shall enter into force for all members three months after the date of their adoption by the Board of Governors.

Article 50 : CHANNEL OF COMMUNICATION

Each member shall designate an appropriate official authority with which the Bank may communicate in connection with any matter arising under this Agreement, and any statements made by such authority to the Bank shall be deemed to have been made by the member concerned.

Article 51 : WORKING LANGUAGE

The basic working language of the Bank shall be Arabic, and the use of French and English alongside Arabic, as circumstances may require, shall be permitted.

Article 52 : POLITICAL ACTIVITY PROHIBITED

The Bank and all its officers and staff shall not interfere in the political affairs of any member, of any country benefiting from the Bank's operations or of any country in which the Bank is carrying out its activity.

Article 53 : RELATIONS WITH OTHER ORGANIZATIONS

- I. The Bank shall, within the limits of the powers vested in it under this Agreement, cooperate with national, regional and international organizations in the fields of development and international assistance.
- II. The Bank may, pursuant to the decisions of the Board of Directors, enter into agreements with such organizations aimed at furthering such cooperation.

Chapter XII

FINAL PROVISIONS

Article 54 : SIGNATURE AND DEPOSIT

- I. This Agreement shall be drawn up in a single original

copy in the Arabic language, ready to be signed on behalf of the Governments of the countries shown on the Subscription List attached hereto. This Agreement shall be deposited with the General Secretariate of the Arab League and remain open for signature not later than 13th March 1974.

Article 55 : RATIFICATION, ACCEPTANCE, ADOPTION

This Agreement shall be submitted to the signatories for ratification, acceptance or adoption.

The instruments of ratification, acceptance or adoption shall be deposited with the General Secretariate of the League of Arab States within not more than thirty days of the date of ratification, acceptance or adoption.

The General Secretariate of the Arab League shall notify all other members of each instrument deposited and of the date of such deposit.

Article 56 : ENTRY INTO FORCE

This Agreement shall enter into force when the instruments of ratification, acceptance or adoption have been deposited on behalf of not less than five countries whose subscriptions comprise not less than 50 percent of the capital stock of the Bank. The Secretary General of the Arab League shall declare that this Agreement has entered into force upon the fulfilment of this requirement.

Article 57 : RESERVATIONS

No reservations may be made to this Agreement when it is signed, ratified, accepted or adopted or when a country becomes a member of the Bank.

Article 58 : FIRST MEETING OF THE BOARD OF GOVERNORS

The Secretary General of the Arab League shall call the first meeting of the Board of Governors within thirty days from the date this Agreement shall have been declared to have entered into force.

Article 59 : BEGINNING OF OPERATIONS

The Board of Directors shall notify all members of the date when the Bank shall begin operations.

IN WITNESS WHEREOF, the duly authorized representatives of the following governments have hereunto set their hands :

The Hashemite Kingdom of Jordan
The United Arab Emirates
The State of Bahrain
The Tunisian Republic
The Democratic and Popular Republic of Algeria
The Kingdom of Saudi Arabia
The Democratic Republic of Sudan
The Syrian Arab Republic
The Republic of Iraq
The Sultanate of Oman
The State of Qatar
The State of Kuwait
The Lebanese Republic
The Libyan Arab Republic
The Arab Republic of Egypt
The Kingdom of Morocco
The Islamic Republic of Mauritania
Palestine

This Agreement was drawn up on Monday 26th Muharram 1394 Hegira corresponding to 18th February 1974 A.D. in a single original copy in the Arabic language which shall remain deposited with the General Secretariate of the League of Arab States, and of which a true copy has been issued to each party.

**SUBSCRIPTIONS OF MEMBERS
TO THE CAPITAL STOCK OF THE ARAB BANK
FOR ECONOMIC DEVELOPMENT IN AFRICA**

<u>Country</u>	<u>Amount</u>
	(in United States dollars)
The Hashemite Kingdom of Jordan	1,000,000
The United Arab Emirates	20,000,000
The State of Bahrain	1,000,000
The Tunisian Republic	5,000,000
The Democratic and Popular Republic of Algeria	20,000,000
The Kingdom of Saudi Arabia	50,000,000
The Democratic Republic of Sudan	1,000,000
The Syrian Arab Republic	1,000,000
The Republic of Iraq	30,000,000
The Sultanate of Oman	4,000,000
The State of Qatar	20,000,000
The State of Kuwait	20,000,000
The Lebanese Republic	5,000,000
The Libyan Arab Republic	40,000,000
The Arab Republic of Egypt	1,000,000
The Kingdom of Morocco	10,000,000
The Islamic Republic of Mauritania	1,000,000
Palestine	1,000,000
TOTAL :	<u>231,000,000</u>

Principles Governing the Bank's Policy on the Financing of Development Projects in Africa

The General Agreement establishing the Arab Bank for Economic Development in Africa sets forth the following :

The Governments of the Arab League States on whose behalf this Agreement is signed :

Believing in the need to strengthen the ties between African States and the Arab Nation,

Seeking to further the economic development of African countries within a framework of solidarity and mutual interest

Recognizing that coordinated efforts aimed at bringing about the economic independence of African countries are a crucial factor in achieving our national goals,

Seeking to give African-Arab solidarity a concrete and efficient shape, based on equality and friendship,

Being convinced that the establishment of a financial institution to support the economic development requirements of African countries constitutes a major step towards stimulating Arab-African cooperation

Pursuant to the decisions of the VIth Arab Summit meeting at Algiers from 26 th 28 th November 1973...

In carrying out this purpose, the Arab Bank for Economic Development in Africa shall :

- Assist in financing economic development in African countries
- Stimulate the contribution of Arab capital to African development
- Help provide the technical assistance required for Africa's development.

The debates and decisions of the Bank's Board of Governors, meeting at Cairo on 11th January 1975, have demonstrated unequivocally the will of Arab States to proceed with strengthening cooperation with the African continent.

In actual fact, Arab-African cooperation did not start only with the establishment of this Bank. The cooperation programmes of Arab countries in general, and of the oil exporters among them in particular, have for many years now been directed increasingly to Africa.

The contribution of Arab public and private capital to the financing of development projects in Africa is expanding daily, whereas the international community has not been able to transfer the financial resources required for a sound development of Africa. On the other hand, the provision of special aid to non-oil exporting African countries and of special assistance to famine-stricken African countries is further proof of Arab-African solidarity in difficult times.

It is our duty to point out here that it is not the Arab's exclusive responsibility, particularly as the extent of their resources does not allow them to substitute for the international community, to shoulder the burden of providing development finance for Africa.

At a time when the flow of capital from advanced European countries to developing countries did not exceed 0.5% of the National Product of these rich countries, (a percentage that is much lower than the percentage set for the United Nations Second Development Decade), the aid granted by Arab countries to the Third World (Africa, Asia and Latin America) was over 10 % of their GNP. While Arab countries are willing to strengthen their cooperation with all the needy countries provided that this is permitted by the trends of the world economic order, it is nevertheless obvious that international cooperation for the benefit of underdeveloped countries is the responsibility of everyone and the responsibility of the international community, including the Arab States.

Within this general framework of joint concertation and solidarity, the Arab countries have demonstrated their readiness to contribute to the development of the poorer countries in general and of Africa in particular, within the limits of the actual resources available to Arab countries due regard being paid to the Arab's urgent requirements for their own domestic development. If we consider for instance that the trend in oil prices is an integral part of the prices of the raw materials, foodstuffs and capital equipment that Arab countries import at a very high cost, we reject all attempts to integrate oil-exporting Arab countries into the so-called Rich Third World, on which the international community imposes the duty of carrying by itself the bur-

den of financing the development of the poorer Third World christened « Fourth World » for the occasion.

That was the conclusion of the Extraordinary Session of the UN General Assembly of May 1975 on raw materials. This session developed a philosophy and laid the principles of a fairer and better-balanced new world economic order. The setting-up of the Arab Bank for Economic Development in Africa is therefore not a fortuitous event ; nor is this institution, as has been alleged, a gift from the Arab to the African countries as a token of gratitude for the daring stands taken by the latter on the Palestinian issue and for their condemnation of the Zionist enemy whose expansionist manoeuvres remind African States of a still too recent past.

