

**ARAB BANK FOR ECONOMIC  
DEVELOPMENT IN AFRICA**



GENERAL AGREEMENT

ESTABLISHING

THE ARAB BANK FOR ECONOMIC  
DEVELOPMENT IN AFRICA

BADEA

**JUNE 2007**



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THE ARAB BANK FOR ECONOMIC  
DEVELOPMENT IN AFRICA

BADEA

**CAIRO, 26 MUHARRAM 1394 HEGIRA,  
(18 FEBRUARY 1974)**

**KHARTOUM  
(SUDAN)**

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<sup>1</sup> Amended according to Board of Governors' Resolutions No. 7/1988 issued at its 14<sup>th</sup> annual meeting in "MUSCAT", Monday 17<sup>th</sup> of Shabban 1408 Hegira Corresponding to 1<sup>st</sup> April, 1988 and No. 4/2007 issued at its 32<sup>nd</sup> annual meeting in "Beirut", Wednesday 23<sup>rd</sup> of Rabi Awal 1428 corresponding to 11<sup>th</sup> April, 2007.



**GENERAL AGREEMENT  
ESTABLISHING THE  
ARAB BANK FOR ECONOMIC  
DEVELOPMENT IN AFRICA  
(BADEA)**

The GOVERNMENTS of the Arab League States signatories of this Agreement,

Believing in the need to strengthen the ties between African States and the Arab Nation,

Seeking to further the economic development of African countries within a framework of solidarity and mutual interest,

Recognizing that coordinated effort aimed at bringing about the economic independence of African countries is a crucial factor in achieving their national goals,

Seeking to give African-Arab solidarity a concrete and efficient shape, based on equality and friendship,

Being convinced that the establishment of a financial institution to support the economic development requirements of African countries constitutes a major step towards stimulating Arab-African cooperation, and

Pursuant to the decisions of the VI<sup>th</sup> Arab Summit of Algiers, taken at its session of 28th November, 1973, and to the recommendations made by the Economic Council at its session of 5<sup>th</sup> December, 1973,

**AGREE AS FOLLOWS:**

**CHAPTER "I"**  
**GENERAL PROVISIONS**

**Article (1): ESTABLISHMENT OF THE BANK**

An Arab financial institution is hereby established. Its name shall be:

THE ARAB BANK FOR ECONOMIC DEVELOPMENT IN  
AFRICA  
(hereinafter called " The Bank")

**Article (2): PRINCIPAL OFFICE**

The principal office of the Bank shall be in Khartoum.  
The Bank may establish subsidiaries, branches or offices in member countries or in any other country, as its operations may require.

**Article (3): LEGAL STATUS**

- (i) The Bank is an independent international institution enjoying full international legal status and complete autonomy in administrative and financial matters.
- (ii) The Bank is governed by the provisions of this Agreement and the principles of International Law.

**Article (4): OBJECTIVES AND FUNCTIONS**

The objective of the Bank is to foster economic, financial and technical cooperation between African countries and Arab World countries. To achieve this objective, the Bank shall:

- (i) Participate in financing economic development in African countries.
- (ii) Stimulate the contribution of Arab capital in African development
- (iii) Participate in providing the technical assistance required for development in Africa.

**Article (5): MEMBERSHIP**

- (i) The states signatories, of this Agreement, are original funding members of the Bank.**
- (ii) Any Arab State other than the establishing members of the Bank shall have the right of joining the Agreement establishing the Bank by sending a written notice to that effect to the Chairman of the Board of Governors. The Chairman of the Board of Governors shall, after completion of joining requirements, notify the joining instrument to member States and to the Chairman of the Board of Directors.<sup>1</sup>**
- (iii) No member shall be liable, by reason of its membership, for obligations of the Bank, except within the limits provided in this Agreement. Nevertheless, each member's liability extends to the unpaid portion of its subscription.**

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<sup>1</sup> Amended according to Board of Governor's Resolution No. 4/2007. The previous text read as follows:

"Any Arab State is entitled to become a party to the Agreement establishing the Bank by sending a notice to that effect in writing to the Secretary General of the League of Arab States. The Secretary General shall notify the member countries and the Chairman of the Board of Directors of the Bank of such membership instrument".

