LAW NO. 25 (1974)
FOR THE REORGANIZATION OF
KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT

We, Jaber Al-Ahmed Al-Jaber Al-Sabah, Deputy Amir and Crown Prince of the State of Kuwait,
After perusal of Articles 61 and 65 of the Constitution;
And Law No. 35 (1961) for the Establishment of Kuwait Fund for Arab Economic Development, as amended by Law No. 9 (1963) and Law No. 64 (1966).
Hereby assent to and enact the Law passed by the National Assembly and set forth hereinafter:

Article 1
Kuwait Fund for Arab Economic Development, hereinafter called the Fund, shall be a public corporation, with an independent legal personality, under the supervision of the Prime Minister who shall be the Chairman of its Board of Directors.

Article 2
The purpose of the Fund is to assist Arab states and other Developing states in developing their economies and, in particular, to provide such States with loans required for the implementation of their development programmes. Such assistance and loans shall be made in accordance with the provisions of the Charter of the Fund to be made by Order of the Prime Minister.

Article 3(1)
The capital of the Fund shall be Kuwaiti Dinars Two Thousand Million. An amount equivalent to 50% of the reserves of the Fund as at the end of the Financial Year 1986 / 1987 shall be deducted from reserves and transferred to the capital of the Fund.

The unpaid portion of capital shall be paid from the following sources and in accordance with the following conditions:

(a) The public revenues of the State within the limit of the appropriations made for this purpose in the Law enacting the budget of Government Ministries and Departments.

(b) The annual net income of the Fund, within the limit of such percentage to be deducted therefrom for the aforesaid purpose, as provided for in the Charter of the Fund, commencing as of the Financial Year 1987 / 1988.

(1) As amended by Decree enacting Law No. 47 of 1988.
Article 4
The Fund may borrow and issue bonds subject to the limit of twice the amount of its capital and reserves and in accordance with such terms and conditions as may be determined by the Prime Minister upon the recommendation of the Board of Directors.

Article 5
The Fund shall be administered by a Board of Directors in accordance with the Charter.

Article 6
The Prime Minister shall lay down the Charter of the Fund, which shall, in particular, provide for the composition of the Board of Directors and its functions, regulate the technical and administrative work of the Fund and the manner of preparing its budget and prescribe such other regulations as may be necessary for the proper conduct of the affairs of the Fund.

Article 7
The Prime Minister may delegate all or part of his powers under this Law to the Minister of Finance.

Article 8
Law No. 35 (1961) for the Establishment of Kuwait Fund for Arab Economic Development is hereby repealed. However, all Orders made for its implementation, which are not inconsistent with the provisions of this Law, shall remain in force until superseded by new orders.

Article 9
The Prime Minister and the Minister of Finance shall implement this Law which shall take effect from the date of its publication in the Official Gazette.

Deputy Amir of the State of Kuwait
Jaber Al-Ahmed Al-Jaber Al-Sabah

Given at Al-Sif Palace on 27 Jumada Al-Thani 1394 A.H.
Corresponding to 17 July, 1974 A.D
ORDER OF THE PRIME MINISTER
PROMULGATING THE CHARTER OF
KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT

The Prime Minister:


And of the Order of the Prime Minister for the implementation of the said Law No. 25 (1974);

And with the agreement of the Board of Directors of Kuwait Fund for Arab Economic Development;

And on the basis of the submission of the Minister of Finance, Chairman (by delegation) of the said Board of Directors.

Hereby makes the following order:-

Article 1

Kuwait Fund for Arab Economic Development shall discharge its functions in accordance with the provisions of the Charter appended hereto:

Article 2

The Order of the Prime Minister dated 8th Dhul Hijjah, 1394 A.H., corresponding to 22nd December 1974 A.D., for the implementation of the provisions of Law No. 25 (1974) for the Reorganization of Kuwait Fund for Arab Economic Development and the Charter appended to the said Order are hereby repealed.

Article 3

This order shall come into force on the date of its publication in the Official Gazette and the Board of Directors of Kuwait Fund for Arab Economic Development shall implement its provisions.

Notwithstanding the foregoing, the present members of the said Board of Directors shall continue in office until expiry of their original terms of membership.

