

**THE ISLAMIC CORPORATION FOR  
THE DEVELOPMENT OF THE PRIVATE  
SECTOR**

**ARTICLES OF AGREEMENT**

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**AGREEMENT ESTABLISHING THE ISLAMIC CORPORATION  
FOR THE DEVELOPMENT OF THE PRIVATE SECTOR**

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**AGREEMENT ESTABLISHING  
THE ISLAMIC CORPORATION FOR THE DEVELOPMENT OF  
THE PRIVATE SECTOR**

**THE GOVERNMENTS AND INSTITUTIONS ON WHOSE  
BEHALF THIS AGREEMENT IS SIGNED**

RECOGNIZING that the purpose of the Islamic Development Bank is to foster economic development and social progress by encouraging the growth of both the public and private productive enterprises in the member countries of the Islamic Development Bank in accordance with the principles of Shari'ah;

CONSIDERING the trend in the same member countries of transferring the financing of development projects from the public to the private sector, resulting in an unprecedented availability of opportunities for the private sector to contribute to the economic development of the member countries;

REALIZING the need for promoting the growth of productive private enterprises in the member countries;

CONVINCED of the necessity to establish an independent international institution in order to effectively deal with the private sector in the member countries;

HEREBY agree to the following:

## **CHAPTER I**

### **ESTABLISHMENT, JURIDICAL PERSONALITY, PURPOSE, FUNCTIONS, POWERS, POLICIES AND MEMBERSHIP**

#### **Article 1. Establishment**

The Islamic Corporation for the Development of the Private Sector (hereinafter the Corporation) shall be established by virtue of this Agreement as an international specialized institution to fulfill the public purpose provided for in paragraph 1 of Article 3 of this Agreement.

#### **Article 2. Juridical Personality**

The Corporation shall possess full juridical personality and, in particular, full capacity:

- (a) to contract;
- (b) to acquire and dispose of property;
- (c) to institute legal proceedings before arbitral tribunals and courts.

#### **Article 3. Purpose**

1. The purpose of the Corporation shall be to promote, in accordance with the principles of the Shari'ah, the economic development of its member countries by encouraging the establishment, expansion and modernization of private enterprises producing goods and services in such a way as to supplement the activities of the Islamic Development Bank (hereinafter referred to as "the Bank").
2. For the purposes of this Agreement enterprises in member countries with partial share participation by governments or their public entities not exceeding forty nine percent of the voting stock, which operate on a commercial basis and whose activities strengthen the private sector are deemed to be private enterprises.

#### **Article 4. Functions**

1. To fulfill its purpose the Corporation may undertake the following functions in support of the enterprises referred to in Article 3:
  - (a) assist, alone or in cooperation with other sources of finance, in the financing of the establishment, expansion and modernization of private enterprises, utilizing such financial instruments and mechanisms as the Corporation deems appropriate in each instance;
  - (b) facilitate their access to private and public capital, domestic and foreign, including access to capital markets;
  - (c) stimulate the development of investment opportunities conducive to the flow of private capital, domestic and foreign, into investments in the member countries;

- (ffffffffffffffffffff) contribute to the development and diversification of financial products, with due regard to compatibility with principles based on prudent administration of the resources of the Corporation; and
- (e) provide technical assistance for the preparation, financing and execution of projects, including the transfer of appropriate technology.
2. The Corporation may offer advisory services to member countries and their public and private enterprises on matters relevant to its purpose such as the conditions of an attractive environment for private investment, the identification and promotion of investment opportunities, the conversion of sole owner establishments and private limited companies into public companies, the privatization of public enterprises, the merger of private enterprises and the development of capital markets.

#### **Article 5. Powers**

1. In order to accomplish its purpose the Corporation shall have the power to carry out any economic or financial activity that is consistent with the Regulations issued by the Board of Directors of the Corporation.
2. Without prejudice to the generality of paragraph 1 hereof, the Corporation shall have the following powers:
- (a) to identify and promote private sector projects which meet the criteria of economic feasibility and efficiency, with preference given to projects that have one or more of the following characteristics:
- (i) they promote the development and use of human and material resources in the member countries of the Corporation;
- (b) they provide incentives for the creation of jobs;
- (c) they promote information technology;
- (d) they encourage savings and the use of capital in investments that produce goods and services;
- (e) they contribute to the generation and/or savings of foreign exchange;
- (f) they foster management capability and technology transfer; and
- (g) they promote broader public ownership of enterprises through the participation of as many investors as possible in the capital stock of such enterprises.
- (b) make direct investments through Islamic instruments and, preferably, through the subscription and purchase of shares or convertible debt instruments, in enterprises in which a majority of the voting power is held by investors with citizenship in member countries. In addition, in limited cases to be approved by the Board of Directors, make direct investments in small and medium-scale enterprises located in member countries, whose voting power is majority-owned by investors from other countries and in which significant generation of otherwise unavailable local added value is present;

