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**AGREEMENT ESTABLISHING THE
BANK FOR ECONOMIC COOPERATION AND DEVELOPMENT
IN THE MIDDLE EAST AND NORTH AFRICA**



**UNITED NATIONS
1996**

**AGREEMENT ESTABLISHING THE
BANK FOR ECONOMIC COOPERATION AND DEVELOPMENT
IN THE MIDDLE EAST AND NORTH AFRICA**

THE CONTRACTING PARTIES,

Recognizing that the establishment of a lasting, just and comprehensive peace in the Middle East opens the way to a better life for millions of people in the region who have been directly affected by violence for decades, and offers hope for a dramatic improvement in the economic, social and human development of the Middle East and North Africa;

Aware that the courageous political steps taken in the peace process must be supported by decisive actions in the areas of economic and social development;

Convinced that decisive actions to promote regional economic development, and to improve the living standards of the peoples of the region, are essential in order to consolidate peace; such actions would facilitate popular participation in economic cooperation for long-term development, thus leading the region toward a new era of cooperative interaction and prosperity;

Considering the need to improve economic cooperation and trade within the region as well as to enable the region to enhance its global economic competitiveness;

Recognizing that a permanent forum for economic dialogue and financial cooperation can be an important element contributing to lasting peace and prosperity within the region;

Considering the need to strengthen international cooperation for economic advancement in the region, to accelerate the contribution of foreign and domestic investment, and to improve the management of environmental resources;

Desiring to enhance the flow to the region of capital and technology for productive and peaceful purposes with a view to meeting the region's social and development needs and promoting respect for human rights;

Wishing also to support the development of regional projects, particularly for the creation of an infrastructure network designed to improve the efficiency of regional economies, while at all times mindful of the need to protect the environment;

Recognizing the imperative of establishing a strong private sector as a basis for achieving economic growth, alleviating poverty and improving the overall standard of living in the region;

Desiring to create a partnership between the public and private sectors through cooperation in reducing barriers to the flow of goods, services and capital, and in harmonizing policies to achieve an enabling economic environment, including the maintenance of fair and stable standards for the treatment of foreign and domestic investment; and

Convinced that a Bank for Economic Cooperation and Development in the Middle East and North Africa can play an important role in achievement of these ideals;

HAVE AGREED AS FOLLOWS:

Chapter I

Establishment, Status and Purposes

Article 1. Establishment and Status of the Bank

The Bank for Economic Cooperation and Development in the Middle East and North Africa (hereinafter referred to as the "Bank") is hereby established. It shall have full juridical personality and, in particular, the capacity to contract, to acquire and dispose of movable and immovable property, and to institute legal proceedings.

Article 2. Purposes

To further strengthen and enhance the fundamental objectives of peace, stability and development in the Middle East and North Africa, the purposes of the Bank shall be to:

(a) mobilize official and private, foreign and domestic, investment and other resources to:

(i) support projects that have a regional character, or that would have a significant beneficial impact on the region, in particular, infrastructure projects;

(ii) support and stimulate the growth of the private sector in the region, and foster private and entrepreneurial initiative; and

(iii) further economic growth and equitable and sustainable development to raise income levels and standards of living and support social well-being and the reduction of poverty; and

(b) provide a forum to promote economic cooperation and economic policy coordination in the region and assist the

regional members to integrate their respective economies into the global economy.

Article 3. Cooperation with Other International Organizations

To achieve its purposes, the Bank shall work in close cooperation with all its members and, in such manner as it may deem appropriate within the terms of this Agreement, with any international organization, regional organization or other recognized organization, whether public or private, whose activities are consistent with the facilitation of economic development of, and investment in, the region.

Chapter II

Membership and Resources

Article 4. Membership

(a) The original members are listed in Schedule A of this Agreement and are committed to:

(i) achieving a comprehensive peace in the Middle East and supporting the peace process begun at Madrid in October 1991; and

(ii) promoting economic cooperation within the region, including trade liberalization and the removal of trade barriers and restrictions, and integrating their respective economies with the global economy

but may be original members only if they become parties to this Agreement on or before October 31, 1997, or such later date as may be decided by the Board of Governors.

(b) The Board of Governors may decide by special majority to admit new members of the Bank which are committed to the principles set forth in subparagraphs (i) and (ii) of paragraph (a) of this Article, and which may not or do not become original members in accordance with paragraph (a) of this Article.

Article 5. Capital

(a) The authorized capital stock of the Bank shall be three billion, three hundred and thirty-eight million, seven hundred thousand Special Drawing Rights. The capital stock shall be divided into thirty-three million, three hundred and eighty-seven thousand shares having a par value of one hundred Special Drawing Rights each. Each share shall have a paid-in portion of

twenty-five percent and a callable portion of seventy-five percent.

(b) Each original member of the Bank shall subscribe at par to the number of shares of capital stock set forth opposite its name in Schedule A of this Agreement, and shall pay for the paid-in portion and the callable portion of such shares in accordance with that Schedule. Each new member shall subscribe to such number of shares of capital stock on such terms and conditions as may be determined by the Board of Governors, but in no event at a price of less than par. The Board of Governors may allocate to existing members shares which are not subscribed by the latest date for becoming an original member of the Bank pursuant to paragraph (a) of Article 4.

(c) The Board of Governors shall at intervals of not more than five years review the capital stock of the Bank. The Board of Governors, by special majority, may at any time increase the capital stock of the Bank. In those circumstances, each member shall have pre-emptive rights, but no member shall be obliged to subscribe to any part of an increase of capital stock.

(d) Shares of stock shall not be pledged or encumbered in any manner whatsoever, and they shall not be transferable except to the Bank.

