

**THE INTER-ARAB INVESTMENT
GUARANTEE CORPORATION**



THE FIFTEENTH

ANNUAL REPORT 1989



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 financial distress or bankruptcy, 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.

The Council:

This is the highest authority for the Corporation and is entrusted with all the powers necessary for the realization of the objectives of the Corporation. Among its functions is the formulation of general policies, rules and regulations, and the making of decisions pertaining to guarantee, financial and administrative matters, and appointment of the members of the Supervisory Committee.

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

SUPERVISORY COMMITTEE:

The Committee consists 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 Chambers of Commerce, Industry and Agriculture of the Arab Countries.

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 17th 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 1989.

Please accept my highest consideration.

Mamoun Ibrahim Hassan
Director General

Kuwait, March, 1990

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CHAPTER ONE: INTRODUCTION

1.1 MAJOR ECONOMIC AND INVESTMENT DEVELOPMENTS:

The year 1989 witnessed a slowing down in the economic revival enjoyed by the world economy in the previous year. Preliminary estimates show that the real growth rate of the combined gross national products of the OECD member industrial countries reached 3.6% compared to 4.4% in 1988. Despite this decline, there are signs which indicate the realisation of important achievements during the year in the areas of the expansion of the investment in the productive sector, and in the decline of the rates of private consumption, as well as in the reduction of the unemployment rate to 6.6% from 7.0% in 1988, the lowest rate recorded by the industrial countries during the eighties.

With regard to inflation, it remained largely under control despite its increase to 4.3% during the year compared to 3.5% in 1988.

On the other hand, the world trade according to the GATT report registered a new record during the year reaching U.S dollars 3.1 trillion, an increase of 7.5% over the previous year, while the increase in the volume of the world trade is estimated at 7%.

Moreover, the industrial countries were unable to sufficiently adapt themselves to the imbalances in their foreign trade and in their balance of payments which had a negative impact on the stability of the currency rates, the interest rates, the movement of the world trade, and on investment in these countries.

In the developing countries, the preliminary estimates of the International Monetary Fund (IMF) indicate that the growth rates realised in 1989 were lower than those of 1988 with the combined rate for all the developing countries reaching 3.3% in 1989 compared to 4.3% in the previous year. Even though the growth rates varied from one group of these countries to the other due to differences in resources, economic structures, and variations in development policies and degrees of exposure of these economies to outside forces. As a result it is noted that, while the African countries witnessed an increase in their growth rate to 2.3% during the year, up from 1.7% in 1988, the Asian countries recorded a decline in their growth rate from 9.0% in 1988 to 6.2% in 1989. Moreover, the year 1989 was the first since 1985 during which the exports of the developing countries did not grow at a rate higher than the average rate for the world exports as it only grew by 7% during the year.

In an overall sense, the developing countries continued to suffer from low growth rates in their investment and capital formation, as well as from the plight of their foreign debt situation which reached 1.2 trillion U.S dollars which despite the interest shown by international agencies and suggestions put forward by them to provide solutions to the problem still poses a threat to the world economy and to the international economic and political relations alike. The year witnessed a number of developments which include the announcement of the Brady Plan which calls for the reduction of the third world debt, and the agreement reached by Mexico with its creditor banks which enabled the banks to convert their debts to 30-year government bonds.

In the Arab countries, the economic performance varied from one country to the other. The economies of the Arab oil exporting countries witnessed a strong improvement in their economies through an increase of their oil revenues by 25% compared to the 1988 level. This increase in the oil revenues came in the wake of the rise of the world demand for oil in the region of 1 million barrels per day, coupled with an increase in the oil price at a rate of 25-30%.

With regard to the rest of the Arab countries, various sources indicate that their economic growth generally slowed down during the year, with the productive sectors registering a general decline, while the services sectors realised notable improvement. Some of the estimates show an improvement in the agricultural production in a number of Arab countries, although there is a clear increase in the Arab food imports which widens the food gap and the imbalance between the growth in production and the growth in consumption.

As for the foreign trade, it remained dependent as in the past on the exports of primary products consisting of one or more products which do not have high demand elasticity or strong competitiveness. The inter-Arab trade also remained on the low level of about 7% of the total foreign trade of the Arab countries.

Regarding the trade development, the Arab efforts towards the boosting of the inter-Arab trade

continued during the year. Among the tasks completed in this area was the request of the Arab Economic and Social Council of the member countries which did not submit their product lists, within the framework of the Convention for the Facilitation and Expansion of Inter-Arab Trade, to do so in order to benefit from the exemptions and incentives given in the Convention. The Council also called upon the Arab countries which did not deposit their ratification documents of the Convention to do so.

In this regard, the year also witnessed the approval by the board of governors of the Arab Monetary Fund of the articles of association of the Arab program for Trade Finance and the payment of its capital participation of \$ 250 million dollars in the program. The board of governors of the Arab Fund for Economic and Social Development also approved the participation of the fund by one hundred million dollars in the capital of the program, while the Council of the Inter-Arab Investment Guarantee Corporation approved the Corporation's participation in the share capital of the program. Finally in this regard, the board of governors of the Arab Monetary Fund Delegated a committee to manage the program to approve its regulations and procedures and as well as to approve the agreement establishing a credit line between the program and the national agencies.

On the investment situation, the year witnessed an upward trend in the improvement of the investment climate in the Arab countries with the issuance of laws and the initiation of procedures which aim at promoting investment, stimulating the economy and providing support to the private sector. In this regard, new investment laws were issued in the Arab Republic of Egypt and the Islamic Republic of Mauritania. Moreover, the Kingdom of Morocco has taken key measures designed to remove the administrative obstacles which cause undue delays in the implementation of projects. In this regard also, a number of Arab countries continued with privatization process to turn over a number of public establishments to the private sector. In the Kingdom of Morocco, the Parliament has approved the privatization law which calls for the sale of about 100 corporations, public and semi-public establishments wholly or partially to the private sector. In the Republic of Tunisia, the commission Nationale Pour la Restructuration des Entreprises Publiques has begun to identify the Corporations which the government ought to turn over to the private sector, while in the Arab Republic of Egypt, the decision was made to sell the government shares in semi-public projects to the private sector in line with government plan to promote the investment in the private sector, and to activate the local stock market to attract savings. The tourism sector in Egypt also witnessed an increasing trend in the turning over of an increasing number of hotels which still have public sector management to private companies. In the Republic of Iraq, a total of (74) touristic establishments including a number of major hotels and summer resorts were offered for sale to the private sector. In the Democratic Republic of Somalia, a decision was taken to reduce government control on the economy and to strengthen the role of the private sector particularly in the fields of banking, insurance, shipping, medicine production, and the export of tanned hides and skins. Likewise, the governments of the Democratic Popular Republic of Algeria, the Islamic Republic of Mauritania, and the Republic of Djibouti all took similar initiatives during the year to promote the private sector in their economies.

In the financial sector, efforts continued to improve the Arab financial markets. In this regard, the year witnessed the setting up of the Bahrain, and muscat stockmarkets and the commencement of their operations. Towards this end also, the Arab Monetary Fund has established a program designed to develop the Arab stockmarkets, while the Union of Arab Stockmarkets has continued working towards the improvement of these markets. Also in this regard, the Permanent Office For the Board of Governors of Arab Central Banks and Funds called for the creation of a regional Arab market to trade in stocks.

On level the Arab Regional co-operation, the year witnessed a continuation of the integration process for the GCC countries and the confirmation of the trend of integration which emerged towards the end of the previous year which aims at the creation of other regional Arab groups. In this regard, the creation of the Arab Co-operation Council (ACC) was officially announced following the signing of its establishment agreement in Baghdad summit on 16 February, 1989. This council aims at realizing the maximum level of co-ordination, co-operation and integration among the member countries in various fields. The membership of the Council consists of the following 4 countries : the Hashemite Kingdom of Jordan, the Republic of Iraq, the Arab Republic of

Egypt and the Yemen Arab Republic. Towards this regional co-operation also, the year witnessed the creation of the Arab Maghreb Union following the signing of the treaty of its creation on 17 February 1989 in Marrakesh summit. This Union aims at bringing about integration and co-operation among the Arab Maghreb countries which consist of the republic of Tunisia, the Democratic and Peoples Republic of Algeria, the Socialist People's Libyan Arab Jamahiriya, the Kingdom of Morocco and the Islamic Republic of Mauritania.