Prime Minister
Saad Al-Abdullah Al-Salem Al-Sabah

Issued on 16th Jumada Al-Ula 1401 A.H.
Corresponding to 22nd March, 1981 A.D.
CHAPTER 1
DEFINITIONS

Article 1

Unless the context otherwise requires, the following terms shall have the respective meanings assigned to them hereinafter:

(a) “The Fund” means Kuwait Fund for Arab Economic Development.
(b) “The Board of Directors” or “The Board” means the Board of Directors of the Fund.
(c) “Director-General” means the Director-General of the Fund.
(d) “The Project” means any project or programme in the financing of which the Fund participates or is requested to participate.

CHAPTER II
GENERAL PROVISIONS

Article 2

The Fund is a Kuwaiti Public Corporation endowed with a juridical personality and having financial, administrative and operational technical autonomy under the supervision of the Prime Minister.

Article 3

The purpose of the Fund is to assist Arab and other developing states, in accordance with the provisions of this Charter, in developing their economies, and, in particular, to provide them with loans required for the implementation of their development programmes.

Article 4

The authorized capital of the Fund shall be Kuwaiti Dinars Two Thousand Million (K.D. 2,000,000,000/-).

Article 5

The principal office of the Fund shall be situated in the city of Kuwait.
CHAPTER III
ADMINISTRATION OF THE FUND

Article 6

The Fund shall be administered by a Board of Directors consisting of the Prime Minister as Chairman and such other members, not being less than 4 or more than 8, who shall be of Kuwaiti nationality and of recognized competence. Members of the Board shall be appointed by the Prime Minister for a term of three years for the Board and shall be eligible for reappointment. In case a member of the Board is appointed during its term, he shall hold office until the expiry of such term.

The Director-General shall attend the meetings of the Board and participate in its deliberations but shall not have the right to vote.

The Chairman may designate a member of the Board to preside over a meeting of the Board in the Chairman’s absence.

Article 7

(1) The authority to sign loan agreements with borrowers as well as contracts of borrowing and bonds issued by the Fund shall vest in the Chairman of the Board of Directors. However, the Chairman may delegate such authority to the Director-General or to one of his deputies.

Article 8

The Board shall be the highest authority in the Fund and shall have all the necessary powers for the realization of the objects of the Fund. It shall, in particular, exercise the following functions:

(a) Formulating the general policy of the Fund;

(b) Laying down, on the recommendation of the Director-General, the administrative and financial rules and regulations of the Fund and supervising their implementation;

(c) Making decisions on recommendations of the Director-General concerning loans and other forms of assistance to be provided by the Fund;

(d) Making decisions on recommendations of the Director-General concerning participation of the Fund in the capital of corporate bodies which are of a developmental nature and in the capital of development finance institutions;

(e) Formulating the general investment policy of the Fund, but the Board may delegate this authority to the Director-General;

(f) Proposing the general terms and conditions for borrowing and issuing of bonds by the Fund and making decisions on recommendations of the Director-General concerning borrowing and issue of bonds.

(g) Approving the administrative budget and the year-end statements of accounts of the Fund;

(h) Appointing the external auditors of the Fund and determining their remuneration.

(1) As amended by Order of the Prime Minister made on 7 June 1987.
Article 9
The Board shall meet at least three times a year. Meetings shall be held at the request of the Chairman or the Director-General.
A majority of members shall constitute a quorum. Decisions of the Board shall be made by a majority of the votes of the members present. In the event of an equal division of votes, the vote cast by the Chairman shall be deemed as a casting vote.
In the case of an urgent matter, the Chairman may, in lieu of convening a meeting of the Board, circulate among its members a memorandum explaining the matter on which a decision is required. Decisions of the Board in such cases shall be made by the agreement thereto in writing by a majority of the members of the Board.

Article 10
The Board may, where the need arises, set up sub-committees to study such matters as may be referred to them and report thereon to the Board. Each such sub-committee shall elect a chairman from among its members.

Article 11
Resolutions of the Board shall come into force as soon as they are passed, according to their terms.

Article 12(1)
The Fund shall have a Director-General appointed for a term of four years by an Amiri Decree upon the recommendation of the Board of Directors. The emoluments, allowances and all other financial benefits of the Director-General shall be determined by the Chairman of the Board of Directors on the recommendation of the Board.

Article 13
The Director-General shall represent the Fund before the courts, and in its relations with third parties.

