

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

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minimum number of shares to be subscribed by a member shall be two hundred and fifty (250) shares.

2. Each member shall declare the initial number of shares it shall subscribe to the capital stock before the expiry of the date specified in paragraph 1 of Article 66.
3. A country admitted to membership in accordance with paragraph 2 of Article 3 shall, subject to paragraph 1 hereof, subscribe to that number of shares of the unsubscribed portion of the authorized capital stock of the Bank as determined by the Board of Governors.
4. If the Board of Governors determines that an increase in the capital stock is warranted, each member shall have a reasonable opportunity to subscribe, upon such terms and conditions as the Board of Governors shall determine, to a proportion of the increase of stock equivalent to the proportion which its stock heretofore subscribed bears to the total subscribed capital stock immediately prior to such increase; provided, however, that the foregoing provision shall not apply in respect of any increase or any portion of an increase in the capital stock intended solely to give effect to the determination of the Board of Governors under paragraph 3 and 5 of this Article. No member shall be obliged to subscribe to any part of an increase of the capital stock.
5. The Board of Governors may, at the request of a member, by a vote of a majority of the total number of Governors representing a majority of the total voting power of the members, increase the subscription of such member to the capital stock on such terms and conditions as the Board may determine.
6. Shares of stock initially subscribed by founder members shall be issued at par. Other shares shall be issued at par unless the Board of Governors upon the affirmative vote of two-thirds of the total number of Governors representing not less than three-fourths of the total voting power of the members, in special circumstances, decides to issue them on other terms.

#### Article 6

#### PAYMENT OF SUBSCRIPTIONS

1. Payment of the amount initially subscribed by a founder member to

the capital stock of the Bank shall be made in five (5) equal instalments of twenty (20) per cent each.

2. The first instalment shall be paid by the member in freely convertible currency acceptable to the Bank within thirty (30) days after the date on which this Agreement comes into force or after the date of deposit on its behalf of its instrument of ratification or acceptance whichever is the later.
3. Payment of the remaining eighty (80) per cent of the initial subscription shall also be made in freely convertible currency acceptable to the Bank in four (4) equal instalments each of which shall be payable on or before the anniversary of the date of the payment of the first instalment as provided under paragraph 2 of this Article; provided that a member may, at its option, make payment of its remaining instalments of subscription before due date.
4. The Bank shall determine the place for any payment under this Article. Until so determined, payment of the first instalment referred to in paragraph 2 of this Article shall be made to the Saudi Arabian Monetary Agency which shall act as Trustee and Depository for the Bank.

#### Article 7

#### CONDITIONS RELATING TO CAPITAL STOCK

1. Shares of stock shall not be pledged or encumbered in any manner whatsoever, and they shall not be transferable except to the Bank in accordance with Chapter VI.
2. The liability of a member on shares shall be limited to the unpaid portion of its capital subscription.
3. No member, by reason only of its membership, shall be liable for obligations of the Bank.

#### Article 8

#### DEPOSITS

The Bank may accept deposits which shall be utilized and administered in accordance with Rules and Regulations made by the Bank.

#### Article 9

#### ORDINARY CAPITAL RESOURCES

In this Agreement "Ordinary Capital Resources" of the Bank shall include :

- (i) the capital subscribed in accordance with Article 5 ;
- (ii) deposits placed with the Bank pursuant to Article 8 ;
- (iii) amounts received in repayment of loans, from the sale of its equity holdings and as income from investments related to its ordinary operations ;
- (iv) any other funds raised or received by the Bank, or placed at its disposal, or income received by it, which do not form part of Special Fund Resources and Trust Fund Resources referred to in Articles 10 and 11 respectively.

*Article 10*

**SPECIAL FUND RESOURCES**

In this Agreement "Special Fund Resources" shall include :

- (i) funds contributed by members for inclusion in any Special Fund ;
- (ii) funds allocated by the Bank to any Special Fund from net income arising out of its ordinary operations ;
- (iii) funds repaid in respect of financing from the resources of a Special Fund ;
- (iv) income derived from operations financed by a Special Fund ; and
- (v) any other resources received by, or placed at the disposal of, any Special Fund.

*Article 11*

**TRUST FUND RESOURCES**

In this Agreement "Trust Fund Resources" shall include the following :

- (i) resources received by the Bank to be administered in accordance with the terms of the trust ;
- (ii) funds repaid or received in respect of operations financed by Trust Funds ; and
- (iii) income derived from operations financed by Trust Funds.

**CHAPTER III  
OPERATIONS**

*Article 12*

**USE OF RESOURCES**

The resources and facilities of the Bank shall be used exclusively to

implement the purpose and to carry out the functions set forth respectively in Articles 1 and 2 on the basis of sound economic principles.

*Article 13*

**ORDINARY, SPECIAL AND TRUST OPERATIONS**

1. The operations of the Bank shall consist of ordinary operations, special operations and trust operations.
2. Ordinary operations shall be those financed from the Ordinary Capital Resources of the Bank.
3. Special Operations shall be those financed from the Special Fund Resources.
4. Trust Operations shall be those financed from the Trust Fund Resources.

*Article 14*

**SEPARATION OF OPERATIONS**

1. The Ordinary Capital Resources, the Special Fund Resources and the Trust Fund Resources of the Bank shall, at all times and in all respects, be held, used, committed, invested or otherwise disposed of entirely separate from each other. The financial statements of the Bank shall show the ordinary operations, the special operations and the trust operations separately.
2. The Ordinary Capital Resources of the Bank shall under no circumstances be charged with, or used to discharge, losses or liabilities arising out of special operations or other activities for which Special Fund Resources and Trust Fund Resources were originally used or committed.
3. Expenses appertaining directly to ordinary operations shall be charged to the Ordinary Capital Resources of the Bank. Expenses appertaining directly to special and trust operations shall be charged to Special Fund Resources and Trust Fund Resources, respectively. Any other expenses shall be charged as the Bank shall determine.

*Article 15*

**METHODS OF OPERATION**

In carrying out the purpose and functions under Articles 1 and 2, the Bank shall comply with its Rules and Regulations.

**CONSIDERATIONS RELEVANT TO FINANCING**

1. In conducting its operations the Bank shall pay due regard to :
  - (i) safeguarding its interests in respect of its financing, including obtaining guarantees for its loans ;
  - (ii) the prospect that the recipient and its guarantor, if any, will be in a position to meet their obligations under the contract ;
  - (iii) the needs of the relatively less developed member countries ;
  - (iv) the objective of promoting complementarity in the economies of member countries ;
  - (v) the promotion of the well-being of people in member countries through economic and social development and the enlargement of opportunities for gainful employment ; and
  - (vi) the desirability of avoiding a disproportionate amount of its resources being used for the benefit of any member.
2. The applicant for financing shall submit an adequate proposal and the President of the Bank shall present to the Board of Executive Directors a written report regarding the proposal, together with his recommendations on the basis of an appropriate study.
3. The Bank shall take necessary measures to ensure that financing made available by it is used strictly for the purposes for which it was provided.
4. Considering the importance of equity investments, the Bank shall seek to maintain a suitable ratio between equity investments made in, and loans granted to, member countries.
5. The Bank shall, as far as practicable, accord priority to projects, including joint ventures, which promote and strengthen economic cooperation among member countries.
6. Every financing contract shall provide for effective inspection and follow up by the Bank.
7. The Bank shall not finance any undertaking in the territory of a member if that member objects to such financing.
8. The Bank may provide financing for the foreign exchange component of total cost and in suitable cases, especially in the case of less developed

member countries, it may also provide financing for the local currency component after assuring itself that the country's domestic resource mobilization effort justifies such action.

9. There shall be no restrictions on sources of procurement, which will ordinarily be subject to international competitive bidding. The Bank may provide, after due and proper study, a margin of preference for procurement from member countries.

*Article 17*

**EQUITY PARTICIPATION**

1. In participating in equity capital the Bank shall satisfy itself that the project or enterprise is currently or potentially revenue yielding and that it is, and will be, properly managed.
2. The Bank shall not acquire a majority or controlling interests in the share capital of the project or enterprise in which it participates except when it is necessary to protect the Bank's interest or to ensure the success of such project or enterprise.
3. The Bank shall apply such terms and conditions as it deems proper, taking into account the requirements of the project or enterprise, the risks being undertaken by the Bank and the terms and conditions normally obtained by equity investors for similar financing including voting rights and the right to nominate one or more directors to the governing board of the project or enterprise.
4. The Bank shall retain the option to sell its equity participation on such terms and conditions as may be considered appropriate. The Bank shall not, however, sell any part of its equity participation to any non-national of the member country except with the consent of such member country.
5. The Bank shall not assume responsibility for managing any project or enterprise in which it has invested except when necessary to safeguard its investment.
6. The Bank shall not provide loans to an enterprise in whose equity it has participated except in special cases approved by not less than two-thirds of the total voting power of the members.
7. The Bank shall seek to revolve its resources by selling its investments whenever it can appropriately do so.
8. The Bank shall seek to maintain reasonable diversification in its equity investments.

*Article 18*

**PROJECT LOANS**

In making loans for specific infrastructure and other projects, the Bank shall take into account each project's potential return and importance in the scheme of priorities of the recipient country.

*Article 19*

**PROGRAMME LOANS**

In making programme loans to member countries, including institutions or agencies thereof, the Bank shall satisfy itself that the purpose of the loans is to promote the well being of the people through economic and social development.

*Article 20*

**TERMS AND CONDITIONS OF PROJECT AND PROGRAMME LOANS**

1. The Bank shall determine the schedule of repayment of loans extended under Articles 18 and 19 bearing in mind relevant considerations especially the overall resource position and the balance of payments prospects of the member country concerned.
2. If a member represents that it suffers from an acute foreign exchange stringency and that the service of any loan contracted or guaranteed by that member or any of its agencies cannot be provided in the stipulated manner, the Bank may at its discretion modify the terms of amortization or extend the life of the loan or both provided that it is satisfied that such relaxation is justified in the interest of the particular recipient and the operations of the Bank.
3. The Bank shall levy a service fee to cover its administrative expenses. The amount of the fee and the manner of levying it shall be determined by the Bank.

*Article 21*

**LIMITATION ON ORDINARY OPERATIONS**

The total amount of equity investments, amounts of loans outstanding and other ordinary operations of the Bank shall not, at any time, exceed the total amount of the unimpaired subscribed capital, reserves, deposits, other funds raised and surplus included in Ordinary Capital Resources.

*Article 22*

**SPECIAL FUNDS**

Special Funds may be established by the Bank for :

- (i) assisting Muslim communities in non-member countries ;
- (ii) providing technical assistance ; or
- (iii) any other specific purpose ;

These Funds shall be administered in accordance with Rules and Regulations made by the Bank.

*Article 23*

**TRUST FUNDS**

The Bank may accept the administration of Trust Funds, whose objectives are not inconsistent with the purpose and functions of the Bank, in accordance with the terms of the Trust and such Rules and Regulations as may be made by the Bank.

**CHAPTER IV  
CURRENCIES**

*Article 24*

**DETERMINATION OF EXCHANGE RATES AND CONVERTIBILITY**

1. The determination of exchange rates in terms of the Islamic Dinar or the settlement of any question regarding exchange rates shall be made by the Bank. For the purpose of such determination, the Bank may obtain information, if it considers this necessary, from the International Monetary Fund.
2. Whenever the need arises under this Agreement to determine whether any currency is freely convertible, such determination shall be made by the Bank. The International Monetary Fund may be consulted for such determination if the Bank considers it necessary.

*Article 25*

**USE AND CONVERSION OF CURRENCIES**

1. A member shall not maintain or impose any restriction on the receipt, holding or use of its currency, or any other currency, on the account of the Bank,

2. A member shall, at the request of the Bank, facilitate the prompt conversion of its currency held by the Bank into freely convertible currency on the basis of exchange rates determined for the value date of the conversion in accordance with Article 24.
3. The currencies of non-members held by the Bank shall not be used to purchase the currency of a member except in the ordinary course of the Bank's business, or with the approval of the member concerned.
4. A member country shall impose no restrictions on the remittance of profits and repatriation of capital by the Bank in convertible currency acceptable to the Bank.

*Article 26*

**DENOMINATION OF TRANSACTIONS**

The Bank's loans shall be denominated in the Islamic Dinar except in special cases where the Bank determines otherwise. All obligations to the Bank under loan agreements shall be discharged in freely convertible currency acceptable to the Bank.

**CHAPTER V**

**ORGANIZATION AND MANAGEMENT**

*Article 27*

**STRUCTURE**

The Bank shall have a Board of Governors, a Board of Executive Directors, President, one or more Vice Presidents and such other officers and staff as may be considered necessary.

*Article 28*

**BOARD OF GOVERNORS : COMPOSITION**

1. Each member shall be represented on the Board of Governors and shall appoint one Governor and one Alternate. Each Governor and each Alternate shall serve at the pleasure of the appointing member. No Alternate may vote except in the absence of his principal. At its annual meeting, the Board shall designate one of the Governors as Chairman who shall hold office until the election of the next Chairman at the next annual meeting of the Board.

2. Governors and Alternates shall serve as such without remuneration from the Bank, but the Bank may reimburse them for reasonable expenses incurred in attending meetings.

*Article 29*

**BOARD OF GOVERNORS : POWERS**

1. All the powers of the Bank shall be vested in the Board of Governors.
2. The Board of Governors may delegate to the Board of Executive Directors any or all its powers, except the power to :
  - (i) admit new members and determine the conditions of their admission ;
  - (ii) increase or decrease the authorized capital stock of the Bank ;
  - (iii) suspend a member ;
  - (iv) decide appeals from interpretations or applications of this Agreement given by the Board of Executive Directors ;
  - (v) authorize the conclusion of general agreements for cooperation with other international organizations ;
  - (vi) elect the President of the Bank ;
  - (vii) elect the Executive Directors of the Bank ;
  - (viii) determine the remuneration of the Executive Directors and the salary and other terms of the contract of service of the President ;
  - (ix) approve, after reviewing the auditor's report, the general balance sheet and the statement of profit and loss of the Bank ;
  - (x) determine the reserve and the distribution of the net income and surplus of the Bank ;
  - (xi) amend this Agreement ;
  - (xii) decide to terminate the operations of the Bank and to distribute its assets ; and
  - (xiii) exercise such other special powers as are expressly assigned to the Board of Governors in this Agreement.
3. The Board of Governors, and the Executive Directors to the extent authorized, may adopt such Rules and Regulations as may be necessary or appropriate to conduct the business of the Bank, including Rules and Regulations for personnel, pensions and other benefits.

4. The Board of Governors shall retain full power to exercise authority over any matter delegated to the Board of Executive Directors under paragraphs 2 and 3 of this Article.

#### Article 30

##### BOARD OF GOVERNORS : PROCEDURE

1. The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Board of Executive Directors. Meetings of the Board of Governors shall be called, by the Board of Executive Directors, whenever requested by one-third of the members of the Bank.
2. A majority of the Governors shall constitute a quorum for any meeting of the Board of Governors, provided that such majority represents not less than two-thirds of the total voting power of the members.
3. The Board of Governors shall by regulation establish a procedure whereby the Board of Executive Directors may, when the latter deems such action advisable, obtain a vote of the Governors on a specific question without calling a meeting of the Board of Governors.
4. The Board of Governors, and the Board of Executive Directors to the extent authorized, may establish such subsidiary bodies as may be necessary or appropriate to conduct the business of the Bank.