1.2 HIGHLIGHTS OF THE CORPORATION'S ACTIVITIES:

At the end of 1989, the paid-up capital of the Corporation was KD 22,230,687 (US\$ 75,980,269), with an increase from the previous year of KD 231,067 (US\$ 789,743). This represents 88.8% of the subscribed capital.

Regarding the total general reserves was KD 24,613,269 (US\$ 84,123,482) at the end of 1989 compared with KD 21,587,237 (US\$ 76,387,960) at the end of 1988, representing an increase of 14%. With this, the total shareholders equity (paid-up capital + reserves) reached KD 46,843,956 (US\$ 160,103,751) at the end of the year.

Meanwhile, the total revenue was KD 4,810,224 (US\$ 16,440,433) at the end of the year which represents an increase of KD 954,005 (US\$ 3,260,608) or by 24.7% over the revenue realized in 1988. On the other hand, the total expenditure was KD 1,784,192 (US\$ 6,098,030) resulting in a net income transferred to general reserves of KD 3,026,032 (US\$ 10,342,403).

The total value of guarantee contracts concluded during the year was KD 29,096,165 (US\$ 99,644,402) compared to KD 67,384,322 (US\$ 238,951,498) in 1988, or a decrease of 56%. Also, the number of guarantee contracts concluded declined from (64) in 1988 to (42) in 1989, or by 34.4%.

The decline in the value of guarantee contracts during the year compared with 1988 is due to the inability of the Corporation to meet increasing demand for guarantees for exports and loans due to the restrictions imposed by the established country ceilings and operations distribution policies.

The total value of outstanding guarantee contracts as of the end of 1989 was KD 97,013,991 equivalent to U.S.Dollars 332,239,695.

Regarding its ancillary services, the Corporation continued during the year with its efforts aiming at marketing its services in the Arab investors and exporters circles in the Arab countries. It also continued its work on research, studies and publications completing the preparation of (5) supplements to the legislative encyclopedia for investment for (5) member countries. Also prepared were a number of studies pertaining to the economic and investment situation in the Arab countries.

The Corporation also completed some specialised studies during the year while it continued to finalise others.

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

CHAPTER TWO : GUARANTEE OPERATIONS

2.1 GUARANTEE CONTRACTS:

2.1.1 Value of Contracts in 1989:

The value of contracts signed during the year reached KD 29,096,165 (US\$ 99,644,402), ⁽¹⁾ as compared to KD 67,384,322 (US\$ 238,951,498) in 1988, resulting in a decrease of 56.8%. (Table 1). The number of contracts has also decreased from (64) in 1988 to (42) in 1989 representing a drop of 34.4%.

The main reason for this decrease in the contracts value is attributed to the Corporation's inability to accommodate the high demand on loans and export credits guarantees in one of the member countries due to saturation of the country guarantee ceiling, and to the implementation of the comprehensive guarantee contract so that to realize a risk balanced guarantee portfolio.

2.1.2 Investment Guarantee Contracts

During the year, the Corporation signed four contracts with a total value of KD 4,153,483 (US\$ 14,224,259) as compared to three contracts signed in 1988 totalling KD 9,372,925 (US\$ 33,237,323).

The contracts include two equity participations in the share capital of two companies, totalling KD 2,275,575 (US\$ 7,793,065). The first contract covered the equity of UAE investors in an investment project in the Syrian Arab Republic, while the second contract covered the equity of Kuwaiti investors in an investment project in the Arab Republic of Egypt.

The other contracts are two loans totalling KD 1,877,908 (US\$ 6,431,192). The first contract covered a loan extended by a UAE financial institution to an investment project in the Kingdom of Morocco, and the second contract covered a loan extended by a consorcia bank to a project in the Islamic Republic of Mauritania.

2.1.3 Export Credit Guarantee Contracts:

The Corporation concluded thirty eight export credit guarantee contracts during the year, the value of which amounts to KD 24,942,682 (US\$ 85,420,143) as compared to KD 58,011,397 (US\$ 205,714,175) during 1988, thus decreasing by 57%.

Nine Arab exporting countries have benefited from the guarantee services. The Hashemite Kingdom of Jordan comes first with a total of KD 4,944,962, followed by the State of Kuwait with KD 4,420,554, the Kingdom of Morocco with KD 4,011,825, the Republic of Tunisia with KD 4,001,974, and the State of Bahrain with KD 3,136,080.

Fifteen Arab importing countries have also benefited from the export credit guarantee services. The Republic of Iraq leads with a total of KD 5,485,162, followed by the Kingdom of Saudi Arabia with 5,256,660, The Democratic and Popular Republic of Algeria with KD 4,793,002, and the Libyan Arab Jamahiriya with KD 2,316,620 (Table 2).

Distribution by type of the guaranteed exports shows that building materials top the list of exported goods, representing 42.11% of the total value of guarantee contracts, followed by textile and ready-made garments with 15.57%, capital goods with 12.67% pharmaceutical products with 8.88% and food products with 8.29%. (Table 3).

2.1.4 Value of Current Contracts:

The total value of the current guarantee contracts as at 31.12.1989 amounts to KD 97,013,991 (US\$ 332,239,695), 68.5% of which represents export credit guarantee contracts and 31.5% investment guarantee contracts.

The value of operations executed within the framework of these contracts amounts to KD

(1) The currency of the Corporation is the Kuwaiti Dinar in which all operations are evaluated and all accounts are maintained. For illustration, the equivalent of the operations value in US 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.

US Dollars = KD 0.292 as at 31.12.1989

US Dollars = KD 0.282 as at 31.12.1988

43,146,398 or 44.5%, which represents the Corporation's outstanding guarantee obligations at the end of the year ⁽¹⁾ (Table 4).

2.1.5 Revenues from Guarantee Premia:

The total guarantee premia received during the year amounts to KD 954,106 (US\$ 3,267,486), an increase of KD 330,846 (53%) over last year's premia which reached KD 623,260.

2.1.6 Compensation and Recovery:

2.1.6.1 Compensation Payment:

A. Non-Commercial Risks

During the year, the Corporation paid compensation amounting to U.S.\$ 5,064,818 (K.D 1,478,927). The amount of compensation paid within the framework of loan guarantee contracts reached US\$ 4,069,589 while in the export credit guarantee contracts US\$ 995,229.

B. Commercial Risks.

The Corporation paid an amount of KD 11,470 (US\$ 39,281) in lieu of a non-payment risk realized on an export credit guarantee contract.

2.1.6.2 Compensation Recovered:

A. Non-Commercial Risks:

The Corporation recovered an amount of US\$ 651,390 (KD 190,206), and is following up on the recovery of the remaining amount.

B. Commercial Risks

The amount of KD 11,470 was fully recovered.

2.1.7 Operations in Process:

The total value of guarantee operations under consideration registered at the years end amounts to US\$ 1,682 mn (KD 491 mn), 23% of which is under the investment guarantee scheme and 77% is under the export credit guarantee scheme.

2.2 REINSURANCE:

The reinsurance treaties entered their third year. The renewal procedures for the period 1.10.1990 - 30.9.1993 have already commenced with regard both the non-Commercial Risks Reinsurance Treaty, and for the Commercial Risks Treaty. The Corporation faced no difficulties in renewing both treaties.

2.3 MARKETING THE GUARANTEE SERVICES:

The Corporation continued its efforts towards the marketing of the guarantee services in the Arab investors and businessmen circles as well as the eligible financial and investment institutions. This has been undertaken through the following means:-

2.3.1 Visits to Member Countries:

- A program of seventeen visits covering most member countries was implemented, in addition to

1) The outstanding guarantee commitments represent:

- For Investment Guarantee Contracts: the value of investments realized.

- For Export Credit Guarantee Contracts: the value of shipments executed but not repaid.

the field visits in Kuwait and those performed by the Corporation's regional office in the Kingdom of Saudi Arabia.

- The Corporation has also participated in a number of seminars and conferences on finance, banking, investment and trade and used these opportunities to promote its services.

