



ANNUAL REPORT 1986



The Inter-Arab Investment Guarantee Corporation is a regional organisation whose membership includes all the Arab countries. The Corporation commenced its activities in April, 1975 and has its main office in the State of Kuwait.

OBJECTIVES :

The Corporation aims at achieving two major objectives:

- To provide insurance coverage for Arab investments in Arab countries against non-commercial risks i.e. expropriation, nationalisation, currency inconvertibility and war.
- To promote the flow of Arab capital among Arab countries by carrying out activities which are ancillary and complementary to its guarantee operations, in particular research related to the identification of investment opportunities and to the study of the investment climate in these countries.

Organization and Management

The Council :

The Council consists of one representative from each member country. The Council assumes all authorities necessary to realise the objectives of the Corporation except those delegated to other organs of the Corporation.

The Supervisory Committee :

The Committee consists of six Arab experts of whom five are appointed by the Council with the proviso that they should belong to different nationalities. The sixth member is appointed by the Council upon the recommendation of the Federation of 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 the interference in the administration of the Corporation. The current membership of the Supervisory Committee is as follows:

H.E. Dr. Mohamed Said Al-Nabulsi	Chairman
H.E. Mr. Ahmed Abdullatif	Member
H.E. Mr. Miziel Awad	Member
H.E. Mr. Abdul Fatah Bin Mansor	Member
H.E. Mr. Regeb Misallati	Member
H.E. Mr. Burhan Al-Dajani	Member

The Director- General

Mr. Mamoun Ibrahim Hassan

The Deputy Director- General

Mr. Giuma Said Giuma

Words of Thanks and Gratitude



H.E. Dr. Mohamed Said Al-Nabulsi



H.E. Mr. Ahmed Abdullatif



H.E. Mr. Miziel Awad



H.E. Mr. Abdul Fatah Bin Mansor



H.E. Mr. Regeb Misallati



H.E. Mr. Burhan Al-Dajani

On the occasion of the close of the term of appointment of the chairman and members of the Supervisory Committee it gives the Director- General, the Deputy Director- General and the Staff great pleasure to express their profound appreciation and gratitude for the Committee Members' constructive efforts and invaluable contribution to the achievements realized by the Corporation during their term of office.

Mr. Chairman,

In accordance with Article 12 of the Corporation's Convention, it is my pleasure to submit to your honourable Council, the Annual Report of the Director General for the Year 1986.

Please accept my highest consideration.

Mamoun Ibrahim Hassan

Director- General

Kuwait, April, 1987

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INTRODUCTION

A. ECONOMIC AND INVESTMENT DEVELOPMENTS:

The international economy witnessed a number of important developments during 1986. Perhaps the most important was the steep fall in the value of the U.S. dollar against other major currencies, particularly the yen and the West German mark which appreciated by 38 percent and 42 percent respectively. The price of oil also continued to decrease, falling below U.S. \$10 per barrel at times.

The international financial markets saw a continuation of trends towards more globalization, securitization and deregulation, and the blurring of distinctions between the various types of financial institutions. Many of these developments were reflected in the so-called "Big Bang", the sweeping regulatory changes experienced by the London market.

The major industrial economies continued to experience low growth rates (2.7% and 3.0% for 1985 and 1986 respectively). However, with the exception of the United States, these economies registered significant improvements in their current account positions. Also, most of them were able to contain inflation and reduce unemployment.

The developing countries continued to experience economic difficulties; real rates of economic growth dropped from 3.2 percent in 1985 to 2.7 percent in 1986. Export earnings continued to fall as a result of worsening terms of trade, and the combined current account deficit jumped from U.S. \$19 billion in 1985 to U.S. \$57.6 billion in 1986. The foreign debt problem continued to plague the economies of the developing countries, and the size of the combined debt increased from U.S. \$915.8 billion in 1985 to U.S. \$976.3 billion in 1986. However, the developing countries benefited from the decrease in interest rates in the international financial markets and from the drop in oil prices.

Naturally, the above developments in the international economic and financial scenes, particularly the drop in the price of oil, had their repercussions on the economies of the Arab countries. Fiscal and monetary policies of petroleum producing countries had to be adjusted as a result of decreasing revenues. Government expenditures on investment and consumption were reduced at a rate of 20 to 30 percent. New investment projects were either cancelled or postponed and large numbers of foreign workers were laid off. This helped to further the slowdown of these economies and led, among other things, to an excess capacity, particularly in the construction sector and construction related industries.

The impact of the changes in the international economy on capital importing Arab countries was, expectedly, more severe. The significant slowdown in the flow of funds from the oil producing countries in the form of official transfers, private investment or migrants' remittances helped to exacerbate the continuing Economic crisis and led these countries to adopt more exacting adjustment policies.

However, on the investment side, a number of positive indicators were observed. Efforts by most capital importing Arab countries to improve their investment climate intensified considerably. This was reflected in the introduction of new investment legislation or the amendment of existing legislation in a number of countries. Such legislative changes were aimed mainly at simplifying and streamlining investment procedures and generally making the investment climate more attractive. These efforts exerted by governments coincided with increasing interest on the part of Arab investors in having the investment climate improved. This was reflected in visits by investors' delegations to a number of capital-receiving countries. The deliberations during these visits were both deep and detailed, reflecting the growing understanding and experience of Arab

investors of direct investment in the Arab world.