#### Article 31

##### BOARD OF EXECUTIVE DIRECTORS : COMPOSITION

1. The Board of Executive Directors shall be composed of ten (10) members who shall not be members of the Board of Governors. Executive Directors shall be persons of high competence in economic and financial matters and shall be elected in accordance with Rules and Regulations made by the Board of Governors.
2. The Board of Governors shall review, from time to time, the size and composition of the Board of Executive Directors, and may increase the number of Executive Directors as appropriate, paying special regard to the desirability, in the circumstances at that time, of increasing representation in the Board of Executive Directors. Decisions under this paragraph shall be made by vote of a majority of the total number of Governors representing not less than two-thirds of the total voting power of members.

3. Executive Directors shall hold office for a term of three (3) years and may be re-elected. They shall continue in office until their successors are appointed or elected. If the office of an Executive Director becomes vacant more than ninety (90) days before the end of his term, a successor shall be appointed or elected for the remainder of the term, by the Governors who elected the former Executive Director. A majority of the votes cast by such Governors shall be required for such election.

#### Article 32

##### BOARD OF EXECUTIVE DIRECTORS : POWERS

The Board of Executive Directors shall be responsible for the direction of the general operations of the Bank and, for this purpose, shall, in addition to the powers assigned to it expressly by this Agreement, exercise all the powers delegated to it by the Board of Governors, and in particular :

- (i) prepare the work of the Board of Governors ;
- (ii) take decisions concerning the business of the Bank and its operations in conformity with the general directions of the Board of Governors ;
- (iii) submit the accounts for each financial year for approval of the Board of Governors at each annual meeting ; and
- (iv) approve the budget of the Bank.

#### Article 33

##### BOARD OF EXECUTIVE DIRECTORS : PROCEDURE

1. The Board of Executive Directors shall normally function at the principal office of the Bank and shall meet as often as the business of the Bank may require.
2. A majority of the Executive Directors shall constitute a quorum for any meeting of the Board of Executive Directors, provided that such majority represents not less than two-thirds of the total voting power of the members.
3. The Board of Governors shall adopt Rules and Regulations under which, if there is no Executive Director of its nationality, a member may send a representative to attend, without right to vote, any meeting of the Board of Executive Directors when a matter particularly affecting that member is under consideration.

*Article 34*

**VOTING**

1. Each member shall have five hundred (500) basic votes plus one vote for every share subscribed.
2. In voting in the Board of Governors, each Governor shall be entitled to cast the votes of the member he represents. Except as otherwise expressly provided in this Agreement, all matters before the Board of Governors shall be decided by a majority of the voting power represented at the meeting.
3. In voting in the Board of Executive Directors, each Executive Director shall be entitled to cast the number of votes that counted towards his election, which votes need not be cast as a unit. Except as otherwise expressly provided in this Agreement, all matters before the Board of Executive Directors shall be decided by a majority of the voting power represented at the meeting.

*Article 35*

**THE PRESIDENT**

1. The Board of Governors, by a vote of a majority of the total number of Governors, representing not less than two-thirds of the total voting power of the members, shall elect a President of the Bank. He shall be a national of a member country. The President, while holding office, shall not be a Governor or an Executive Director.
2. The term of office of the President shall be five (5) years. He may be re-elected. He shall, however, cease to hold office when the Board of Governors so decides by a vote of a majority of the number of Governors representing not less than two-thirds of the total voting power of the members.
3. The President shall be the Chairman of the Board of Executive Directors but shall have no vote, except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors but shall not vote.
4. The President shall be the legal representative of the Bank.
5. The President shall be the chief executive of the Bank and shall conduct, under the direction of the Board of Executive Directors, the current

business of the Bank. He shall be responsible for the organization, appointment and dismissal of the officers and staff in accordance with Rules and Regulations adopted by the Bank.

6. In appointing the officers and staff, the President shall, subject to the paramount importance of securing the highest standards of efficiency and technical competence, pay due regard to the recruitment of personnel on as wide a geographical basis as possible.

*Article 36*

**VICE-PRESIDENT**

1. One or more Vice-Presidents shall be appointed by the Board of Executive Directors on the recommendation of the President. A Vice-President shall be a national of a member country. He shall hold office for such term, exercise such authority and perform such functions in the administration of the Bank, as may, from time to time, be determined by the Board of Executive Directors. In the absence or incapacity of the President, the Vice-President or, if there be more than one, the ranking Vice-President, shall exercise the authority and perform the functions of the President. The Vice-President, while holding office, shall not be a Governor or an Executive Director.
2. A Vice-President may participate in meetings of the Board of Executive Directors but shall have no vote at such meetings, except that the Vice-President or ranking Vice-President, as the case may be, shall cast the deciding vote when acting in place of the President.

*Article 37*

**INTERNATIONAL CHARACTER OF THE BANK AND  
PROHIBITION OF POLITICAL  
ACTIVITY**

1. The Bank shall not accept loans or assistance that may in any way prejudice, limit, deflect or otherwise alter its purpose or functions.
2. The Bank, its President, Vice-President, Executive Directors, officers and staff shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by the political character of the member concerned. Only economic considerations shall be rele-

vant to their decisions. Such considerations shall be weighed impartially in order to achieve and carry out the purpose and functions of the Bank.

3. The President, Vice-President, officers and staff of the Bank, in the discharge of their offices, shall owe their duty entirely to the Bank and to no other authority. 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 38*

#### OFFICE OF THE BANK

1. The principal office of the Bank shall be located in Jeddah in the Kingdom of Saudi Arabia.
2. The Bank may establish agencies or branch offices elsewhere.

#### *Article 39*

#### FINANCIAL YEAR

The Bank's financial year shall be the Hijra Year.

#### *Article 40*

#### CHANNEL OF COMMUNICATIONS, DEPOSITORIES

1. Each member shall designate an appropriate official authority with which the Bank may communicate in connection with any matter arising under this Agreement.
2. Each member shall designate its central bank, or such other agency as may be agreed upon with the Bank, as a depository with which the Bank may keep its holdings of currency of that member as well as other assets of the Bank.

#### *Article 41*

#### REPORTS

1. The Bank shall transmit to its members an Annual Report containing an audited statement of its accounts and shall publish such Report. It shall also transmit quarterly to its members a summary statement showing results of its operations.

2. The Bank may also publish such other reports as it deems desirable in the carrying out of its purpose and functions. Such reports shall be transmitted to the members of the Bank.

#### *Article 42*

#### ALLOCATION OF NET INCOME

1. The Board of Governors shall determine annually what part of the net income or surplus of the Bank from ordinary capital operations shall be allocated to reserves, depositors, Special Funds and members : provided that no part of the net income or surplus of the Bank shall be distributed to members by way of profit until the General Reserves of the Bank shall have attained the level of twenty-five (25) per cent of the subscribed capital.
2. The net income or surplus from special fund operations shall not be distributed by way of profit but shall be credited to the respective Special Funds.
3. Unless otherwise stipulated in the terms of the Trust the net income or surplus from a Trust Fund shall not be distributed by way of profit but shall be credited to the Trust Fund.
4. The distribution to members of the profit referred to in paragraph 1 of this Article shall be made in proportion to the number of shares held by each member and shall be made in such manner and in such currency as the Board of Governors shall determine.

#### CHAPTER VI

#### WITHDRAWAL AND SUSPENSION OF MEMBERS, TEMPORARY SUSPENSION AND TERMINATION OF OPERATIONS OF THE BANK

#### *Article 43*

#### WITHDRAWAL

1. No member shall have the right to withdraw from the Bank before the expiry of a period of five (5) years from the date of its membership.
2. Subject to paragraph 1 of this Article, any member may withdraw from the Bank by delivering a notice in writing to the Bank at its principal office.

3. Subject to paragraph 1 of this Article, withdrawal by a member shall become effective and its membership shall cease on the date specified in its notice but in no event less than six (6) months after the date that notice has been received by the Bank. However, at any time before the withdrawal becomes effective, the member may notify the Bank in writing of the cancellation of its notice of intention to withdraw.
4. A withdrawing member shall remain liable for all direct and contingent obligations to the Bank to which it was subject at the date its withdrawal becomes effective. The withdrawing member shall also continue to be subject to those terms of this Agreement which, in the opinion of the Bank, affect its investments in that country until arrangements satisfactory to the Bank concerning such investments are concluded between the Bank and that country. When the withdrawal becomes effective, the member shall not incur any liability for obligations resulting from operations of the Bank affected after that date.
5. Any country which ceases to be a member of the Islamic Conference shall be deemed to have given a notice to withdraw from the membership of the Bank under the provisions of this Article. The date when withdrawal becomes finally effective shall be determined by the Board of Governors subject to paragraph 1 of this Article.

#### Article 44

#### SUSPENSION OF MEMBERSHIP

1. If a member fails to fulfil any of its obligations to the Bank, the Board of Governors may suspend such member by a vote, representing not less than three-fourths of the total voting power of the members.
2. The member so suspended shall automatically cease to be a member of the Bank one (1) year from the date of its suspension unless the Board of Governors, during that one-year period, decides by the same majority necessary for suspension to restore the member to good standing.
3. While under suspension, a member shall not be entitled to exercise any rights under this Agreement but shall remain subject to all its obligations.

#### Article 45 SETTLEMENT OF ACCOUNTS ON CESSATION OF MEMBERSHIP

1. After the date on which a country ceases to be a member, it shall remain liable for its direct obligations to the Bank incurred as of that date. It shall also remain responsible for its contingent liabilities to the Bank so long as any part of the loans or guarantees contracted before it ceases to be a member is outstanding but it shall not incur liabilities with respect to loans and guarantees entered into thereafter by the Bank nor share in the income or the expenses of the Bank.
2. At the time a country ceases to be a member, the Bank shall arrange for the repurchase of such country's shares by the Bank as a part of the settlement of accounts with such country in accordance with the provisions of paragraphs 3 and 4 of this Article. For this purpose, the repurchase price of the shares shall be the value shown by the books of the Bank on the date the country ceases to be a member.
3. The payment for shares repurchased by the Bank under this Article shall be governed by the following conditions:
  - (i) any amount due to the country concerned for its shares shall be withheld so long as that country, its central bank or any of its agencies, instrumentalities or political subdivisions has outstanding obligations to the Bank. Any amount due to such country may, at the option of the Bank, be applied to any liability of such country as it matures.
  - (ii) The net amount, equal to the excess of the repurchase price for shares (in accordance with paragraph 2 of this Article) over the aggregate amount of liabilities of the country concerned to the Bank, shall be payable within a period not exceeding five (5) years, as may be determined by the Bank, upon surrender of the corresponding stock certificates;
  - (iii) payments shall be made in freely convertible currency;
  - (iv) if losses are sustained by the Bank on any guarantees or loans which were outstanding on the date when a country ceased to be a member and the amount of such losses exceeds the amount of the reserve provided against losses on that date, the country concerned shall repay, upon demand, the amount by which the

repurchase price of its shares would have been reduced if the losses had been taken into account when the repurchase price was determined.

4. If the Bank terminates its operations pursuant to Article 47 of this Agreement within six (6) months of the date upon which any country ceases to be a member, all rights of the country concerned shall be determined in accordance with the provisions of Articles 47 to 49. Such country shall be considered as still a member for purposes of such Articles but shall have no voting rights.

#### *Article 46*

#### TEMPORARY SUSPENSION OF OPERATIONS

In an emergency, the Board of Executive Directors may temporarily suspend operations in respect of new commitments pending an opportunity for further consideration and action by the Board of Governors.

#### *Article 47*

#### TEMPORARY TERMINATION OF OPERATIONS

1. The Bank may terminate its operations by a resolution of the Board of Governors approved by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members. After such termination, the Bank shall forthwith cease all activities, except those incident to the orderly realization, conservation and preservation of its assets and settlement of its obligations.
2. Until final settlement of such obligations and distributions of assets the Bank shall remain in existence and all mutual rights and obligations of the Bank and its members shall continue unimpaired.

#### *Article 48*

#### LIABILITY OF MEMBERS AND PAYMENT OF CLAIMS

1. In the event of termination of the operations of the Bank, the liability of all members for the unpaid portion of the subscribed capital of the Bank shall continue until all claims of creditors, including all contingent claims, shall have been discharged.
2. All creditors holding direct claims shall first be paid out of the assets of the Bank and then out of payments to the Bank on unpaid subscrip-

tions. Before making any payments to the creditors holding direct claims, the Board of Executive Directors shall make such arrangements as are necessary, in its judgement, to ensure a prorata distribution among holders of direct and contingent claims.

#### *Article 49*

#### DISTRIBUTION OF ASSETS

1. No distribution of assets shall be made to members on account of their subscriptions to the capital stock of the Bank until all liabilities to creditors shall have been discharged or provided for. Such distribution must be approved by the Board of Governors by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members.
2. Any distribution of the assets of the Bank to members shall be in proportion to the capital stock held by each member and shall be affected at such times and under such conditions as the Bank shall deem fair and equitable giving priority to depositors. The shares of assets distributed need not be uniform as to type of asset. No member shall be entitled to receive its share in such a distribution of assets until it has settled all of its obligations to the Bank.
3. Any member receiving assets distributed pursuant to this Article shall enjoy the same rights with respect to such assets as the Bank enjoyed prior to the distribution.

#### CHAPTER VII

#### STATUS, IMMUNITIES, EXEMPTIONS AND PRIVILEGES

#### *Article 50*

#### PURPOSE OF CHAPTER

To enable the Bank effectively to fulfil its purpose and carry out the functions entrusted to it, the status, immunities, exemptions and privileges set forth in this Chapter shall be accorded to the Bank in the territory of each member.

*Article 51*

**LEGAL STATUS**

The Bank shall be an independent international institution possessing full juridical personality and, in particular, full capacity :

- (i) to contract ;
- (ii) to acquire and dispose of immovable and movable property ; and
- (iii) to institute legal proceedings.

*Article 52*

**IMMUNITY FROM JUDICIAL PROCEEDINGS**

1. The Bank shall enjoy immunity from every legal process except in cases arising out of or in connection with the exercise of its powers to raise money, or to buy and sell or underwrite the sale of securities, in which cases actions may be brought against the Bank in a court of competent jurisdiction in the territory of a country in which the Bank has its principal or a branch office, or has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities.
2. Notwithstanding the provisions of paragraph 1 of this Article, no action shall be brought against the Bank by any member, or by any agency or instrumentality of a member, or by any entity or person directly or indirectly acting for or deriving claims from a member or from any agency or instrumentality of the member. Members shall have recourse to such special procedures for the settlement of controversies between the Bank and its members as may be prescribed in this Agreement, in the By-Laws and Regulations of the Bank, or in contracts entered into with the Bank.
3. Property and assets of the Bank shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

*Article 53*

**IMMUNITY OF ASSETS**

Property and assets of the Bank, wheresoever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of taking or foreclosure by administrative or legislative action.

*Article 54*

**IMMUNITY OF ARCHIVES**

The archives of the Bank and, in general, all documents belonging to it, or held by it, shall be inviolable wherever located.

*Article 55*

**SECURITY OF DEPOSITS**

The Bank shall observe complete secrecy in regard to the depositors' accounts and members shall respect the inviolability of information about such deposits.

*Article 56*

**FREEDOM OF ASSETS FROM RESTRICTIONS**

To the extent necessary to carry out the purpose and functions of the Bank effectively, and subject to the provisions of this Agreement, all property and assets of the Bank shall be free from restrictions, regulations, controls and moratoria of any nature.