**CHAPTER "II"**  
**FINANCIAL RESUOURCES**

**Article (6): SUBSCRIBED CAPITAL**

- (i) The Capital stock of the Bank, as initially subscribed, shall be Two Hundred and Thirty One Million US Dollars, divided into Two Thousand Three Hundred and Ten registered shares, having a par value of One Hundred Thousand US Dollars each, to be allocated in accordance with the Subscription List attached hereto.**
- (ii) The price of the shares subscribed by members shall be payable in four equal successive installments. Each member bound by this Agreement shall pay the amount of the first installment into the account of the Bank opened with the party designated at the first meeting of the Board of Governors, within thirty days from the date the Board of Governors shall have made such designation.**

**Those countries that have deposited their ratification instruments after the effective date of this Agreement shall make payment within thirty days from the date of deposit of such instruments. Subsequent installments shall be paid into the Bank's account opened with the party designated by the Board of Directors. The Capital shall be fully paid up within a period not exceeding two years after the effective date of this Agreement.**
- (iii) Not less than ten shares may be subscribed.**
- (iv) The amount of installments due shall be paid in United States Dollars.**

**Article (7): TRANSFERS OF SHARES**

**Shares shall be transferable only to the Bank, in accordance with the provisions of Article 43 in respect of withdrawals.**

**Article (8): INCREASE OF CAPITAL**

- (i) The Capital of the Bank shall be increased by the amounts subscribed by new member States, or by the additional amounts subscribed by any member State over its original subscription in the share Capital, after approval of the Board of Governors.<sup>1</sup>**
- (ii) The Capital stock may be increased as required by a decision of the Board of Governors taken by a three-fourths majority of the total voting power. Such increase shall be binding upon all members that have agreed thereto.**
- (iii) In the event of an increase of Capital stock as provided in the two preceding paragraphs, the Bank's financial system shall set the basis of determining the amount to be paid by each member with respect to its subscription for new shares.**

**Article (9): BORROWING**

- (i) The Bank shall endeavour to increase its resources by borrowing, obtaining sureties and long and medium term deposits, issuing securities in national and international financial markets, at such times as it becomes possible for him to start this type of transactions without jeopardizing its solvability or its objectives and its functions with respect to development financing.**
- (ii) The Bank shall always secure the prior approval of any country in whose territory the Bank proposes to obtain additional financing.**

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<sup>1</sup> Amended according to Board of Governor's Resolution No. 4/2007. The previous text read as follows:  
"The Capital of the Bank shall be increased by the amount of the subscriptions of new members or by the amount of additional subscriptions by any member, in addition to such member's initial subscriptions."

- (iii) The aggregate amount of funds borrowed by the Bank shall not, at any given time, exceed 200% of the sum of paid-in capital plus reserves, except as the Board of Governors may otherwise expressly resolve. This limitation is not applicable to deposits.

## CHAPTER "III"

### OPERATIONS

#### Article (10): OPERATIONAL PRINCIPLES

The operations of the Bank shall be conducted in accordance with the following principles:

- (i) The Bank may not take part in any operation whatsoever that is contrary to, or likely to restrict or modify, its purpose or functions.
- (ii) The Bank may not undertake any operation in an African country if the country concerned objects to it.
- (iii) The Bank shall apply generally accepted principles for development financing on favourable terms without jeopardizing its overall solvability.
- (iv) The Bank shall undertake its financing operations upon such terms as are deemed appropriate to the nature and circumstances of each operation.

When determining the conditions governing its activities in the less developed African countries, the Bank shall give consideration to the prevailing condition in these countries, and their need for financing on more favourable terms.

- (v) In its financing operations, the Bank shall take into consideration the ability of the recipient, or, as the case may be, of the recipient's guarantor to fulfill its obligations.
- (vi) The Bank shall take any necessary measures to ensure that the amounts of any finance granted are used exclusively for the purpose for which they were made available, due regard being paid to economy considerations in costs and to efficiency considerations in implementation.

- (vii) Any loan granted by the Bank to provide finance for a particular project shall be subject to public bid procedures in African and Arab countries for the procurement of goods and services produced in those countries.**

**The Board of Directors may, whenever it deems it appropriate, to authorize the purchase of goods and services from any other country. Similarly, it may waive the public bid requirement.**

**Article (11): TYPES OF OPERATIONS**

**The Bank shall conduct its operations in such forms as the Board of Directors may deem appropriate to the purposes of the Bank.**

**Priority shall be given to the following operations:**

- (i) Loans and sureties granted to development financing institutions of a local, mixed or regional nature.**
- (ii) Participation in the financing of major economic projects, especially in industrial and agricultural fields, in order to make up any deficit from external sources of financing.**
- (iii) Technical and financial assistance aimed at identifying opportunities conducive to economic development, preparing related programmes and projects, drawing up their financing schedules and ensuring their implementation, especially those in the form of Arab-African joint ventures.**
- (iv) Technical and financial aid necessary to acquire modern production techniques and know-how.**