The international trend towards "privatization"- the transfer of ownership of public enterprises to the private sector-was observed in a number of Arab countries where either steps were taken to issue shares in some government corporations for private participation (Saudi Arabia and Jordan) or serious consideration was given to such an action. We believe this type of issue deserves attention and serious investigation to examine its impact on the investment climate in host countries.

The question of the development of Arab capital markets has been receiving growing attention and a number of positive actions were taken during the year. Most significant was the decision of the government of Jordan to allow non-Jordanian Arab nationals to issue, buy and sell stock in a number of economic sectors and to invest in government and other bond issues. Also of importance was the decision of the Kuwait Stock Exchange to allow dealings in the stock of non- Kuwaiti companies.

The issue of promoting inter- Arab trade took center stage during 1986. Perhaps the most significant development in this regard was the launching of the Arab Export Credit Guarantee System by the Inter- Arab Investment Guarantee Corporation early in the year. This system offers a complete package of guarantees against both commercial and non-commercial risks. Also important in this regard was the decision by the Arab Economic and Social Council (Arab Ministers of Finance) to make inter-Arab trade the main item on the agenda at its 41st session and to invite Arab ministers of commerce and other concerned parties to attend. A related development was the

decision of the Cooperation Council for the Arab States of the Gulf during its seventh summit session to allow the citizens of member states to engage in retail and wholesale trade in any member country as of March 1987 and March 1990 respectively.

Thus, it seems, while on the whole the major economic and financial developments witnessed during 1986 had a negative impact on the economies of the Arab countries, certain positive trends which benefited and strengthened inter- Arab economic cooperation also emerged.

B. IAIGC'S HIGHLIGHTS OF 1986 ACTIVITIES:

At the end of 1986, the paid-up capital of the Corporation remained at the same level as in the previous year at KD 21,399,620. The general reserves were up by KD 4,797,572 in 1986 to KD 16,048,782 from KD 11,251,210 in 1985, or by 43 percent. This brings the total stockholders' equity to KD 37,448,402 in 1986.

Meanwhile, the total revenue realized by the Corporation during the year was KD 6,509,624 and the combined expenditures and provisions for emergencies were KD 1,712,052. This resulted in a net transfer of KD 4,797,572 to general reserves this year.

The value of guarantee contracts concluded during the year reached KD 19,159,008 compared to KD 15,247,080 in the previous year, representing an increase of 26 percent over the 1985 level. The total number of contracts concluded during the year was 23, involving 15 Arab countries.

The total value of outstanding guarantee obligations at the end of the year was KD 61,605,587 distributed over 19 Arab capital recipient countries.

In the field of research, studies, and publications the Corporation issued two volumes of the Legislative Encyclopedia for Investment in Arab Countries for two more Arab countries. Work on volumes of two other countries was also completed. The Corporation continued to release its series of legal Guides to Company Incorporation Procedure, Income Tax Treatment and Exchange Control in the Arab Countries. Also issued during the year were three socio-economic surveys and investment prospect studies for three Arab countries and investor guides for two Arab countries.

Two major research projects were completed during the year: a study on insurance and guarantee mechanisms for financial instruments and investment in international financial markets and a study on Arab free zones. A third study on inter-Arab trade was nearing completion at the end of the year.

There was a number of other accomplishments including assistance in the promotion of several national and regional Arab projects. The Corporation continued to develop its data bank on Arab investors, and an information unit utilizing a computerized system was created for that purpose. The Corporation also continued to give technical assistance to member countries to help them improve the legal and institutional aspects of their investment set-up. In this connection the Corporation held its sixth training seminar on financial markets and project finance in Tunisia.

Finally, the year witnessed a number of developments designed to improve the administrative efficiency of the Corporation, the most important of which were the introduction of the computer in its operations and the continuing upgrading of the skills and capabilities of its staff.

Chapter 2 : Guarantee Contracts

A. GUARANTEE CONTRACTS :

The guarantee contracts signed in 1986 were the result of the continuous efforts made by the Corporation in promoting its activities and services. Such efforts enabled the extension of the Corporation's guarantee to six Arab countries for the first time; namely the Kingdom of Saudi Arabia, the Peoples Socialist Libyan Arab Jamahiriya, the Algerian Democratic Peoples Republic, the State of Qatar, and the Sultanate of Oman. This brings to nineteen the total number of Arab countries benefiting from the services of the Corporation as investment recipient countries and/ or importers of Arab goods.

These results also reflect an effective increase in the total value of the guarantee contracts signed during the year. Twenty three guarantee contracts were signed with a value of Kuwaiti Dinars (KD) 19,159,008 distributed among fifteen Arab countries. As shown below, the number of guarantee contracts in 1986 increased by 15 percent over the 1985 number of contracts, while the value of the contracts increased by 26 percent over the 1985 contract value of KD 15,247,080.

	1985	1986
Value of guarantee contracts (KD)	15,247,080	19,159,008
Percentage increase	—	26 %
Number of guarantee contracts	20	23
Percentage increase	—	15 %

This brings the total value of guarantee contracts concluded since the establishment of the Corporation in 1975 to KD 107,677,949.

The total value of the outstanding obligations of guarantee contracts stands at KD 61,605,587 on 31/12/1986. These obligations are distributed among 19 recipient Arab countries (see table 1), eight economic sectors (see table 2) and five different types of guarantee contracts (see table 3).