*Article 57*

**PRIVILEGE FOR COMMUNICATIONS**

The official communications of the Bank shall be accorded by each member, treatment which is not less favourable than that accorded by it to any other international organization.

*Article 58*

**IMMUNITIES AND PRIVILEGES OF BANK PERSONNEL**

All Governors, Alternates, Executive Directors, the President, officers and employees of the Bank :

- (i) shall be immune from legal process with respect to acts performed by them in their official capacity ;
- (ii) where they are not local citizens or nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations, and the same facilities as regards exchange regulations, as are accorded by members to the representatives, officials and employees of comparable rank of other members ; and

- (iii) shall be granted the same treatment in respect of travelling facilities as accorded by members to representatives, officials and employees of comparable rank of other members.

*Article 59*

**EXEMPTION FROM TAXATION**

1. The Bank, its assets, property, income and its operations and transaction shall be exempt from all taxation and from all customs duties. The Bank shall also be exempt from any obligation for the payment, withholding or collection of any tax or duty.
2. No tax shall be levied on or in respect of salaries and emoluments paid by the Bank to the President, the Executive Directors, officers or employees of the Bank.
3. No tax shall be levied on any security issued by the Bank, including any dividend thereon, by whomsoever held :
  - (i) which discriminates against such security solely because it is issued by the Bank ; or
  - (ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.
4. No tax of any kind shall be levied on any security guaranteed by the Bank, including any, dividend thereon, by whomsoever held :
  - (i) which discriminates against such security solely because it is guaranteed by the Bank ; or
  - (ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

*Article 60*

**IMPLEMENTATION**

Each member, in accordance with its juridical system, shall promptly take such action as is necessary to make effective in its own territory the provisions set forth in this Chapter and shall inform the Bank of the action which it has taken on the matter.

*Article 61*

**WAIVER OF IMMUNITIES, EXEMPTIONS AND PRIVILEGES**

The Bank, at its discretion may waive any of the privileges, immunities and exemptions conferred under this Chapter in any case or instance, in such manner and upon such conditions as it may determine to be appropriate in its best interest.

**CHAPTER VIII**

**AMENDMENTS, INTERPRETATION, ARBITRATION**

*Article 62*

**AMENDMENTS**

1. This Agreement may be amended only by a resolution of the Board of Governors approved by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members.
2. Notwithstanding the provisions of paragraph 1 of this Article, the unanimous agreement of the Board of Governors shall be required for the approval of any amendment modifying :
  - (i) the right to withdraw from the Bank ;
  - (ii) the limitations on liability provided in paragraphs 2 and 3 of Article 7 ; and
  - (iii) the rights pertaining to purchase of capital stock provided in paragraph 4 of Article 5.
3. Any proposal to amend this Agreement, whether emanating from a member or the Board of Executive Directors, shall be communicated to the Chairman of the Board of Governors, who shall bring the proposal before the Board of Governors. When an amendment has been adopted, the Bank shall so certify in an official communication addressed to all members. Amendments shall enter into force for all members three (3) months after the date of the official communication unless the Board of Governors specifies therein a different period.

*Article 63*

**LANGUAGES, INTERPRETATION AND APPLICATION**

1. The official language of the Bank shall be Arabic. In addition English

and French shall be working languages. The Arabic text of this Agreement shall be regarded as the authentic text for both interpretation and application.

2. Any question of interpretation or application of the provisions of this Agreement arising between any member and the Bank or between two or more members of the Bank, shall be submitted to the Board of Executive Directors for decision. If there is no Executive Director of the nationality of the member country concerned, paragraph 3 of Article 33 shall be applicable.
3. Any member may require, within six (6) months of the date of the decision under paragraph 2 of this Article, that the question be referred to the Board of Governors, whose decision shall be final. Pending the decision of the Board of Governors, the Bank, may, so far as it deems it necessary, act on the basis of the decision of the Board of Executive Directors.

#### *Article 64*

#### ARBITRATION

If a disagreement should arise between the Bank and a country which has ceased to be a member, or between the Bank and any member, after adoption of a resolution to terminate the operations of the Bank, such disagreement shall be submitted to arbitration by a tribunal of three (3) arbitrators. One of the arbitrators shall be appointed by the Bank, another by the country concerned, and the third, unless the parties otherwise agree, by the President of the International Court of Justice or such other authority as may have been prescribed by Rules and Regulations adopted by the Board of Governors. A majority vote of the arbitrators shall be sufficient to reach a decision which shall be final and binding upon the parties. The third arbitrator shall be empowered to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

#### *Article 65*

#### APPROVAL DEEMED GIVEN

Whenever the approval of any member is required before any act may be done by the Bank, approval shall be deemed to have been given unless the member presents an objection within such reasonable period as the Bank may fix in notifying the member of the proposed act.

## FINAL PROVISIONS

#### *Article 66*

#### SIGNATURE AND DEPOSIT

1. The original of this Agreement in a single copy in the Arabic, English and French language shall remain open for signature until 15th Shawal, 1394 H/October 31st, 1974 at the office of the Saudi Arabian Monetary Agency by the Governments of countries listed in Annexure A to this Agreement. This document shall be deposited at the principal office of the Bank upon its establishment.
2. The Depository shall send certified copies of this Agreement to all the Signatories and other countries which become members of the Bank.

#### *Article 67*

#### RATIFICATION OR ACCEPTANCE

This Agreement shall be subject to ratification or acceptance by the Signatories. Instruments of ratification or acceptance shall be deposited with the depository who shall duly notify the other Signatories of each deposit and the date thereof.

#### *Article 68*

#### ENTRY INTO FORCE

This Agreement shall come into force when Instruments of ratification or acceptance shall have been deposited by Signatories whose subscriptions in the Aggregate comprise not less than five hundred million (500,000,000) Islamic Dinars.

#### *Article 69*

#### COMMENCEMENT OF OPERATIONS

1. As soon as this Agreement enters into force, each member shall appoint a Governor and an Alternate.
2. At its inaugural meeting, the Board of Governors shall :
  - (i) elect the President of the Bank ;
  - (ii) make arrangements for the election of the Executive Directors of the Bank ; and

(iii) make arrangements for the determination of the date on which the Bank shall commence its operations.

3. The Bank shall notify its members of the date of the commencement of its operations.

DONE at the city of Jeddah,  
the Kingdom of Saudi Arabia.

This 24<sup>th</sup> day of Rajab 1394H,

corresponding to the 12<sup>th</sup> day of August

1974 in one copy each in Arabic, English and French.

Annexure A

INITIAL SUBSCRIPTION TO THE  
AUTHORIZED CAPITAL STOCK

Country	Signature	Date Higri	Date G.	Amount of Subscription in millions of (Islamic Dinars)
1. Algerian Democratic and Popular Republic		24/ 7/1394	12/ 8/1974	25.0
2. State of United Arab Emirates		24/ 7/1394 14/10/1394	12/ 8/1974 29/10/1974	100.0 10.0
3. State of Bahrain		6/10/1394	21/10/1974	5.0
4. Republic of Chad		24/ 7/1394	12/ 8/1974	2.5
5. Arab Republic of Egypt		24/ 7/1394	12/ 8/1974	25.0
6. Republic of Guinea		24/ 7/1394	12/ 8/1974	2.5
7. Republic of Indonesia		24/ 7/1394	12/ 8/1974	25.0
8. Hashemite Kingdom of Jordan		24/ 7/1394	12/ 8/1974	4.0
9. State of Kuwait		24/ 7/1394 6/10/1394	12/ 8/1974 31/10/1974	50.0 50.0
10. Republic of Lebanon		24/ 7/1394	12/ 8/1974	2.5
11. Arab Republic of Libya		16/ 8/1394	24/ 8/1974	125.0
12. Malaysia		24/ 7/1394	12/ 8/1974	16.0
13. Republic of Mali		24/ 7/1974	12/ 8/1974	2.5
14. Islamic Republic of Mauritania		24/ 7/1394	12/ 8/1974	2.5
15. Kingdom of Morocco		24/ 7/1394	12/ 8/1974	5.0
16. Republic of Niger		24/ 7/1394	12/ 8/1974	2.5
17. Sultanate of Oman		24/ 7/1394	12/ 8/1974	5.0
18. Islamic Republic of Pakistan		24/ 7/1394	12/ 8/1974	25.0
19. State of Qatar		24/ 7/1394 29/12/1394	12/ 8/1974 12/ 1/1975	20.0 5.0
20. Kingdom of Saudi Arabia		24/ 7/1394	12/ 8/1974	200.0
21. Republic of Senegal		24/ 7/1394	12/ 8/1974	2.5
22. Democratic Republic of Somalia		24/ 7/1394	12/ 8/1974	2.5
23. Democratic Republic of Sudan		24/ 7/1394	12/ 8/1974	10.-
24. Republic of Tunisia		24/ 7/1394	12/ 8/1974	2.5
25. The Yemen Arab Republic		24/ 7/1394	12/ 8/1974	2.5
26. Republic of Bangladesh		24/ 7/1394	12/ 8/1974	10.0
27. Republic of Turkey		24/ 7/1394	12/ 8/1974	10.0
28. The Syrian Arab Republic				2.5
29. The Afghanistan Republic				2.5
			Total	755.-

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

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

Institution: Alberta Heritage Savings Trust Fund

Location: Edmonton, Province of Alberta, Canada

Size:  
Capital: C \$1,500,000,000

Purpose: Fund established in May 1976 to invest a substantial portion of non-renewable resource revenues for the benefit of the people of Alberta in future years.

Fund permitted by Legislative Act to (1) invest up to 20% of its assets in projects which will provide long-term economic or social benefits to the people of Alberta but which will not by their nature yield a return to the Fund, provided the moneys are first specifically appropriated from the Fund by an act of the Legislature; (2) invest up to 15% of its assets in loans to the Crown in right of Canada or of any other province of Canada or in loans guaranteed by the Crown in right of Canada or of any other province of Canada; (3) make investments the Investment Committee, or the Legislative Assembly as expressed in an Assembly resolution, feels will yield a reasonable return or profit to the Fund and will tend to strengthen and diversify the economy of Alberta; (4) invest or reinvest moneys not invested according to 1, 2 or 3 above in any or all of the following: (a) evidences of indebtedness of, or fully guaranteed by, the Canadian Government, any Canadian provincial government, any Canadian municipal corporation, the government of a country other than Canada, a chartered bank or treasury branch, or any corporation if authorized by the Canadian and British Insurance Companies Act; and (b) mortgages or hypothecs of real estate or leaseholds in Canada under certain circumstances.

Source of Funds: Original funding of Canadian dollars \$1,500,000,000 plus 30% of the non-renewable resource revenues to be received in fiscal 1976-77 (and each fiscal year thereafter if the Legislative Assembly enacts a Special Act authorizing such annual transfer from the General Revenue Fund) on a monthly basis.

- Management Structure: Heritage Savings Trust Fund Investment Committee consisting of all 24 members of the Provincial Executive Council (including Provincial Ministers and Treasurer) responsible to the Legislative Assembly in the operation of the Fund. Actually managed in the Provincial Treasurer's Office.
- Management of Funds: The Provincial Treasurer holds and administers the Fund in accordance with the Act. Fund has separate accounting record. The Investment Committee, except when directed by the Legislative Assembly, approves investments and dispositions of investments, although the Provincial Treasurer invests, reinvests and disposes of such with respect to Fund activities in investment category 4 under "Purpose" above. While all funds are managed internally, outside advisors may be used to review and package potential investments.
- Portfolio: As under "Purpose" above. No authority to guarantee the credit of others nor is it intended to allow for other than short-term borrowings from the General Revenue Fund in anticipation of fund transfers (i.e. - no leverage allowed).
- Capital Structure: See "Source of Funds", "Portfolio" and "Income".
- Income: The income of the Fund accrues to and forms part of the Trust Fund.



1976

CHAPTER 2

THE ALBERTA HERITAGE SAVINGS TRUST FUND ACT

(Assented to May 19, 1976)

Preamble

WHEREAS substantial revenues are being received by the Province from the sale of non-renewable resources owned by the people of Alberta; and

WHEREAS there is a limited supply of non-renewable resources and therefore revenues from the sale of those resources will ultimately be reduced; and

WHEREAS it would be improvident to spend all such revenues as they are received; and

WHEREAS the Legislature of Alberta considers it appropriate that a substantial portion of those revenues be set aside and invested for the benefit of the people of Alberta in future years:

THEREFORE HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Alberta, enacts as follows:

Definitions

1. In this Act,

- (a) "Investment Committee" means the Heritage Savings Trust Fund Investment Committee established under section 3;
- (b) "non-renewable resource revenue" means
  - (i) moneys received by the Crown pursuant to agreements as defined in *The Mines and Minerals Act*,
  - (ii) moneys received by the Crown as bonuses to acquire agreements as defined in *The Mines and Minerals Act*, and
  - (iii) moneys received under an agreement between the Crown in right of Alberta and the holder of a bituminous sands lease under which the Crown agrees to accept money payments in lieu of royalty under the lease;

- (c) "Special Act" with reference to any fiscal year after the 1976-77 fiscal year means an Act of the Legislature authorizing the transfer from the General Revenue Fund to the Trust Fund of 30 per cent of the non-renewable resource revenue received in that fiscal year;
- (d) "Trust Fund" means the Alberta Heritage Savings Trust Fund established under section 2.

Alberta  
Heritage  
Savings Trust  
Fund

2. (1) There is hereby established a fund to be known as the "Alberta Heritage Savings Trust Fund".

(2) The Provincial Treasurer shall hold and administer the Trust Fund in accordance with this Act.

(3) The Provincial Treasurer shall establish and maintain a separate accounting record of the Trust Fund.

Heritage  
Savings  
Trust Fund  
Investment  
Committee

3. (1) There is hereby established a committee called the "Heritage Savings Trust Fund Investment Committee" consisting of all members of the Executive Council.

(2) The Investment Committee shall designate one of its members as chairman and another as vice-chairman.

(3) The Lieutenant Governor in Council may make rules governing the calling of meetings of the Investment Committee, the quorum required at its meetings and, generally, the conduct of the Committee's business and affairs.

Transfer of  
assets

4. (1) As soon as practicable after the commencement of this Act, there shall be transferred from the General Revenue Fund to the Trust Fund \$1,500,000,000.

(2) The amount transferred pursuant to subsection (1) may be transferred in cash or other assets, but where assets other than cash are to be transferred, the Investment Committee shall, before any transfer is made, approve

(a) the assets to be transferred,

(b) the manner in which and the time or times at which the transfer is to be made, and

(c) the valuation of the assets or the method by which the assets are to be valued,

and may impose such conditions relating to the transfer as the Investment Committee considers necessary.

(3) Where the Investment Committee is of the opinion that any asset to be transferred under subsection (1)

(a) will yield a reasonable return or profit to the Trust Fund, and

(b) will tend to strengthen and diversify the economy of Alberta,

the Investment Committee may direct that the asset upon its transfer shall form part of the Alberta Investment Division of the Trust Fund as if the asset were the subject of an investment made pursuant to section 6, subsection (1), clause (c).

(4) Assets other than cash that are transferred pursuant to subsection (1) and that do not form part of the Alberta Investment Division of the Trust Fund by virtue of a direction under subsection (3) shall consist only of assets within the classes enumerated in section 9, subsection (1) and upon being transferred shall be deemed to be investments made under that section.

(5) The income of the Trust Fund accrues to and forms part of the Trust Fund.