Article 6. Voluntary Special Funds Resources

(a) To further its purposes, and mindful that concessional resources can accelerate the development of the weaker economies of regional members, the Bank may seek the voluntary contribution of Special Funds, and accept the administration of voluntarily contributed Special Funds, to be used in any manner and on any terms and conditions consistent with the agreement or agreements relating to such Funds. Agreements may provide that a Special Fund may be made available for projects on a concessional or grant basis, and may be used to finance studies and consultancy services to promote economic cooperation in the region, to finance technical assistance for project preparation, to support project implementation, and to provide other assistance.

(b) The Special Funds resources of the Bank shall at all times and in all respects be held, used, committed, accounted for, and invested or otherwise disposed of entirely separately from ordinary resources. The full cost of administering any Special Fund shall be charged to that Special Fund. The ordinary resources of the Bank shall under no circumstances be charged with, or used to discharge, losses or liabilities arising out of activities for which Special Funds resources were originally used or committed.

Article 7. Valuation of Currencies

Whenever it shall be necessary for the purposes of this Agreement to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Bank, after consultation with the International Monetary Fund.

Chapter III

Economic Cooperation

Article 8. A Forum for Economic Cooperation

(a) The Bank shall have a Forum for Economic Cooperation (hereinafter referred to as the "Forum") composed of the regional members of the Bank.

(b) The purpose of the Forum shall be to enable and encourage regional members, by discussion and dialogue, and agreement where appropriate, to:

(i) promote the efficient use of the economic resources of the region, social well-being, and economic growth and internal and external financial stability in the region, and, in particular, facilitate economic cooperation within the region;

(ii) promote macroeconomic, sectoral and regulatory policies that create a conducive environment for entrepreneurial activity;

(iii) coordinate and recommend regional economic priorities; and

(iv) pursue efforts to increase and promote both intra-regional and external investment and trade in goods and services, and to promote trade and investment liberalization, *inter alia*, by promoting the free movement of goods, services, persons and capital in the region, and the harmonization of regulatory regimes.

(c) The regional members shall select a Chairperson from the region, and shall determine the operating rules and procedures of the Forum, which may permit periodic meetings, at the Ministerial or expert level, and participation as appropriate of non-regional members in meetings of the Forum. With a view to achieving the purposes of the Forum, the regional members agree that they will:

(i) keep each other informed and furnish the Bank with the information necessary for the accomplishment of its tasks;

(ii) consult together at a policy level on a continuing basis, and carry out studies and participate in agreed projects;

(iii) cooperate closely with each other and where appropriate take coordinated action; and

(iv) cooperate with the non-regional members of the Bank as appropriate.

(d) The President of the Bank (hereinafter referred to as the "President") shall provide the Secretariat and logistical services for the operations and deliberations of the Forum. The Secretariat may provide the Forum at its request with economic analyses, coordinating as appropriate with other international institutions. The Secretariat shall be responsible for generally informing the Board of Directors and the Forum about each other's activities, with a view toward promoting Forum activities that will enhance the effectiveness of Bank operations.

(e) The Forum shall have no authority over other organs of the Bank.

Chapter IV

Financial Operations

Article 9. Basic Principles for Financial Operations

(a) The principal focus of the Bank, in its financial operations, shall be to:

(i) support projects that have a regional character, or that would have a significant beneficial impact on the region, in particular, infrastructure projects; and

(ii) support and stimulate the growth of the private sector in the region, including private sector local and regional projects, joint ventures, and small and medium-sized enterprises, and foster private and entrepreneurial initiative.

(b) The Board of Directors shall assure implementation of these basic principles by periodically reviewing the Bank's portfolio, by providing guidance to the President, or by taking such other action as it deems appropriate.

Article 10. Location of Financial Operations

The Bank may conduct its financial operations in those regional members that:

(a) are committed to and encouraging the peace process in the region and observing the principles set forth in subparagraphs (i) and (ii) of paragraph (a) of Article 4 of this Agreement; and

(b) are proceeding steadily to market-oriented economies and the promotion of private and entrepreneurial initiative.

Article 11. General Authorities

(a) To achieve the purposes of the Bank, and to implement the basic principles for its financial operations set forth in paragraph (a) of Article 9 of this Agreement, the Board of Directors may authorize the Bank to exercise any or all of the following authorities, consistent with prudent financial management practices and the evolving needs of the region. The Bank may:

(i) make or participate in, or provide guarantees for, loans;

(ii) invest in the equity capital of enterprises; and/or

(iii) provide financial advice, training in economic, managerial, financial and legal issues, research, and other forms of technical assistance; in providing assistance to private sector enterprises, the Bank may help them in coordinating with investment promotion agencies and other financing facilities, and in overcoming obstacles to investment in the region.

(b) The Bank may exercise its authorities to provide support:

(i) for any private sector enterprise in a member;

(ii) for the development of infrastructure, and other projects, with significant economic benefits for the region, with special emphasis on private sector participation; or

(iii) for any state-owned enterprise in a process of privatization provided that the enterprise

operates autonomously without subsidies in a competitive market environment and is subject to bankruptcy laws.

Article 12. Mobilizing Other Capital Resources

(a) The Bank shall not undertake any financing, or provide any facilities, when the applicant is able to obtain sufficient financing or facilities from other sources on terms and conditions that the Bank considers reasonable.

(b) To mobilize other private or official capital flows:

(i) the Bank shall assure that projects which it finances are also financed by multilateral institutions, commercial banks or other interested sources, except as determined by the Board of Directors; and

(ii) in its equity investments, the Bank shall not seek to obtain a controlling interest in the enterprise concerned and shall not exercise such control or assume direct responsibility for managing any enterprise in which it has an investment, except in the event of actual or threatened default on any of its investments, actual or threatened insolvency of the enterprise in which such investment shall have been made, or other situations which, in the opinion of the Bank, threaten to jeopardize any such investment.