I. INVESTMENT GUARANTEES: ★

The year 1986 witnessed a large increase in the value of operations concluded in the framework of the Arab system of investment guarantee, reaching a total value of KD 7,077,672 compared to the 1985 figure of KD 3,209,435 in spite of the decrease in the number of operations from six in 1985 to five in 1986.

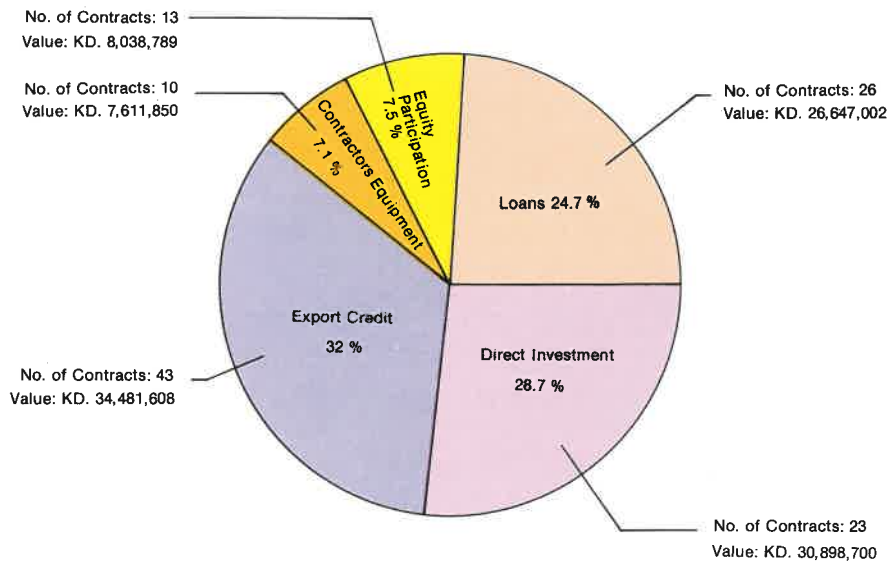
These operations were concluded with investors from the State of Kuwait, the United Arab Emirates and with a joint Arab-foreign financial institution. The guaranteed investments, listed below, were hosted by four Arab countries, namely the Republic of Tunisia, the Kingdom of Morocco, the Islamic Republic of Mauritania and the Yemen Arab Republic.

Details of these contracts are as follows :

1. An equity participation guarantee contract covering the participation of a United Arab Emirates' Company in a Tunisian industrial project. The value of the guarantee contract is KD 175,767.
2. An equity participation guarantee contract covering a Kuwaiti participation in a Moroccan industrial company. The value of the guarantee contract is KD 1,611,198.
3. A loan guarantee contract in favor of a United Arab Emirates' investment company. This covers a loan with a value of KD 3,267,920 extended to a Moroccan touristic company.

(★) This group includes Direct Investment Guarantee Contracts, Equity Participation Guarantee Contracts, Loan Guarantee Contracts and Contractors' Equipment Guarantee Contracts.

Distribution of Operations By Type
Number of Contracts as at 31/12/1986 = 115 Contracts
Total: K.D. 107,677,949 = US. \$ 368,760,100



4. A contractors' equipment guarantee contract covering the equipment of a Kuwaiti construction company executing a project in the Yemen Arab Republic. The value of the guarantee contract is KD 353,000.
5. A loan guarantee contract in favor of a joint Arab-foreign financial institution. The covered loan with a value of KD 1,669,787 was extended to a Mauritanian fishing company.

II. EXPORT CREDIT GUARANTEE :★

The year 1986 witnessed the launching of the Arab export credit guarantee scheme in its comprehensive framework which includes commercial and non-commercial risks. The comprehensive scheme was adopted by the Corporation's Council Resolution no. 7 in its session held in July 1985.

During the year, the Corporation exerted sustained efforts to promote its export credit guarantee services among Arab businessmen, producers and exporters. To achieve this end, the Corporation held promotional seminars in many Arab countries, advertised the new export credit guarantee policies and sent letters and brochures to prospective users.**

Despite the recent introduction of the scheme (this is its first year) and the lack of additional financial resources which could have enabled the Corporation to extend its export credit guarantee operations beyond the existing country guarantee ceilings which have been almost reached in certain countries, the Corporation was able to conclude 18 export credit guarantee policies totaling KD 12,081,336 during the year. Four of these policies are comprehensive policies including 13 different export operations,

thus raising the number of export operations covered to 27 compared to 14 operations in 1985 (see table 5).

Exporters from five Arab countries have benefited from the Corporation's guarantees, covering their exports to importers from the private and public sectors in 12 Arab countries. Six of these importing countries have been included in the Corporation's services for the first time. The Republic of Iraq heads the list of countries benefiting from the export guarantee scheme with a total of Arab exports of KD 7,358,720, followed by the Kingdom of Saudi Arabia with KD 1,688,842 and the Algerian Democratic Peoples Republic with KD 1,164,397. The value of exports in other Arab countries ranges between a minimum of KD 10,000 in the State of Qatar and a maximum of KD 937,485 in the Peoples Socialist Libyan Arab Jamahiriya. (see table 6).