2.3.2 Representative Offices and Commission Agents:

The Corporation has entered into agreements with twenty five financial and trading agencies and companies to represent the Corporation in various Arab countries. During the year, the Corporation focused on activating and holding closer business ties with these offices, as well as offering the necessary training opportunities and providing the informative printed materials to the concerned parties.

2.3.3 Contact by mail:

Contact by mail with Arab investors, exporters and financial institutions.

2.3.4 Other marketing Activities:

- Meeting with the Financial Market Authority in the Arab Republic of Egypt to discuss the possibility of extending the guarantee to cover shares and bonds sold in the Market.

- Signing a memorandum of understanding with the Islamic Development Bank with regard to guaranteeing the Bank's operations in the Arab countries.

2.4 TRADE INFORMATION SYSTEM:

During the year, the Corporation explored the possibility and viability of establishing a computerized trade information system in order to service the Corporation activities in the area of export credit guarantee, particularly information related to Arab exporters and importers.

In this regard, the Corporation invited an expert from the International Trade Center in Geneva, who on the light of the Corporation's needs, put a preliminary plan for such a system.

At a later stage, the Corporation held a meeting of Arab experts representing trade information centers in seven Arab countries and discussed the possibilities and means of cooperation and coordination in the area of collecting and exchanging trade information, by means of establishing a joint electronic telecommunication network.

TABLE 1
VALUE OF GUARANTEE CONTRACTS SIGNED DURING 1989
(HOST/IMPORTING COUNTRIES)

Host/Importing Country	Investment Contracts		Export Credit Contracts		Total		%
	\$	K.D	\$	K.D	\$	K.D	
Algeria	-	-	16,414,392	4,793,002	16,414,392	4,793,002	16.47
Bahrain	-	-	1,265,871	369,634	1,265,871	369,634	1.27
Egypt	6,849,315	2,000,000	3,886,228	1,134,779	10,735,543	3,134,779	10.77
Iraq	-	-	18,784,800	5,485,162	18,784,800	5,485,162	18.85
Jordan	-	-	1,710,130	499,358	1,710,130	499,358	1.72
Kuwait	-	-	950,000	277,400	950,000	277,400	0.95
Libya	-	-	7,933,628	2,316,620	7,933,628	2,316,620	7.96
Mauritania	619,644	180,936	-	-	619,644	180,936	0.62
Morocco	5,811,550	1,696,972	-	-	5,811,550	1,696,972	5.83
Oman	-	-	3,048,547	890,176	3,048,547	890,176	3.06
Qatar	-	-	1,769,104	516,578	1,769,104	516,578	1.78
Saudi Arabia	-	-	18,002,260	5,256,660	18,002,260	5,256,660	18.07
Sudan	-	-	2,986,966	872,194	2,986,966	872,194	3.00
Syria	943,750	275,575	500,000	146,000	1,443,750	421,575	1.45
Tunisia	-	-	2,239,127	653,825	2,239,127	653,825	2.25
U.A.E	-	-	4,009,590	1,170,800	4,009,590	1,170,800	4.02
A.Yemen	-	-	1,919,500	560,494	1,919,500	560,494	1.93
TOTAL	14,224,259	4,153,483	85,420,143	24,942,682	99,644,402	29,096,165	100

*HOST COUNTRY: COUNTRY RECEIVING THE INVESTMENT CAPITAL.

* IMPORTING COUNTRY: COUNTRY IMPORTING ARAB GOODS.

*CONTRACT ORIGINAL VALUE IN US DOLLAR AND EQUIVALENT IN K.D

TABLE 2
GEOGRAPHICAL DISTRIBUTION OF EXPORT CREDIT GUARANTEE CONTRACTS
(EXPORTING/IMPORTING COUNTRIES)

From To	Joint Arab Foreign Banks	Bahrain	Egypt	Jordan	Kuwait
Algeria	-	1,500,000	-	750,000	-
Bahrain	-	-	100,000	100,000	102,739
Egypt	-	-	-	1,000,000	1,200,000
Iraq	-	5,000,000	1,500,000	5,784,800	4,000,000
Jordan	-	500,000	300,000	-	-
Kuwait	-	-	150,000	100,000	-
Libya	-	1,500,000	-	3,000,000	-
Oman	-	-	1,040,000	350,000	1,017,123
Qatar	-	-	-	100,000	1,623,288
Saudi Arabia	-	-	700,000	3,250,000	6,174,863
Sudan	2,319,544	-	150,000	-	-
Syria	-	-	-	500,000	-
Tunisia	-	-	150,000	650,000	-
U.A.E	-	2,240,000	175,000	600,000	51,370
A.Yemen	-	-	-	750,000	969,500
Total In US\$	2,319,544	10,740,000	4,265,000	16,934,800	15,138,883
Total In KD	677,307	3,136,080	1,245,380	4,944,962	4,420,554

Lebanon	Morocco	Saudi Arabia	Tunisia	U.A.E	Total	
					\$	KD
-	1,500,000	-	12,664,392	-	16,414,392	4,793,002
-	-	963,132	-	-	1,265,871	369,634
-	-	1,686,228	-	-	3,886,228	1,134,779
-	2,500,000	-	-	-	18,784,800	5,485,162
20,000	300,000	590,130	-	-	1,710,130	499,358
-	-	500,000	-	200,000	950,000	277,400
-	2,300,000	92,628	1,041,000	-	7,933,628	2,316,620
-	-	641,424	-	-	3,048,547	890,176
-	-	45,816	-	-	1,769,104	516,578
2,377,397	5,500,000	-	-	-	18,002,260	5,256,660
-	-	517,422	-	-	2,986,966	872,194
-	-	-	-	-	500,000	146,000
-	1,439,127	-	-	-	2,239,127	653,825
-	-	943,220	-	-	4,009,590	1,170,800
-	200,000	-	-	-	1,919,500	560,494
2,397,397	13,739,127	5,980,000	13,705,392	200,000	85,420,143	-
700,040	4,011,825	1,746,160	4,001,974	58,400	-	24,942,682

TABLE 3
EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1989
(DISTRIBUTION BY TYPE OF GOODS)

