

**THE INTER-ARAB INVESTMENT  
GUARANTEE CORPORATION**

---



---

**THE TWENTIETH**

---

**ANNUAL REPORT 1994**

---



The Inter-Arab Investment Guarantee Corporation is an autonomous regional organization with a membership of all the Arab countries. The Corporation has its main office in the State of Kuwait and commenced its activities in the middle of 1975.

**OBJECTIVES:**

- The Corporation provides insurance coverage for inter-Arab investments and for export credits against non-commercial risks in the case of investments, and non-commercial and commercial risks in the case of export credits. The non-commercial risks include nationalization, currency inconvertibility, war, civil disturbances, cancellation of the import license and prevention of the entry of goods or their transit passage into the country. The commercial risks include insolvency of the debtor, bankruptcy, as well as default and abrogation or termination of the export contract.
- The Corporation also undertakes the promotion of the flow of investments within the Arab countries by carrying out activities which are ancillary to its main purpose and in particular those relating to the identification of investment opportunities as well as the study of the conditions that govern the flow of investments in the said countries.

## ORGANIZATION AND MANAGEMENT

### **THE COUNCIL :**

This is the highest authority in the Corporation . It is entrusted with all the powers necessary for the realization of the objectives of the Corporation. Among its functions are the formulation of general policies , rules and regulations, the making of decisions pertaining to guarantee, financial and administrative matters, appointment of members of the supervisory committee and the election of the director-general and deputy director-general.

The Council is composed of one representative from each member state .

### **THE SUPERVISORY COMMITTEE :**

The Committee consists of six Arab experts, five of whom are of different nationalities , elected by the Council upon the recommendation of the member-countries while the sixth member is appointed by the Council upon the recommendation of the General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries.

The Supervisory Committee supervises the activities of the Corporation and may give advice, as it may deem appropriate, to the Director-General or/and the Council of the Corporation. The membership of the current Supervisory Committee is as follows:

H.E. Mr. Fahad Rashid Allbrahim	Chairman
H.E. Mr. Jasim Rashed AlShamsi	Member
H.E. Mr. Abdel-Fattah Ben Mansour	Member
H.E. Mr. Abdel Rahman Al Seheebani	Member
H.E. Mr. Murtadha Mohamed Fadhil	Member
H.E. Mr. Burhan Al Dajani	Member

### **THE DIRECTOR-GENERAL**

Mr. Mamoun Ibrahim Hassan

### **THE DEPUTY DIRECTOR-GENERAL**

Mr. Giuma Said Giuma

His Excellency The Chairman of the 21st  
Session of the Council Of the Inter-Arab  
Investment Guarantee Corporation :

In accordance with Article (12) of the Inter-  
Arab Investment Guarantee Corporation's  
Convention, it is my pleasure to submit to  
your honourable Council for consideration  
the Annual Report of the Director General  
for the year 1994.

Please accept my highest consideration ,

**Mamoun Ibrahim Hassan**  
Director-General

Muscat , April 1995

## CONTENTS

<b>CHAPTER ONE : INTRODUCTION</b>	5
<b>CHAPTER TWO : GUARANTEE OPERATIONS</b>	8
2.1 Guarantee Contracts	8
2.2 Reinsurance	10
2.3 Marketing the Guarantee Services.	11
2.4 Cooperation with Arab and International Guarantee Agencies	11
2.5 Developing the Arab Guarantee Scheme	12
Table (1): Value of Guarantee Contracts signed during 1994 (Host/Importing Countries & Types of Contracts)	13
Table (2): Geographical Distribution of Export Credit Guarantee Contracts Signed During 1994	14
Table (3): Value of Current Contracts and Outstanding Commitments as at 31/12/1994 (Host/Importing Countries)	15
Graphics	16
<b>CHAPTER THREE : ANCILLARY ACTIVITIES</b>	19
3.1 Specialized Reports	19
3.2 Research Services	21
3.3 Investment Encouragement and Project Promotion	21
3.4 Cooperation with Arab and International Organizations	22
<b>CHAPTER FOUR : FINANCIAL REPORT</b>	24
- Auditor's Report	25
- Balance Sheet as of December 31, 1994 and 1993	26
- Statement of Revenue and Expenditure for the Years Ended December 31, 1994 and 1993	28
- Statement of Shareholders' Equity for the Years Ended December 31, 1994 and 1993	29
- Statement of Cash Flows for the Year Ended December 31, 1994	30
- Statement of Changes in Financial Position for the Year Ended December 31, 1994	31
- Notes to Financial Statements	32

## CHAPTER ONE : INTRODUCTION

### 1.1. RELEVANT INTERNATIONAL AND ARAB REGION POLITICAL AND ECONOMIC DEVELOPMENTS:

#### 1.1.1. INTERNATIONAL DEVELOPMENTS:

Compared to 1993, the world economy showed signs of recovery in 1994, recording a rate of growth of 2% per annum. The recovery, however, was hesitant and performance was divergent. While the industrialized countries registered recovery and growth; the developing countries showed little change. Further, among the developing regions, Asia continued its achievement of high growth rates, Latin American growth slackened, while output and growth declined in Africa and central and eastern Europe.

Foreign Direct Investment (FDI) flows the world over reflected the marked and deep changes that are taking place in the world economy. After a decline in the total investment flows in different regions of the world during the period 1990-92 from U.S.\$ 232 billion in 1990 to U.S.\$ 171 billion in 1992, FDI flows resumed their previous yearly growth. The 1993 flows amounted to around U.S.\$ 195 billion, of which U.S.\$ 80 billion went to the developing world i.e. 41% of total world flows. Such a high percentage of flows to the developing world is judged to be a significant departure from earlier periods. However, the majority of such flows were highly concentrated in a few developing countries (10 to 15 countries in Asia and Latin America). Despite this concentration, and except for Africa, all regions of the world experienced increased investment flows.

#### 1.1.2 TRENDS OF INVESTMENT FLOWS IN THE ARAB REGION :

Relevant to FDI flows, perhaps the most noticeable development in the Arab region in recent years is that several Arab countries have moved from the category of surplus to that of deficit countries. This change in circumstances, coupled with an international climate of liberalization, resulted in an open and welcoming posture to FDI by some of these countries. The objective of this changed attitude towards FDI is to garner financial support for the national development efforts.

Another significant change in the field of investment flows in the Arab countries is that projects in the field of infrastructure have been opened for private sector participation. Sub-sectors judged amenable to commercial utilization include electric power generation and telecommunications. In one country, land for the establishment of a sea port has been allotted and allocated for private investment. It goes without saying that private investment in the field of infrastructure will greatly support regional and international developmental flows that have played a focal role in the development of infrastructure in the region.

Another noticeable development in the field of investment is the increasing use of offset operations in the Gulf Cooperation Council states. Offset operations are designed in such a way as to require reinvestment by foreign companies of an agreed percentage of the value of large scale, provision of equipment, contracts. Such arrangements are thought to be beneficial to the GCC states in areas of transfer of modern technologies and advanced administrative skills.

Further, in 1994 the region experienced a significant increase in portfolio investment. Issues of several public companies in the Arab countries as well as privatized companies have been over-subscribed, in some case by eight times, a fact that reflects availability of savings in such countries. In recent years Arab stock exchanges and capital markets have witnessed reforms that included internal reorganizations and provision of investors with adequate information related to public issues. Reforms of stock exchanges, coupled with general structural reforms for the Arab economies, had a great impact on the investment climate. Activities in the stock exchanges have markedly increased. Number of securities traded have increased in volume and value. And despite the increase in the number of shares traded, their supply fell short of the increasing demand. Moreover, and for the first time, some stock exchanges have recorded the issue of bonds by some public companies which are privately owned. Such issues were fully subscribed, a fact that reflects a positive shift in investors' attitude towards portfolio investment. All these developments have found wide and sophisticated publicity in the press. Press coverage included prices of shares, volume of shares traded and reports relating to public companies. It has been reported that some private financial institutions have declared their intention to form investment funds to invest in the stock exchanges of Jordan, Tunisia, Morocco, Egypt and the Sultanate of Oman, a fact that reflects the interest of international investment in Arab stock exchanges.

In fact the Arab region, of late, has seen the establishment of several Investment Funds (IF). More than ten IFs have been established with a total capital of more than U.S.\$ 600 millions. Foreign participation in some of the funds has been registered. The purpose of some of the IFs is to invest part of their capital in local Arab stock exchanges. This explains why the IFs have been established in Arab countries where fairly advanced stock exchanges exist.

Be the above as it may, the Mexican crisis that occurred during the year must have reminded the Arab countries that portfolio investment is fraught with dangers. The Mexican crisis focused the attention of developing countries the world over on a well known fact that portfolio investment is highly sensitive to changes in the investment climate. A country which receives large investment flows may experience equally large reverse flows if there is an adverse change in the investment climate. Such large capital flight movements usually destabilize the economy almost instantaneously and can only be neutralized by a high rate of saving or a quick bailing out operation from outside.

## **1.2. HIGHLIGHTS OF THE CORPORATION ACTIVITIES:**

The total value of guarantee contracts signed during the year 1994 amounted to U.S.\$ 36,367,836 (KD 10,932,900). The total value of current guarantee contracts as at 31.12.1994 reached U.S.\$ 92,597,952 (KD 27,836,801). The value of operations executed (outstanding commitments) within the framework of current contracts amounted to U.S.\$ 65,703,685 (KD 19,751,844). The Corporation has during the year, paid one compensation amounting to U.S.\$ 287,424, and recovered U.S.\$ 5 million for compensation previously paid for non-commercial risks realized in a member country.

Regarding its ancillary activities, the Corporation has during the year, continued its efforts of marketing its services among Arab investors and exporters. It also continued its activities in undertaking new economic and investment studies and research works in the Arab countries, in addition to completing certain ongoing research. The Corporation also promoted a number of national and regional investment projects, and carried out its technical assistance program in member countries in the area of its competence.



