

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



## ***Introduction***

A few months after gaining independence, the State of Kuwait established Kuwait Fund for Arab Economic Development on 31<sup>st</sup> December 1961 to assist other Arab countries in their economic development. In July 1974, the law of the Fund was amended, increasing the Fund's capital from KD 200 million to KD 1,000 million (about US\$ 3,400 million), and extending the scope of operations to include, in addition to Arab countries, other developing countries.

Later in 1981, the law of the Fund was further amended to increase the Fund's capital from KD 1,000 million to KD 2,000 million (about US\$ 6,800 million) in response to the increasing requests for funding projects and the rise in the cost of development operations, in general.

Over the past forty-four years, lending at concessional terms to finance projects, accorded high priority by recipient countries, remained the Fund's main activity. Approval of funding projects has been conditional on the outcome of well prepared feasibility studies, and the results of appraisal carried out by the Fund's professional staff.

The development operations of the Fund covered projects in various sectors, including agriculture, communication, energy, industry, transport, water and sewerage, in addition to supporting small and medium private sector projects financed by National Development Banks and various projects of Social Development Funds. In 2000, the Fund enlarged its sectoral coverage to include health and education as well.

As at end of fiscal year 2005/2006 (March 31, 2006), recipients of assistance, in the form of concessional loans from the Fund reached 101 countries across the world. The Fund pursues its close cooperation with its partners in development with due respect to their priorities and full support to their ownership of their development operations, and has been providing them with advice as needed on all matters pertaining to the preparation and implementation of projects.

The Fund's activities are guided by flexible policies, simplified procedures, and transparent practices with the aim of sparing recipients the burden of unduly rigid operational guidelines and directives. The Fund's main concern in applying its policies and lending conditions is to ensure the timely and orderly implementation of projects and the realization of their expected benefits.

Having been involved in development operations over a relatively long period, the Fund has gained considerable experience, with lessons drawn leading to the adoption and the implementation of best practices in executing development projects.

In conjunction with its long standing development efforts, the Fund has over time been able to maintain close cooperation with its various development partners and contribute to the promotion of friendly relations between them and the State of Kuwait.

## **Operations**

Over the years, financing of projects has been the principal activity of Kuwait Fund. In addition to project lending operations, the Fund also extended technical assistance to help countries and institutions in capacity building to strengthen and accelerate their development efforts. Apart from those activities, the Fund, acting on behalf of the State of Kuwait, also made contributions to the resources of regional and international financing institutions, and undertook the responsibility for administering grants extended directly by the Government of the State of Kuwait to Arab, and other developing states. All these activities are highlighted in what follows:

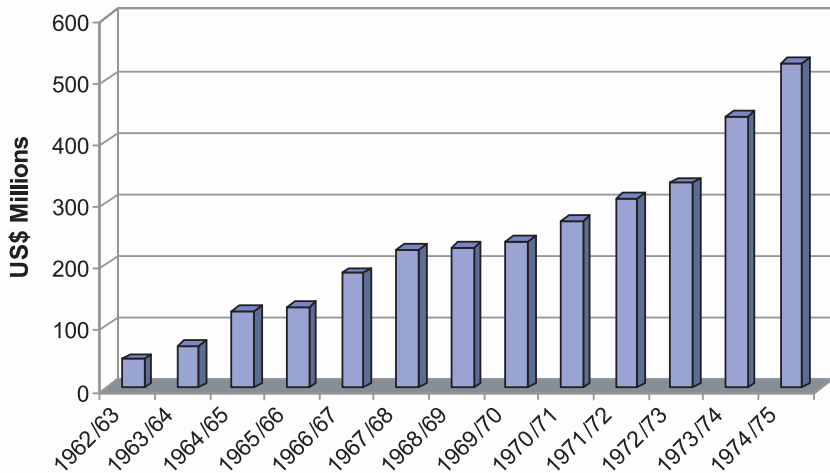
## **Project Financing**

For nearly thirteen years (from 1962-1975) the Fund's development operations were confined to financing projects in the Arab region. During this period the Fund committed a total of about KD 158 million (around US\$ 529 million) for financing 47 projects in 11 Arab countries as shown in Table 1 and Figure 1 below.

