

**THE INTER-ARAB INVESTMENT
GUARANTEE CORPORATION**



THE SIXTEENTH

ANNUAL REPORT 1990



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 & 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 the 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.

- Promotion of the flow of investments within the Arab countries by carrying out activities which are ancillary to its main purpose and in particular the promotion of research relating to the identification of investment opportunities and the conditions 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.

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

Supervisory Committee:

The Committee consists of six Arab experts five of whom are elected by the Council upon the recommendation of the member countries from different nationalities in 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. MOHAMMED 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

The Deputy Director General

MR. GIUMA SAID GIUMA

**The Chairman of the 18th Session of The
Council of the Inter-Arab Investment Guar-
antee 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 1990.

Please accept my highest consideration.

Mamoun Ibrahim Hassan
Director General

Cairo, July, 1991

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CHAPTER ONE: INTRODUCTION

1.1 MAJOR ECONOMIC AND INVESTMENT DEVELOPMENTS:

As the year 1990 drew to a close, the world witnessed the winding up of the ninth decade of the 20th century, which is considered by economists to be the most tumultuous economic decade since the end of the second world war. This is because the decade started with a stagflation crisis in the industrial countries, followed by a period of continued economic growth which lasted for about seven years to give way to a period of stagnation and slow-down.

In this period, the Socialist Bloc countries witnessed great upheavals. This was precipitated by the state of economic depression which prevailed in these countries, and by the desire of their governments to move to market economies and bring about fundamental changes in the economic climates.

Meanwhile, the developing countries faced deterioration of their growth rates, an increase of their foreign debt bill and deficits in their balance of payments. Moreover, these countries witnessed a fall in prices of their primary products exports as well as a reduction in their share of world output. Also in the developing countries, population growth rates outstripped their economic growth rates.

Like other developing countries, the Arab countries were affected by these factors. They experienced worsening economic performances, a fall in the rates of investments, and the resort by many of them to deflationary policies and measures both within the framework of adjustment policies agreed upon with the International Monetary Fund (IMF) and outside it.

With respect to the year 1990, the world economy limped into a state of recession and weakness. The preliminary estimates show that the real growth rate of the combined GNP of the (OECD) member industrial countries reached 2.9% compared to 3.6% in 1989. This is accompanied by a fall of investment in the productive sector, a reduction in the rates of private consumption, as well as an increase in the unemployment rates to 7% compared to 6.2% in 1989. Also, the rates of inflation during the year increased in these countries to about 5%, up from 4.3% in 1989. With regard to world trade, preliminary estimates show that the rate of expansion reached 5.9% compared to 6.7% in 1989.

The preliminary estimates of the UN Economic and Social Council Report on the State of the World Economy for the year 1990 show that the growth rates during the year were lower in the developing countries than in the preceding year, registering 3.1% in 1990 compared to 3.4% in 1989. Moreover, due to the problems of debt and the implementation of adjustment policies these countries witnessed new waves of rising inflation in 1990 which exceeded 500% in some Latin American countries. The withdrawal by governments of their subsidies to some products, and the lifting of price controls, led to increases in prices in the short-term. Likewise, the devaluation of local currencies had an inflationary impact on the economies.

In an overall sense, the developing countries continued to face economic difficulties during the year, represented by a reduction in the investment growth rates and in capital formation. They also faced a worsening foreign debt situation which reached record levels of US\$ 1.3 trillion - the debt service was US\$ 200 billion - and no changes worth mentioning were made on the debt situation during the year with the exception of minor reduction in the official debt realised by the Brady Plan, and the cancellation by some Western governments of minor Portion of the debt payments due to them from some of the African countries.

This has a minimal impact on the situation of the indebted developing countries, as the intensity of the burden of the foreign debt will continue to haunt the economies of these countries and threaten the economic and political relations between the countries of the North and South.

The economic performance of the Arab countries had recorded positive results in the first seven months of the year. However, this situation was reversed by the Gulf Crisis which was

precipitated by the occupation by Iraq of the State of Kuwait on August 2nd, 1990. The Gulf Crisis had a negative implication on the Arab economies during the last five months of the year. It engulfed a large section of these economies in a decline and recession resulting in massive losses on both the public and private sectors alike. Also affected by the negative impact are the Arab currencies, the Arab trade with the outside world as well as the Inter-Arab trade and the Arab financial markets where the stock prices in several countries recorded a decline ranging from 10 - 20%. By the same token, loans from the commercial banks dropped since these banks became concerned about their liquidity situations.

It is worth mentioning here that despite the negative impact resulting from the Gulf Crisis on the Arab economies, the oil revenues realised by the oil exporting countries during the year recorded considerable increases following the rise in oil prices in the world market and the increase of the oil output by these countries.

The Arab trade declined during the year compared with the preceding year although many Arab countries have introduced important changes in their trade policies. The changes generally included liberalisation of foreign trade and the lessening of governmental monopoly on foreign trade. The governments also moved more and more towards dependence on market mechanisms to determine the prices of goods and exchange and interest rates; they also continued the process of economic decentralisation; and public institutions have acquired legal independence to carry out their activities on a commercial basis.

In this regard, the Shareholders of the Arab Program for Trade Finance held their first general meeting during the year and adopted a number of important resolutions necessary for launching the programme operations. They also elected members of the board of directors for the program from among the institutions subscribing to its capital in accordance with their equity participations.

On the Arab investment situation, the first seven months of the year witnessed an upward trend towards an improvement of the investment climate which led to an increase in the flow of Inter-Arab investments. According to the Corporation's estimates the total capital of Arab projects approved in Arab countries amounted to US\$ 400.8 million compared to US\$ 258.5 million for the year 1989. However, the Gulf Crisis and its repercussions had a negative impact on Arab investments during the last five months of the year. This situation helped lead the Arab surplus capital to move outside the Arab countries. It also led to the postponement of investment decisions, and to the decline of investment activity in the private sector in general.

Perhaps one of the most notable economic development during the year was the continuation of the Arab interest in privatisation and the tendency by many Arab countries towards the sale of public sector establishments to the private sector.

In the Arab Republic of Egypt, the Economic Recovery Plan issued during the year called for the acceleration of the sale of a number of public sector projects to investors, and for the establishment of a time schedule for that process. In the Democratic and Popular Republic of Algeria, the government issued a number of measures and procedures designed to bolster the role of the private sector.

Towards this end, private companies were established during the year as well as a joint Algerian/Foreign bank. In the Socialist People's Libyan Arab Jamahiriya, the year witnessed a group of resolutions and important steps taken towards the restructuring of the economy, its liberalisation and the promotion of private sector participation - individuals and institutions - in the various economic sectors including commercial banking.

These measures included granting financial and other facilities to civil servants to persuade them to quit their jobs and engage in activities restricted in the past to the government. In the Republic of Iraq, the government continued for the second year the sale to the private sector of touristic establishments including a number of tourist villages, big hotels and resorts. The government also gave a greater role to the private sector in the devel-

opment process by putting up for sale a number of agricultural and industrial projects to attract Arab participation in their catpitals. In the Kingdom of Morocco, the necessary procedural steps were completed during the year for the whole or partial sale of 113 public entities to the pivate sector. In the State of Kuwait, the decision was taken during the year to sell government shares in some companies to the private sector. The Economic Recovery Plan issued in the Republic of the Sudan during the year called for the promotion of the private sector participation in the productive activities. A number of public corporations are put for sale to or equity participation of the private sector. In the State of Bahrain, the government put up for public subscription its share in the capital of the Hotels Company. In the Sutlantate of Oman, the government is working towards the sale of some of its shares in a number of companies to the private sector. In the Republic of Tunisia, the privatisation process included some 20% of the public sector companies which employ 25% of the government workforce. The number of privatisation measures completed until the end of the year 1990 were thirty-eight.

In the financial sector, efforts including that of the Arab Monetary Fund continued to improve the Arab financial markets. The Fund undertook during the year a field survey of the stock markets of ten Arab countries for the purpose of a comparative evaluation of their operational, institutional and legal aspects.

