

CHARTER OF THE SAARC DEVELOPMENT FUND (SDF)

The Governments of the South Asian Association for Regional Cooperation (SAARC) Member States comprising of the Islamic Republic of Afghanistan, the People's Republic of Bangladesh, the Kingdom of Bhutan, the Republic of India, the Republic of Maldives, the Federal Democratic Republic of Nepal, the Islamic Republic of Pakistan and the Democratic Socialist Republic of Sri Lanka;

Fulfilling the objectives of the SAARC Charter;

Recognising the need for promoting the welfare of people of the region;

Recalling the resolve for economic, social and technical collaboration for promoting and strengthening collective self-reliance;

Considering the importance of closer regional economic cooperation and integration through project collaboration;

Convinced of the need for creating a sound, adequate and predictable funding mechanism for SAARC to facilitate undertaking sub-regional and regional programmes and projects;

Convinced that the establishment of a SAARC Development Fund by its Member States that would help serve these ends and would constitute a new and unique South Asian character.

Have agreed as follows:

Article 1 Establishment of the SAARC Development Fund (SDF)

1. There is hereby established an institution to be known as SAARC Development Fund (hereinafter called "the Fund") to promote the welfare of people of the SAARC region, to improve their quality of life and to accelerate economic growth, social progress and poverty alleviation in the region. The Fund will serve as the umbrella financial institution for SAARC projects and programmes, which are in fulfilment of the objectives of the SAARC Charter. It is aimed to contribute to regional cooperation and integration through project collaboration.
2. The Permanent Secretariat of the Fund shall be located in [city and country].
3. Membership of the Fund shall be open only to the Member States of the SAARC.
4. The Official language of Fund shall be English.
5. The capital of the Fund shall be in terms of Special Drawing Rights (SDR).

6. The Fund shall possess full juridical personality and, in particular, the full legal capacity:

- (i) to contract;
- (ii) to acquire, and dispose of, immovable and movable property; and
- (iii) to institute legal proceedings.

Article 2

Functions of the Fund

1. To implement its objectives, the Fund shall have the following functions:

- (i) Identify, study prospects and approve projects;
- (ii) Finance approved projects in SAARC Member States;
- (iii) Leverage funding; arrange and mobilize financing and/or co-financing projects;
- (iv) Provide grants for projects of strategic importance to SAARC;
- (v) Provide financial and technical assistance; and
- (vi) Management of the Fund.

Article 3

Capital Structure and Operations

1. The initial authorised capital of the Fund shall be SDR One Thousand Million divided into callable and paid-up capital.

2. The initial paid-up capital of the Fund shall be SDR Two Hundred Million with each Member State contributing its share in five equal annual instalments, with the first instalment falling due within one month of entry into force of the Charter.

3. The initial paid-up capital will be subscribed by the Member States in accordance with the proportion of the assessed contribution to the SAARC Secretariat budget.

4. The ratio of subscription to the callable capital will be decided subsequently by the Governing Council.

5. The monies of the Fund shall include paid-up and callable shares; funds raised by borrowings; funds received in repayment of loans, commission on guarantees; income derived from loans made; and other funds, income or grants received.

6. The Fund shall commence its operation from the funds already mobilized including from within the Member States.

Article 4 Windows

1. The utilization of the Fund monies shall be for projects emanating from the following windows:
 - (i) Social Window;
 - (ii) Economic Window; and
 - (iii) Infrastructure Window

2. The “Social Window” shall primarily fund projects, *inter alia*, on poverty alleviation, social development focusing on education; health; human resources development; support to vulnerable/disadvantaged segments of the society; funding needs of communities, micro-enterprises, rural infrastructure development. These projects shall be in line with regional consensus as reflected in the SAARC Social Charter, SAARC Development Goals, SAARC Plan of Action on Poverty Alleviation and other SAARC agreed and endorsed plans, programmes and instruments.

3. The “Economic Window” shall primarily extend funding to non-infrastructure projects related to trade and industrial development, agriculture, service sectors, science and technology, and in other non-infrastructure areas. It shall also be utilized for identifying, studying, developing and/or sponsoring commercially viable programmes/projects of regional priority including their pre-feasibility and feasibility studies.

4. The “Infrastructure Window” shall primarily be utilized to fund projects in areas such as energy, power, transportation, telecommunications, environment, tourism, and other infrastructure areas.

5. The “Economic Window” would be utilized for supporting any other projects which are not covered explicitly under the Social and the Infrastructure Window.