**Table 1**  
**Cumulative Loan Commitments**  
**(1962/63 – 1974/75)**

<b>Fiscal Year</b>	<b>Total Loan Commitments (US\$ Millions Equivalent)</b>	<b>Total No. of Loans</b>	<b>Total No. of Counties</b>
1962/63	47	3	2
1963/64	68	6	3
1964/65	126	8	5
1965/66	132	9	5
1966/67	187	13	7
1967/68	224	16	7
1968/69	228	18	8
1969/70	238	19	9
1970/71	271	26	11
1971/72	308	31	11
1972/73	333	33	11
1973/74	441	41	11
1974/75	529	47	11

**Figure 1**  
**Cumulative Loan Commitments**

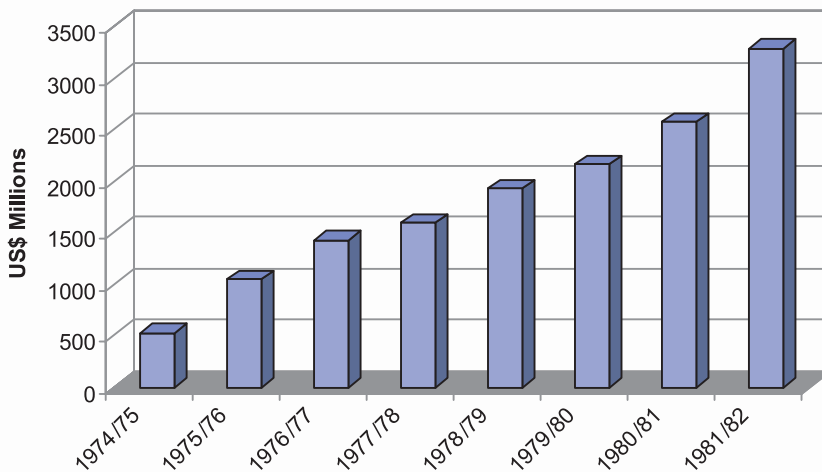


Following the amendment of the law of the Fund in July 1974, the Fund's operations grew rapidly over a relatively short period (from 1974/75 to 1981/82), with the number of loan recipients rising from 11 countries to 54 countries, the number of loans rising from 47 to 217, and the total loan commitments increasing from about US\$ 529 million to US\$ 3,288 million as shown in Table 2 and Figure 2.

**Table 2**  
**Cumulative Loan Commitments**  
**(1974/75 – 1981/82)**

Fiscal Year	Total Loan Commitments (US\$ Millions Equivalent)	Total No. of Loans	Total No. of Counties
1974/75	529	47	11
1975/76	1,042	80	25
1976/77	1,425	102	37
1977/78	1,591	115	41
1978/79	1,926	140	46
1979/80	2,166	160	50
1980/81	2,573	184	51
1981/82	3,288	217	54

**Figure 2**  
**Cumulative Loan Commitments**



The 54 loan recipients in 1981/82 included 14 Arab countries and 40 other developing countries of which 24 are African countries, 13 Asian countries, 2 Central Asian and European countries, and one in the Pacific Ocean.

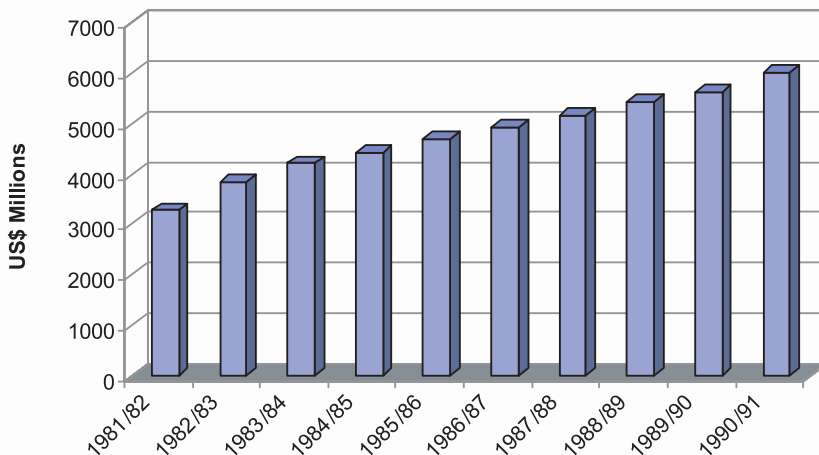
The amendment of the law of the Fund again in 1981, increasing the Fund's capital from KD 1,000 million to KD 2,000 million (about US\$ 6.8 billion) facilitated the further expansion of Fund's operations, with total loan commitments rising from about US\$ 3,288 million in 1981/82 to US\$ 6,022 million in 1990/91, the year which witnessed the invasion of Kuwait by the former Iraqi regime. Despite the invasion, the Fund's operations continued uninterrupted from a temporary office in London, with the commitment of 11 new loans during that year amounting to about US\$ 390 million.