B. REVENUE FROM GUARANTEE PREMIA AND CLAIMS PAID:

The total guarantee premia received during the year was KD 543,757.★★★

Claims paid by the Corporation were as follows:

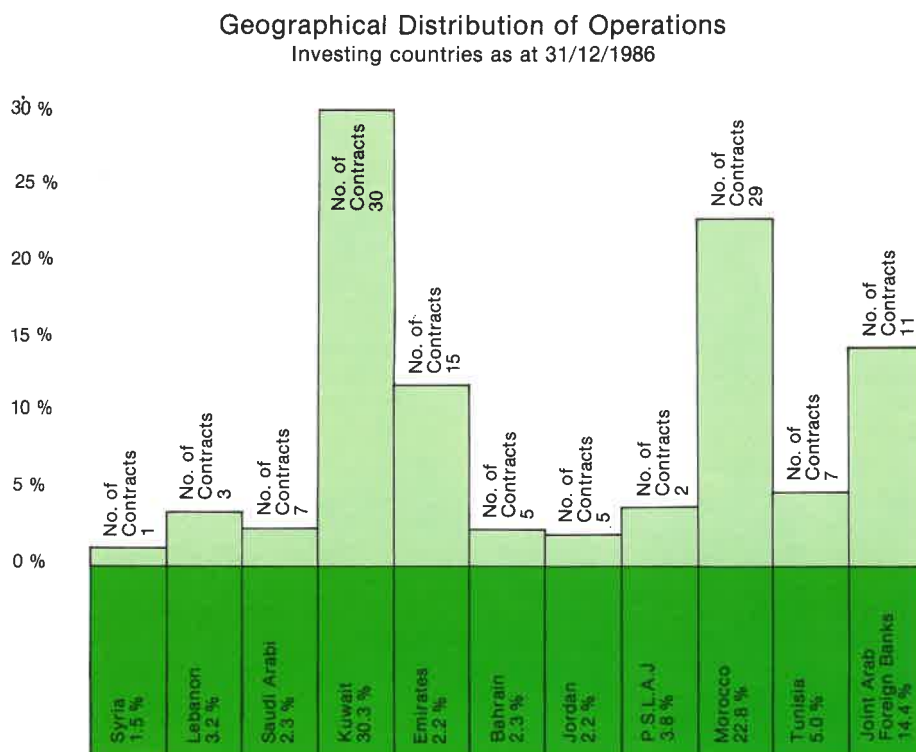
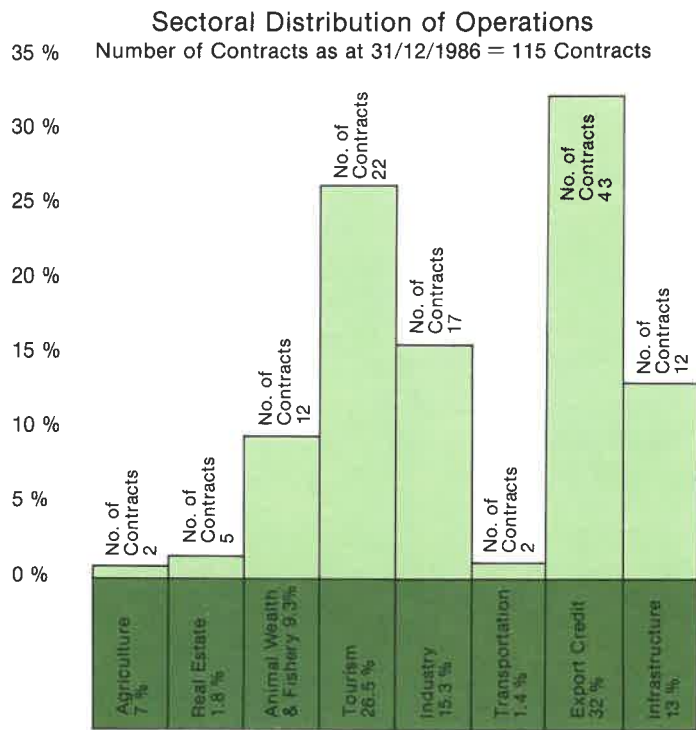
Date of Compensation	Value of Compensation (KD)	Type of Risks Realized
17/6/1986	2,998	Inconvertibility
6/12/1986	2,185	Inconvertibility
Total : 5,183		

(★) For a detailed account of these activities please refer to chapter 3.

(★★) In the framework of the export credit guarantee scheme the Corporation offers the following policies:
 (1) Comprehensive export credit guarantee policy against commercial and non-commercial risks.
 (2) Specific export credit guarantee policy against commercial and non-commercial risks, and
 (3) Specific export credit guarantee policy against non-commercial risks.

(★★★) For a detailed account of these activities please refer to chapter 3.

For accounting purposes this sum is divided between (A) KD 433,630 as "Revenue from Guarantee Contracts" and (B) KD 110,127 as premia received in advance".



Thus the profit realized from the guarantee operations is as follows:

	(KD)
Revenue	543,757
Compensation Paid	5,183
Realized Profit	538,574

Moreover, it is expected that the Corporation will recover these claims during the course of next year.

C. PROMOTION AND DEVELOPMENT OF THE GUARANTEE SYSTEM:

The Export Credit Guarantee Scheme Against Commercial and Non- Commercial Risks:-

Arab businessmen and exporters have shown great interest in the comprehensive package of the Export Credit Guarantee Scheme.

During the year, the Corporation drafted the general terms of new policies to adequately respond to the requirements of Arab exporters and enhance inter- Arab trade. These new policies are:

1. Buyer Credit Guarantee Policy covering credit facilities extended by eligible banks to Arab importers to finance inter- Arab export/ import transactions of goods and materials. The maturity of said facilities should be at least two years from the date of shipment.
2. Consignment Guarantee policy covering goods and materials shipped on or displayed by an exporter, and over which he assumes full responsibility, in a country other than his country of nationality until such goods are sold or re- exported.

