

**THE INTER - ARAB INVESTMENT
GUARANTEE CORPORATION**



THE EIGHTEENTH

ANNUAL REPORT 1992



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 the risks of nationalization, confiscation, compulsory seizure, expropriation, currency inconvertibility, war, civil disturbances, cancellation of the import license or the prevention of the entry of goods or their transit into the country. The commercial risks include insolvency of the debtor, his bankruptcy, his default and his 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 and 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, and 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.

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 Federation of the Arab Chambers of Commerce, Industry and Agriculture.

The Supervisory Committee supervises the activities of the Corporation and may provide advice as it may deem appropriate without interference in the administration of the Corporation. The membership of the current Supervisory Committee is as follows:

H.E. MR. FAHAD RASHID AL IBRAHIM	Chairman
H.E. DR. IBRAHIM ABDUL RAHMAN AL BARRAK	Member
H.E. MR. ABDUL FATAH BIN MANSOUR	Member
H.E. DR. MOHAMED SAID AL-NABULSI	Member
H.E. MR. NOURI MOHSEN AL HILFI	Member
H.E. MR. BURHAN UDDIN AL-DAJANI	Member

The Director General

MR. MAMOUN IBRAHIM HASSAN

Deputy Director General

MR. GIUMA SAID GIUMA

**The Chairman of the 19th 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 the Annual Report of the Director General for the year 1992.

Please accept my highest consideration

Mamoun Ibrahim Hassan
Director General

Damascus, April, 1993.

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CHAPTER ONE: INTRODUCTION

1.1. MAJOR ECONOMIC AND INVESTMENT DEVELOPMENTS:

In 1992, for the second year in a row, the profound changes which followed the cold war continued to influence the course of events in that year. In the political arena, many parts of the world witnessed wars, conflicts and disputes which followed the era of the Cold War. Observers, as they examined the features of the so-called "new world order" detected a mixture of positive developments and many more negative ones. In addition to the eruption of civil and ethnic conflicts and disputes in many parts of the world, another type of conflicts, with a different content, also erupted with the aim of gaining economic hegemony in various fields such as international trade. The multilateral trade negotiations (the Uruguay Round) under the auspices of the General Agreement on Tariffs and Trade GATT are still stalled and have failed so far to advance forward. While the relations between the members of economic blocks are gaining strength, the confrontation between these blocks is escalating which endangers world trade and carries the threat of a trade war. The international stock markets have also witnessed disturbances and confrontations, in which interest and exchange rates played a decisive role.

And yet preliminary estimates by the International Monetary Fund indicated some positive developments in the world economy in 1992. The economies of a number of the major industrialized countries began to emerge from the recession that prevailed in the previous year. The international growth rate advanced by 1 percent - something unheard of during the previous year. This note of optimism is supported by the OECD reports which state that the industrialized countries have raised their real GDP growth rate by 1.5 percent in 1992 compared to 1.4 percent in 1991. Inflation rate in these countries declined to 3.5 percent in 1992 from 4.5 percent in 1991. Estimates of the UNCTAD for 1992 indicate that growth in the volume of world trade amounted to 5.2 percent compared to 3.2 percent in 1991. The annual report of the GATT indicated that the volume of world trade in 1992 reached US\$3,700 b. Although the developing countries were affected negatively because of the decline of their share in world trade, the decline in the prices of primary commodities and the debt burden which increased to reach the amount of about US\$ 898. 4 b, yet their GNP registered an increase of 4.7 percent during the year compared to 3.2 percent in 1991 according to the UNCTAD estimates for 1992. Developing countries have also benefited from the decline of short term interest rates in the United States and Japan and consequently the relative drop in the cost of servicing their debts, as well as from debt rescheduling agreements.

The IMF also states (in its report on the world economy for 1992) that there are indications that the economic reform programs pursued by many developing countries have begun to bear fruits during the year. About 35 of those countries accounted for more than one half of the production of all developing countries as a result of the success they achieved in applying the economic structural programs adopted earlier, realizing notable results in the areas of reducing budget deficits, controlling inflation and applying market economy systems.

As for the Arab world, a number of Arab countries witnessed disturbances and internal confrontations during the year and yet there were positive developments regarding a number of the principal, chronic questions which influenced and still influence the overall course of events in the region. Arab and international efforts are being exerted to give a push to the Arab-Israeli negotiations with the aim of

working out a solution to the Palestinian problem. The peace reached by the Lebanese factions has gained strength. The warring factions in Somalia failed to bring the tragic situation there to an end and yet the end of 1992 witnessed international efforts and the intervention of American and Western forces to supervise the distribution of relief supplies and separate between rival factions. The United Nations continued its efforts with the concerned parties in Northern Africa with the aim of resolving the Western Saharan problem. There are, however, indications that despite the economic progress achieved by some oil and non-oil Arab states, economic growth in the low-income Arab states as well as most medium-income states is slowing down. Sources of financing are lacking and direct investments are declining.

External Arab trade also declined, in comparison with the previous year. Reforms that were made in the past few years to liberalize trade continued in a number of Arab countries in 1992. This promoted more reliance on market mechanisms, trade liberalization, and the rationalization of the State role in trade issues.

Average flow of inter-Arab investments during the year maintained the same levels of the previous two years. Arab capital, officially registered, which represent direct investment in other Arab countries reached US\$ 483.8 million during the year.

One of the most important economic features of the year was the fact that many Arab countries continued to implement their economic adjustment programs, taking the necessary measures for further liberalizing trade and improving the investment climate which would help in attracting foreign investments - expanding and activating the currency market, and giving a greater role to the private sector through privatization and putting up some state companies and public organizations for sale, either completely or partially, to private investors.

1.2 HIGHLIGHTS OF THE CORPORATION'S ACTIVITIES :

Total value of guarantee contracts signed during the year 1992 was US\$ 34,746,589 (equivalent to about KD 10,535,165) all of which were within the export credit guarantee scheme.

Regarding its supporting activities, the Corporation continued its efforts of marketing its services among Arab investors and exporters. It also continued its activities in undertaking economic and investment research in Arab countries, completing some while starting new other research. The Corporation participated in the promotion of regional and national investment projects, and also offered its technical assistance to member countries in areas of its competence.

CHAPTER TWO: GUARANTEE OPERATIONS

2.1. GUARANTEE CONTRACTS

2.1.1 Value of Contracts in 1992:

The value of contracts signed in 1992 amounted to US\$ 34,746,589 (KD 10,535,165)* (see table No. 1). All such contracts were signed within the framework of the export credit guarantee scheme.

The contracts' value has increased by 138.4% as compared with 1991 whereby the contracts' value amounted to US\$ 14,577,807.