## CHAPTER TWO : GUARANTEE OPERATIONS

### 2.1. GUARANTEE CONTRACTS :

#### 2.1.1.VALUE OF CONTRACTS IN 1994 :

The value of contracts signed in 1994 amounted to US\$ 36,367,836 (KD 10,932,900)\*, three of which are investment guarantee contracts , valued at US\$ 7,677,432 (KD 2,307,990) or 21,1% of the total , and 16 export credit guarantee contracts valued at US\$ 28,690,404 (KD 8,624,910) or 78,9% of the total (see table 1) .

The contracts' value has decreased by 40,7% as compared with 1993 whereby the contracts' value reached US\$ 61,371,735 .

Thirteen recipient/importing Arab countries have benefited from the contracts signed during the year. Libya tops the list with 24.8% , Egypt comes second with 22.7%, Sudan 16.5%, and Lebanon 10% (see table 1).

#### 2.1.2 DETAILS OF THE CONTRACTS SIGNED :

##### 2.1.2.1 DIRECT INVESTMENT GUARANTEE CONTRACTS :

The total value of contracts reached US\$ 7,677,432 , of which 67.4% has been assigned to Egypt , and 32.6% to Lebanon (see table 1) . Details of said contracts are as follows :

- A contract to cover the investment of a Lebanese company in an industrial project in Egypt against non-commercial risks. The value of the contract is LE\*\* 4,000,000 equivalent to US\$ (1,177,432) and KD (353,960) .
- A contract to cover the investment of a Lebanese company in an industrial project in Egypt against non-commercial risks .The value of the contract is US\$ 4,000,000 (KD 1,202,480).
- A contract to cover the investment of a Kuwaiti company in a touristic project in Lebanon against non-commercial risks. The value of the contract is US\$ 2,500,000 (KD 751,550) .

##### 2.1.2.2 EXPORT CREDIT GUARANTEE CONTRACTS :

The total value of the export credit guarantee contracts reached US\$ 28,690,404. Thirteen Arab importing countries benefited from said contracts . Libya comes first with 31.5%, followed by Sudan with 20.8% , Egypt 10.7%, Tunisia 8.7%, and Algeria 8% (see table 1).

Five Arab exporting countries benefited from the contracts , of which Jordan comes first with 36.6% , followed by the U.A.E with 20.9% , Saudi Arabia 20.6% , Morocco 17.5% , and Lebanon 4.4% (see table 2) . Details of these contracts are given hereunder :

- A contract to cover the export of oil products from the United Arab Emirates to the Republic of Sudan against non-commercial risks . The value of the contract is US\$ 6 m. (KD 1,803,720) .
- A contract to cover the export of ceramic tiles from the Republic of Lebanon to the

---

\* USD = KD 0.30062 as at 31.12.1994 .

\*\* USD = LE 3.39722 as at 31.12.1994 .

Hashemite Kingdom of Jordan against commercial and non-commercial risks. The value of the contract is US\$ 300,000 (KD 90,186) .

- A contract to cover the export of textiles and fabrics from the Kingdom of Morocco to the Libyan Arab Jamahiriya against non-commercial risks. The value of the contract is MD 19 m., equivalent to (US\$ 2,014,000), and (KD 605,449).

- A contract to cover the export of textiles and fabrics from the Kingdom of Morocco to the Libyan Arab Jamahiriya against non-commercial risks. The value of the contract is MD 28.5 m., equivalent to (US\$ 3,021,000) , and (KD 908,173) .

- A contract to cover the export of human medicines from the Hashemite Kingdom of Jordan to the Republic of Tunisia against commercial and non-commercial risks .The value of the contract is US\$ 2,5 m. (KD 751,550) .

- A contract to cover the export of human medicines from the Hashemite Kingdom of Jordan to the People's Democratic Republic of Algeria against commercial and non-commercial risks. The value of the contract is US\$ 2,294,390 (KD 689,740) .

- A contract to cover the export of human medicines from the Hashemite Kingdom of Jordan to the Libyan Arab Jamahiriya against commercial and non-commercial risks. The value of the contract is US\$ 4 m. (KD 1,202,480) .

- A contract to cover the export of human medicines from the Hashemite Kingdom of Jordan to the Republic of Lebanon against commercial and non-commercial risks. The value of the contract is US\$ 1 m. (KD 300,620) .

- A contract to cover the export of human medicines from the Hashemite Kingdom of Jordan to the Kingdom of Saudi Arabia against commercial and non-commercial risks . The value of the contract is US\$ 500,000 (KD 150,310) .

- A comprehensive contract to cover the export of interior and exterior lighting fixtures from the Kingdom of Saudi Arabia to importers in six Arab countries against commercial and non-commercial risks . The value of the contract is US\$ 1,160,002 (KD 348,720) .

- A contract to cover the export of interior and exterior lighting fixtures from the Kingdom of Saudi Arabia to the Republic of Lebanon against non-commercial risks . The value of the contract is US\$ 150,000 (KD 45,093) .

- A contract to cover the export of interior and exterior lighting fixtures from the Kingdom of Saudi Arabia to the State of Qatar against commercial and non-commercial risks . The value of the contract is US\$ 101,012 (KD 30,366) .

- A comprehensive contract to cover the export of wrapping paper and aluminium foil from the Republic of Lebanon to importers in four Arab countries against commercial and non-commercial risks .The value of the contract is US\$ 950,000 (KD 285,589) .

- A contract to cover the export of electric cables from the Kingdom of Saudi Arabia to the Arab Republic of Egypt against non-commercial risks .The value of the contract is US\$ 3 m. (KD 901,860) .

- A contract to cover the export of telephone cables from the Kingdom of Saudi Arabia to the Hashemite Kingdom of Jordan against non-commercial risks. The value of the contract is US\$ 1.5 m. (KD 450,930) .

- A contract to cover the export of paints from the Hashemite Kingdom of Jordan to the Kingdom of Saudi Arabia against commercial and non-commercial risks . The value of the contract is US\$ 200,000 (KD 60,124) .

### **2.1.3 VALUE OF CURRENT CONTRACTS AND OUTSTANDING COMMITMENTS :**

Value of the current guarantee contracts as at 31.12.1994 amounted to US\$ 92,597,952 (KD 27,836,801) , 53% of which represents investment guarantee, with the remaining for export credit guarantee .

The value of the executed operations (within the current guarantee contracts) amounted to US\$ 65,703,685 (KD 19,751,844) or 71% of the current guarantee contracts . This amount represents the outstanding guarantee commitments\* vis-à-vis the guaranteed parties as at 31.12.1994 (see table 3) .

### **2.1.4 REVENUES FROM GUARANTEE PREMIA :**

The total guarantee premia realized during the year amounted to US\$ 2,316,326 (KD 696,334), increasing by 10.5% over last year's premia which amounted to US\$ 2,096,187 (KD 626,760) .

### **2.1.5 COMPENSATION AND RECOVERIES :**

#### **2.1.5.1 COMPENSATION :**

The amount of compensation paid to a Kuwaiti exporter during the year for non-commercial risks realized within the framework of the export credit guarantee scheme , amounted to US\$ 287,424 . The risk had been realized in a member country during the second half of 1990, but compensation was postponed till 24.2.1994 when the guaranteed party completed the required procedures for payment of compensation .

#### **2.1.5.2 RECOVERIES :**

The Corporation has, during the year, recovered an amount of US\$ 5m. from a member country, with which the Corporation signed an agreement to recover the compensation paid for non-commercial risks realized thereby .

### **2.2. REINSURANCE :**

**2.2.1** The Corporation renewed the commercial risks treaty for 1994. The said treaty has also been renewed with the same terms for the year 1995 .

#### **2.2.2 REINSURANCE TREATY WITH THE LEBANESE INVESTMENT GUARANTEE ESTABLISHMENT :**

In executing the treaty signed with the National Investment Guarantee Establishment in the Republic of Lebanon to reinsure the non-commercial risks that may occur to direct investment projects in the country, the Corporation ceded to the Establishment a direct investment guarantee contract signed with a Kuwaiti investor for an amount of US\$ 1,700,000.

**2.2.3** The Corporation is still searching for the best alternatives to cover part of its non-commercial risks portfolio in the international market .

## **2.3 MARKETING THE GUARANTEE SERVICES :**

The Corporation continued to carry out its promotional activities among Arab investors , businessmen, manufacturers and exporters in various Arab countries. About 4000 letters and informative brochures have been posted to parties with potential interest in the Corporation's services, in addition to 200 letters and brochures to investors in specific projects in certain Arab countries .

During the year , many informative materials have been introduced . The Corporation has printed 10,000 copies of the informative brochure "The IALGC and its Services" and 5,000 copies of a brochure containing the list of Joint Arab-Foreign Financial Institutions eligible to the Corporation's guarantee .

In addition to its promotional activities in Kuwait , the seat of the Corporation , and in Saudi Arabia through the Corporation's regional office in Riyadh, the Corporation assigned 13 field missions covering the following countries : the Hashemite Kingdom of Jordan, the United Arab Emirates , the State of Bahrain, the Republic of Tunisia , the Sultanate of Oman, the State of Qatar , the Libyan Arab Jamahiriya, the Republic of Lebanon, the Arab Republic of Egypt , and the Kingdom of Morocco, in addition to visiting a number of joint Arab-foreign banks and financial institutions in London and Paris to follow up signed guarantee contracts, and discuss developments of operations in the pipeline .

Within the missions' framework, a seminar was held in each of Lebanon and Bahrain, attended by a group of businessmen, industrialists and bankers , whereby the Corporation's officials gave detailed introduction of the Corporation's services. The Corporation's participation in the tenth anniversary of establishing the Compagnie Tunisienne pour l'Assurance du Commerce Extérieur (COTUNACE) availed a good opportunity to present the Corporation's services and activities in two important seminars organized by the COTUNACE and attended by Tunisian bankers and exporters .