Within the same context, the Corporation has achieved the following during the year:

1. Signed a bilateral agreement with the Tunisian Company for Foreign Trade Insurance "COTUNACE", a national export credit guarantee body. The agreement laid down the basis and

means of cooperation with regard to parallel and co-guarantee, exchange of information and coordination of expertise related to importers' credit information and reinsurance in the international markets.

2. Signed a memorandum of understanding with the National Bank for Industrial and Touristic Development in the Republic of Lebanon to cooperate in the various areas of mutual interest.
3. Established channels of contact with a number of buyer credit information agencies in order to establish practical classification of their geographical activities in the Arab countries and analyze the efficiency of information and credit reports presented by these agencies.
4. Contacted the Arab Chambers of Commerce and Industry to obtain lists of names and addresses of exporters and importers, so as to update the Corporation's data base and classify that base in such a way that it will respond to the requirements of the new scheme.
5. The Corporation invited industrialists, exporters, and businessmen to a number of seminars in which the mechanics of the scheme were explained and discussed. In all, twelve seminars were held in: Saudi Arabia (3), United Arab Emirates (2), Kuwait, Jordan, Algeria, Morocco, Bahrain (2) and Sudan.

Reinsurance :

The Corporation continued its contacts with concerned parties in the Arab reinsurance market for the purpose of setting up an Arab consortium for reinsurance of the Corporation's guarantee obligations.

Moreover, the Corporation is currently investigating possibilities in the international reinsurance markets, particularly the London market, where contacts revealed the possibility of obtaining certain facilities regarding the reinsurance of some of the risks covered by the Corporation.

A. RESEARCH AND STUDIES :

1. In the light of the Corporation's activities aimed at informing Arab investors of the economic situation, the investment climate and opportunities in the Arab countries, it published the following studies in 1986:
 - Socio- economic Survey and Investment Prospects in the Islamic Republic of Mauritania.
 - Socio-economic Survey and Investment Prospects in the Yemen Democratic Peoples Republic.
 - Socio-economic Survey and Investment Prospects in the Yemen Arab Republic.It also completed the preparation of two studies of the same series for the Hashemite Kingdom of Jordan and the Sultanate of Oman. Work is under way on a third study for the Arab Republic of Egypt.
2. To further its purpose of informing Arab investors of investment procedures and other aspects of the investment climate in Arab countries, the Corporation continued to publish its series of Investor's Guide for the Arab countries. In this regard, Guides for the Sultanate of Oman and the Islamic Republic of Mauritania were published during the year.
3. Investment Studies Series:

During the year, the Corporation released three more studies in this series aimed at disseminating studies and research covering various aspects of the investment climate in the Arab countries. The three completed studies were :

 - The Industrial Project File.
 - Project Promotion and Encouragement of Investments.
 - The Search for Finance/ Participation in Projects.
4. The Corporation continued to publish the Legislative Encyclopedia for Investment in the Arab Countries series which aims at informing investors of laws relating to investments in these countries. Volumes were published during the year for the Syrian Arab Republic and the State of Kuwait. Work was completed on other volumes for the United Arab Emirates and the State of Qatar. Moreover, a Supplement to the Encyclopedis for the Hashemite Kingdom of Jordan was prepared.
5. The Corporation continued to publish its series of legal guides entitled A Guide to Income Tax Treatment, A Guide to Company Incorporation Procedure, and A Guide to Exchange Control. Of this series, three Guides were issued the year as follows:
 - A Guide to Company Incorporation Procedure for the United Arab Emirates.
 - A Guide to Exchange Control for the Republic of Tunisia.
 - A Guide to Income Tax Treatment for the Sultanate of Oman.Work was also completed on another Guide to Income Tax Treatment for the Algerian Democratic Peoples Republic.
6. Joint Studies :
 - The Corporation undertook two Studies during the year in collaboration with sister organizations. The first study prepared with the Arab Planning Institute was under the title Migrant Workers' Remittances in the Arab Labor Exporting Countries, Its Effects and Ways of Maximizing Its Benefits. A total of 12 papers reflecting the experience of eight Arab countries were presented for discussion in a meeting of experts held in Kuwait during the period 4—7 April, 1986.

- The second joint study was carried out in conjunction with the Arab Organization for Industrial Development under the heading A Model Plan to Promote Joint-Arab Industrial Projects.
- 7 Specialized Studies:
 - Studies of Ways and Means of Boosting Inter- Arab Trade:
Some changes were made in the objectives and scope of this on- going study to better serve the export credit guarantee scheme and to ensure its speedy execution and minimize its cost. Data was compiled on the Syrian Arab Republic and the State of Kuwait. Work was also underway to collect data on the Yemen Arab Republic.
 - Study on Arab Free Zones:
The study which was completed during the year was designed to look into the investment possibilities in these zones, the factors which influence them and the obstacles and problems which stand in the way of their development. The study concluded with specific suggestions and recommendations to improve the effectiveness of these areas in attracting investments and contributing to the development of the countries concerned. The Corporation is now preparing to organize a meeting to discuss the study. Experts from the following Arab countries will be involved: the Hashemite Kingdom of Jordan, the United Arab Emirates, the Republic of Tunisia, the Republic of Djibouti, the Syrian Arab Republic, the Arab Republic of Egypt, the Kingdom of Morocco, and the Yemen Democratic Peoples Republic.
 - Study on Insurance and Guarantee Mechanisms for Financial Instruments and Investment in International Financial Markets:
The second volume of this study dealing with the Euromarkets and offshore centers in the United

Kingdom, West Germany, France, Switzerland, Japan, the Bahamas, the Cayman Islands, Singapore, Hong Kong and Bahrain was prepared and translated into Arabic during the year. Also prepared was a summary of this study which will be the subject of discussion at a meeting of experts scheduled to be held during October 1987. It should be recalled also that the preparation and translation of the first volume of the study which dealt with types of protection, insurance and guarantee in use in the U.S.A financial market were carried out in the previous year.