1.2. HIGHLIGHTS OF THE CORPORATION'S ACTIVITIES:

At the end of 1990, the paid-up capital of the Corporation was KD22,410,037 (US\$ 77,812,628), with an increase of KD 179,350 - (US\$ 622,743) from the previous year. This represents 89.5% of the subscribed capital.

The total general reserve was KD 27,500,686 (US\$ 95,488,493) at the end of 1990 compared with KD 24,613,269 (US\$ 84,123,482) at the end of 1989 representing an increase of 11.7%. With this the total Shareholders equity (paid-up capital + reserves) reached KD 49,910,723 (US\$ 173,301,121).

Meanwhile the total revenue was KD 4,363,151 (US\$ 15,149,829) at the end of the year which represents a decrease of KD 447,073 (US\$ 1,552,336), or by 9.3% of the revenue realized in 1989.

On the other hand the total expenditure was KD 1,475,734 (US\$ 5,124,076), compared with KD 1,534,192 (US\$ 5,243,557) in 1989, a reduction of KD 58,458 (US\$ 202,979), or by 3.8%

The total value of guarantee contracts concluded during the year was US\$ 161,329,171 equivalent to KD 46,462,802 compared to US\$ 99,644,402 (KD 29,096,165) in 1989, with an increase of 62%. Meanwhile the total value of the concluded guarantee contracts as of 31/12/1990 was about US\$ 376.4 million (about KD 108.4 million), while the value of the operations executed within the framework of the concldued contracts was about US\$ 196.5 million (about KD 56.6 million).

Regarding its ancillary services, the Corporation continued during the year with its efforts of marketing its services to the Arab investors and exporters in the Arab countries. It also continued its work on research, studies and publications pertaining to the economic and investment situation in the Arab countries completing some and starting new others.

Finally, the Corporation assisted in the promotion of a number of regional and national investment projects, and continued to give technical assistance to member countries in the areas of its competence.

CHAPTER TWO: GUARANTEE OPERATIONS

2.1. GUARANTEE CONTRACTS

2.1.1 Value of Contracts in 1990:

The value of contracts signed during the year 1990 reached US\$ 161,329,171 (KD 46,462,802) (see table No. 1) compared to US\$ 99,644,402 (KD 29,096,165) in 1989*, with an increase of 62%. The number of contracts signed during the year also decreased from 42 in 1990 to 24 in 1989, with a drop of 42.8%.

2.1.1.1 Investment Guarantee Contracts:

The number of investment guarantee contracts signed during the year were two contracts of a total value of US\$ 3,006,995 (KD 866,015) compared to four contracts of a total value of US\$ 14,224,259 (KD 4,153,483) in 1989.

Of the two contracts one was a guarantee contract covering equity participation in a tourist project in the Syrian Arab Republic by an Arab investment company which has its principal office in the United Arab Emirates. The value of the contract was US\$ 69,941 (KD 20,143). The second contract was a loan guarantee contract of a value of US\$ 2,937,054 (KD 845,872) covering a loan provided by one of the financial institutions in the Republic of Tunisia to finance an investment project in the Democratic and Popular Republic of Algeria.

2.1.1.2 Export Credit Guarantee Contracts:

The Corporation signed during the year twenty two export credit guarantee contracts of a total value of US\$ 158,322,176 (KD 45,596,787) compared to thirty - eight contracts of a value of US\$ 85,420,143 (KD 24,942,682) in 1989, with an increase in value of 85.4%.

Seven Arab exporting countries benefited from the guarantee services. The Kingdom of Saudi Arabia heads the list with US\$ 75.2 million worth of guarantees followed by the State of Kuwait with about US\$ 44.6 million, the United Arab Emirates with US\$ 22.5 million, the Kingdom of Morocco with US\$ 5 million, and finally the Arab Republic of Egypt with about US\$ 3.8 million.

Thirteen Arab importing countries have also benefited from the export credit guarantee services in addition to a number of other unspecified importing countries. The Republic of Sudan heads the list of the export credit guarantee contracts beneficiary countries with about US\$ 28.4 million worth of guarantees followed by the Kingdom of Saudi Arabia with about US\$ 17.9, million, the Republic of Iraq with about US\$ 12.4 million, the Democratic and Popular Republic of Algeria with US\$ 8 million, and the Arab Republic of Egypt with US\$ 5 million (Table No. 2).

Distribution by type of the guaranteed exports shows that capital goods top the list of exported goods with 48.3% of the total value of guarantee contracts, followed by chemical materials with 18.6%, and by building materials with 9.5% (Table No. 3).

2.1.2 Value of Concluded Contracts:

The total value of the concluded guarantee contracts as at 31/12/1990 amounted to about US\$ 376.4 million (KD 108.4 million), 24.6% of which represents investment guarantees, and 75.4% export credit guarantees.

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

For purposes of illustration, the equivalent of the operation value in U.S. dollars has been stated. Comparison between the guaranteed 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 1989 and 1990 were as follows:

US Dollars = KD 0.288 as at 31.12.1990

US Dollar = KD 0.292 as at 31.12.1989

The value of operations executed within this framework of the contracts amounts to about US\$ 196.5 million (about KD 56.6 million), or 52.2% of the value of the Corporation's outstanding guarantee obligations at the end of the year 1990* (Table 4).

2.1.3 Revenues from Guarantee Premia:

The total guarantee premia realised during the year amounted to US\$ 2,549,788 (about KD 734,339), a decrease of 22% over last year premia which amounted to US\$ 3,267,486 (about KD 954,106).

2.1.4 Compensation and Recovery:

2.1.4.1 Compensation Payment:

The Corporation paid during the year compensation amounting to (US\$ 16,864,952.13) for currency inconvertibility risk realized in two member countries. US\$ 16,644,394.75** of this amount of compensation are paid in relation to the loan guarantee contracts whereas US\$ 220,557.38 are paid in the context of the export credit guarantee contracts. The amount received from the reinsurance companies on the compensations paid for export credit guarantee contracts was about US\$ 110,473.

2.1.4.2 Compensation Recovered:

The total amount of compensation recovered by the Corporation from the countries concerned is US\$ 13,804,729.28 and DM 2,102,264 as follows:

- (i) The sum of US\$ 13,166,520.28 recovered in relation to compensation paid in 1989.
- (ii) The sum of US\$ 638,209 recovered as an interest earned on the late payment of the amount mentioned in (i) above.
- (iii) The sum of DM 2,093,344 recovered in relation to compensation paid in 1989.
- (iv) The sum of DM 8920 recovered as interest earned on the late payment of the amount mentioned in (iii) above.

The share of the reinsurance companies in the amounts recovered during the year was about US\$ 138,751.

2.2 REINSURANCE:

The reinsurance treaties of the Arab Group for Reinsurance against non-commercial risks entered its second phase effective 1/10/1990 for three years. The shares allocated to all the reinsurance companies have been renewed with the exception of a share with a maximum obligation of KD 100,000 which was cancelled upon the request of one of the reinsurance companies. The renewal of two other allocations for KD 200,000 is still under discussion.

With regard to the commercial risks reinsurance treaty, despite the low volume of operations ceded to it, the major reinsurers have renewed their shares for 1991.

2.3 MARKETING THE GUARANTEE SERVICES:

The Corporation continued its efforts to promote its services and guarantee contracts,

* 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 repaid.

** The contracts for which the risks were realized fall outside the reinsurance arrangements.

particularly in the first half of the year, through field visits undertaken by the staff of the Corporation's main office, as well as by those from its office in Riyadh. It also continued to do that through representative offices, commission agents, or through mail contact with investors and exporters furnishing them with promotional materials. In this regard it also participated in a number of conferences and seminars relating to investment and trade like the Second Conference on the Marketing of Petrochemicals and Chemical Fertilizers for the GCC countries. The Corporation also organized two seminars on finance and on export credit guarantee in each of the Hashemite Kingdom of Jordan, and the Republic of Tunisia. It also participated in a seminar organized by the Arab Program for Trade and Finance in Abu Dhabi for representatives of the national agencies party to the program.