Transfer of  
non-renewable  
resource  
revenue

5. (1) After the commencement of this Act,
- (a) 30 per cent of the non-renewable resource revenue received in the 1976-77 fiscal year shall be transferred from the General Revenue Fund to the Trust Fund in accordance with this Act;
  - (b) 30 per cent of the non-renewable resource revenue received in the 1977-78 fiscal year shall be transferred from the General Revenue Fund to the Trust Fund in accordance with this Act but only if the transfer is authorized by a Special Act enacted in that fiscal year;
  - (c) 30 per cent of the non-renewable resource revenue received in the 1978-79 fiscal year and in each fiscal year thereafter shall be transferred from the General Revenue Fund to the Trust Fund in accordance with this Act but only if, in the case of each fiscal year, the transfer is authorized by a Special Act enacted in the preceding fiscal year.
- (2) The title of a Special Act shall be "The Alberta Heritage Savings Trust Fund Special Appropriation Act" followed by a reference to the fiscal year to which it relates.
- (3) The President of the Executive Council or a member of the Executive Council designated by him for the purpose shall, with leave of the Assembly,
- (a) introduce during the 1977-78 fiscal year a Bill for a Special Act relating to the 1977-78 fiscal year, and
  - (b) introduce during the 1977-78 fiscal year and during each fiscal year thereafter a Bill for a Special Act relating to the next succeeding fiscal year.
- (4) The Provincial Treasurer shall, with respect to each month in
- (a) the 1976-77 fiscal year, and

(b) each succeeding fiscal year in respect of which a Special Act is enacted, transfer 30 per cent of the non-renewable resource revenue received in the month from the General Revenue Fund to the Trust Fund as soon as practicable after the end of the month in which it is received.

(5) Notwithstanding subsection (4), the Provincial Treasurer may, with respect to any month to which that subsection applies, estimate 30 per cent of the non-renewable resource revenue to be received in that month and transfer that sum from the General Revenue Fund to the Trust Fund during that month or as soon as practicable after the end of the month in respect of which the estimate is made.

(6) With respect to the 1976-77 fiscal year and each succeeding fiscal year in respect of which a Special Act is enacted, the Provincial Treasurer, depending upon whether the total of the sums transferred pursuant to subsections (4) and (5) is greater or less than 30 per cent of the non-renewable resource revenue received in that fiscal year as shown in the public accounts for that fiscal year, shall

- (a) transfer moneys from the General Revenue Fund to the Trust Fund, or
- (b) transfer moneys from the Trust Fund to the General Revenue Fund,

so that the amount of the non-renewable resource revenue in the Trust Fund for that fiscal year is equal to 30 per cent of the non-renewable resource revenue received in that fiscal year.

(7) No interest is payable with respect to any money transferred pursuant to this section to or from the General Revenue Fund or to or from the Trust Fund.

Divisions of  
the Trust  
Fund

G. (1) The assets of the Trust Fund shall be used for the following purposes:

- (a) the making of investments in projects which will provide long term economic or social benefits to the people of Alberta but which will not by their nature yield a return to the Trust Fund;
- (b) the making of investments by way of loans to
  - (i) the Crown in right of Canada, or
  - (ii) the Crown in right of any other province of Canada, or
  - (iii) any other person if the repayment of the loan and the payment of interest thereon by that person is guaranteed by the Crown in right of Canada or the Crown in right of any other province of Canada;
- (c) the making of investments which, in the opinion of the Investment Committee or in the opinion of

the Legislative Assembly as expressed in a resolution of the Assembly,

- (i) will yield a reasonable return or profit to the Trust Fund, and
  - (ii) will tend to strengthen and diversify the economy of Alberta.
- (2) Investments referred to in subsection (1), clause (a)
- (a) shall only be made if moneys are first appropriated from the Trust Fund by an Act of the Legislature specifically for a purpose described in subsection (1), clause (a),
  - (b) shall not exceed 20 per cent of the assets of the Trust Fund, and
  - (c) shall form the Capital Projects Division of the Trust Fund.
- (3) Investments referred to in subsection (1), clause (b)
- (a) shall be made or approved by the Investment Committee in accordance with the directions contained in any resolution of the Legislative Assembly,
  - (b) in the absence of any such directions, shall be made only with the approval of the Investment Committee,
  - (c) shall not exceed 15 per cent of the assets of the Trust Fund, and
  - (d) shall form the Canada Investment Division of the Trust Fund.
- (4) Investments referred to in subsection (1), clause (c)
- (a) shall be made or approved by the Investment Committee in accordance with the directions contained in any resolution of the Legislative Assembly,
  - (b) in the absence of any such directions, shall be made with the approval of the Investment Committee, and
  - (c) shall form the Alberta Investment Division of the Fund.
- (5) For the purposes of this section,
- (a) investments in the Capital Projects Division shall be deemed to be assets of the Trust Fund with a value equal to the amounts expended pursuant to Acts of the Legislature referred to in subsection (2), clause (a);
  - (b) investments in the Canada Investment Division and the Alberta Investment Division and all other assets of the Trust Fund shall be valued at book value;
  - (c) the percentage limitations referred to in subsection (2), clause (b) and subsection (3), clause (b) shall be determined at the end of each fiscal year.

Disposition of  
Investments

7. (1) Where any investment is made under section 6 with the approval of the Investment Committee, no disposition shall be made of that investment except with the approval of the Investment Committee.

(2) Where a resolution of the Legislative Assembly directs the making of any investment pursuant to section 6, no disposition shall be made of that investment except pursuant to a resolution of the Legislative Assembly.

(3) Where a resolution of the Legislative Assembly directs the disposition of any investment then, notwithstanding subsection (1), the investment shall be disposed of in accordance with the directions contained in any resolution of the Legislative Assembly.

Terms and  
conditions  
on approvals

S. Any approval given by the Investment Committee under section 6 or 7 may be made subject to such terms and conditions as the Committee considers necessary.

Residual  
Investment  
powers

9. (1) Notwithstanding section 6, where any moneys in the Trust Fund have not been or are not being invested pursuant to that section, the Provincial Treasurer may invest and may re-invest those moneys in any or all of the following:

- (a) the bonds, debentures or other evidences of indebtedness of, or guaranteed as to the repayment of principal and interest by, the Government of Canada, the government of any province of Canada or any municipal corporation in Canada;
- (b) the bonds, debentures or other evidences of indebtedness of or guaranteed as to the repayment of principal and interest by the government of a country other than Canada;
- (c) the bonds, debentures or other evidences of indebtedness of any agent of the Crown in right of Alberta;
- (d) certificates of deposit, deposit receipts or other evidences of indebtedness given by a chartered bank or treasury branch in consideration of a deposit or deposits made with the bank or treasury branch;
- (e) certificates of deposit, deposit receipts or other evidences of indebtedness which are unconditionally guaranteed by a chartered bank;
- (f) the bonds, debentures or other evidences of indebtedness of or guaranteed by any corporation, if those bonds, debentures or other evidences of indebtedness are authorized investments under section 63, subsection (1) of the *Canadian and British Insurance Companies Act*;
- (g) mortgages or hypothecs of real estate or leaseholds in Canada if the amount paid for the mortgage or

hypothee together with the amount of indebtedness under any mortgage or hypothee on the real estate or leasehold ranking equally with or superior to the mortgage or hypothee in which the investment is made does not exceed three-quarters of the value of the real estate or leasehold covered thereby;

- (h) mortgages or hypothecs of real estate or leaseholds in Canada notwithstanding that the mortgage or hypothee exceeds the amount authorized under clause (g) if the excess is guaranteed or insured by, or through an agency of, the Government of Canada or a province of Canada, or by an insurance company approved by the Treasury Board.

(2) The Provincial Treasurer may dispose of any investments made or deemed to be made under this section.

(3) Notwithstanding section 28.4, subsection (1) of *The Financial Administration Act*, the Provincial Treasurer shall transfer moneys from the Trust Fund to the Consolidated Cash Investment Trust Fund only where the moneys have not been invested or re-invested under subsection (1) or where the moneys have not been invested pursuant to section 6.

Administration  
fees

10. (1) Where any costs, expenses or other payments are directly attributable to the administration of the Trust Fund, the Provincial Treasurer may charge the cost, expense or payment to the Trust Fund.

(2) After the end of each fiscal year the Investment Committee shall

- (a) estimate an amount consisting of the fees, wages, salaries, costs, expenses or other payments incurred in connection with the administration of the Trust Fund and paid out of the General Revenue Fund in the preceding fiscal year, and
- (b) authorize the Provincial Treasurer to transfer the amount estimated under clause (a) from the Trust Fund to the General Revenue Fund.

Quarterly  
reports

11. (1) The Provincial Treasurer shall, as soon as practicable after the end of each quarter of the 1977-78 and succeeding fiscal years, prepare a report summarizing the investments made under section 9 and listing the investments made under section 6 during the preceding quarter.

(2) When a quarterly report is prepared under subsection (1), the Provincial Treasurer shall forthwith furnish copies of the report to all members of the Legislative Assembly and to the Clerk of the Legislative Assembly and upon doing so shall make the report public.

Annual  
reports

12. (1) The Provincial Auditor shall from time to time and at least once each year audit the accounts and financial transactions of the Trust Fund.

(2) The Provincial Treasurer shall, as soon as practicable after the end of each fiscal year, prepare a report summarizing the operation of the Trust Fund during the preceding fiscal year and containing a financial statement, audited by the Provincial Auditor, showing

- (a) transfers of cash and other assets to the Trust Fund during the preceding fiscal year,
- (b) payments made from and income accrued to the Trust Fund for the preceding fiscal year, and
- (c) the total moneys expended under Acts of the Legislature referred to in section 6, subsection (2), clause (a) in respect of investments in the Capital Projects Division of the Trust Fund.

(3) When an annual report is prepared under subsection (2), the Provincial Treasurer shall forthwith furnish copies of it to all members of the Legislative Assembly and to the Clerk of the Legislative Assembly and upon doing so shall make the report public.

Review of  
operations

13. (1) There is hereby established a select standing committee of the Legislative Assembly called the "Select Standing Committee on The Alberta Heritage Savings Trust Fund Act" consisting of 15 members.

(2) The members of the Select Standing Committee shall be appointed at the commencement of each session in the same way that members are appointed to other select standing committees of the Legislative Assembly.

(3) When a copy of an annual report is furnished to the Clerk of the Legislative Assembly pursuant to section 12, subsection (3) the annual report shall be deemed to be referred to the Select Standing Committee for review and a report concerning the investments of the Trust Fund which may contain any recommendations of the Committee concerning those investments.

(4) Where a motion is made in the Legislative Assembly for second reading of a Bill for a Special Act relating to the 1978-79 or any succeeding fiscal year, then, unless the Assembly by resolution otherwise directs, the debate on the motion shall be proceeded with only if the report of the Select Standing Committee relating to the preceding fiscal year has been tabled in the Assembly.

(5) The Select Standing Committee may, without leave of the Assembly, sit during any period when the Assembly is adjourned or after prorogation of a session of the Legislature.

R.S.A. 1970,  
c. 142

**14.** *The Financial Administration Act is amended*

(a) *as to section 16.1 by adding the word "or" at the end of clause (c) and by adding the following clauses after clause (c):*

(f) *between accounts in the General Revenue Fund and the Alberta Heritage Savings Trust Fund, or*

(g) *between accounts in the Consolidated Cash Investment Trust Fund and the Alberta Heritage Savings Trust Fund, or*

(h) *for the purpose of making investments under section 9 of The Alberta Heritage Savings Trust Fund Act,*

(b) *by adding the following section after section 40.1:*

Advances

**40.2** *The Provincial Treasurer shall, upon the direction of the Treasury Board, advance from the General Revenue Fund to the Alberta Heritage Savings Trust Fund such sums as may be required upon such terms and conditions as the Treasury Board may impose.*

(c) *as to item 1 of the Schedule, by adding to the list of designated funds of the Provincial Treasurer the following:*

(a.1) *Alberta Heritage Savings Trust Fund.*

Coming  
into force

**15.** *This Act comes into force on the day upon which it is assented to.*

OFFICIALS IN THE TREASURER'S OFFICE  
Province: Alberta

Hon. Mervin Leitch	Provincial Treasurer
A.F. (Chip) Collins	Deputy Provincial Treasurer
Robert A. Splane	Assistant Deputy Provincial Treasurer
Charles Swanson	Director of Investments - Finance Management
Gary H. Beatty	(formerly Deputy Minister of Finance - Province of Saskatchewan) Manager, Heritage Fund

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

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

Institution: Kuwait Fund for Arab Economic Development

Location: Kuwait City

Size:

Capital: Authorized Capital: KD one billion;  
Paid-in-Capital : KD 328 million (KD - Kuwaiti Dinars)

Purpose: To assist Arab and other developing states in implementing development projects by making KD loans. The Fund may also guarantee the obligations of such states or corporate entities. The Fund may not finance more than 50% of non-local project cost.

Source of Funds: 400 million KD's out of government reserves according to the needs of the Fund. 600 million KD's out of public revenues of the State. Amount to be appropriated determined annually.

Management Structure: Prime Minister - Chairman of Board of 9 Directors elected for an initial term of two years. Chairman appoints Director - General of the Fund (upon recommendation of the Board) who has responsibility for financial and administrative matters.

Management of Funds: Net profits of the Fund are credited to a reserve account until reserves equal 20% of capital. Thereafter profits are added to the capital of the Fund.

Portfolio:	(KD Millions)
Cash	5.1
Bank deposits	174.5
Securities	110.4
Loans	62.0
Participations in Arab development institutions	25.9
Accrued interest	<u>6.9</u>
Total	384.8

Capital Structure: The Fund may borrow funds and give guarantees up to twice capital and reserves.

Paid-in-Capital      KD 328 (March 1975)  
General Reserve     KD 56

Income: Financial information limited.

Total Income                    KD 16.6 million  
Income from Investments        14.4  
Income from Loans                2.2

Loan Disbursement: Loans made to 12 countries by sector

Transport and storage        35.6%  
Agriculture                    23.2  
Industry                        20.6  
Power                            20.6  
                                  100.0%

KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT

Established December 1961.

Kuwait Fund for Arab Economic Development,  
P.O. Box 2921,  
Kuwait City.  
KUWAIT.

Telephone numbers: 439260, 439261, 439262, 439075.  
439076, 439077, 439078, 439079.

Telex number: 2025 ALSUNDUK.

Cable address: ALSUNDUK KUWAIT.

Directors: H.H. Sheikh Jaber al Ahmed al Sabah.  
Abdurrahman Salem Al-Atiqi,  
Abdulatif Yusuf Al Hamad.  
Nasser M. Al Sayer.  
Khaled A. Al-Shelfan.

Capital:

Statutory KD 1,000 million.

Paid-in KD 328 million.

- (iii) Work in the Fund is mainly based on the "task force" approach with close and informal collaboration between the various departments. These departments are at present: the Operations department, the Finance department, the Administrative department, the Office of Legal Advisers, and the Research department.

### Objective and Functions

The objective of the Fund is to assist the developing countries in their development efforts. The Fund may achieve this objective, within the framework of its Law and Charter, by any means deemed appropriate by the Board of Directors, and particularly through the following functions:

- The extension of loans, guarantees, and grants-in-aid.
- The provision of technical assistance services.

In pursuing its objective and performing its functions the exclusive concern of the Fund is to serve the interests of the recipient countries and to promote their friendly relations with Kuwait.