While the Arabs had already started to cooperate with the African States well before the establishment of this Bank, they are now in a position to further strengthen their cooperation with Africa, thanks to the new resources that have become available to them.

Let us then be fair to the Arabs.

It was in the very year in which they acquired new revenue from oil that the Arab States granted financial assistance well in excess of that extended by western and eastern industrialized countries. Therefore the establishment of the Arab Bank for Economic Development in Africa falls within the scope of the new concept of international relations that the Arabs have committed themselves to promote through every means and with every resource at their disposal. The Arab States are fully aware of the significance of the challenge represented by Arab-African cooperation.

Similarly African countries place great hopes on this cooperation so that if some set-back were to hinder this effort, it would result — and the Arab States are convinced of this — in a catastrophe with unpredictable political consequences. In the light of all these considerations, we are submitting here an outline of the leading principles that should govern ABEDIA's policy on the financing of development projects in Africa. These principles will be embodied, within the next few months, in practical steps to be submitted to the Board of Directors. However, in the present circumstances and in order to allow the Bank to affirm its existence, it is necessary that the Board of Directors review the general principles that should govern its activities.

All these principles are based on the wish of the leaders of the Arab World to provide this Bank with an efficient practical mission.

That was what emerged from the discussions that we recently had with the officials of a number of Arab countries.

These principles also draw upon the experience of economic and financial cooperation between the developed countries and/or international organizations, on the one hand, and the developing countries on the other.

However before tackling these principles, we should define the nature of this Bank and thus avoid assigning it tasks that do not belong to it.

ABEDIA is not a commercial bank in the classic meaning of this term. It is not designed to finance purchasing and selling activities. Its primary purpose is not to draw maximum profit from disposing its assets with foreign banks or from its investments in developed countries.

Neither is this institution a benevolent society giving alms to African countries. It is a reconstruction and development Bank as we will attempt to demonstrate through the seven principles set forth below :

1) FINANCING OF PROJECTS, TO THE EXCLUSION OF TREASURIES AND BALANCES OF PAYMENT

ABEDIA's aid is designed to finance specific development projects and cannot be used to replenish the Treasuries or the balances of payments of African countries. Admittedly, it is necessary to be familiar with the overall economic and financial condition of any African country submitting a project to the Bank and to take it into account when determining the amount and terms of the finance to be provided for the project submitted to the Bank. But this does not, in any event, mean that ABEDIA makes direct grants to the Treasury or the balance of payments of the African country submitting the project : otherwise, the Bank would be turned into a supplemental Treasury for the African country concerned and would then no longer be able to keep a check on the utilization of the funds it has lent.

In fact, oil exporting Arab countries have set up a Special Fund to assist those African countries that are suffering from the successive rises in oil prices. The purpose of this aid is to alleviate the balance of payments deficits of the countries concerned.

It would have been the normal thing to entrust ABEDIA with the administration of this Special Fund so that it be kept aware of all aspects of development in Africa and so that its activities be complementary. In this way ABEDIA's development-oriented operations would be separate from this Fund, subject to particular terms and directed to the implementation of specific economic projects.

2) PLANNED PROJECTS

The Bank takes into consideration planned projects, i.e. those projects that fall within an order of priorities and are classified according to the needs of the African countries concerned within the framework of national economic plans and programmes.

Our position with regard to planning and programming is not a rigid one, and we impose no special form of planning on any African country. However, it is necessary for the Bank to know how to relate the project submitted to it to other projects and to look into the prospects presented by the project with regard, for instance, to job creation if employment is one of the goals of African development plans or, to the exportation of African goods if this is a primary target in the programmes of the African countries concerned. The Bank also takes into consideration those projects that help assure an economic and social equilibrium between the various regions and population segments of the African countries involved. This does not necessarily mean that the priorities submitted to the Bank by a given African country will be accepted as such. We know that, in certain cases, non-economic factors have an effect on the selection of projects to be submitted for external financing ; but the Bank cannot take them into consideration since its major concern is to select development projects submitted by African countries on the basis of their rational development plans and programmes. In this way the Bank keeps its freedom of choice without interfering with the sovereignty of any African State. On the contrary, ABEDIA hopes to arrive at the most desirable solutions through concertation, the exchange of views and cooperation with the authorities of African countries.

Similarly to certain international financial institutions and certain industrialized countries, ABEDIA can set a level of financing for a given country as part of its contribution to the implementation of well-defined economic programmes and plans. However, this commitment to contribute to the financing of such

plans and programmes cannot be given concrete shape until African States submit economically viable projects.

3) THE PRINCIPLE OF INTERNATIONAL BIDDING

The Bank intends to avoid financing projects that are isolated entities in the nation's economy and have no relation to other projects or to the economic and social life of the national community.

There is no doubt that there are many such projects in Africa, and it is well known that what encourages the establishment of projects that bear no relation to the nation's life is a certain kind of bilateral financing agreements and of external commercial loans entered into with, or granted to, African countries at rigorous terms that are detrimental to the national economy and in exchange for commitments which do not serve the public interest of those countries. This is the case with the so-called « tied » loans, i.e. financing that imposes the nature, the shape and the conditions of the project without taking into consideration the recipient's national needs.

In order to avoid all this the Bank will use the principle of international bidding procedures, i.e. after having approved a particular project, it will require international competition between all the suppliers of goods and services.

4) FOLLOW-UP ON PROJECT IMPLEMENTATION

The Bank shall, in agreement with the African local authorities and with any entity contributing to the financing of the projects approved, establish the procedures to follow up, and keep a check, on the implementation of the project financed. In fact, the Bank is accountable for the proper utilization of the funds it administers. It must ensure, on the one hand, that they be used to finance viable projects and on the other, that they be repayed in accordance with the terms initially agreed upon. Moreover, the supervision of the projects financed is in the best interest of the recipient countries themselves, since it ensures for them good management and economic viability. This supervision should be interpreted as technical assistance provided by the Bank and the other financing institutions to the African countries.

5) DIVERSIFICATION OF CREDIT TERMS

The Bank shall diversify and adjust credit terms according to the specific features of the Project, due regard being paid

to the economic and financial situation prevailing in the country concerned. Although loan agreements have to be entered into with African governmental authorities and must be guaranteed by them, the funds are paid directly to specific projects having their own characteristics, their own norms and their specific rates of return. By means of this diversification of credit terms, the Bank is able to

- ensure maximum returns for the utilization of its resources
- urge African countries, if need be, to reconsider some of their priorities.

6) INCENTIVE ROLE

ABEDIA plays an incentive and encouragement role that consists in attracting into Africa Arab capital from any and all sources. This is an important role, since one of the functions of the Bank is to provide a framework for the investment of Arab capital in Africa. ABEDIA will no doubt set up for the benefit of Arab investors a division of economic and financial information data in order to encourage them to contribute to the development effort in Africa, all the more so as the rates of return, profits and guarantees offered for investments in Africa exceed, generally speaking, those to be found in other countries.

7) RELATION WITH OTHER INSTITUTIONS

The Arab Bank for Economic Development in Africa is determined to safeguard its identity, its personality and its freedom of operation and choice. However, it is necessary that ABEDIA cooperate with the other institutions, with the national and international Funds and Banks that are partly or wholly involved with development in Africa. Among these, specific mention should be made of the Arab Development Funds, the Arab League, the African Development Bank, the Organization for African Unity, the World Bank and its agencies, the United Nations specialist agencies (such the UN Development Programme, UNIDO, ECA) and the EEC.

Such a cooperation finds its justification in the factors set forth below :

a) ABEDIA must be given a little time to get to know Africa's economic situation and its development programmes. In order to do this, it has to draw on the experience of the institutions referred to above which have a good knowledge of Afri-

co and of its needs and have available absolutely indispensable information data, such as general and sectoral studies and various analyses relating to economic projects.

b) The determination of Arab States to have ABEDIA contribute forthwith to the financing of economic projects in Africa forces them to turn their attention to existing projects which have already been reviewed and whose viability has already been demonstrated. The Bank can therefore help finance them, which allows it to start its actual operations within the shortest time.

c) The formula of contracts between ABEDIA and other financial institutions, whereby their respective contributions to the financing of projects already drawn-up are identified, also allows the Bank to help with vast industrial or agricultural projects in Africa which otherwise would be beyond its sole means.

d) Such a cooperation permits a coordination of ABEDIA's efforts with those of the other institutions with regard to their activities in Africa, which ensures a better use of funds available.