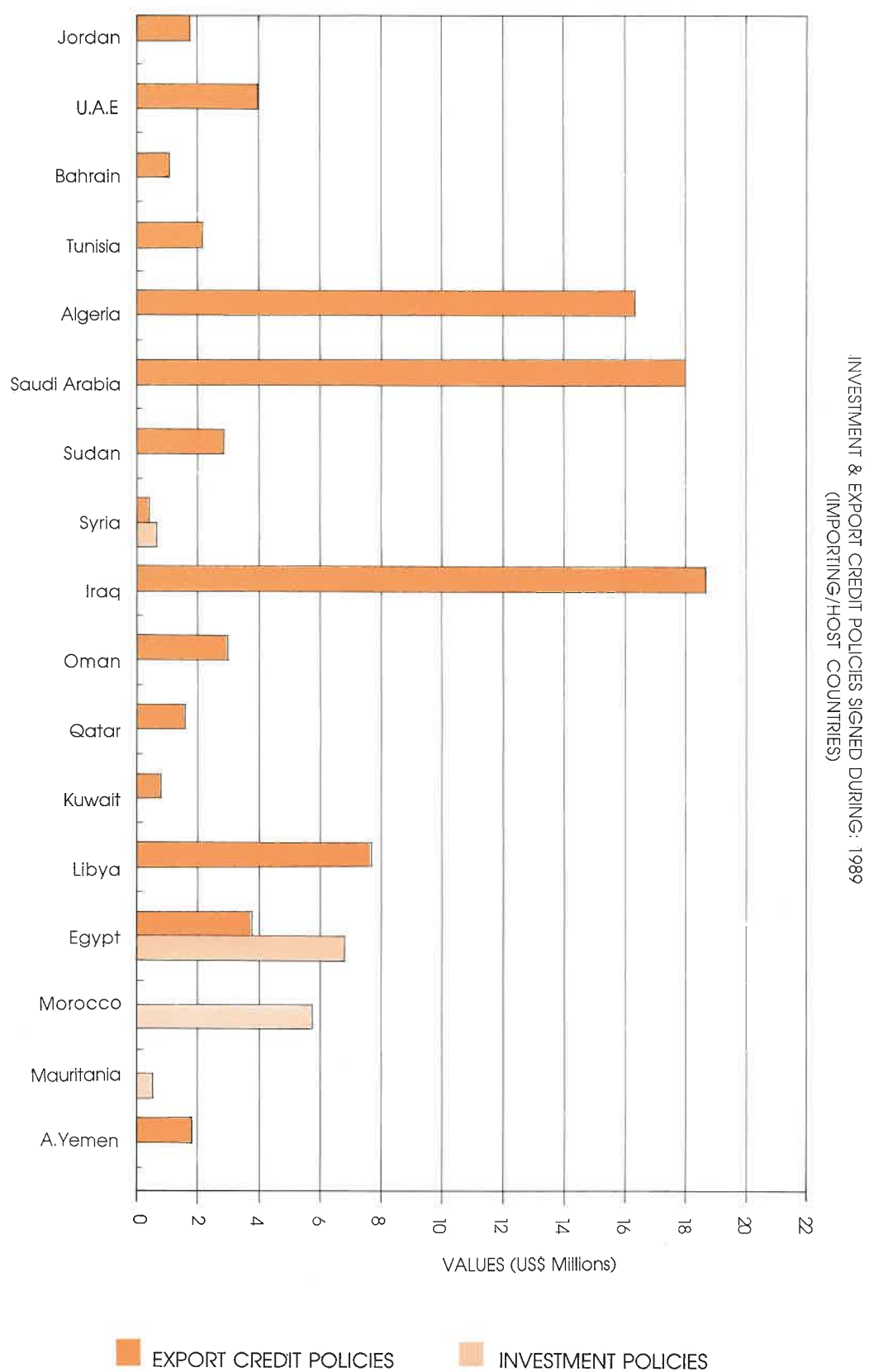
Type of Goods	Contract Value		%
	\$	K D	
Food stuffs	7,079,544	2,067,227	8.29
Pharmaceuticals	7,589,127	2,216,025	8.88
Building materials	35,969,959	10,503,228	42.11
Capital goods	10,824,800	3,160,842	12.67
Clothing & Textiles	13,300,000	3,883,600	15.57
Other	10,656,713	3,111,760	12.48
Total	85,420,143	24,942,682	100.00

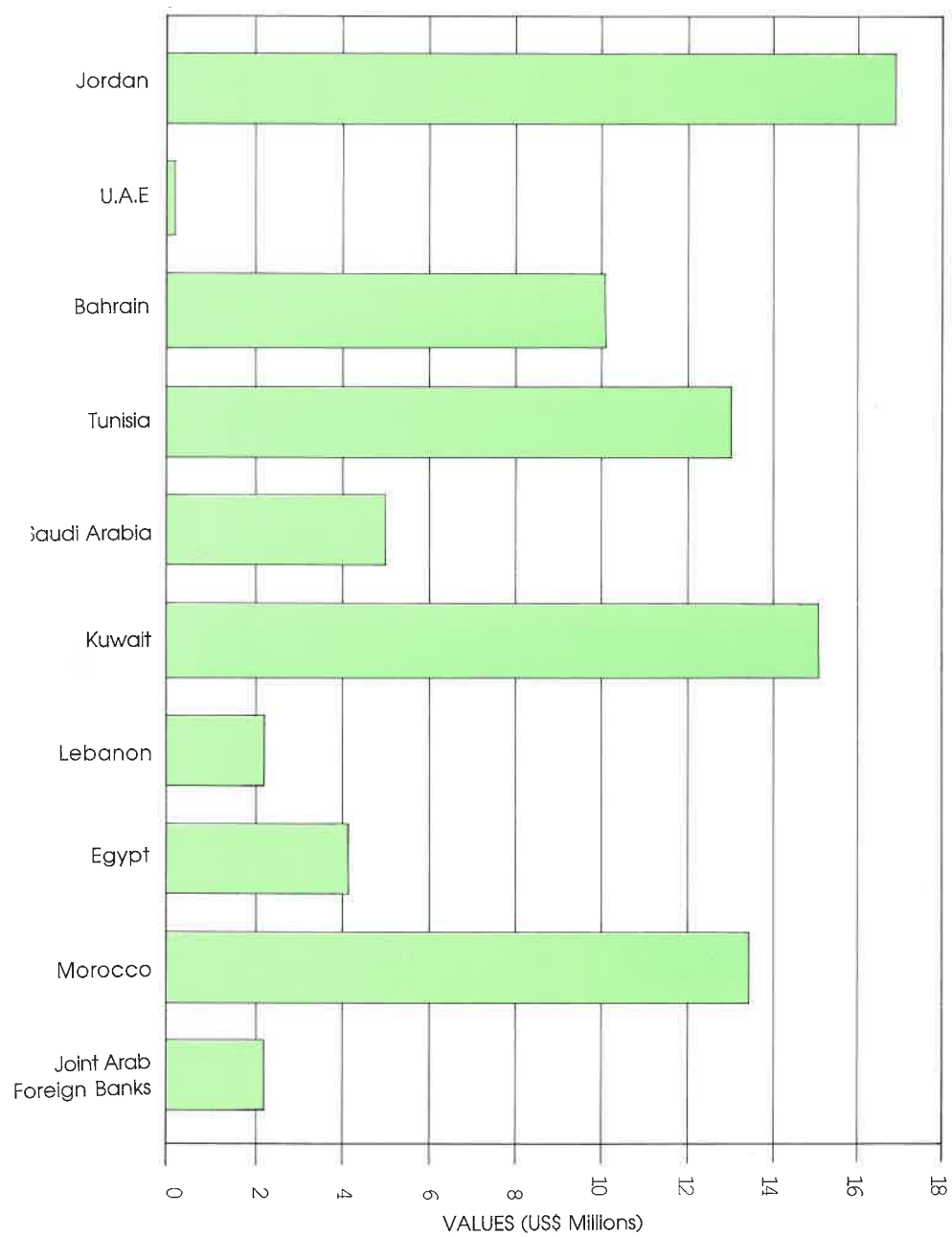
TABLE 4
VALUE OF CURRENT CONTRACTS AS AT 31/12/1989
(HOST/IMPORTING COUNTRIES)

