

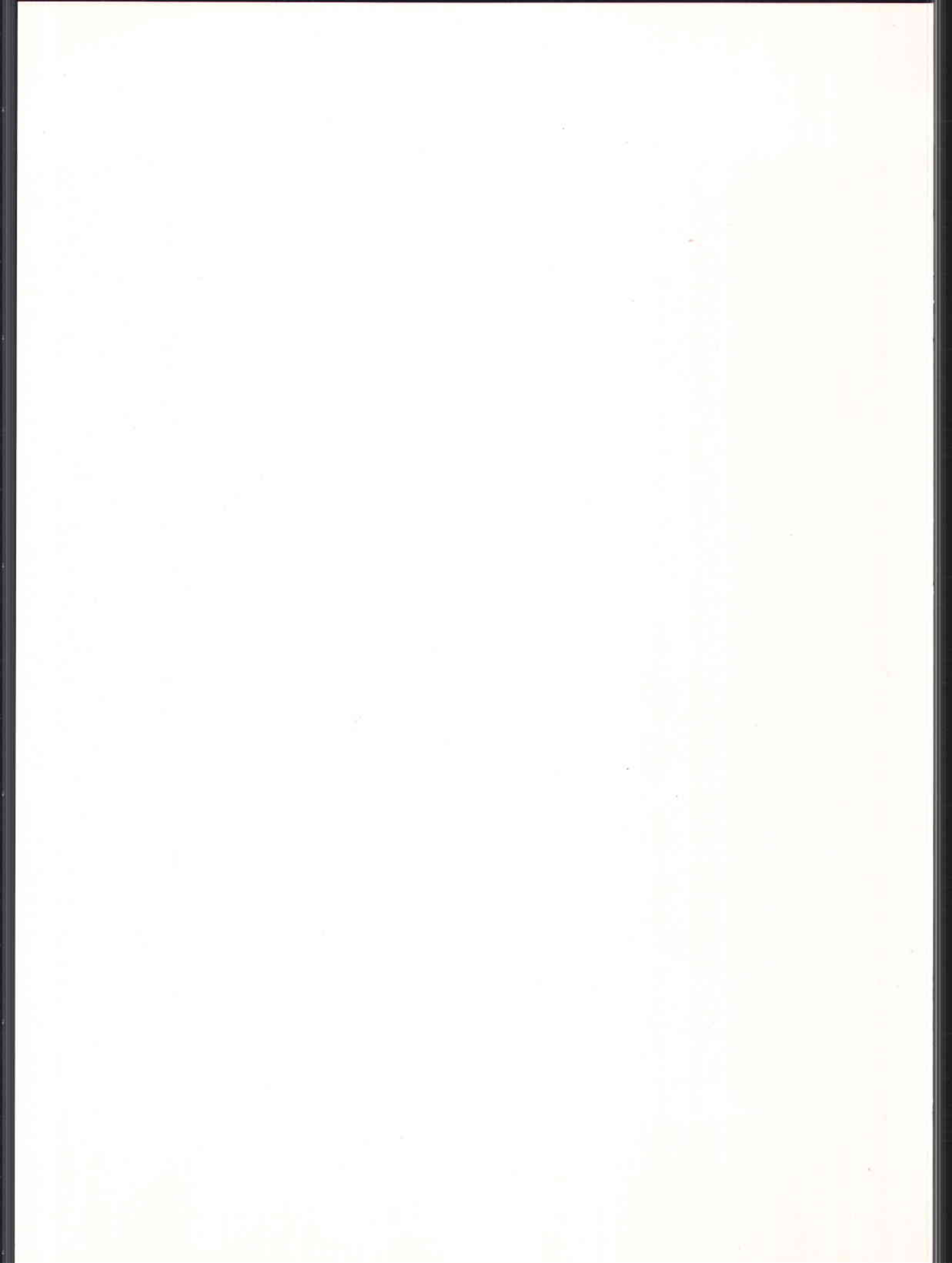
**ARAB FUND FOR  
ECONOMIC AND SOCIAL  
DEVELOPMENT**

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**AGREEMENT  
Establishing the  
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**ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT**  
TEL : 431870 • P.O. BOX : 21923 • CABLE : INMARABI, KUWAIT • TELEX : INMARABI 2153 KT.

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# Agreement Establishing The Arab Fund For Economic And Social Development

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The Governments of : -

The Hashimite Kingdom of Jordan

The Republic of Tunisia

The Algerian Democratic and People's Republic

The Democratic Republic of the Sudan

The Republic of Iraq

The Kingdom of Saudi Arabia

The Syrian Arab Republic

The Lybian Arab Republic

The Arab Republic of Egypt

The Yemen Arab Republic

The State of Kuwait

The Republic of Lebanon

The Kingdom of Morocco

The People's Democratic Republic of Yemen

The State of The United Arab Emirates

The State of Bahrain

The State of Qatar



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Desirous of building the Arab Economy on a strong foundation that will enable it to meet the requirements of economic and social development in their countries, and in order to achieve the aims of the Pact of the League of Arab States.