Article 13. General Limits on Operations

(a) The total amount of outstanding loans, equity investments and guarantees made or issued by the Bank in its ordinary operations shall not be increased at any time, if by such increase the total amount of its unimpaired subscribed capital, reserves and surpluses included in its ordinary capital resources would be exceeded. The Board of Directors shall determine criteria and procedures for charging guarantees against this limit.

(b) The Bank shall not issue guarantees for export credits. All loans made or guaranteed by the Bank, and all equity investment by the Bank, shall be for the purpose of specific projects. The Bank shall not engage in fast-disbursing policy-based lending.

Article 14. Other Operational Principles

(a) The Bank shall carry out its activities in accordance with sound banking and business policies and prudent

financial management practices with a view to maintaining under all circumstances its ability to meet its financial obligations.

(b) In providing or guaranteeing financing, the Bank shall pay due regard to the prospect that the borrower and its guarantor, if any, will be in a position to meet their obligations under the financing contract.

(c) Before the Bank makes or issues a loan, guarantee or equity investment, the President shall have presented to the Board of Directors a written report regarding the proposal, together with recommendations, on the basis of a staff study. The Board of Directors shall decide on such proposals in accordance with the rules of procedure it adopts.

(d) Where the recipient of loans or guarantees of loans is not itself a member, but is an instrumentality of a member or members, the Bank may require the member or members concerned, or a public agency of such member or members acceptable to the Bank, to guarantee the repayment of the principal and the payment of interest and other fees and charges on the loan in accordance with the terms thereof.

Article 15. Environmental Mandate

The Bank shall promote in the full range of its activities environmentally sound and sustainable development and shall institute appropriate environmental assessment procedures.

Article 16. Financing in Member

The Bank shall not finance any undertaking within a member if that member objects to such financing.

Article 17. Terms and Conditions of Financial Instruments

(a) The Bank shall determine the terms and conditions of each loan and guarantee contract, subject to such rules and regulations as the Board of Directors shall issue. In determining such terms and conditions, the Bank shall take fully into account the need to safeguard its income. The Bank shall not cover the total amount or loss of any guaranteed loan.

(b) In its investments in individual enterprises, the Bank shall undertake its financing on terms and conditions that it considers appropriate, taking into account the requirements of the enterprise, the risks being undertaken by the Bank, and the terms and conditions normally obtained by private investors for similar financing.

Article 18. Disbursement of Loans, Procurement and Follow-up

(a) In case of a direct loan made by the Bank, the borrower shall be permitted by the Bank to draw its funds only to meet expenditures as they are actually incurred.

(b) In its financial operations, the Bank shall place no restriction upon the procurement of goods and services from any member, and shall, in all appropriate cases, make its loans and other operations conditional on international invitations to tender being arranged.

(c) The Bank shall take the necessary measures to ensure that the proceeds of any loan made, guaranteed or participated in by the Bank, or any equity investment made by the Bank, are used only for the purposes for which the loan or the equity investment was made and with due attention to considerations of economy and efficiency.

Chapter V

Additional Powers and Miscellaneous

Article 19. Borrowing and Other Powers

The Bank shall have, in addition to the powers specified elsewhere in this Agreement, the power to:

(a) borrow funds in members or elsewhere, provided that a member, either at accession or such later date as the member may determine, may notify the Bank that:

(i) before making a sale of its obligations in a market of that member, the Bank shall have obtained its approval; and/or

(ii) where the obligations of the Bank are to be denominated in the currency of that member, the Bank shall have obtained its approval;

(b) invest or deposit funds not needed in its operations;

(c) buy and sell securities, in the secondary market, which the Bank has issued or guaranteed or in which it has invested;

(d) guarantee securities in which it has invested in order to facilitate their sale;

(e) exercise such other powers and adopt such rules and regulations as may be necessary or appropriate in furtherance of its purposes as set forth in Article 2 of this Agreement; and

(f) conclude agreements of cooperation with any public or private entity or entities.

Article 20. Statement on Securities

Every security issued or guaranteed by the Bank shall bear on its face a conspicuous statement to the effect that it is not an obligation of any government or member, unless it is in fact the obligation of a particular government or member, in which case it shall so state.

Article 21. Free Use of Currencies

Members shall not impose any restrictions on the receipt, holding, use or transfer by the Bank of the following:

(a) currencies received by the Bank in payment of subscriptions to its capital stock, in accordance with Article 5 of this Agreement;

(b) currencies obtained by the Bank by borrowing;

(c) currencies and other resources administered by the Bank as contributions to Special Funds; and

(d) currencies received by the Bank in payment on account of principal, interest, dividends, premiums, or other charges in respect of loans, investments, guarantees or the proceeds of disposal of such investments made out of any of the funds referred to in paragraphs (a) through (c) of this Article, or in payment of commissions, fees or other charges.

Chapter VI

Financial Management

Article 22. General

The Bank shall observe prudent financial management practices with a view to maintaining under all circumstances its ability to meet its financial obligations.

Article 23. Losses and Reserves

(a) In the Bank's ordinary operations, in cases of arrears or default on loans made, participated in, or guaranteed by the Bank, and in cases of losses on equity investment, the Bank shall take such action as it deems appropriate. The Bank

shall maintain appropriate reserves and/or provisions against possible losses.

(b) Losses arising in the Bank's ordinary operations shall be charged:

(i) first, to the provisions referred to in paragraph (a) of this Article;

(ii) second, to net income;

(iii) third, against reserves and retained earnings;

(iv) fourth, against the unimpaired paid-in capital; and

(v) last, against an appropriate amount of the uncalled subscribed callable capital which shall be called in accordance with the provisions of paragraph (d) of Article 2 of Schedule A of this Agreement.

