

No. 3791

**AUSTRALIA, AUSTRIA, BELGIUM,
BOLIVIA, BRAZIL, etc.**

Articles of Agreement of the International Finance Corporation. Opened for signature at Washington, on 25 May 1955

Official text: English.

Registered by the International Bank for Reconstruction and Development on 4 April 1957.

**AUSTRALIE, AUTRICHE, BELGIQUE,
BOLIVIE, BRÉSIL, etc.**

Statuts de la Société financière internationale. Ouverts à la signature à Washington, le 25 mai 1955

Texte officiel anglais.

Enregistrés par la Banque internationale pour la reconstruction et le développement le 4 avril 1957.

No. 3791. ARTICLES¹ OF AGREEMENT OF THE INTERNATIONAL FINANCE CORPORATION. OPENED FOR SIGNATURE AT WASHINGTON, ON 25 MAY 1955

The Governments on whose behalf this Agreement is signed agree as follows :

INTRODUCTORY ARTICLE

The International Finance Corporation (hereinafter called the Corporation) is established and shall operate in accordance with the following provisions :

Article I

PURPOSE

The purpose of the Corporation is to further economic development by encouraging the growth of productive private enterprise in member countries, particularly in the less developed areas, thus supplementing the activities of the International

¹ In accordance with section 1 of article IX, the Articles of Agreement came into force on 20 July 1956, upon signature on behalf of the following 31 Governments whose subscriptions comprised \$78,366,000, and upon deposit on their behalf, on the dates indicated below, of the instruments of acceptance with the International Bank for Reconstruction and Development :

	1955		1956		1956
Iceland	18 Aug.	Costa Rica	5 Jan.	El Salvador	4 May
Canada	25 Oct.	Ethiopia	26 Jan.	Pakistan	18 May
United States of America	5 Dec.	Peru	6 Feb.	Jordan	28 May
Ecuador	5 Dec.	Dominican Republic	21 Feb.	Sweden	6 June
Egypt	16 Dec.	Panama	27 Feb.	Norway	11 June
Australia	23 Dec.	Ceylon	27 Feb.	Japan	15 June
Mexico	30 Dec.	Haiti	9 Mar.	Denmark	18 June
	1956	Guatemala	14 Mar.	Finland	22 June
United Kingdom of Great Britain and Northern Ireland	3 Jan.	Nicaragua	14 Mar.	Colombia	16 July
		Bolivia	2 April	France	20 July
		Honduras	16 April	Federal Republic of Germany	20 July
		India	18 April		

The Articles of Agreement came into force subsequently in respect of the following States, as from the date of deposit of the instruments of acceptance with the Bank, as indicated below :

	1956		1956		1956
Paraguay	27 July	Turkey	19 Dec.	Iran	28 Dec.
Israel	26 Sept.	Belgium	27 Dec.	Lebanon	28 Dec.
Austria	28 Sept.	Iraq	27 Dec.	Venezuela	28 Dec.
Luxembourg	4 Oct.	Italy	27 Dec.	Netherlands	28 Dec.
Burma	3 Dec.	Indonesia	28 Dec.	Brazil	31 Dec.
Thailand	3 Dec.				

Bank for Reconstruction and Development (hereinafter called the Bank). In carrying out this purpose, the Corporation shall :

- (i) in association with private investors, assist in financing the establishment, improvement and expansion of productive private enterprises which would contribute to the development of its member countries by making investments, without guarantee of repayment by the member government concerned, in cases where sufficient private capital is not available on reasonable terms ;
- (ii) seek to bring together investment opportunities, domestic and foreign private capital, and experienced management ; and
- (iii) seek to stimulate, and to help create conditions conducive to, the flow of private capital, domestic and foreign, into productive investment in member countries.

The Corporation shall be guided in all its decisions by the provisions of this Article.

Article II

MEMBERSHIP AND CAPITAL

SECTION 1. MEMBERSHIP

(a) The original members of the Corporation shall be those members of the Bank listed in Schedule A¹ hereto which shall, on or before the date specified in Article IX, Section 2 (c), accept membership in the Corporation.

(b) Membership shall be open to other members of the Bank at such times and in accordance with such terms as may be prescribed by the Corporation.

