



State of Kuwait



الصندوق الكويتي للتنمية الاقتصادية العربية
Kuwait Fund For Arab Economic Development

LAW AND CHARTER
THIRTEENTH EDITION
2022



LAW NO. 25 (1974)
FOR THE REORGANIZAION 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 Article 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 (state-owned corporation), with an independent legal personality, under the supervision of the Prime Minister who shall be the Chairman of its Board of Directors.⁽¹⁾

Article 2 ⁽²⁾

The purpose of the Fund is to assist Arab and other developing states in developing their economies and to provide them with loans required for the implementation of their development programs, such assistance and loans being made in accordance with the provisions of the Charter of the Fund to be laid down by the Prime Minister and as may be consistent with the basic interests of the State of Kuwait and serves its foreign policy objectives, regionally and internationally.

(1) By virtue of Decree No. 157/2003 made pursuant to Law No. 116 of 1992 concerning Administrative Organization and the Determination of Competences and the Delegation thereof, the power of supervision of the Fund and Chairmanship of its Board of Directors has been transferred to the Minister of Foreign Affairs who was vested with the powers of the Prime Minister under Law No. 25 of 1974.

(2) As amended by Law No. 31 (2003)

The purposes of the Fund shall also include providing loans to the ministries and public corporations in charge of the execution of projects aimed at serving the public welfare with respect to meeting housing needs in the State of Kuwait and execution of the related infra-structure, basic services and public utilities required for housing projects, provided that the balance of such loans, outstanding at any time, shall not exceed 25% (twenty five percent) of the capital of the Fund and provided further that such loans shall be made in accordance with the applicable procedures relating to loans made by the Fund to other countries.

Article 3 ⁽¹⁾

The capital of the Fund shall be Kuwaiti Dinars two thousand million, fully paid-up as provided at the end of the financial year 1998 /97.

Article 3 (Repeated Number) ⁽¹⁾

An amount not exceeding twenty five percent (25%) shall be deducted annually from the net profits of the Fund and transferred to the Public Corporation for Housing Security to augment its resources.

Article 4

Subject to the limit of twice its capital plus reserves, the Fund may borrow and issue bonds in accordance with such terms and conditions as determined by the Prime Minister ⁽²⁾ upon the recommendation of the Board of Directors.

Article 5

The Fund shall be administered by a Board of Directors in accordance with its Charter.

(1) As amended by Law No. 31 (2003)

(2) By virtue of Decree No. 157/2003, referred to above, all the powers of the Prime Minister under Law No. 25 of 1974 have devolved on the Minister of Foreign Affairs

Article 6

The Prime Minister ⁽¹⁾ 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 ⁽²⁾ 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 AH
Corresponding to 17 July 1794 A.D.

(1) By virtue of Decree No. 157/2003 referred to above, all the powers of the Prime Minister under Law No. 25 of 1974 have devolved on the Minister of Foreign affairs

(2) By virtue of Decree No. 157/2003 referred to above, all the powers of the Prime Minister under Law No. 25 of 1974 have devolved on the Minister of Foreign Affairs.

ORDER OF THE PRIME MINISTER PROMULGATING THE CHARTER OF KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT

The Prime Minister:

After perusal of Law No. 25 (1974) for the Reorganization of Kuwait Fund for Arab Economic Development and of the Decree enacting Law No. 18 of 1981, amending the said Law.

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.

CHARTER OF THE KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT

CHAPTER I 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) "The 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 Minister of Foreign Affairs.⁽¹⁾

(1) By virtue of Decree No. 157/2003 the supervision of the Fund and the chairmanship of its Board of Directors, as well as other powers vested in the Prime Minister by Law No. 25 (1974) for the Reorganization of Kuwait Fund for Arab Economic Development , have been transferred to the Minister of Foreign Affairs and consequently all powers of the Prime Minister provided for in the Charter of the Fund must be deemed as having devolved on the Minister of Foreign Affairs.