2.1.2 Details of the Contracts Signed :

During the year 1992, the Corporation signed eight (8) export credit guarantee contracts, covering seventeen (17) export transactions among fifteen (15) Arab countries. Details of said contracts are given hereunder :

- One of the contracts is to cover the export of electrical wires from the Arab Republic of Egypt to the United Arab Emirates, against commercial and non-commercial risks at the value of US\$ 390,000 .
- One of the contracts is a comprehensive one signed with a joint Arab company to cover its exports of goods of Arab origin to 10 Arab countries against commercial and non-commercial risks. The value of the contract is US\$ 22,400,000.
- One of the contracts is to cover the export of textiles and fabrics from the Kingdom of Morocco to the Kingdom of Saudi Arabia, against commercial and non-commercial risks at the value of SR 22,500,000 (US\$ 5,996,802).
- One of the contracts is to cover the export of stainless steel sinks from the Arab Republic of Egypt to the United Arab Emirates, against commercial and non-commercial risks at the value of US\$ 200,000.
- One of the contracts is to cover the export of mining materials (Gypsum) from the Republic of the Sudan to the State of Kuwait against commercial and non-commercial risks at the value of US\$ 300,000.
- One of the contracts is to cover the export of agricultural products from the Arab Republic of Egypt to the United Arab Emirates against commercial and non-commercial risks at the value of US\$ 60,000.
- One of the contracts is to cover the export of fire fighting equipment and extinguishers from the Kingdom of Saudi Arabia to the State of Kuwait against commercial and non-commercial risks, at the value of SR 1,500,000 (US\$ 399,787).
- One of the contracts is to cover the export of telecommunication cables from the Kingdom of Saudi Arabia to the People's Democratic Republic of Algeria against commercial and non-commercial risks, at the value of US\$ 5,000,000.

* The currency of the Corporation is the Kuwaiti Dinar in which all operations are evaluated and all accounts are maintained.

For illustrative purposes, the equivalent of the operations value in U.S. dollars has been stated. Comparison between the guarantee operations during the year and those of the previous years is made on the basis of the KD/US\$ conversion rate at the end of the year concerned. The exchange rates used in 1991 and 1992 are as follows :

US\$ = KD 0.3032 as at 31.12.1992.

US\$ = KD 0.2842 as at 31.12.1991.

2.1.3 Initial Guarantee Approvals :

The Corporation has, during the year, issued initial approvals to extend its guarantee to a number of guarantee applications within the framework of the investment guarantee scheme and the export credit guarantee scheme.

The total value of such approvals amounted to US\$ 285 million. The guarantee applicants are expected to complete and finalize the guarantee procedures of a considerable percentage of the guarantee applications during the year 1993. Distribution of the initial approvals is given hereunder.

A. Investment Guarantee Scheme :

No. of applications & enquiries	Value (US\$ million)
7 Direct investment guarantee	41.5
10 Loans guarantee	162.0
1 Construction equipment guarantee	0.5

B. Export Credit Guarantee Scheme :

7 Applications and enquiries	81.0
Total	285.0

2.1.4 Value of Current Contracts :

The Value of the Current guarantee contracts as at 31.12.1992 amounted to US\$ 118.5 million (KD 35.9 million), 56.1% of which represents investment guarantee and 43.9% represents export credit guarantee.

The value of operations executed within this framework amounted to US\$ 61 million (KD 18.5 million) or 51.4% of the value of the current contracts. Such amount represents the outstanding guarantee commitments vis-a-vis the guaranteed parties as at 31.12.1992* (see table No.3).

2.1.5 Revenues from Guarantee Premia :

The total guarantee premia realized during the year amounted to US\$ 1,644,330 (KD 498,561), decreasing by 5.95% over last year premia which amounted to US\$ 1,865,324 (KD 530,125).

The decrease is attributed to the expiry of a number of guarantee contracts during the year, as well as the unexecution of a loan guarantee contract, amounting to US 12.9 million, signed during 1992. The draw down of said guaranteed loan is expected to commence during the second quarter of 1993.

2.1.6 Compensation and Recoveries:

The amount of compensation paid during the year for commercial and non-

* 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 commitment does not constitute amounts payable, unless a covered risk takes place.

commercial risks, reached US\$ 37,031,787.55 (KD 11,228,037), the distribution of which is as follows :

- A. An amount of US\$ 37,010,099.25 (KD 11,221,462) for non-commercial risks (inconvertibility) realized in two member countries, of which US\$ 33,647,870.25 (KD10,202,034) or 90.9% of the total were paid for risks realized in one country, and US\$ 3,362,229 (KD 1,019,428) or 9.1% of the total for risks realized in the other country.
- B. An amount of US\$ 21,688.30 (KD 6,575.9) for a commercial risk realized in a third member country.

All such risks had been realized within the framework of the export credit guarantee scheme.

Various guaranteed parties from eight nationalities received the following percentages of compensation :

Egyptians 39.72%, Saudis 17.91%, Jordanians 15.89%, Kuwaitis 13.90%, Algerians 11.53%, Moroccans 0.59%, Bahrainis 0.35%, and Lebanese 0.11%..

No recoveries have been received during the year.

2.2 REINSURANCE :

2.2.1 The re-insurers' share in the amount of compensation paid during the year reached US\$ 17,609,239.34, of which US\$ 17,593,190 for non-commercial risks, and US\$ 16,049.34 for commercial risks. The re-insurers' share in the cumulative compensation amount paid till the end of 1992, has thus been raised to US\$ 29,659,834.34 .

In addition to the amount of US\$ 1,004,580 received from the re-insurers during 1991, the Corporation has, during 1992, also received the amount of US\$ 3,774,071, thus, raising the total amount received from the re-insurers to US\$ 4,728,651 at the year's end.

The Corporation is continuing its efforts to secure payment of the remaining due share from the re-insurers.

2.2.2 Renewing the Reinsurance Treaties :

The non-commercial risks' treaty signed with the Arab Reinsurance Consortium will expire on 30.9.1993. The Corporation is currently evaluating all possible alternatives to sign a new treaty.

The commercial risks' treaty has expired on 31.12.1992. However the leader on this treaty as well as some major reinsurers have renewed their lines for 1993. Such renewal will be effective as from 1.1.1993. Completion of the remaining share is underway.

2.3 MARKETING THE GUARANTEE SERVICES :

Within the framework of the Corporation's plan to promote the demand for the investment guarantee scheme, the Corporation, has during the year, intensified its contacts with the investment authorities in a number of host countries such as, the Republic of Tunisia, Syrian Arab Republic, Republic of Lebanon, Arab Republic of Egypt, Kingdom of Morocco, and the Yemen Republic. Said contacts aimed at strengthening the coordination and cooperation channels with these authorities

to attract Arab businessmen and investors and encourage them to invest in these countries.

The Corporation has also continued its marketing efforts in the Gulf Cooperation Council Countries, particularly, in the United Arab Emirates, the State of Kuwait, and the Kingdom of Saudi Arabia.

Focusing the importance on the subject of "privatization", the Corporation collected information and data available on public enterprises which are to be privatized in some Arab countries, in order to promote such enterprises at Arab investment circles.

In compliance with the policy which aims at concentrating the efforts on promoting the services of direct investment guarantee in order to achieve a suitable balance between the contracts signed within the framework of the investment guarantee scheme and those of the export credit guarantee scheme, the Corporation has, during the year, put a plan to assign commission agents to market direct investment and construction equipments' guarantee contracts. According to this plan, representation agreements will be signed with one or more suitable body in order to act as liaison between the Corporation and the Arab businessmen and investors in various member countries. A number of such agreements have already been signed.

2.4 DEVELOPING THE ARAB INVESTMENT GUARANTEE SCHEME :

2.4.1 The Corporation pays special attention to the development of the guarantee contracts. Such development has stemmed out of the experience with the Arab investors and exporters, and the expertise reciprocated with similar guarantee agencies. In this regard, the Corporation has finalized a study on additional rules and procedures necessary to develop the methodology of appraisal and follow-up of the material assets of the guaranteed investment projects. Such methodology will assist in conducting a more succinct and accurate appraisal of the assets periodically. The said process is considered of utmost importance for evaluating the current guarantee amount, and the amount of compensation emanating from the realization of any covered risk.

2.4.2 During the year, the Corporation has finalized a computer programme for trade information designed to evaluate the solvency and reputation of private importers.