Have approved the text of this Agreement as adopted by the Economic Council in its resolution Number 345 at its meeting held on Thursday, 18 th Safar, 1388 H., (16 th May, 1968).

Article 1

There shall be established an Arab regional financial organization, enjoying an independent juridical personality, called the "ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT", and having its Head Office in the City of Kuwait. The Fund may, by a decision of the Board of Governors as provided for in Article 19, establish branches and agencies in any country.

# PART ONE

## Purposes of the Fund

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### Article 2

The Fund shall participate in the financing of economic and social development projects in the Arab states and countries by :

- 1 - Financing economic projects of an investment character by means of loans granted on easy terms to Governments, and to public or private organizations and institutions, giving preference to economic projects that are vital to the Arab entity and to joint Arab projects.
  - 2 - Encouraging, directly or indirectly, the investment of public and private capital in such a manner as to ensure the development and growth of the Arab economy.
  - 3 - Providing technical expertise and assistance in the various fields of economic development.
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# PART TWO

## Membership and Capital

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### Article 3

Members of the Fund shall be :

1 - Member States of the League of Arab States and other Arab countries having subscribed to the capital of the Fund before the 1 st of July 1968. These shall be considered as founding members.

2 - Any other Arab states or countries whose accession to the Agreement shall be approved by the Board of Governors.

### Article 4

The Board of Governors of the Fund may decide to accept the participation of public and private Arab financial institutions and organizations in the Arab states and countries in the capital of the Fund.

### Article 5

1 - The capital of this Fund shall be One Hundred Million Kuwaiti Dinars (One Kuwaiti Dinar being equal to 2.48828 grams of gold) that are convertible into convertible currencies.

2 - The capital shall be divided into ten thousand shares having a value of Ten Thousand Kuwaiti Dinars each.

3 - Upon signing this Agreement, the founding members shall subscribe shares of the capital of the Fund in accordance with the following schedule : -

State	Number of Shares
The Hashimite Kingdom of Jordan	200
The Republic of Tunisia	50
The Algerian Democratic and People's Republic	400
The Democratic Republic of the Sudan	150
The Republic of Iraq	750
The Kingdom of Saudi Arabia	
The Syrian Arab Republic	300
The Libyan Arab Republic	1200
The Arab Republic of Egypt	1050
The Yemen Arab Republic	50
The State of Kuwait	3000
The Republic of Lebanon	100
The Kingdom of Morocco	200
The People's Democratic Republic of Yemen	1
The State of The United Arab Emirates	500
The State of Bahrain	50
The State of Qatar	100

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Article 6  
Increase of Capital

The capital of the Fund may be increased on the following conditions : -

- 1 - The approval by an absolute majority of the votes cast in the case of issuing new shares for allocation to an Arab country wishing to join the Fund.
- 2 - The approval by a three-fourths majority of the votes cast in all other cases.
- 3 - In case an increase is decided upon pursuant to the preceding paragraph, every member may subscribe thereto in the proportion which its shares bear to the capital and under such conditions as the Board of Governors may decide. This proportion may be increased or reduced, subject to the approval of an absolute majority of the votes cast.
- 4 - Only members of the Fund and institutions and organizations provided for in Article 4 hereof, can subscribe for shares in an increase of capital.

Article 7  
Subscription

1 - Each founding member shall subscribe shares in accordance with the schedule set forth in paragraph 3 of Article 5. The Board of Governors shall determine the shares to be subscribed by other members in the manner provided for in paragraph 1 of Article 6.

2.- Shares shall be issued at their nominal value.

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3 - The member shall pay 10% of the value of the shares for which it has subscribed upon depositing the instruments of ratification of this Agreement. The member shall deposit such amount in the Fund's name with the Ministry of Finance of the State of Kuwait, which shall invest it under Government guarantee and return it together with the profits accruing therefrom to the body that the Board of Governors of the Fund shall designate at its first meeting.

4 - In addition to the stipulations in Paragraph 3, the member shall pay 10% of the value of the shares for which it has subscribed, upon this Agreement coming into force, pursuant to Article 40 hereof.

5 - The remaining capital shall be paid up in ten equal annual instalments, the first of which shall fall due one year after the Fund shall commence its operations.

6 - In case of accession of an Arab state or country to this Agreement after its coming into force, the new member shall pay on the share portion allotted to it, an amount proportionately equal to that paid by existing members on their shares.

#### Article 8

1 - No member shall be deemed liable, by virtue of its membership, for the Fund's obligations beyond the limits set out in this Agreement.

2 - Every member shall remain liable for the unpaid portion of its shares.

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3 - The provisions of Paragraphs 1 and 2 of this Article shall apply to the organizations and institutions provided for in Article 4.

Article 9  
Disposal of Shares

Shares in the Fund may not be disposed of in any manner whatsoever, nor may their title be transferred, except to the Fund.

Article 10  
Resources of the Fund

1 - The Fund's resources shall consist of the capital subscribed, the reserves, and the loans raised by the Fund through the issuing of bonds or the obtaining of credits from public and private Arab institutions or from individuals or international institutions.

2 - The Fund shall determine the conditions relating to bonds issue.