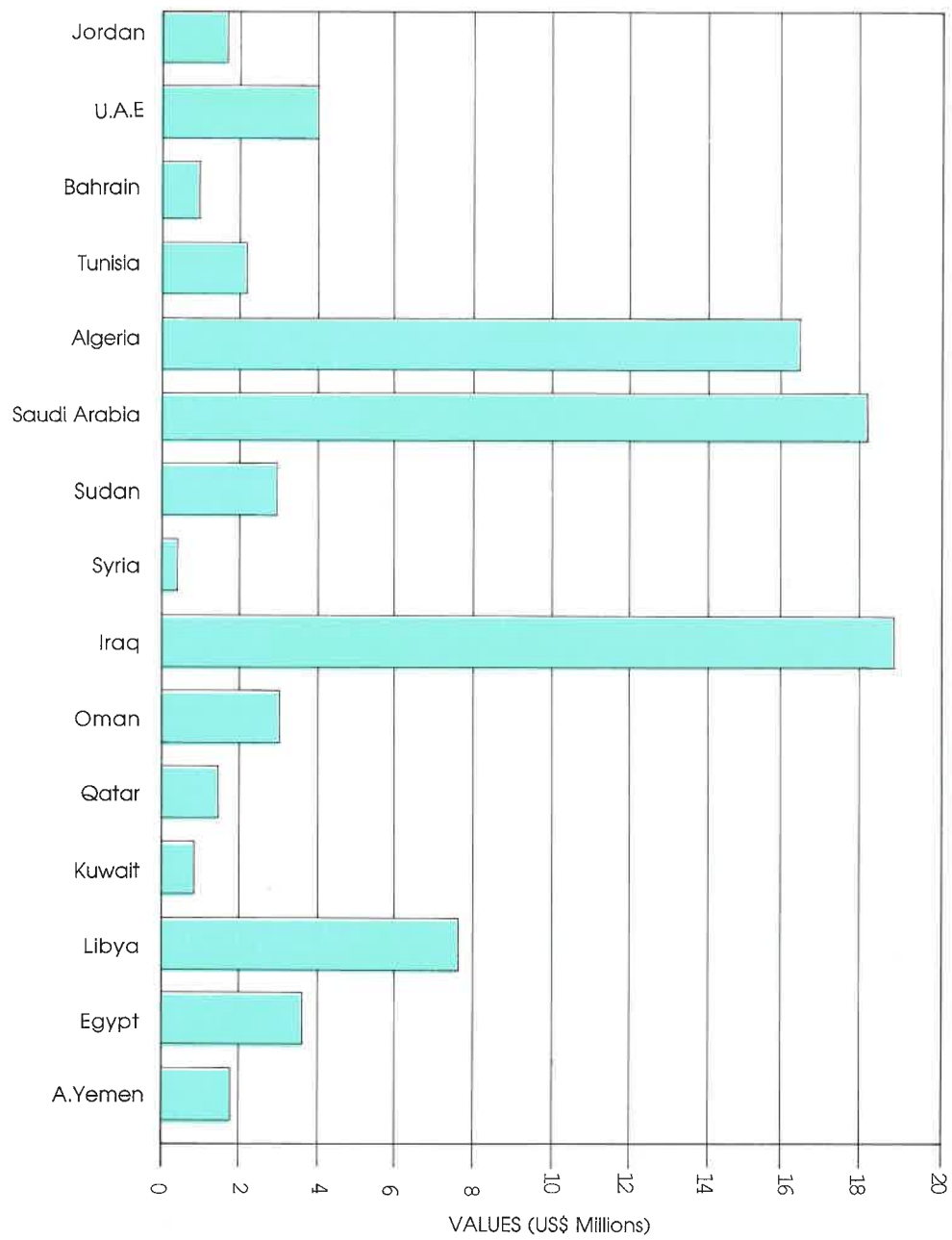
HOST IMPORTING COUNTRY	INVESTMENT CONTRACTS		EXPORT CREDIT CONTRACTS		TOTAL		ACTUAL COMMITMENTS	
	\$	KD	\$	KD	\$	KD	%	KD
Algeria	-	-	19,557,358	5,710,749	19,557,358	5,710,749	5.79	1,930,225
Bahrain	-	-	3,235,934	944,893	3,235,934	944,893	0.97	21,735
Egypt	34,272,969	10,007,707	5,885,384	1,718,532	40,158,353	11,726,239	12.09	1,000,000
Iraq	14,394,751	4,203,267	119,462,822	34,883,144	133,857,573	39,086,411	40.29	27,462,953
Jordan	-	-	6,700,990	1,956,689	6,700,990	1,956,689	2.02	12,082
Kuwait	-	-	4,508,693	1,316,538	4,508,693	1,316,538	1.36	107,905
Lebanon	-	-	192,997	56,355	192,997	56,355	0.06	29,253
Libya	-	-	8,464,375	2,471,598	8,464,375	2,471,598	2.55	134,274
Mauritania	619,644	180,936	-	-	619,644	180,936	0.18	0
Morocco	34,893,011	10,188,759	-	-	34,893,011	10,188,759	10.50	5,610,705
Oman	-	-	5,548,219	1,620,080	5,548,219	1,620,080	1.67	351,313
Qatar	-	-	2,248,362	656,522	2,248,362	656,522	0.68	2,510
Saudi Arabia	-	-	26,009,110	7,594,660	26,009,110	7,594,660	7.83	1,035,430
Somalia	2,000,000	584,000	-	-	2,000,000	584,000	0.60	271,560
Sudan	7,363,014	2,150,000	10,786,570	3,149,678	18,149,584	5,299,678	5.46	2,820,025
Syria	8,808,818	2,572,175	500,000	146,000	9,308,818	2,718,175	2.80	1,495,373
Tunisia	2,468,733	720,870	2,239,127	653,825	4,707,860	1,374,695	1.42	578,990
U.A.E	-	-	3,909,314	1,141,520	3,909,314	1,141,520	1.18	51,766
Yemen	-	-	5,419,500	1,582,494	5,419,500	1,582,494	1.63	230,299
D.Yemen	-	-	2,750,000	803,000	2,750,000	803,000	0.82	0
Total	104,820,940	30,607,714	227,418,755	66,406,277	332,239,695	97,013,991	100.00	43,146,398

* HOST COUNTRY : COUNTRY RECEIVING THE INVESTMENT CAPITAL.
* IMPORTING COUNTRY : COUNTRY IMPORTING ARAB GOODS.
* CONTRACT ORIGINAL VALUE IN US DOLLAR.

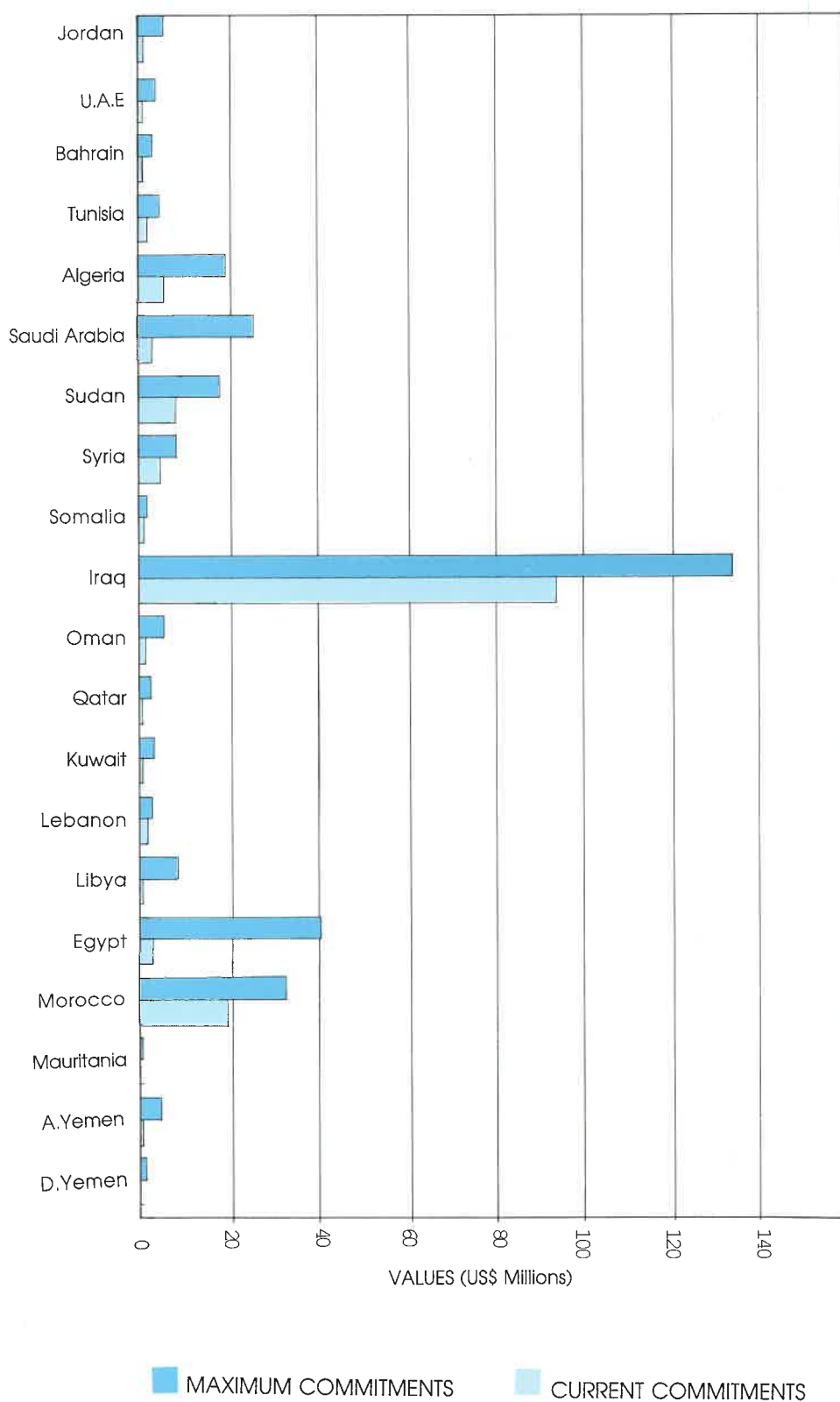
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INVESTMENT & EXPORT CREDIT POLICIES COMMITMENTS AS AT 31/12/89
(IMPORTING/HOST COUNTRIES)



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 preparation of a survey study for each of the Arab Republic of Egypt and the Republic of Tunisia. It also completed the preparation of investors guide for each of the Republic of Sudan and the Democratic Republic of Somalia.