(1) As amended by the Order of the Prime Minister made on 7 September 1998.
Article 14

The Director-General shall be responsible for the administrative, financial and technical management of the Fund and, in particular, for the following matters;

(a) Implementation of the resolutions of the Board;

(b) Consideration of, and submission to the Board of the appropriate recommendations on applications for loans and other financial and technical assistance and for participation in the capital stock of corporate entities;

(c) Implementation of agreements relating to such loans, assistance and participation as aforesaid;

(d) Giving the Fund’s consent to any matter requiring such consent under an agreement made by the Fund and making amendments, not being of a material nature, in the provisions of such agreements as required by the circumstances relating to their implementation.

(e) Preparation of the administrative budget and the year-end statements of accounts and the presentation thereof to the Board;

(f) Issue of payment orders within the limits of the administrative budget;

(g) Exercising such other functions as may be delegated to him by the Board or the Chairman;

(h) Submitting an annual report to the Board on the activities of the Fund. Such report shall include the year-end statements of accounts of the Fund, as approved by its external auditors, as well as a detailed account of the activities of the Fund during the preceding financial year.
Article 15\(^{(1)}\)

There shall be one or more deputies of the Director-General to assist him in the discharge of his functions. The appointment of such deputies and the determination of their emoluments, allowances and other financial benefits shall be subject to the same rules as provided for in Article 12 of this Charter.

Each Deputy Director-General shall exercise such functions as are assigned to him by the Director-General.

Article 16

The staff of the Fund shall be appointed in accordance with the regulations made by the Board.

\(^{(1)}\) As amended by the Order of the Prime Minister made on 7 September 1998.
CHAPTER IV
OPERATIONS OF THE FUND

Article 17
In realizing its objects the Fund shall use such means as the Board may deem appropriate, and in particular the following means:

(a) Making loans to Arab and other developing states, or to corporate bodies which are under the control, or have the nationality of any such state, or in which two or more of such states participate, provided that such corporate bodies contribute to the economic development of one or more of such states and that their objects are not merely limited to profit-making;

(b) Making grants and providing technical assistance to such parties falling within the categories mentioned in paragraph (a) of this Article;

(c) Providing guarantees of various types for obligations of such parties falling within the categories mentioned in paragraph (a) of this Article;

(d) Subscribing to the capital stock of corporate bodies which are under the control, or have the nationality of any Arab or other developing state or in which two or more of such states participate, and which are of a developmental nature;

(e) Contributing to the capital stock of development finance institutions and other international and foreign development institutions whose object is to assist one or more developing states in developing their economies. The Fund may, if so authorized, represent the State of Kuwait in such institutions.

Article 18
The Fund may provide loans to finance all or part of the foreign exchange costs of a project provided that no loan shall exceed 50% of the total cost thereof.

Notwithstanding the foregoing, the Board of Directors may, if there are special considerations relating to the beneficiary state or to the project, approve financing of local costs or exceeding the ratio of 50% mentioned in the preceding paragraph.

Article 19
In addition to such rate of interest as may be provided for in the loan agreement, there shall be payable on the amounts withdrawn from each loan and outstanding from time to time a charge of one-half of one percent (0.5%) per annum for the purpose of meeting administrative expenses and the costs of implementing the loan agreement.
Article 20

Loan Agreements between the Fund and borrowers shall provide, in particular, for the following:

(a) The financial conditions including the dates and terms of payment of the principal of the debt and of the interest and other charges on the loan, provided that the Board of Directors may, where it deems necessary, approve making a loan without interest;

(b) An undertaking by the borrower to furnish the Fund with sufficient information on the progress of work on the project from the date of signature of the loan agreement until the repayment of the loan in full;

(c) An undertaking by the borrower to provide such facilities to the Fund’s representatives as may be necessary to enable them to be apprised of the progress of the projects financed by the Fund;

(d) The means necessary to ascertain that the proceeds of the loan are used for meeting expenditures on the project and that such expenditures are met only as and when they fall due;

(e) An undertaking that no other external debt shall have priority over the Fund’s loan and the interest and other charges thereon by means of a lien created on the assets of the borrower, save to such extent as may be accepted by the Fund;

(f) An undertaking that all the transactions, assets and income of the Fund in the borrower’s country shall be exempt from all taxes, dues and other levies;

(g) An undertaking to facilitate all financial transactions of the Fund and to lift all foreign exchange restrictions with regard to direct and indirect transfers arising from the loan agreement.