- (c) offer financial products and services including, but not limited to, equity and quasi equity instruments, leasing, installment sales, *istisna'a*, *salam*, *mudharaba*, *murahaba*, guarantee, and risk management services;
- (ffffffffffffffffffff) promote the participation of other sources of financing and/or expertise through appropriate means, including the organization of syndications, the underwriting of securities and participations, joint ventures, and other forms of association;
- (e) issue *mudharaba*, leasing and *istisna'a* bonds and other financial instruments;
- (f) promote the underwriting of shares and securities issues, and extend such underwriting, provided the appropriate conditions are met, either individually or jointly with other financial entities;
- (g) provide asset management services to institutional and other investors in member countries;
- (h) raise funds, and for that purpose furnish such collateral or other security as the Corporation shall determine, provided that the total amount outstanding on the funds raised or guarantees given by the Corporation, regardless of source, shall not exceed an amount equal to three times the sum of its subscribed capital, earned surplus and reserves;
- (a) invest funds not immediately needed in its financial operations, as well as funds held by it for other purposes in such marketable obligations and securities as the Corporation may determine;
- (j) guarantee securities in which it has invested in order to facilitate their sale;
- (k) buy and/or sell securities it has issued or guaranteed or in which it has invested;
- (xx) handle, on such terms as the Corporation may determine, any specific matters incidental to its business as may be entrusted to the Corporation by its members or third parties, and discharge the duties of trustee in respect of trusts.

## **Article 6. Policies**

The activities of the Corporation shall be conducted in accordance with investment policies to be set forth in detail, and amended when required, in Regulations approved by the Board of Directors of the Corporation.

## **Article 7. Members**

1. The founding members of the Corporation shall be the Bank, those member countries of the Bank and those institutions of member countries that have signed this Agreement by the date specified in paragraph 1 of Article 60, and made the initial payment required in Article 10 of this Agreement.
2. The other member countries of the Bank and other financial institutions of which a member country or member countries of the Bank have majority ownership or control may accede to this Agreement on such date and in accordance with such conditions as



the General Assembly of the Corporation may determine by a majority of the members representing at least two-thirds of the total votes of the members.

3. The General Assembly may at any time after the coming into force of this Agreement by a vote of at least two thirds of the total number of members, representing not less than three fourths of the voting power of the members, open the membership of the Corporation to private sector institutions on such terms and conditions as it may determine.

## **CHAPTER II**

### **FINANCIAL RESOURCES**

#### **Article 8. Capital**

1. The authorized capital stock of the Corporation shall be one billion dollars of the United States of America (US \$1,000,000,000) of which five hundred million dollars of the United States of America (US \$500,000,000) are initially available for subscription by founding members. The Bank shall subscribe to fifty percent of this latter amount.
2. The authorized capital stock shall be divided into one hundred thousand (100,000) shares having a par value of ten thousand dollars of the United States of America (US \$10,000) each. Any shares not initially subscribed by the founding members in accordance with paragraph 1 and 2 of Article 9 of this Agreement shall be available for subsequent subscription.
3. The General Assembly may increase the authorized capital stock at such time and upon such terms and conditions, as it may deem appropriate, by at least two thirds of the total number of members representing not less than three-fourths of the voting power of members.

#### **Article 9. Subscription**

1. The Bank and the founding member countries shall initially subscribe the number of shares specified in Annex A to this Agreement.
2. Each other founding member shall subscribe at least one hundred shares.
3. Shares initially subscribed by the founding members shall be issued at par.
4. The conditions governing the subscription of shares to be issued after the initial share subscription by the founding members which shall not have been subscribed under Article 8(2) as well as the dates of payment thereof, shall be determined by the General Assembly of the Corporation.
5. If the General Assembly decides to increase the capital stock of the Corporation each member shall have a reasonable opportunity to subscribe, upon such terms and conditions as the General Assembly shall determine, to a proportion of the increase of stock equivalent to the proportion which its stock heretofore subscribed bears to the

total subscribed stock immediately prior to such increase. No member shall be obliged to subscribe to any part of an increase of the capital stock of the Corporation.

6. Subject to paragraph 5 of this Article, the General Assembly may, at the request of a member, by a vote of a majority of the total number of members representing a majority of the total voting power of the members, increase the subscription of such member to the capital stock on such terms and conditions as the General Assembly may determine.

#### **Article 10. Payment of Subscriptions**

1. The Bank shall pay the value of the shares subscribed by it in three annual, equal and consecutive installments. The first installment shall be paid within thirty days after the date the Bank becomes a member of the Corporation in accordance with Article 61 (2) of this Agreement. Each of the remaining installments shall be paid on the anniversary of the date the previous installment becomes due and payable.
2. The Bank shall, on behalf of each founding member country, pay the value of the shares initially subscribed by it. The number of installments and the dates of their payment shall be determined by the Board of Directors of the Corporation with the concurrence of the Board of Executive Directors of the Bank.
3. Each other founding member shall pay the value of the shares subscribed by it in five annual, equal and consecutive installments. The first installment shall be paid within thirty days after the founding member concerned becomes a member of the Corporation in accordance with Article 61 (2) of this Agreement. Each of the remaining installments shall be paid on the anniversary of the date the previous installment becomes due and payable.
4. The value of the shares shall be paid in United States Dollars. The Corporation shall determine the place or places of payment.

#### **Article 11. Restriction on Transfers and Pledges of Shares**

Shares of the Corporation may not be pledged, encumbered or transferred in any manner whatsoever except to the Corporation, unless the General Assembly approves a transfer between members by a majority of the members representing two-thirds of the total votes of the members.