### Scope of Operations

- (i) The activities of the Fund extend to all developing countries.
- (ii) No sectoral limitations restrict these activities. The Fund however, has been mainly active hitherto in four sectors: Agriculture and Irrigation - Transport and Storage - Power - Industry.

- (iii) Assistance can be provided for specific development projects, for development programmes encompassing a number of articulated projects, and for development finance institutions.

### Eligible Recipients

- (i) Recipients eligible for Fund assistance comprise governments, public or semi-public entities, as well as private or mixed enterprises undertaking development projects. Regional or sub-regional entities can also benefit from the Fund's activities.
- (ii) In cases where the borrower is not itself the government of the country concerned a guarantee agreement is concluded with such government in order to cover the borrower's obligations.

### Types of Assistance

- (i) Assistance is mainly provided in the following forms:
- Direct loans to the recipients.
  - Participation in joint or parallel financing with other bilateral or multilateral aid agencies.
  - Grants-in-aid to finance techno-economic studies, both related or unrelated to specific loan operations. Such studies may cover any phase of the project, including pre-investments studies, identification of investment opportunities, feasibility studies, project preparation, etc.

- Advisory services relating to the technical, financial economic, and legal aspects of development projects, policies, or institution-building.

(ii) No financial assistance for budgetary or balance of payments purposes is extended by the Fund. Nor does the Fund participate in equity financing.

#### Applications

(i) No special application forms are required. Preliminary inquiries may be initiated by prospective recipients or by the Fund itself. Such inquiries enable the Fund to assess the subsequent steps to be taken for submitting a formal application and for furnishing the information required for its processing.

(ii) Inquiries and applications should be addressed to the Director General of the Fund through competent official channels.

(iii) The processing of an application submitted to the Fund, requests for additional information, or the exchange of missions, should not be construed as indicating an approval of the application. Approval is deemed to be given only by virtue of a resolution from the Board of Directors to the effect that a loan or technical assistance agreement is to be concluded with the applicant.

#### Project Appraisal

(i) In considering an application, the Fund requests the applicant to submit sufficient documentary evidence pertaining particularly to the following:

- an adequate description of the technical and economic aspects of the candidate project,
- its importance and priority-rating,
- economic justification and financial soundness,
- estimated foreign and local costs,
- proposed schedule of implementation.

These requirements are of course adapted to the nature of each application and to the assistance operation envisaged.

(ii) An appraisal report is prepared by the Fund on the basis of the data and information provided by the prospective recipient, by the feasibility studies, and by Fund field missions. This report and the Fund's management recommendations as regards the nature and modalities of the proposed assistance, are submitted to the Board of Directors.

#### Limitations

The Fund is, as a rule, precluded by its Charter from:

- (i) Financing more than 50% of the total cost of any project.
- (ii) Financing local costs requirements, unless strong reasons specific to the recipient country's economic situation and to the project itself make such financing necessary.

### Lending Conditions

- (i) In determining the interest rate, the maturities, and the grace period of its loans, the Fund gives due consideration to the concessionary nature of its lending operations. This nature is expressed by a significant grant element in the loans extended. The level of the grant element is conditioned by the economic conditions of the recipient country and by the specific circumstances of each project.
- (ii) In addition to the interest rate, a service fee of one half of one per cent is levied on the outstanding balance of the amounts disbursed under the loans.
- (iii) No commitment charges are applicable.

### Currency Clauses

- (i) In all assistance operations the Kuwaiti Dinar is the monetary unit of account as well as the means of payment.
- (ii) However, the Fund – acting as the agent of the recipient – may effect disbursements and accept repayments in other fully convertible currencies on the basis of the current exchange rates.

### Disbursement Procedures

- (i) The recipient of financial assistance from the Fund is entitled to make withdrawals under the agreement concluded only after the effectiveness of such an agreement has been declared by the Fund.

- (ii) The proceeds of the loans or grants-in-aid extended can be disbursed only to meet expenditures on a list of goods and services specified in the agreement.
- (iii) Standard forms for disbursement operations are used in the following cases:
  - reimbursement of outlays effected by the recipient,
  - direct payment for settling amounts due to suppliers or contractors,
  - payments to banking institutions under a letter of credit arrangement.

### Procurement

- (i) Procurement of goods and services (other than those of consultants) under Fund loans are, as a rule, based on international competitive bidding procedures. Exceptions to this rule may be agreed upon if circumstances make other procedures more appropriate.
- (ii) Tendering, awarding, contracting and procurement documents are subject to review and approval by the Fund.

### Consultants

The Fund generally requires the use of the services of qualified consultants at the different stages of the projects submitted for consideration or approved for financing.

This applies particularly to the preparation of feasibility studies and to the supervision of the different stages of implementation.

### Project Supervision

The supervision of the implementation of projects is undertaken through the review of periodic progress reports and other evidence submitted by the recipients and by the consultants, as well as through Fund missions to the site of the projects.

### Historical Background

- (i) Established in December 1961, the *Kuwait Fund for Arab Economic Development* is the agency of the State of Kuwait for the provision and administration of financial and technical assistance to the countries of the developing world. From January 1962 to July 1974 the operations of the Fund were confined, in accordance with its mandate, to the Arab countries.
- (ii) On July 17th, 1974 the National Assembly extended the scope of the Fund's operations to the rest of the developing countries and increased the Fund's declared capital from KD 200 million to KD 1,000 million.

### Organization

- (i) The Kuwait Fund is an autonomous public body having an independent juridical personality. It is administered by a *Board of Directors* comprising eight members appointed by the Prime Minister. The *Chairman of the Board* is His Highness the Crown Prince and Prime Minister, Sheikh Jaber Al-Ahmad Al-Jaber Al-Sabah, who has delegated his authority to the Minister of Finance and Oil.
- (ii) The management of the Fund is the responsibility of the *Director General* who is appointed by the Chairman of the Board. The Director General is the legal representative of the Fund. The *Deputy Director General* assists in the management of the Fund and exercises the functions of the Director General in his absence.

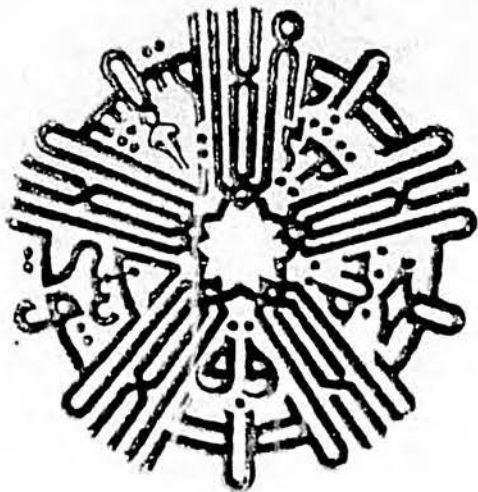
KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT LOANS  
1962-76

Country	Project	Date of Agreement	Amount of Loan (Million KD)	Interest %	Maturity (Years)	Grace (Years)
Sudan	Sudan Railways	25.3.62	7.000	4.0	15.7	3.70
	Wahsm al-Girba Sugar Plant	15.7.65	1.700	4.0	14.4	2.40
	Agricultural Development	14.8.67	4.210	3.0	21.3	2.80
	Mechanical Dry Farming	14.3.72	1.600	3.0	24.2	4.20
	Rahad Irrigation	17.4.73	3.300	3.0	30.0	4.50
	Sernar Sugar	21.7.73	4.500	4.0	17.0	4.00
	Rahad Irrigation	30.6.75	11.200	3.0	31.0	4.60
	Industrial Bank	30.6.75	1.500	4.0	10.0	4.00
<b>Total</b>			<b>35.010</b>			
Jordan	Yarmuk Valley	3.4.62	1.900	3.0	20.0	5.00
	Phosphate Mines	3.4.62	3.000	4.0	10.0	3.00
	Jerusalem Electric Power	5.2.64	0.240	3.0	17.2	1.20
	Jerusalem International Hotel	5.2.64	0.175	4.0	11.7	1.70
	Jordan Hotel, Amman	8.3.65	0.085	3.5	14.6	0.60
	Zarka River	14.3.72	4.600	3.0	24.5	4.50
	Hussein Power Station	25.6.73	3.020	4.0	24.0	4.00
	Industrial Development Bank	17.7.74	1.000	4.0	17.0	5.00
<b>Total</b>			<b>14.020</b>			
Tunisia	La Goulette Electricity-Phase I	21.12.63	3.800	4.0	15.5	3.50
	Medjerda Valley (1 <sup>st</sup> stage)	21.12.63	2.000	3.0	22.3	2.30
	La Goulette Electricity-Phase II	21. 1.67	4.600	4.0	14.6	2.60
	Medjerda Valley (2 <sup>nd</sup> stage)	28. 7.70	3.200	3.0	26.4	6.40
	Gas Pipeline	18. 2.71	0.900	4.0	15.3	2.30
	Fishing Ports	25. 3.74	2.850	3.0	19.0	4.00
	Phosphate Mines Development	14.10.74	2.000	4.0	15.0	2.90
	Development Bank	6. 4.75	2.500	4.0	16.0	4.90
	Tunis International Airport*	-	1.000	4.0	16.0	4.00
	Tunis-Turki Highway	15. 2.76	3.750	4.0	20.0	5.00
Bizerta Canal Bridge	15. 2.76	2.250	4.0	15.0	5.00	
<b>Total</b>			<b>31.850</b>			
Egypt	Suez Canal Expansion	5. 7.64	9.800	4.0	16.0	3.00
	Cargo Ships Construction	24. 1.68	3.500	4.0	14.9	2.90
	Abu Qir Gas Project	1. 7.73	4.500 <sup>(1)</sup>	4.0	15.0	6.00
	Abu Qir Gas Project	7. 7.75	3.500	4.0	15.0	6.00
	Suez Canal Reopening	7. 3.74	10.000	4.0	18.0	3.00
	Talkha Fertilizer Plant	27. 6.74	7.000	4.0	20.0	4.70
<b>Total</b>			<b>38.300</b>			
Algeria	Oil Pipeline (1 <sup>st</sup> stage)	23. 6.64	7.500	4.0	14.7	2.70
	Oil Pipeline (2 <sup>nd</sup> & 3 <sup>rd</sup> stage)	20. 5.67	2.500	4.0	11.8	0.00
			<b>10.000</b>			
Morocco	Tessault Agricultural Project	29. 5.66	7.350	3.0	24.0	4.00
	Tadla Agricultural Project	29. 5.66	2.700	3.0	19.0	4.00
	Sucrafor Project	2. 2.72	0.860	4.0	9.7	1.70
	Phosphate Plant	25.11.74	2.400	4.0	14.0	3.70
	National Bank for Economic Development	25. 8.75	6.000	7.0	13.0	4.00
<b>Total</b>			<b>19.310</b>			

Country	Project	Date of Agreement	Amount of Loan (Million KD)	Interest %	Maturity (Years)	Grace (Years)
North Yemen	Zabid Valley	6. 6.68	0.325	0.5	16.0	7.80
	Salif Salt Mines I	28. 7.70	1.900	2.0	30.0	-
	Highway Project	14. 8.72	0.281	0.5	19.0	10.00
	Tihama Agricultural Development I	9. 6.73	1.900	0.5	50.0	9.50
	Salif Salt Mines II	29. 5.74	1.100	2.0	27.0	2.10
	Taiz-Km. 64 Road	17. 1.76	1.500	1.5	20.0	5.00
	<b>Total</b>		<b>7.009</b>			
South Yemen	Abyan Delta Development	17. 4.71	0.330	0.5	49.1	9.10
	Abyan Delta Development	12. 5.74	4.200	0.5	49.0	9.40
	Mukalla-Hadhramout Highway	25. 6.75	4.500	1.5	40.0	9.75
	<b>Total</b>		<b>9.030</b>			
Syria	Grain Silos	13. 9.71	7.000	3.5	15.5	3.50
	Oil Refinery	7. 3.74	2.000	1.0	24.0	4.50
	Mehreda Thermal Power Station	25.11.74	9.900	4.0	19.0	3.25
	<b>Total</b>		<b>18.900</b>			
Lebanon	Joun Electricity	4. 7.66	1.670	4.0	12.5	2.50
	Grain Silos	7. 8.68	0.800	4.0	11.4	2.40
	<b>Total</b>		<b>2.470</b>			
Mauritania	Road Maintenance	9. 1.75	1.150	0.5	25.0	5.25
	Expansion of Port of Nounthilbou	3. 2.76	2.450	1.5	20.0	5.00
	<b>Total</b>		<b>3.600</b>			
Bahrain	Aluminum Smelter	21. 7.70	1.000	4.0	11.9	1.90
	Flour Mill	24. 3.71	0.500	4.0	11.7	1.70
	Causeway and Bridge	24. 3.71	0.500	3.0	14.2	2.20
	Sitra Power Station	24. 7.72	7.350	4.0	18.0	4.00
	<b>Total</b>		<b>9.350</b>			
Iraq	Samara Hydro-electric	5. 2.70	3.000	4.0	14.5	2.50
	Cement Project	14. 8.71	3.800	4.0	13.1	2.10
	<b>Total</b>		<b>6.800</b>			
Rwanda	Tea Plantation	25. 6.75	1.000	3.0	27.0	6.60
Malaysia	Palong Development	25. 6.75	7.600	5.0	30.0	10.40
Uganda	Livestock Development	30. 6.75	5.750	2.5	25.0	5.00
Bangladesh	Rural Electrification	30. 6.75	6.400	2.0	32.0	6.80
	Mano River Project	30. 6.75	2.300	1.5	33.0	7.60
	<b>Total</b>		<b>8.700</b>			
India	Kalinady Power Project	27. 1.76	15.300	4.0	20.0	5.00
Nepal	Kulekhani Power Project	17. 1.76	5.000	3.0	25.0	7.00
Tanzania	Textile Mill	5. 7.75	4.500	4.0	22.0	5.00
Sri Lanka	Urea Fertilizer Plant	15. 8.75	7.500	4.0	15.0	5.00
Somalia	Electric Project	7. 7.75	6.200	1.5	29.0	5.00
Pakistan	Transmission Line (Gudda-Karachi)*	-	13.000	4.0	20.0	5.00
	<b>Grand Total</b>		<b>279.899</b>			

(\*) Loans not yet finalized.

(1) Two loans combined together and terms of 1st loan adjusted on 7.7.75.



KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT

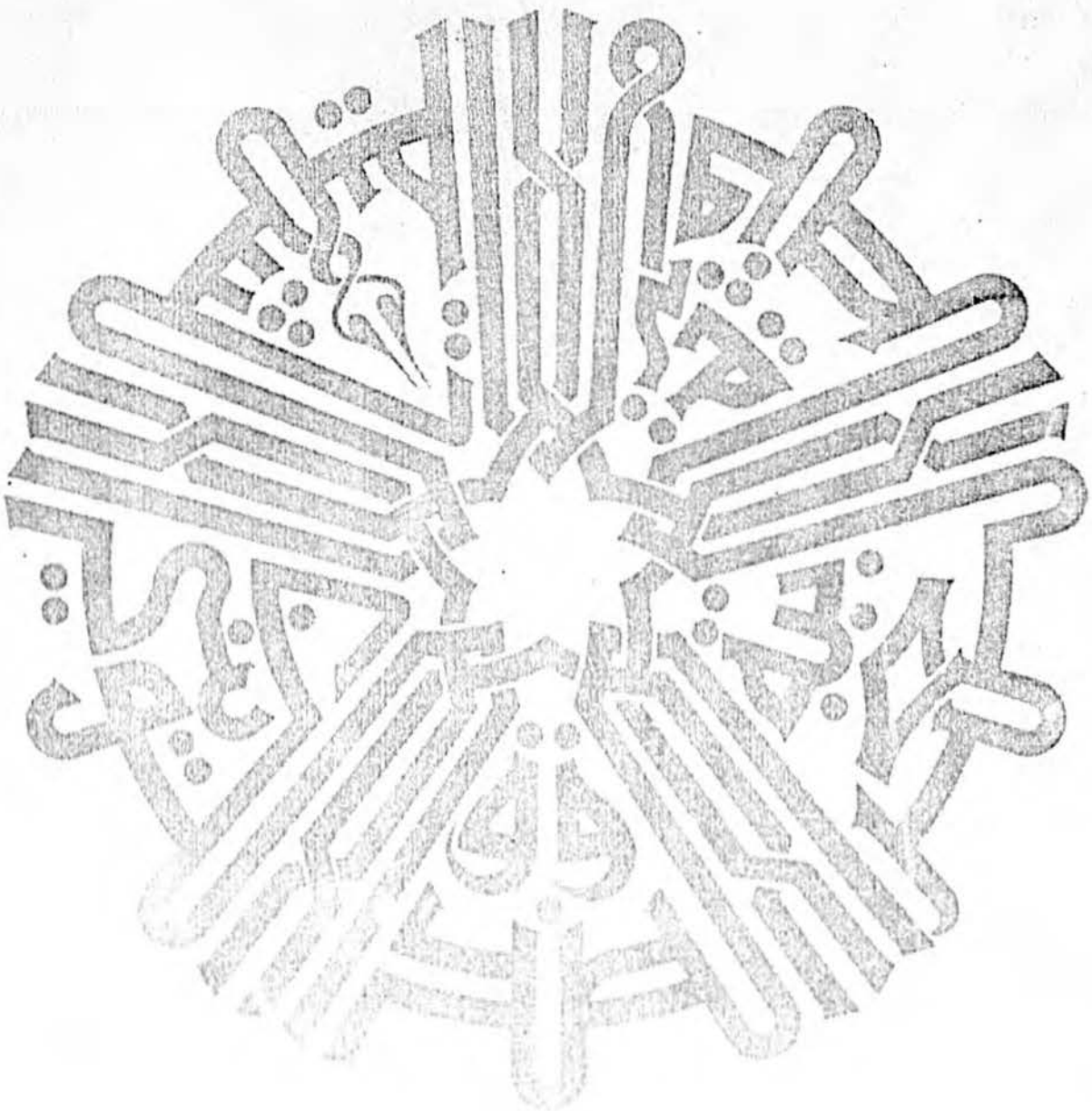
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1974

REPORT

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صندوق الكويت للتنمية الاقتصادية العربية





*H.H. Shaikh Jaber Al Ahmed Al Sabah  
The Crown Prince*

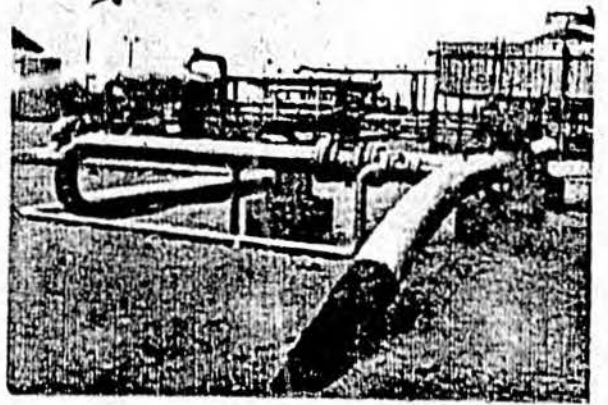
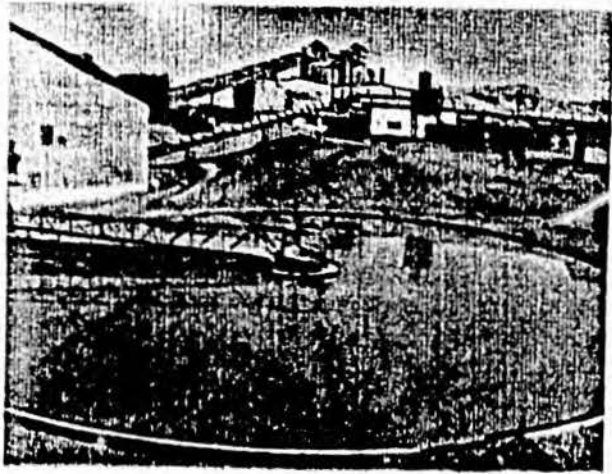
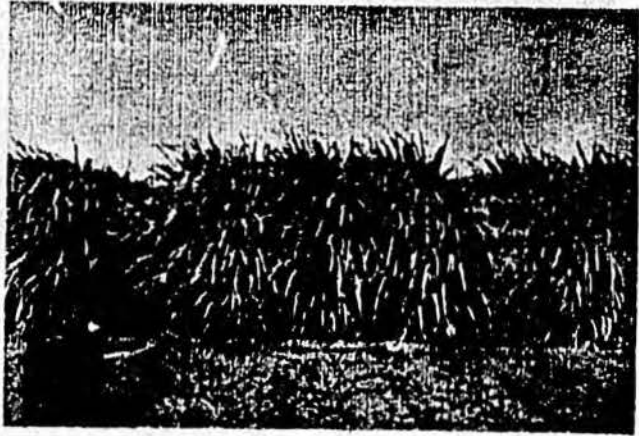


*H.H. Shaikh Sabah Al Salem Al Sabah  
Amir of the State of Kuwait*

Outline of the

**KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT**

<b>Established</b>	31.12.1961
<b>Purpose</b>	To assist Arab and other developing states in developing their economies, and to provide financial and technical assistance for the execution of their development programmes.
<b>Capital</b>	
<b>Statutory</b>	KD 1,000 million.
<b>Paid-in</b>	KD 328 million.
<b>Total Assets</b>	KD 384 million.
<b>Loan Commitments</b>	54 Loans totalling KD 161 million.
<b>Projects Financed</b>	Projects having direct development impact and high priority rating in development programmes.
<b>Technical Assistance</b>	<ul style="list-style-type: none"><li>- Pre-investment studies.</li><li>- Technical and Economic Advisory Services.</li></ul>



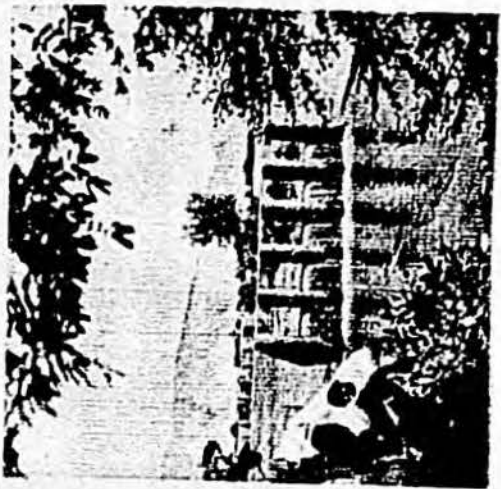
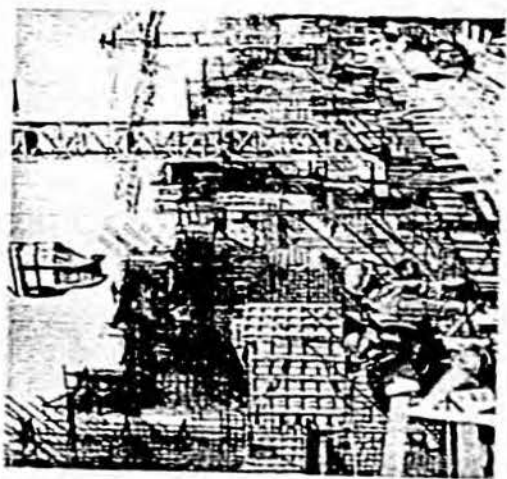
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5. Financial Position
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- B- Technical Assistance 1974/1975
- C- Sectoral and Geographical Distribution of Loans

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①

## HIGHLIGHTS OF THE YEAR

- Following the promulgation of Law No.25, on July 17th, 1974, for the Reorganization of the Kuwait Fund For Arab Economic Development, the Fund took off to a new start of a much wider scope of activities. According to this Law, the Fund's operations are to be extended to cover, not only Arab States, but all developing countries, and its statutory capital was increased from KD 200 million to KD 1,000 million, more than \$ 3,400 million equivalent.
- Before this Law was enacted, a Fund mission had visited early last year, on behalf of the Government of Kuwait, nineteen African countries, in order to explore the possibilities of co-operation between these countries and Kuwait, especially in the field of technical and financial assistance.
- During this year, another Fund mission visited ten Asian countries with the aim of acquainting the officials of these countries with the extension of the Fund's field of operations and of getting first-hand information on the main features of these countries' problems, requirements and priorities in the field of economic and social development. These ten Asian countries were: Pakistan, Sri Lanka, Bangladesh, India, Nepal, Malaysia, Singapore, Philippines, Thailand and Indonesia.
- Immediately following the official announcement of the new Law, missions from the Fund were dispatched to many countries in both Africa and Asia, with the purpose of identifying projects suitable for financing and evaluating those already chosen. Countries visited for this purpose included: Bangladesh, Sri Lanka, Malaysia, Afghanistan, Uganda, Burundi, Tanzania, Rwanda, Kenya, Mali and Chad.
- The Fund's activities in the Arab world were in no way affected, however, by the extension of the Fund's operations to new countries.
- The present report reflects the widening of the scope of the Fund's operations, particularly in the large number of projects which are presently under consideration, and of which many have reached an advanced stage of preparation. Thus, apart from the loans and technical assistance agreements which have been finalized during the year, this report includes no less than 40 projects under consideration, extending to more than 20 countries in the Arab world and in the rest of Africa and Asia.
- During 1974/75, the Fund's Board of Directors approved 10 new loans totalling KD 41.6 million, of which seven loan agreements were signed. Of these seven loans totalling KD 27.6

million, three loans of KD 10.4 million were made to Jordan, Egypt and Morocco, in the industrial sector; two of KD 3.1 million to Tunisia and North Yemen in the mining sector, one loan of KD 9.9 million to Syria, in the power sector, and another of KD 4.2 million in the agricultural sector of the People's Democratic Republic of Yemen. The total number of loans extended by the Fund has therefore reached 54, amounting to KD 161 million.

- During the year, the Fund also extended six technical assistance grants totalling KD 1.17 million, representing a two-fold increase over the amount reached at the end of last year and bringing the total number of grants to 20.

- During the year, the Fund represented the Government of Kuwait at a number of international conferences and meetings concerned with the development problems of the Third World. The most important of these were the International Food Conferences (Rome, Nov., 1974); FAO's Second Regional Conference for the Near East (Amman, Sept., 1974); the meeting of Arab Financial Institutions (Cairo, May 1975); the meeting of representatives of Arab Development Funds and the Economic Commission for Western Asia (ECWA) (Beirut and Kuwait—January/February, 1975) the Conference on the Financing of the Senegal River Basin Programme (Nouakchott, July, 1974) the Conference of Legal Experts of Non-Aligned States (Kuwait, January, 1975); and the Ministerial Meeting for Establishing the Solidarity Fund for Economic and Social Development in Non-Aligned Countries (Havana, March, 1975).

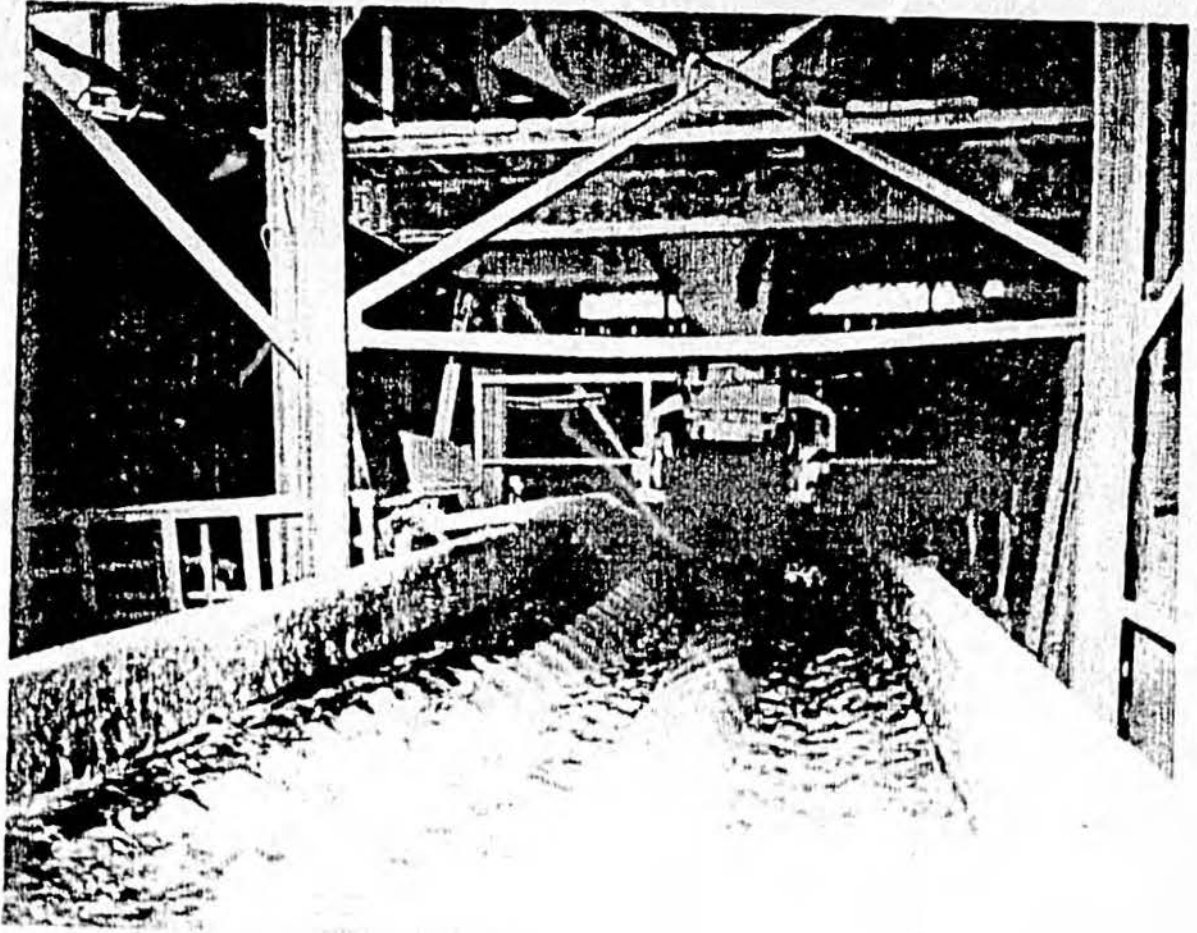
- The Fund continued during the year its contacts with international, regional and national institutions concerned with the development of the Third World, including the International Bank for Reconstruction and Development, the African Development Bank, the Asian Development Bank, the Central Fund for Economic Cooperation (France), the Canadian International Development Agency, the Arab Fund for Economic and Social Development, the Abu Dhabi Fund for Arab Economic Development and the Inter-American Development Bank. These contacts aim at exploring new avenues of cooperation with these institutions in providing economic assistance to the developing countries. In a large number of the projects included in this report, the Fund's participation has been or is expected to be in the form of joint-financing with some of these institutions, particularly with I.B.R.D., I.D.A. and The Arab Fund for Economic and Social Development.