**Article (12): RECIPIENTS**

**The parties that may benefit from the Bank's operations pursuant to this Agreement are as follows:**

- (i) The Governments of the African countries, including any province, agency or organization thereof.**
- (ii) Public or private companies, organizations and projects carrying out their business in African countries and in whose capital the governments or citizens of those countries have a majority holding.**
- (iii) Mixed, African or Arab-African companies whose purpose is economic development and that need financing for a specific project.**

**Article (13): SPECIAL FUNDS**

- (i) The Bank may undertake the management of any financial resources whose utilization is compatible with its purposes and functions.**
- (ii) Such resources shall constitute special funds that are distinct from other accounts of the Bank.**
- (iii) The Board of Directors of the Bank shall establish the procedures and regulations and make the recommendations necessary for the management of such funds.**

**Article (14): IMPLEMENTATION OF OPERATIONS**

- (i) The Bank shall conduct its operations in accordance with such conditions as the Board of Directors may deem appropriate for each case, in such manner that no project shall receive financing until it has been reviewed and its programme of implementation has been completed and until its importance for the national economy of the recipient country has been demonstrated.**

- (ii) The Board of Directors shall establish the necessary rules and regulations for each type of operation undertaken by the Bank.

**Article (15): LIQUID ASSETS**

The Bank shall invest its liquid assets in finance bills and bank deposits, pursuant to a decision taken by the Board of Directors. Such investments shall, to the extent possible, be made in Arab and African countries, with due regard being paid to satisfy liquidity, convertibility and diversification and to the best possible returns.

**Article (16): LIMITATION ON FINANCIAL OPERATIONS**

The Board of Directors shall establish the rules for the maximum amount of the loans and guarantees granted, at any given time, as well as the rules for the maximum level of each individual financing granted, with due regard being paid to the situation of the Bank's resources and to the requirements of its solvability.

**CHAPTER "IV"**  
**THE BOARD OF GOVERNORS**

**Article (17): COMPOSITION**

**Each member of the Bank shall appoint a Governor and Alternate Governor to act as its representative on the Board of Governors. No Alternate Governor may vote except in the absence of his principal.**

**Article (18): POWERS**

- (i) All the powers of the Bank shall be vested in the Board of Governors.**
- (ii) The Board of Governors shall give the Board of Directors any and all directions relative to the general policy of the Bank. The Board of Governors may delegate to the Board of Directors authority to exercise any of its powers, except the power to:
  - (a) increase the capital of the Bank in accordance with the terms of Article 8 of this Agreement. <sup>1</sup>**
  - (b) appoint the Director General of the Bank, and determine his salary and emoluments . <sup>2</sup>**
  - (c) approve the Bank's financial management systems as proposed by the Board of Directors.**
  - (d) appoint auditors for the Bank, and determine the amount of their remuneration.****

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<sup>1</sup> Amended according to the Board of Governors' Resolution No. 4/2007.

The previous text read as follows:

18 (ii) a-increase the Capital stock of the Bank pursuant to paragraph (II), Article 8.

<sup>2</sup> Amended according to the Board of Governors' Resolution No. 7/1988.

The Original text read as follows:

"(b) appoint the Chairman of the Board of Directors and President of the Bank".

- (e) approve the budget of the Bank and its operations accounts, after having taken cognizance of the Board of Directors' report and Auditors' report.
  - (f) allocate the Bank's net income for the financial year.
  - (g) interpret and amend the provisions of this Agreement.
  - (h) suspend a member.
  - (i) decide to suspend the operations of the Bank and to distribute its assets.
- (iii) The Board of Governors shall keep the right to exercise all the powers it shall have delegated to the Board of Directors under the preceding paragraph.

**Article 19: MEETINGS**

- (i) The Board of Governors shall hold an annual meeting and such other meetings as it may decide to hold or as called by the Board of Directors. The Board of Directors shall call a meeting of the Board of Governors whenever five members of the Bank shall so request.
- (ii) A quorum for any meeting of the Board of Governors shall be a majority of members exercising not less than two-thirds of the total voting power.
- (iii) At its annual meeting, the Board of Governors shall select one of the Governors as Chairman of the Board of Governors. The Chairman so selected shall hold office until his successor has been elected.
- (iv) The Board of Governors, may by regulation, establish a procedure whereby the Board of Directors, when it deems it appropriate, may obtain

**a vote of the Governors on specific issue without calling a meeting of the Board of Governors.**

- (v) Each of the Secretary General of the League of Arab States and the Head of the African Union Commission shall be invited to attend the Board of Governors' meetings as an observer.<sup>1</sup>**