#### **Article 12. Limitation on Liability**

The liability of members, including the Bank, on the shares subscribed by them, shall be limited to the unpaid portion of their value at issuance. No member, including the Bank, shall be liable, by reason of its membership, for obligations of the Corporation.

#### **Article 13. Other Resources**

The other resources of the Corporation shall consist of:

- (a) amounts accruing by way of dividends, commissions, and other funds derived from the investments of the Corporation;
- (b) amounts received upon the sale of investments or the repayment of financing;
- (c) amounts raised by the Corporation through various instruments; and

- (d) other funds entrusted to the Corporation for administration.

## **CHAPTER III**

### **OPERATIONS**

#### **Article 14. Operating Principles**

1. The Corporation shall provide financing on terms and conditions which it considers appropriate under the circumstances taking into account the requirements of the enterprises to be financed, the risks to the environment, the risks assumed by the Corporation and the terms and conditions normally obtained by private investors for similar Islamic financing.
2. It shall seek to revolve its funds by selling its investments, provided such sale can be made in an appropriate form and under satisfactory conditions to the extent possible in accordance with Article 5(2) (a) (vii).
3. It shall seek to maintain a reasonable diversification in its investments.
4. It shall apply such financial, technical, economic, legal, environmental and institutional feasibility and assessment criteria as may be required to justify investments and the adequacy of the guarantees offered.
5. It shall seek representation on the Board of the corporate bodies it finances or invests in unless its share in their capital does not exceed 5 percent of the total subscribed capital.
6. It shall not carry out any operation which falls under a category of investment that the Shari'ah Committee mentioned in Article 29, shall rule to be incompatible with Shari'ah, or which the Corporation considers inconsistent with this Agreement or with the Regulations to be issued pursuant to this Agreement.
7. It shall not establish as a condition that the proceeds of its financing be used to procure goods and services originating in a predetermined country.
8. It shall not assume responsibility for managing any enterprise in which it has invested and shall not exercise its voting rights for such purpose or for any other purpose which, in its opinion, is properly within the scope of managerial control.

#### **Article 15. Limitations**

1. With the exception of the investment of liquid assets of the Corporation referred to in Article 5 (2) (i) of this Agreement, investments of the Corporation shall be made only in enterprises located in member countries or working exclusively or mainly for the benefit of member countries; such investments shall be made following sound rules of financial management.
2. The Corporation shall not finance any undertaking in the territory of a member country if the member country objects to such financing.

#### **Article 16. Protection of Interests**

Nothing in this Agreement shall prevent the Corporation from taking such action and exercising such rights as it may deem necessary for the protection of its interests in the event of default on any of its investments or financing, actual or threatened insolvency of enterprises in which such investments or financing have been made, or other situations which, in the opinion of the Corporation, threaten to jeopardize such investments or financing.

#### **Article 17. Political Activity Prohibited**

The Corporation, the Chairman of its Board of Directors, the members of the Board of Directors, the General Manager, officers and staff shall not interfere in the political affairs of any member country; nor shall they be influenced in their decisions by the political character of the member country concerned.

### **CHAPTER IV**

#### **ORGANIZATION AND MANAGEMENT**

#### **Article 18. Structure**

The Corporation shall have a General Assembly, a Board of Directors, an Executive Committee, an Advisory Board, a Shari'a Committee, Chairman of the Board of Directors, a General Manager and such other officers and staff as may be needed for the efficient management of the Corporation within the limits authorized by the Board of Directors of the Corporation.

#### **Article 19. General Assembly**

1. Each member shall be represented at the General Assembly and shall appoint one representative who shall serve at the pleasure of the appointing member.
2. The representatives of members in the General Assembly shall serve as such without remuneration from the Corporation, but the Corporation may reimburse them for reasonable expenses incurred in attending meetings.
3. The General Assembly shall designate one of the representatives of the member countries as Chairman who shall hold office until the election of the next Chairman at the next annual meeting of the General Assembly.

#### **Article 20. General Assembly: Powers**

1. All the powers of the Corporation shall be vested in the General Assembly.
2. The General Assembly may delegate any or all of its powers to the Board of Directors, except the power to:
  - (a) admit new members and determine the conditions of their admission;
  - (b) increase or decrease the capital stock of the Corporation;

- (c) suspend a member;
  - (d) decide appeals from interpretations or applications of this Agreement given by the Board of Directors;
  - (e) approve after reviewing the auditor's report, the final accounts of the Corporation;
  - (Six) elect the members of the Board of Directors;
  - (g) determine the reserves and the distribution of the net income and surplus of the Corporation
  - (h) engage the services of external auditors to examine the final accounts of the Corporation;
  - (a) amend this Agreement; and
  - (Ten) decide to suspend or terminate the operations of the Corporation and to distribute its assets.
3. The General Assembly and the Board of Directors, to the extent the latter is authorized, may adopt such general rules and regulations as may be necessary or appropriate to conduct the business of the Corporation, including Rules and Regulations for personnel, pensions and other benefits.
  4. The General Assembly may establish a committee and entrust it with the evaluation of the performance of the Corporation and submission of reports thereon to the Chairman of the Board of Directors of the Corporation.
  5. The General Assembly shall retain full powers to exercise authority over any matter delegated to the Board of Directors under paragraphs (2) and (3) of this Article.