On the other hand, the Corporation has during the year assigned five commission agencies and representation agreements in the State of Bahrain, the Republic of Tunisia , the Republic of Lebanon .

## **2.4 COOPERATION WITH ARAB GUARANTEE AGENCIES :**

**2.4.1** In compliance with the recommendations of the First Arab Investment and Export Credit Guarantee Agencies Forum, held in Cairo during 1993 upon invitation from the Corporation , which recommended cooperation of the participants in availing credit information on importers, the Corporation proposed a model for a data collection form on importers, in order to assess their solvency and commercial credibility. The

---

\* The outstanding guarantee commitments represent :

- For Investment Guarantee Contracts : the value of investments executed .
- For Export Credit Guarantee Contracts : the value of shipments executed but not yet repaid .Such commitments do not constitute compensation unless any of the risks covered is realized .

Corporation has also prepared a study on the prospects of cooperation in the area of joint insurance and reinsurance between the Corporation and the Arab guarantee agencies .

The second meeting of the Forum was held in Sousse, Tunisia on 5.12.1994 . The meeting agreed on a model for a data collection form on importers and on the mechanics of exchanging buyers' information among the Forum members.

As regards the prospects of cooperation in the area of insuring non-commercial risks involving inter-Arab export credits, the Forum members agreed on the following :

- a . Possible bilateral cooperation in the area of joint insurance between the Corporation and each agency member of the Forum. This can be achieved through a joint guarantee contract, or through individual contracts of each party and in accordance with its underwriting policy .
- b . Possibility of reinsuring risks with the Corporation on facultative basis . According to such possibility , the Corporation shall review all reinsurance applications and decide whether to accept (wholly or partially), or deny acceptance .
- c . As regards the mutual reinsurance pool proposal among the Forum members aiming at establishing a joint account in accordance with agreed-upon clear and specific rules, where the members shall cede a portion of their operations to such account , and be at the same time committed to accept reinsuring a portion of the account, the members have postponed the discussions awaiting further extensive studies about the subject .

**2.4.2** The Corporation signed a treaty to reinsure non-commercial risks for its direct investment guarantee contracts in Lebanon .The treaty was signed with the National Investment Guarantee Establishment in Lebanon during the first week of June 1994 .

**2.4.3** During December 1994 , the Corporation signed a commission agency and joint insurance agreement with the Compagnie Tunisienne pour l'Assurance du Commerce Extérieur (COTUNACE) .

## **2.5 DEVELOPING THE ARAB GUARANTEE SCHEME :**

The Corporation organized an Expert Meeting on "Countertrade and Developments of International Trade" which took place in Sousse, Tunisia during the period 7-8.12.1994. A group of Arab and foreign experts and an expert from the UNCTAD participated in the meeting where they exchanged views on types and techniques of Countertrade, pros and cons, risks involved, mechanics of financing , Arab experience in this respect, and the role countertrade can play in enhancing inter-Arab trading in the light of the new developments in international trade after the establishment of the World Trade Organization .

The objective of the Corporation from the meeting was to study the possibility of preparing a contract to guarantee certain types of countertrade . It was clear that the Corporation can insure all non-commercial risks involved with countertrade , while such insurance can be available for certain commercial risks only .



Table (1)  
 VALUE OF GUARANTEE CONTRACTS SIGNED DURING 1994  
 BY HOST/IMPORTING COUNTRIES  
 (VALUE IN US DOLLARS AND EQUIVALENT IN KUWAITI DINARS)\*

Host/Importing Country	Investment Contracts			Export Credit Contracts			Total		
	US\$	KD	%	US\$	KD	%	US\$	KD	%
LIBYA			-	9,035,000	2,716,102	31.5%	9,035,000	2,716,102	24.8%
EGYPT	5,177,432	1,556,440	67.4%	3,080,000	925,910	10.7%	8,257,432	2,482,350	22.7%
SUDAN			-	6,000,000	1,803,720	20.8%	6,000,000	1,803,720	16.5%
LEBANON	\$2,500,000	751,550	32.6%	1,150,000	345,713	4.0%	3,650,000	1,097,263	10.0%
TUNISIA	-	-	-	2,500,000	751,550	8.7%	2,500,000	751,550	6.9%
ALGERIA	-	-	-	2,294,390	689,740	8.0%	2,294,390	689,740	6.3%
JORDAN	-	-	-	1,800,000	541,116	6.3%	1,800,000	541,116	4.9%
SAUDI ARABIA	-	-	-	1,200,000	360,744	4.2%	1,200,000	360,744	3.3%
KUWAIT	-	-	-	533,334	160,330	1.9%	533,334	160,330	1.5%
U.A.E	-	-	-	383,334	115,238	1.3%	383,334	115,238	1.1%
QATAR	-	-	-	306,012	91,993	1.1%	306,012	91,993	0.8%
BAHRAIN	-	-	-	275,000	82,671	1.0%	275,000	82,671	0.8%
OMAN	-	-	-	133,334	40,083	0.5%	133,334	40,083	0.4%
Grand Total	7,677,432	2,307,990	100%	28,690,404	8,624,910	100%	36,367,836	10,932,900	100%
% To Total	21.1%			78.9%					

\* US\$ 1 = KD 0.30062

Table (2)  
GEOGRAPHICAL DISTRIBUTION OF THE EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1994  
(VALUE IN DOLLARS, THE GRAND TOTAL IS ALSO EXPRESSED IN KD) \*

From To	JORDAN	U.A.E.	SAUDI ARABIA	LEBANON	MOROCCO	Total US \$	KD
JORDAN	-	-	1,500,000	300,000	-	1,800,000	541,116
U.A.E.	-	-	133,334	250,000	-	383,334	115,238
BAHRAIN	-	-	200,000	75,000	-	275,000	82,671
TUNISIA	2,500,000	-	-	-	-	2,500,000	751,550
ALGERIA	2,294,390	-	-	-	-	2,294,390	689,740
SAUDI ARABIA	700,000	-	-	500,000	-	1,200,000	360,744
SUDAN	-	6,000,000	-	-	-	6,000,000	1,803,720
OMAN	-	-	133,334	-	-	133,334	40,083
QATAR	-	-	181,012	125,000	-	306,012	91,993
KUWAIT	-	-	533,334	-	-	533,334	160,330
LEBANON	1,000,000	-	150,000	-	-	1,150,000	345,713
LIBYA	4,000,000	-	-	-	5,035,000	9,035,000	2,716,102
EGYPT	-	-	3,080,000	-	-	3,080,000	925,910
Grand Total (US\$)	10,494,390	6,000,000	5,911,014	1,250,000	5,035,000	28,690,404	
Grand Total (KD)	3,154,824	1,803,720	1,776,969	375,775	1,513,622		8,624,910
% To Total	36.6 %	20.9 %	20.6 %	4.4 %	17.5 %		100 %

\* US \$ 1 = KD 0.30062

Table (3)  
VALUE OF CURRENT CONTRACTS AND OUTSTANDING COMMITMENTS AS AT 31.12.1994  
IN US DOLLARS AND ITS EQUIVALENT IN KD<sup>(1)</sup>  
(BY HOST/IMPORTING COUNTRIES AND TYPE OF CONTRACT)