3.1.2 The Legislative Encyclopedia for Investment in the Arab Countries and Legal Guides.

In the context of its efforts to provide information for investors relating to the legal framework of investment in Arab countries, the following publications were prepared during the year:

- Supplements to the volumes of the Legislative Encyclopedia for the State of Bahrain, the Yemen Arab Republic, the Sultanate of Oman, the State of Kuwait, and the Republic of Tunisia.
- Guides to Companies' Establishment, Exchange Control and Tax Treatment for the Islamic Republic of Mauritania.
- A Guide to Tax Treatment for the Republic of the Sudan.

Also reviewed and updated during the year were the Guides to Companies' Establishment, Tax Treatment, and Exchange Control for the Arab Republic of Egypt and the State of Bahrain.

3.1.3 Specialised Studies:

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

The Corporation continued to work on finalizing these studies and completed the preparation of the final report on the situation of the foreign trade for the following countries:

- The Syrian Arab Republic.
- The Arab Republic of Egypt.
- The State of Kuwait.
- The Yemen Arab Republic.
- The Sultanate of Oman.
- The United Arab Emirates.
- The Republic of Tunisia.

These reports were printed and shall be sent to the concerned agencies in the respective countries to get their views on them before they are actually released.

Reports are also currently under preparation for the following countries:

- The Democratic Republic of Somalia.
- The Peoples' Democratic Republic of Yemen.

3.1.3.2 Study on the Evaluation of the Performance of Arab Investment Projects:

This study aims at the identification and analysis of the factors which account for the success or failure of the Arab investment projects. This is achieved through the study of the positive and negative factors which influence the performance of a chosen sample of projects totalling (24) spread over the following seven Arab investment recipient countries: The Hashemite Kingdom of Jordan, The Republic of Tunisia, The Republic of Sudan, The Syrian Arab Republic, The Arab Republic of Egypt, The Kingdom of Morocco, and The Yemen Arab Republic.

The Corporation completed the preparation of the study in its final form and organized a specialised seminar on the subject in the city of Amman, Jordan in the Hashemite Kingdom of Jordan during the period 22 - 23/5/1989. The seminar was attended by (80) participants representing the

heads of the national agencies responsible for investment in the above countries, directors of the projects studied, representatives of Arab regional organizations and funds, members of the team of experts who conducted the studies, a number of representatives of some of the big Arab companies and corporations in addition to a number of imminent Arab experts. A number of recommendations were adopted in the seminar and these were sent to the concerned agencies in the Arab countries.

3.1.3.3 Study on the Evaluation of the Performance of Arab Industrial Investment Projects:

This study was extracted from the study on the Performance of Arab Investment Projects and was prepared upon the request of the Arab Industrial Development and Mining Organization for submission to the 7th Conference on Industrial Development in the Arab Countries held in Tunis during the period 20-25 October, 1990.

3.1.3.4 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 shed more light on the positive and negative aspects of their experiences. The study covered the following five Arab countries: The Hashemite Kingdom of Jordan, The Republic of Tunisia, The Republic of Sudan, The Kingdom of Morocco, and the Arab Republic of Egypt. A decision was made to organize an experts meeting at the Corporation's headquarters in March, 1990 to discuss the study and make use of its findings.

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

All the data and statistics relating to Arab investments for each Arab country up to the end of 1988 were documented, and the final aggregate figures for the investment flows were prepared and printed and were then submitted to the 11th. Conference of the Union of Arab Economists held in Casablanca during the period 3-5/10/1989. Work is now underway to update these statistical information and store them in the computer.

3.1.3.6 Study on the Imports of Foreign Industrial Goods by some of the Arab Countries and Possible Substitution of these Goods with Similar Goods Produced by the GCC Countries:

This study aims at stimulating inter-Arab trade and shall be prepared in collaboration with the Gulf Organization for Industrial Consultancy (GOIC).

3.1.4 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 1988, while work was underway at the end of the year for the preparation of the draft report for 1989 after the completion of the collection and compilation of all relevant information for the purpose.

3.2 INVESTMENT AND PROJECT PROMOTION ACTIVITIES:

The Corporation assisted in the promotion of (44) investment projects by publicising them in its monthly newsletter. It also helped most of the various parties concerned with projects to establish contacts with one another. A total of (33) contacts were made among the project owners and investors in this context.

Also in the area of promotion, the Corporation collaborated with the Arab Industrial Development and Mining Organization in the promotion of some joint Arab projects. These include a cotton spinning mill project in the Republic of the Sudan, an insecticide project in the Syrian Arab Republic, and a telephone exchange and high grade steel projects in the Arab Republic of Egypt. In this regard, the Corporation also participated in meetings on these projects in Khartoum in June,

1989 and in Syria and Egypt in September, 1989.

Also in this area, the Corporation has established a general framework to guide its promotion activities in the coming years. This shall depend primarily on the stimulation of direct contacts with investment companies and financing institutions in the Arab capital exporting countries on the one hand, while on the other it will depend on contacts with agencies responsible for investment and other institutions concerned with investment in the capital importing countries. The aim of this program is to identify investment opportunities and projects ready for investment and to promote them in collaboration with the relevant investment agencies in these countries.

In this regard, the Corporation has laid down a work program for that purpose which will be implemented in early 1990.

3.3 TECHNICAL ASSISTANCE TO MEMBER COUNTRIES:

The Corporation has offered the following technical assistance to member Arab countries after consultations with the supervisory committee.

3.3.1 Studies and Technical Consultancy:

- The Corporation prepared in April, 1989 a legal memorandum which outlines its remarks and comments on the draft investment law of the Yemen Arab Republic.
- Experts from the Corporation met with representatives of the Ministry of Industry of the Republic of the Sudan to study with them the Sudan Industrial Investment Map and Industrial Investment Guide. In the meeting, the experts introduced some alterations in the two documents in preparation for their release.
- Upon the request of the Ministry of Finance and Economic Planning in the Republic of the Sudan, the Inter-Arab Investment Guarantee Corporation designated an expert to prepare a study on the possibilities and ways of developing and expanding the activities of the Duty Free Corporation in the Sudan after visiting the relevant agencies in the Republic and collecting all pertinent information needed for that purpose.
- Upon the request of the Hashemite Kingdom of Jordan, the Corporation prepared a study on the feasibility of setting up a national system for export credit guarantee in the Kingdom. Following this, a program was laid down for the setting up of a guarantee corporation and work is now underway to put together the documents required for the establishment of this corporation.
- The Corporation, upon the request of the Ministry of Industry, Trade and Supply in the Peoples' Democratic Republic of Yemen, is currently preparing a study on the development of the exports sector in the Republic.
- Upon the request of the Peoples' Democratic Republic of Yemen, the Corporation prepared in December, 1989 a legal memorandum recording its comments and remarks on the draft investment law of the Peoples' Democratic Republic of Yemen. It also met with a delegation from the Republic to discuss these remarks and comments.

3.3.2 Training:

In the area of training of Arab Staff/Officials, the Corporation organized a training program in its office in October for two of the employees of Compagnie Tunisienne Pour L'Assurance du Commerce Extérieur (Co. Tun. A.C.E) for a period of one week to acquaint them with the Corporation's export credit guarantee system. It also arranged another week of training for the two employees at the Indian Export Credit Guarantee Corporation to enlighten them on its system and experience.

3.4 CO-OPERATION WITH ARAB AND INTERNATIONAL AGENCIES:

The Corporation participated in the following meetings during the year:

- The meetings of the work group of the Arab Food Security held in Damascus in January, 1989

and in Khartoum in July, 1989.

- The Thirteenth Annual Meeting of the Board of Governors of the Islamic Development Bank held in Rabat in February, 1989.