#### **Article 21. General Assembly: Procedures**

1. The General Assembly shall hold an annual meeting, which shall be held in conjunction with the annual meeting of the Board of Governors of the Bank. It may meet on other occasions as the General Assembly deems necessary or called by the Board of Directors. The Board of Directors must call for a General Assembly meeting whenever requested by one-third of the members of the Corporation.
2. A majority of the members of the General Assembly shall constitute a quorum for any meeting of the General Assembly, provided that such majority represents not less than two-thirds of the total voting power of the members.
3. The General Assembly shall by regulation establish a procedure whereby the Board of Directors may, where the latter deems such action advisable, obtain a vote of the members of the General Assembly on a specific question without calling a meeting of the General Assembly.

## **Article 22. Voting**

1. Each member shall have one vote for each share subscribed and paid for.
2. Except as otherwise provided in this Agreement, all matters before the General Assembly shall be decided by a majority of the voting power represented in the meeting.

## **Article 23. Board of Directors: Composition**

1. The Board of Directors shall consist of not less than six and not more than ten members in addition to the Chairman of the Board of Directors and the General Manager.
2. The Bank shall appoint one or more of the members of the Board of Directors which together with the Chairman of the Board of Directors and the General Manager shall constitute half of the Board of Directors.
3. One member shall be appointed by the member country having the largest number of shares of the Corporation.
4. The remaining members of the Board of Directors shall be elected by the members other than the member having the largest number of shares.
5. The procedures for the election of members of the Board of Directors shall be set forth in the Regulations to be adopted by the General Assembly.
6. Members of the Board of Directors shall be appointed or elected for a period of three years and may be re-appointed. Elected members of the Board of Directors may be re-elected for not more than two consecutive terms. The members of the Board of Directors shall continue in office until their successors are appointed or elected. If the office of a member of the Board of Directors becomes vacant more than ninety (90) days before the end of his term, a successor shall be appointed or elected for the remainder of the term, by the member or members who appointed or elected the former member of the Board of Directors as the case may be.
7. The members of the Board of Directors must be suitably qualified and experienced in the fields of the Corporation's activities.
8. No member of the Board of Directors may simultaneously serve as a member of the General Assembly of the Corporation.
9. A member of the Board of Directors shall cease to hold office if the member or all the members whose votes counted towards his appointment or election cease to be members of the Corporation.

## **Article 24. Board of Directors: Powers**

The Board of Directors shall be responsible for the general conduct of the operations of the Corporation and for this purpose shall exercise all the powers given to it by this Agreement or delegated to it by the General Assembly. In particular, the Board of Directors shall, on the recommendation of the Chairman of the Board of Directors:

- (One) adopt the policies of the Corporation and its general rules and regulations;

- (Two) adopt the operational strategy of the Corporation;
- (Three) adopt the annual administrative budget;
- (Four) submit the final accounts for each financial year for the approval of the General Assembly;
- (Five) interpret the provisions of this Agreement;
- (Six) propose amendments of this Agreement to the General Assembly;
- (Seven) undertake any other action that is not inconsistent with the provisions of this Agreement or the decisions of the General Assembly as it deems appropriate for the conduct of the business of the Corporation or for advancing its purposes.

#### **Article 25. Board of Directors: Procedures**

1. The Board of Directors shall operate at the headquarters of the Corporation, or at such other location as shall be designated by the Board, and shall meet when and as the business of the Corporation requires.
2. A majority of the members of the Board of Directors shall constitute a quorum for any meeting of the Board of Directors, provided that such majority represents not less than two-thirds of the total voting power of the members.
3. Subject to paragraph (4) of this Article, in voting in the Board of Directors each member of the Board of Directors shall be entitled to cast the number of votes which the member or members of the Corporation whose votes counted towards his appointment or election are entitled to cast.
4. Members of the Board of Directors appointed by the Bank shall have the votes of the Bank equally divided among them.
5. Except as otherwise expressly provided in this Agreement, all matters before the Board of Directors shall be decided by a majority of the voting power represented at the meeting.
6. All votes which a member of the Board of Directors is entitled to cast shall be cast as a unit.
7. In the event of a tie vote, the Chairman shall have the right to cast the deciding vote in the Board.

#### **Article 26. Executive Committee**

1. The Executive Committee shall be composed as follows:
  - (a) the Chairman of the Board of Directors;
  - (b) the General Manager of the Corporation;
  - (c) the member of the Board of Directors appointed by the member country having the largest number of shares in the Corporation;

- (d) not less than two and not more than four members from among the members of the Board of Directors representing other members as shall be determined by the Board of Directors.
- 2. The Chairman of the Board of Directors and, in his absence, the General Manager of the Corporation shall preside over the meeting of the Executive Committee and shall have no vote when chairing the meeting except a deciding vote in the event of a tie vote.

**Article 27. Executive Committee: Functions**

Without prejudice to Article 31 (5), the Committee shall have the power to approve all financing and investments by the Corporation in enterprises in the member countries and shall exercise other powers delegated to it by the Board of Directors.

