

KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT (KFAED)

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In its thirty-sixth year of existence, the Kuwait Fund was the first of the development finance institutions created by OPEC member countries. Initially, its mandate was to finance development projects in other Arab countries, hence the word "Arab" in its name. All developing countries became eligible in 1974 following a massive increase in its capital. The KFAED assists developing countries in their economic development by extending loans, guarantees and grants as well as providing technical assistance grants required to facilitate the implementation of development plans.

Total financial assistance extended by the KFAED during 1992-1996 stood at 490 loans with a total value of KD 2507 million (approx. CAN\$11,532 million). The total number of beneficiaries of these loans reached 86 countries including 16 Arab countries, 35 African, 22 Asian and European countries, and nine Latin American and Caribbean countries. As to the overall sectoral distribution of the total loans committed since the Fund commenced activities, the transport and communications sector ranks first (32%), followed by the energy sector (23%), the industrial sector (17%), agricultural sector (18%), the water and sewerage sector (9%) and other sectors (1%). More recently, in 1997, the water sector has overtaken agriculture (13% against 8% respectively). The KFAED has also contributed US\$25 million to the World Bank's Palestine Fund for projects in the social sector.

With regard to the terms of the loans extended by the KFAED, maturity ranges from 12 to 55 years and grace period from three to six years; interest rates (inclusive of 0.5% annual service charge) ranged between 0.5% and 7.0%. The terms of these loans reflect a grant element ranging from 16% to 85% of the value of loans. The Kuwait Fund does not finance local costs as a rule, and its share in the financing of a project must not exceed 50%. These limitations may be waived when necessary. It is not involved in assistance to the private sector for the moment, with the exception of situations where the country's institutions are involved in helping SMEs and micro-entreprises (micro-credit).

The Kuwait Fund also contributes to the resources of multilateral development institutions. Total contributions to other institutions amounted to US\$944 million at the end of 1996 and were distributed among the Arab Fund, BADEA, the African Development Bank and Fund, the Inter-Arab Investment Guarantee Corporation, the International Development