Article 3 ⁽¹⁾

The purpose of the Fund is to assist Arab and other developing states in developing their economies and to provide them with loans required for the implementation of their development programmes, such assistance and loans being made in accordance with the Charter laid down by the Minister of Foreign Affairs and as may be compatible with the supreme interests of the State of Kuwait and serve its foreign policy regionally and internationally.

The purposes of the Fund shall also include making loans to the Ministries and public institutions in charge of execution of housing projects in the State of Kuwait as well as appertaining infra-structure, services and public utilities, provided that the outstanding balance of such loans shall not at any time exceed 25% (twenty five per cent) of the capital of the Fund and provided further that such loans shall be made in accordance with the prevailing procedures applied with respect to loans made by the Fund to other states.

Article 4 ⁽²⁾

The capital of the Fund shall be Kuwaiti Dinars Two Thousand Million fully paid up as established at the end of the financial year 1997/1998.

Article 5

The headquarters of the Fund shall be located in the City of Kuwait.

(1) As amended by Law No. 31/2003 and by virtue of Decree No. 157/2003.

(2) As amended by Law No. 31/2003

CHAPTER III

MANAGEMENT OF THE FUND

Article 6 ⁽¹⁾

The Fund shall be administered by a Board of Directors consisting of the Minister of Foreign Affairs, as Chairman, the Deputy Minister of Foreign Affairs, the Under-Secretary of the Ministry of Finance, the Director-General of the Fund, and a number of experienced and competent Kuwaitis, not being less than four and not more than six, to be appointed by the Minister of Foreign Affairs for a term of three years and who shall be eligible for reappointment .

The Chairman of the Board may designate a member of the Board to chair a meeting of the Board in his absence.

Article 7 ⁽²⁾

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

Article 8 ⁽²⁾

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 the recommendation of the Director-General concerning loans and other forms of assistance to be provided by the Fund.
- (d) Making decisions on the recommendation of the Director-General concerning participation of the Fund in the capital of

(1) As amended by virtue of Resolution No.3 (2022) issued by the Minister of Foreign Affairs.

(2) As amended by Order of the Prime Minister issued on 7 June 1987.

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 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) Approving the external auditors of the Fund and determining their remuneration.

Article 9

The Board of Directors 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 may 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⁽¹⁾

As requisite qualifications for membership of the Board of Directors each member must be:

1. A Kuwaiti national;
2. Not less than 35 years old;
3. Holder, at least, of a university qualification;
4. Of good reputation and has not been convicted in the past, by a final judicial order, of a crime involving dishonour or violation of trust.

(1) New provisions added by Resolution No. 2 (2022) issued by the Minister of Foreign Affairs.

Article 11 ⁽¹⁾

If the position of a member of the Board of Directors becomes vacant, for any reason, another person shall be appointed to replace him and the duration of appointment of such person shall be until the end of the term of the Board.

The Board of Directors shall be dissolved if the number of members becomes less than five. In that case the Minister of Foreign Affairs shall appoint a new board of directors whose term shall complete the term of the previous board.

On the basis of a proposal by a majority of the members of the Board of Directors, the Minister of Foreign Affairs may terminate the membership of any of the members, if it is proven, after due investigation, that he has committed a gross breach of his duties.

Article 12 ⁽²⁾

A member of the Board of Directors shall cease to be a member and his seat becomes vacant in any of the following cases:

1. If he is convicted by a final judicial order of a crime involving dishonour or violation of trust.
2. If he fails to attend three consecutive meetings or six non-consecutive meetings without an acceptable excuse.

Article 13 ⁽²⁾

In the event of a conflict of interest arising and involving a member of the Board of Directors, such member must disclose the conflict of interest and shall withdraw from the meeting of the Board until conclusion of the discussion of the matter subject to the conflict of interest.

The Chairman of the meeting shall alert the members present to the necessity of the disclosure referred to in the preceding paragraph.