Article 24. Allocation of Net Income

(a) When satisfied that reserves are at adequate levels and that the Bank has made appropriate provisions against possible losses under paragraph (a) of Article 23 of this Agreement, the Board of Governors, by special majority, may decide that a part of net income or retained earnings shall be distributed to members as a dividend or to another entity or fund for purposes consistent with the purposes of the Bank.

(b) Any such distribution to members shall be made in proportion to the share of each member in the capital of the Bank, provided that in calculating such number account shall be taken only of payments received in cash and promissory notes encashed in respect of such shares on or before the end of the relevant financial year. Payments to each member, and their use by the receiving member, shall be without restriction by any member.

Article 25. Budget

The President shall prepare an annual budget of revenues and expenditures of the Bank for approval by the Board of Directors.

Article 26. Reports

(a) The Bank shall publish an annual report containing an audited statement of its financial position and a profit and loss statement showing the results of its operations, and shall

circulate to Directors at intervals of three months or less a summary statement of its accounts.

(b) The Bank shall report annually on the environmental impact of its activities and shall publish such other reports as it deems desirable to advance its purposes.

(c) Copies of all reports and statements prepared pursuant to this Article shall be distributed to members.

Chapter VII

Organization and Management

Article 27. Structure of the Bank

In addition to the Forum, the Bank shall have a Board of Governors, a Board of Directors, a President, officers and staff to perform such duties as the Bank may determine.

Article 28. The Board of Governors

(a) All the powers of the Bank shall be vested in the Board of Governors, except such powers as are, by the terms of this Agreement, specifically conferred upon another organ of the Bank. The Board of Governors may delegate to the Board of Directors the exercise of any of its powers, except the power to:

(i) elect the President and determine the salary and terms of the contract of service of the President;

(ii) decide that the President shall cease to hold office;

(iii) admit new members and determine the conditions of their admission;

(iv) suspend a member;

(v) decide on any increase or decrease in capital;

(vi) decide appeals from interpretations or applications of this Agreement given by the Board of Directors;

(vii) elect Directors;

(viii) determine the compensation of Directors and their Alternates;

- (ix) approve the audited annual financial statements;
- (x) allocate and distribute the net profits of the Bank;
- (xi) sell all or substantially all the assets of the Bank;
- (xii) cease operations and liquidate the Bank;
- (xiii) distribute assets to members pursuant to Article 51 of this Agreement; and
- (xiv) amend this Agreement, including its Schedule and Annex.

(b) Each member shall be represented on the Board of Governors and shall appoint one Governor and one Alternate, who shall serve at the pleasure of the appointing member and without reimbursement or remuneration from the Bank. No Alternate may vote except in the absence of his or her principal. At its inaugural meeting, and annually thereafter or at intervals determined by the Board of Governors, the Board shall elect one of the Governors as Chairperson who shall hold office until the election of the next Chairperson.

(c) The Board of Governors shall hold such meetings as may be provided for by the Board of Governors or called by the Board of Directors. The Board of Directors shall call meetings of the Board of Governors whenever requested by not less than five members of the Bank or members holding not less than one quarter of the total voting power of the members. The quorum for any meeting of the Board of Governors shall be a majority of the Governors representing not less than two-thirds of the total voting power of the members.

(d) The Board of Governors, and the Board of Directors to the extent authorized, may adopt such rules and regulations and establish such subsidiary bodies as may be necessary or appropriate to conduct the business of the Bank.

Article 29. The Board of Directors

(a) The Board of Directors shall be responsible for the general operations of the Bank and shall, in addition to the powers assigned to it expressly by this Agreement, exercise all the powers delegated to it by the Board of Governors. In particular, it shall:

- (i) prepare the work of the Board of Governors;
- (ii) establish policies concerning, *inter alia*,

a) the financial operations and financial management of the Bank; and

b) the full disclosure of non-confidential information, and, as appropriate, consultation and participation with local communities throughout the project cycle;

(iii) present the audited annual financial statements to the Board of Governors for approval;

(iv) approve the budget of the Bank, including resources for the Forum; and

(v) report periodically to the Board of Governors on progress toward regional economic cooperation.

(b) Unless the Board of Governors decides otherwise by special majority,

(i) any Governor, representing a member with at least four percent of the authorized capital stock, may elect a Director; and

(ii) acting in agreement, two or more Governors, representing members with at least four percent of the authorized capital stock, may elect a Director.

If any such Governor or Governors represent members which have acceded to this Agreement after a general election of Directors, such as at the inaugural meeting, any Director elected by that Governor or those Governors shall serve for a term coterminous with that of the Directors elected at that general election. Each Director may appoint an Alternate with full power to act for him or her in case of his or her absence or inability to act.

(c) Directors shall hold office for a term of three years and may be reelected for no more than one successive term. They shall continue in office until their successors shall have been chosen and assumed office. If the office of a Director becomes vacant more than one hundred and eighty days before the end of his or her term, a successor shall be chosen for the remainder of the term by the Governors who elected the former Director. A majority of the votes cast by such Governors shall be required for such election. If the office of a Director becomes vacant one hundred and eighty days or less before the end of his or her term, a successor may be chosen for the remainder of the term by the votes cast by such Governors who elected the former Director, in which election a majority of the votes cast by such Governors shall be required. While the office remains vacant, the Alternate of the former Director shall exercise the powers of the latter, except that of appointing an Alternate.

(d) The President shall be *ex officio* Chairperson of the Board of Directors, but shall have no vote except a deciding vote in case of an equal division.