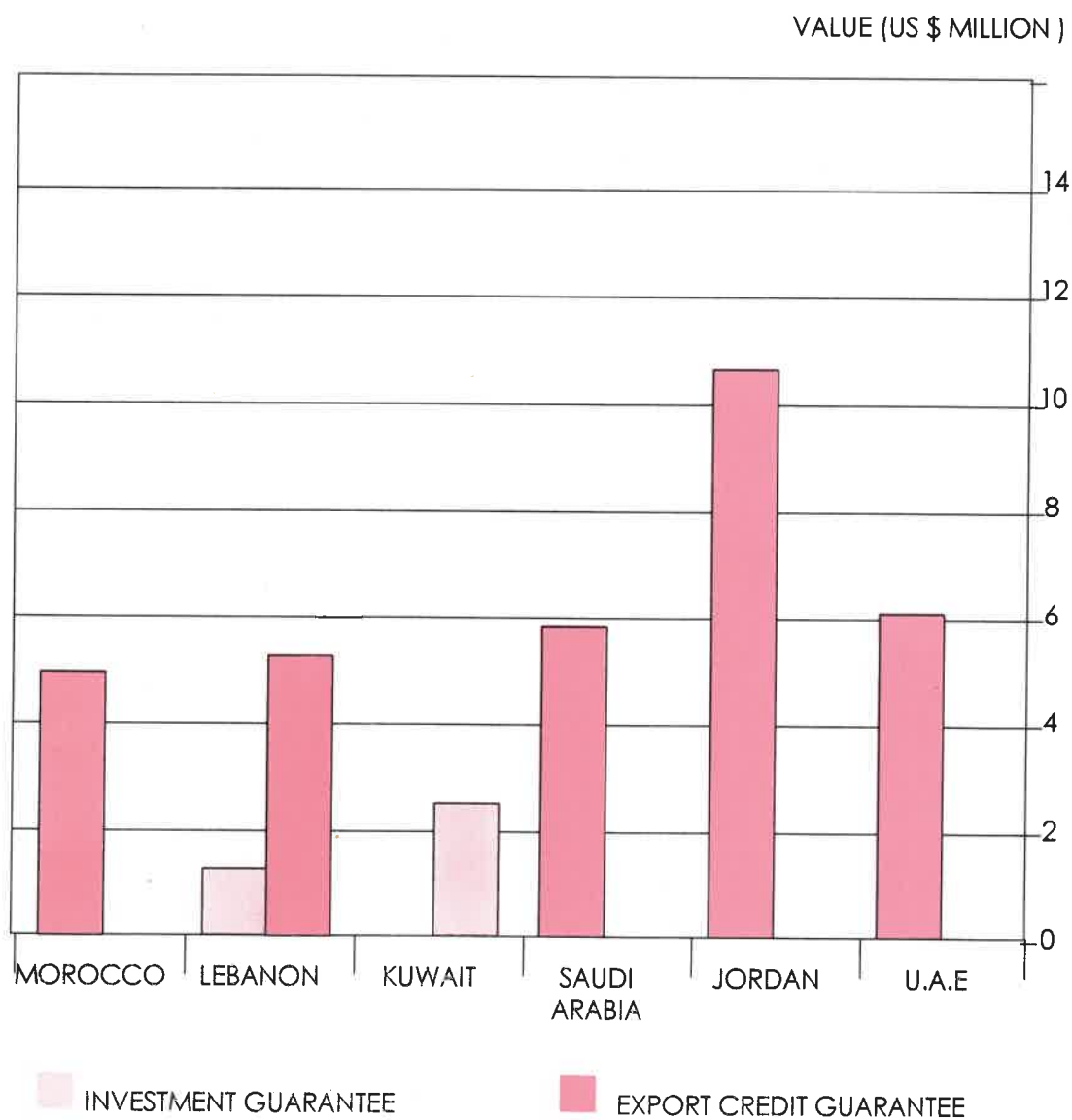
Host/Importing Countries	Investment Contracts (2)		Export Credit Contracts		Total		%	Outstanding Commitments (3)	
	US \$	KD	US \$	KD	US \$	KD		To Total	US \$
JORDAN	-	-	1,768,251	531,572	1,768,251	531,572	1.91 %	1,540,890	463,222
U.A.E.	-	-	430,434	129,397	430,434	129,397	0.46 %	76,003	22,848
BAHRAIN	-	-	275,000	82,671	275,000	82,671	0.30 %	-	-
TUNISIA	-	-	2,500,000	751,550	2,500,000	751,550	2.70 %	-	-
ALGERIA	280,164	84,223	17,222,212	5,177,342	17,502,376	5,261,565	18.90 %	11,733,301	3,527,265
SAUDI ARABIA	-	-	1,138,315	342,200	1,138,315	342,200	1.23 %	35,838	10,774
SUDAN	4,669,000	1,403,595	6,000,000	1,803,720	10,669,000	3,207,315	11.52 %	10,669,000	3,207,315
SYRIA	2,968,750	892,466	-	-	2,968,750	892,466	3.21 %	2,131,187	640,678
OMAN	-	-	133,334	40,083	133,334	40,083	0.14 %	81,663	24,550
QATAR	-	-	306,012	91,994	306,012	91,994	0.33 %	28,353	8,523
KUWAIT	-	-	533,334	160,331	533,334	160,331	0.58 %	53,317	16,028
LIBYA	-	-	9,035,000	2,716,102	9,035,000	2,716,102	9.76 %	-	-
LEBANON	7,500,000	2,254,650	1,150,000	345,713	8,650,000	2,600,363	9.34 %	6,745,811	2,027,926
EGYPT	20,197,054	6,071,639	3,080,000	925,910	23,277,054	6,997,549	25.14 %	22,197,230	6,672,932
MOROCCO	3,696,486	1,111,238	-	-	3,696,486	1,111,238	3.99 %	696,486	209,378
MAURITANIA	9,714,606	2,920,405	-	-	9,714,606	2,920,405	10.49 %	9,714,606	2,920,405
Total	49,026,060	14,738,216	43,571,892	13,098,585	92,597,952	27,836,801	100.00 %	65,703,685	19,751,844

- (1) US \$ 1 = KD 0.30062  
(2) Current contracts represent the value of the guarantee contracts, whether executed or not.  
(3) The Outstanding Commitments represent:  
- For Investment Guarantee Contracts: the value of investment realized.  
- For Export Credit Guarantee Contracts: the value of shipment executed but not repaid.

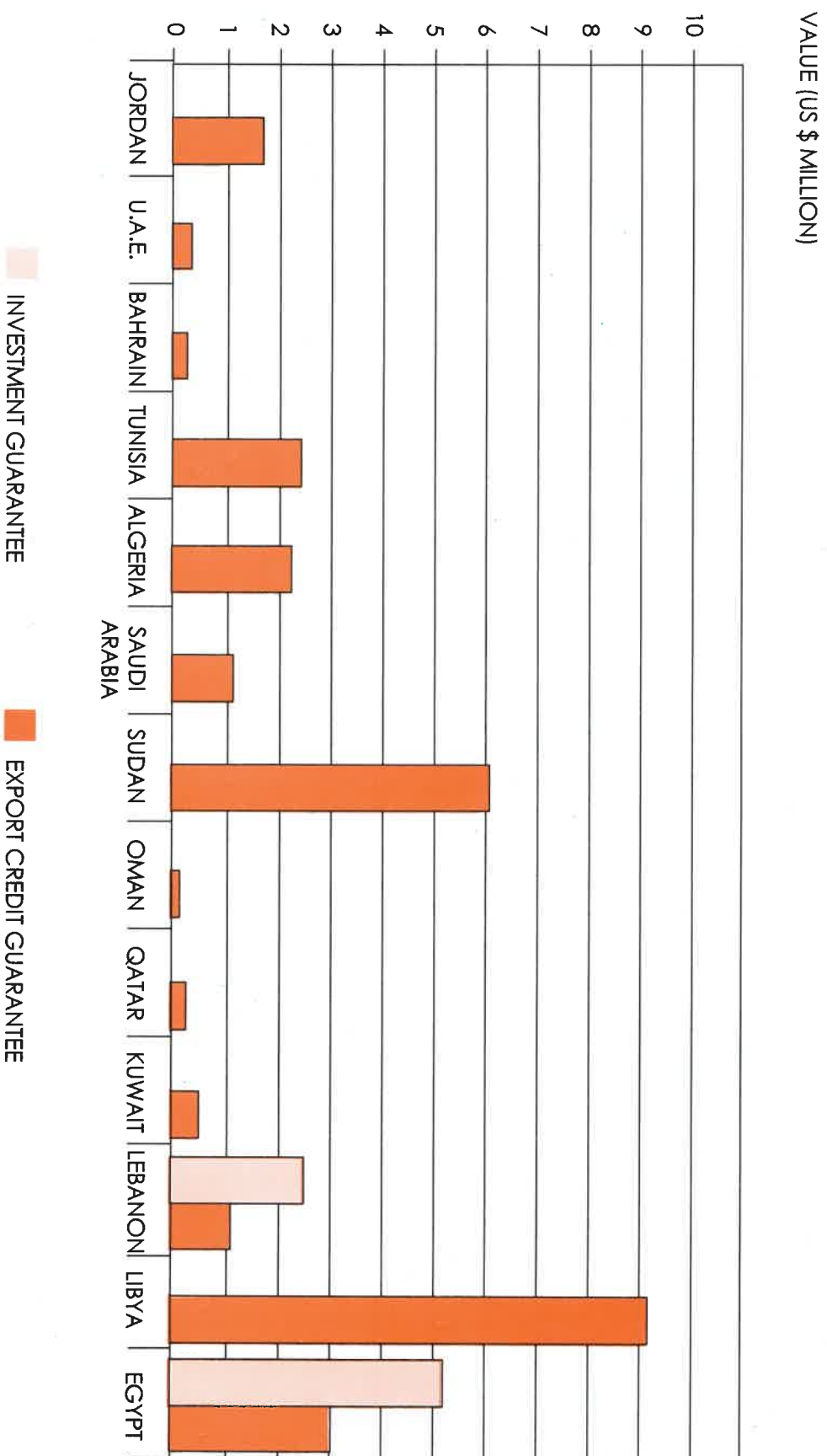


## GRAPHICS

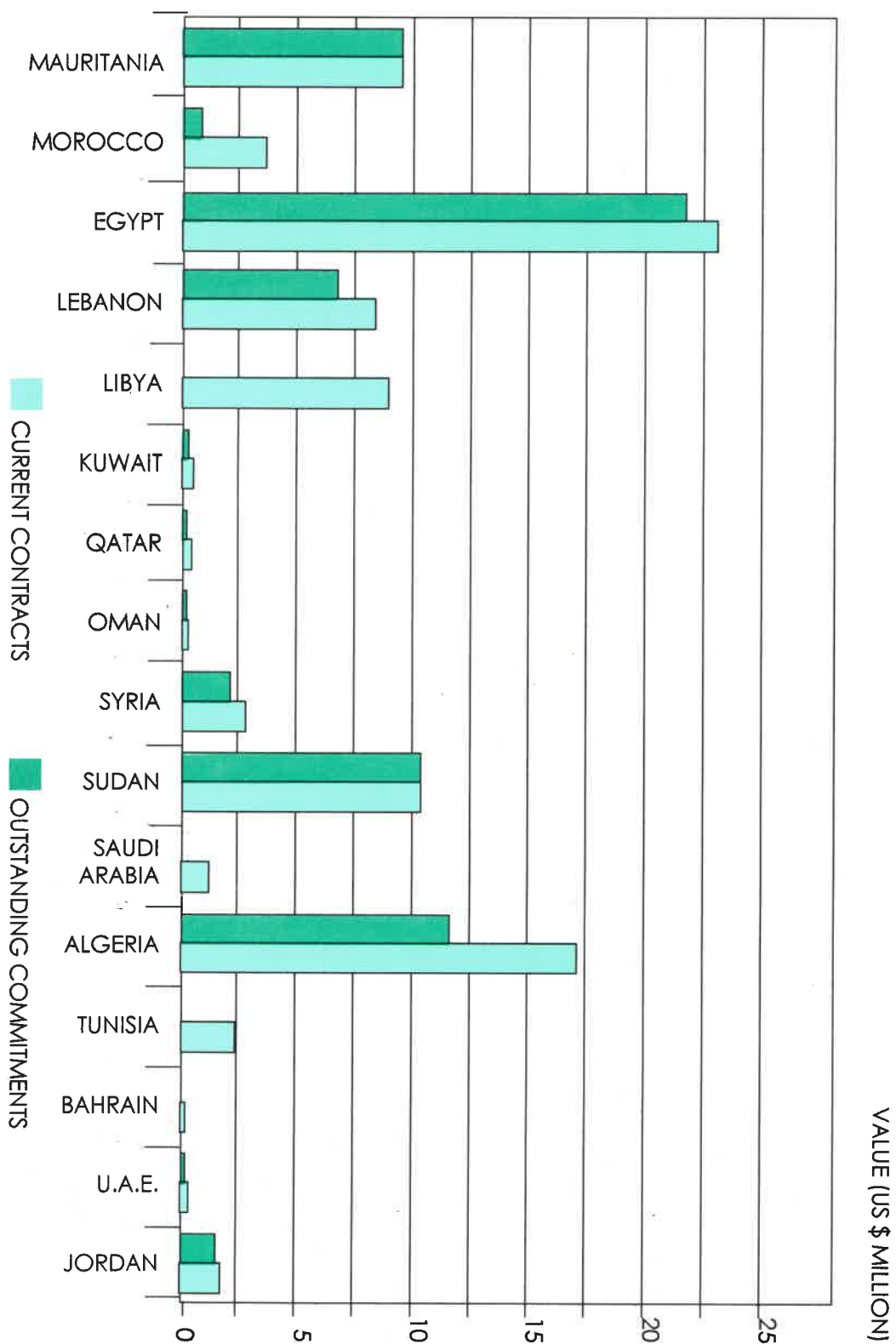
### INVESTMENT AND EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1994 (EXPORTING COUNTRIES)