- Evaluation of the Performance of Arab Investment Projects:
The primary objective of this study was to determine the factors which contribute to the success or failure of a chosen sample of Arab investment projects in a number of Arab capital importing countries (the Hashemite Kingdom of Jordan, the Republic of Tunisia, the Republic of the Sudan, the Syrian Arab Republic, the Arab Republic of Egypt, the Kingdom of Morocco and the the Yemen Arab Republic).
The first stage of this study involving the compilation of a list of Arab investment projects in the concerned countries was completed. A pilot study on an Arab project in Jordan was also carried out.

B. THE INVESTMENT CLIMATE IN THE ARAB COUNTRIES:

The Corporation released its first report on the investment climate in the Arab countries for 1985 at the beginning of April 1986. The report consisted of two major parts the first of which pertained to the general investment climate in the Arab countries and the second was devoted to individual country reports detailing the components and elements of the investment climate in each country as well as the

available investment opportunities. The report was distributed during the annual meeting of the Arab financial institutions and during the Third Arab Businessmen and Investors' Conference, both held in Kuwait.

It is worth mentioning here that the first print of the report was fully distributed, necessitating a second printing.

The Corporation is now working to release its second such report for 1986. It had since the beginning of the year been gathering and compiling information on developments of the investment climate in the Arab countries.

C. INVESTMENT AND PROJECT PROMOTION ACTIVITIES:

To promote investment opportunities and to provide assistance to Arab projects seeking finance from Arab sources, the Corporation performs two types of promotional task. Firstly, it organizes or participates in conferences and meetings related to investment promotion. Secondly, it assists in the promotion of specific projects upon request of Arab promoters. Towards this promotional objective the Inter-Arab Investment Guarantee Corporation accomplished the following during the year:

1. The Third Arab Businessmen and Investors' Conference:

The Conference was convened in Kuwait during the period 26 to 30 April and brought together a large group of Arab businessmen and investors in addition to representatives of various Arab organizations and unions, joint Arab-foreign chambers of commerce and other interested parties. A number of issues concerning Arab investors were discussed chief among which were the constraints to investment in Arab countries. The role of the private sector in development also received a great deal of attention.

The Conference also stressed the need to concentrate on agricultural investment and advocated its effective linkage with other sectors through integration and coordination. It also demanded the opening of the Arab markets for Arab products, the provision of concessionary finance and the necessary guarantees required to invigorate inter-Arab trade. The Conference underlined the importance of simplifying the administrative procedures required for licensing and executing investments to help create a favorable climate for investments in these countries.

The need to develop the Arab financial markets received much attention in the Conference and a decision was taken to form a committee of experts to look into ways and means of achieving it. The Committee will submit its findings and recommendations at the next conference.

2. Delegation of Arab Investors to the Kingdom of Morocco:

Together, the Corporation and the Commercial Section of the Embassy of the Kingdom of Morocco to the United Arab Emirates made the necessary preparations for the visit of a delegation of four Arab investment companies to the Kingdom of Morocco with the aim of studying investment opportunities there. The visit took place in March 1986. The companies are currently reviewing feasibility studies of a number of projects presented to them.

PROJECT PROMOTION :

1. The Corporation, in collaboration with the Arab Company for Drug Industries and Medical Appliances (ACDIMA), successfully managed to secure financiers and equity participants for a joint Arab project for the manufacture of veterinary medicine in Jordan with a capital of \$12 million. The Articles of Association for the project were signed in February 1986, in Amman, Jordan, and the project is now on its way to implementation.

2. The Corporation also continued its promotion of the following projects by way of direct contacts with investors:
 - A project for the manufacture of leather shoes, particularly those used by the army. Another project is for the manufacture of military and security forces clothes in the Republic of the Sudan in association with the Sudanese Military Industrial Corporation to meet the local needs and export the surplus.
 - The setting up of a factory to manufacture glass bottles for drugs in the Syrian Arab Republic. The project will be established in collaboration with the Arab Company for Drug Industries and Medical Appliances (ACDIMA).
 - A Syrian Arab project for the development of agricultural products to be established as a joint venture by virtue of legislative law number ten of 1986 in the Syrian Arab Republic.
 - The promotion of an Arab company concerned with promotion of rural tourism and setting up of resthouses and motels on the motorways among a number of Arab countries (the Kingdom of Saudi Arabia, the Hashemite Kingdom of Jordan, the Syrian Arab Republic and the Republic of Lebanon).
3. The Corporation also publicized 21 projects in 11 Arab countries by publication in its newsletter "Investment Guarantee". Ten of the projects were in the industrial sector, six in the agricultural sector and the rest was divided among the sectors of tourism, real estate and others.