Thus, by the end of fiscal year 1990/91, the number of loan recipients rose to 64, and the number of loans increased from 217 to 377. Total loan commitments during the period 1981/82 – 1990/91 grew substantially as shown in Table 3 and Figure 3.

**Table 3**  
**Cumulative Loan Commitments**  
**(1981/82-1990/91)**

Fiscal Year	Total Loan Commitments (US\$ Millions Equivalent)	Total No. of Loans	Total No. of Counties
1981/82	3,288	217	54
1982/83	3,849	244	58
1983/84	4,220	268	61
1984/85	4,441	287	62
1985/86	4,714	301	62
1986/87	4,950	316	62
1987/88	5,181	337	63
1988/89	5,437	354	64
1989/90	5,632	366	64
1990/91	6,022	377	64

**Figure 3**  
**Cumulative Loan Commitments**





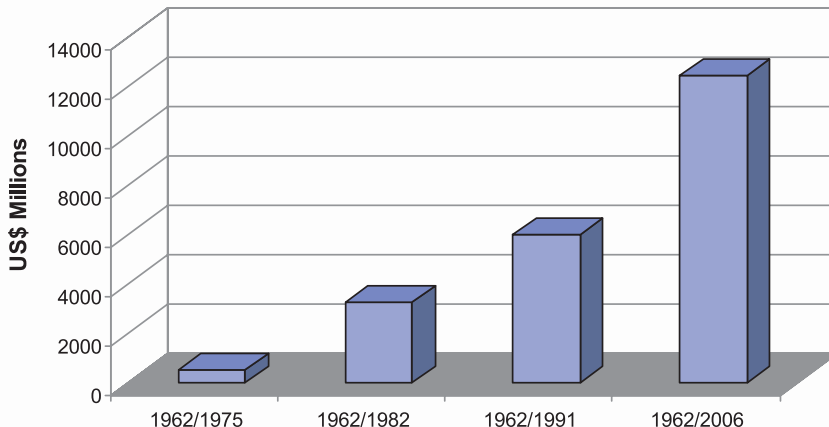
During the 1990s and the following years, the Fund's operations covered in addition to Arab, African and Asian countries new recipients in Central Asia and Europe, and Latin America and the Caribbean. Total loan commitments rose from about US\$ 6,022 million in 1990/91 to US\$ 13,431 million in 2005/06 (about US\$ 12,448 million of net commitments after the cancellation of loan balances of about US\$ 982 million). These commitments represent a total of 696 loans extended to 101 developing nations, including 16 Arab, 40 African, 18 East and South Asian and Pacific, 16 Central Asian and European, and 11 Latin American and Caribbean.

During the past 44 years loan commitments accumulated over certain periods as indicated in Table 4 and Figure 4.

**Table 4**  
**Cumulative Loan Commitments**  
**(1962/63 – 2005/06)**

Period	Total Loan Commitments (US\$ Millions Equivalent)	Total No. of Loans	Total No. of Counties
1962/63-1974/75	529	47	11
1962/63-1981/82	3,288	217	54
1962/63-1990/91	6,022	377	64
1962/63-2005/06	12,448	696	101

**Figure 4**  
**Cumulative Loan Commitments**

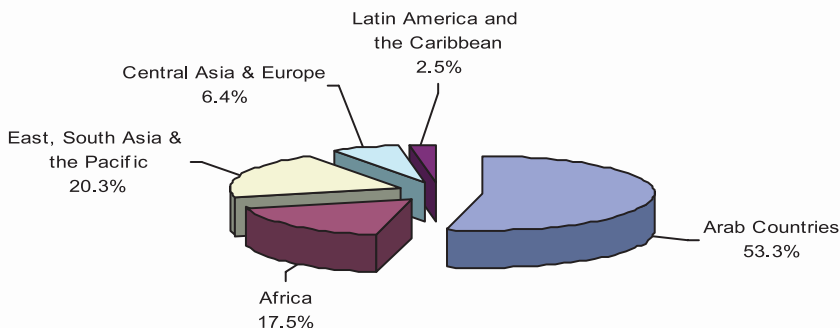


The cumulative loan commitments as of March 31, 2006 were distributed among regions as indicated in Table 5 with regional shares shown in Figure 5.