Tables

TABLE 1
VALUE OF GUARANTEE CONTRACTS SIGNED DURING 1990*
(HOST / IMPORTING COUNTRIES)

Host/Importing Country	Investment Contracts		Export Credit Contracts		Total		%
	US\$	KD	US\$	KD	US\$	KD	
Jordan	-	-	200,000	57,600	200,000	57,600	0.12
U.A.E.	-	-	4,624,611	1,331,888	4,624,611	1,331,888	2.87
Bahrain	-	-	4,000,000	1,152,000	4,000,000	1,152,000	2.48
Algeria	2,937,054**	845,872	8,000,000	2,304,000	10,937,054	3,149,872	6.78
Saudi Arabia	-	-	17,855,429	5,142,364	17,855,429	5,142,364	11.07
Sudan	-	-	28,370,000	8,170,560	28,370,000	8,170,560	17.59
Syria	69,941	20,143	-	-	69,941	20,143	0.04
Iraq	-	-	12,404,081	3,572,375	12,404,081	3,572,375	7.69
Oman	-	-	3,173,611	914,000	3,173,611	914,000	1.97
Qatar	-	-	173,611	50,000	173,611	50,000	0.11
Kuwait	-	-	347,222	100,000	347,222	100,000	0.22
Libya	-	-	1,000,000	288,000	1,000,000	288,000	0.62
Egypt	-	-	5,000,000	1,440,000	5,000,000	1,440,000	3.10
Yemen	-	-	1,173,611	338,000	1,173,611	338,000	0.73
Unidentified	-	-	72,000,000	20,736,000	72,000,000	20,736,000	44.63
Total	3,006,995	866,015	158,322,176	45,596,787	161,329,171	46,462,802	100

* 1 US\$ = K.D. 0.288

** represents a loan guarantee contract with its original value denominated in Tunisian Dinars and its equivalent in US dollars was calculated on the basis of 1 US\$ = 0.82 Tunisian Dinars

TABLE 2
GEOGRAPHICAL DISTRIBUTION OF EXPORT CREDIT GUARANTEE CONTRACTS*
(EXPORTING / IMPORTING COUNTRIES)
(THE VALUE IS IN US DOLLARS EXCEPT IN THE TOTAL COLUMN WHERE THE KUWAITI DINAR EQUIVALENT IS ALSO GIVEN)

From To	Jordan	UAE	SAUDI ARABIA	OMAN	KUWAIT
Jordan	-	-	200,000	-	-
U.A.E.	-	-	4,000,000	130,000	173,611
Bahrain	-	-	4,000,000	-	-
Algeria	-	5,000,000	3,000,000	-	-
Saudi Arabia	181,818	12,500,000	-	-	173,611
Sudan	-	5,000,000	5,000,000	-	11,700,000
Iraq	-	-	10,000,000	-	-
Oman	-	-	2,000,000	-	173,611
Qatar	-	-	-	-	173,611
Kuwait	-	-	-	-	-
Libya	-	-	1,000,000	-	-
Egypt	-	-	5,000,000	-	-
Yemen	-	-	1,000,000	-	173,611
Unidentified	-	-	40,000,000	-	32,000,000
Total IN U.S.\$	181,818	22,500,000	75,200,000	130,000	44,568,055
TOTAL IN K.D.	52,364	6,480,000	21,657,600	37,440	12,835,600

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

Egypt	Morocco	Joint Arab Foreign Banks	Total	
			US\$	K.D.
-	-	-	200,000	57,600
-	-	321,000	4,624,611	1,331,888
-	-	-	4,000,000	1,152,000
-	-	-	8,000,000	2,304,000
-	5,000,000	-	17,855,429	5,142,364
-	-	6,670,000	28,370,000	8,170,560
2,404,081	-	-	12,404,081	3,572,375
1,000,000	-	-	3,173,611	914,000
-	-	-	173,611	50,000
347,22	-	-	347,222	100,000
-	-	-	1,000,000	288,000
-	-	-	5,000,000	1,440,000
-	-	-	1,173,611	338,000
-	-	-	72,000,000	20,736,000
3,751,303	5,000,000	6,991,000	158,322,176	-
1,080,375	1,440,000	2,013,408	-	45,596,787

TABLE 3
EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1990
(DISTRIBUTION BY TYPE OF GOODS)

Type of Goods	Contract Value		%
	US\$	KD	
Capital Goods	76,521,000	22,038,048	48.3
Chemical Materials	29,381,818	8,461,964	18.6
Building Materials	15,072,136	4,340,775	9.5
Clothing & Textiles	5,000,000	1,440,000	3.2
Food Stuffs	347,222	100,000	0.2
Others	32,000,000	9,216,000	20.2
Total	158,322,176	45,596,787	100

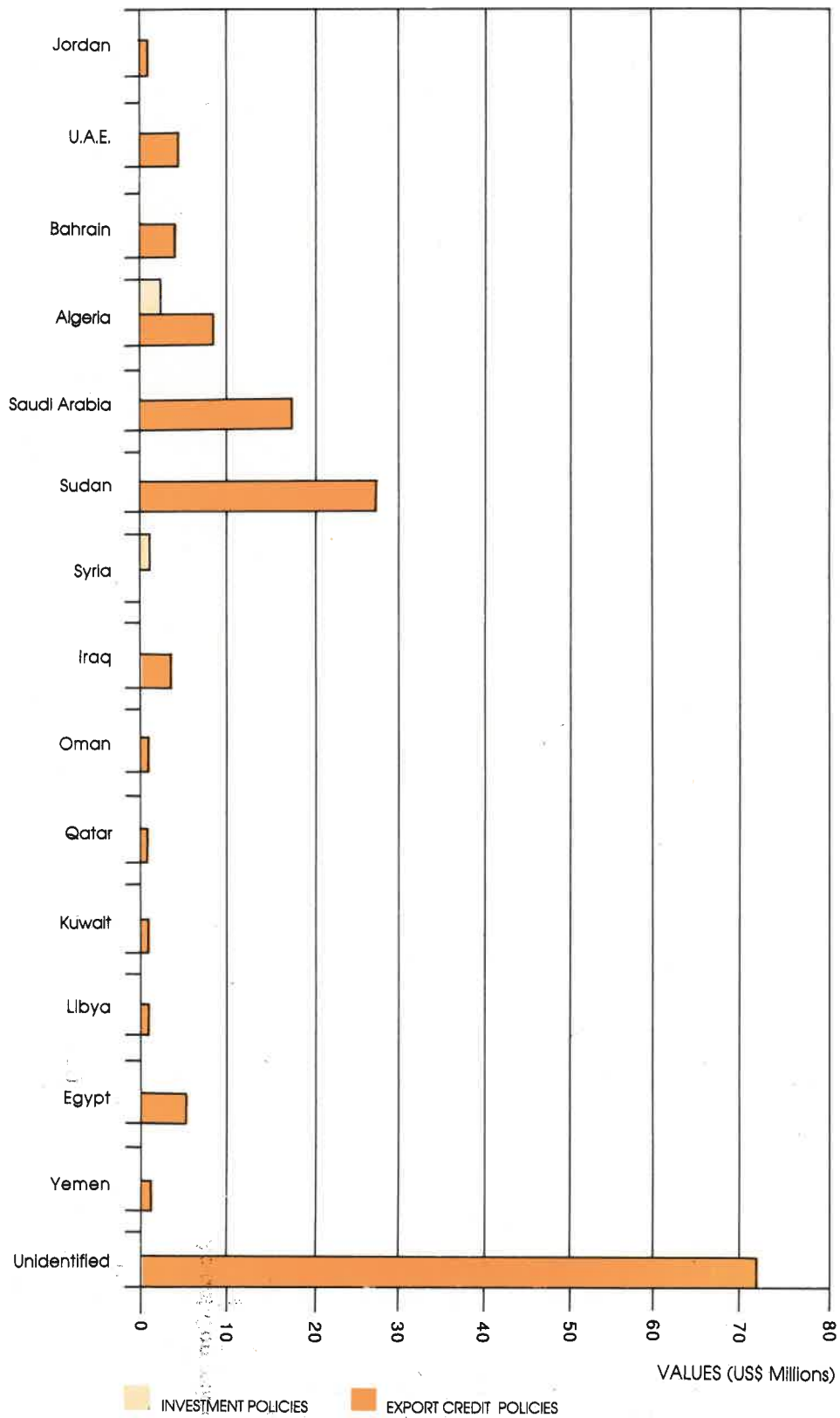
TABLE 4
VALUE OF CURRENT CONTRACTS AS AT 31/12/1990*
(BY HOST / IMPORTING COUNTRIES)