SECTION 2. CAPITAL STOCK

(a) The authorized capital stock of the Corporation shall be \$100,000,000, in terms of United States dollars.

(b) The authorized capital stock shall be divided into 100,000 shares having a par value of one thousand United States dollars each. Any such shares not initially subscribed by original members shall be available for subsequent subscription in accordance with Section 3 (d) of this Article.

(c) The amount of capital stock at any time authorized may be increased by the Board of Governors as follows :

- (i) by a majority of the votes cast, in case such increase is necessary for the purpose of issuing shares of capital stock on initial subscription by members other than original members, provided that the aggregate of any increases authorized pursuant to this subparagraph shall not exceed 10,000 shares ;

¹ See p. 160 of this volume.

(ii) in any other case, by a three-fourths majority of the total voting power.

(d) In case of an increase authorized pursuant to paragraph (c)(ii) above, each member shall have a reasonable opportunity to subscribe, under such conditions as the Corporation shall decide, to a proportion of the increase of stock equivalent to the proportion which its stock theretofore subscribed bears to the total capital stock of the Corporation, but no member shall be obligated to subscribe to any part of the increased capital.

(e) Issuance of shares of stock, other than those subscribed either on initial subscription or pursuant to paragraph (d) above, shall require a three-fourths majority of the total voting power.

(f) Shares of stock of the Corporation shall be available for subscription only by, and shall be issued only to, members.

SECTION 3. SUBSCRIPTIONS

(a) Each original member shall subscribe to the number of shares of stock set forth opposite its name in Schedule A. The number of shares of stock to be subscribed by other members shall be determined by the Corporation.

(b) Shares of stock initially subscribed by original members shall be issued at par.

(c) The initial subscription of each original member shall be payable in full within 30 days after either the date on which the Corporation shall begin operations pursuant to Article IX, Section 3 (b), or the date on which such original member becomes a member, whichever shall be later, or at such date thereafter as the Corporation shall determine. Payment shall be made in gold or United States dollars in response to a call by the Corporation which shall specify the place or places of payment.

(d) The price and other terms of subscription of shares of stock to be subscribed, otherwise than on initial subscription by original members, shall be determined by the Corporation.

SECTION 4. LIMITATION ON LIABILITY

No member shall be liable, by reason of its membership, for obligations of the Corporation.

SECTION 5. RESTRICTION ON TRANSFERS AND PLEDGES OF SHARES

Shares of stock shall not be pledged or encumbered in any manner whatever, and shall be transferable only to the Corporation.

Article III

OPERATIONS

SECTION 1. FINANCING OPERATIONS

The Corporation may make investments of its funds in productive private enterprises in the territories of its members. The existence of a government or other public interest in such an enterprise shall not necessarily preclude the Corporation from making an investment therein.

SECTION 2. FORMS OF FINANCING

(a) The Corporation's financing shall not take the form of investments in capital stock. Subject to the foregoing, the Corporation may make investments of its funds in such form or forms as it may deem appropriate in the circumstances, including (but without limitation) investments according to the holder thereof the right to participate in earnings and the right to subscribe to, or to convert the investment into, capital stock.

(b) The Corporation shall not itself exercise any right to subscribe to, or to convert any investment into, capital stock.

SECTION 3. OPERATIONAL PRINCIPLES

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

- (i) the Corporation shall not undertake any financing for which in its opinion sufficient private capital could be obtained on reasonable terms ;
- (ii) the Corporation shall not finance an enterprise in the territories of any member if the member objects to such financing ;
- (iii) the Corporation shall impose no conditions that the proceeds of any financing by it shall be spent in the territories of any particular country ;
- (iv) the Corporation shall not assume responsibility for managing any enterprise in which it has invested ;
- (v) the Corporation shall undertake its financing on terms and conditions which it considers appropriate, taking into account the requirements of the enterprise, the risks being undertaken by the Corporation and the terms and conditions normally obtained by private investors for similar financing ;
- (vi) the Corporation shall seek to revolve its funds by selling its investments to private investors whenever it can appropriately do so on satisfactory terms ;
- (vii) the Corporation shall seek to maintain a reasonable diversification in its investments.