Article 5 Eligible Projects

1. The resources and facilities may be utilized for funding:
 - (i) projects involving all SAARC Member States;
 - (ii) projects involving more than two but not all SAARC Member States;
 - (iii) projects located in one or more SAARC Member States, of significant economic interest for three or more SAARC Member States; and
 - (iv) projects with significant focus on poverty alleviation, as envisaged under the Social Window, in any SAARC Member State having thematic linkage with more than two SAARC Member States as part of a sub-regional project.

2. The Governing Council may determine any other criteria for funding of projects.

3. The Fund shall primarily finance longer-term priority regional programmes and projects.

4. The Fund shall offer concessional and non-concessional funds as well as grants.

Article 6 Institutional Structure

1. The Fund shall have a Governing Council, a Board of Directors, and a Chief Executive Officer (hereinafter called “CEO”). It shall also have such other officers and staff as approved by the Governing Council.
2. The SAARC Ministers of Finance shall form the Governing Council. The Council shall be responsible for the overall policies and directions of the Fund.
3. The Board of Directors shall comprise of one member nominated by each Member State, and will be headed by a Chairperson. The Chairperson shall be elected from among the members of the Board of Directors. The term of the office of Chairperson shall be two years. The Chairpersonship of the Board shall rotate among the SAARC Member States. The powers and functions of the Chairperson of the Board and the role of the Board shall be decided as per the Rules and Regulations of the Fund. The Secretary General of SAARC or his/her representative and the CEO shall be the ex-officio members of the Board.
4. The Board of Directors shall meet as and when required but at least twice a year. The quorum is five. The governance of the Fund, including its decision making shall be in accordance with the principles established in the SAARC Charter. The Board shall submit the Fund’s annual report to the Governing Council for guidance and approval.
5. The Governing Council shall appoint a CEO of the Fund. The term of office of the CEO shall be five years, extendable by another term of five years. The Governing Council shall have the power to terminate the services of the CEO before the completion of the term.
6. The CEO shall be the legal representative of the Fund. He or she shall be responsible for the organization, appointment and dismissal of the officers and staff in accordance with Rules and Regulations. The CEO shall be responsible for day-to-day business of the Fund and shall function subject to general supervision and guidance of the Board of Directors.

Article 7 Mobilization of Fund

1. The Fund shall commence operations from the funds already mobilized, including the assessed contribution of the SAARC Member States and the existing unutilized fund available under the South Asian Development Fund (SADF).
2. It may mobilize and generate funds both within and outside the SAARC region. It may obtain technical and/or financial support from UN agencies, multilateral/regional funds and other non-regional partners as approved by the Governing Council.

Article 8
Establishment of the Permanent Secretariat

A Permanent Secretariat of the Fund shall be established within one year of entry into force of the Charter.

Article 9
Rules, Regulations and Bye-Laws

The Governing Council shall have the power to make rules, regulations and bye-laws as the case may be for the purpose of the Charter.

Article 10
Amendment

The Charter may be amended by consensus in the Governing Council. Any such amendment will be effective upon deposit of the instruments of acceptance with the Secretary General of SAARC.

Article 11
Dispute Settlement

Any dispute arising out of interpretation or implementation of this Charter in the first instance shall be taken up for amicable settlement, failing which the Board of Directors shall refer the matter to the SAARC Arbitration Council, whose decision shall be final.

Article 12
Entry into Force

This Charter shall enter into force on completion of formalities including ratification by all Member States and upon issue of notification thereof by the SAARC Secretariat.

Article 13
Depository

This Charter shall be deposited with the Secretary General of SAARC.

IN WITNESS WHEREOF, the undersigned being duly authorized thereto by their respective Governments have signed this Charter on establishment of the SAARC Development Fund.

DONE at Colombo, Sri Lanka On This The Third Day of August Two Thousand Eight, In Ten Originals In English Language, All Texts Being Equally Authentic.

Rangin Dadfar Spanta
Minister of Foreign Affairs
Islamic Republic of Afghanistan

Iftekhar Ahmed Chowdhury
Adviser for Foreign Affairs
(Foreign Minister)
People's Republic of Bangladesh

Ugyen Tshering
Minister for Foreign Affairs
Kingdom of Bhutan

Pranab Mukherjee
Minister of External Affairs
Republic of India

Abdulla Shahid
Minister of Foreign Affairs
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Ram Sharan Mahat
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