**Article 28. Executive Committee: Procedures**

- 1. All financing and investments require an approval of the vote of the majority of the members of the Committee participating in the vote. An absence or abstention shall not count in the vote.
- 2. A quorum for any meeting of the Committee shall be the presence of the majority of its members.
- 3. A report with respect to each operation approved by the Committee shall be submitted to the Board of Directors. At the request of a member of the Board of Directors, such operation shall be presented to the Board for a vote. In the absence of such request within thirty days of distribution to the Board, an operation shall be deemed approved by the Board.
- 4. In the event that there is a tie vote regarding a proposed operation, such proposal shall be returned to the Management for further review and analysis; if upon reconsideration in the Committee, a tie vote shall again occur, the Chairman shall have the right to cast the deciding vote in the Committee.
- 5. In the event that the Committee shall reject an operation, it shall inform the members of the Board of Directors which, upon request of any member of the Board of Directors, may require that a Management report on such operation, together with a summary of the Committee's review, be submitted to the Board for discussion and possible directives with regard to the technical and policy issues related to the operation and to comparable operations in the future.

**Article 29. The Shari'a Committee**

- 1. The Corporation shall have a Shari'a Committee consisting of three erudite Islamic Scholars well versed in financial transactions. Members of the Shari'a Committee shall be appointed by the Board of Directors for a renewable three year term.
- 2. The Shari'a Committee shall rule on whether a certain category of investment is Shari'a compatible and shall consider any question referred to it by the Board of Directors or the Executive Committee or the Management of the Corporation.
- 3. The Committee shall render its decision after considering the views of the Management and any expert on the matter that it may wish to consult.



4. Decisions of the Shari'a Committee shall be taken by a majority vote of its members and shall set out the arguments and the reasons on which it is based.

#### **Article 30. The Advisory Board**

1. The Corporation may have an Advisory Board consisting of five internationally renowned personalities of different nationalities who are experts in the fields of the Corporation's activities.
2. Members of the Advisory Board shall be appointed by the General Assembly for a renewable three-year term.
3. The Advisory Board shall exchange views and submit reports on any matter submitted to it by the General Assembly, the Board of Directors, the Executive Committee, the Chairman of the Board of Directors or the General Manager. All views expressed in the Advisory Board shall be reflected in its reports.

#### **Article 31. Chairman, General Manager and Officers**

1. The President of the Bank shall be ex officio Chairman of the Board of Directors of the Corporation. He shall preside over meetings of the Board of Directors but without the right to vote except in the event of a tie. He shall participate in meetings of the General Assembly, but shall not vote at such meetings.
2. The General Manager shall be appointed by the Board of Directors upon the recommendation of the Chairman of the Board of Directors. The General Manager shall be a national of a member country. The Board of Directors shall determine the tenure, which may be renewable, of the General Manager and the conditions of his appointment.
3. The General Manager shall be the chief executive of the Corporation and shall, under the general supervision of the Chairman of the Board of Directors, conduct the current business of the Corporation. The General Manager shall be responsible for the organization, appointment and dismissal of the officers and staff in accordance with the Rules and Regulations adopted by the Corporation.
4. The General Manager shall be a member of the Board of Directors and the Executive Committee without the right to vote, except in the event of a tie while he acts as Chairman.
5. To the extent authorized by the Board of Directors, the General Manager shall approve the financing and investments by the Corporation in the enterprises in member countries.
6. Whenever activities must be carried out that require specialized knowledge or cannot be handled by the regular staff of the Corporation, the services of experts and consultants may be engaged on a temporary basis.
7. The officers and staff of the Corporation owe their duty entirely to the Corporation in the discharge of their offices. Each member of the Corporation shall respect the international character of such duty and shall refrain from all attempts to influence any of them in the discharge of their duties.
8. The Corporation shall have due regard for the need to assure the highest standards of efficiency, competence and professional and ethical integrity as the paramount

consideration in appointing the staff of the Corporation and in establishing their conditions of service. Due regard shall also be paid to the importance of recruiting the staff on as wide a geographic basis as possible.

**Article 32. Publication of Annual Reports and Circulation of Reports**

1. The Corporation shall publish an annual report containing an audited statement of its accounts. It shall also send the members a quarterly summary of its financial position and a profit and loss statement indicating the results of its operations.
2. The Corporation may also publish any such other reports and studies as it deems appropriate in order to fulfil its purposes and carry out its functions.

**Article 33. Dividends**

1. The General Assembly shall determine what part of the Corporation's net income and surplus, after making provision for reserves, shall be distributed as dividends. In any event, no dividends shall be distributed before reserves reach twenty-five percent (25%) of the subscribed capital.
2. Dividends shall be distributed pro rata in proportion to the paid-in capital stock held by each member.
3. Dividends shall be paid in such manner and in such currency or currencies as the General Assembly shall determine.

**Article 34. Relations with the Bank**

1. The Corporation shall be an entity separate and distinct from the Bank. The funds and accounts of the Corporation shall be kept separate and apart from those of the Bank, although the two organizations may co-finance the same project and may jointly invest their funds provided they are recorded separately in their respective books. The provisions of this paragraph shall not prevent the Corporation from making arrangements with the Bank regarding facilities, personnel, services and others concerning reimbursement of administrative expenses paid by either organization for the benefit of the other.
2. The Corporation shall seek insofar as possible to utilize the facilities and installations of the Bank for a consideration that may be agreed upon with the Bank.
3. Nothing in this Agreement shall make the Corporation liable for the acts or obligations of the Bank, or the Bank liable for the acts or obligations of the Corporation.