We should like to stress here the need for coordination and concertation between ABEDIA and other Funds with financing programmes in Africa, on the one hand, and the various Arab banks and institutions, on the other. We suggest that the Presidents of these banks meet every year to consult together on their proposed activity and investment programmes in Africa in order to ensure for the Arab capital that is invested in this continent the best return possible.

e) Cooperation with all these organizations enables ABEDIA to draw on their experience and resolve thereby a difficult problem it is faced with, i.e. that of experts and professional people, which has been more fully dealt with in another document entitled « Provisional Staff Regulations ».

In practice, this target may be achieved through the signing of general agreements between ABEDIA and these institutions and of special agreements covering the projects to be financed. These agreements will be submitted for review to ABEDIA's Board of Directors prior to their performance. It should be emphasized here that this cooperation with other organizations does not at all mean that ABEDIA will be granting financial aid to these institutions, as the latter is not designed to finance other banks. But all the agreements to be entered into will obviously deal with ABEDIA's contribution to the financing of specific projects.

Those projects that will be approved by the Bank will be implemented in its name. ABEDIA can examine a project submitted to it and request, as the case may be, that it be amended. To that end, the Bank will call upon the services of highly competent experts.

Those were the seven principles that should serve as a basis for ABEDIA's activities with regard to Arab-African cooperation. These principles are to be embodied in the rules of procedure that the Bank will soon be drafting.

3001

**FINANCIAL REGULATIONS
OF THE
ARAB BANK FOR ECONOMIC DEVELOPMENT
IN AFRICA**

The Financial Regulations of ABEDIA consist of seven chapters :

- General Provisions
- Operations
- Administrative Budget
- Financial Statements
- Investment of Funds
- Auditing
- Final Provisions

Chapter One
GENERAL PROVISIONS

Article One : SCOPE

These regulations include the general framework and the basic guidelines adopted by the Arab Bank for Economic Development in Africa, with regard to the organization and management of its financial activities.

Article 2 : TRADE PRACTICES

The Bank shall, in connection with its development mission, follow trade practices as the basis of the organization of its departments and of the performance of its tasks, particularly in relation to their financial aspects.

Article 3 : FINANCIAL YEAR

The financial year of the Bank shall start on the first of January and end on the thirty first of December of each calendar year.

Chapter II OPERATIONS

Article 4 : ORGANIZATION OF OPERATIONS

a) The Board of Directors shall, on the recommendation of the President of the Bank, establish general provisions designed to identify the financial aspects of such operations as the Bank shall be conducting in implementation of the purposes set forth in Article 10 of the General Agreement establishing the Bank.

b) The provisions of Paragraph (a) of this Article apply in particular to the financial terms relating to loan, guarantee and technical assistance operations, to the extension of loan repayment periods, to the procedures and conditions of drawing on loans, to the organization of the procedures to be followed when resorting to financial markets as a means of increasing the Bank's resources. These provisions shall take into consideration the need for the Board of Directors to identify loan operations conducted by the Bank in recipient countries as well as the issuing of securities by said Bank.

Chapter III ADMINISTRATIVE BUDGET

Article 5 : SCOPE OF THE BUDGET

a) The President of the Bank shall, for each financial year, prepare an administrative budget that includes the following information :

- (i) An estimate of administrative expenditures for the next financial year, and a distribution of said expenditures over the various categories and items

corresponding to the nature of the Bank's activities.

- (ii) An estimate of foreseeable resources that will supply cash funds.
- (iii) A reserve for contingencies, to meet unforeseen expenditures.
- (iv) An item for outstanding commitments from the preceding financial year.

b) The administrative budget shall be accompanied by any explanations necessary to clarify its various items and bring out essential differences that distinguish the new budget from that of the preceding financial year.

Article 6 : ADOPTION OF THE BUDGET

a) The draft Administrative Budget shall be submitted to the Board of Directors, for consideration and adoption not later than 15th October of each year.

b) The Administrative Budget shall be transmitted to the members of the Board of Governors within not more than thirty days prior to the Board's annual meeting.

Article 7 : AUTHORITY TO MAKE EXPENDITURES

a) The adoption of the Administrative Budget by the Board of Directors shall mean that the President of the Bank is thereby given authority to make such expenditures as are required for the purposes and within the limits identified therein.

b) In the event that, for any reason whatsoever, the Board of Directors shall not have adopted the administrative budget by 31st December, the President of the Bank shall be allowed to make expenditures for the purpose and within the limits prescribed in the administrative budget for the preceding year, provided that said expenditures shall be deducted from the funds allocated to the corresponding categories and items of the current budget subsequent to its adoption.

Article 8 : RULES AND INSTRUCTIONS

The President of the Bank shall establish such rules and instructions as he may deem desirable with regard to the guidelines and procedures for expenditures charged

to the various categories and items of the Administrative Budget.

Chapter IV FINANCIAL STATEMENTS

Article 9 : SCOPE OF FINANCIAL STATEMENTS

a) The financial statements prepared by the Bank shall include :

- (i) An operating account, indicating, for each financial year, the actual income and expenses.
- (ii) The Balance Sheet of the Bank, setting forth its assets and its liabilities at year end.
- (iii) The reserves account, showing the portion of profit allocated to general reserve, as provided under Article 36 of the General Agreement establishing the Bank and any other reserves and allocations under this account.

b) The three statements referred to above shall be accompanied by any comments and explanations that may make their contents more clear.

Article 10 : DEFINITION OF FINANCIAL STATEMENTS

The President of the Bank shall determine the form, the content and the degree of detail of each of the above financial statements, due consideration being given to the provisions of Article 2 of these Regulations, to the structures of the Administrative Budget, and, generally speaking, to the need for presenting accurately the financial position of the Bank, in conformity with generally accepted accounting principles.

Article 11 : APPROVAL OF FINANCIAL STATEMENTS

a) The appropriate departments shall prepare the financial statements in accordance with the directions of the President of the Bank and under his responsibility.

b) The financial statements shall, after their examination by the auditors, be submitted to the Board of Directors not later than the end of February of each year.

c) The financial statements shall be submitted to the Board of Governors and transmitted to its members not later than thirty days prior to the date of the Board's annual meeting.

d) A report by the Directors on the year's activities and the financial position of the Bank shall be attached to the financial statements. This report shall include any and all appropriate information that will help in assessing fully the Bank's financial position.

e) The Board of Governors shall pass a resolution approving the financial statements submitted to it.

Chapter V INVESTMENT OF FUNDS

Article 12 : MANAGEMENT OF FUNDS

a) The President of the Bank shall, within the limits set by the Board of Directors, be responsible for the management of the Bank's financial resources, as well as for their investment in financial paper or bank deposits, due regard being paid to estimates of expenditures, payments and commitments arising out of the Bank's activities.

b) In the investment of financial resources, the President of the Bank shall take into account the following criteria and conciliate them to the extent possible :

- investments selected should be sound
- the currency used in investments should be freely convertible
- the liquidity of the assets in which the investment is made should be guaranteed
- due regard being paid to the three considerations above, investments should have a maximum rate of return.