2.4.3 A computer programme has been finalized during the year, covering all aspects of guarantee operations, i.e. various signed contracts, guarantee premia, compensation and guarantee applications under consideration as well.

TABLES

TABLE (1)
VALUE OF GUARANTEE CONTRACTS SIGNED DURING 1992
(BY IMPORTING COUNTRIES)
(VALUE IN US DOLLAR AND EQUIVALENT IN KUWAITI DINAR)*

Importing Country	Value of Export Credit Contracts		(% to Total
	(US\$)	(KD)	
JORDAN**	1,000,000	303,200	2.88
U.A.E.	650,000	197,080	1.87
ALGERIA	10,000,000	3,032,000	28.78
SAUDI ARABIA	8,396,802	2,545,910	24.17
SYRIA**	1,000,000	303,200	2.88
KUWIAT	2,699,787	818,575	7.77
LIBYA**	3,000,000	909,600	8.63
LEBANON**	1,000,000	303,200	2.88
EGYPT**	3,000,000	909,600	8.63
MOROCCO**	1,000,000	303,200	2.88
YEMEN**	3,000,000	909,600	8.63
TOTAL :	34,746,589	10,535,165	100.00

(*) 1 US \$= KD 0.3032

(**) Within a Comprehensive Export Credit Guarantee Contract

TABLE (2)
GEOGRAPHICAL DISTRIBUTION OF THE EXPORT CREDIT GUARANTEE
CONTRACTS SIGNED DURING 1992
(VALUE IN US DOLLAR EXCEPT IN THE TOTAL WHICH IS EXPRESSED IN KD* ALSO)

From To	Saudi Arabia	Sudan	Egypt	Morocco	Joint Companies	Total (US\$) (KD)	
Jordan	—	—	—	—	1,000,000	1,000,000	303,200
U.A.E.	—	—	650,000	—	—	650,000	197,080
Algeria	5,000,000	—	—	—	5,000,000	10,000,000	3,032,000
Saudi Arabia	—	—	—	5,996,802	2,400,000	8,396,802	2,545,910
Syria	—	—	—	—	1,000,000	1,000,000	303,200
Kuwait	399,787	300,000	—	—	2,000,000	2,699,787	818,575
Libya	—	—	—	—	3,000,000	3,000,000	909,600
Lebanon	—	—	—	—	1,000,000	1,000,000	303,200
Egypt†	—	—	—	—	3,000,000	3,000,000	909,600
Morocco	—	—	—	—	1,000,000	1,000,000	303,200
Yemen	—	—	—	—	3,000,000	3,000,000	909,600
Total In US\$	5,399,787	300,000	650,000	5,996,802	22,400,000	34,746,589	—
Total in KD	1,637,215	90,960	197,080	1,818,230	6,791,680	—	10,535,165

* The original value of contracts is denominated in US dollars, and its equivalent in Kuwaiti Dinars.

TABLE (3)
VALUE OF CURRENT CONTRACTS AND OUTSTANDING COMMITMENTS AS AT 31.12.1992
IN US DOLLAR AND ITS EQUIVALENT IN KD⁽¹⁾
(BY HOST/IMPORTING COUNTRIES AND TYPE OF CONTRACTS)

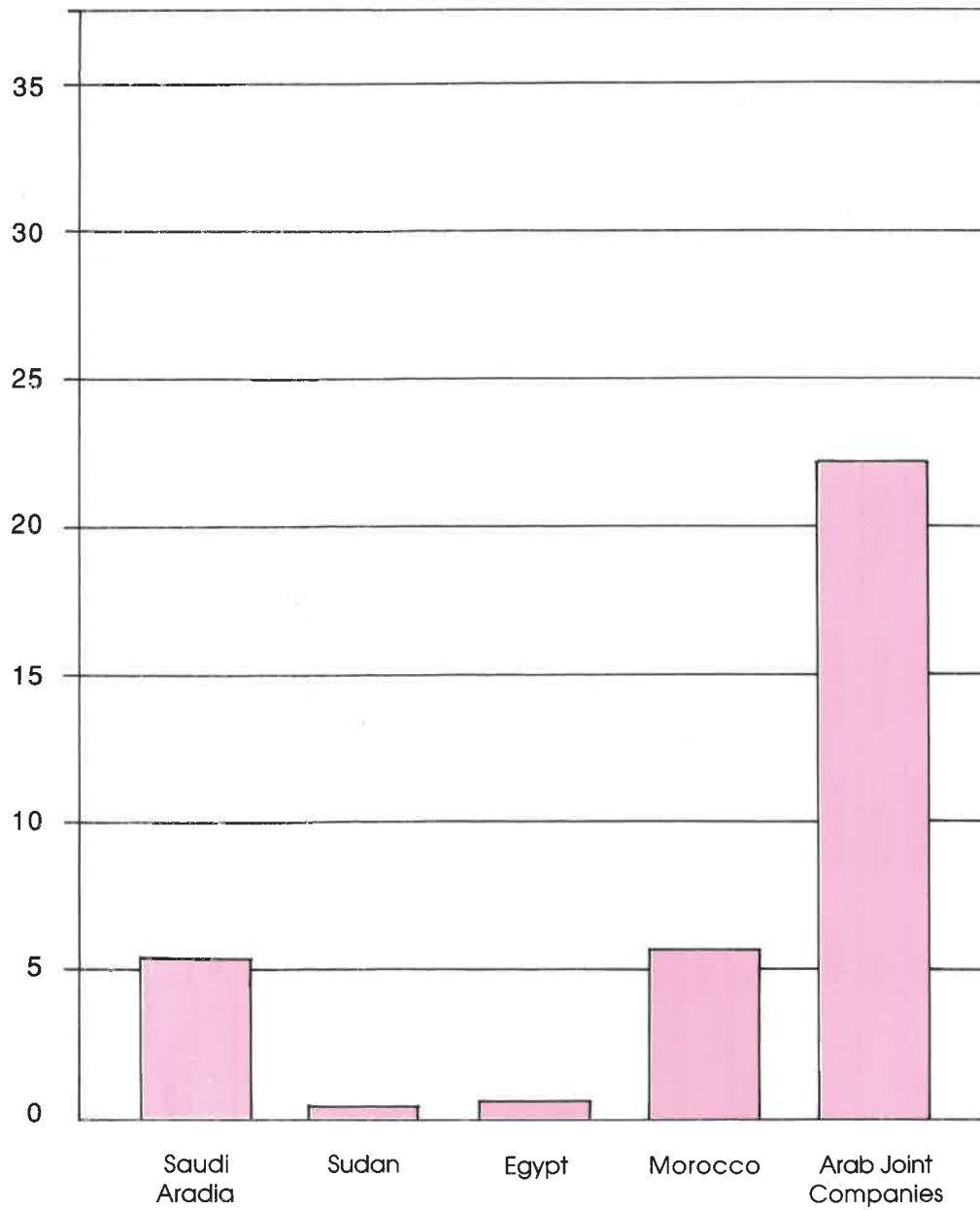
Host/Importing Countries	Investment Contracts (2)		Export Credit Contracts		Total		%	Outstanding Commitments (3)	
	US\$	KD	US\$	KD	US\$	KD		US\$	KD
JORDAN	-----	-----	1,200,000	363,840	1,200,000	363,840	1.01	60,386	18,309
U.A.E.	-----	-----	549,044	166,470	549,044	166,470	0.46	345,624	104,793
TUNISIA	1,434,696	435,000	-----	-----	1,434,696	435,000	1.21	709,103	215,000
ALGERIA	577,535	175,109	10,000,000	3,032,000	10,577,535	3,207,109	8.93	577,535	175,109
SAUDI ARABIA	-----	-----	9,796,802	2,970,391	9,796,802	2,970,391	8.27	3,568,220	1,081,884
SUDAN	2,310,231	700,462	12,762,132	3,869,478	15,072,363	4,569,940	12.73	15,072,363	4,569,940
SYRIA	6,570,333	1,992,125	1,000,000	303,200	7,570,333	2,295,325	6.39	2,521,624	764,556
IRAQ	-----	-----	3,047,029	923,859	3,047,029	923,859	2.57	3,047,029	923,859
KUWAIT	-----	-----	2,699,787	818,575	2,699,787	818,575	2.28	-----	-----
LIBYA	-----	-----	3,000,000	909,600	3,000,000	909,600	2.53	-----	-----
LEBANON	-----	-----	1,000,000	303,200	1,000,000	303,200	0.84	-----	-----
EGYPT	22,011,620	6,673,923	3,000,000	909,600	25,011,620	7,583,523	21.12	22,011,620	6,673,923
MOROCCO	20,544,665	6,229,142	1,000,000	303,200	21,544,665	6,532,342	18.19	13,006,949	3,943,707
MAURITANIA	12,952,807	3,927,291	-----	-----	12,952,807	3,927,291	10.94	-----	-----
YEMEN	-----	-----	3,000,000	909,600	3,000,000	909,600	2.53	-----	-----
TOTAL :	66,401,887	20,133,052	52,054,794	15,783,013	118,456,681	35,916,065	100	60,920,453	18,471,080