## **CHAPTER V**

### **WITHDRAWAL AND SUSPENSION OF MEMBERS**

#### **Article 35. Right of Withdrawal**

1. Any member may withdraw from the Corporation by notifying the Chairman of the Board of Directors in writing of its intention to do so. Such withdrawal shall become effective on the date specified in the notice but in no event prior to six months from the date on which such notice was delivered to the Corporation. At any time before the withdrawal becomes effective, the member may upon written notice to the Corporation, renounce its intention to withdraw.
2. A withdrawing member shall remain liable for all obligations to the Corporation to which it was subject at the date of delivery of the withdrawal notice. However, if the withdrawal becomes effective, a member shall not incur any liability for obligations resulting from operations of the Corporation effected after the date on which the withdrawal notice was received by the latter.

#### **Article 36. Suspension of Membership**

1. A member that fails to fulfil any of its obligations to the Corporation may be suspended by a vote representing not less than three-fourths of the total voting power of the members.
2. A member so suspended shall automatically cease to be a member of the Corporation one year from the date of its suspension unless the General Assembly during that period decides by the majority referred to in paragraph (1) of this Article to extend or lift the suspension.
3. While under suspension, a member may exercise none of the rights conferred upon it by this Agreement, except the right of withdrawal, but it shall remain subject to fulfillment of all obligations.

#### **Article 37. Rights and Duties on Cessation of Membership**

1. From the time its membership ceases, a member shall no longer share in the profits or losses of the Corporation and shall incur no liability with respect to financing and guarantees entered into by the Corporation thereafter. The Corporation shall arrange for the repurchase of such member's capital stock as part of the settlement of accounts with it in accordance with the provisions of this Article.
2. The Corporation and a member may agree on the withdrawal from membership and the repurchase of shares of said member on terms appropriate under the circumstances. If such agreement is not reached within three months after the date on which such member expresses its desire to withdraw from membership, or within a term agreed upon between both parties, the repurchase price of the member's shares shall be equal to the book value thereof on the date when the member ceases to belong to the Corporation, such book value to be determined by the Corporation's last audited financial statements.
3. Payment for shares shall be made in such installments and at such times and in such available currencies as the Corporation shall determine, taking into account its financial position. Provided that payment of the repurchase price of the shares

allocated under this Agreement to a former member country, and paid on its behalf under Article 10(2) by the Bank, shall be made to the Bank.

4. No amount due to a former member for its shares under this Article may be paid until one month after the date upon which such member ceases to be a member of the Corporation. If within that period the Corporation suspends operations, the rights of such member shall be determined by the provisions of Article 38 and the member shall be considered still a member of the Corporation for purposes of said Article, except that it shall have no voting rights.

#### **Article 38. Suspension of Operations**

In an emergency the Board of Directors may suspend operations in respect of new investments, financing and guarantees until such time as the General Assembly has the opportunity to consider the situation and take pertinent measures.

#### **Article 39. Termination of Operations**

1. The Corporation may terminate its operations by a decision of the General Assembly taken by a majority of two-thirds of the total number of members representing at least three-fourths of the total votes of the members. Upon termination of operations, the Corporation shall forthwith cease all activities except those incident to the conservation, preservation and realization of its assets and settlement of its obligations.
2. Until final settlement of such obligations and distribution of assets, the Corporation shall remain in existence and all mutual rights and obligations of the Corporation and its members under this Agreement shall continue unimpaired, except that no member shall be suspended or withdraw and that no distribution shall be made to members except as provided in this Article.

#### **Article 40. Liability of Members and Payments of Claims**

1. The liability of members arising from capital subscriptions shall remain in force until the Corporation's obligations, including contingent obligations, are fully settled.
2. All creditors holding direct claims shall be paid out of the assets of the Corporation to which such obligations are chargeable and then out of other reserves and then out of the paid-up capital and then out of payments, if any, due to the Corporation on unpaid capital subscriptions to which such claims are chargeable. Before making any payments to creditors holding direct claims, the Board of Directors shall make such arrangements as are necessary, in its judgment, to ensure a pro rata distribution among holders of direct and contingent claims.

#### **Article 41. Distribution of Assets**

1. No distribution of assets shall be made to members on account of paid subscriptions to the capital stock of the Corporation until all liabilities to creditors have been discharged or provided for. Such distribution must be approved by the General Assembly by a vote of two-thirds of the total number of members representing not less than three-fourths of the total voting power of members.
2. Any distribution of assets to the members shall be in proportion to the paid-up capital stock held and shall be effected at such times and under such conditions as the

Corporation deems fair and equitable. The proportions of assets distributed need not be uniform as to type of assets. No member shall be entitled to receive its proportion in such distribution of assets until it has settled all its obligations to the Corporation.

3. Any member receiving assets distributed pursuant to this Article shall enjoy the same rights with respect to such assets as the Corporation enjoyed prior to their distribution.

## **CHAPTER VI**

### **IMMUNITIES AND PRIVILEGES**

#### **Article 42. Purpose of Chapter**

To enable the Corporation to fulfill the functions with which it is entrusted, the immunities and privileges set forth in this Chapter shall be accorded to the Corporation in the territories of each member country.