Article 14 ⁽²⁾

An organizational unit, designated as the Secretariat of the Board, shall be established and directly attached to the Board of Directors.

(1) New provisions added by Resolution No. 2 (2022) issued by the Minister of Foreign Affairs.

(2) Added Provisions by virtue of Resolution No. 2 of 2022 issued by the Minister of Foreign Affairs.

The unit shall be headed by the Secretary of the Board and shall be responsible for providing administrative support to the Board of Directors or any sub-committees, emanating therefrom, in a manner that facilitates carrying out its tasks efficiently and effectively such as organizing meetings, authenticating minutes, recording resolutions, keeping records and undertaking other administrative tasks.

Article 15 ⁽¹⁾

The remuneration of the members of the Board of Directors and any allowances or benefits payable to them from the Fund's resources shall be determined by a decision made by the Minister of Foreign Affairs.

Article 16 ⁽²⁾

The Board of Directors may establish permanent or temporary sub-committees to study such matters as may be entrusted to them and submit their recommendations to the Board. Each-committee shall elect its chairperson from among its members, provided that the membership of these committees shall be limited exclusively to members of the Board of Directors.

Article 17 ⁽³⁾

Resolutions of the Board of Directors shall take effect, in accordance with their terms, upon adoption by the Board.

Article 18 ⁽³⁾

The Fund shall have a Director-General appointed by Decree, for a term of four years, upon the recommendation of the Board of Directors of the Fund. The salary and other emoluments, allowances and financial entitlements of the Director-General shall be determined by the Chairman of the Board of Directors upon the recommendation of the Board.

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- (1) Added Provisions by virtue of Resolution No. 2 of 2022 issued by the Minister of Foreign Affairs.
 - (2) An amended provision by virtue of Resolution No. 2 of 2022 issued by the Minister of Foreign Affairs.
 - (3) Re-numbered provisions pursuant to Resolution No. 2 of 2022 issued by the Minister of Foreign Affairs.

Article 19 ⁽¹⁾

The Director-General shall be the legal representative of the Fund before the courts and in its relations with other parties.

Article 20 ⁽¹⁾

The Director-General shall be responsible for all administrative, financial and technical matters in the Fund and shall, in particular, undertake responsibility for the following:

- (a) Carrying out the resolutions of the Board of Directors.
- (b) Receiving applications for loans, financial and technical assistance and participation in the capital stock of entities and examination and study of such applications and presenting them to the Board of Directors together with appropriate recommendations;
- (c) Execution of loan and other agreements concerning assistance or equity participation;
- (d) Issue of agreement of the Fund with respect to matters requiring such agreement in accordance with the provisions of agreements made by the Fund and making unimportant amendments in such agreements as may be dictated by the circumstances of their implementation.
- (e) Preparation of the draft administrative budget and the final accounts of the Fund and presentation of the same to the Board of Directors.
- (f) Issue of payment orders within the limits of the administrative budget.
- (g) Exercising such functions as may be delegated to him by the Board of Directors or the Chairman of the Board.
- (h) Presentation of an annual report to the Board of Directors about the progress of work in the Fund, such report including the financial statements approved by the official auditors and a detailed explanation of all the work of the Fund during the preceding financial year.

(1) Re-numbered provisions pursuant to Resolution No. 2 of 2022 issued by the Minister of Foreign Affairs.

Article 21 ⁽¹⁾

The Director-General shall be assisted by one or more deputies appointed by a decree, on the basis of nomination by the Board of Directors of the Fund, for a term of four years. The salary and other emoluments and all allowances and financial entitlements of such deputies shall be determined by a decision of Chairman of the Board of Directors based on the recommendation of the Board.

The Deputies of the Director-General shall perform the functions and exercise the powers delegated to them by the Director-General and the said deputies may delegate such powers to of their immediate subordinates, if so authorized by the Director-General.