- (1) 1 US\$ = 0.3032 KD
(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 shipments executed but not repaid.

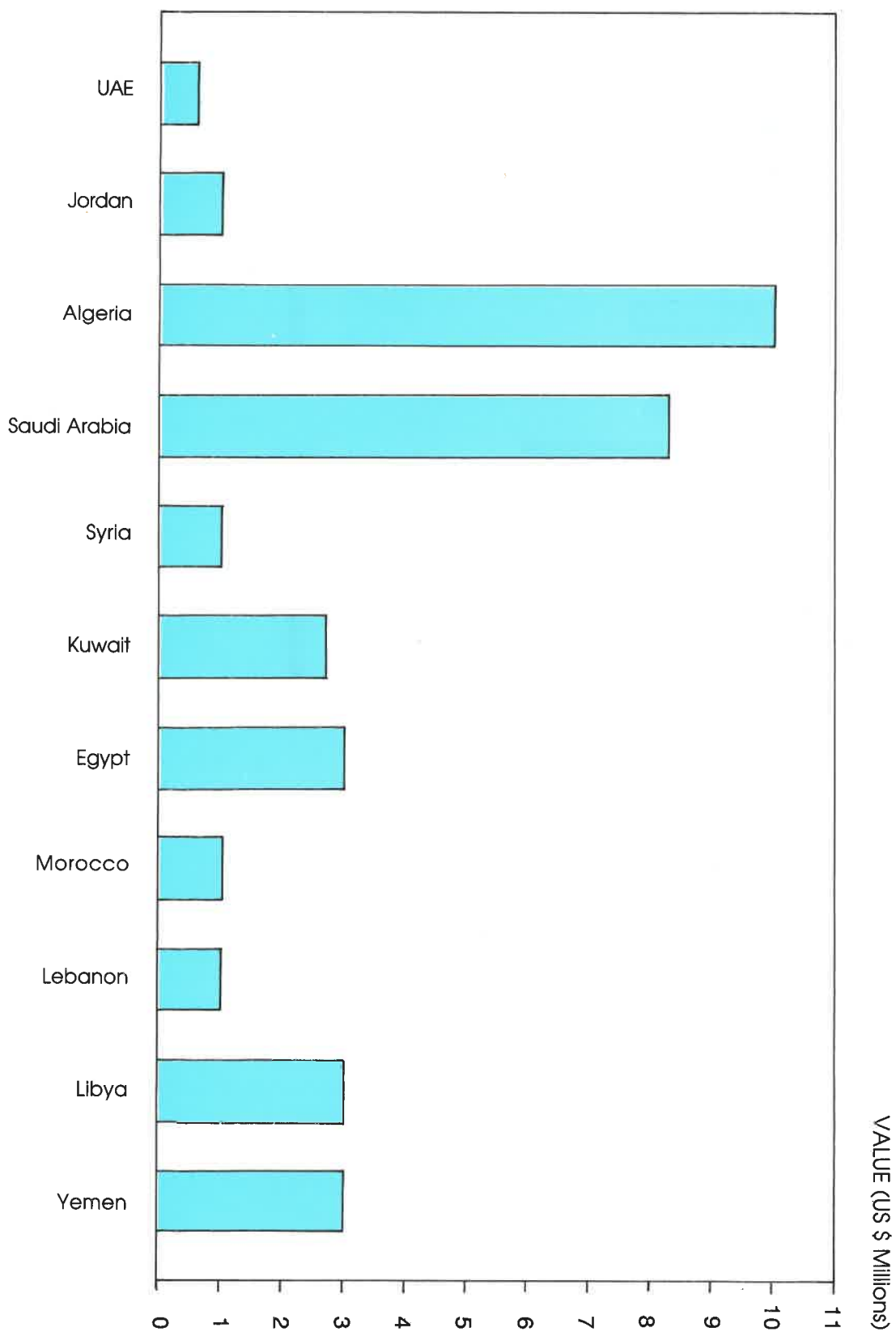
GRAPHICS

EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1992 (EXPORTING COUNTRIES)

VALUE (US \$ Millions)