- The Forty Sixth and Forty Seventh Ordinary Meetings of the Economic and Social Council of the Arab League held in Rabat in February, 1989 and in Tunis in October, 1989 respectively.

- The Meetings held at the office of the Arab Monetary Fund in Abu-Dhabi in March, 1989 which dealt with the procedural matters required for the setting up of the Program for Financing of Arab Trade.

- The meetings of the Permanent Committee for Afro-Arab Co-operation held in Kuwait in June, 1989 and for which the Corporation prepared in both Arabic and English a draft convention for the promotion and protection of investments between the Arab and African countries.

- A meeting called for by the Secretariat of the Arab League to discuss areas of co-operation and Co-ordination among the Arab League, the Inter-Arab Investment Guarantee corporation, the Arab Monetary Fund, and the General Union of the Chambers of Commerce, Industry and Agriculture of the Arab Countries. The meeting held in Tunis in September, 1989 dealt with the exchange of information on inter-Arab trade.

- The Third Conference on Euro-Arab Arbitration held in Amman, Jordan during the period 23-25/10/1989.

- A meeting called for by the Islamic Development Bank at its office in Jeddah to lay down a system for investment and for export credit guarantee in the Islamic countries held during the period 26-27/11/1989.

- A seminar organized by the Arab Fund for Economic and Social Development on Investment Policies in the Arab Countries held in the city of Kuwait during the period 11-13/12/1989.

- A meeting called for by the Central Bank of Jordan in collaboration with the International Trade Center (ITC) and UNDP held in Jordan during the period 13-14/12/1989 to research into the subject "Export Credit Finance". The Corporation made a brief presentation on its experience in the area of export credit guarantee.

- A meeting on the development of Arab exports for the heads and experts of Arab export agencies organized by the Arab Organization of Administrative Sciences (AOAS) held in Amman, During the period 17-20/12/1989.

3.5 PUBLIC RELATIONS ACTIVITY:

- The Corporation continued to issue its newsletter on a regular basis and has improved its contents. It received enquiries about the investment opportunities published in the newsletter. The Newsletter was also used as a source of information by news agencies, Newspapers and magazines. The number of subjects excerpted from the Newsletter were (45) during the year, while the news cited from it exceeded (26).

- The Corporation issued three exhibits for its publications, during the year. The first was issued in Amman during the annual meetings of the Corporation's Council; the second was issued in Nuackchott at the time of holding the training seminar on Arab financial markets and sources of finance. While the third was issued in Tripoli during the First Arab Insurance Conference which was held in Libya. Also at the request of the Bahrain Chamber of Commerce and Industry, the Corporation participated in the Bahrain Book Fair, and in Kuwait it participated in the 15th Arab Book Fair held during the year.

3.6 DEVELOPING THE CORPORATION'S WORK METHODS:

3.6.1 Computerization:

The following has been achieved:

- 1 - Following up on the implementation of Reinsurance System.

- 2 - Designing a distribution and control system for IAIGC's publications which will also include control of the Corporation's mailing list.
- 3 - Installing a computer system in Riyadh office and training its staff.
- 4 - Preliminary study for introducing the Laser Technology for IAIGC archives.

3.6.2 The Data Bank

The Corporation has continued its efforts in collecting data for the Arab information system. (4639) entries related to companies, businessmen, Arab joint projects, banks, organizations and unions have been installed. In addition (11457) data forms have been updated and (3393) addresses are now ready to be stored. They cover various sectors of the Data Bank.

Furthermore, the Corporation has also modified the structures of some programmes and revised the data for some main sectors (i.e investment and holding companies, Arab banks and consortia banks ..etc).

3.6.3 Staff Training:

The Corporation continued its efforts to enhance the efficiency of its professional and administrative staff.

towards this end, a number of staff members participated in training programs in the following areas:

- Financial Futures and Options.
- Lotus 123, DBASE III, CDS/ISIS computer programs.
- Financial Analysis & planning using Lotus 123
- Co-financing Program.
- Management Development.
- English and French Languages.
- Technical Data used in the re-insurance business.
- Export Guarantee.
- Contract Financing.
- Operation of the type setting machine Apple Macintosh.

3.6.4 Library Development:

3.6.4.1 Acquisition:

A total of (1100) books and reports in Arabic and foreign languages, as well as papers for (9) conferences have been added to the Library collection.

The Library continued to receive about (300) Arabic and foreign periodicals. Included in this number are the official gazettes of the Arab states.

3.6.4.2 Technical Processing:

Cataloging and classification of (500) Arab books and (500) English books have been accomplished. They have been entered on the CDS/ISIS program which the Library is applying.

3.6.4.3 The Library released the Arabic and English 12th issue of the index of Periodicals Literature for the year 1988. Preparation for 1989 issues is underway. The Index for the official gazettes of the Arab Countries (a new service) has been issued. It covers the period 86-1988.

CHAPTER FOUR : FINANCIAL REPORT

The paid-up capital at the end of 1989 amounted to KD 22,230,687 (U.S.\$ 75,980,269), an increase of KD 231,067 (U.S.\$789,743) over 1988. This represents payment of 25% of Capital instalments due from the Republic of the Sudan in local currency invested in Sudanese Government Bonds at the rate of 10 percent.

The paid-up capital increased to 88.8 percent of the subscribed capital. The revenue realized during the year was KD 4,810,224 (U.S.\$ 16,440,433) an increase of KD 954,005 (U.S.\$ 3,260,608) or by 24.7 percent over the previous year 1988, KD 4,307,900 (U.S.\$ 14,723,585) of which were realized from the investment of the Corporation's financial resources, and the balance of KD 502,324 (U.S.\$ 1,716,848) was realized from the guarantee premiums and other miscellaneous income.

The net revenue transferred to the general reserve for the current year amounted to KD 3,026,032 (U.S.\$ 10,342,403) compared with KD 2,200,122 (U.S.\$ 7,785,286) in 1988, i.e an increase of KD 825,910 (U.S.\$ 2,822,803) (37.5) percent.

The total expenditure for the year 1989 amounted to KD 1,784,192 (U.S.\$ 6,098,030) including provision for contingencies and foreign currencies for KD 250,000. The actual expenditure of the three chapters of the Budget for 1989 amounted to KD 1,534,192 (U.S.\$ 5,243,577) compared with KD 1,656,097 (U.S.\$ 5,660,225) being the actual expenditure for 1988, i.e a decrease of KD 121,905 (U.S.\$ 416,648) (7.9) percent.

The balance sheet for the year ended 31st December 1989 showed a total investment portfolio of KD 47,259,633 (U.S.\$ 161,524,456), KD 11,871,519 (U.S.\$ 40,574,598) of which were in deposits, KD 18,142,876 (U.S.\$ 62,008,906) were in bonds, KD 9,484,992 (U.S.\$ 32,417,902) were in portfolios held with banks, KD 236,943 (U.S.\$ 809,826) were in current and call accounts, KD 231,067 (U.S.\$ 789,741) were in Government Bonds. KD 365,731 (U.S.\$ 1,250,000) were subscription to the Arab Trade Finance Programme, KD 6,926,505 (U.S.\$ 23,673,489) were compensations of which the big portion was in commercial papers.

The total revenue realized from these investments was KD 4,307,900 (U.S.\$ 14,723,584) at an average of 9.4 percent.

The accumulated general reserve at the end of the year reached KD 24,613,269 (U.S.\$ 84,123,482) compared with KD 21,587,237 (U.S.\$ 76,387,958) in 1988, an increase of 14 percent.

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, 1989 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.

In our opinion, the accompanying financial statements present fairly the financial position of Inter-Arab Investment Guarantee Corporation as of December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended, are 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 accounts 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

Kuwait

February 5, 1990.