# **INVESTMENT AND EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1994** ( Host/Importing Countries)



**CURRENT CONTRACTS AND OUTSTANDING COMMITMENTS AS AT 31.12.1994**  
(HOST/IMPORTING COUNTRIES)



## CHAPTER THREE : ANCILLARY ACTIVITIES

### 3.1 SPECIALIZED REPORTS:

#### 3.1.1. REPORT ON " INVESTMENT CLIMATE IN ARAB COUNTRIES" :

Within its efforts to follow up investment climate and its developments in the Arab countries, the Corporation issued its report of Investment Climate in the Arab Countries for 1993 .

3.1.1.1. With the aim of having a more analytical and in-depth report that satisfies the needs of users and conveys the economic changes in the Arab world , and after a thorough evaluation of the methodology adopted, the Corporation decided to upgrade the report's content and methodology of preparation. The 1994 report , the first in the new series, is under preparation and is expected to be in circulation within the coming few months

#### 3.1. 2. STUDY ON " STOCK EXCHANGE MARKET: ITS CONCEPT,IMPORTANCE AND PREREQUISITES" :

The study concentrated on the definition of stock markets' concept, their importance to the national economy, and how they influence and are influenced by the financial and monetary policies . The study also shed light on the prerequisites in the process of establishing stock markets, with special reference to the components of the market as well as the systems adopted in operating the dealing rooms. The study was sent to the Libyan Economists Society which organized, in collaboration with the Libyan Central Bank, a workshop on "The Establishment of a Money Market in Libya: Basics and Goals" held in Tripoli during 12 -14 January 1994.

#### 3.1.3. STUDY ON " PROSPECTS OF COOPERATION BETWEEN MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA) AND IAIGC IN RENDERING GUARANTEE TO THE ARAB INVESTOR" :

The study, which is based on a paper prepared by the Corporation on the subject, dealt with identifying the similarities and differences between the systems of the two organizations, and the spheres of cooperation to enable Arab investors benefit from their services. The study specified the fields of cooperation in the following :

1. Mutual Guarantee
2. Reinsurance
3. Management and development of guarantee contracts
4. Ancillary activities (e.g researches and studies, financing training programmes)

The study was presented to a workshop organized by MIGA in collaboration with the Ministry of Finance, U.A.E., within its efforts to introduce its activities, held in April 1994 .

#### 3.1.4. STUDY ON " IMPACTS GATT ON ARAB ECONOMIES WITH REFERENCE TO INVESTMENT GUARANTEE, EXPORT CREDIT AND INSURANCE: PRELIMINARY IMPRESSIONS" :

The study aimed at dealing with the Agreement's impacts, from the Corporation's viewpoint, on trade and investment, by concentrating on the issues concerning liberalization of the agricultural sector, textile industries, services trade and investment policies. In this respect , the study pointed out the negative effects of liberalizing the agricultural sector because the majority of the Arab countries are food importers.

As regards textile industries , it stated that benefiting from the Agreement will depend on their ability to develop those industries. As for services trade and investment policies, the study mentioned that conformity to the new regulations may serve the Arab countries in the long run through developing production capacity and improved technology.

In the field of insurance, the study stated that opening the Arab markets for foreign insurance companies will lead to unfair competition with national companies. Finally, it concluded that , as far as investment guarantee and export credit guarantee are concerned , the Agreement did not tackle the subsidy provided in the form of guarantees either to the investor, the exporter or the financier. The massive international developments and the tendency towards globalization of production and markets, says the study, reveal the need for the reinforcement of these guarantees.

The study was presented to the meeting of the Arab Experts on "Impact of GATT on the Arab Economies" held in Cairo on 4-7 July 1994 organized by the Arab League, the General Union of Chambers of Commerce , Industry and Agriculture in Arab Countries and Islamic Development Bank.

#### **3.1.5. STUDY ON " DIRECTION OF ARAB PRIVATE INVESTMENT FLOW AFTER PEACE" :**

The study dealt with the geopolitical situation in the Arab countries and the concept of peace in the Middle East. It stressed that signing of peace treaties with Israel does not end hostility in the region because there still remain areas of dormant conflicts. Nevertheless, the study concluded that Arab investment will be directed towards economies where economic reforms prove fruitful and succeed in achieving a balanced economy both internally and externally, and where the elements of free movement of capital and efficiency motivate and create appropriate climate for investment.

The study was presented to the Conference on "Reconstruction in Lebanon and the Expected Regional Changes" held in Dhibeya/Lebanon during 4-5 October 1994 organized by Al-Iktisad Wal-Aamal Magazine in collaboration with the Chamber of Commerce and Industry in Lebanon and the Lebanese Industrialists Society.

#### **3.1.6. STUDY ON "COUNTERTRADE : CONCEPT, MAIN FORMS, SOME EXPERIENCES AND RISK GUARANTEE" :**

The study dealt with the definition and origination of countertrade, pointing out its main six forms namely counter purchase , advance counter purchase, compensation or buy-back arrangements, barter, switch trading (SWAP), and offset. It also covered the experience of countertrade in a number of Arab and non-Arab countries . It also reviewed in detail the risks entailed in countertrade deals and the conditions and constraints of guaranteeing such deals.

The study was presented to the experts meeting organized by IAIGC in Tunis during 7-8 December 1994 on "Countertrade and the Latest Developments in International Trade" .

### **3.2. RESEARCH SERVICES :**

The library continues its efforts to select its acquisitions from various information sources relevant to its research activities.

372 titles have been accessioned bringing the total number of books to 6396 (Arabic, English and French). In addition documents and papers of international organizations, conferences , Arab official government publications and reports have also been added to the Library.

Nine new periodicals have been subscribed to. They cover various fields of IAIGC 's interest.

The 13th issue of the "Index to Selected Periodical Articles" has been published , covering Arabic titles issued during Jan. 1992 - Dec. 1993.

The monthly bulletin "Investment Guarantee" continued to be published regularly. Numbers from 75-85 have been issued and distributed to investors, businessmen, banks and Arab consulting houses.

### **3.3. INVESTMENT ENCOURAGEMENT AND PROJECT PROMOTION:**

#### **3. 3.1. PREPARATION FOR THE CONFERENCE ON " INVESTMENT OPPORTUNITIES IN TOURISM AND HOTELS SECTOR IN THE ARAB COUNTRIES":**

An Agreement was reached between IAIGC, MIGA, The Arab Union of Hotels and Tourism, Franco-Arab Chamber of Commerce, and Al-Iktisad Wal-Aamal Magazine to organize a conference on "Investment Opportunities in Tourism and Hotels Sector in the Arab Countries" in Damascus on 13-15 March 1995 .

The Conference will discuss international and regional trends in tourism and investment opportunities in tourism in the Arab countries. Representatives of ministries of tourism and touristic institutions, investment and tourism companies, Arab and foreign tourism experts, as well as local and international finance institutions will be invited.

A preparatory committee was formed and a meeting was held in Kuwait in November 1994, and a promotion delegation held a series of meetings with Arab investors to encourage investment in this sector.

#### **3. 3. 2. COLLECTION AND ASSEMBLING OF INVESTMENT OPPORTUNITIES IN THE ARAB COUNTRIES" :**

- The Corporation continued its efforts to collect data about existing investment opportunities in the Arab countries through direct contacts with those in charge of investment promotion as well as those in charge of privatization programmes.

- After completing the programme for the projects to be promoted in the Arab countries, work is now underway for the computerization of data concerning these projects for the purpose of reactivating contacts between investment companies and

financial institutions on the one hand and the projects owners in the Arab countries on the other.

- During the meeting held in Madrid in September 1994, MIGA announced the formation of the Investment Promotion Agency net (IPA Net), a network specialized in exchange of information concerning private investment on a global level. It is also connected with the international network INTERNET.

- The possibility of benefiting from the new network was a subject of discussion between MIGA and IAIGC, and the authorities in MIGA promised to draft a proposal and determine the way of benefiting from the new network.