(e) The Board of Directors shall meet at the call of its Chairperson acting on his or her own initiative or upon request of three Directors. A quorum for a meeting of the Board of Directors shall be a majority of the Directors exercising not less than two-thirds of the total voting power. The Board of Directors may by regulation establish a procedure whereby its Chairperson, when he or she deems such action to be in the best interests of the Bank, may request a decision of the Board on a specific question without calling a meeting of the Board. It may also establish procedures for approving particular financial operations.

(f) The Board of Directors shall not meet in continuous session, shall not be resident at the Bank, and shall serve without remuneration or reimbursement from the Bank. By special majority, the Board of Governors, under such terms and conditions as it determines, may replace the non-resident Board of Directors with a resident Board of Directors of not more than twelve Directors.

Article 30. President, Officers and Staff

(a) The President shall, under the direction of the Board of Directors, conduct the current business of the Bank, and shall be the legal representative of the Bank. He or she shall be responsible for the organization, appointment and dismissal of the officers and staff. In appointing officers and staff, the President shall, subject to the paramount importance of efficiency and technical competence, pay due regard to recruitment on a wide geographical basis among members of the Bank, with due attention to regional recruitment.

(b) The Board of Governors, by a vote of a majority of the total number of Governors, representing not less than a majority of the total voting power of the members, shall elect a President. The President, while holding office, shall not be a Governor or a Director or an Alternate for either. The term of office of the President shall be five years, and he or she may be re-elected once. He or she shall, however, cease to hold office when the Board of Governors so decides by special majority. If the office of the President for any reason becomes vacant, the Board of Governors, in accordance with the provisions of this paragraph, shall elect a successor for up to five years. The Board of Governors shall determine the salary and terms of the contract of service of the President.

(c) The Bank, its President, officers and staff shall in their decisions take into account only considerations relevant to the Bank's purposes and operations. Such considerations shall

be weighed impartially in order to achieve and carry out the purposes of the Bank. The President, officers and staff of the Bank, in the discharge of their offices, shall owe their duty entirely to the Bank and to no other authority. Each member of the Bank shall respect the international character of this duty and shall refrain from any attempts to influence any of them in the discharge of their duties.

Article 31. Voting

(a) The voting power of each member shall be equal to the number of its subscribed shares in the capital stock of the Bank. If a member fails to pay any part of the amount due in respect of the paid-in portion of shares to which it has subscribed under Article 5 of this Agreement, such member shall be unable, for so long as such failure continues, to exercise that percentage of its voting power which equals the percentage which the amount due but unpaid bears to the total amount of the paid-in portion of shares subscribed to by that member in the capital stock of the Bank.

(b) In voting in the Board of Governors, each Governor shall be entitled to cast the votes of the member he or she represents. Except as otherwise expressly provided in this Agreement, all matters before the Board of Governors shall be decided by a majority of the voting power of the members voting.

(c) In voting in the Board of Directors, each Director shall be entitled to cast the number of votes to which the Governors who have elected him or her are entitled. A Director representing more than one member of the Bank may cast separately the votes of the members he or she represents. 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 of the Directors voting.

Article 32. Location

(a) The principal office of the Bank shall be located in Cairo, Arab Republic of Egypt.

(b) The Bank may establish agencies or branch offices in any member of the Bank only on decision by special majority of the Board of Directors.

Article 33. Depositories and Channel of Communication

(a) Each member shall designate its central bank, or such other institution as may be agreed upon with the Bank, as a depository for the Bank's holdings of its currency as well as other assets of the Bank.

(b) Each member shall designate an appropriate official entity with which the Bank may communicate in connection with any matter arising under this Agreement. Whenever the approval of any member is required before any act may be done by the Bank, approval shall be deemed to have been given unless the member presents an objection within such reasonable period as the Bank may fix in notifying the member of the proposed act.

Chapter VIII

Privileges and Immunities

Article 34. Purposes of the Chapter

To enable the Bank to fulfill its functions, the privileges and immunities set forth in this chapter shall be accorded to the Bank in each member.

Article 35. Legal Process

Actions other than those within the scope of Article 43 of this Agreement may be brought against the Bank only in a court of competent jurisdiction in a member in which the Bank has an office or has appointed an agent for the purpose of accepting service or notice of process. No such action against the Bank shall be brought (i) by members or persons acting for or deriving claims from members or (ii) in respect of personnel matters. The property and assets of the Bank shall, wherever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of the final judgment or award against the Bank.

Article 36. Assets

(a) The property and assets of the Bank, including assets of the Special Funds, 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.

(b) To the extent necessary to carry out its operations under this Agreement, all property and assets of the Bank shall be free from restrictions, regulations, controls and moratoria of any nature.

Article 37. Archives and Communications

(a) The archives of the Bank shall be inviolable, wherever they may be.

(b) The official communications of the Bank shall be accorded by each member the same treatment that it accords to the official communications of other members.

Article 38. Officials of the Bank

(a) All Governors, Directors, Alternates, officers and staff of the Bank, experts performing missions for the Bank, and the President:

(i) shall be immune from legal process with respect to acts performed by them in their official capacity, and shall enjoy inviolability of all their official papers and documents. This immunity shall not apply, however, to civil liability in the case of damage arising from a road traffic accident caused by any such Governor, Director, Alternate, officer, staff, expert or the President;

(ii) 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 regulations, as are accorded by members to the representatives, officials, and employees of comparable rank of other members; and

(iii) shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

(b) The spouses and immediate dependents of the President, officers, staff and experts performing missions for the Bank who are resident in the member in which the principal or another office or agency of the Bank is located should, wherever possible, in accordance with the law of that member, be accorded opportunity to take employment in that member.