The Bank's operations should be in conformity with the following principles :

- (i) The Bank may not take part in any operation whatsoever.

ver that is contrary to, or likely to restrict or modify, its purpose of functions

- (ii) The Bank may not undertake any operation in an African country if the country concerned objects to it
- (iii) The Bank shall apply generally accepted principles for development financing on favourable terms without jeopardizing its overall solvability
- (iv) The Bank shall undertake its financing operations upon such terms as are deemed appropriate to the nature and circumstances of each operation. When determining the terms governing its activities in the less developed African countries, the Bank shall take into consideration the general situation of those countries as well as their requirements for financing on easier terms.
- (v) In its financing operations, the Bank shall take into consideration the ability of the recipient or, as the case may be, of the recipient's guarantor, to fulfil its obligations.
- (vi) The Bank shall take any and all steps necessary to ensure that the amounts of any financing granted are used exclusively for the purposes for which they were made available, due regard being paid to economy considerations in costs and to efficiency considerations in implementation.
- (vii) The amounts of any loan granted by the Bank to provide finance for a specific project shall be subject to international bid procedures in African and Arab countries for the procurement of goods and services produced in those countries.

The Board of Directors may, whenever it deems it expedient, authorize the procurement of goods and services from countries other than the above, or waive the international bid requirement.

Article 13 : FINANCIAL INVESTMENT COMMITTEE

a) The President of the Bank shall appoint a Financial Investment Committee whose function is to give its opinion on the management, investment and utilization of financial resources available.

b) The Financial Investment Committee shall include Bank employees selected by the President and Arab, African or other experts on investment.

Article 14 : REPORTS

The President of the Bank shall prepare quarterly reports on the Bank's portfolio, showing financial investments and deposits, and transmit them to the Directors.

Chapter VI AUDITING

Article 15 : INTERNAL AUDIT

a) The Bank shall, in order to present its financial position, keep appropriate records and books of account on all the operations it undertakes and all commitments it enters into, as well as on its assets and liabilities.

b) The President of the Bank shall establish the procedures necessary to carry out the internal audit of the financial activities and accounts of the Bank.

Article 16 : EXTERNAL AUDIT

a) The Board of Governors shall designate a reputable firm to audit the Bank's accounts.

b) This firm shall carry out an audit of the Bank's accounts subsequent to the closing of the books at the end of each financial year. It shall examine and check all the Bank's accounts and operations and ascertain the truthness of the books and the authenticity of supportive documents, in accordance with internationally accepted auditing standards.

c) The representatives of the firm shall, in order to carry out their task, have access to the Bank's books, records and supportive documents and have the right to ask for explanations and information from any Bank employee.

d) The Auditors shall prepare a detailed report on the performance of their mission, with regard to :

— The truthness of the accounting books, records and supportive documents

- The agreement of the financial statements with such books, records and supportive documents
- The conformity of actual administrative expenditures with the rules of financial management adopted by the Bank and with the limits prescribed in the Administrative Budget.

e) The Auditors' Report shall be attached to the financial statements, to be submitted together with such statements to the Board of Directors and the Board of Governors.

Chapter VII FINAL PROVISIONS

Article 17 : INTERPRETATION

The Board of Directors, acting on the recommendation of the President of the Bank, shall settle any issue relating to the interpretation of the provisions of these Regulations.

Article 18 : AMENDMENT

The Board of Directors shall have the authority to amend the provisions of these Regulations. Such amendments become effective as soon as adopted. They shall be notified to the members of the Board of Governors.

Appendix DEFINITIONS

Whenever used in this document, the terms set forth below shall mean :

The Bank : The Arab Bank for Economic Development in Africa

The Board of Governors : The Board of Governors of the Bank

The Board of Directors : The Board of Directors of the Bank

The President of the Bank : The Chairman of the Board of Directors and President of the Bank.

**Arab Bank for Economic
Development in Africa**



**Rules governing the
Financial Operations
of the Bank**



**KHARTOUM
(Sudan)**

The carrying out of ABEDIA's financial policy is governed by the following rules for financial operations :

- General Provisions
- Lending, participation and guarantees
- Borrowing
- Technical cooperation

Chapter I GENERAL PROVISIONS

THE ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA,

— Recalling the philosophy and principles of action of ABEDIA, as set forth in a number of basic documents

— Referring to Articles 4, 11, 12, 13, 14, 15 and 16 of the General Agreement establishing the Bank

— Confirming the determination of Arab League member states to give concrete shape to Arab-African cooperation by means of positive action programmes for the benefit of economic development in African countries which are not members of the League of Arab States

— Convinced of the need for the contribution of Arab States to strengthening the financial resources available for the development of the African States referred to above

— Convinced that a rapid and well-ordered development of African economies can only be achieved through a rational and scientific allocation of available development resources.

— Believing that all the financial operations it carries out in Africa should be based on an accurate assessment of the general economic situation of the African countries concerned, on economic and financial studies of the projects submitted for financing and on the setting up of an efficient machinery for the follow-up of projects financed

— Confident that real financial cooperation takes place under a joint financing formula grouping two or more parties, in order to provide the best guarantees and the best opportunities for a viable investment of resources available

— Believing that technical cooperation is likely to improve the ability of Africa's Economy to absorb increasing development investments, and that it makes up, thereby, one of the privileged areas of Arab-African cooperation.

— Recalling the substance of Articles 8 and 9 of the General Agreement establishing the Bank, with regard to increasing its resources through capital increases of borrowing,

GIVES THE FOLLOWING DEFINITION of the operations by which the Bank will implement its financial policy :

Chapter II

LENDING, PARTICIPATION AND GUARANTEES

Article 1 : NATURE OF LENDING, PARTICIPATION AND GUARANTEE TRANSACTIONS

In this area, the Bank shall carry out the following operations :

(A) direct financing of development projects in Africa either independently or jointly with one or more African, Arab or other partners, or with public or private international, regional or national development and finance institutions

(B) granting loans to finance and development institutions, with special reference to African development banks, international development institutions and development funds, provided that such loans be used for the financing of development projects and programmes in Africa that have received ABEDIA's approval

(C) participation in the capital of public and private enterprise in Africa with a view to the implementation of development projects approved by ABEDIA

(D) contribution to long-term loans for the benefit of States and of mixed, public or private financial institutions in Africa, provided that the funds borrowed be used for development projects approved by ABEDIA

(E) issuing guarantees for the benefit of African, Arab or mixed institutions in order to promote the investment of public and private funds in the implementation of African development projects, regardless of ABEDIA's participation or non-participation in their financing.

Article 2 : NATURE OF DEVELOPMENT PROJECTS AND PROGRAMMES

Being aware of the need to promote development activities that have priority for Africa's development, ABEDIA, will stimulate the following sectors :

(A) farming and agricultural and food industries.

(B) exploitation of natural resources.

(C) infrastructure.

(D) industries that include an adequate percentage of African value added.

(E) training of African personnel.

(F) development-related services, such as transport and tourism.

Article 3 : EVALUATION OF DEVELOPMENT PROJECTS AND PROGRAMMES

Prior any financial operation, ABEDIA, shall collect the data listed below :

(A) recent studies on the economies and development systems of Africa

(B) medium and long term plans or programmes, or any other information available that shows the development prospects of the African countries concerned

(C) adequate studies on the economic, financial and social profitability of the projects submitted to the Bank for financing.

(D) full economic, financial and accounting information on those African and other institutions with which ABEDIA will be having financial transactions

(E) any and all information and guarantees on the management methods of projects or institutions in which ABEDIA is to participate.

Article 4 : RECIPIENTS

The parties that may take advantage of the Bank's operations pursuant to this Chapter are :

(A) The Governments of African countries that are not members of the League or Arab States, as provided in Article

12 of the General Agreement establishing the Bank.

(B) Public and private financial and development institutions, in the African countries referred to above.

(C) Arab-African financial and development institutions.

(D) Any other financial and development organizations and institutions carrying out economic projects in Africa.

Article 5 : MAXIMUM AMOUNT OF ABEDIA'S FINANCIAL COMMITMENTS

In order to ensure profitability in the allocation of its resources and a balanced distribution of its financing activities, ABEDIA sets the following maximum limits to its financial commitments :

(A) The Bank's contribution to any one of the operations referred to in Article One shall not exceed Ten (10) Million United States dollars, and the Bank shall in all cases be involved in the follow-up of project implementation, in accordance with the terms and procedures agreed between the various parties concerned.

(B) In special cases to be submitted to the Board of Directors, the Bank may contribute to the financing of projects for an amount exceeding US \$ 10 Million.