- During 1994 about (38) investment projects were received from the Arab countries and promoted through publication in the monthly bulletin issued by the Corporation. In case of promotion of investment projects through the Corporation's bulletin, the Corporation aims at linking the project owners with prospective Arab financiers and investors. The contact between the two usually takes place directly.

### **3.4. COOPERATION WITH ARAB AND INTERNATIONAL ORGANIZATIONS :**

The Corporation participated in the following meetings during 1994 :

#### **IN THE FIELD OF ARAB INVESTMENT PROMOTION :**

- Workshop on "Industrial Investment Opportunities in Small and Medium Industries in Saudi Arabia" held in Jeddah on 11-12 January 1994 , organized by the Saudi Ministry of Industry and Electricity and Gulf Organization for Industrial Consulting (GOIC) in collaboration with Saudi House for Consulting Services.

- Workshop on "Methods of Developing Small and Medium Industries and Institutions in GCC States" held in Muscat on 25-26 January 1994, organized by GCC Union of Chambers in collaboration with GCC General Secretariat, GOIC , and Oman Chamber of Commerce and Industry .

- Workshop on "Development of the Industrial Sector and Horizons of Industrial Investment in Yemen" held in Sanaa on 25-27 January 1994 and organized by Economic and Social Committee for Western Asia (ESCWA) in collaboration with the Ministry of Industry in Yemen .

- Workshop on "Industrial Investment Opportunities in Kuwait" organized by Gulf Organization for Industrial Consulting (GOIC) in collaboration with Kuwait Chamber of Commerce and Industry, held in Kuwait City on 14-15 May 1994 .

- Meeting of "Information Network of Government Investment Bodies" held in Madrid on 29 September - 1 October 1994, organized by Multilateral Investment Guarantee Agency (MIGA) on the occasion of the meetings of IBRD and IMF Board of Governors.

- Conference on "Reconstruction of Lebanon and Expected Regional Changes" , held in Dhbeiya/Lebanon on 4-5 October 1994, organized by Al-Iktisad Wal-Aamal Magazine and the Lebanese Industrialists Society.

- " The Arab Federation for Paper , Printing and Packaging Industries Fourth Conference", held in Tripoli /Lebanon on 17-20 October 1994, organized by the Arab Feder-



ation for Paper, Printing and Packaging Industries in collaboration with the Lebanese Industrialists Society.

- " Promotion Meeting for the Project of Rough Rolls Production for Iron and Steel", held in Tunisia on 1-3 November 1994 organized by Arab Organization for Industrial Development and Mining.
- " Preparatory Committee Meeting of the Second Arab Conference on Electronics and Telecommunication Industries", held in Cairo on 4-5 December 1994.
- Conference on "Investment Horizons in Oman" , held in Muscat on 5-6 December 1994, organized by Oman Stock Exchange Market.
- Meeting of the Preparatory Committee of Arab Businessmen and Investors Sixth Conference , held in Cairo on 12 December 1994 .

#### **IN THE FIELD OF INVESTMENT GUARANTEE AND EXPORT CREDIT :**

- Workshop on "Export Credit Insurance Against Political Risk" , held in London on 2-3 March 1994 .
- The Second Assembly of the National Guarantee Authorities in the Arab Countries , held in Sousa/Tunisia on 5 December 1994 .
- Experts meeting on "Countertrade and Latest Developments in International Trade" , held in Tunisia on 7-8 December 1994.
- Workshop on "Evaluation of the Impacts of the Uruguay Round on the Arab Countries", held in Casablanca on 21-23 November 1994, organized by UNDP regional office in collaboration with United Nations Conference on Trade and Development UNCTAD).

#### **IN THE FIELD OF COOPERATION WITH THE ARAB LEAGUE :**

- Arab Experts Meeting on "The Impacts of GATT on the Arab Economies", held in Cairo on 4-7 July 1994 , organized by the Arab League , General Union of the Chambers of Commerce, Industry and Agriculture in the Arab Countries , and the Islamic Development Bank.
- Arab Authority for Investment Agreement Meeting, 54th Session of the Economic and Social Council , Arab League , held in Alexandria on 3 September 1994 .

#### **IN THE FIELD OF ARAB BANKS AND BOURSES :**

- Conference on "Strategies of Activating Arab Bourses" held in Amman on 9-11 April 1994 , organized by the Union of Arab Banks.
- Conference on "The Future of Banking Transaction Between Arab and Foreign Banks" held in Vienna on 10-12 May 1994, organized by the Union of Arab Banks in collaboration with Arab Austrian Chamber of Commerce.

#### **IN THE FIELD OF COMMERCIAL ARBITRATION :**

- Conference on "The New Arabic Law of Commercial Arbitration and the Various Experiences in Applying the Exemplary Law" held in Cairo on 12-13 September organized by Cairo Regional Center of International Commercial Arbitration.



## CHAPTER FOUR : FINANCIAL REPORT

The paid-up capital of the Corporation increased from KD 23,606,202 (US\$ 78,971,637) as at 31/12/1993 to KD 24,083,531 (US\$ 80,112,870) as at 31/12/1993 i.e. by KD 477,329 (US\$ 1,587,815) representing instalments in arrear or duly paid by the member countries as follows :-

COUNTRY	INSTALMENT KD	INTEREST KD	TOTAL KD	REMARKS
ISLAMIC REP. OF MAURITANIA	36,833	6,544	43,377	92&93 INST.
ARAB REPUBLIC OF EGYPT	90,000	-	90,000	1994 INST.
KINGDOM OF MOROCCO	34,111	-	34,111	1993 INST. BAL.
KINGDOM OF MOROCCO	250,000	-	250,000	1994 INST.
REPUBLIC OF SUDAN	66,385	14,305	80,690	1992 INST.
<b>TOTAL</b>	<b>477,329</b>	<b>20,849</b>	<b>498,178</b>	

The revenue for 1994 amounted to KD 3,569,897 (US\$ 11,875,114) compared with KD 3,330,690 (US\$ 11,142,413) in 1993 . 1994 revenue is composed of KD 2,883,978 (US\$ 9,593,433) realized from the Corporation's investment of its financial resources, while the balance of KD 685,919 (US\$ 2,281,681) represents a net return from the Corporation's guarantee services, in addition to adjustment in previous years accounts and other revenues.

The total expenditure for the year 1994 amounted to KD 1,534,613 (US\$ 5,104,826) compared with KD 1,313,383 (US\$ 4,393,761) in 1993.

The balance sheet for the year ended 31st. December 1994 , showed that the value of the Corporation's total resources were KD 59,781,396 (US\$ 198,860,342) of which KD 31,722,332 (US\$ 105,523,025) were financial resources and KD 28,059,064 (US\$ 93,337,316) were in promissory notes and recoverable claims.

The net revenue transferred to the general reserve for the current year amounted to KD 2,035,284 (US\$ 6,770,288).

The accumulated general reserve at the end of 1994 reached KD 38,236,016 (US\$ 127,190,526) compared with KD 36,200,732 (US\$ 121,105,085) for the year 1993.

## AUDITOR'S REPORT

The Chairman and Members of the Council  
The Inter-Arab Investment Guarantee Corporation  
An Arab Corporation with a Special Independent Legal Status -Kuwait

We have audited the Balance Sheets of THE INTER-ARAB INVESTMENT GUARANTEE CORPORATION (An Arab Corporation with a Special Independent Legal Status) - Kuwait as of December 31,1994 and 1993 and the related Statements of Revenue and Expenditure and Shareholders' Equity for the years then ended. We have also audited the accompanying statement of cash flows for the year ended December 31,1994 and the statement of changes in financial position for the year ended December 31,1993. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As shown in the accompanying Notes (7) and (9), the financial statements include amounts of U.S. Dollars 110,618,518 (equivalent to KD. 33,254,139 at the rate of exchange prevailing as of December 31,1994) due mainly from two of the member countries on promissory notes and recoverable claims in addition to related interest accrued thereon up to December 31,1994 which was recorded to income and included in the statement of revenue and expenditure. The payment of such amounts and related interest has not been effected.

In our opinion, except for the effect of the preceding matter on the financial statements, such financial statements present fairly, in all material respects, the financial position of The Inter-Arab Investment Guarantee Corporation as of December 31,1994 and 1993, the results of its operations for the years then ended, its cash flows for the year ended December 31,1994 and the changes in its financial position for the year ended December 31,1993 in conformity with the accounting policies referred to in Note (2) of the notes to the financial statements which have been applied on a basis consistent with that of the preceding year except for the change in accounting policy referred to in Note (13) of the notes to the financial statements with which we concur.

We are also of the opinion that proper books of account were kept by the Corporation and we obtained all the information necessary for the satisfactory performance of our assignment. We further believe, according to the information given to us, that no contraventions of the Corporation's convention occurred during the years ended December 31,1994 and 1993 which would materially affect the Corporation's activities or its financial position.