Article 39. Taxes

(a) The Bank, its assets, property and income, and its operations and transactions authorized by this Agreement, shall be immune from all taxes and customs duties. The Bank shall also be immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied on or in respect of salaries, expense allowances or other emoluments paid by the Bank to the President, officers or staff of the Bank, except that a member may deposit, with its instrument of ratification, acceptance or approval of this Agreement, a declaration that such member retains for itself and its political subdivisions the right to tax salaries and emoluments paid by the Bank to citizens or nationals of such member. The Bank shall not make any reimbursement for such taxes. The Bank shall be exempt from any

obligation for the payment, withholding or collection of such taxes.

(c) No tax of any kind shall be levied on any obligation or security issued or guaranteed by the Bank, including any dividend or interest thereon, by whomsoever held, if that tax discriminates against such obligation or security or investment solely because it is issued or guaranteed by the Bank, or 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 Bank.

Article 40. Application of this Chapter

Each member shall promptly take such action as is necessary within its jurisdiction for the purpose of making effective in terms of its own law the principles set forth in this Chapter, and shall inform the Bank in detail of the action which it has taken.

Article 41. Waiver

The immunities, exemptions and privileges provided in this Chapter are granted in the interests of the Bank and may be waived, to such extent and upon such conditions as the Bank may determine, in cases where such a waiver would not prejudice its interests. The President shall waive the immunity of any of the Bank's officers, staff or experts in cases where, in his or her opinion, the immunity would impede the course of justice and can be waived without prejudice to the interests of the Bank. In similar circumstances and under the same conditions, the Board of Governors shall have the right and the duty to waive any immunity, privilege or exemption in respect of the President.

Chapter IX

Settlement of Disputes

Article 42. Interpretation and Application of the Agreement

(a) Any question of interpretation or application of the provisions of this Agreement arising between any member of the Bank and the Bank or among members of the Bank shall be submitted to the Board of Directors for its decision. Any member which is particularly affected by the question and which is not otherwise represented directly on the Board of Directors may send a representative to attend any meeting of the Board of Directors at which such question is considered.

(b) In any case where the Board of Directors has given a decision under paragraph (a) of this Article, any member may require that the question be referred to the Board of Governors,

whose decision shall be final. Pending the result of the referral to the Board of Governors, the Bank may, so far as it deems necessary, act on the basis of the decision of the Board of Directors.

Article 43. Disputes Involving the Bank and Relating to Withdrawal or Suspension

Without prejudice to the provisions of Article 42 of this Agreement, any dispute between the Bank and a member or former member which has withdrawn or been suspended shall be settled in accordance with the procedure set forth in Annex A of this Agreement.

Chapter X

Amendments

Article 44. General

The Board of Governors, by special majority, may amend this Agreement, including its Schedule and Annex, except that the affirmative vote of all members shall be required for amendments to the provisions on pre-emptive rights in Articles 5 and 52, Article 46 (withdrawal), and paragraph (f) of Article 2 of Schedule A of this Agreement (limit on liability).

Article 45. Procedure

Any proposal to amend this Agreement, including its Schedule and Annex, whether by a member or a Governor or a Director, shall be communicated to the Chairperson of the Board of Directors who shall bring the proposal before the Board of Directors. If the proposed amendment is recommended by the Board of Directors, it shall be submitted to the Board of Governors for approval. When an amendment has been duly approved by the Board of Governors, the Bank shall so certify by formal communication addressed to all members. Amendments shall enter into force for all members ninety days after the date of the formal communication unless the Board of Governors shall specify a different date.

Chapter XI

Withdrawal, Suspension of Membership and
Cessation of Operations

Article 46. Withdrawal

Any member may, after the expiration of three years following the date upon which this Agreement has entered into force with respect to such member, withdraw from the Bank at any time by giving notice in writing to the Bank at its principal

office. Any withdrawal shall become effective ninety days following the date of the receipt of such notice by the Bank. A member may revoke such notice as long as it has not become effective.

Article 47. Suspension of Membership

(a) If a member fails to fulfil any of its obligations under this Agreement, the Board of Governors, by special majority, may suspend its membership.

(b) While under suspension, a member shall have no rights under this Agreement, except for the right of withdrawal and other rights provided in this Chapter and Chapter IX of this Agreement, but shall remain subject to all its obligations.

(c) The suspended member shall automatically cease to be a member one year from the date of its suspension unless the Board of Governors decides to extend the period of suspension or to restore the member to good standing.

Article 48. Rights and Duties of Former Members

(a) Upon cessation of membership, a former member shall remain liable for all its obligations, including its contingent obligations, under this Agreement which shall have been in effect before the cessation of its membership.

(b) Without prejudice to paragraph (a) of this Article, the Bank shall enter into an arrangement with such former member for the settlement of their respective claims and obligations. Any such arrangement shall be approved by the Board of Governors.

Article 49. Review of Operations, Termination and Disposition of Assets

(a) The Board of Governors shall undertake a fundamental review of the operations of the Bank in the tenth year following the inaugural meeting.

(b) Following that review or at other times, the Board of Governors, by special majority, may terminate the operations of the Bank.

(c) The Board of Governors, by special majority, may sell all or substantially all the assets of the Bank, including the Bank's portfolio of loans, provided that, prior to the sale, arrangements are in place to discharge or provide for all liabilities to creditors and holders of guarantees.

Article 50. Protection of Creditors and Others on Termination

Upon termination of the operations of the Bank:

(a) the Bank shall forthwith cease all activities, except those incident to the orderly realization, conservation and preservation of its assets and settlement of its obligations;

(b) the liability of all members for subscriptions to the capital stock of the Bank shall continue until all claims of creditors and holders of guarantees shall have been discharged; and

(c) the Bank shall take immediate and appropriate steps to discharge or provide for all liabilities to creditors and holders of guarantees.