BALANCE SHEET AS OF DECEMBER 31, 1989

	DECEMBER 31	
	1989	1988
ASSETS	KD	KD
Current and call accounts with banks	236,943	203,880
Time deposits	11,871,519	14,121,193
Investment in bonds	18,142,876	18,216,898
Investment portfolios	9,484,992	8,522,640
Accrued revenue	1,031,448	837,120
Promissory notes (Note 3)	4,808,264	2,003,200
Government bonds (Note 4)	231,067	-
Investment in Arab Trade Finance Program (Note 5)	365,731	-
Recoverable claims (Note 6)	2,118,241	847,800
Provident and social security fund	1,749,505	1,475,639
Accounts receivable and other debit accounts (Note 7)	929,508	381,998
TOTAL ASSETS	50,970,094	46,610,368

LIABILITIES AND SHAREHOLDERS' EQUITY	DECEMBER 31	
	1989	1988
	K D	K D
LIABILITIES:		
Accounts payable and other credit		
accounts (Note 8)	982,027	439,670
Provision for unexpired risks	344,448	240,371
Provident and social security fund	1,749,505	1,475,639
Provision for contingencies and foreign		
currency fluctuations	1,050,158	867,831
TOTAL LIABILITIES	4,126,138	3,023,511
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	2,294,313	2,525,380
Paid-up capital	22,230,687	21,999,620
General reserve	24,613,269	21,587,237
Total shareholders' equity	46,843,956	43,586,857
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	50,970,094	46,610,368

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED
DECEMBER 31, 1989**

	YEAR ENDED DECEMBER 31	
	1989	1988
	KD	KD
REVENUE:		
Premiums from guarantee:		
Provision for unexpired risks		
beginning of year	240,371	106,188
Premiums earned	713,735	517,072
Gross premiums from guarantees	954,106	623,260
Share of reinsurance companies	(150,025)	(179,395)
Premiums retained	804,081	443,865
Provision for unexpired risks end of year	(344,448)	(240,371)
	459,633	203,494
Reinsurance commission after deducting the		
commissions paid and other insurance expenses	38,110	82,370
Net premiums from guarantees	497,743	285,864
Interest on call accounts	46,264	50,651
Interest on time deposits	1,075,301	983,796
Income from bonds	1,420,306	1,277,815
Income from investment portfolios	684,786	659,668
Income from sale and redemption		
of bonds	307,645	188,156
Interest from promissory notes and		
government bonds	428,379	203,865
Exchange gain (Note 9)	345,219	193,631
Others	4,581	12,773
Total revenue	4,810,224	3,856,219
EXPENDITURE		
First Section		
Salaries, wages and bonuses	937,099	928,289
Second Section		
General and administrative expenses	542,724	659,794
Third Section		
Capital expenditure	54,369	68,014
Total expenditure	1,534,192	1,656,097
Provision for contingencies and		
foreign currency fluctuations	250,000	-
Total expenditure and provisions for		
contingencies and foreign		
currency fluctuations	1,784,192	1,656,097
Net income	3,026,032	2,200,122

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1989**

	Year Ended December 31	
	1989	1988
	KD	KD
SOURCES OF FUNDS:		
Net income	3,026,032	2,200,122
Depreciation	54,369	45,298
Funds provided from operations	3,080,401	2,245,420
Decrease in time deposits	2,249,674	1,250,567
Decrease in investment in bonds	74,022	-
Decrease in promissory notes	-	430,657
Decrease in accrued revenue	-	43,165
Increase in provision for unexpired risks	104,077	134,183
Increase in accounts payable and other credit accounts	542,357	87,661
Increase in provident and social security fund	273,866	224,014
Increase in paid-up capital	231,067	600,000
Increase in provision for contingencies and foreign currency fluctuations	182,327	-
Total funds provided	6,737,791	5,015,667
APPLICATION OF FUNDS:		
Increase in recoverable claims	1,270,441	847,800
Increase in investment in bonds	-	2,949,300
Increase in investment portfolios	962,352	886,023
Increase in promissory notes	2,805,064	-
Increase in government bonds	231,067	-
Increase in investment in Arab Trade Finance Program	365,731	-
Increase in accrued income	194,328	-
Increase in provident and social security fund	273,866	224,014
Increase in accounts receivable and other debit accounts	601,879	137,961
Decrease in provision for contingencies and foreign currency fluctuations	-	8,386
Total funds applied	6,704,728	5,053,484
Increase (decrease) in current and call accounts with banks	33,063	(37,817)
Current and call accounts with banks at beginning of years	203,880	241,697
Current and call accounts with banks at end of year	236,943	203,880

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE TWO YEARS ENDED DECEMBER 31, 1989 AND 1988

	AUTHORIZED CAPITAL 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, 1987	25,000,000	25,025,000	24,525,000	3,125,380	21,399,620	-	19,387,115
Capital payment	-	-	-	(600,000)	600,000	-	-
Net Income	-	-	-	-	-	2,200,122	-
Transferred to general reserve	-	-	-	-	-	(2,200,122)	2,200,122
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

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

NOTES TO FINANCIAL STATEMENTS

1. ACTIVITIES OF THE CORPORATION

The Inter-Arab Investment Guarantee 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 Agreement 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. Transactions during the year are translated into Kuwaiti Dinars at rates ruling at the date of each transaction. 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 contingencies 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 into consideration the nature of the guaranteed risk and the insured period.

3. PROMISSORY NOTES

A) Promissory notes amounting to U.S.Dollars 16,433,735 (equivalent to KD 4,808,264 at the rate of exchange prevailing as of December 31, 1989) 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, 1989 for their financing of exports to that country. There is 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 third and fourth instalments due on July 1, 1989 and January 1, 1990 respectively were not settled by that member country.

The fourth instalment was settled by the Corporation on behalf of that country on January 3, 1990.

B) The accrued interest on promissory notes as of December 31, 1989 amounting to U.S.Dollars 1,276,485 (equivalent to KD 373,480 at the rate of exchange prevailing as of December 31, 1989) has not yet been collected.

4. GOVERNMENT BONDS

The Corporation obtained a government bond from one of the member countries due on June 25, 1990 at an interest rate of 10 percent per annum as part settlement of the unpaid capital due on that country.

The note was valued at KD 231,067 based on the rate of exchange agreed upon between the two parties.

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 above mentioned program amounting to U.S. Dollars 1,250,000 (equivalent to KD 365,731 at the rate of exchange prevailing as of December 31, 1989) which represents 250 shares of the program's capital totalling 100,000 share at a nominal value of U.S.Dollars 5,000 each.

6. RECOVERABLE CLAIMS

A) Included in recoverable claims is an amount of U.S. Dollars 5,831,130 (equivalent to KD 1,706,101 at the rate of exchange prevailing as of December 31, 1989) being compensation made by the Corporation to a joint Arab foreign bank against the first, second and third instalments due and unsettled of a loan fourth instalment due on December 31, 1989 amounting to U.S.Dollars 3,429,375 (equivalent to KD 1,003,383 at the rate of exchange prevailing as of December 31, 1989) was settled by the Corporation on January 3, 1990. None of the above mentioned instalments have yet been settled by that member country.

B) Also included in recoverable claims is an amount of U.S.Dollars 277,015 (equivalent to KD 81,050 at the rate of exchange prevailing as of December 31, 1989) which was settled by the Corporation against an export guarantee contract to one of the member countries.

This claim has not yet been settled.

7. ACCOUNTS RECEIVABLE AND OTHER DEBIT ACCOUNTS

Included in accounts receivable and other debit accounts is an amount of One Kuwaiti Dinar which represents the nominal value of the fixed assets after deducting the accumulated depreciation of KD 329,561 and KD 278,142 as of December 31, 1989 and 1988 respectively. Also included is an amount of KD 674,373 which represents the share of the Corporation of the cost incurred upto December 31, 1989 on the joint Arab Organizations Headquarter building in Kuwait. Moreover, a provision of KD 615,218 was taken as of that date for this building and included in accounts payable and other credit accounts under liabilities in the accompanying balance sheet.

8. 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, 1989 an amount of KD 24,525,000 was called-up of which KD 2,294,313 represents instalments due and not settled by some of the member countries.

9. EXCHANGE GAIN

The exchange gain of KD 345,219 for the year ended December 31, 1989 consists of gains resulting from translation of assets and liabilities denominated in foreign currencies to Kuwaiti Dinars amounting to KD 815,677 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 470,458 based on the rates of exchange prevailing at the date of each transaction.

10. CONTINGENT LIABILITIES

Current guarantee contracts amounted to KD 97,013,991, of which, contracts amounting to KD 43,146,398 were executed as of December 31, 1989 representing the Corporation's contingent liabilities as of that date.