- The Fund continued also to undertake certain responsibilities, on behalf of the Government of Kuwait, in connection with economic assistance provided directly by the Government, in addition to that extended by the Fund. The most prominent among these responsibilities concerned the follow-up of a grant of \$ 6 million provided by the Kuwait Government to finance the eradication of Onchocerciasis (River-Blindness), a disease affecting seven countries in West Africa. This programme, which is of immense humanitarian and economic significance is sponsored by four International Organizations: WHO, IBRD, FAO and UNDP.

● One outstanding feature of the Fund's financial year 1974/75 was the increase in the total resources of the Fund by 150% over those of last year. This was primarily due to a three-fold increase of paid-in-capital since the end of 1973/74, bringing it up to KD 328 million.

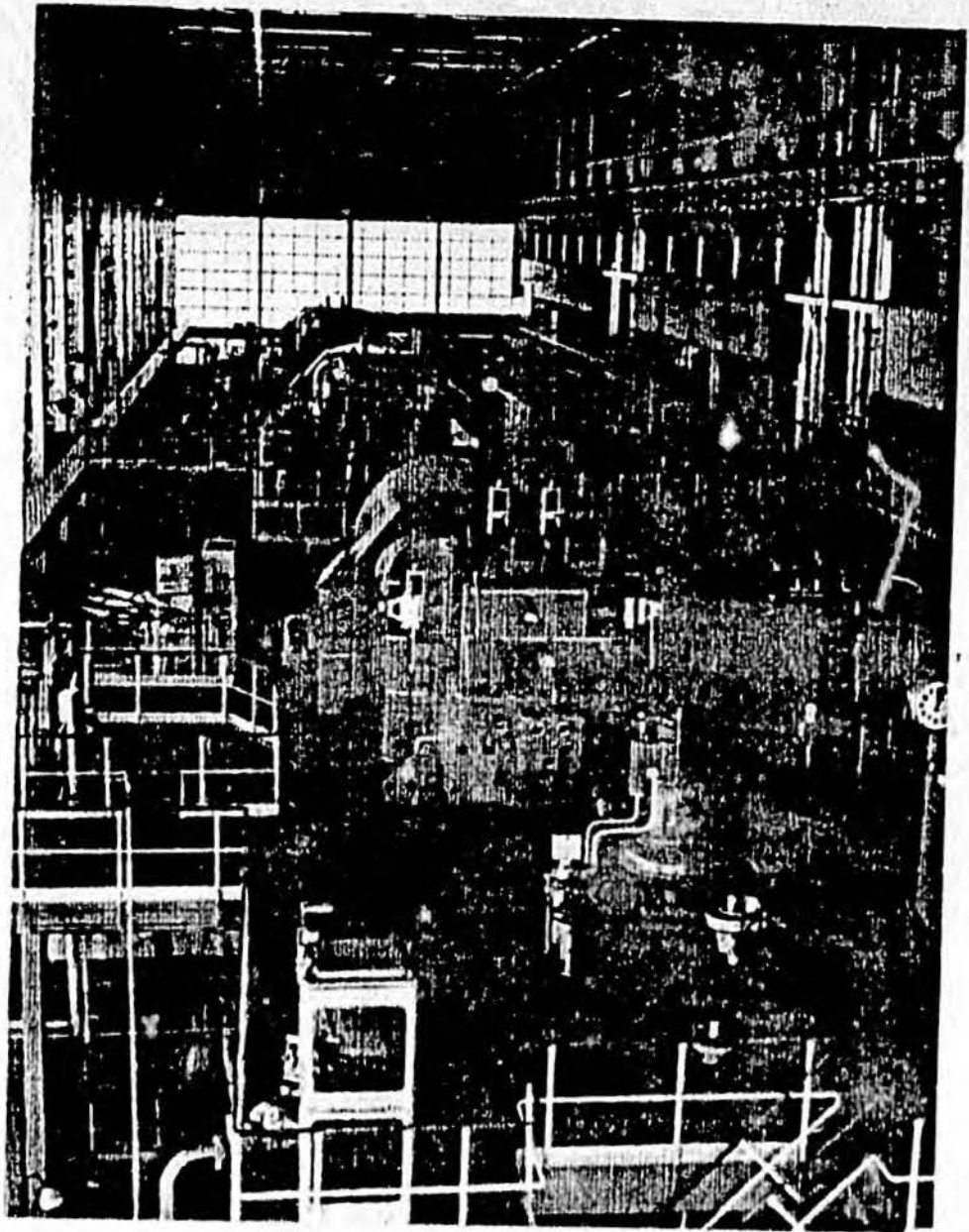
● As regards the use of resources, disbursements from the loan account rose from KD 83.4 million to KD 91.3 million, while the deposits and investments portfolio increased from KD 80.5 million to KD 290 million. The contribution made by the Government of Kuwait through the Fund, to Arab development institutions, rose from KD 10.8 million to KD 25.8 million. Gross income for the year amounted to KD 16.6 million, while total expenditures were KD 608,300 not exceeding 3.7% of gross income. Administrative expenses did not constitute more than 3.4% of gross income.





②

NEW LOANS



## JORDAN

### Industrial Development Bank

<b>Borrower</b>	Industrial Development Bank	<b>Term</b>	17.7.74 to 1.9.1991
<b>Amount</b>	KD 1 million	<b>Grace</b>	5 years
<b>Interest</b>	4%(1)	<b>Repayment</b>	24 Semi-annual instalments

The Industrial Development Bank of Jordan plays a prominent role in the field of development finance, and has participated, since its establishment in 1965, in financing a large number of projects throughout the country, in the two sectors of industry and tourism. For the promotion of industrial development in the country, the Bank extends loans, participates in equity ownership, and provides technical assistance. It subjects all projects to screening for ascertaining their economic and financial feasibility.

The Bank is a mixed enterprise, with an authorized capital of JD 3 million and paid-in capital of JD 2.24 million of which the Government's share is 49.5%.

The Government of Jordan and the Bank had requested the Fund to participate in financing the Bank's operations for the period 1974-1977, the total costs of which have been estimated at KD 5.94 million (JD 6.54 million) of which about KD 4.42 million (JD 4.86 million) is in foreign exchange.

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<sup>1</sup> For all Fund's loans covered by this report, interest rates include a 0.5 percent service charge.

## TUNISIA

### Phosphate Mines Modernization Project

<b>Borrower</b>	The Republic of Tunisia	<b>Term</b>	14/10/74 to 1/9/1989
<b>Amount</b>	KD 2 million	<b>Grace</b>	2.9 years
<b>Interest</b>	4% per annum	<b>Repayment</b>	24 semi - annual instalments

This Project is part of Tunisia's 1974-77 programme for the modernization of phosphate mines and beneficiation plants. The programme aims at realizing an increase in the production of phosphates, the reduction of production costs and improving working conditions inside the mines. The project will include the mechanization of the Radeyef, Metlaoui and Mdilla mines, the improvement of means of transport as well as the modernisation and expansion of the beneficiation plants. The provision of freight cars and locomotives, of some essential social services, and of a training programme for the workers, are also included in the project. Work on the project had already started during the second half of 1973.

Total costs are estimated at KD 8.46 million (TD 12.435 million) of which KD 6.26 million (TD 9.20 million) is in foreign exchange, representing 74% of total costs. The Fund loan has been extended to the Government of Tunisia which will relend it to the Phosphate and Railway Company.

## SYRIA

### Mehreda Thermal Power Project

<b>Borrower</b>	Public Electricity Establishment	<b>Term</b>	25.11.74 to 1.9.1993
<b>Amount</b>	KD 9.9 million	<b>Grace</b>	3.25 years
<b>Interest</b>	4% per annum	<b>Repayment</b>	31 semi-annual instalments

Syria's power generation facilities, with a total capacity of 165MW, have suffered extensive damage as a result of the October war of 1973, whereas no perceptible change in demand took place as a result of the war. The present project forms part of the PEE expansion programme extending until 1979, and will help in compensating for the damages inflicted on the power network during the October war and in meeting part of the expected increase in electricity consumption.

The project constitutes the first stage of the construction of a thermal power station in Mehreda near the city of Hama. It includes the installation of one unit of 125MW capacity, four new sub-stations as well as the provision of consulting services in engineering, administration and training.

The total cost of the project is estimated at KD 27.3 million, with a foreign exchange component of KD 21.1 million.

The loan provided by the Fund covers 46.9% of the foreign exchange required, or about 35% of total cost; the balance to be covered by the World Bank, a co-lender with the Fund, and by the Public Electricity Establishment.

## EGYPT

### Talkha Fertilizer Plant II

<b>Borrower</b>	Arab Republic of Egypt	<b>Term</b>	27.6.74 to 1.3.1994
<b>Amount</b>	KD 7.0 million	<b>Grace</b>	4.7 years
<b>Interest</b>	4% per annum	<b>Repayment</b>	30 semi-annual instalments

This project includes the construction of a plant for the production of ammonia near Talkha, just across the Nile facing the city of Mansoura. The plant will have a capacity of 396,000 tons per annum, of which 330,000 will be allocated for the production of 570,000 tons of urea annually, and the remainder for the production of calcium ammonium nitrate in Talkha Fertilizer Plant I. The plant will allow Egypt to meet all its requirements of nitrogenous fertilizers until the end of the 1980's, and therefore to save about KD 250 million in foreign exchange during the projected life of the plant of 12 years.

Work on the project has already started during the second half of 1974 and the plant is expected to be operational by 1978.

The total cost of the project is about KD 38 million, of which the foreign exchange is nearly KD 26.5 million, the Fund's loan representing 18.5% and 26.5% of the two components respectively. The balance will be covered by the Arab Fund for Economic and Social Development, the Abu Dhabi Fund for Arab Economic Development, International Development Association and The Libyan Arab External Bank. The Egyptian Nasr Company for Fertilizers and Chemical Industries will implement the project, under the supervision of the General Organization for Industrialization.

## MOROCCO

### Phosphoric Acid and Mono-ammonium Phosphate Project

<b>Borrower</b>	National Bank for Economic Development (BNDE)	<b>Term</b>	25.11.1974 to 21.8.1998
<b>Amount</b>	KD 2.4 million	<b>Grace</b>	3.7 years
<b>Interest</b>	4% per annum	<b>Repayment</b>	20 semi-annual instalments

This project represents one further step towards the development of the phosphate industry in Morocco, through the production of phosphoric acid, a key intermediate product in manufacturing high-grade chemical fertilizers, and mono-ammonium phosphate (MAP).

The project will include the construction of a plant to produce phosphoric acid and mono-ammonium phosphate (MAP) near the town of Safi, the provision of utility installations and related off-site facilities.

The project will help Morocco to maintain or increase its share in the international trade of phosphate products, and to consolidate its position in the new emerging pattern of trade in intermediate and high-grade finished products. A recently formed company, "Maroc-Phosphore" owned by the "Office Chérifien des Phosphates" (OCP), was formed to undertake the implementation of the project, which has already started in mid-1973.

The Fund loan has been extended to the "Banque Nationale pour le Développement Economique" of Morocco which will re-lend its proceeds to Maroc-Phosphore. Total cost is estimated at KD 46.6 million (DH 687 million) of which the foreign exchange component is KD 30 million (DH 442 million), or 64% of total cost. Other sources of finance include the World Bank and the Kreditanstalt Fur Wiederaufbau.

## YEMEN ARAB REPUBLIC

### Saleef Mines Project - III

<b>Borrower</b>	Yemen Arab Republic	<b>Term</b>	29.5.1974 to 1.1.2001
<b>Amount</b>	KD 1.1 million	<b>Grace</b>	2.1 years
<b>Interest</b>	2% per annum	<b>Repayment</b>	50 semi-annual instalments

On July 28, 1970, the Kuwait Fund had extended a loan of KD 700,000 to finance a project aiming at the development of salt mines at Saleef, which was followed by another loan on August 14, 1972.

Since then, new factors have made it necessary to mobilize additional resources for the implementation of the project and widening its scope. Among these factors, the most important were the rise in the cost of equipment and of implementing and supervising the project, and the need for improving the road linking Saleef with the Port of Hodeidah, for providing pilotage and fire-extinction equipment and for widening some parts of the loading wharf.

The Fund has therefore agreed to extend this additional loan of KD 1.1 million, under the same conditions and terms stipulated in the original loan agreement of July 28, 1970.

## SOUTH YEMEN

### Abyan Delta Project

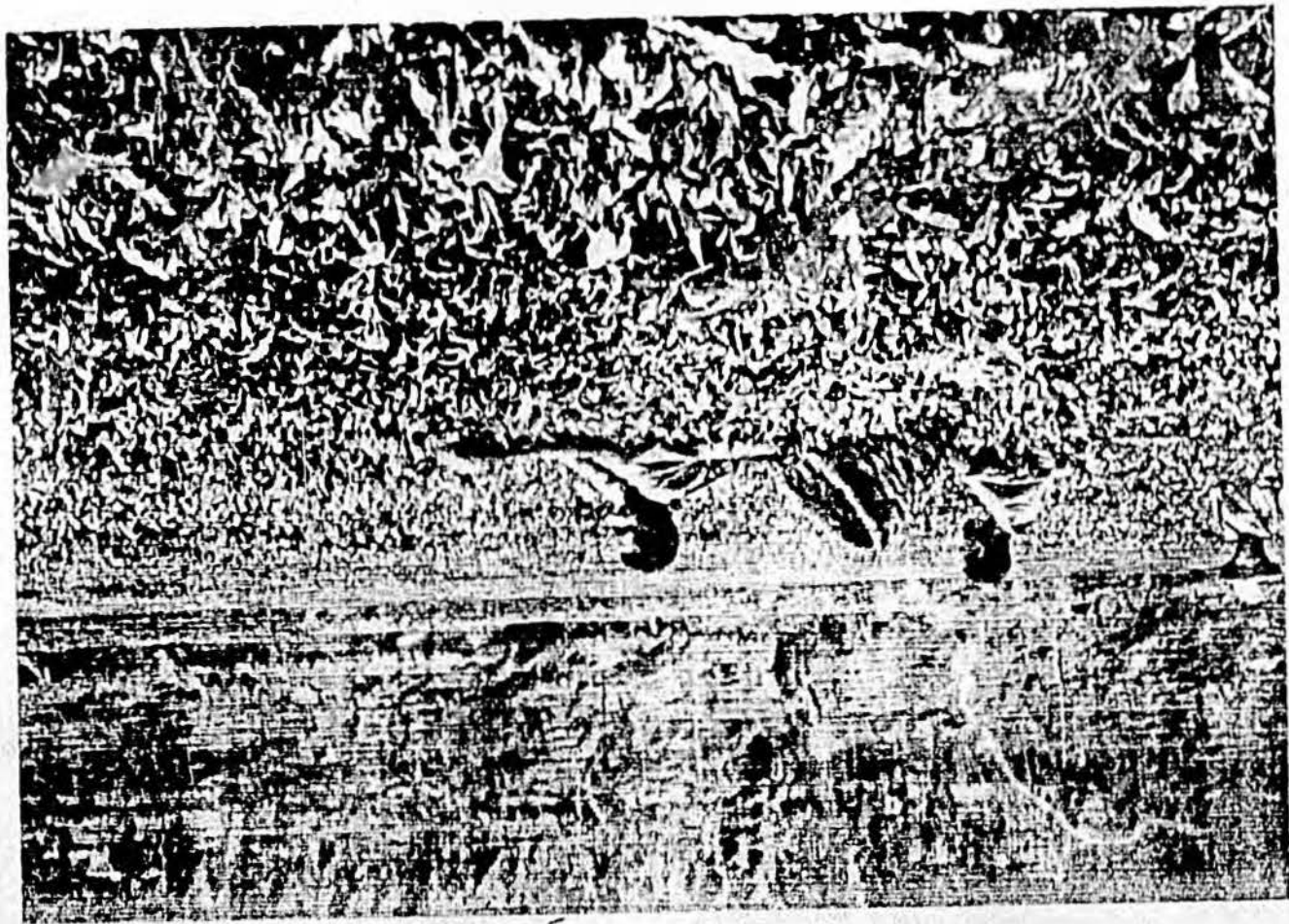
<b>Borrower</b>	People's Democratic Republic of Yemen	<b>Term</b>	12.5.1974 to 1.10.2023
<b>Amount</b>	KD 4.2 million	<b>Grace</b>	9.4 years
<b>Interest</b>	0.5% per annum	<b>Repayment</b>	80 semi-annual instalments

The Abyan Delta, an area of approximately 53,000 hectares, is located about 50km east of Aden, and includes one of the largest cultivated areas in Southern Yemen. Three quarters of the total area of the Delta are suitable for cultivation, but no more than one quarter, or about 13,000 hectares, is actually cultivated.