**Table 5**  
**Geographical Distribution of Loan Commitments**  
**as of March 31, 2006**

Countries	Total Loan Commitments (US\$ Millions Equivalent)	Total No. of Loans	Total No. of Counties
Arab	6,634	268	16
African	2,181	212	40
East, South Asian & Pacific	2,532	136	18
Central Asian & European	793	47	16
Latin American and Caribbean	308	33	11
<b>Total</b>	<b>12,448</b>	<b>696</b>	<b>101</b>

**Figure 5**  
**Geographical Distribution of Loan Commitments**



The Appendix shows the distribution of the Fund’s Loan commitments by recipient country. Out of 101 recipients, 44 are member countries of the Organization of the Islamic Conference (OIC). Loan commitments made by the Fund to OIC members amounted to about US\$ 9,182 million, and were distributed geographically as shown in Table 6.

**Table 6**  
**Loan Commitments to OIC Member Countries**  
**as of March 31, 2006**

Countries	Total Loan Commitments (US\$ Millions Equivalent)	Total No. of Loans	Total No. of Counties
Arab	6,634	268	16
African	1,004	117	16
East, South Asian & Pacific	1,001	53	5
Central Asian & European	543	27	7
<b>Total</b>	<b>9,182</b>	<b>465</b>	<b>44</b>

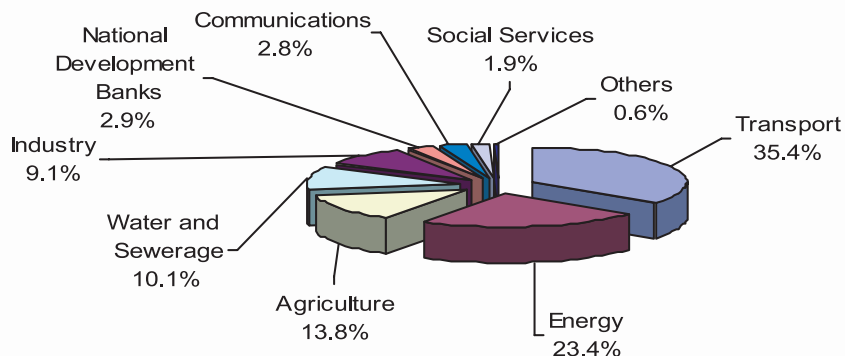
### **Sectoral Distribution of Loan Commitments**

Up until 2000, the Fund’s operations focused on financing projects in such sectors as agriculture, transport, communication, energy, industry, water and sewerage. In the following years, the Fund activities included also lending to finance projects in the health and education sectors, with the aim of reinforcing the contribution of other sectors to the development objectives of recipients, and to help them in their efforts to achieve the targets of the Millennium Development Goals. Total loan commitments at about US\$ 12,448 million as of March 31, 2006, were distributed over sectors as shown in Table 7 with sectoral shares shown in Figure 6.

**Table 7**  
**Sectoral Distribution of Total Loan Commitments**  
**as of March 31, 2006**

Sector	Total Loan Commitments (US\$ Millions Equivalent)	Total No. of Loans
Transport	4,408	291
Energy	2,911	120
Agriculture	1,722	111
Water and Sewerage	1,257	66
Industry	1,138	61
National Development Banks	353	16
Communications	349	14
Social Services	235	6
Others	75	11
<b>Total</b>	<b>12,448</b>	<b>696</b>

**Figure 6**  
**Sectoral Distribution of Total Loan Commitments**



Disbursements from the total loan commitments for expenditures on the implementation of projects amounted to about US\$ 9,866 million by end of March 2006, equivalent to about 79.3% of total loans committed by the Fund.