Host/Importing Countries	Investment Contracts		Export Credit Contracts		Total		% of Total	Actual Commitments	
	\$	KD	\$	KD	\$	KD		\$	KD
Jordan	-	-	650,990	187,485	650,990	187,485	0.17	118,265	34,060
U.A.E.	-	-	5,127,928	1,476,843	5,127,928	1,476,843	1.37	761,535	219,322
Bahrain	-	-	5,018,810	1,445,417	5,018,810	1,445,417	1.33	918,851	264,629
Tunisia	2,468,733	710,995	1,689,127	486,469	4,157,860	1,197,464	1.10	2,539,985	731,516
Algeria	2,937,054	845,872	13,466,192	3,878,263	16,403,246	4,724,135	4.36	7,800,637	2,246,583
Saudi Arabia	-	-	27,031,216	7,784,990	27,031,216	7,784,990	7.18	8,946,932	2,576,716
Sudan	7,363,014	2,120,548	28,370,000	8,170,560	35,733,014	10,291,108	9.49	24,011,643	6,915,353
Syria	8,878,760	2,557,083	-	-	8,878,760	2,557,083	2.36	5,121,139	1,474,888
Somalia	2,000,000	576,000	-	-	2,000,000	576,000	0.53	930,000	267,840
Iraq	6,400,000	1,843,200	112,401,724	32,371,696	118,801,724	34,214,897	31.56	90,619,741	26,098,485
Oman	-	-	4,781,096	1,376,956	4,781,096	1,376,956	1.27	2,003,125	576,900
Qatar	-	-	1,214,116	349,665	1,214,116	349,665	0.32	454,250	130,824
Kuwait	-	-	550,000	158,400	550,000	158,400	0.15	464,613	133,808
Libya	-	-	2,241,000	645,408	2,241,000	645,408	0.60	636,468	183,302
Egypt	34,272,969	9,870,615	5,000,000	1,440,000	39,272,969	11,310,615	10.43	30,847,675	8,884,130
Morocco	27,689,319	7,974,524	-	-	27,689,319	7,974,524	7.36	19,662,916	5,662,920
Mauritania	617,529	177,848	-	-	617,529	177,848	0.16	-	-
Yemen	-	-	1,870,648	538,747	1,870,648	538,747	0.50	657,315	189,307
Unidentified	-	-	74,404,081	21,428,375	74,404,081	21,428,375	19.76	-	-
Total	92,627,378	26,676,685	283,816,928	81,739,274	376,444,306	108,415,960	100	196,495,090	56,590,586