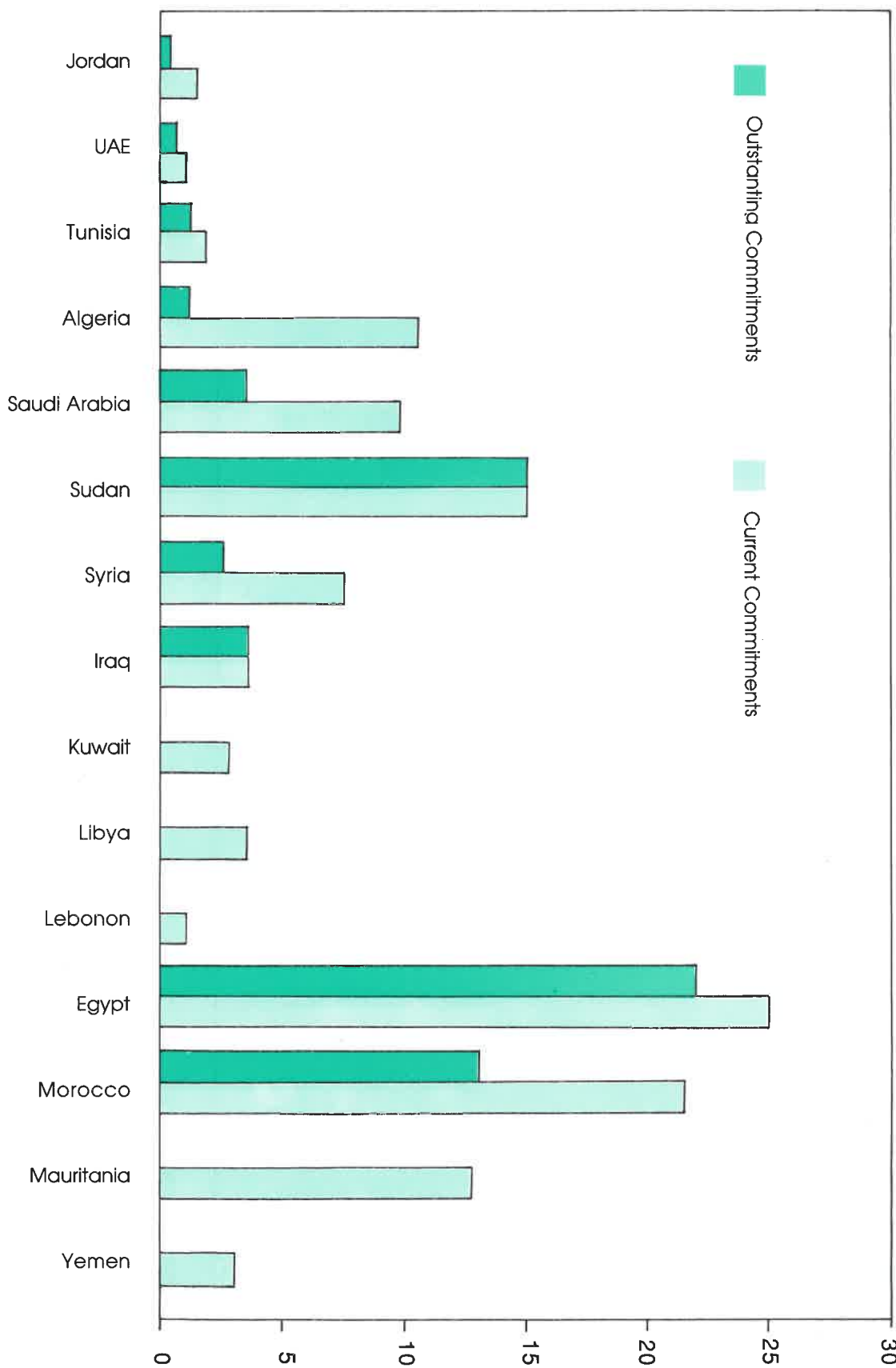


EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1992
(IMPORTING COUNTRIES)



CURRENT AND OUTSTANDING COMMITMENTS AS 13.12. 1992 (HOST / IMPORTING COUNTRIES)

VALUE (US \$ Millions)



CHAPTER THREE: ANCILLARY ACTIVITIES

3.1 SPECIALIZED STUDIES:

3.1.1 Report on the Investment Climate in the Arab Countries:

Within the efforts exerted by the Corporation aiming at compiling information on the investment climate in the Arab countries, report on investment climate for 1991 was issued. The report is distributed widely to government agencies, investment and financial firms as well as to private investors. Work was underway at the end of the year for the preparation of the draft report for 1992.

3.1.2 Study on the Substitution of Arab Imports of Foreign Goods with Industrial Production of the Arab Gulf States :

This study is conducted in collaboration with the Gulf Organization for Industrial Consulting (GOIC). GOIC is examining all the industrial export items manufactured by the Arab Gulf States, while the Corporation is identifying similar items which may be imported by Arab countries from outside the Arab countries to explore the possibilities of import substitution.

3.1.3 Study on the Economic and Structural Climate Necessary for the Private Sector :

This study aimed at examining the economic, structural and administrative factors that interact to create the proper climate for free enterprise and investment. The study was presented to the 7th Meeting of the Executive Managers of Arab Chambers of Commerce, Industry and Agriculture held in Amman, 2-3/12/1992.

3.1.4 Study on the Arab Stock Exchange Markets and Obstacles Facing its Integration :

This study aimed at the identification of obstacles and problems facing integration among Arab stock exchange markets with solutions suggested to overcome such problems. The study was presented to a seminar held in Cairo (6-8/10/1992) under the title "Towards an Arab Unified Financial Market: the Executive Steps".

3.1.5 The Legislative Guide for Investment in The Arab Countries :

Within the Corporation's responsibilities to help Arab investors acquaint themselves with the legislations that govern foreign and Arab investment in the Arab countries, a classified legal guide was prepared and will be published shortly.

3.2 INVESTMENT AND PROJECT PROMOTION ACTIVITIES :

3.2.1 Sub- Sectoral Surveys on Investment Opportunities in Egypt :

Taking into consideration the vital role of the sectoral studies as a key promotional element which provides the investor with the necessary background that would help him in the decision-making process, the Corporation thought fit to conduct economic and technical surveys that would cover priority areas of investment programmes in the Arab countries, identify existing investment opportunities and thus help potential investors study in depth the characteristics of the sector concerned.

Five sub-sectors which feature prominently in the investment programme in Egypt were identified and agreed upon with the Investment Authority of Egypt. Terms of

reference of these studies were prepared by the Corporation and some consulting firms were invited to submit their offers. Consultants to carry out the studies were selected. The five surveys have been accomplished and are now available for interested Arab businessmen and investors with executive summary to each study in both Arabic and English languages.

The studies were advertised in a number of Arab newspapers and in the "Investment Guarantee" Newsletter published by the Corporation. A leaflet showing the contents of each study was published and widely distributed. A special fund was created of the proceeds which will be used partially for the preparation of similar surveys to be conducted in other Arab countries. The five sub-sectoral studies will be demonstrated in the Fifth Arab-Businessmen and Investors Conference which will be held in Damascus next May to draw their attention to new investment opportunities in Egypt. The whole project was undertaken in collaboration with the Investment Authority of Egypt and the Islamic Development Bank.

3.2.2 The Fifth Arab Businessmen and Investors Conference :

In the light of a decision taken by the Council of the Arab Federation of Chambers of Commerce, Industry and Agriculture held in Rabat, Morocco, May 1992, accepting the invitation of the Syrian Federation of Chambers of Commerce to host in Damascus the Fifth Arab Businessmen and Investors Conference, the Corporation, being one of the three organizations responsible for the conference, participated in the meetings of the preparatory committee which took place in Cairo, December 1992, along with its two other partners; The League of Arab States and the Federation of Arab Chambers of Commerce, Industry & Agriculture. It was found, however, appropriate to reconsider the tentative programme of the conference which was suggested in an earlier meeting held in Damascus, October 1992, to cover two main topics namely; "privatization", and "ways and means to reactivate the joint Arab cooperation programme" taking into consideration the new developments that took place since the end of the Gulf war of 1990.

3.2.3 Existing Investment Opportunities in the Arab Countries :

The Corporation continued its efforts towards collecting and compiling information on existing investment opportunities in the Arab countries through its contacts with the investment promotion agencies in these countries. The Corporation also paid much attention to collect information on the "privatization" policies adopted by the Arab countries and public enterprises prepared for privatization in those countries. A computer programme was set up to document data and information available aiming at the stimulation of contacts with Arab investment companies and financing institutions on one hand, and with agencies and other institutions concerned with investment in capital importing countries on the other hand. Twenty four investment projects were promoted through the "Investment Guarantee" Newsletter published by the Corporation. The Corporation also helped in establishing contacts between the concerned parties in most of these projects.