The pattern of distribution shown in Table 7 above reflects the importance and priority accorded by recipient Governments to projects in various sectors. All such projects were screened on the basis of the feasibility studies submitted to the Fund, and were thoroughly appraised by it to confirm their technical soundness and their financial and economic viability.

### **Technical Assistance**

The Fund provides financing for a variety of technical services aimed at helping recipients to carry out certain activities to facilitate the implementation of development operations. Such services include, among other things, the preparation of project feasibility studies, expert services for assisting in the planning and execution of development projects and programmes, and training, especially for upgrading the technical skills and capacities of staff assigned for the management and operation of projects, as deemed necessary during project appraisal. Hence training was often included as a component of the financed project.

Technical services are financed either through loans or grants. However, in the case of project feasibility studies, technical assistance is converted to a loan in line with the Fund's policy which stipulates the conversion of the amount of technical assistance or the part expended from it into a loan in the event of a project materializing and participation of the Fund in its financing, otherwise the technical assistance is considered a non-repayable grant.

The total net value of technical assistance and grants extended by the Fund reached about US\$ 298 million on March 31, 2006, as shown in Table 8.

**Table 8**  
**Geographical Distribution of Total Net Technical Assistance and Grants**  
**As of March 31, 2006**

Countries	No. of Countries	No. of Technical Assistance and Grants	(US\$ Millions Equivalent)
Arab Countries	15	68	149.0
West Africa	15	34	16.3
Central, South & East Africa	13	19	12.8
East, South Asia and Pacific	8	18	40.0
Central Asia and Europe	10	15	12.5
Latin America & the Caribbean	5	6	2.5
<b>Total</b>	<b>66</b>	<b>160</b>	<b>233.1</b>
Institutions	20	27	64.5
<b>Grand Total</b>	<b>86</b>	<b>187</b>	<b>297.6</b>

Table 8 above shows that in addition to 66 developing countries, the technical assistance and grants extended by the Fund include 20 institutions. The latter beneficiaries carried out tasks or performed services that contributed to enhancing development efforts, in general.

### **Development Institutions**

Apart from the aid provided directly by the Government and Kuwait Fund to developing countries, the State of Kuwait also makes contributions to the resources of a number of regional and international institutions involved in assisting developing countries in their economic and social development.

Over the past years, the Fund made contributions on behalf of the State of Kuwait to the capital and replenishment of resources of some regional and international financing institutions. The cumulative value of committed contributions reached about US\$ 1,154 million on March 31, 2006 as shown in Table 9.

**Table 9**  
**Kuwait Fund Contributions to the Resources of**  
**Development Institutions**  
**As of March 31, 2006**

Institution	Commitments (US\$ Millions Equivalent)	Paid up (US\$ Millions Equivalent)
Arab Fund for Economic and Social Development	566.8	566.8
Arab Bank for Economic Development in Africa	48.8	48.8
African Development Bank	113.7	10.5
African Development Fund	199.2	188.4
The Inter-Arab Investment Guarantee Corporation	6.7	6.7
International Development Association	174.5	145.4
International Fund for Agricultural Development	44.4	34.9
<b>Total</b>	<b>1,154.1</b>	<b>1,001.5</b>

### **Government Grants**

In certain circumstances, the Government of the State of Kuwait provides assistance in the form of grants to finance urgently needed projects including schools, hospitals, housing facilities and other social amenities especially in post-conflict situations or where countries faced consequences of natural disasters such as earthquakes, floods, and extreme drought.

Such grants are normally administered and supervised by the Fund. All projects financed from the proceeds of government grants are governed by the procedures applicable to Kuwait Fund supported projects, with due consideration to the nature and objectives of the former type of projects.

The total value of grants extended by the government reached around US\$ 433 million on March 31, 2006. The beneficiaries included 10 Arab countries, 9 African countries, and one Central Asian country as shown in Table 10.