D. TECHNICAL ASSISTANCE TO MEMBER COUNTRIES:

To enhance the investment climate, the corporation provides technical assistance to member states. In this regard it accomplished the following:

- It continued to hold its training seminars on financial markets and

sources of finance and on ways and means of improving the investment climate in these countries. This year the training seminar was held in Tunis during the period 16—21 June 1986, in collaboration with the Tunisian Investment Promotion Agency. The seminar was attended by 35 national personnel involved with promotion, implementation and supervision of foreign investments in the country. Experts from national and regional Arab organizations as well as international organizations contributed to the presentation of the seminar topics.

- Upon the request of the Sudanese Ministry of Finance and Economic Planning, the Corporation prepared a report on the evaluation of the current status of the General Secretariat for Investment in the Republic of the Sudan and made recommendations on ways of improving its mode of operation and effectiveness.
- The Corporation prepared on the request of the Arab League Secretariat a study on the nationality of companies. The study was undertaken to help the Financial Committee of the Arab-European Dialogue in its consideration of the draft Convention suggested to be concluded for the promotion and protection of investment in the countries of both sides.
- Upon the request of the Arab delegates to the Preparatory Committee meetings held in Washington D.C. during the period 15—19 September 1986, the Corporation sent one of its legal advisers to join the Arab delegates in the meetings which were designed to prepare the regulations and by-laws of the Multilateral International Guarantee Agency (MIGA).

- Upon the request of the General Secretariat of the Cooperation Council of the Arab States of the Gulf (GCC), the Corporation undertook a preliminary study on the unification of the investment laws in these countries. It also conducted another preliminary study on the unification of their insurance laws.
- The Corporation completed during the year a draft outline and program to organize a regional training seminar on investment negotiation and contracts. The seminar, which is planned to be held in 1988, is designed to assist the transfer to the Arab countries of negotiation techniques of investment related contracts. It is to be noted that the Arab world lacks this technology at a time when most of the problems of investment are attributed to deficient knowledge of negotiation techniques and resulting loopholes in investment contracts.

E. IMPROVING THE CORPORATION'S WORK TECHNIQUES :

1. Computerization of IAIGC's Operations :

The Corporation continued its task of completing the process of computerization of its operations. With installation of computer units and support facilities in the various departments the second phase was accomplished.

On the sphere of systems and software a program was designed and successfully applied for each of the Corporation's accounts and financial investments. In addition the systems of word processing and information retrieval for library purposes were introduced. Work has begun to design programs for administration and follow-up of guarantee operations.

2. The Corporation created an independent information unit to be responsible for the collection and computerization of data on related organizations, corporations, companies and businessmen. The data, which includes names, addresses and other basic information will be put to the use of the Corporation. It will be reviewed, checked and then entered into the computer and its updating will be on a continual basis.

The information unit will coordinate and cooperate with other Arab national and regional information centers to benefit from their experience.

In creating this unit, the Corporation aims at building a comprehensive data base on Arab business firms, investment companies, investors, businessmen, joint Arab banks and other organizations with activities related to investment and to the Corporation's activities.

3. Training :

In line with the Corporation's policy of enhancing the skills and capabilities of both its professional and administrative staff, a number of employees participated in training programs in the following fields:

- export credit guarantees.
- credit risk assessment management.
- new financial techniques and risk management.
- financial analysis.
- developments in the fields of international banking and international financial markets.
- introduction to computer and word processing.
- the use of the computer in information retrieval.
- English language.

Summary :

The paid up capital was KD 21,399,620 at year end 1986, unchanged from that of 1985, representing 85.5 percent of the subscribed capital.

The revenue realized during the year was KD 6,509,624 exceeding the projected revenue in the budget estimate by KD 3,366,459 or 107 percent. This great increase in the profits was a direct result of the Corporation's policy of currency diversification and its prudent strategy in choosing outlets and instruments that provide adequate security and maximize returns. The fluctuation of currencies of world markets realized to the corporation an exchange gain of K.D. 3,024,338.

Regarding expenditure, the total for the year was KD 1,412,052 compared to KD 1,494,000 in the budget estimate. The provision for currency fluctuation and other contingencies was KD 300,000 compared to KD 250,000 in 1985.

The total value of the Corporation's investment portfolio was KD 37,319,658 of which KD 21,636,968 were in time deposits, KD 13,934,377 were in bonds and KD 1,748,313 were in another financial investment. The total revenue realized from these investments was KD 6,065,064 or an average of 17.5 percent. This percentage breaks down into 9.4 percent representing yield from the financial investment and 8.1 percent as income from currency fluctuation. The total value of guarantee premia received in 1986 was KD 433,630 and a revenue of KD 10,930 was realized from miscellaneous other sources. This brings the total net profit transferred to the general reserve at the end of the year to KD 16,048,782 compared with KD 11,251,210 in 1985.

AUDITORS' REPORT

The Chairman and Members of the Council
of the 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 at December 31, 1986, 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 generally accepted auditing standards
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 at December 31,
1986 and the results of its operations and the
changes in its financial position for the year
then ended, in conformity with generally
accepted accounting principles applied on a
basis consistent with that of the preceding
year. 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.

SABA, AL-FAHAD & CO.