Article 51. Distribution to Members

(a) After the Bank has taken a decision in accordance with paragraph (b) of Article 49 and complied with paragraphs (a) and (c) of Article 50 of this Agreement, or sold all or substantially all the assets of the Bank under paragraph (c) of Article 49 of this Agreement, the Board of Governors may decide, by special majority, to make a distribution to members in proportion to each member's share in the subscribed capital. No member shall be entitled to its share in the assets of the Bank unless that member has settled all outstanding claims by the Bank against it. The shares of assets distributed need not be uniform as to type of assets. Every distribution of assets shall be made at such times as the Board of Governors shall determine and in such manner as it shall deem fair and equitable.

(b) The Bank shall distribute any remaining assets of the Special Funds in accordance with the terms of relevant agreements.

Chapter XII**Definitions and Final Provisions****Article 52. Definitions**

(a) *Pre-emptive right* means a reasonable opportunity for a member to subscribe, under such uniform terms and conditions as the Board of Governors shall determine, to a proportion of the increase in stock equivalent to the proportion which its stock subscribed bears to the total subscribed capital stock immediately prior to such increase.

(b) *Special majority* means an affirmative vote by eighty percent of the total voting power.

(c) Ordinary resources of the Bank shall include:

(i) authorized capital stock of the Bank, including both the paid-in and callable portions of shares;

(ii) funds raised by borrowings of the Bank by virtue of powers conferred by paragraph (a) of Article 19 of this Agreement;

(iii) funds received in repayment of loans or guarantees, and proceeds from the disposal of equity investments, made with or based on the resources indicated in sub-paragraphs (i) and (ii) of this paragraph;

(iv) income derived from loans and equity investments, and income from guarantees, made from or based on the resources indicated in sub-paragraphs (i), (ii) and (iii) of this paragraph; and

(v) any other funds or income received by the Bank which do not form part of its Special Funds resources referred to in paragraph (d) of this Article.

(d) *Special Funds resources* shall refer to the resources of any Special Fund and shall include:

(i) funds accepted by the Bank for inclusion in any Special Fund;

(ii) funds repaid in respect of loans or guarantees, and the proceeds of equity investments, financed from the resources of any Special Fund which, under the agreement governing that Special Fund, are received by such Special Fund; and

(iii) income derived from investment of Special Funds resources, or from the operations of any Special Fund.

Article 53. Signature, Ratification, Acceptance or Approval and Entry into Force

(a) This Agreement shall be open for signature at the United Nations Headquarters in New York by, for or on behalf of all prospective members whose names are set forth in Schedule A of this Agreement, and shall be subject to ratification, acceptance or approval by the signatories, in accordance with their own procedures.

(b) Instruments of ratification, acceptance or approval of this Agreement and amendments thereto shall be deposited with the Secretary-General of the United Nations who shall act as the depositary of this Agreement (hereinafter referred to as the "Depositary"). The Depositary shall transmit certified copies of this Agreement to each signatory, and shall notify the signatories of deposits of instruments of ratification, acceptance and approval, the dates thereof, and the date on which this Agreement enters into force.

(c) This Agreement shall enter into force on the date on which instruments of ratification, acceptance or approval shall have been deposited by signatories whose initial subscriptions represent not less than sixty-five percent of the total subscriptions set forth in Schedule A of this Agreement.

(d) For each prospective member which deposits its instrument of ratification, acceptance or approval after this Agreement shall have entered into force, this Agreement shall enter into force on the date of such deposit.

(e) If this Agreement shall not have entered into force within two years after its opening for signature, the Depositary shall convene a conference of interested parties to determine the future course of action.

Article 54. Inaugural Meeting

(a) Upon entry into force of this Agreement, the Depositary shall call the inaugural meeting of the Board of Governors. This meeting shall be held at the principal office of the Bank within sixty days from the date on which this Agreement has entered into force or as soon as practicable thereafter.

(b) At its inaugural meeting, the Board of Governors shall:

(i) elect the President and Directors;

(ii) make arrangements for determining the date of the commencement of the Bank's operations; and

(iii) make such other arrangements as appear to it necessary to prepare for the commencement of the Bank's operations.

(c) The Bank shall notify its members of the date of commencement of its operations.

Article 55. Registration

The Depositary shall register this Agreement with the Secretariat of the United Nations in accordance with Article 102 of the Charter of the United Nations and the Regulations thereunder adopted by the General Assembly.

Done on August 28, 1996, in a single copy in the English language.

Schedule A**Article 1. Subscription**

Member	Total Number of Shares	Paid-in Portion (in SDRs)	Callable Portion (in SDRs)
Non-regional members			
Austria	333,870	8,346,750	25,040,250
Canada	918,143	22,953,563	68,860,688
Cyprus	83,468	2,086,700	6,260,100
Greece	667,740	16,693,500	50,080,500
Italy	1,669,350	41,733,750	125,201,250
Japan	3,171,765	79,294,125	237,882,375
Korea, Republic of	417,338	10,433,450	31,300,350
Malta	83,468	2,086,700	6,260,100
Netherlands	1,168,545	29,213,625	87,640,875
Russia	2,003,220	50,080,500	150,241,500
Turkey	333,870	8,346,750	25,040,250
United States	7,011,270	175,281,750	525,845,250
Regional members			
Algeria	667,740	16,693,500	50,080,500
Egypt, Arab Republic of	1,335,480	33,387,000	100,161,000
Israel	1,335,480	33,387,000	100,161,000
Jordan	1,335,480	33,387,000	100,161,000
Morocco	667,740	16,693,500	50,080,500
Palestinian Authority	1,335,480	33,387,000	100,161,000
Tunisia	667,740	16,693,500	50,080,500

Article 2. Payment

(a) All payment obligations of members with respect to initial capital stock shall be settled on the basis of the average value of the Special Drawing Right in terms of a freely usable currency or the ECU for the period August 1, 1995, to October 31, 1995.