#### **Article 43. Position of the Corporation with Regard to Judicial Process**

1. Actions may be brought against the Corporation only in a court of competent jurisdiction in the territories of a member country in which the Corporation has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities.
2. No action shall, however, be brought against the Corporation by members or persons acting or deriving claims from members nor in respect of personnel matters.
3. The property and assets of the Corporation shall, wheresoever located and by whomsoever held, be immune from all forms of judicial seizure, attachment or execution before the delivery of final judgment against the Corporation.

#### **Article 44. Immunity of Assets from Seizure**

Property and assets of the Corporation, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action.

#### **Article 45. Immunity of Archives**

The archives of the Corporation shall be inviolable.

#### **Article 46. Secrecy of Deposits**

The Corporation shall observe complete secrecy in regard to the depositor's accounts and members shall respect the inviolability of information about such deposits.

#### **Article 47. Freedom of Assets from Restrictions**

1. Subject to paragraph (2) of this Article and to the extent necessary to carry out the operations provided for in this Agreement, all property and assets of the Corporation shall be free from restrictions, regulations, controls and moratoria of any nature.
2. Funds received by or payable to the Corporation in respect of an investment of the Corporation made in any member country's territories pursuant to Article 4 (1) of this Agreement shall not be free, solely by reason of any provision of this Agreement, from generally applicable foreign exchange restrictions, regulations and controls in force in the territories of the member country.

#### **Article 48. Privileges for Communications**

The official communications of the Corporation shall be accorded by each member country the same treatment that it accords the official communications of the other member countries.

#### **Article 49. Immunities and Privileges of Officers and Employees**

All members of the General Assembly, the Chairman and members of the Board of Directors, the General Manager, officers and employees of the Corporation:

- (a) shall be immune from legal process with respect to acts performed by them in their official capacity;
- (b) not being local nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations and the same facilities as regards exchange restrictions as are accorded by member countries to the representatives, officials, and employees of comparable rank of other member countries;
- (c) shall be granted the same treatment in respect of traveling facilities as is accorded by member countries to representatives, officials and employees of comparable rank of other member countries.

#### **Article 50. Immunities from Taxation**

1. The Corporation, its assets, property, income and its operations and transactions authorized by this Agreement, shall be immune from all taxation and from all custom duties. The Corporation shall also be immune from liability for the collection or payment of any tax or duty.
2. No tax shall be levied on or in respect of salaries and emoluments paid by the Corporation to the Chairman or members of the Board of Directors, the General Manager, officials or employees of the Corporation.
3. No taxation of any kind shall be levied on any obligation or security issued by the Corporation (including any dividend or return thereon) by whomsoever held:
  - (a) which discriminates against such obligation or security solely because it is issued by the Corporation; or
  - (b) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Corporation.

4. No taxation of any kind shall be levied on any obligation or security guaranteed by the Corporation (including any dividend or return thereon) by whomsoever held:

(One) which discriminates against such obligation or security solely because it is guaranteed by the Corporation; or

(Two) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Corporation.

#### **Article 51. Application of Chapter**

Each member country shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Chapter and shall inform the Corporation of the detailed action which it has taken.

#### **Article 52. Waiver**

The Corporation in its discretion may waive any of the privileges and immunities conferred under this Article to such extent and upon such conditions as it may determine.

## **CHAPTER VII**

### **AMENDMENTS, INTERPRETATION, ARBITRATION**

#### **Article 53. Amendments**

1. This Agreement may be amended by a decision of the General Assembly taken by a vote of two-thirds of the total number of members representing not less than three-fourths of the total voting power of the members.
2. Notwithstanding the provisions of paragraph (1) of this Article, the unanimous agreement of the General Assembly shall be required for the approval of any amendment modifying:
  - (One) the right to withdraw from the Corporation as provided in Article 35 (1) of this Agreement;
  - (Two) the right to subscribe to shares in the capital increase of the Corporation as provided in paragraph (5) of Article 9; and;
  - (Three) the limitations on liability as provided for in Article 12.
3. Any proposal to amend this Agreement, whether emanating from a member of the Corporation or the Board of Directors, shall be communicated to the Chairman of the General Assembly, who shall bring the proposal before the General Assembly. When an amendment has been adopted, the Corporation shall so certify in an official communication addressed to all members. Amendments shall enter into force for all members three months after the date of the official communication unless the General Assembly shall specify a different date.

#### **Article 54. Languages, Interpretation and Application**

1. The official language of the Corporation shall be Arabic. In addition English and French may be used as working languages. The Arabic text of this Agreement shall be the authentic text for both interpretation and application.
2. Any question of interpretation of the provisions of this Agreement arising between any member and the Corporation or between members shall be submitted to the Board of Directors for decision.
3. In any case where the Board of Directors has given a decision under paragraph (2) of this Article, any member may require that the question be submitted to the General Assembly, whose decision shall be final. Pending the decision of the General Assembly, the Corporation may, insofar as it deems it necessary, act on the basis of the decision of Board of Directors.