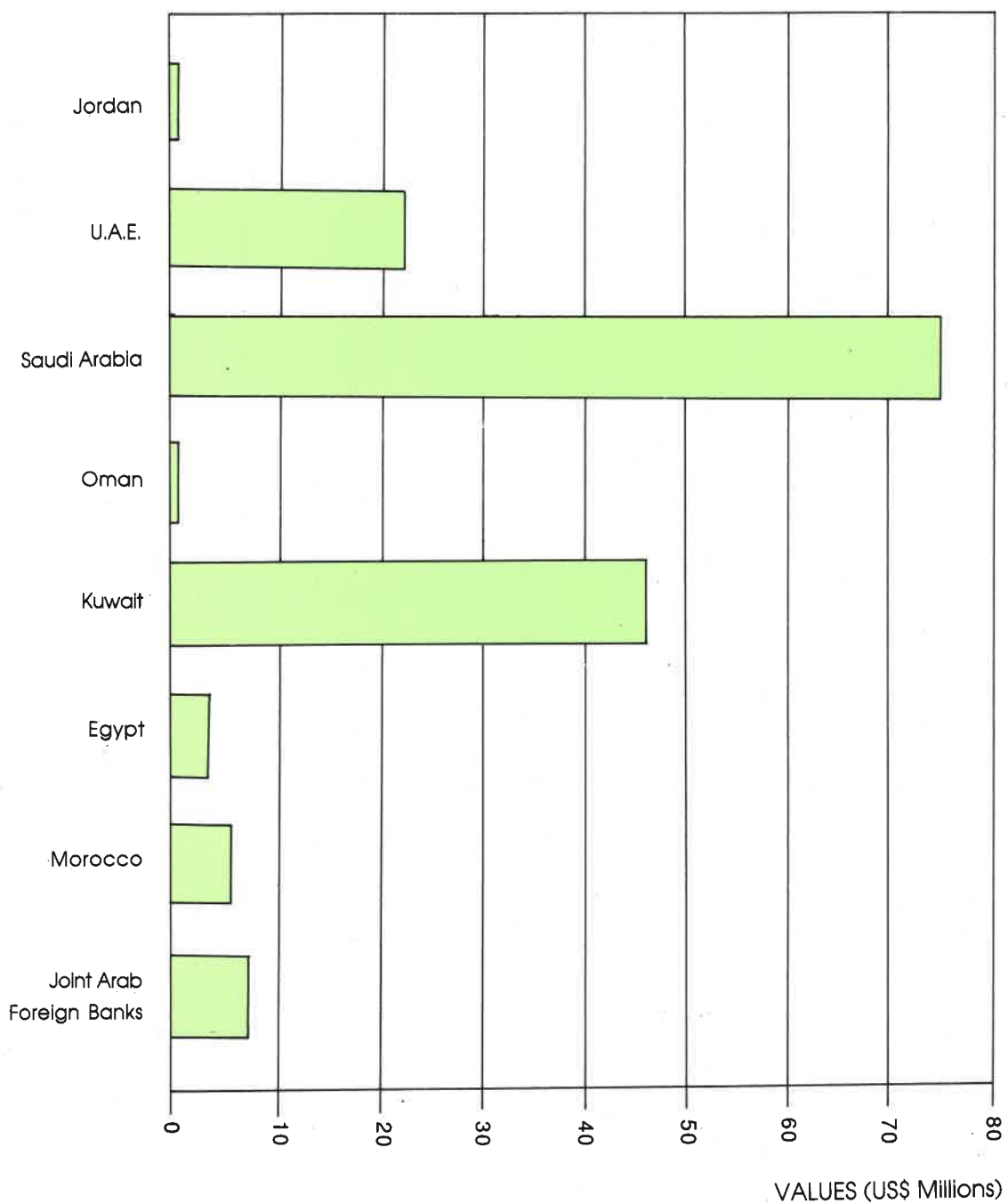
* 1 U.S. dollar = K.D. 0.288

GRAPHICS

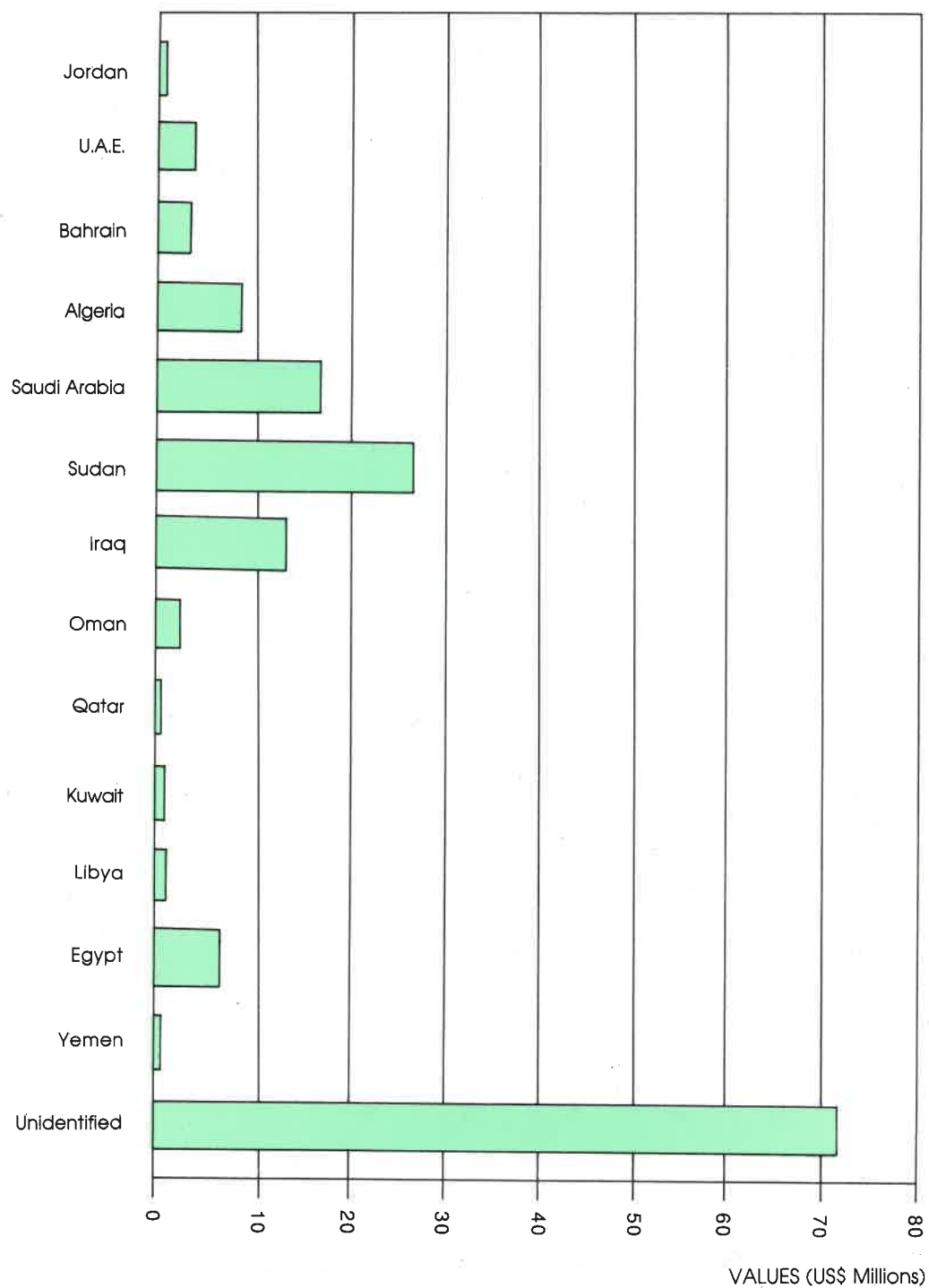
INVESTMENT & EXPORT CREDIT POLICIES SIGNED DURING 1990
(IMPORTING / HOST COUNTRIES)



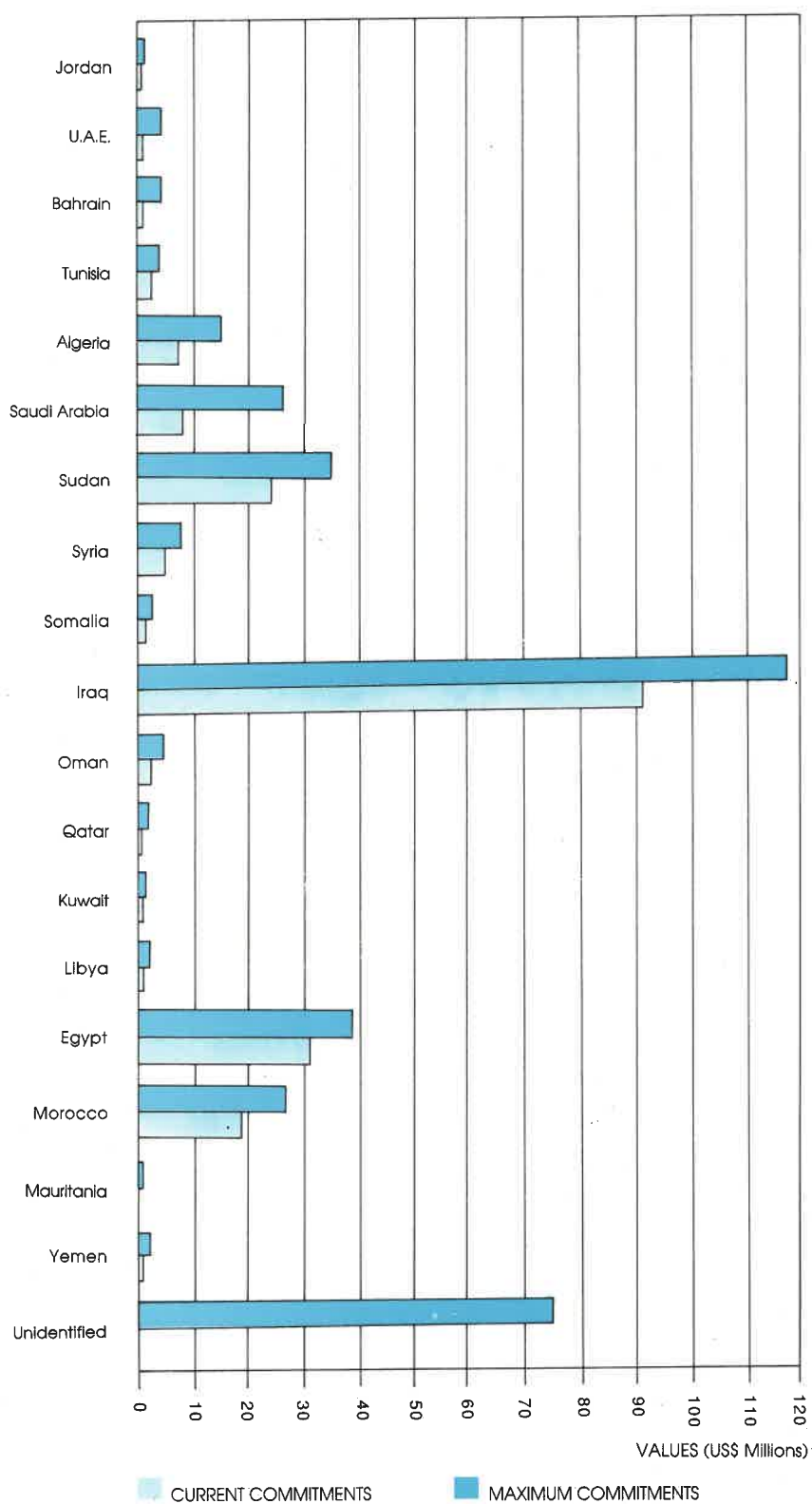
EXPORT CREDIT POLICIES SIGNED DURING 1990
(EXPORTING COUNTRIES)



EXPORT CREDIT POLICIES SIGNED DURING 1990
(IMPORTING COUNTRIES)



INVESTMENT & EXPORT CREDIT POLICIES COMMITMENTS AS AT 31/12/1990
(IMPORTING / HOST COUNTRIES)



CHAPTER THREE: ANCILLARY ACTIVITIES

3.1 RESEARCH AND STUDIES

3.1.1 Country Survey on Economic and Investment Prospects in the Arab States:

To provide information to Arab investors relating to the economic conditions in member countries, and to acquaint them with investment opportunities in these countries, the Corporation completed during the year the preparation of a survey study for the Republic of Tunisia.

3.1.2 Investor's Guide Series for the Arab Countries:

A new structure and format was designed for this study series merging country survey on economic and investment with investors guide. In the light of the new structure work was completed on the preparation of an investor's guide for the Arab Republic of Egypt. Work is still underway for up-dating the investor's guide for the State of Bahrain and for the Republic of Sudan.