**Table 10**  
**Beneficiaries of Government Grants**  
**Managed by Kuwait Fund as of March 31, 2006**

Country	Total Value of Grants (US\$ Millions Equivalent)
Algeria	10.00
Burkina Faso	7.37
Cape Verde	3.03
Chad	2.52
Comoros	5.01
Democratic Republic of the Congo	1.40
Djibouti	6.68
Egypt	16.16
Gabon	2.17
Guinea Bissau	4.47
Iraq	120.00
Kazakhstan	10.00
Lebanon	70.55
Mali	8.39
Mauritania	10.27
Mauritius	0.25
Palestine	25.00
Senegal	5.13
Syria	86.40
Yemen	8.23
Sahel Countries	14.84
World Bank - Onchocerciasis (River Blindness) Programme - Africa	15.00
<b>Total</b>	<b>432.87</b>



## **Co-financing and Coordination**

Certain large projects whose financing cannot be undertaken by one donor require the participation of other financiers. Many projects supported by the Fund fall in this category and, thus, have been co-financed with other donors, including country donors, national, regional, and international financing institutions.

Out of the 696 projects supported by Fund financing up until March 31, 2006, nearly 55% were co-financed by one other donor or more. Such co-financing arrangements have greatly helped recipients in mobilizing the resources required for the financing of major projects, and paved the way for their timely implementation. The participation of a number of donors in development operations requires the coordination of their involvement under the leadership of recipients to streamline the execution of projects and to increase their effectiveness. In this regard, the Fund has for long supported coordination with donors involved in co-financed projects.

With respect to coordination, Arab national and regional development institutions, the Islamic Development Bank, and Opec Fund for International Development have over the last three decades been involved in coordinating various aspects related to their development operations. In particular, they were able through their concerted efforts to simplify procedures, unify conditions of contract and tender documents, in addition to issuing common guidelines for appraisal of projects, procurement of consultancy services, and execution of works.

Such coordination by the said institutions is carried out regularly by holding semi-annual meetings at the level of Directors of Operations to exchange information and views on all matters related to the financing and implementation of projects.

## **Debt Relief**

In 1996, the World Bank and the International Monetary Fund (IMF) launched an initiative to provide debt relief for the Heavily Indebted Poor Countries (HIPC). Kuwait Fund supported the HIPC initiative, and has been providing debt relief to countries in accordance with the conditions for eligibility.

As of March 31, 2006, the Fund has provided debt relief through rescheduling of outstanding loans to 15 countries as shown in Table 11.

**Table 11**  
**Kuwait Fund Participation in HIPC**  
**as of March 31, 2006**

Beneficiary Country	Rescheduled Loans (US\$ Millions Equivalent)
Benin	15.5
Burkina Faso	18.2
Cameroon	10.9
Ghana	32.4
Guinea	4.9
Guinea Bissau	19.1
Madagascar	6.2
Mali	19.9
Mauritania	65.5
Mozambique	22.4
Niger	42.0
Rwanda	31.5
Senegal	30.6
Tanzania	31.5
Uganda	26.0
<b>Total</b>	<b>376.6</b>

## **Advice and Consultation**

The availability of resources is necessary for the implementation of development operations, but alone it is not sufficient for ensuring their success and effectiveness. Other factors are equally important, such as the advice provided to recipients and the consultation with them on all matters pertaining to project preparation, implementation, and operation.

Recognizing the importance of advice and consultation, the Fund has since its inception availed its partners of the advisory services of its professional staff in the fields of engineering, economics, finance and law. Over time, they have helped recipient countries in the various project cycle activities including, inter alia, advice on the preparation of feasibility studies, conditions of contract and tender documents, selection of consultants, contractors, and suppliers, as well as sharing with them the Fund's experiences and lessons drawn in respect of similar operations.

Through such advice to and consultation with recipients, the Fund was able, in agreement and cooperation with beneficiary countries to adjust, amend and change, in certain instances, various aspects of project implementation, including project estimated costs, project components, design, location, and tender documents. These advisory activities have been a major part of the daily responsibilities, duties, and tasks of the Fund's professional staff.