(h) An undertaking to treat all documents, records and correspondence of the Fund as confidential such that the Fund shall be accorded full immunity in respect thereof;

(i) An undertaking to exempt all assets and income of the Fund from nationalization, confiscation and seizure.

In case the loan is made to a party other than the beneficiary state but under its guarantee, the undertakings mentioned in paragraphs (f) to (i) of this Article shall be incorporated in the guarantee agreement with such state.
Article 21

The Fund may, according to the nature of the particular transaction, require additional guarantees, other than those specified in the proceeding Article and may accept guarantees provided by third parties including financial institutions.

Article 22

In evaluating applications for loans, the Fund shall be guided by the considerations generally recognized in the field of development financing, and in particular:-

(a) The degree of importance and priority of the project;

(b) The adequacy of the technical, economic and financial evaluation of the project as may be required by the nature of the project.

(c) The availability of complete and detailed cost estimates of the project;

(d) The availability, in addition to the proposed financing by the Fund, of other funds required for execution and completion of the project.

(e) The financial soundness of the applicant and the guarantor.

Article 23

Loan Agreements with borrowers shall be in the Arabic language.

Article 24

Participation in the capital stock of corporate bodies falling within paragraph (d) of Article 17 shall be in accordance with such regulations as are laid down by the Board for that purpose. Such regulations shall give due regard, in particular, to the need for ascertaining the soundness of the financial position and management of such bodies and the contribution of their activities to economic development as well as the need to safeguard the resources of the Fund and protect its interest.

Article 25

The Kuwaiti Dinar shall be the unit of account of the Fund.
CHAPTER V
FINANCIAL PROVISIONS

Article 26\(^{(1)}\)

The financial year of the Fund shall begin on 1st April in each year and end on 31st March of the following year.

Notwithstanding the beginning of the financial year 2000/2001/ on 1st July 2000, the said year shall end on 31 March 2001.

Article 27

The Fund shall have an administrative budget, consisting of its revenues and current expenditures and shall prepare a year-end statement of accounts in respect thereof. The Director-General shall submit such budget to the Board at least two months before the end of each financial year.

Article 28\(^{(2)}\)

The Fund shall have a balance sheet, an income and expenditure account, a general reserve account and such other reserve accounts as the Board of Directors may decide to create. The balance sheet of the Fund and other accounts provided for in this Article, as well as any reserve accounts created thereunder, shall be certified by the external auditors of the Fund. The aforesaid accounts, together with other year-end statements of accounts and the annual report on the activities of the Fund shall be submitted, not later than four months from the end of each financial year, to the Board of Directors for approval.

\(^{(1)}\) As amended by Order of the Prime Minister made on 13/8/200.
\(^{(2)}\) As amended by the Order of the Acting Prime Minister made on 6 September 1997
Article 29

The Fund shall keep proper books of accounts which shall give a true and fair view of the state of affairs of the Fund and reflect its transactions. The auditors' report shall be submitted to the Board of Directors for consideration and approval.

Article 30(1)

(a) As of the end of the financial year 1987/1988 and until such time as the statutory capital of the Fund is fully paid-up, there shall be deducted annually from the net annual income of the Fund an amount equivalent to 50% thereof, and such amount shall be transferred to the capital of the Fund. The balance of the net annual income after such deduction shall be transferred to the general reserve account of the Fund.

(b) As of the date when the capital of the Fund is fully paid-up, all the net annual income of the Fund shall be transferred to the general reserve account of the Fund.

(c) The Board of Directors may determine to transfer such amounts as it thinks fit from the general reserve account of the Fund to any other reserve account created by the Board of Directors.

(1) As amended by the Order of the Prime Minister made on 26 September 1988 and Order of the Acting Prime Minister made on 6 September 1997.
CHAPTER VI
MISCELLANEOUS PROVISIONS

Article 31

The Prime Minister may authorize the Minister of Finance to exercise all or part of the powers and functions of the Prime Minister under this Charter.

Article 32

This charter may be amended by an order made by the Prime Minister upon the recommendation of the Board of Directors.