3.2.4 Workshop on Investment Promotion in the Arab Countries:

Taking into consideration that "investment promotion is a technique and a

science as well, and in the light of what was concluded following a workshop organized by the Corporation in March 1990 in Kuwait City on "The National Investment Agencies in the Arab Countries", it has been felt that there is a great need to organize a specialized workshop on "The Technique of Investment and Project Promotion". It was thus agreed upon with the United Nations Industrial Development Organization (UNIDO) and the World Bank Foreign Investment Advisory Service (FIAS) to organize jointly the proposed workshop. Topics and papers to be prepared were identified. Arab and foreign participants and experts to be invited were nominated. The workshop was initially scheduled to convene in Jan/Feb. 1993 but UNIDO suggested its postponement until April 1993 in order to secure enough time for good preparation. The Corporation is still negotiating the venue with the United Arab Emirates authorities as the workshop is proposed to be held in Dubai. Also still under discussion with UNIDO and FIAS are some technical, administrative and financial issues related to the workshop.

Invitation were sent to all Arab investment agencies, chambers of commerce and other relevant institutions to participate in the workshop and present short papers on their investment promotion experiences. This will help present a true picture of the efforts exerted by the Arab countries in the field of investment promotion showing the loopholes and shortcomings in that area of activity.

3.3 TECHNICAL ASSISTANCE TO MEMBER COUNTRIES :

The Corporation received a proposal from the Chairman of Chamber of Commerce and Industry of Southern Tunisia to cooperate with them in the area of identifying investment opportunities and help businessmen and investors to be acquainted with the incentives and privileges accorded to them in Tunisia. The Corporation welcomed providing technical assistance in the area proposed, and suggested that cooperation with the Chamber would be achieved through coordination with the Tunisian Ministry of Planning and Finance, the official liaison office for the Corporation.

3.4 COOPERATION WITH ARAB AND INTERNATIONAL ORGANIZATIONS :

The Corporation participated in the following meetings during the year :

- Seminar on "Towards an Arab Unified Financial Market-The Executive Steps"- Organized by "Al A'alam Al Yom" Newspaper with the Dellah Al Barka Group in Cairo 6-8/10/1992.
- Conference on "International Arbitration" held in Cairo/Alexandria, 11-15/10/1992.
- The First Conference for Egyptian/Saudi Businessmen held in Cairo, 27-29/10/1992.
- The Seventh Meeting of the Arab Chambers of Commerce, industry and Agriculture Managers held in Amman, 2-3/12/1992.
- Seminar on "The Privatization Programme, the key to Securing Social and Economic Prosperity in Kuwait" held in Kuwait City on 6/12/1992.

3.5 MEDIA :

The Corporation continued its media activities through its monthly newsletter "Investment Guarantee" and other audio/visual facilities available in Arab and foreign news agencies. Developing and updating the Corporation's mailing list and publications' distribution programme have been accomplished.

3.6 INFORMATION AND DOCUMENTATION :

3.6.1 Computerization :

The following tasks have been accomplished :

- Wide contacts with the operating firms in Kuwait to select the eligible ones to help resume IAIGC'S work. This covers repairs, procurement of hardware and development of current programs already in use.
- Pursuit of efforts to achieve full utilization of the newly acquired programmes, most of which are still in the testing stage. This includes programmes for trade information, guarantee operations and investment promotion.

3.6.2 Documentation and Library Development :

The library has simultaneously been prepared and reopened with IAIGC's resumption of its activities in Kuwait as early as September 1992. It has started its relations with similar organizations, publishing houses and distribution centres, both at Arab and foreign levels with the intention of giving satisfactory services. It is worth mentioning that the library computer programme was among those which were badly damaged during the Gulf War.

The paid-up capital of the Corporation at the end of 1992 amounted to KD. 23,205,720 (US\$ 76,536,015) with an increase of KD. 445,361 (US\$ 1,468,868) over 1991. The increase is due mainly to the receipt of capital instalments from three member states. Such instalments were due in accordance with the capital arrears rescheduling agreements signed with each one of the three member states. Details of the instalments in question are as follows :

1. The Arab Republic of Egypt paid the third instalment amounting to KD 90,000 .
2. The Republic of Sudan paid the second instalment amounting to KD 66,385 plus KD 10,953 accrued interest.
3. The Islamic Republic of Mauritania, paid an amount of KD 56,124 of which KD 38,976 representing the value of two capital instalments and KD 17,148 accrued interest on the same instalments for the period 1990-1991.

The Sultanate of Oman paid an amount of KD. 250,000 representing an increase in the Sultanate share in the capital of the Corporation. The increase has been in accordance with the Corporation's Council Resolution No. 8/1992 that urged member states to increase voluntarily their share in the Corporation's capital.

The total revenue realized during the year was KD. 5,991,641 (US\$ 19,761,349), compared with KD. 3,679,909 (US\$ 12,948,307) in 1991, i.e an increase of KD. 2,311,732 (US\$ 7,624,446) or 62.8% of the total amount, KD. 5,923,978 (US\$ 19,538,186) was realized from the Corporation's investment of its financial resources, while the balance of 67,663 (US\$ 223,163) represents a net return from the Corporation's Guarantee services, in addition to adjustment in previous years accounts and other revenues.

The net revenue transferred to the general reserve for the current year amounted to KD. 4,324, 571 (US\$ 14,263,097) compared with KD. 2,358,168 (US\$ 8,297,565 in 1991, i.e. an increase of KD. 1,966,403 (US\$ 6,485,498) or by 83.4%.

The total expenditure of the three chapters of the budget for the year 1992 amounted to KD. 1,064,026 (US\$ 3,509,320) compared with KD. 1,321,741 (US\$ 4,650,742) in 1991 i.e., a decrease of KD. 257,715 (US\$ 849,983) or by 19.5%.

The total contingency expenditure in 1992 amount to KD 103,044 (US\$ 339,855). The expenditure is due largely to the resumption of the Corporation's activities from its Headquarters in Kuwait. The provision for the decline in Net Book Value of Bonds amounted to KD. 500,000 (US\$ 1,649,076) in 1992. Thus the total expenditure for 1992 amounts to KD. 1,667,070 (US\$ 5,498,252).

The balance sheet for the year ended 31st December 1992, showed that the value of the Corporation's total resources were KD. 56,777,159 (US\$ 187,259,759) of which KD. 6,383,382 (US\$ 21,053,370) was in time deposits, KD.9,619,180 (US\$ 31,725,527) in bonds, KD.12,858,189 (US\$ 42,408,275) in investment portfolios held with banks, KD. 1,146,016 (US\$ 3,779,736) in current and call accounts. The resources also included KD.333,820 (US\$ 1,100,989) invested in Arab Government bonds, KD. 379,000 (US\$ 1,250,000) represents subscription of the Corporation in the capital of the Arab Trade Finance Programme and KD. 26,057,572 (US\$ 85,941,860) paid as compensation in form of Promissory Notes and Recoverable

Claims. The total revenue realized from the investment of these resources were KD. 5,923,978 (US\$ 19,538,186) an average return of 10.5%.

The accumulated general reserve at the end of the year reached KD. 34,183,425 (US\$ 112,742,167) compared with KD. 29,858,854 (US\$ 105,062,821) in 1991, an increase of KD. 4,324,571 (US\$ 14,263,097) or by 14.5%.

AUDITOR'S REPORT

**The Chairman and Members of the Council,
Inter-Arab Investment Guarantee Corporation**

An Arab Corporation with a Special Independent Legal Status
Kuwait.

We have audited the Balance Sheet of INTER-ARAB INVESTMENT GUARANTEE CORPORATION (An Arab Corporation with a Special Independent Legal Status) - Kuwait as of December 31, 1992 and the related Statements of Revenue and Expenditure, Shareholders' Equity and Changes in Financial Position for the year then ended. Our audit was made in accordance with International Standards on Auditing.