(C) The Bank's participation in any financial operation shall be matched by a reasonable contribution from the recipient, and, wherever possible, from public and private African or non-African financial and development institutions which have some experience and knowledge of African development.

Article 6 : CURRENCIES USED

(A) The United States dollar is the currency used in the Bank's operations. However, the problems arising out of the changes in the parity of the dollar should be examined by ABEDIA's Board Directors.

(B) Nevertheless, the recipient may draw the loan in any other currency, subject to the prior authorization of ABEDIA's Board of Directors, and excluding the national currencies of the recipient countries, except the special cases referred in Paragraph (C) of this Article.

(C) Since it provides assistance for procurement abroad and not for local expenditures, the Bank does not finance the

local currency costs of a given project. However, in exceptional cases owing to the nature of the project or to the circumstances of the recipient African country, the latter may be authorized to draw part of the loan in local currency, subject to the conditions set forth in the loan agreement.

Article 7 : TERMS FOR FINANCIAL OPERATIONS

When defining the terms for its financial operations, the Bank shall take into account the cost of its resources (especially those it has borrowed on financial markets), and safeguard its worldwide reputation as a sound financial institution. It shall also take into consideration the need of recipient countries and organizations to find finance that is compatible with the country's general situation and with the nature of the project financed.

To this end, the Bank has decided the following :

(A) for the interest applied to the financial operations referred to in Paragraphs 1 and 2 of Article One, the Central Interest Rates shall vary from 1% to 6% according to the general economic situation of the African country concerned and to the nature of the project

(B) the rate of interest applied to the financial operations referred to in Paragraphs 3, 4 and 5 of Article One shall be set according to the nature of the operation

(C) with regard to the repayment terms for the loans granted under the financial operations mentioned in Paragraphs 1 and 2 of Article One, the setting of the repayment schedule, including the grace period, shall be a function of the situation of the recipient country, compatible with the nature of the project, and consistent with the benefits granted by the other lenders to the same project.

However, recipients that wish to make anticipated repayments of their debts can do so in inverse order to the maturity dates.

Article 8 : DRAWING CONDITIONS

(A) The Bank shall stipulate that the loan must be used to achieve the goals for which it is granted. The Bank's departments must keep a careful check on this use and, to this effect, the loan agreement shall set forth the requirements that have to be met prior to the drawing of any amount of principal, so that such drawing shall take place according to a schedule

corresponding to the actual needs of the project, up to the maximum amount of such needs and in such a manner as to permit the Bank to keep an efficient and continuous check thereon.

(B) The Bank may reject any application to draw from a borrower that has violated the requirement relating to the use of the loan for the purposes for which it was granted. It may also terminate the loan agreement and demand the return of amounts drawn, if the borrower does not comply with the Bank's request to correct the situation arising out of the violation of the requirements referred to above.

Article 9 : PROCUREMENT METHOD

(A) In connection with transactions for the procurement of goods and services, ABEDIA advocates the formula of international tenders, provided that the suppliers are not companies boycotted by Arab States.

(B) In exceptional cases by reason of the volume or nature of the purchases, ABEDIA may waive the requirement for the borrower to use international tenders.

(C) When the service quality and performance ability are comparable, the Bank shall, in its procurements, show preference for Arab, African or mixed enterprises, provided that the difference in cost shall not exceed 10 percent.

(D) Goods and services including a certain percentage of Arab, African or mixed value added shall be deemed to be of Arab, African or mixed Arab-African origin, the percentage required being set by the Board of Directors on the basis of the cases submitted to it.

(E) In the event of co-financing with other institutions, the Bank shall correlate the provisions of this Article with the procedures applied by such other institutions.

Article 10 : GUARANTEES:

(A) All the operations carried out by the Bank under Article One hereof shall be guaranteed by the African governments themselves or by authorities representing them.

(B) All the guarantees required shall be set forth in the loan agreement or in a separate guarantee agreement.

(C) Guarantees shall relate to every aspect of the implementation plan of the project and of the repayment of the

amounts borrowed, their interest and all the expenses to be charged to the recipient, as provided in the relevant agreement.

(D) No disbursement may be made on the loan until such time as the guarantee agreement becomes effective.

(E) In the event of the financing of projects common to two or more African countries, each of these countries shall furnish guarantees commensurate with its participation in the project. However, guarantees in excess of their share in the common project may be given by one or more of those countries.

(F) In addition to the above guarantees, ABEDIA may request additional guarantees for its contribution to special projects.

(G) In the event of non-compliance with any of the conditions covered by the guarantee, such guarantee shall become due ; and, in the event of a dispute between the borrower and ABEDIA, they shall resort to Arbitration as provided in the loan agreement.

Chapter III BORROWING

Article 11 :

As required in order to increase its resources, the Bank may, pursuant to Article 9 of the General Agreement establishing it, borrow funds from Arab, non-Arab and international monetary markets, as well as from banks.

Article 12 :

In accordance with Paragraph 3 of Article 9 of the General Agreement establishing ABEDIA, the funds borrowed may not at any time exceed Two Hundred (200) percent of the sum of paid-up capital plus reserves, except as may be expressly resolved to the contrary by the Board of Governors. This restriction does not apply to deposits made with ABEDIA.

Article 13 :

Borrowings made by the Bank shall be medium and long term, and, exceptionally, short term, according to its needs and to the situation on the monetary market.

Article 14 :

The Bank may borrow funds through any means, including by means of :

- (A) special issues
- (B) public issues.

When resorting to any one of these means of borrowing, the Bank shall make every attempt to minimize costs, while being flexible in the selection of the means of borrowing, in order to be able to carry out all its purposes.

Article 15 :

When borrowing funds, the Bank shall not give any special guarantee that may commit its equity assets ; however, it can agree to the insertion of a clause involving a negative undertaking that none of its debts shall be preferred.

Chapter IV TECHNICAL COOPERATION

Article 16 :

The Bank shall provide assistance to African countries and institutions in the area of technical cooperation.

Article 17 :

Technical cooperation programmes shall include general and sectoral economic studies, the preparation of development plans and programmes, the assessment of development projects, the financing of development-related scientific research, etc.

Article 18 :

Technical cooperation programmes may be financed, as the case may be, as part of the financial assistance extended by the Bank to the project covered by this technical cooperation, or separately, under a special finance contract the terms of which shall be agreed jointly by the Bank and the recipients.

Article 19 :

The Bank shall have the authority to establish within it any administrative unit it may deem necessary for the reinforcement of technical cooperation for the benefit of African countries.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
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Institution: Arab Fund for Economic and Social Development

Location: Kuwait City, Kuwait

Size: Authorized Capital: KD 400 million (KD = Kuwaiti Dinars)

Purpose: The AFESD was organized by the Arab Council of the Arab League in 1968. Operations did not commence until 1973 at which time the Fund had acquired 21 country members. The purpose of the Fund is to participate in financing economic and development projects in all Arab member states through: (1) financing economic development projects on easy terms to governments and to public or private organizations and institutions, giving preference to economic projects vital to overall Arab development and to joint Arab projects; (2) encouraging directly or indirectly the investment of public or private capital in such a manner as to ensure the development and growth of the Arab economy; (3) providing technical expertise and assistance to the various fields of economic development.

Source of Funds: Believed to be solely member subscriptions at present.

Management Structure: Believed to be internal.

Management of Funds: Internal. Interest rates for loans made during 1975 ranged from 4% - 6%.

Portfolio: Loan criteria emphasizes those projects that (1) assist less developed Arab countries in narrowing existing income differentials; (2) have infrastructures that link Arab countries; (3) facilitate cross-border funds flows; (4) intensify exploitation of agricultural resources; (5) contain new ideas for public and private co-operation investment projects. Since 1973 the Fund has granted loans totalling KD 93.2 million for eighteen projects in nine countries. During 1976 AFESD is planning a major expansion of activities with cumulative loan commitments projected to rise to KD 177 million.

Capital Structure: Of the KD 400 million committed capital, KD 102 million was paid up by the member states as of February 1976. The outstanding balance is to be paid over the next three years.

Income: No information available on disposition of income.