**Article 20: VOTING**

- (i) During voting at the Board of Governors, each member shall have two hundred votes being a member in the Bank plus one additional vote for each share he holds in the Capital stock. Each Governor, or Alternate Governor (in the event of the absence of the former), shall be entitled to cast the number of votes which the member by which he was so appointed is entitled to cast.**
- (ii) Except as otherwise expressly provided in this Agreement, all matters before the Board of Governors shall be decided by a majority of the votes represented at the meeting.**

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<sup>1</sup> Amended according to Board of Governor's Resolution No. 4/2007. The previous text read as follows:

"19- v. The Secretary General of the League of Arab States shall, as an observer, attend the meetings of the Board of Governors.

The Secretary General or his delegate shall have the right to participate in the deliberations of the Board of Governors but shall not vote at such meetings. All decisions of the Board of Governors shall be notified to the secretary general.

vi. The Secretary General of the Organization of African Unity shall attend, as an observer, the meetings of the Board of Governors.

He or his delegate shall be entitled to participate in the debates of the Board of Governors but shall not vote at such meetings.

**CHAPTER "V"**  
**THE BOARD OF DIRECTORS**

**Article (21):COMPOSITION**

- (i) The Management of the Bank shall be vested in a Board of Directors composed of eleven members; nine permanent members and two non-permanent members. The Board shall elect from amongst its members a Chairman for a term of two years, renewable. The office of the Chairman shall not be a full-time office.<sup>1</sup>**
- (ii) The nine members with the highest subscription in the Bank's share Capital shall be permanent members; and the other members of the Bank shall, according to their voting power in the Board of Governors, jointly select the two non-permanent members in the Board of Directors. <sup>2</sup>**
- (iii) Any Bank member not represented in the Board of Directors shall have the right to delegate a representative to attend meetings of the Board of Directors and participate in such meetings without being entitled to vote thereat.**
- (iv) In the event of the absence of the Chairman, the Board of Directors shall select one of its members to preside over the meeting.**

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<sup>1</sup> (1) & (2) Amended according to Board of Governors' Resolution No. 4/2007. The previous text read as follows:

"The management of the business of the Bank shall be vested in a Board of Directors composed of 11 members. The Board shall elect from amongst its members a Chairman for a term of two years renewable. The office of Chairman shall not be a full-time office".

<sup>2</sup> Any member holding two hundred shares or more has one seat on the Board of Directors. The other members of the Bank shall, according to their voting power in the Board of Governors, jointly select the remaining Directors".

- (v) **The Director General shall attend the Board's meetings and participate in its deliberations without having the right to vote .<sup>1</sup>**

**Article (22):TERM OF OFFICE OF THE DIRECTORS**

- (i) **Directors shall hold office for a term of four years renewable.  
Directors shall continue in office until their successors have duly assumed office.**
- (ii) **The Bank shall bear the reasonable costs for the participation of the Directors and Auditors in the meetings of the Board.**

**Article (23):VACANCY OF OFFICE**

**In the event of a seat in the Board of Directors for the representatives of States who have no permanent membership becomes vacant, this seat shall be occupied by the nominee who has obtained the highest number of votes during the selection of the representatives of these States. If there is no such nominee, the said States shall jointly select the member who shall occupy the vacant seat, and the new member shall then complete the remaining term of his predecessor. <sup>2</sup>**

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<sup>1</sup> Added according to Board of Governors' Resolution No. 7/1988 .

<sup>2</sup> Amended according to Board of Governor's Resolution No. 4/2007. The previous text read as follows:

"If a seat on the Board of Directors becomes available for use by those countries whose individual capital stock holding is less than two hundred shares, the candidate who shall have received the largest number of votes at the election of the representatives of those countries, shall occupy the said seat. Should there be no such candidate; the countries referred to above shall designate a representative to occupy the vacant seat."

"A Director that is appointed to replace another shall hold office only for the remainder of the term of his predecessor."