## Appendix

### Recipients of Kuwait Fund Loans as of March 31, 2006

#### Arab Countries

Country	No. of Loans	Total Loans (US\$ Millions Equivalent)
Algeria	4	96.9
Bahrain	15	442.6
Comoros	4	22.3
Djibouti	10	95.6
Egypt	26	1226.9
Iraq	2	21.3
Jordan	23	433.7
Lebanon	14	445.3
Mauritania	12	169.1
Morocco	31	1022.2
Oman	21	475.9
Somalia	4	100.3
Sudan	18	35.3
Syria	26	1060.1
Tunisia	29	435.1
Yemen	29	231.0
<b>Total</b>	<b>268</b>	<b>6633.6</b>

## Appendix

### Recipients of Kuwait Fund Loans as of March 31, 2006

#### Central, South & East African Countries

Country	No. of Loans	Total Loans (US\$ Millions Equivalent)
Angola	2	17.4
Botswana	8	56.4
Burundi	7	32.4
Central African Republic	4	17.1
Congo (Republic of the)	1	13.7
Eritrea	5	77.8
Ethiopia	3	72.5
Kenya	1	20.0
Lesotho	5	32.5
Madagascar	4	38.1
Malawi	4	48.8
Mauritius	6	56.9
Mozambique	8	72.3
Namibia	1	20.9
Rwanda	5	34.6
Seychelles	3	19.9
Swaziland	1	101.4
Tanzania	11	169.9
Uganda	6	37.0
Zambia	2	14.9
Zimbabwe	5	64.4
<b>Total</b>	<b>92</b>	<b>927.9</b>

## Appendix

### Recipients of Kuwait Fund Loans as of March 31, 2006

#### West African Countries

Country	No. of Loans	Total Loans (US\$ Millions Equivalent)
Benin	8	59.9
Burkina Faso	11	120.8
Cameroon	5	57.1
Cape Verde	4	17.6
Chad	3	24.4
Cote D'Ivoire	1	10.4
Democratic Republic of the Congo	3	35.2
Equatorial Guinea	1	3.2
Gabon	2	25.1
Gambia	8	65.8
Ghana	8	117.2
Guinea	11	163.2
Guinea-Bissau	6	30.4
Liberia	1	7.3
Mali	10	135.7
Niger	7	45.2
Senegal	23	258.1
Sierra Leone	4	35.4
Togo	4	41.4
<b>Total</b>	<b>120</b>	<b>1253.4</b>

## Appendix

### Recipients of Kuwait Fund Loans as of March 31, 2006

#### East, South Asian & the Pacific Countries

Country	No. of Loans	Total Loans (US\$ Millions Equivalent)
Afghanistan	1	28.6
Bangladesh	19	415.6
Bhutan	5	27.7
China	30	727.4
Democratic People's Republic of Korea	1	20.7
India	8	273.4
Indonesia	9	200.2
Malaysia	4	51.7
Maldives	11	74.9
Mongolia	3	60.1
Nepal	4	38.2
Pakistan	13	280.7
Papua New Guinea	2	9.5
Philippines	4	44.5
Solomon Islands	2	11.0
Sri Lanka	9	131.5
Thailand	5	67.0
Viet Nam	6	69.2
<b>Total</b>	<b>136</b>	<b>2531.9</b>

## Appendix

### Recipients of Kuwait Fund Loans as of March 31, 2006 Central Asian & European Countries

Country	No. of Loans	Total Loans (US\$ Millions Equivalent)
Albania	5	52.0
Azerbaijan	2	33.4
Belarus	1	17.0
Bosnia and Herzegovina	3	47.8
Bulgaria	1	41.1
Cyprus	9	82.1
Georgia	1	16.7
Kazakhstan	1	14.0
Kyrgyzstan	2	19.0
Lithuania	1	15.4
Malta	3	23.7
Moldova	1	6.3
Tajikistan	2	28.7
Turkey	12	354.6
Turkmenistan	1	0.6
Uzbekistan	2	40.7
<b>Total</b>	<b>47</b>	<b>793.1</b>



## Appendix

### Recipients of Kuwait Fund Loans as of March 31, 2006 Latin American & the Caribbean Countries

Country	No. of Loans	Total Loans (US\$ Millions Equivalent)
Antigua and Barbuda	3	19.4
Argentina	1	35.3
Belize	4	30.4
Cuba	1	10.4
Dominica	2	9.2
Grenada	4	27.2
Honduras	5	84.3
Jamaica	3	32.1
Saint Christopher and Nevis	5	24.2
Saint Lucia	2	16.7
Saint Vincent and the Grenadines	3	19.2
<b>Total</b>	<b>33</b>	<b>308.4</b>
<b>Grand Total</b>	<b>696</b>	<b>12448.3</b>