**Jassim Ahmad Al-Fahad**

Licence No. 53 -A

Kuwait

February 7,1995

## BALANCE SHEETS AS OF DECEMBER 31, 1994 AND 1993

	DECEMBER 31,	
ASSETS	1994	1993
	KD	KD
Cash and cash equivalents(Note 3)	7,207,931	5,352,220
Investment in bonds (Note 5)	5,183,085	9,085,532
Investment portfolios (Note 6)	18,406,760	13,798,495
Assets acquired in settlement of debt	150,000	-
Other deposits (Note 4)	398,781	398,781
Promissory notes receivable(Note 7)	3,874,843	3,852,930
Investment in Arab Trade Finance Program (Note 8)	375,775	373,650
Recoverable claims (Note 9)	24,184,221	25,446,982
Accrued interest	5,587,187	4,258,136
Accounts receivable- re-insurance claims (Note 10)	5,744,094	7,431,688
The Corporation's proportionate share of the joint building (Note 11)	1,468,554	-
Accounts receivable and other debit accounts	96,721	766,338
TOTAL ASSETS	72,677,952	70,764,752
Investments of provident and social security fund	1,001,373	1,196,340
<b>TOTAL BALANCE SHEET</b>	<b>73,679,325</b>	<b>71,961,092</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

	<b>DECEMBER 31,</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>1994</b>	<b>1993</b>
<b>LIABILITIES:</b>	<b>KD</b>	<b>KD</b>
Accounts payable and other credit		
accounts (Note 12)	1,894,205	1,092,670
Re-insurance claims payable (Note 10)	8,314,200	9,159,627
Provision for unexpired risks (Note 13)	-	344,448
Provision for contingencies	150,000	361,073
Total liabilities	10,358,405	10,957,818
<b>SHAREHOLDERS' EQUITY:</b>		
Capital issued (Note 14)	25,283,735	25,283,735
Called-up capital	24,783,735	24,783,735
Less: Unpaid capital	(700,204)	(1,177,533)
Paid-up capital	24,083,531	23,606,202
General reserve	38,236,016	36,200,732
Total shareholders' equity	62,319,547	59,806,934
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>72,677,952</b>	<b>70,764,752</b>
Payable to participants of the provident and		
social security fund	1,001,373	1,196,340
<b>TOTAL BALANCE SHEET</b>	<b>73,679,325</b>	<b>71,961,092</b>

**STATEMENTS OF REVENUE AND EXPENDITURE**  
**FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1993**

	<b>YEAR ENDED DECEMBER 31,</b>	
	<b>1994</b>	<b>1993</b>
<b>REVENUE:</b>	<b>KD</b>	<b>KD</b>
Premiums from guarantees:		
Provision for unexpired risks -beginning of year	344,448	344,448
Premiums earned	351,885	282,313
	696,333	626,761
Reinsurance companies share of premiums earned	(4,299)	(117,953)
	692,034	508,808
Provision for unexpired risks end of year (Note 13)	-	(344,448)
Premiums retained	692,034	164,360
Reinsurance commission after deducting the commission		
paid and other insurance expenses	798	33,719
<b>NET PREMIUMS FROM GUARANTEES</b>	<b>692,832</b>	<b>198,079</b>
Interest on call accounts	18,620	11,431
Interest on time deposits	268,694	305,764
Interest on bonds	441,386	485,760
Income (loss) from investment portfolios	(8,299)	940,307
Income (loss) from trading, redemption of bonds and		
unrealized appreciation on valuation of bonds	(68,076)	379,521
Interest from promissory notes and recoverable claims		
Note 9)	1,397,490	1,432,999
Exchange gain (loss) (Note 15)	834,163	(513,982)
Prior years' adjustments	(26,292)	83,007
Other	19,379	7,804
<b>TOTAL REVENUE</b>	<b>3,569,897</b>	<b>3,330,690</b>
<b>EXPENDITURE:</b>		
First Section - Salaries, wages and bonuses	818,812	787,121
Second Section-General and administrative expenses	502,363	494,435
Third Section - Capital expenditure depreciation	63,438	31,827
Fourth Section - Provision for contingencies	150,000	-
<b>TOTAL EXPENDITURE</b>	<b>1,534,613</b>	<b>1,313,383</b>
<b>NET REVENUE</b>	<b>2,035,284</b>	<b>2,017,307</b>



**STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED  
DECEMBER 31, 1994 AND 1993**

	<b>CAPITAL ISSUED KD.</b>	<b>CALLED-UP CAPITAL KD.</b>	<b>UNPAID CAPITAL KD.</b>	<b>PAID-UP CAPITAL KD.</b>	<b>NET REVENUE KD.</b>	<b>GENERAL RESERVE KD.</b>
Balance - December 31, 1992	26,025,000	25,525,000	2,319,280	23,205,720	-	34,183,425
Decrease in issued capital	(741,265)	(741,265)	(741,265)	-	-	-
Capital payment	-	-	(400,482)	400,482	-	-
Net revenue	-	-	-	-	2,017,307	-
Transferred to general reserve	-	-	-	-	(2,017,307)	2,017,307
Balance-December 31, 1993	25,283,735	24,783,735	1,177,533	23,606,202	-	36,200,732
Capital payment	-	-	(477,329)	477,329	-	-
Net revenue	-	-	-	-	2,035,284	-
Transferred to general reserve	-	-	-	-	(2,035,284)	2,035,284
Balance-December 31, 1994	25,283,735	24,783,735	700,204	24,083,531	-	38,236,016

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED DECEMBER 31, 1994

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<b>KD</b>
Net revenue	2,035,284
Adjustments for:	
Depreciation	63,438
Unrealized appreciation on valuation of bonds	(204,815)
Recovery of provisions for unexpired risks and commercial claims under settlement	(344,448)
Operating revenue before working capital changes	1,549,459
Decrease in investment in bonds	4,107,262
Increase in investment portfolio	(4,608,265)
Increase in assets acquired in settlement of debt	(150,000)
Increase in promissory notes receivable	(21,913)
Increase in investment in Arab Trade Finance Program	(2,125)
Decrease in recoverable claims	1,262,761
Increase in accrued interest	(1,329,051)
Decrease in accounts receivable re-insurance claims	1,687,594
Decrease in accounts receivable and other debit accounts	606,179
Decrease in accounts payable and other credit accounts	(667,019)
Decrease in re-insurance claims payable	(845,427)
Decrease in provision for contingencies	(211,073)
Net cash from operating activities	1,378,382
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Capital payment	477,329
Net cash from financing activities	477,329
Net increase in cash and cash equivalents	1,855,711
Cash and cash equivalents - beginning of year	5,352,220
Cash and cash equivalents - end of year	7,207,931
<b>NON CASH FINANCING AND INVESTING ACTIVITIES:</b>	
The Corporation's share of the joint building	1,468,554
Transfer of net revenue to general reserve	2,035,284

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

# STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1993

<b>SOURCES OF FUNDS:</b>	<b>KD</b>
Funds provided from net revenue	2,017,307
Decrease in investment in bonds	533,648
Decrease in promissory notes receivable	55,168
Decrease in investment in Arab Trade Finance Program	5,350
Decrease in accounts receivable re-insurance claims	1,762,516
Decrease in accounts receivable and other debit accounts	471,166
Increase in paid-up capital	400,482
Total funds provided	5,245,637
<b>APPLICATIONS OF FUNDS:</b>	
Increase in other deposits	64,961
Increase in recoverable claims	3,297,508
Increase in investment portfolios	940,306
Decrease in re-insurance claims payable	1,198,581
Decrease in accounts payable and other credit accounts	415,310
Increase in accrued interest	1,323,609
Decrease in provision for contingencies	182,540
Total funds applied	7,422,815
Decrease in cash and cash equivalents	(2,177,178)
Cash and cash equivalents - beginning of year	7,529,398
Cash and cash equivalents - end of year	5,352,220

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT



## NOTES TO FINANCIAL STATEMENTS

### **1. ACTIVITIES OF THE CORPORATION:**

The Corporation is an Arab Corporation with a Special Independent Legal Status and is located in the State of Kuwait. Its main objectives are to provide insurance coverage for Arab investments and trade financing between member countries for both commercial and non-commercial risks as defined in its Articles of Incorporation. The Corporation also promotes investments and trade exports between its member countries.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **(A) ACCOUNTING CONVENTION:**

The financial statements are prepared in accordance with the historical cost basis.

#### **(B) CASH AND CASH EQUIVALENT:**

Cash and cash equivalents include cash on hand, in banks and highly liquid investments that mature within 12 months from the date of acquisition.

#### **(C) INVESTMENT IN BONDS:**

Bonds are valued at the lower of market price or cost at year end on an aggregate portfolio basis.

#### **(D) INVESTMENT PORTFOLIOS:**

The investment portfolios managed by agents are valued at the lower of market price or net asset value at year end.

#### **(E) INVESTMENT IN ARAB FINANCE TRADE PROGRAM:**

This investment is held by the Corporation for long-term objectives and is stated in the balance sheet at cost unless there has been a decline in value which is other than temporary in which case it is written down to its estimated net realizable value.

#### **(F) RECOVERABLE CLAIMS:**

The Corporation charges the related member countries with claim amounts at the time of payment of such claims by the Corporation to the insured parties.

#### **(G) FIXED ASSETS:**

Fixed assets are fully depreciated at the time of their purchase except for the amount associated with the Corporation's proportionate share of the joint building and its furnishings which will be charged against revenues on a straight line basis over their estimated useful lives.

#### **(H) REVENUE RECOGNITION:**

Interest earned, premiums from guarantees and income from portfolios are recorded on the accrual basis of accounting.

#### **(I) GENERAL RESERVE:**

Article (24) of the Corporation convention states that "Net income realized from the Corporation's operations is to be accumulated to establish a reserve equal to three

times the capital", after which time, the council shall decide the manner of utilization or distribution of the realized annual profits, provided that no more than 10 percent of such profits shall be distributed and that the distribution shall be made pro rata in proportion to the share of each member in the capital of the Corporation.

**( J ) TRANSLATION OF FOREIGN CURRENCY:**

The accounts of the Corporation are maintained in Kuwaiti Dinars. Assets and liabilities in foreign currencies are converted into Kuwaiti Dinars at average rates of exchange prevailing at the end of each month. Resulting unrealized gains or losses are credited or charged to current revenue. Gains or losses from foreign currency transactions during the year are also credited or charged to current revenue.

**( K ) PROVISION FOR CONTINGENCIES AND OTHER PAYABLE ACCOUNTS:**

The Corporation provides for seen and unforeseen expenditure by charging against the statement of revenue and expenditure. These amounts are included in "Provision for contingencies" and "Accounts payable and other credit accounts" under liabilities in the accompanying balance sheets.