ARAB FUND FOR ECONOMIC AND SOCIAL

DEVELOPMENT

Established December 1971.

Arab Fund for Economic and Social Development,
P.O. Box 2193,
Kuwait City,
KUWAIT.

Telephone number: 43180

Telex number: INMARABI 2153 KT.

Cable address: INMARABI KUWAIT.

Directors: Hachemi Larabi.
Amin Awadalla.
Hameed Al-Samir
Abdullatif Y. Al-Hamad.

President: Saeb Jaroudi.

Chairman: Dr. Khalil Salem.

Capital:
 Authorized KD 400,000,000.
 Paid-up KD 102,000,000.

The outstanding balance is to paid over
a period of three years:

1977	KD 139.25 million.
1978	KD 176.50 million.
1979	KD 213.75 million.

The Arab Fund for Economic and Social Development (AFESD) was originally set up by the Arab Economic Council of the Arab League way back in May 1968.

Operations did not commence until April 1973 by which time the Fund had acquired twenty-one members.

<u>State.</u>	<u>Number of shares.</u>	<u>% of capital.</u>
Kuwait	3,000.	29.40
Saudi Arabia	1,880.	18.42
Libya	1,200.	11.76
Egypt	1,050.	10.29
Iraq	750.	7.35
United Arab Emirates	500.	4.90
Algeria	400.	3.91
Syria	300.	2.94
Oman	204.	2.00
Jordan	200.	1.96
Morocco	200.	1.96
Sudan	150.	1.47
Qatar	100.	0.98
Lebanon	100.	0.98
North Yemen	50.	0.49
Tunisia	50.	0.49
Bahrain	50.	0.49
Mauritania	10.	0.10
Somali Rep.	5.	0.05
Palestine	5.	0.05
South Yemen	1.	0.01

The original Capital of the Fund was set at KD 100 million but was subsequently increased to KD 102,950,000 divided into 10,205

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each with a value of KD 10,000. At the beginning of 1975 it was decided to increase the Fund's Capital to KD 400 million of which KD 102 million was paid-up by February 1976. The outstanding balance is to be paid over the next three years according to the figures outlined on the front-piece.

The basic purpose of the Fund is to participate in the financing of economic and developments projects in all Arab member states through:

(a) financing economic projects of an investment character by means of loans granted on easy terms to governments and to public or private organisations and institutions, giving preference to economic projects vital to overall Arab development and to joint Arab projects.

(b) encouraging directly or indirectly the investment of public or private capital in such a manner as to ensure the development and growth of the Arab economy.

(c) providing technical expertise and assistance to the various fields of economic development.

Since operations commenced in the financial year 1973 until the conclusion of the 1975 year the Fund had granted loans totalling KD 93.2 million for eighteen projects in nine countries.

During the course of the present financial year AFESD is planning a major expansion of activities with cumulative loan commitments projected to rise to a level of KD 177 million from the KD 93.2 million.

...../

Foremost amongst the goals of the AFESD at present in a serious effort to accelerate the pace of regional development are:

1. the need to provide special assistance to the less developed Arab countries in order to narrow existing income differentials.
2. the completion of the necessary infrastructural projects in an effort to link Arab economies and to provide complementarity.
3. to facilitate the flow of funds across national boundaries.
4. an intensification of the exploitation of agricultural resources.
5. the development of new ideas for private and public co-operation in investment projects.

With regards to these points the AFESD has been the prime motivation behind the establishment of the Arab Authority for Agricultural Investment and Development in Khartoum with an Authorised Capital of KD150 million. The creation of this organisation was the result of a year's special work conducted with the assistance of a number of International development institutions and involves a ten year Plan totalling one hundred projects worth over \$ 4 billion.

The AFESD is also undertaking in conjunction with the United Nations Development Programme a \$ 19 million project for the 'identification and preparation of inter-country investment projects'. The UNDP has drawn attention to the need for this programme as a stimulus to regional co-operation in a number of specific fields of production. The task assigned to the Fund is to draw up master plans for the major sectors in the Arab world and to provide the financial and technical assistance required for such trans-national projects.

ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT.

Loans in the 1974 financial year.

<u>Country.</u>	<u>Project.</u>	<u>Loan in KD millions.</u>
Algeria	Terminal facilities at the port of Arzew	6.0 at 6%
Egypt	Second fertiliser plant at Talkha	6.5 at 6%
Sudan	Gadaref - Kassala highway	8.0 at 4%
Syria	Fuel storage tanks	2.0 at 6%
	Ghab cattle breeding station	5.4 at 6%
Tunisia	Electric power generating plant	2.0 at 6%
N.Yemen	Electric power network connectin the cities of Sanaa, Taiz and Hodeida	4.0 at 4%
S.Yemen	Fish meal/fish oil/commodity export project	3.2 at 4%
		<hr/> 37.1

ARAB FUND FOR SOCIAL AND ECONOMIC DEVELOPMENT.

Loans in the 1975 financial year.

<u>Country.</u>	<u>Project.</u>	<u>Loan in KD millions.</u>
Algeria/ Morocco	Telecommunications project	3.3 at 6%
Egypt	Tourah cement plant	6.7 at 6%
	Fostat water supply scheme	9.7 at 6%
	Helwan sewerage project	8.3 at 6%
Jordan	Northern road entrance to Amman	5.0 at 6%
Sudan	Telecommunications project	4.8 at 4%
	Al Rahad road project	4.4 at 4%
Tunisia	El Borma gas project	4.0 at 6%
N.Yemen	Hodeida water and sewerage project	6.0 at 4%
S.Yemen	Aden port redevelopment	3.9 at 4%
		<hr/> 56.1

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Institution: Abu Dhabi Fund for Arab Economic Development

Location: Abu Dhabi, United Arab Emirates

Size: Authorized Capital: DH 2 billion; Paid-in-Capital
DH 1 billion (DH - Dirhams)

Purpose: To offer economic aid to Arab countries in support of
their economic development through loans, participations,
or guarantees. Also economic aid to African, Asian and
other Islamic countries.

Source of Funds: Believed to be internal allocation from Abu Dhabi revenues.

Management Structure: N.A.

Management of Funds: Believed to be internal.

Portfolio: Loans outstanding to 11 countries totalling \$500 million
at December 1975. Mostly connected with industry and
manufacturing.

Capital Structure: Believed to be solely paid-in-capital at present.

Income: No information available with respect to distribution of
income.

ABU DHABI FUND FOR ARAB ECONOMIC

DEVELOPMENT

Established July 1971.

Abu Dhabi Fund for Arab Economic Development,
1st Floor,
Sheikh Hamad Al Thani Building,
P.O. Box 814,
Abu Dhabi.
UNITED ARAB EMIRATES.

Telephone number: 22865.

Telex number: 2287 AH.

Cable address: FUND ABU DHABI.

Director: Dr. Hassan Abbas.

Chairman: Mohammed Habroush Al Soweidi.

Deputy Chairman: Nasir Al-Nuwaisi.

Capital:

Authorised DH 2,000,000,000.

Paid-up DH 1,000,000,000.

Under Article(2) of Law No.(3) of 1971 stated the object of the Fund was to 'offer economic aid to Arab countries in support of their economic development. That is, in the form of loans or participation in projects or guarantees or in other forms that shall be defined by the regulations of the Fund'.

However under Article(1) of Law No.(7) of 1975 the object of the Fund was changed and was confined thus:

1. Offering economic aid to Arab countries in support of its economic development, in the form of loans or of participation in projects.
2. Offering economic aid to the African, Asian and other Islamic countries in support of its development in the form of loans or, of participation in projects.
3. Organising, or participating in forming financial establishments which complement the purpose of the Fund and function to create and support a financial market in Abu Dhabi.
4. Issuing guarantees and other such undertakings as specified by the executive table, which complete the purpose of the Fund.
5. Employment of temporary available liquidity in the various rewarding means of investment.
6. Providing experience and technical aids within the various fields of economic development.
7. Performing any other activities or services that may be necessary for the realisation of the object of the Fund.

The Abu Dhabi Fund was established in July 1971 along the lines of KFAED to provide concessional economic development assistance to Arab countries. Loans are provided at a rate varying between 3% and 6% and are usually repayable over eight to twenty years.