3 - The value of the bonds issued by the Fund may not, at any time, exceed twice the amount of the capital, unless by special resolution of the Fund's Board of Governors to be adopted by a two-third majority of votes.



# PART THREE

## Functions of the Fund

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### Article 11 Operations of the Fund

The Fund shall, in particular, carry out the following operations : -

- 1 - Borrow funds from internal and foreign markets and determine the guarantee necessary therefor.
- 2 - Guarantee the securities relating to the projects wherein the Fund has invested its resources in order to facilitate their sale.
- 3 - Buy and sell the securities issued or guaranteed by it or wherein it has invested its resources.
- 4 - Invest surplus resources, its savings and pension funds and the like, in first class securities.
- 5 - Carry out any other operation connected with the purposes of the Fund as provided for in Article 2.

### Article 12 Guarantees

- 1 - All lending operations undertaken by the Fund in favour of a public or private organization or institution shall be guaranteed by the Government of the State or the country where the project is carried out.
  - 2 - The Fund is entitled, when financing a non-governmental project, to ask for special guarantees in addition to the governmental guarantees stipulated in Paragraph 1 of this Article.
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Article 13  
Limitations on Financing

1 - The Fund shall not finance a project in the territory of any member without the permission of the government concerned.

2 - The Fund shall stipulate that the proceeds of the loan be used for the purposes for which the loan was granted.

3 - The Fund shall not share in the management of any project wherein it has invested its resources.

4 - The Fund shall carry out its financing operations on the terms it shall deem appropriate, taking into consideration the requirements and risks of the project.

5 - The Fund shall ascertain, through its technical experts, the riability of any project before financing it.

6 - The Fund shall strive for the continuous investment of its resources on satisfactory terms.

7 - The Fund may raise loans in any member country to finance a project after obtaining the permission of the government of that country. In case the project is to be carried out in the country of another member, the member in whose country the loan is raised shall undertake to transfer the proceeds of the loan to the country where the project is to be carried out, at the Fund's request.

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Article 14  
Currencies in which  
loans are granted

The Fund shall pay the borrower the amount of the loan in the currency agreed upon by the two parties and as required for the execution of the project.

Article 15  
Conversion of  
Currencies

The Fund shall be entitled to convert the currencies at its disposal into any other currency deemed best suited for its purposes.

Article 16  
Repayment of Loans

Contracts relating to the loans granted by the Fund shall provide for the methods of repayment of such loans as follows : -

1 - The Fund shall determine the cost of the loans granted by it, the commission, the methods of discharge of the debt, the dates of maturity, the payment, and the conditions relating thereto.

2 - The loan contract shall stipulate the currency in which payments due shall be made. The Fund shall endeavour, as far as possible, to recover its loans in the currency in which they were contracted. The borrower may, however, repay the loan in another currency subject to the approval of the Fund.

3 - The Fund may modify the terms of the loan contract at the borrower's request, but without prejudice to the interest of the Fund or other members and subject to the approval of the guaranteeing government.

4 - The Fund may modify the conditions of repayment of the loan.

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Article 17  
Prohibition of  
Political Activity

The Fund and the officers in charge of its management shall not interfere in political affairs. Economic and social considerations shall be the only relevant factors in the making of decisions.

# PART FOUR

## Organization and Management

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### Article 18 Structure of the Fund

The Fund shall be composed of the Board of Governors, the Director-General Chairman of the Board of Directors, the Board of Directors, the Loan Committees, and the staff necessary to perform the duties determined by the Administration of the Fund.

### Article 19 Board of Governors

1 - The Board of Governors shall consist of a Governor and an Alternate Governor, appointed by each member of the Fund for a period of five years, unless the member considers the replacement of either of them during the said period; they may be reappointed. The Board shall elect every year one of the Governors as its Chairman.

2 - The Board of Governors shall be considered as the General Assembly of the Fund, and shall have all powers. It may delegate to the Board of Directors any of its powers, except the power to:-

- a - Admit new members.
  - b - Increase the capital.
  - c - Suspend a member.
  - d - Settle disputes over the interpretation of the provisions of this Agreement.
  - e - Conclude agreements for the purpose of cooperating with other international organizations.
  - f - Terminate the operations of the Fund and liquidate its assets.
  - g - Determine the distribution of the net income of the Fund.
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3 - The Board of Governors shall meet once a year at least. It shall also meet whenever so requested by any three of its members having one quarter of the total voting power, or by the Board of Directors.

4 - The meeting of the Board shall be valid provided a quorum is present representing no less than two-thirds of the total voting power.

5 - The Board of Governors may establish the necessary procedure whereby the Board of Directors may obtain the approval of the members of the Board of Governors on a specific question without calling a meeting of the latter.

6 - The Board of Governors and the Board of Directors, each within its province, may lay down such rules, instructions and regulations as may be necessary to conduct the business of the Fund.

7 - The Governors and their Alternates shall carry out their duties as members of the Board of Governors without remuneration. The Fund, however, shall pay them appropriate expenses incurred in attending meetings.

8 - The Board of Governors shall determine the remuneration to be paid to the members of the Board of Directors and their Alternates, as well as the salary and terms of the contract of service of the Director-General Chairman of the Board of Directors.

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