#### **Article 55. Arbitration**

If a disagreement should arise between the Corporation and a member which has ceased to be such, or between the Corporation and any member after adoption of a decision to terminate the operations of the Corporation, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators. One of the arbitrators shall be appointed by the Corporation, another by the member concerned, each party acting within sixty days of the date of the request for arbitration. The third arbitrator, shall be appointed by agreement of the two parties and, when they fail to agree within 60 days, by the current President of the Islamic Court of Justice who shall also appoint the arbitrator not appointed by a party in the period specified above, on the request of the other party. If all efforts to reach a unanimous award by the arbitrators fail, decisions shall be reached by a majority vote of the three arbitrators. The third arbitrator shall be empowered to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

#### **Article 56. Approval Deemed Given**

Whenever the approval of any member is required before any act may be done by the Corporation, approval shall be deemed to have been given unless the member presents an objection within such reasonable period as the Corporation may fix in notifying the member of the proposed act.

### **CHAPTER VIII**

#### **GENERAL PROVISIONS**

#### **Article 57. Headquarters of the Corporation**

1. The headquarters of the Corporation shall be the Headquarters of the Bank in Jeddah in the Kingdom of Saudi Arabia.
2. The Board of Directors of the Corporation may establish other offices in the territories of any of its member countries.



#### **Article 58. Financial Year**

The Financial Year of the Bank shall be the Financial Year of the Corporation.

#### **Article 59. Channels of Communication, Depositories**

1. Each member shall designate a specific office of its own for purposes of communication with the Corporation on matters connected with this Agreement.
2. Each member country shall designate its central bank or such other agency as may be agreed upon with the Corporation, as a depository with which the Corporation may keep its holdings of currency of that member as well as other assets of the Corporation.

### **CHAPTER IX**

#### **FINAL PROVISIONS**

#### **Article 60. Signature and Acceptance**

1. This Agreement shall be deposited with the Bank, where it shall remain open for signature by the representatives of the Bank, the member countries of the Bank listed in Annex A and the other potential members until 30<sup>th</sup> Dhul Hija 1420 (of the Hijra Calendar) corresponding to 5<sup>th</sup> April 2000 (of the Gregorian Calendar) or such later date as shall be established by the Board of Directors of the Corporation. Each signatory of this Agreement shall deposit with the Bank an instrument setting forth that it has accepted or ratified this Agreement in accordance with its own laws or regulations and has taken the steps necessary to enable it to fulfill all of its obligations under this Agreement.
2. The Bank shall send certified copies of this Agreement to all members and duly notify them of each signature and deposit of the instrument of acceptance or ratification made pursuant to the forgoing paragraph, as well as the date thereof.
3. On or after the date which the Corporation commences operation, the Bank may receive the signature and the instrument of acceptance of this Agreement from any country or institution whose membership has been approved in accordance with paragraph (2) of Article 7 of this Agreement.

#### **Article 61. Entry into Force**

1. This Agreement shall enter into force when it has been signed and instruments of acceptance or ratification have been deposited, in accordance with paragraph (1) of Article 60, by:  
  
(One) the Bank;  
  
(Two) the Headquarters country; and  
  
(Three) at least four other member countries.

2. The countries and institutions whose instruments of acceptance or ratification were deposited prior to the date on which the Agreement entered into force shall become members on that date. Other countries and institutions shall become members on the dates on which their instruments of acceptance or ratification are deposited.

#### **Article 62. Commencement of Operations**

As soon as this Agreement enters into force under paragraph (1) of Article 61, each member shall appoint a representative and the President of the Bank shall call a meeting of the General Assembly. The Corporation shall begin operations on the date when such meeting is held.

DONE at the city of Jeddah, Kingdom of Saudi Arabia in a single original, dated 25 Rajab 1420H, corresponding to 3 November 1999, in Arabic, with a translation into English and French, which shall remain deposited in the archives of the Islamic Development Bank, which has indicated by its signature below its agreement to act as depository of this Agreement and to notify all those governments of the countries whose names are set forth in Annex A of the date when this Agreement shall enter into force, in accordance with paragraph (1) of Article 61 of this Agreement.

# ANNEX A

## SHARES IN THE CORPORATION'S AUTHORIZED CAPITAL STOCK ALLOCATED FOR THE INITIAL SUBSCRIPTION OF THE ISLAMIC DEVELOPMENT BANK AND MEMBER COUNTRIES

(Shares Par value: US\$10,000 each)

Shareholder	Number of Shares
Islamic Development Bank	25,000
Afghanistan	17
Albania	7
Algeria	475
Azerbaijan	4
Bahrain	44
Bangladesh	188
Benin	18
Brunei Darussalam	47
Burkina Faso	48
Cameroon	40
Chad	11
Comoros	4
Djibouti	10
Egypt	401
Gabon	51
Gambia	16
Guinea	47
Guinea Bissau	13
Indonesia	475
Iran	1,337
Iraq	82
Jordan	76
Kazakhstan	3
Kuwait	1,899
Kyrgyz	3
Lebanon	19
Libya	2,016
Malaysia	304
Maldives	16
Mali	19
Mauritania	16
Morocco	95
Mozambique	14
Niger	39
Oman	53
Pakistan	475
Palestine	26
Qatar	188
Saudi Arabia	3,812
Senegal	47
Sierra Leone	6
Somalia	16
Sudan	63
Suriname	5
Syria	19
Tajikistan	3
Togo	3
Tunisia	38
Turkey	1,176
Turkmenistan	3
Uganda	39
UAE	1,082
Yemen	95
Total	40,003