The ADFAED co-operates with the World Bank together with other Arab aid agencies but has had a tendency to be rather secretative with regards to information relating to loan commitments until such time as the information is rather out of date. Thus the latest detailed break-down of loans extended relates only to the 1975/5 financial year.

However up until the end of March ADFAED had concluded loan agreements worth a total of DH 566.7 million covering sixteen projects in nine Arab, African and Asian states.

ADFAED intends to extend some DH 400 million to fifteen states during the course of the current year according to Nasir Al-Nuwaisi, the Deputy Chairman according to a recent statement.

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Institution: Islamic Development Bank

Location: Jeddah, Saudi Arabia

Size: ID = Islamic Dinars (equal to 1 Special Drawing Right
of the International Monetary Fund)

Capital: Authorized Capital: ID 2 billion
Paid-in-Capital: ID 755 million

Purpose: Bank established in 1975 based on agreement signed by members of Islamic conference in 1974. Purpose is to foster economic development and social progress of member and Muslim communities in accordance with Islamic principals. Present membership 29 countries.

Bank permitted under agreement to (1) purchase equity in productive projects in member countries, (2) participate in economic and social infrastructure projects in member countries; (3) make loans to public and private sectors for project financing in member countries; (4) establish and operate trust or special funds; (5) accept deposits and borrow funds; (6) assist members in matters relating to development, foreign trade and economic co-operation; (7) invest surplus funds. Bank is to be non-political and governed by economic considerations only.

Source of Funds: Members' capital subscriptions. Leverage permitted, but not yet used. Cash flow and income will also be used to fund activities of Bank in future.

Management Structure: Board of Governors, composed of one from each member state, to appoint Executive Directors and President, to be responsible for operations and selection of personnel. All officers of Bank must be from member states. Executive Directors approve all loans.

Management of Funds: All contracts will provide for internal follow-up and inspection by Bank.

Portfolio:

Selection and determination of investments to be based on the following criteria: (1) due regard to be paid to safeguarding interests of Bank, including obtaining guarantees; (2) the ability of recipient and/or guarantor to meet obligations to Bank; (3) consistency with principles of promotion of complimentary economic development among members, promotion of social and economic well being in member states and enlargement of employment opportunities; (4) avoidance of concentration of loans and investments in one country and maintenance of reasonable relation of loans and equity investments in each country; (5) reasonable diversification of equity investments; (6) in all cases, priority to be given to co-operative economic projects.

Loans to be for terms based on project requirements. In view of interest prohibition under Islamic law, service fee to be charged.

Capital Structure:

Presently all member states' equity.

Income:

May be distributed to members after general reserve equals 25% of subscribed capital.

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ISLAMIC DEVELOPMENT BANK

Established August 1974.

Islamic Development Bank, . .

P.O. Box 5925,

Jeddah.

SAUDI ARABIA.

Telephone numbers: 33994-5.

Telex number: 40137 BISLAMI JEDDAH.

Cable address: BANKISLAMI JEDDAH.

Board of Directors: The Board is composed of ten members. Four of them represent the largest subscribers to the capital stock - Kuwait, Libya, Saudi Arabia and the United Arab Emirates. The remaining six are elected by all the Governors of the Bank excluding the four representing the above four countries. They are - Algeria, Egypt, Guinea, Malaysia, Niger and Pakistan. Each members term is renewable at the end of three years.

Capital:

Authorised ID 2,000,000,000.

Subscribed ID 757,500,000.

The Islamic Development Bank

—SYED NAJIULLAH

The anxiety of the leaders of the Islamic World to strengthen the bonds of their unity and steel their determination to stand by one another, come what may, both in the political arena and in the economic field, is seen better by hindsight today than at Lahore in February, 1974 when they all gathered here at the joint invitation of King Faisal and Prime Minister Zulfikar Ali Bhutto. The idea of an Islamic Development Bank and many similar institutions with varying orientations had been broached some years before that. But after the Lahore Conference, that is to say in the wake of the Ramazan War and the oil price rise, most of these ideas were pursued with more than due determination to set up the institutions they had proposed.

The Islamic Development Bank which was merely a theoretical concept with a research orientation of how to eliminate Riba from transactions in banking in Islamic countries particularly in development banking and institutional lending where the lenders and the borrowers would mainly be Islamic States, is now on the ground and has started functioning with effect from October 20, 1975 in Jeddah. The capital of the Bank is not a very large sum — a bare SDRs 750 million (750 million Islamic dinars) against an authorised capital of SDRs two billion. I am not in any doubt, however, that like every bank, whether commercial or development, it is the moneys that come in as deposits that go out as loans. And since the viability of this Bank is assured not only by the solvency of the Bank itself but because of the credit-worthiness of the States backing

it, there is no limit to the amount of money that can come in as deposits into this Bank, if it goes for deposit mobilisation.

FUNDS FROM EUROPE & AMERICA

There might be some difficulty in attracting away some of the funds from Europe and America because of the competing rates of return offered by investments there; but enough funds can still be generated to meet the demands of this Bank. In this Bank there are two windows and one special fund. In each of these three, money can, and perhaps will be, disbursed at low rates of interest by some kind of subsidization which will have to be done in the form of grants by the States backing the lending operations; in that view of the matter, the terms of lending will compare favourably with some of the softer loans in the regional and even the larger international development banks, if that is attempted.

Anyhow the idea is that any financing that is done should be either a low-interest financing or if possible equity financing. The concept of the Islamic Bank is to emphasise more and more on equity financing so that it is not difficult to switch over gradually to a purist Islamic system of financing which will take away loan financing altogether, to be substituted by equities and other forms of share-holding and financial partnership with appropriate guarantees and with support from international development financing as well as the backing of technology exports from developed countries and equipment supplies, whatever their source.

Direct loan financing for balance of payments support can also be done not necessarily free of interest; at least in the beginning, because in these days of world inflation, one has to protect one's investment from the effects of world inflation by some kind of compensatory mechanism which would resemble interest in some form which is not totally barred by the Islamic Shar'iah. Equity finance would naturally have to be a very carefully planned and thoroughly examined operation; some form of planning the enterprises and locating them in appropriate market regions may also come in at some stage.

The third window of the Islamic Bank is its special fund. It is specifically provided for in the charter for the uplift of Muslims living as minority groups in different non-Muslim countries where they have acute and chronic problems because of their poverty, indigence and lack of proper education and the skills most in demand. Now this money is going to be utilised and how it is going to be amortized are matters of detail which will have to be worked out before this kind of financing is attempted in practice. Take for example, a community living in Philippines which wants assistance from the Islamic Development Bank. Such a community will, perhaps, have to organize itself into a communal association which can and will endeavour to set up with the help, or at least patronage of the Government of the interested country, such projects as will in the long run be able to repay the investment with or without some kind of return on capital; these could be industries which will pay dividends and compensate at least for the depreciation of the purchasing power of the repayment received; these could also be just educational institutions being run on grants for a given period of time until the local communities are able to finance the cost of running them.

But the most important aspect of the functions of the Islamic Development Bank, at present reckoning, is going to be its equity financing. The schemes that could attract such finance would have to be financially viable and economically feasible in the grand pattern of trade obtaining in the world today. If a petrochemical complex is set up, say, in a place like Pakistan most of the technology would have to be imported under licence from the West; but the semi-finished products might go into countries quite close by, like, India, Afghanistan, Burma, Bangladesh, Sri Lanka and Singapore, for final processing. If the export market is assured and local consumption buttresses it, almost any consumer industry including that of consumer durables can be set up in the region extending from the north and west of Africa to the Archipelago of Indonesia.

It is not difficult to see that the capital for many of these projects would not be difficult in mobilising. Supposing there are 10 countries which want to bid for tenders of such a project; the Bank, as one of the promoter shareholders can call for tenders and ask the countries from which the tenders originate to subscribe loans or make deposits in the Bank for financing the purchases from their country. Thus some projects can be very easily floated without the Islamic Development Bank itself having to contribute little more than a nominal sum in equity. Many such methods and contrivances can be devised to attract investment from abroad into the developing countries when the Bank itself will be required to subscribe no more than the seed capital and underwrite the remainder by giving a guarantee of soundness of the project and the ability of the borrower to pay back from out of the incomes generated. At worst, some subsidization of the interest part may have to be met from grants by member States if the venture cannot afford the market rate of interest.