The project includes the improvement and expansion of the irrigation network in the region, the levelling of an area of about 18,000 hectares of which 3,000 hectares are under well irrigation and 15,000 under flood irrigation, as well as the provision of agricultural equipment and the installation of a flood-warning system. Training and consulting services are also provided for.

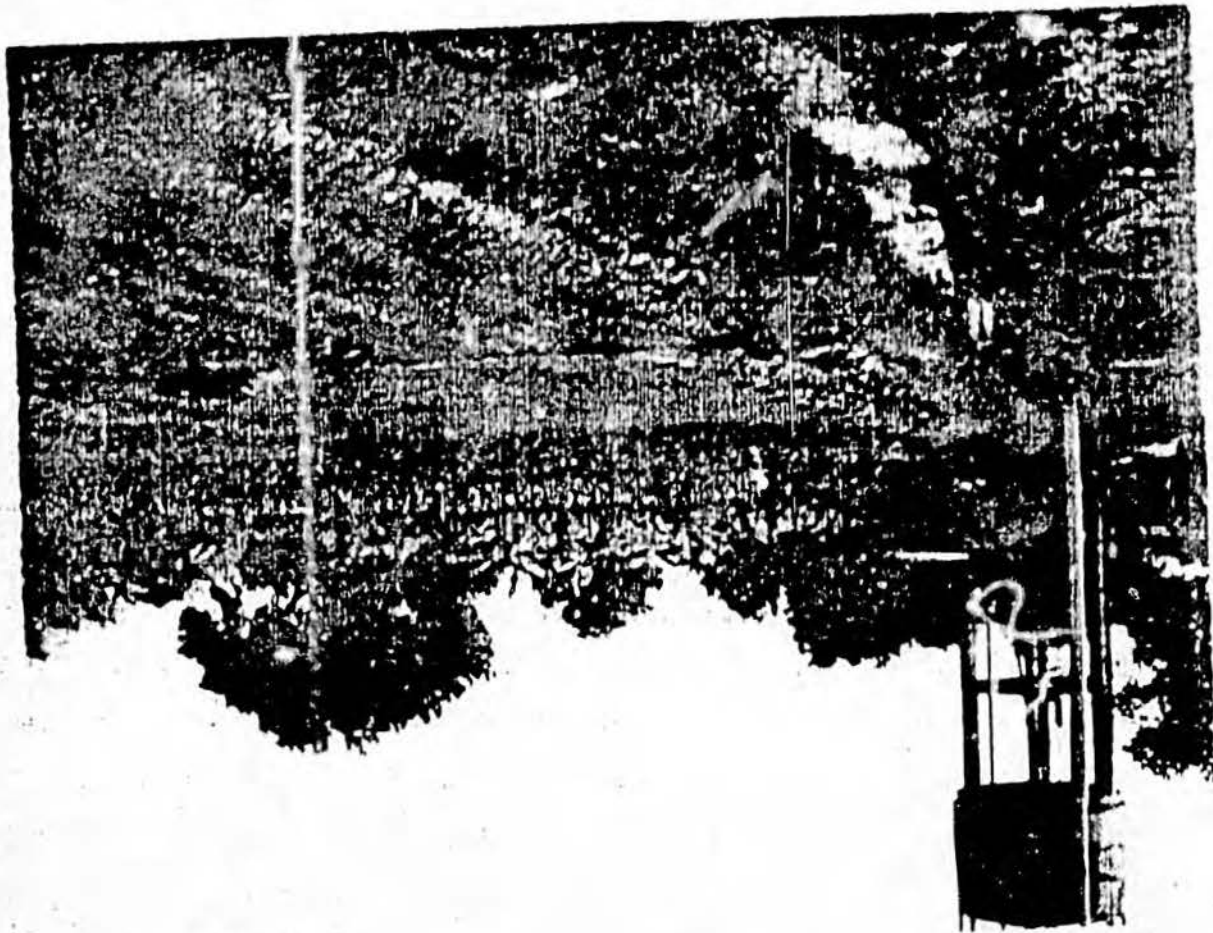
Total costs, including interest during construction, are estimated at KD 4.750 million, of which 71% is in foreign exchange.

The Fund loan covers all the foreign exchange component as well as 60% of local cost.



TECHNICAL ASSISTANCE

③



## AFGHANISTAN

### Sugar Industry Development and Exploitation of Farah-Rud River

Recipient	The Republic of Afghanistan
Amount	KD 400,000
Date <sup>(1)</sup>	20.10.1974

Afghanistan was one of the first non-Arab countries to benefit from the extension of the Fund's operations to cover all developing countries. This grant was given to finance consultancy services covering all management, technical, economic and marketing aspects of two projects, one concerning the development of the sugar industry and the other concerning the exploitation of the Farah-Rud River. The former project aims at the renovation of Afghanistan's only existing sugar plant, located in the Baghlan province, increasing its productive capacity, and constructing a new sugar plant in Harat. The second project consists of utilising the waters of the Farah-Rud River to irrigate an area of 40,000 to 60,000 hectares, situated in one of the least developed, most neglected region of the country, but with a good potential for the production of wheat, cotton and sugar.

<sup>(1)</sup> Dates in this section refer to the dates of approval of technical assistance by the Board of the Kuwait Fund.

## SOMALIA

### Livestock Development and Expansion of Irrigated Area

<b>Recipient</b>	Democratic Republic of Somalia
<b>Amount</b>	KD 200,000
<b>Date</b>	1.2.1975

Livestock is the most important source of income in Somalia, as shown by the fact that nearly 55 per cent of the total area of the country is only suitable for pasture, that no less than three-quarters of the population depend on it as their main or single source of employment, and that it brings to the country more than half its export proceeds. Of the 8 million hectares (about 12% of the total land area) which are suitable for rainfed or irrigated agriculture, only about 400,000 hectares, is now under rainfed cultivation. Somalia possesses, however, two important rivers, Juba and Shebli, which could be harnessed to irrigate the large area falling between the two rivers. Their utilisation would spare the country the consequences of rainfall fluctuations and of droughts which resulted last year in a considerable loss of human life and herd.

The present grant finances the study and preparation of two projects: one for livestock development and the other for the expansion of irrigated agricultural area in Hargeisa by utilizing the waters of the Juba river.

## MAURITANIA

### Exploitation of Mineral Resources

<b>Recipient</b>	The Islamic Republic of Mauritania
<b>Amount</b>	KD 175,000
<b>Date</b>	1.2.1975

The present grant finances a comprehensive study of the various aspects of the mining sector in Mauritania with the aim of drawing up a long-term plan for its fuller utilization, of identifying opportunities for developing new industries on the basis of this utilization, and of determining the role of government in its exploitation.

## NORTHERN YEMEN

### Expansion of Cement Production

<b>Recipient</b>	Yemen Arab Republic
<b>Amount</b>	KD 70,000
<b>Date</b>	29.5.1974

High priority is being assigned by the Government of Yemen Arab Republic to increasing cement production in view of the serious shortage met at present by various development projects. The annual output of cement, produced by one plant near the port of Hodeidah, does not exceed 50,000 compared with Yemen's consumption of about 200,000 tons annually.

The present grant finances the necessary consulting services for studying the possibility of increasing cement production and for the preparation of an integrated project aiming at meeting the present shortage.

## SOUTHERN YEMEN

### Modernization of the Port of Aden and El-Rayan Airport and the Development of Livestock Production

<b>Recipient</b>	People's Democratic Republic of Yemen
<b>Amount</b>	KD 300,000
<b>Date</b>	29.5.1974

Of the projects included in the current Five-Year Plan of Southern Yemen (1974/5-1978/9) three projects are given high priority by the Yemeni Government. One aims at raising the standard of operation of the port of Aden, restoring the position it occupied in the economy prior to the closure of the Suez Canal in 1967, and allowing it to face the competition of newly-developed ports on the Red Sea.

Another involves the improvement of services provided at El-Rayan airport, the country's largest local airport which is situated in the Hadhramaut region.

The third is designed to develop livestock production sufficiently to allow a big reduction in the country's imports of meat and poultry.

It was to finance the consultancy services required for the study of these projects and for ascertaining their feasibility that the present grant has been given.

## THE ARAB PLANNING INSTITUTE

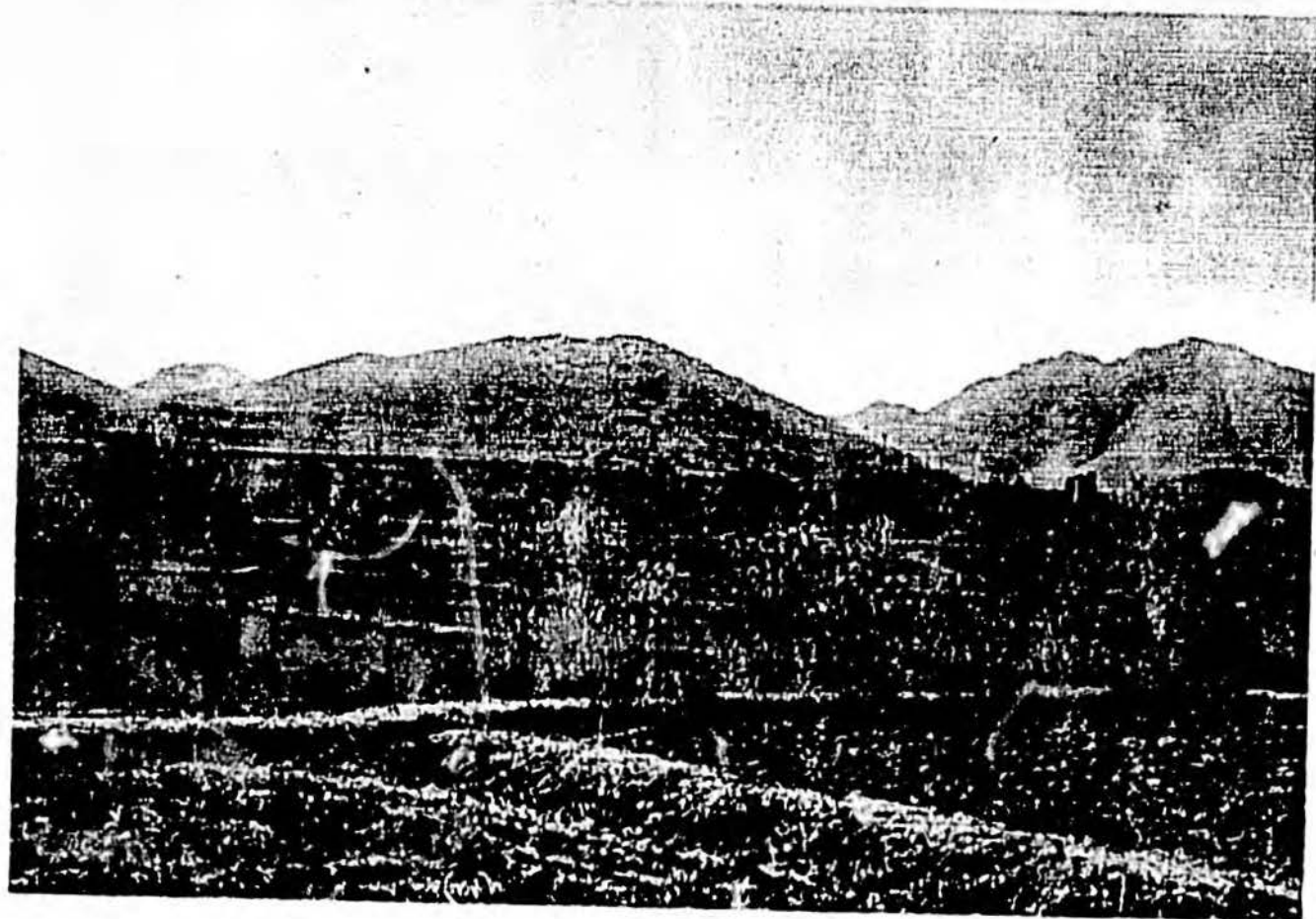
### Training Programme in Economic Planning

<b>Recipient</b>	The Arab Planning Institute
<b>Amount</b>	KD 31,000
<b>Date</b>	18.12.1974

Since its establishment in 1966, the Arab Planning Institute has been working in close cooperation with the Kuwait Fund, in drawing its general policies and in designing its programmes for developing Arab expertise in the field of planning and economic development. This year the Fund decided to raise its annual grant to the Institute to KD 31,000 in view of the expansion of its training programme.

PROJECTS UNDER CONSIDERATION

④



## ARAB COUNTRIES

### JORDAN

#### The Phosphate Mines Company Programme:

The Fund is currently considering the possibility of participating in the financing of the future investment programme of Jordan's Phosphate Mines Company. The programme aims at increasing the production of phosphate to about 10 million tons annually, as well as increasing the productive capacity of beneficiated phosphate.

### TUNISIA

#### 1- Economic Development Bank:

The Government of Tunisia as well as Tunisia's Economic Development Bank (BDET) have requested the Fund to participate in financing the Bank's operations for the three-year period 1975-1977.

BDET was established in 1959 for the promotion of industrial development in Tunisia through the extension of loans, participation in ownership and through the provision of technical assistance.

The total capital requirements of the Bank for the period 1975-1977 are estimated at approximately KD 43.3 million (TD 63.6 million) with a foreign exchange component of KD 33.1 million (TD 18.5 million).<sup>(1)</sup>

#### 2- Other Projects :

The Fund is also considering a request by the Government of Tunisia to participate in financing a number of projects involving the construction of new facilities in Tunis airport, the building of two new airports at Gabes and Sfax, the extension of gas transportation capacity, as well as the construction of a gas turbine in Rhennouch.

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<sup>1)</sup> A loan agreement was in fact signed on April 6, 1975, a few days after the end of the financial year covered by this report. The Fund loan amounts to KD 2.5 million (TD 3.68 million) representing about 6% of the Bank's total capital requirements and 7.6% of its requirements of foreign exchange. The loan was extended to the Bank but guaranteed by the Government of Tunisia, at an interest rate of 3.5% per annum, with a service charge of a 0.5%, to be repaid over 17 years with a grace period of 4.9 years.