**Article (24): MEETINGS**

- (i) Meetings of the Board of Directors shall be held at the principal office of the Bank or at any other location that the Board of Directors may designate.**
- (ii) The Board of Directors shall meet every four months or whenever the business of the Bank may so require. Meetings of the Board shall be convened by its Chairman or by two Directors.**
- (iii) A quorum shall be a majority of its members.**

**Article (25):POWERS**

**All the powers necessary to conduct the business and affairs of the Bank, except such powers which are reserved for the Board of Governors, shall be vested in the Board of Directors.**

**The powers of the Board of Directors include, particularly, the following:**

- (i) To lay down the general policy of the Bank and follow-up its implementation, pursuant to the provisions of this Agreement and to the directions of the Board of Governors.**
- (ii) To establish rules and regulations and carry out measures necessary to the driving of the business of the Bank, with due regard being given to the economy considerations in expenditures and efficiency considerations in implementation.**
- (iii) To develop a plan of operations identifying the level of transactions and procedures to be followed.**
- (iv) To approve loans and assistance granted by the Bank.**

- (v) To take decisions relating to borrowing and the issuance of securities.**
- (vi) To prepare the meetings of the Board of Governors and the documents to be submitted to it, including an annual report on the activity of the Bank.**
- (vii) To establish branches, subsidiaries and offices of the Bank, as required by the business of the Bank.**

**Article (26):DECISIONS**

**The decisions of the Board of Directors shall be taken by a majority of the votes of the members present, except as otherwise provided in this Agreement. Each member, including the Chairman, shall have one vote only. In case of equality of votes the Chairman shall have a casting vote <sup>1</sup>.**

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<sup>1</sup> Amended according to Board of Governor's Resolution No. 7/1988. The original text read as follows: "Article (26) Decisions:

- (1) The decisions of the Board of Directors shall be taken by a majority of the members present, except as otherwise provided in this Agreement. Each member shall have one vote only.
- (2) The Chairman of the Board of Directors shall have no vote, except a deciding vote in case of the an equal division.

**CHAPTER "VI"**  
**STAFF MEMBERS**

**Article (27):THE DIRECTOR GENERAL <sup>1</sup>**

- (i) The Director General shall be appointed from non-members of the Board of Directors for a term of three years renewable for a maximum of two terms. The Director General shall remain in office until his successor succeeds him in office.**
  
- (ii) The Director General shall be the Chief Executive of the staff of the Bank and shall be responsible for the conduct of the business of the Bank under the supervision of the Board of Directors in accordance with the rules and regulations of the Bank and directives of the Board of Governors and Board of Directors.**
  
- (iii) The Director General shall be the legal representative of the Bank.**

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<sup>1</sup> (1) , (2) and (3) were submitted by the Board of Governor's Resolution No. 7/1988. The original text read as follows:  
"Article (27) President Director General":

- 1. The Chairman of the Board of Directors shall be the President of the Bank. He shall be appointed for a period of five years renewable. He shall hold office until his successor duly takes over.
- 2. The President shall be the Chief of the operating staff of the Bank. Under the direction of the Board of Directors, he shall conduct the ordinary business of the Bank.  
The President shall be responsible for the organization, appointment and dismissal of the operating staff, in accord with the regulations that the Board of Directors may make in this respect.
- 3. The President shall be the legal representative of the Bank.

**Article (28): DEPUTIES OF THE DIRECTOR GENERAL<sup>1</sup>**

**The Board of Directors shall have the power, on the recommendation of the Director-General, to appoint one or more deputies of the Director General who shall not be from the members of the Board of Directors. The Board of Directors shall determine the powers and duties of each such deputy.**

**Article (29):STAFF MEMBERS <sup>2</sup>**

- (i) The members of staff of the Bank shall be subject to the rules and regulations issued by the Board of Directors concerning them.**
- (ii) Subject to the paramount importance of securing the highest standards of efficiency and technical competence, due regard shall be paid, in appointing the staff of the Bank, to the importance of making maximum use of Arab and African capabilities, on as wide a geographical basis as possible.**

**Article(30):INTERNATIONAL STATUS OF STAFF MEMBERS**

- (i) The members of staff, in discharging their functions, owe their duty entirely to the Bank and to no other authority. They shall refrain from any**

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<sup>1</sup> "Article (28) VICE-PRESIDENTS"

The Board of Directors shall have the power, on the recommendation of the President to appoint vice-Presidents who are no directors. The Board of Directors shall determine the powers and duties of each vice-President.

Vice-presidents may participate in the meetings of the Board of Directors but shall not vote at such meetings.

<sup>2</sup> "Article (29) OFFICERS AND STAFF"

Subject to the paramount of securing the highest standards of efficiency and of technical competence. Due regard shall be paid, in appointing the Officers and staff of the Bank, to the importance of making maximum use of Arab and African capabilities , on as wide a geographical basis as possible

act that is contrary to the international character of their jobs or to their independence.

- (ii) Each member of the Bank shall respect the international character of the said duty and shall refrain from all attempts to influence any staff member in the discharge of his duties.