(b) Each original member shall pay for the paid-in portion of shares to which it subscribed in five installments of twenty percent each. Each member shall pay the first installment within ninety days from the date on which this Agreement enters into force with respect to such member, and, subject to its legislative requirements, shall pay each of the four remaining installments one year from the date on which the preceding installment became due.

(c) Payment of each installment of the paid-in portion of shares may be made in cash or in the form of non-negotiable, non-interest-bearing promissory notes or similar obligations denominated in a freely usable currency or ECU, to be encashed *pro rata* pursuant to a decision by the Board of Directors in order to meet the Bank's obligations or its operational needs.

(d) Payment of the amount subscribed to the callable portion of the capital stock of the Bank shall be subject to call only as and when required by the Bank to meet its liabilities. Calls on any portion of unpaid subscriptions shall be uniform on all shares. If the amount received by the Bank on a call shall be insufficient to meet the obligations which have necessitated the call, the Bank may make further successive calls on unpaid subscriptions until the aggregate amount received by it shall be sufficient to meet such obligations.

(e) Payments of subscriptions in cash shall be made in a freely usable currency. For purposes of this Article, a freely usable currency is a currency determined to be freely usable by the International Monetary Fund.

(f) Liability on shares shall be limited to the unpaid portion of the issue price.

Annex A

Arbitration

Article 1. The parties to a dispute within the scope of this Annex shall attempt to settle such dispute by negotiation before seeking arbitration. Negotiation shall be deemed to have been exhausted if the parties fail to reach a settlement within a period of one hundred and twenty days from the date of the request to enter into negotiation.

Article 2. Arbitration proceedings shall be instituted by means of a notice by the party seeking arbitration (the claimant) addressed to the other party or parties to the dispute (the respondent). The notice shall specify the nature of the dispute, the relief sought and the name of the arbitrator appointed by the claimant. The respondent shall, within thirty days after the date of receipt of the notice, notify the claimant of the name of the arbitrator appointed by it. The two parties shall, within a period of thirty days from the date of appointment of the second arbitrator, select a third arbitrator, who shall act as President of the Arbitral Tribunal (the Tribunal).

Article 3. If the Tribunal shall not have been constituted within sixty days from the date of the notice, the arbitrator not yet appointed or the President of the Tribunal not yet selected shall be appointed by the President of the International Court of Justice or such other authority as may have been prescribed by regulation adopted by the Bank to make the appointment.

Article 4. No party shall have the right to change the arbitrator appointed by it once the hearing of the dispute has commenced. In case any arbitrator (including the President of the Tribunal) shall resign, die, or become incapacitated, a successor shall be appointed in the manner followed in the appointment of his or her predecessor and such successor shall have the same powers and duties of the arbitrator he or she succeeds.

Article 5. The Tribunal shall convene first at such time and place as shall be determined by the President of the Tribunal. Thereafter, the Tribunal shall determine the place and dates of its meetings.

Article 6. Unless otherwise provided in this Annex or agreed upon by the parties, the Tribunal shall determine its procedure.

Article 7. The Tribunal shall be the judge of its own competence except that, if an objection is raised before the Tribunal to the effect that the dispute falls within the jurisdiction of the Board of Directors or the Board of Governors under Article 42 of this Agreement and the Tribunal is satisfied that the objection is genuine, the objection shall be referred by the Tribunal to the Board of Directors or the Board of Governors, as the case may be, and the arbitration proceedings shall be stayed until a decision has been reached on the matter, which shall be binding upon the Tribunal.

Article 8. The Tribunal shall, in any dispute within the scope of this Annex, apply the provisions of this Agreement, the Bank's by-laws and regulations, and the applicable rules of international law.

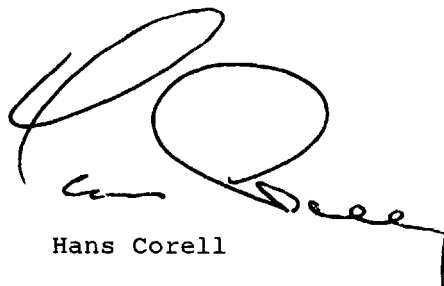
Article 9. The Tribunal shall afford a fair hearing to all the parties. All decisions of the Tribunal shall be taken by a majority vote and shall state the reasons on which they are based. The award of the Tribunal shall be in writing and shall be signed by at least two arbitrators, and a copy thereof shall be transmitted to each party. The award shall be final and binding upon the parties and shall not be subject to appeal, annulment or revision.

I hereby certify that the foregoing text is a true copy of the Agreement Establishing the Bank for Economic Cooperation and Development in the Middle East and North Africa, done on 28 August 1996, which is deposited with the Secretary-General of the United Nations.

Je certifie que le texte qui précède est une copie conforme de l'Accord portant création de la Banque pour la coopération économique et le développement au Moyen-Orient et en Afrique du Nord, fait le 28 août 1996, lequel est déposé auprès du Secrétaire général des Nations Unies.

For the Secretary-General,
The Legal Counsel
(Under-Secretary-General
for Legal Affairs)

Pour le Secrétaire général,
Le Conseiller juridique
(Secrétaire général adjoint
aux affaires juridiques)



Hans Corell

United Nations, New York
5 September 1996

Organisation des Nations Unies
New York, le 5 septembre 1996

Certified true copy (X.16);
Copie certifiée conforme (X.16);
October 1996