As shown in the accompanying Notes (4) and (7), amounts of U.S. Dollars 93,880,116 (equivalent to KD.28,464,451 at the rate of exchange prevailing as of December 31, 1992) are due from two of the member countries on promissory notes and recoverable claims in addition to related interest accrued thereon to December 31, 1992. Because of the current situation in the Gulf region, reimbursement of the said amount had not been effected.

In our opinion, except for the effect of the preceding paragraph, the accompanying financial statements present fairly the financial position of Inter-Arab Investment Guarantee Corporation as of December 31, 1992 and the results of its operations and the changes in its financial position for the year then ended, in conformity with the accounting policies as set in Note (2) to the financial statements applied on a consistent basis.

Jassim Ahmad Al Fahad

Licence No. 53-A

OF JASSIM AHMAD AL FAHD & CO.

MEMBER FIRM OF DELOITTE & TOUCHE

Kuwait

March 10, 1993

BALANCE SHEET AS AT DECEMBER 31, 1992

ASSETS	December 31	
	1992	1991
	KD	KD
Current and call accounts with banks	1,146,016	764,225
Time deposits	6,383,382	12,159,486
Investment in bonds (Note 3)	9,619,180	14,533,138
Investment portfolios	12,858,189	10,870,301
Accrued interest	2,934,527	1,783,365
Promissory notes receivable (Note 4)	3,908,098	3,663,455
Government bonds (Note 5)	333,820	268,057
Investment in Arab Trade Finance Program (Note 6)	379,000	355,275
Recoverable claims (Note 7)	22,149,474	10,262,273
Accounts receivable - Re-insurance claims (Note 8).	9,194,204	3,228,822
Investments of provident and social security fund	1,092,614	1,158,381
Accounts receivable and other debit accounts (Note 9)	1,237,504	1,261,239
Total Assets	KD. 71,236,008	KD. 60,308,017

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

LIABILITIES AND SHAREHOLDERS'		December 31	
EQUITY	1992	1991	
LIABILITIES:	KD	KD	
Accounts payable and other credit accounts (Note 9)	1,507,980	1,698,345	
Re-insurance claims payable	10,358,208	3,437,829	
Provision for unexpired risks	344,448	344,448	
Payable to participants of the provident and social security fund	1,092,614	1,158,381	
Provision for contingencies	543,613	1,049,801	
Total Liabilities	13,846,863	7,688,804	
Capital issued (Note 10)	26,025,000	25,025,000	
Called-up capital	25,525,000	24,525,000	
Less: Unpaid capital	(2,319,280)	(1,764,641)	
Paid-up capital	23,205,720	22,760,359	
General reserve	34,183,425	29,858,854	
Total shareholders' equity	57,389,145	52,619,213	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	KD. 71,236,008	KD. 60,308,017	

**STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 1992**

REVENUE :	Year Ended December 31	
	1992	1991
	KD.	KD.
PREMIUM FROM GUARANTEES :		
Provision for unexpired risks beginning of year	344,448	344,448
Premiums earned	154,113	185,677
Gross premiums from guarantees	498,561	530,125
Share of reinsurance companies	(16,359)	(106,000)
Premiums retained	482,202	424,125
Provision for unexpired risks end of year	(344,448)	(344,448)
	137,754	79,677
Compensation for Commercial Risks	(2,334)	---
Reinsurance commission after deducting the commissions paid and other insurance expenses	3,938	35,000
Net premiums from guarantees	139,358	114,677
Interest on call accounts	29,148	78,048
Interest on time deposits	592,776	1,175,358
Income from bonds	827,303	1,169,810
Income from investment portfolios	1,442,740	953,734
Income from sale and redemption of bonds	63,146	192,293
Interest from promissory notes and government bonds	1,413,982	539,984
Exchange gain (loss) (Note 11)	1,554,883	(672,573)
Prior years' adjustments	(74,661)	118,917
Others	2,966	9,661
Total revenue	5,991,641	3,679,909
EXPENDITURE :		
First Section - Salaries, wages and bonuses	640,918	900,863
Second Section - General and administrative expenses	384,739	410,250
Third Section - Capital expenditure	38,369	10,628
Incidental Expenditures (Note 12)	603,044	----
Total expenditure	1,667,070	1,321,741
Net income revenue	4,324,571	2,358,168

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1992**

	Capital Issued KD.	Called - up Capital KD.	Unpaid Capital KD.	Paid-Up Capital KD.	Net Revenue KD.	General Reserve KD.
Balance as of December 31, 1990	25,025,000	24,525,000	2,114,963	22,410,037	—	27,500,686
Capital payment	—	—	(350,322)	350,322	—	—
Net revenue	—	—	—	—	2,358,168	—
Transferred to general reserve	—	—	—	—	(2,358,168)	2,358,168
Balance as of December 31, 1991	25,025,000	24,525,000	1,764,641	22,760,359	—	29,858,854
Increase in issued capital	1,000,000	1,000,000	1,000,000	—	—	—
Capital payment	—	—	(445,361)	445,361	—	—
Net revenue	—	—	—	—	4,324,571	—
Transferred to general reserve	—	—	—	—	(4,324,571)	4,324,571
Balance as of December 31, 1992	26,025,000	25,525,000	2,319,280	23,205,720	—	34,183,425

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1992**

	Year Ended December 31	
	1992	1991
Sources of Funds :	KD	KD
Net revenue	4,324,571	2,358,168
Depreciation	—	10,628
Funds provided from operations	4,324,571	2,368,796
Decrease in time deposits	5,776,104	—
Decrease in investment in bonds	4,913,958	3,226,622
Decrease in promissory notes receivable	—	48,722
Decrease in investment in Arab Trade Finance Program	—	4,725
Increase in Re-insurance claims payable	6,920,379	3,437,829
Decrease in accounts receivable and other debit accounts	23,735	—
Decrease in investments of provident and social security fund	65,767	708,453
Increase in paid-up capital	445,361	350,322
Total funds provided	22,469,875	10,145,469
Application of Funds :		
Increase in promissory notes receivable	244,643	—
Increase in recoverable claims	11,887,201	6,761,783
Increase in investment portfolios	1,987,888	953,734
Increase in Investment in Arab Trade Finance Program	23,725	—
Increase in government bonds	65,763	13,883
Increase in time deposits	—	1,089,751
Increase in accounts receivable - Re-insurance claims	5,965,382	3,228,822
Decrease in accounts payable and other credit balances	190,365	13,693
Increase in accrued interest	1,151,162	299,306
Decrease in payable to participants of the provident and social security fund	65,767	708,453
Increase in accounts receivable and other debit accounts	—	18,330
Decrease in provision for contingencies	506,188	—
Total funds applied	22,088,084	13,087,755
Increase (decrease) in current and call accounts with banks	381,791	(2,942,286)
Current and call accounts with banks at beginning of year	764,225	3,706,511
Current and call accounts with banks at end of year	1,146,016	764,225

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 on the historical cost basis.

(B) Investment in Bonds:

1. Straight Bonds are stated at cost since the intention is to hold them until their maturity dates. The difference between the cost of the bond and its nominal value is reflected in the statement of revenue and expenditure at the time of its maturity or redemption.

2. Convertible Bonds and warrants are valued at the lower of market price or cost at year end.

(C) Investment Portfolios:

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

(D) Fixed Assets:

Fixed assets are fully depreciated at the time of their purchase.