It is for this reason that many Western countries and even some of the developing countries are

suspicious of the Islamic Development Bank. Moreover, with a country as dedicated as Saudi Arabia stoutly behind it, the Bank will be in a position to work out very easily many different means and modes of helping Islamic countries with or without direct and in any case large participation either from Saudi finances or the Bank's own finances or even private savings in member countries siphoned into the Bank. The influence of Saudi Arabia today in the executive echelons of world banking and stock exchanges is such that if an individual Saudi Arabian merchant were to guarantee a loan to a Western State, the European banks will probably underwrite and subscribe the whole of it on no more than a bare notice in a Western paper. Given this credibility, therefore, the Bank's operations have a promising future.

INTEREST-FREE LENDING

The Islamic Development Bank is not an institution set up merely for the sake of prestige. It is going to be a novel institution which will initiate research and evolve methods of lending free of interest but at the same time covering the risk of bad debts as well as the cost of inflation; how this is going to be done is for the research team that will have to be assembled very soon within the Bank, to determine. In the meantime, with the amount of capital that it has, it can attract any amount of development finance at market rates of interest and terms of amortization provided the projects selected are viable and the marketability of the goods produced is assured and the technology and capital equipment needed is available. And in most cases, as suggested above, all this can be done without the Bank itself investing any of its own money. In other cases where softer terms are required, member countries might very well come forward to subsidize interest rates even if the borrowing has to be from countries outside the pale of the membership of the Bank, indeed from the open market. The Bank itself may well not be able to attract the most up-to-date

technology and capital equipment, or even expertise, as easily as it is possible for the World Bank or some other regional institutions to do so; to compensate for this handicap, the Bank will have the opportunity of contracting triangular deals in which the Bank can offer the finance, the country possessing the technology can offer the equipment and technology, a part of the loan finance or equity of both, and the country that is going to attract both of these will find the suitable location and skilled labour, the domestic facilities and the local currency investment needed for it. Another approach would be to depend more and more on technology resources pooled from developing countries themselves under the auspices of the Bank.

In the two years of OPEC, the great powers have not been able to break up either the Third World unity or the OPEC itself. OPEC's unity depends to a large extent on the lack of similar unity in the developed consumer countries; to some extent it is also because the unity within the cartel of the oil companies (which is sustained by the West's own vested interests and is benefited more by the unity of the OPEC than the OPEC itself) has much deeper roots than that in the politicised OECD. It is also possible that it suits all the great powers to see a strong OPEC at the centre of the world's economic stage with a moderate leadership not too hostile to the vested interests of the industrial countries, in order to continue to exploit the rest of the Third World both for meeting the increased cost of their imports from the OPEC countries and to maintain the standard of living and the average rate of growth in their own economies during the past decade. And through the OPEC, the oil-poor Third World countries can also be kept both under control and in good humour at least for as long as the illusion lasts.

In the OPEC itself, no member is attempting to run before it can tiddle. In this situation, institutions like the Islamic Development

Bank which take a humble beginning are not going to be frowned upon by the mighty; on the contrary, there might even be some cooperation from the many different and often unexpected quarters in the name of a bold initiative for international cooperation for development. The beginning of this new institution with its new hopes and fears because of its novel nature has, therefore, to be humble. It is one of the many institutions that will have to be built in the Third World to see that it develops along the direction of its ambitions.

ISLAMIC DEVELOPMENT BANK
ARTICLES OF AGREEMENT

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**AGREEMENT ESTABLISHING THE
ISLAMIC DEVELOPMENT BANK**

**THE GOVERNMENTS ON WHOSE BEHALF THIS
AGREEMENT IS SIGNED**

RECOGNIZING the need for fostering the well-being of the peoples of the Muslim countries and for achieving a harmonious and balanced development of these countries on the basis of Islamic principles and ideals ;

CONSIDERING that such development can be best advanced through mutual financial and economic cooperation among the Muslim states which are members of the Islamic Conference ;

NOTING that one of the objectives of the Islamic Conference as expressed in its Charter is to promote and strengthen cooperation among member states in the economic, social and other fields of activities ;

REALIZING the need for mobilizing financial and other resources both from within and outside the member countries and for promoting domestic savings and investment and a greater flow of development funds into member countries.

BEING convinced, in this context, of the desirability of establishing an international financial institution which shall be development, investment and welfare oriented, based on Islamic principles and ideals, and a practical expression of the unity and solidarity of the Muslim Ummah ;

DO HEREBY AGREE to establish an international financial institution to be known in Arabic as **البنك الإسلامي للتنمية** in English as the "ISLAMIC DEVELOPMENT BANK", and in French as "BANQUE ISLAMIQUE DE DEVELOPPEMENT" which shall operate in accordance with the following provisions :

ARTICLES OF AGREEMENT

CHAPTER I

PURPOSE, FUNCTIONS, POWERS AND MEMBERSHIP

Article 1

PURPOSE

The purpose of the Islamic Development Bank (hereinafter called the Bank), shall be to foster economic development and social progress of member countries and Muslim communities individually, as well as jointly in accordance with the principles of the Shari'ah.

Article 2

FUNCTIONS AND POWERS

To fulfill its purpose the Bank shall have the following functions and powers :

- (i) to participate in equity capital of productive projects and enterprises in member countries ;
- (ii) to invest in economic and social infrastructure projects in member countries by way of participation or other financial arrangements ;
- (iii) to make loans to the private and public sectors for the financing of productive projects, enterprises and programmes in member countries ;
- (iv) to establish and operate Special Funds for specific purposes including a Fund for assistance to Muslim communities in non-member countries ;
- (v) to operate Trust Funds ;
- (vi) to accept deposits and to raise funds in any other manner ;
- (vii) to assist in the promotion of foreign trade, especially in capital goods, among member countries ;
- (viii) to invest suitably funds not needed in its operations ;
- (ix) to provide technical assistance to member countries ;
- (x) to extend training facilities for personnel engaged in development activities in member countries ;
- (xi) to undertake research for enabling the economic, financial and banking activities in Muslim countries to conform to the Shari'ah ;
- (xii) to cooperate, subject to this Agreement, in such a manner as the Bank may deem appropriate, with all bodies, institutions and organizations having similar purposes, in pursuance of international economic cooperation ;
- (xiii) to undertake any other activities which may advance its purpose.

Article 3

MEMBERSHIP

- 1 The founder members of the Bank shall be those members of the Islamic Conference listed in Annexure 'A' hereto which, on or before the date specified in Article 66, shall have signed this Agreement and shall have fulfilled all other conditions of membership within six (6) months of such date.
2. Any other state which is a member of the Islamic Conference may apply and be admitted as a member after the coming into force of this Agreement upon such terms and conditions as may be decided by the affirmative vote of the majority of the total number of Governors representing a majority of the total voting power of the members.

CHAPTER II

FINANCIAL RESOURCES

Article 4

AUTHORIZED AND SUBSCRIBED CAPITAL.

1. (a) The unit of account of the Bank shall be known as the Islamic Dinar, the value of which shall be equivalent to one Special Drawing Right of the International Monetary Fund.
- (b) The authorized capital stock of the Bank shall be two thousand million ((2,000,000,000) Islamic Dinars divided into two hundred thousand (200,000) shares having a par value of ten thousand (10,000) Islamic Dinars each, which shall be available for subscription by members in accordance with the provisions of Article (5) The subscribed capital of the Bank shall be initially seven hundred and fifty million (750,000,000) Islamic Dinars.
2. The authorized capital stock of the Bank may be increased by the Board of Governors, at such time and upon such terms and conditions as it may deem advisable, by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting powers of the members.

Article 5

SUBSCRIPTION AND ALLOCATION OF SHARES

1. Each member shall subscribe to the capital stock of the Bank. The