Article (31): SALARIES AND COMPENSATION

When establishing the level of the salaries and compensation for the personnel of the Bank, the Board of Directors shall pay due regard to the need of the Bank to attract the personnel it requires.

**CHAPTER "VII"**  
**FINANCIAL PROVISIONS**

**Article (32):FINANCIAL YEAR**

**The financial year shall start on the first of January and end on the thirty first of December of each calendar year.**

**The Board of Directors shall determine the duration of the first financial period.**

**Article (33):OPERATING BUDGET<sup>1</sup>**

**The Director General shall submit to the Board of Directors, not later than 15<sup>th</sup> November of each year, estimates of the operating accounts for the next financial period.**

**Article (34): ANNUAL ACCOUNTS AND REPORTS**

- (i) The Director General shall cause the Bank to maintain proper books of account faithfully reflecting the financial position of the Bank and showing its operations<sup>2</sup>.**
- (ii) The Board of Directors shall submit to the annual meeting of the Board of Governors an annual report containing an audited statement of the Bank's accounts, including a summary statement of its general budget, a statement of the origin and utilization of its resources and a profit and loss**

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<sup>1</sup> Article (33) was amended according to the Board of Governors' Resolution no. 7/1988. The original text read: " The President shall submit to the Board of Directors, no later than 30<sup>th</sup> September of each year estimates of the operating accounts for the next financial year.

<sup>2</sup> Article (34) was amended according to the Board of Governors' Resolution no. 7/1988. The original text read: " The President shall cause to be kept true books of account faithfully reflecting the financial position of the Bank and showing its operations in detail."

account. The Board of Directors shall determine the forms of these statement and the extent of detail in each such statement. A copy of this report shall be sent to the Secretary General of the League of Arab States for submission to the appropriate bodies of the League.

Article (35): AUDITING

The Bank's accounts shall be audited by a reputable firm auditing designated annually by the Board of Governors. The auditor's report shall be submitted to the annual meeting of the Board of Governors for examination and approval.

Article (36): PROFITS AND RESERVES

The Board of Governors shall, on the recommendation of the Board of Directors, allocate the Bank's net become by transferring them to reserves, or integrating them into the capital account proportionately to each member's stockholding, or in any other manner conducive to the purposes of the Bank.

## CHAPTER "VIII"

### IMMUNITIES AND PRIVILEGES

#### Article (37): IMMUNITY OF THE BANK'S ASSETS

The Bank, its funds and assets shall enjoy immunity, in the territories of its members, from nationalization, confiscation, expropriation, sequestration, search and any other form of seizure by any act of the executive or judicial authority.

The funds of the Bank shall be free from any foreign exchange controls.

The immunities set forth above shall be equally applicable to the deposits of the Bank.

#### Article (38): IMMUNITIES OF ARCHIVES

The archives of the Bank shall be inviolable.

#### Article(39): IMMUNITIES AND PRIVILEGES OF CORRESPONDENCES

The correspondences of the Bank shall enjoy immunity in the territory of each member state, and shall enjoy the same privileges enjoyed by official correspondences of other member states in that State.

#### Article (40): IMMUNITIES FROM TAXATION

- (i) The subscriptions of members in the Capital stock of the Bank, the Bank's funds, monies, income, operations, and the deposits it receives and the securities it issues by whomsoever held, as well as the transactions authorized by this Agreement, shall be immune from all taxation and from all customs duties in the territories of members. The Bank shall also be exempt from restrictions on imports of goods necessary to carry out its functions and from any customs duties in respect thereof; however, this shall not apply to any dues payable for services actually rendered to the Bank.

- (ii) The Bank shall also be immune from liability for the collection or payment of any tax or duty.

**Article (41): JUDICIAL PROCESS**

Actions may be brought against the Bank in courts of competent jurisdiction in the territories of a member in which the Bank has a branch, an agency or an office, or has issued or guaranteed securities.

**Article (42): PERSONAL IMMUNITIES AND PRIVILEGES**

- (i) In the territories of all members states, the Governors, Alternate Governors, Directors and Bank officers:
  - (a) Immunity from legal process with respect to acts performed by them in their official capacity;
  - (b) Exemption from immigration restrictions, alien registration requirements and exchange restrictions in the member state, in as much scope as enjoyed by the representatives of member states equal to them in rank in that State;
  - (c) Shall be immune from taxation on or in respect of salaries and emoluments paid by the Bank;
  - (d) Shall be granted the same treatment in respect of travelling facilities as is accorded by members to the representatives of comparable rank of other members.
- (ii) The privileges, immunities and facilities set forth in this Article shall be accorded exclusively in connection with the discharge of the Bank's official functions.