(E) Recognition of Income:

The Corporation follows the accrual basis of accounting for the interest earned, premiums from guarantees and portfolios managed by agents.

(F) 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".

(G) Foreign Currency Translation:

The accounts of the Corporation are maintained in Kuwaiti Dinars. Assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at average rate of exchange prevailing at the end of each month. All realized and unrealized gains or losses are reflected in the current year's statement of revenue and expenditure.

(H) Provision for Contingencies and other Accounts:

The Corporation provides for contingencies and other accounts against seen and unforeseen expenditure which is reflected in current year's statement of revenue and expenditure. This amount is included in "Provision for contingencies" and "accounts payable and other credit accounts" under liabilities in the accompanying balance sheet.

(I) Provident and Social Security Fund:

The income of the provident and social security fund which was established by the Corporation to 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.

(J) Provision for Unexpired Risks:

The Corporation estimates the provision for unexpired risks for the guarantee operations executed during the year in accordance with several technical and mathematical considerations provided that the ratio of the above provision to the guarantee premiums should not be less than a specific limit. The Corporation maintained the provision amount at December 31, 1992 based upon the above considerations.

3. INVESTMENT IN BONDS

Investment in convertible bonds	KD. 2,958,881
Investment in warrants	422,218
Total	KD. 3,381,099
Less : provision for decline in Value	1,000,000
Net Book value - at market value	KD. 2,381,099
Investment in straight bonds-at cost	7,238,081
Total investments in Bonds	KD. 9,619,180

4. PROMISSORY NOTES RECEIVABLE

Promissory notes are composed of the following :	U.S . Dollars
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. 3,908,098 at the rate of exchange prevailing at December 31, 1992)	12,889,504

An agreement between the Corporation and the representative of the member country dated December 20, 1989 which states that the remaining amount of the promissory notes along with any other due amounts should be settled in equal quarterly instalments of U.S. Dollars five million each starting from July 1, 1990 however, no amounts of the promissory notes or instalments due were settled.

5. GOVERNMENT BONDS

The Corporation obtained a government bond from one of the member countries as part settlement of the unpaid capital due from that country. The Bond was valued at KD. 231,067 based on the rate of exchange agreed upon between the two parties. An amount equivalent to the value of the bond was deposited in one of the banks of that country and its currency at fixed exchange rate in accordance with a signed agreement between the Corporation and the Country. The deposit matured on December 31, 1991 and is renewable for periods of six months each. The investment return will be

calculated and credited to the Corporation's account. The balance as of December 31, 1992 amounted KD. 333,820.

6. 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. 379,000 at the rate of exchange prevailing as of December 31, 1992) which represents 250 shares of the program's capital totalling 100,000 share at a nominal value of U.S. Dollars 5,000 each.

7. RECOVERABLE CLAIMS

A. Recoverable claims are as follows :	U.S. Dollars
Balance as of December 31, 1990	12,005,604
Claims settled by the Corporation during 1991	24,022,665
Claims settled by the Corporation during 1992	37,010,099
	73,038,368
Claims on commercial risks payable	
from re-insurance companies	13,990
Total recoverable claims (equivalent to KD.22,149,474	
at the rate of exchange prevailing as of December 31,1992).	73,052,358

Payments made to several parties of Arab nationalities amounted to U.S. \$37,010,099 and are related to non-commercial risks realized in two of the member countries. Such claims due were not settled by the two countries in accordance with the articles of incorporation.

(B) The accrued interest on promissory notes, recoverable claims and delay interest on such accounts as of December 31,1992 amounted to U.S Dollars 7,938,254 (equivalent to KD. 2,406,879 at the rate of exchange prevailing as of December 31, 1992). Such interest was included in accrued interest and has not yet been collected. The details of the above mentioned amount are as follows :

	U.S. Dollar
Balance as of December 31, 1990	2,384,792
Interest accrued for the year ended	
December 31, 1991	1,851,035
Interest accrued for the year ended December 31,1992	3,702,427
Total accrued interest	7,938,254

8. ACCOUNTS RECEIVABLE - REINSURANCE CLAIMS

December 31		
	1992	1991
A. Accounts receivable reinsurance claims	KD. 2,273,143	KD. 1,378,236
B. Accounts receivable reinsurance claims (under Settlement)	6,921,061	1,850,586
	KD.9,194,204	KD. 3,228,822

A. This amount represents total amount claimed by the Corporation from reinsurance companies to settle their share of the compensation paid by the Corporation up to December 31,1992.

B. This amount represents the reinsurance companies, share of the compensation paid by the Corporation. This amount will be claimed from reinsurance companies in accordance with the terms and conditions of the agreements with such companies.

9. ACCOUNTS RECEIVABLE AND OTHER DEBIT ACCOUNTS

December 31			
	1992		1991
Fixed assets at cost	K.D.	249,992	KD. 247,694
Less : Accumulated depreciation		249,991	247,693
Net fixed assets	KD.	1	KD. 1
Joint building		674,373	674,373
Accounts receivable - trade		63,233	148,947
Accounts receivable - UBAF Limited - London		370,209	334,893
Other debit accounts		129,688	103,025
Total accounts receivable and other debit accounts	KD.	1,237,504	KD. 1,261,239

A provision for the Joint building was included in accounts payable and other credit accounts under liabilities in the balance sheet with an amount of KD. 615,218 also there is a contra account against the receivable of UBAF Limited - London included in accounts payable and other credit accounts.

10. CAPITAL

The capital of the Corporation is variable and is set at an initial Ten Million Kuwaiti Dinars according to the official exchange rates prevailing at the date of signing the agreement and is divided into Ten Thousand nominal shares of Kuwaiti Dinars One Thousand each. The Council of the Corporation recommended in several meetings to increase the capital. As a result, the issued capital and the capital due reached to KD.26,025,000 and KD. 25,525,000 respectively. The shareholding countries paid an amount of KD. 23,205,720 out of the original due capital and an amount of KD. 2,319,280 represents instalments due and not settled by part of the member countries.

11. EXCHANGE GAIN

Differences in foreign currencies exchange resulted from revaluation of the following items at the rates of exchange prevailing at December 31, 1992 :

Revaluation of recoverable claims	KD. 1,221,587
Revaluation of promissory notes receivable	244,643
Revaluation of remaining balances and transactions during the year	88,653
Total exchange gain	KD. 1,554,883

12. INCIDENTAL EXPENDITURE

The incidental expenditure for the year ended December 31, 1992 are as follows :

Increase in provision for decline in value of bonds	KD. 500,000
Increase in Corporation's Council meetings and expenditure over their estimated amount	30,000
Arbitration expenses	18,044
Expenditure of moving the Corporation to Kuwait	55,000
Total	KD. 603,044

13. CONTINGENT LIABILITIES

(A) Current guarantee contracts signed by the Corporation with other parties as of December 31, 1992 amounted to KD. 35,916,065 out of which executed guarantee contracts amounts to KD. 18,471,080. This represents total outstanding contingent guarantees as of December 31, 1992.

(B) There is a claim from one of the foreign arab joint banks for an amount of U.S. Dollars 8,917,051 (equivalent to KD. 2,703,650 at the rate of exchange prevailing as of December 31, 1992). From the legal standpoint of the Corporation, the bank is not entitled for compensation as it had lost the nationality condition prior to making the claim, and because of loss of nationality condition the contract was rescinded by the Corporation. The claim is currently reviewed by an arbitration committee.

14. COMPARATIVE FIGURES

Some of the comparative figures for the year ended December 31, 1991 were reclassified to conform with current year's presentation.