Article 22 ⁽²⁾

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

(1) As amended by virtue of the order of the Minister of Foreign Affairs No.2 (2022).

(2) Re-numbered provisions pursuant to Resolution No.2 of (2022) issued by the Minister of Foreign Affairs.

CHAPTER IV ⁽¹⁾ OPERATIONS OF THE FUND

Article 23 ⁽²⁾

The Fund shall realize its objectives by using such means as the Board deems 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 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) Subscribing 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.
- (f) Administering grants by the State or by any public or private body subject to the right of the Fund to use the return from investment of the amount of each grants for the purpose of such grant and covering the cost of its administration in accordance with the relevant resolutions in this respect or as may be agreed with the particular donor.

(1) The provisions included in this chapter have been renumbered in accordance with the Resolution No. 2 (2022) issued by the Minister of Foreign Affairs

(2) Paragraph (f) was added by virtue of Resolution No. 2(2022) issued by the Minister of Foreign Affairs

Article 24

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

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

Article 25

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 26

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 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 sufficient information to the Fund 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 work on 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 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 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 27

According to the nature of the transaction involved in each case, the Fund may require more guarantees in addition to those provided for in the preceding Article, and it may accept the guarantees provided by parties other than the borrower including guarantees by financial institutions.

Article 28

In evaluating applications for loans, the Fund shall be guided by the considerations generally recognized in the field of development finance, 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 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 the execution and completion of the Project;
- (e) The financial soundness of the applicant and the guarantor;

Article 29

Agreements for loans by the Fund shall be made in the Arabic language.

Article 30

Participation by the Fund in the capital stock of corporate bodies falling within paragraph (d) of Article 23 shall be in accordance with the regulations laid down by the Board of Directors in this respect. 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 31

The Kuwaiti Dinar shall be the unit of Account of the Fund.

CHAPTER V ⁽¹⁾

FINANCIAL PROVISIONS

Article 32 ⁽²⁾

- (a) The financial year of the Fund shall begin on 1st. April in each year and end on 31st. March of the following year.
- (b) Notwithstanding the beginning of the financial year 2000/2001 on 1st. July 2000, the said year shall end on 31 March 2001.

Article 33

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 of Directors at least two months before the end of the current financial year.

Article 34 ⁽³⁾

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) The numbers of the sections in this chapter have adjusted by virtue of the Resolution No. 2 (2022) issued by the Minister of Foreign Affairs.

(2) As amended by virtue of the Order of the Prime Minister issued on 13 August 2000.

(3) As amended by virtue of the Order of the Prime Minister issued on 6 September 1997

Article 35

The Fund shall keep proper records of accounts which give a true view of the status of the Fund and explain its transactions, and the report of the external auditors shall be presented to the Board of Directors for consideration by it and approval.

Article 36 ⁽¹⁾

(a) As of the end of the financial year 1987/1988 and until the authorized capital of the Fund is fully paid-up, an amount representing 50% of the net annual profits shall be deducted and credited to the paid-up capital of the Fund and the balance shall be credited to the general reserve account of Fund.

(b) As of the date of payment of the authorized capital of the Fund in full all net annual profits of the Fund shall be credited to the general reserve account of the Fund.

(c) By virtue of a resolution of the Board of Directors an amount may be transferred from the general reserve account to any other reserve account, which the Board of Directors may decide to create.

CHAPTER VI ⁽²⁾

FINAL PROVISIONS

The Minister of Foreign Affairs may delegate all or part of his powers under this Charter to the Minister of Finance.

Article 38 ⁽³⁾

This Charter may be amended by a resolution of the Minister of Foreign Affairs on the basis of a recommendation by the Board of Directors.

(1) As amended by virtue of the Order of the Prime Minister issued on 6 September 1997

(2) The numbers of the provisions of this Chapter have been amended by virtue of Order No. 2 (2022) issued by the Minister of Foreign Affairs.

(3) As amended by virtue of Decree No. 157 of 2003.