3.1.3 The Legislative Encyclopedia for Investment in the Arab Countries and legal guides:

The volume for the Socialist People's Libyan Arab Jamahiriya was completed during the year. So were Guides for setting up Companies, Tax Treatment and Exchange Control for the Islamic Republic of Mauritania. Also prepared was a Guide to Tax Treatment for the Republic of Sudan.

3.1.4 Specialized Studies:

3.1.4.1 Study on the Documentation and Data Evaluation of Arab Investment Flows within the Arab Countries:

The data and statistics up to the end of the year 1989 for Arab investments flows was updated for all the Arab countries and computerized.

3.1.4.2 Study on Ways and Means of Promoting Inter-Arab Trade:

The Corporation continued to work on finalizing these studies. It completed the preparation of the report on the state of the foreign trade of the People's Democratic Republic of Yemen prior to the merger of the two yemens. The work is now underway for the preparation of the report on the state of foreign trade of the Democratic Republic of Somalia. Also, completed were the reports of each of the United Arab Emirates, The Republic of Tunisia, the Syrian Arab Republic, The Sultanate of Oman, The State of Kuwait, The Arab Republic of Egypt and the Yeman Arab Republic prior to the merger of the two states of yemen. These reports were sent to their respective countries for comment in prelude to their issuance. As of the end of the year the feedback was received from each of the State of Kuwait, The United Arab Emirates and the Sultanate of Oman.

3.1.4.3 Study on the Substitution of Arab Imports of Foreign Goods with Industrial Production of Arab Countires:

This study which is being conducted in collaboration with the Gulf Organization for Industrial Consultancy (GOIC) aims at identifying the sturcture of imports and exports of industrial products in Arab countries, and preparing the tables determining the substitution possibilities of Arab imports with goods currently produced in the Arab countries. Covered in this study are the countries of The Hashemite Kingdom of Jordan, The Republic of Tunisia, The Democratic and Popular Republic of Algeria, The Republic of Sudan, The Syrian Arab Republic, The Republic of Iraq, The Socialist People's Libyan Arab Jamahiriya, The Arab Republic of Egypt and the Kingdom of Morocco. The necessary statistical data for this study has been compiled and is now being recorded on tables prepared for that pupose.

3.1.4.4 Study on the Promotion of Inter-Arab Investments:

This study aims at identifying the necessary solutions required to create the proper climate needed to boost the flow of Inter-Arab investments. The study was prepared upon the request of the General Secretariat of the Arab League to be presented to the Economic and Social Council of the Arab League in its Ordinary Session No. 49.

3.1.4.5 Study on the Investment Climate in the Arab Countries:

This study aims at laying down a brief vision for the investment climate in the Arab countries based on the Corporation's experience and covering a number of basic subjects pertaining to the concept of investment climate in general, its condition in the Arab countries, its impact on the flow of Inter-Arab investments and the role of the Arab regional groupings in improving such climate. The study was presented in the Seminar on the scope of coordination and co-operation among the regional Arab groupings in the field of economic development which was convened at Mansoura University in the Arab Republic of Egypt in March 1990.

3.1.4.6 Comparative Study on the National Investment Agencies in the Arab Countries:

The purpose of this study was to evaluate the effectiveness of these institutions within the framework of the investment laws under which they operate, and to shed more light on the positive and negative aspects of their experiences. The study covered five Arab countries: The Hashemite Kingdom of Jordan, The Republic of Tunisia, The Republic of Sudan, The Arab Republic of Egypt and the Kingdom of Morocco. In this regard a meeting was held in the city of Kuwait between 4 - 5 / 3/1990, which was attended by a group of Arab and foreign experts. Studies covering the other Arab countries were presented in the meeting. There was also a discussion on the study and an exchange of experiences by the concerned agencies.

3.1.5 Report on the Investment Climate in the Arab Countries:

Within the framework of its efforts which aim at compiling information on the developments taking place in the investment climate in the Arab countries, the Corporation released its Report on the Investment Climate in the Arab countries for 1989. Work was underway at the end of the year for the preparation of the draft report for the year 1990 in light of the available data.

3.2 INVESTMENT AND PROJECT PROMOTION

3.2.1 Investment Opportunities:

At the start of the year 1990 the Corporation implemented a promotion program aiming at the stimulation of its contacts with Arab investment companies and financing institutions on the one hand, and with agencies and other institutions concerned with investment in capital importing Arab countries on the other hand.

In this regard a number of visits were made to The Republic of Sudan, The Republic of Iraq, The Arab Republic of Egypt, The Kingdom of Morocco, the Yemen Arab Republic and the People's Democratic Republic of Yemen prior to their merger with the aim of identifying available investment opportunities. Also visited during the year were some of the investment companies and financial institutions in each of the Kingdom of Saudi Arabia, The State of Kuwait and The United Arab Emirates to find out their investment outlook and preference areas of investment.

These field visits have culminated in the collection of over 400 projects from the Republic of Sudan, The Republic of Iraq, The Arab Republic of Egypt, The Kingdom of Morocco, The Yemen Arab Republic and the People's Democratic Republic of Yemen. Also collected were more than 70 investment projects from the State of Bahrain and the Kingdom of Saudi Arabia.

In this regard the Corporation made the necessary arrangements for setting up a computer program to document all data and information available on investment opportunities to enable it promote these projects in all possible ways. The Promotion Program will be continued to cover the remaining Arab countries.

3.2.2 Public Relations Activities:

The Corporation continued to issue its newsletter - Investment Guarantee - on a regular basis and has improved its contents. It also promoted 24 investment projects through the issues it released during the year prior to the Gulf Crisis. The Corporation also helped in establishing contacts between the concerned parties in most of these projects. News agencies continued to excerpt subjects and news stories from the newsletter.

3.2.3 Sectoral Studies:

The Corporation attaches great importance to sectoral studies, a key promotion factor which provides the investor with an important background which helps him make his investment decisions. Since the venue of the fifth Arab Businessmen and Investors Conference was decided to be in Cairo in November 1990, the Corporation thought fit to conduct studies on some of the sub-sectors which feature prominently in the Investment Program in the Arab Republic of Egypt. In this regard an agreement was reached with the Public Authority for Investment in Egypt to identify five economic sub-sectors. The terms of reference were drawn up for these studies and were presented to some of the consultancy houses soliciting their bids. This study is being undertaken in collaboration with the Islamic Development Bank and the Public Authority for Investment in the Arab Republic of Egypt.

3.2.4 Promotional Meetings:

The Corporation participated in the following activities during the year:

- An expert meeting to promote a diesel engine project in the Arab countries organized by the Arab Organization for Industrial Development in Baghdad in January 1990.
- An investment promotion seminar held in Khartoum in the month of March 1990 designed to promote Arab and foreign investment in the Republic of Sudan, and to review the Sudanese new investment law.
- In the preparatory meetings for the Fifth Arab Businessmen and Investors Conference which was scheduled to be held in Cairo in November 1990.

3.3 TECHNICAL ASSISTANCE TO MEMBER COUNTRIES:

The Corporation provided technical assistance to member countries as follows:

3.3.1 Studies and Technical Consultancy:

- Upon the request of the Hashemite Kingdom of Jordan, the Corporation prepared the necessary legal documents for the creation of an export credit guarantee corporation in Jordan.

- The Corporation prepared a memorandum expressing its own legal and economic views on the draft investment law for the Republic of Sudan.
- Upon the request of the Ministry of Finance of the Kingdom of Morocco the Corporation participated in the preparatory meeting held in Rabat in February 1990 which was designed to convene a seminar on Arab investments in Morocco. The Corporation provided advice and information relating to the activities and addresses of some of the prominent Arab investors to enable the organizers of the Seminar to invite a number of them.

3.4 DEVELOPING THE CORPORATION'S WORK METHODS:

3.4.1 Computerization:

The following has been achieved:

- A system designed for payroll and personnel has been completed during the year and is now ready to be programmed.
- Programming the first phase of the system for the distribution of publications.
- Installing a communications system in the Corporation's network as a step towards linking the Corporation with the International and Arab data banks for the exchange of information on commerce.
- Co-ordination with the computer department of the Arab Fund for Economic and Social Development to unify the data base established for the Arab Organizations in Kuwait.