**CHAPTER "IX"**  
**WITHDRAWAL AND SUSPENSION OF**  
**MEMBERSHIP**

**Article (43):WITHDRAWAL**

- (i) No member may withdraw from membership in the Bank until five years have elapsed since the date it became a member of the Bank. Withdrawal is effected by transmitting a notice in writing to the Bank at its principal office. Withdrawal shall become effective either upon the date such notice is received, or upon any later date fixed by such notice, which shall in any event be within six months thereof.**
- (ii) The Bank shall repurchase the shares of Capital stock of the withdrawing member at a price equal either to their net book value at the end of the year preceding the date of notice of withdrawal or to their value at par, whichever is smaller.**
- (iii) The Board of Directors shall determine the period of payment of the value of the shares repurchased, taking into account the financial position of the Bank; such period shall not exceed ten years from the date of the notice of withdrawal, subject to the provisions of Paragraph (V) of this Article.**

**In no event shall any amount due to the withdrawing member be paid until six months after the date of its withdrawal.**

- (iv) The payment of the price of the Capital stock shall be made in United States dollars.**
- (v) Payment shall be withheld so long as the withdrawing member or any of its agencies remains liable to the Bank as a debtor or a guarantor. In that event, the Bank may deduct the amounts due to the member from any obligations to the Bank as it becomes due.**

**Article (44):SUSPENSION**

- (i) If a member fails to fulfill its obligations to the Bank, the Bank may suspend its membership by decision of the Board of Governors, taken by two-thirds majority of the total voting power.**
- (ii) The member so suspended shall automatically cease to be a member one year from the date of its suspension, unless a decision is taken by the same majority of the Board of Governors to restore the member to good standing.**
- (iii) A suspended member shall not be entitled to exercise any rights under this Agreement, except the rights specified in the special provisions on withdrawal and the settlement of disputes. However, it shall remain subject to all its obligations to the Bank, whether as a member, debtor, guarantor, or otherwise.**
- (iv) The provisions on the repurchase of the Capital stock of a withdrawing member shall be applicable to a suspended member who has ceased to be a member.**

**CHAPTER "X"**  
**SUSPENSION OF OPERATIONS AND**  
**LIQUIDATION**

**Article(45):PROVISIONAL SUSPENSION OF OPERATIONS**  
**AND LIQUIDATION**

The Board of Directors may, under exceptional circumstances, provisionally suspend any new activity of the Bank, until the Board of Governors has had an opportunity to look into the matter and take a decision in respect thereof.

**Article (46): LIQUIDATION**

- (i) Not less than four months after a written notice to that effect has been sent to the members, the Board of Governors may decide, by a majority of three-fourths of the votes, to permanently suspend the operations of, and liquidate, the Bank.
- (ii) The Board of Directors shall take all necessary actions for the liquidation either by itself or through a committee of liquidators to be appointed by the Board of Governors on the recommendation of the Board of Directors.
- (iii) No distribution of assets shall be made to members until all liabilities of the Bank shall have been discharged or provided for.
- (iv) The Bank shall distribute it's assets to the members pro rata to Capital stock held by each of them. Such distribution shall be made at such times and upon such terms as the Board of Governors may determine.

**CHAPTER "XI"**  
**MISCELLANEOUS**

**Article (47): INTERPRETATION**

- (i) Any question of interpretation or implementation of the provisions of this Agreement arising between any member and the Bank or between two or more members shall be settled by the Board of Governors.
- (ii) For the purposes of interpretation and implementation of the provisions of this Agreement, the term "Arab State" shall mean any country that is a member of the Arab League; and the term "African State" shall mean any other country that is a member of the Organization of African Unity.

**Article (48): ARBITRATION**

- (i) Whenever a disagreement arises between the Bank and a country which has ceased to be a member, or between the Bank and any member after the decision to suspend the operations of the Bank has been taken, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators. The claimant shall advise the other party to the dispute of the nature of the disagreement and of the name of the arbitrator appointed by it; and the defendant shall appoint the second arbitrator within thirty days from the date of the notice. If the defendant fails to do so, the claimant shall have the right to request the Secretary General of the League of Arab States to appoint the second arbitrator.

The umpire shall be appointed jointly by the parties in dispute within sixty days of the date of said notice. In the event that the parties do not agree upon his appointment within the period stipulated,

the Secretary General of the Arab League shall appoint said umpire at the request of either party.