**( L ) PROVIDENT AND SOCIAL SECURITY FUND:**

The income of the provident and social security fund which was established by the Corporation for the benefit of its employees consists of the following:

1. A fixed percentage deducted monthly from the employees' salaries.
2. The provision for staff termination indemnity.
3. Revenues resulting from investing the amounts under(1)and (2) above.

The fund is managed by the Corporation on behalf of its employees.

**3. CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents consist of the following:

	December 31,	
	1994	1993
	KD	KD
Current and call accounts		
with banks	359,486	454,034
Time deposits	6,848,445	4,898,186
	7,207,931	5,352,220

**4. OTHER DEPOSITS:**

Other deposits represent two deposits placed in banks in two member countries and were deposited by the member countries in favour of the Corporation against partial settlement of unpaid capital. Such deposits amounted to KD.398,781 as of December 31, 1994 and 1993 and cannot be currently transferred outside the two countries.

## 5. INVESTMENT IN BONDS:

	December 31,	
	1994	1993
Investment in straight bonds	KD.5,415,274	KD. 6,626,557
Investment in convertible bonds	-	2,895,979
Investment in bonds at cost	5,415,274	9,522,536
Less: Provision for decline in value	232,189	437,004
	5,183,085	9,085,532

## 6. INVESTMENT PORTFOLIOS:

Investment Portfolios market value amounted to KD.18,406,760 as of December 31, 1994 (KD.14,003,431 at December 31, 1993) whereas the cost amounted to KD.18,569,322 as of the same date KD13,798,495 at December 31, 1993).

## 7. PROMISSORY NOTES RECEIVABLE:

	U.S. Dollars
Promissory notes are composed of the following:	
Five promissory notes of U.S. Dollars 6,444,752 each	32,223,760
Three installments collected within the period from 1988 to 1990	(19,334,256)
Balance (equivalent to KD.3,874,843 at the rate of exchange prevailing as of December 31, 1994) (KD.3,852,930 at December 31, 1993)	2,889,504

An agreement signed between the Corporation and the representatives of the member country dated December 20, 1989 states that the remaining amount of the promissory notes along with any other due amounts should be settled in equal quarterly installments of U.S. Dollars five million each starting from July 1, 1990, however, no amounts of the promissory notes or installments due were settled. The Ministry of Finance of the member country advised that these debts will be paid at the time the economic conditions of the country improve.

## 8. INVESTMENT IN ARAB TRADE FINANCE PROGRAM:

This program was established within the framework of the Arab Monetary Fund, to stimulate inter-Arab trade. The Corporation has settled its share in the above mentioned program amounting to U.S. Dollars 1,250,000 (equivalent to KD.375,775 at the rate of exchange prevailing as of December 31, 1994) (KD.373,650 at the rate of exchange prevailing as of December 31, 1993) which represents 250 shares of the program's capital composed of 100,000 shares at a nominal value of U.S. Dollars 5,000 each.

## 9. RECOVERABLE CLAIMS:

(A) Recoverable claims are as follows:

	December 31,	
	1994	1993
	U.S.Dollars	U.S.Dollars
Recoverable claims - beginning of the year	85,129,741	73,052,359
Recoverable claims paid during the year - net	287,424	12,077,382
Adjustment of previous recoverable claims	30,648	-
Claims collected during the year	( 5,000,000)	-
Recoverable claims - end of year	80,447,813	85,129,741
Total recoverable claims paid equivalent to KD. at the rates of exchange prevailing at the respective year end	KD. .24,184,221	25,446,982

The above amounts represent payments made to several parties of Arab nationalities and are related to risks realized in three of the member countries.

(B) The accrued interest on promissory notes, recoverable claims and delay interest on such accounts is included in accrued interest and has not yet been collected. The details of such interest are as follows:

	December 31,	
	1994	1993
	U.S.Dollars	U.S.Dollars
Balance - beginning of year	12,785,190	7,938,254
Accrued interest for the year	4,496,011	4,846,936
Balance - end of year	17,281,201	12,785,190
Equivalent to KD. at the rates of exchange prevailing at the respective year end	KD. 5,195,075	KD. 3,821,749

## 10. ACCOUNTS RECEIVABLE - RE-INSURANCE CLAIMS AND RE-INSURANCE

### CLAIMS PAYABLE:

Accounts receivable - re-insurance claims represent total amounts claimed by the Corporation from re-insurance companies being their share of the compensation paid by the Corporation up to December 31, 1994.

On the other hand, re-insurance claims payable represent obligations of the Corporation that will become due to the re-insurance companies at the time of settlement of claims by the member countries that were previously paid by the Corporation. When any amounts are received from such claims, the Corporation will pay the net amount

due to re-insurance companies after taking into consideration the amounts due from such companies that are included in accounts receivable - re-insurance claims.

# **11. PROPORTIONATE SHARE OF THE JOINT BUILDING OF THE ARAB ORGANIZATIONS:**

During 1994 the Corporation moved its offices to a newly constructed building located in Kuwait and jointly owned with other Arab organizations.

The Corporation's share of the building represents 9.61% of the total cost of construction of the building and is based upon allocated space that the Corporation occupies in the building. The Corporation's share of the total costs is payable in 40 equal installments of KD. 110,155 after which time the ownership of the building will revert back to the Kuwaiti government.

The accounting treatment for this transaction follows financing lease accounting which requires recording the asset at the lower of fair value or the present value of future minimum payments.

The present value of the Corporation's future minimum payments of KD. 4,406,185 was calculated by discounting the annual installments payable by the Corporation over a 40 year period at the average annual borrowing rate of 7% which resulted in a present value amount of the Corporation's future payments of KD. 1,468,554.

Such amount was recorded as the Corporation's share of the joint building with an equal amount recorded as a liability as shown in Note (12) of the notes to financial statements which represents the present value of the amount payable to the Arab Fund for Economic and Social Development.

The beneficial rights of use of the building shall be amortized beginning in 1995 over the 40 year term of the agreement using the straight-line method. The recorded present value liability shall be amortized beginning in 1995 over the 40 year term of the agreement using the interest method.

The minimum future payments and present values of the minimum payments are:

Period	Amount
	KD
From 1995 to 1999	550,775
From 2000 to 2009	1,101,550
From 2010 to 2034	2,753,860
Total minimum payments	4,406,185
Less: imputed interest	(2,937,631)
Present value of minimum payments	1,468,554



## 12. ACCOUNTS PAYABLE AND OTHER CREDIT ACCOUNTS:

	December 31,	
	1994	1993
	KD	KD
Due to Arab Fund for Economic and Social Development (Note 11)	1,468,554	-
Due to re-insurance companies	130,646	212,551
Provision for staff leave	89,798	79,402
Provision for encyclopedia	93,359	93,359
Provision for the Corporation's share of the joint building	-	615,218
Other	111,848	92,140
	1,894,205	1,092,670

## 13. PROVISION FOR UNEXPIRED RISKS:

Management of the Corporation decided to discontinue taking such provision as it is no longer required and considered that the general reserve is the basic source of meeting all the obligations resulting from commercial and non commercial risks.

## 14. CAPITAL:

The capital of the Corporation is open-ended and is based on an initial amount of ten million Kuwaiti Dinars according to the official exchange rates prevailing at the time of signing the convention and is divided into ten thousand nominal shares of Kuwaiti Dinars one thousand each.

The Council of the Corporation issued resolution.No. 2/1975 with recommendation to the member countries to increase their subscriptions in the capital to the extent of 25 million Kuwaiti Dinars.Also the shares of two member countries were reduced by the unpaid amount of their called up capital based on the Council of the Corporation resolution No. 3/1993. Such reduction amounted to KD. 741,265. The capital of the Corporation is as follows:

	December 31,	
	1994	1993
Capital issued	KD.25,283,735	KD. 25,283,735
Unpaid capital	(700,204)	(1,177,533)
Uncalled capital	(500,000)	(500,000)
Paid up capital	24,083,531	23,606,202

## 15. EXCHANGE GAIN (LOSS):

Differences in foreign currencies exchange resulted from revaluation of the following items at the rates of exchange prevailing at December 31, 1994 and December 31, 1993.

	December 31,	
	1994	1993
	KD	KD
Revaluation of recoverable claims	136,761	( 366,790)
Revaluation of promissory notes receivable	21,913	( 55,167)
Revaluation of remaining balances and transactions during the year	675,489	( 92,025)
	834,163	( 513,982)

#### **16. CONTINGENT LIABILITIES:**

(A) Current guarantee contracts signed by the Corporation with other parties as of December 31, 1994 amounted to KD.27,836,801 out of which executed guarantee operations amounted to KD.19,751,844. This represents total outstanding contingent guarantees as of December 31, 1994.

(B) The Corporation has outstanding obligations resulting from two claims raised by a bank and a company which were awarded to the favour of such parties. Such claims amounted to U.S. Dollars 14,075,826 (equivalent to KD. 4,231,475 at the rate of exchange prevailing as of December 31, 1994). These amounts include interest on the claims value up to December 31, 1994. It is the policy of the Corporation to record such obligations at the time of payment and then it charges the related two member countries of amounts paid. The Corporation intends to appeal against the award made in favour of the bank with an amount of U.S. Dollars 10,041,885 (equivalent to KD. 3,018,792) which is included in the above amount.

(C) There is a claim from an Arab exporter and one of the Arab banks for an amount of U.S. Dollars 884,000 (equivalent to KD.265,748 at the rate of exchange prevailing as of December 31, 1994). The award was issued in favour of the claimants for such amount plus interest of 22% from the date the amount becomes due until payment. The Corporation has challenged the validity of the arbitration proceedings and the matter is still pending before the court.

#### **17. CONTRA ACCOUNTS:**

The Corporation acts as a custodian for employees investment in an investment fund with a value of KD. 389,303 as of December 31, 1994.

#### **18. COMPARATIVE FIGURES:**

Some of the comparative figures for the year ended December 31, 1993 were reclassified to conform with current year's presentation.