3.4.2 The Data Bank:

The Corporation continued its efforts to collect and update the necessary data for its data bank. It also made amendments in its data on about 8,202 companies and businessmen. In addition it stored data for about 277 banks and companies and updated over 1,058 forms covering all sectors included in the data bank.

3.5 TRAINING:

In the field of training of Arab cadres, the Corporation provided in the first half of the year training opportunities in its offices in Kuwait for the following:

- Two trainees from the compagnie Algerienne de Assurance et de Reassurance.
- A trainee from the Jordanian Central Bank in preparation for the setting up of the Jordanian Export Credit Guarantee Corporation.
- Three trainees from the Iraqi Fund for External Development in prelude to the setting up of the Iraqi National Export Credit Guarantee Corporation.

3.6 LIBRARY

3.6.1 Acquisition:

During the first half of the year a total of about 376 books and reports in Arabic and English were added to the library collection together with papers of four Arab and foreign conferences.

The library also continued to receive about (300) Arabic and foreign periodicals including the official gazettes of the Arab States.

In the meantime the library continued its activity with regard to the loaning out of publications, indexing services, and cataloguing and classification of books.

CHAPTER FOUR: FINANCIAL REPORT

The paid-up capital at the end of 1990 amounted to KD 22,410,037 (US\$ 77,812,628), an increase of KD 179,350 (US\$ 622,743) over 1989. This was achieved after the payment by the Republic of Sudan, as part of the capital instalments due, of US\$ 100,000 (KD 29,350) and after the Arab Republic of Egypt paid the sum of KD 150,000 - out of capital instalments due in accordance with resolution No. (3) for 1989 which allowed the Arab Republic of Egypt to pay in local currency 25% of the amounts due from its subscription to the capital of the Corporation.

The total revenue realized during the year was KD 4,363,151 (US\$ 15,149,829), a decrease of KD 447,073 (US\$ 1,552,336) or 9.3% less than the corresponding revenue in 1989. Of the total revenue, KD 4,069,280 (US\$ 14,129,444) was realized from the Corporation's investment of its financial resources, while the balance of KD 293,871 (US\$ 1,020,385) represents a net return from the Corporation's guarantee services and other revenues.

The net revenue transferred to the general reserve for the current year amounted to KD 2,887,417 (US\$ 10,025,753) compared with KD 3,026,032 (US\$ 10,342,403) in 1989, a decrease of KD 138,615 (US\$ 481,302) or by 4.6%.

Meanwhile the total expenditure for the year 1990 amounted to KD 1,475,734 (US\$ 5,124,076) compared with KD 1,534,192 (US\$ 5,243,577), a decrease of KD 58,458 (US\$ 202,979), or by 3.8%. The total figure for expenditure does not include provision for contingencies and foreign currency fluctuations.

The balance sheet for the year ended 1990 showed that the value of the Corporation's resources was KD 50,279,414 (US\$ 174,581,298), of which KD 11,069,735 (US\$ 38,436,579) was in term deposits, KD 17,759,760 (US\$ 61,665,833) in bonds, KD 9,916,567 (US\$ 34,432,524) in investment portfolios held with banks, and KD 3,706,511 (US\$ 12,869,829) in current and call accounts. The resources also included KD 254,174 (US\$ 882,548) invested in Arab government bonds, KD 360,000 (US\$ 1,250,000) subscribed to in the capital of the Arab Trade Finance Programme, and KD 7,212,667 (US\$ 25,043,982) paid out as compensation. The total revenue realized from the investment of these resources was KD 4,069,280 (US\$ 14,129,444), an average return of 8.1%.

The accumulated general reserve at the end of the year reached KD 27,500,686 (US\$ 95,488,493) in 1990 compared with KD 24,613,269 (US\$ 84,123,482) in 1989, an increase of KD 2,887,417 (US\$ 10,025,753) or by 11.7%.

AUDITORS' REPORT

The Chairman and Members of the Board

Inter-Arab Investment Guarantee Corporation

An Arab Corporation with a Special Independent Legal Status
Kuwait.

We have examined the Balance Sheet of INTER-ARAB INVESTMENT GUARANTEE CORPORATION (An Arab Corporation with a Special Independent Legal Status) Kuwait as of December 31, 1990 and the related Statements of Revenue and Expenditure, Shareholders' Equity and Changes in Financial Position for the year then ended. Our examination was made in accordance with International Auditing Guidelines and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As shown in the accompanying Notes (3) and (6), an amount of U.S. Dollars 27,279,900 (equivalent to KD 7,856,611 at the rate of exchange prevailing as of December 31, 1990) is due from one of the member countries on promissory notes and recoverable claims in addition to related interest accrued thereon to December 31, 1990. There has been no payment on the amount owed due to the current situation in the Arabian Gulf.

In our opinion, subject to the preceding paragraph, the accompanying financial statements present fairly the financial position of Inter-Arab Investment Guarantee Corporation as of December 31, 1990 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 out in Note (2) to the Financial Statements. We are also of the opinion that proper books of account were kept and that the accompanying financial statements are in agreement with those books.

Jassim Ahmad Al Fahad

Licence No. 53 - A
of JASSIM AHMAD AL FAHAD & CO.
MEMBER FIRM OF SABA & CO. GROUP
AND TOUCHE ROSS INTERNATIONAL

Amman - Jordan

April 4, 1991

BALANCE SHEET AS OF DECEMBER 31, 1990

	December 31	
	1990	1989
	KD	KD
ASSETS		
Current and call accounts with banks	3,706,511	236,943
Time deposits	11,069,735	11,871,519
Investment in bonds	17,759,760	18,142,876
Investment portfolios	9,916,567	9,484,992
Accrued revenue	1,484,059	1,031,448
Promissory notes (Note 3)	3,712,177	4,808,264
Government bonds (Note 4)	254,174	231,067
Investment in Arab Trade Finance Program (Note 5)	360,000	365,731
Recoverable claims (Note 6)	3,500,490	2,118,241
Provident and social security fund	1,866,824	1,749,505
Accounts receivable and other debit accounts (Note 7)	1,253,537	929,508
TOTAL ASSETS	54,883,834	50,970,094

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31	
	1990	1989
	KD	KD
LIABILITIES:		
Accounts payable and other credit accounts (Note 8)	1,712,038	982,027
Provision for unexpired risks	344,448	344,448
Provident and social security fund	1,866,824	1,749,505
Provision for contingencies and foreign currency fluctuations	1,049,801	1,050,158
Total liabilities	4,973,111	4,126,138
SHAREHOLDERS' EQUITY:		
Capital authorized (Note 8)	25,000,000	25,000,000
Capital issued	25,025,000	25,025,000
Called-Up capital	24,525,000	24,525,000
Less: Unpaid capital	2,114,963	2,294,313
Paid-up capital	22,410,037	22,230,687
General reserve	27,500,686	24,613,269
Total shareholders' equity	49,910,723	46,843,956
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	54,883,834	50,970,094

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED DECEMBER 31, 1990

	Year Ended December 31	
	1990	1989
	KD	KD
REVENUE:		
Premiums from guarantees:		
Provision for unexpired risks		
beginning of year	344,448	240,371
Premiums earned	389,891	713,735
Gross premiums from guarantees	734,339	954,106
Share of reinsurance companies	(155,000)	(150,025)
Premiums retained	579,339	804,081
Provision for unexpired risks - end of year	(344,448)	(344,448)
	234,891	459,633
Reinsurance commission after deducting the	—	—
commissions paid and other insurance expenses	51,873	38,110
Net premiums from guarantees	286,764	497,743
Interest on call accounts	33,625	46,264
Interest on time deposits	991,507	1,075,301
Income from bonds	1,306,668	1,420,306
Income from investments portfolios	474,774	684,786
Income from sale and redemption of bonds	56,699	307,645
Interest from promissory notes and government bonds	224,829	428,379
Exchange gain (Note 9)	981,178	345,219
Others	7,107	4,581
Total revenue	4,363,151	4,810,224
EXPENDITURE:		
First Section		
Salaries, wages and bonuses	992,304	937,099
Second section		
General and administrative expenses	472,990	542,724
Third section		
Capital expenditure	10,440	54,369
Total expenditure	1,475,734	1,534,192
Provision for contingencies and foreign currency fluctuations	—	250,000
Total expenditure and provision for contingencies and foreign currency fluctuations	1,475,734	1,784,192
Net income	2,887,417	3,026,032