- (ii) The decisions of the arbitration tribunal shall be taken by a majority of votes. Such decisions shall be final and binding upon the parties.
- (iii) The umpire shall have full power to settle all questions of procedures in any case where the parties are in disagreement with respect thereto.

**Article (49):AMENDMENTS**

- (i) The provisions of this Agreement may be amended by decision of the Board of Governors, taken by a majority of three fourths of the total voting power.
- (ii) Any member, or the Board of Directors, may make a proposal to amend this Agreement. The proposal shall be communicated to all members not less than three months prior to the date of the meeting of the Board of Governors dealing with the proposed amendment.
- (iii) Amendments shall enter into force for all members three months after the date of their adoption by the Board of Governors.

**Article (50):CHANNEL OF COMMUNICATION**

Each member shall designate an appropriate official authority with which the Bank may communicate in connection with any matter arising under this Agreement, and any statements made by such authority to the Bank shall be deemed to have been made by the member concerned.

**Article (51):WORKING LANGUAGE**

The basic working language of the Bank shall be Arabic, and the use of French and English alongside Arabic, as circumstances may require, shall be permitted.

**Article (52):POLITICAL ACTIVITY PROHIBITED**

**The Bank and all its officers and staff shall not interfere in the political affairs of any member, of any country benefiting from the Bank's operations or of any country in which the Bank is carrying out its activity.**

**Article (53):RELATIONS WITH OTHER ORGANIZATIONS**

- (i) The Bank shall, within the limits of the powers specified in this Agreement, cooperate with national, regional and international organizations in the fields of development and international assistance.**
- (ii) The Bank may, pursuant to the decisions of the Board of Directors, enter into agreements with such organizations aimed at fostering such cooperation.**

**CHAPTER "XI"**  
**FINAL PROVISIONS**

**Article (54): SIGNATURE AND DEPOSIT**

- (i) This Agreement shall be drawn up in a single original copy in the Arabic language, ready to be signed on behalf of the Governments of the countries shown on the Subscription list attached hereto. This Agreement shall be deposited with the General Secretariat of the Arab League and remain open for signature not later than the 13<sup>th</sup> of March, 1974.
- (ii) The General Secretariat of the Arab League shall deliver an original copy of the Agreement to each member state and to any other state which subscribes to the Bank's capital.

**Article (55): RATIFICATION, ACCEPTANCE, ADOPTION**

This Agreement shall be submitted to the signatories for ratification, acceptance or adoption.

The instruments of ratification, acceptance or adoption shall be deposited with the General Secretariat of the League of Arab States within not more than thirty days of the date of ratification, acceptance or adoption.

The General Secretariat of the Arab League shall notify all other members of each instrument deposited and of the date of such deposit.

**Article (56): ENTRY INTO FORCE**

This Agreement shall enter into force when the instruments of ratification, acceptance or adoption have been deposited on behalf of not less than five countries whose subscriptions comprise not less than 50% of the Capital stock of the Bank. The Secretary General of the Arab League shall declare that this Agreement has entered into force upon the fulfilment of this requirement.

**Article (57): RESERVATIONS**

**No reservations may be made to this Agreement when it is signed, ratified, accepted or adopted or when a country becomes a member of the Bank.**

**Article(58):FIRST MEETING OF THE BOARD OF GOVERNORS**

**The Secretary General of the Arab League shall call the first meeting of the Board of Governors within thirty days from the date this Agreement shall have been declared to have entered into force.**

**Article (59):BEGINNING OF OPERATIONS**

**The Board of Directors shall notify all members of the date when the Bank shall begin operations.**

**IN WITNESS WHEREOF, the duly authorized Representatives of the following Governments have hereunto set their hands:**

**The Hashemite Kingdom of Jordan  
The United Arab Emirates  
The State of Bahrain (Kingdom of Bahrain)  
The Tunisian Republic  
The Democratic and Popular Republic of Algeria  
The Kingdom of Saudi Arabia  
The Democratic Republic of Sudan (Republic of Sudan)  
The Syrian Arab Republic  
The Republic of Iraq  
The Sultanate of Oman  
The State of Qatar  
The State of Kuwait  
The Lebanese Republic  
The Libyan Arab Republic (Great Socialist People's Libyan Arab Jamahiriya)  
The Arab Republic of Egypt  
The Kingdom of Morocco  
The Islamic Republic of Mauritania  
Palestine**

**This Agreement was drawn up on Monday 26<sup>th</sup> Muharram 1394 Hegira corresponding to 18<sup>th</sup> February 1974 A.D. in a single original copy in the Arabic language which shall remain deposited with the General Secretariat of the League of Arab States, and of which a true copy has been issued to each party.**



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