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1990**

	Year Ended December 31	
	1990	1989
	KD	KD
SOURCES OF FUNDS:		
Net income	2,887,417	3,026,032
Depreciation	10,440	54,369
Funds provided from operations	2,897,857	3,080,401
Decrease in time deposits	801,784	2,249,674
Decrease in investment in bonds	383,116	74,022
Decrease in promissory notes	1,096,087	—
Decrease in Accrued revenue	5,731	—
Increase in provision for unexpired risks	—	104,077
Increase in accounts payable and other credit accounts	730,011	542,357
Increase in provident and social security fund	117,319	273,866
Increase in paid-up capital	179,350	231,067
Increase in provision for contingencies and foreign currency fluctuations	—	182,327
Total funds provided	6,211,255	6,737,791
APPLICATION OF FUNDS:		
Increase in recoverable claims	1,382,249	1,270,441
Increase in investment portfolios	431,575	962,352
Increase in promissory notes	—	2,805,064
Increase in government bonds	23,107	231,067
Increase in investment in Arab		
Trade Finance Program	—	365,731
Increase in accrued income	452,611	194,328
Increase in provident and social security fund	117,319	273,866
Increase in accounts receivable		
and other debit accounts	334,469	601,879
Decrease in provision for contingencies and foreign currency fluctuations	357	—
Total funds applied	2,741,687	6,704,728
Increase in current and call accounts with banks	3,469,568	33,063
Current and call accounts with banks at beginning of year	236,943	203,880
Current and call accounts with banks at end of year	3,706,511	236,943

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

STATEMENT OF SHAREHOLDERS' EQUITY **FOR THE TWO YEARS ENDED DECEMBER 31, 1990 AND 1989**

	CAPITAL AUTHORIZED KD	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, 1988	25,000,000	25,025,000	24,525,000	2,525,380	21,999,620	-	21,587,237
Capital payment	-	-	-	(231,067)	231,067	-	-
Net Income	-	-	-	-	-	3,026,032	-
Transferred to general reserve	-	-	-	-	-	(3,026,032)	3,026,032
Balance as of December 31, 1989	25,000,000	25,025,000	24,525,000	2,294,313	22,230,687	-	24,613,269
Capital payment	-	-	-	(179,350)	179,356	-	-
Net Income	-	-	-	-	-	2,887,417	-
Transferred to general reserve	-	-	-	-	-	(2,887,417)	2,887,417
Balance as of December 31, 1990	25,000,000	25,025,000	24,525,000	2,114,963	22,410,037	-	27,500,686

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 under the historical cost convention.

B) Investment in Bonds:

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.

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 its 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 are 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 rates of exchange prevailing at the end of the financial year, except for the year ended December 31, 1990. The U.S. Dollar was translated into Kuwaiti Dinar at the rate of KD. 0.288 in accordance with the rate announced by the Central Bank of Kuwait. All other foreign currencies were translated into Kuwaiti Dinars through the abovementioned U.S. Dollar official rate. Transactions during the year are translated into Kuwaiti Dinars at rates ruling at the date of each transaction, except for the period from July 31, 1990 to December 31, 1990, the abovementioned fixed rate of the U.S. Dollar was used. All realized and unrealized gains or losses are reflected in the current year's statement of revenue and expenditure. Furthermore, additional provision is taken against unforeseen fluctuation in foreign currencies and is reflected in current year's statement of revenue and expenditure and included in provision for contingencies and foreign currency fluctuations under liabilities in the accompanying balance sheet.

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 foreign currency fluctuations" 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 calculates the provision for unexpired risks for the guarantee operations executed during the year on each operation separately taking in consideration the nature of the guaranteed risk and the insured period.

3. PROMISSORY NOTES

A) Promissory notes amounting to U.S. Dollars 12,889,504 (equivalent to KD. 3,712,177 at the rate of exchange prevailing as of December 31, 1990) were obtained by the Corporation as a result of commercial transactions by one of the governments of the member countries which were settled by the Corporation to three banks on behalf of that country upto December 31, 1990 for their financing of exports to that country. There was a guarantee from that country's bank to settle the whole commitment due to the Corporation in five equal semi-annual instalments of U.S. Dollars 6,444,752 each, starting July 1, 1988. The first instalment was collected in due date, the second and third instalments were collected in 1990. A new agreement was signed between the Corporation and the representative of that member country in December 20, 1989 which states that the remaining amount of promissory notes with other amounts due should be settled in quarterly instalments of U.S. Dollars five million each starting July 1, 1990. The fourth and fifth instalments were settled by the Corporation on behalf of that country on January 3, 1990 and July 31, 1990 respectively. The member country will settle these amounts in accordance with the abovementioned agreement, but due to the current situation in the Arabian Gulf, none of these instalments were collected.

B) The accrued interest on promissory notes as of December 31, 1990 amounting to U.S. Dollars 2,384,792 (equivalent to KD. 686,820 at the rate of exchange prevailing as of December 31, 1990) which was included in accrued revenue has not yet been collected. The details of the abovementioned amounts are as follows:

	U.S. Dollar
Balance as of January 1, 1990 represents the	
interest for period from January 1, 1989 to December 31, 1989	1,276,485
Interest collected during the year 1990	(638,210)
	638,275
Interest due for the year ended December 31, 1990	1,746,517
Total	2,384,792

4. GOVERNMENT BONDS

The Corporation obtained a government bond from one of the member countries due on June 25, 1990 at interest rate of 10 per cent per annum as part of the settlement of the unpaid capital due from that country. The note was valued at KD. 231,067 based on the rate of exchange agreed upon between the two parties. On August 14, 1990, a decree was issued by the Government of that country banning the use of interest from all government transactions. Consequently, no interest was calculated on that bond starting from the abovementioned date. This bond was renewed with its interest for the period from June 25, 1989 to June 25, 1990 for KD. 254,174.

5) 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 abovementioned program amounting to U.S. Dollars 1,250,000 (equivalent to KD. 360,000 at the rate of exchange prevailing as of December 31, 1990) which represents 250 shares of the programs capital totalling 100,000 share at a nominal value of U.S. Dollars 5,000 each.

6) RECOVERABLE CLAIMS

Included in recoverable claims is an amount of U.S. Dollars 12,005,604 (equivalent to KD 3,457,614 according to exchange rate as at 31 December 1990) being compensation made by the Corporation to a joint Arab foreign bank against the down payment and the first, second and third installments due on the Corporation against its guarantee of the loan given from the abovementioned bank to one of the member countries. The installments due in accordance with the new agreement mentioned in Note (3) above have not been settled by that member country.

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

7) 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 Board of the Corporation recommended in its meeting dated October 14, 1975 to increase the capital to KD. 25,000,000. Some of the member countries agreed to increase their shareholding making the total capital subscribed for KD. 25,025,000. As of December 31, 1990 an amount of KD. 24,525,000 was called-up of which KD. 2,114,963 represents instalments due and not settled by some of the member countries.

8) EXCHANGE GAIN

The exchange gain of KD. 981,178 for the year ended December 31, 1990 consists of gains resulting from translation of assets and liabilities denominated in foreign currencies to Kuwaiti Dinars amounting to KD. 1,073,171 based on the average rates of exchange prevailing at the end of each month during the year and losses resulting from translation of transactions in foreign currencies to Kuwaiti Dinars during the year amounting to KD. 91,993 based on the rates of exchange prevailing at the date of each transaction.

9) CONTINGENT LIABILITIES

Current guarantee contracts amounted to KD. 100,927,960 of which, contracts amounting to KD. 56,590,586 were executed as of December 31, 1990 representing the Corporation's contingent liabilities as of that date.