Kuwait
January 29, 1987

EXHIBIT A
BALANCE SHEET AS AT DECEMBER 31, 1986

ASSETS

ASSETS	1986 KD.	DECEMBER 31, 1985 KD.
Current and Call accounts with banks	255,468	343,173
Time deposits	21,636,968	16,528,494
Investment in bonds	13,934,377	14,127,721
Portfolio investments	1,748,313	1,485,545
Accrued revenue	696,891	718,624
Provident and Social Security fund	909,532	583,501
Accounts receivable and other debit accounts	353,645	351,530
Total Assets	39,535,194	34,138,588

LIABILITIES & SHAREHOLDERS' EQUITY

LIABILITIES	1986 KD.	DECEMBER 31, 1985 KD.
Accounts Payable & Other Credit Accounts	267,133	244,582
Provident and Social Security	909,532	583,501
Provision for contingencies and foreign currencies	800,000	500,000
Guarantee premium in advance	110,127	159,675
Total Liabilities	2,086,792	1,487,758
SHAREHOLDER'S EQUITY		
Capital authorized	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	3,125,380	3,125,380
Paid- up capital	21,399,620	21,399,620
General reserve- Exhibit C	16,048,782	11,251,210
Total shareholders' equity	37,448,402	32,650,830
Total Liabilities and shareholders' equity	39,535,194	34,138,588

EXHIBIT B
STATEMENT OF REVENUE AND EXPENDITURE

	YEAR ENDED DECEMBER 31	
	1986 KD.	1985 KD.
REVENUE :		
Investment income	6,065,064	3,683,249
Premium from Guarantees	433,630	320,284
Others	10,930	9,195
Total revenue	6,509,624	4,012,728
EXPENDITURE :		
Salaries, wages & bonuses	809,819	753,061
General & administrative expenses	551,462	563,189
Capital expenditure & provisions	350,771	302,050
Total expenditure	1,712,052	1,618,300
Net revenue- Exhibit C	4,797,572	2,394,428

EXHIBIT C
STATEMENT OF SHAREHOLDERS' EQUITY FOR THE TWO YEARS
ENDED DECEMBER 31, 1986 & 1985

	AUTHORIZED CAPITAL KD.	CAPITAL ISSUED KD.	CALLED-UP CAPITAL. KD.	UNPAID CAPITAL KD.	PAID-UP CAPITAL KD.	NET REVENUE KD.	GENERAL RESERVES KD.
Balance as at December 31, 1984	25,000,000	25,025,000	23,925,000	2,656,380	21,268,620	—	8,856,782
Called- up capital	—	—	600,000	469,000	131,000	—	—
Net revenue	—	—	—	—	—	2,394,428	—
Transferred to general reserve	—	—	—	—	—	(2,394,428)	2,394,428
Balance as at Dec. 31, 1985,	25,000,000	25,025,000	24,525,000	3,125,380	21,399,620	—	11,251,210
Net revenue	—	—	—	—	—	4,797,572	—
Transferred to general reserve	—	—	—	—	—	(4,797,572)	4,797,572
Balance as at December 31, 1986	25,000,000	25,025,000	24,525,000	3,125,380	21,399,620	—	16,048,782

Appendixes

TABLE 1
GEOGRAPHICAL DISTRIBUTION OF OPERATIONS
AS AT 31/12/1986

HOST COUNTRY	TOTAL VALUE OF CONTRACTS (K.D.)	PERCENTAGE OF TOTAL	TOTAL VALUE OF OUTSTANDING COMMITMENTS (K.D.)	PERCENTAGE OF TOTAL	
Algeria	1,164,397	1.1	1,164,397	1.9	
Bahrain	109,700	0.1	110,884	0.2	
Egypt	10,105,200	9.4	4,599,200	7.5	
Iraq	40,784,508	37.8	25,224,338	40.9	
Jordan	488,589	0.5	58,589	0.1	
Kuwait	25,486	}	25,486	}	
Oman	29,295		29,295		0.1
Qatar	10,000		10,000		0.1
Jamahiriya Libya	937,485	0.9	937,485	1.5	
Mauritania	3,440,942	3.2	1,720,348	2.8	
Morocco	11,554,577	10.7	11,554,577	18.8	
Saudi Arabia	1,688,842	1.6	1,688,842	2.7	
Somalia	1,425,932	1.3	1,171,780	1.9	
Sudan	6,690,003	6.2	3,690,000	5.9	
Syria	7,400,000	6.8	6,712,000	10.9	
Tunisia	731,727	0.7	720,207	1.2	
United Arab Emarites	2,452,054	2.3	30,054	0.1	
Yemen Arab Republic	17,489,578	16.2	2,158,105	3.5	
Peoples Democratic Republic of Yemen	1,149,634	1.1	—	—	
TOTAL	107,677,949	100	61,605,587	100	

TABLE 2
DISTRIBUTION OF OPERATIONS BY SECTOR
AS AT 31/12/1986

SECTOR	TOTAL VALUE OF CONTRACTS (K.D.)	PERCENTAGE OF TOTAL	TOTAL VALUE OF COMMITMENTS (K.D.)	PERCENTAGE OF TOTAL
Tourism	28,571,080	26.5	15,593,149	25.3
Industry	16,533,488	15.3	9,442,743	15.3
Agriculture	698,700	0.7	673,774	1.1
Animal Wealth and Fisheries	10,029,687	9.3	5,548,689	9.0
Export Credit (Trade)	34,481,608	32.0	23,590,047	38.3
Real Estate	1,909,634	1.8	—	—
Infrastructure	13,953,749	13.0	6,757,185	11.0
Transport	1,500,003	1.4	—	—
TOTAL	107,677,949	100	61,605,587	100

TABLE 3
DISTRIBUTION OF OPERATIONS BY TYPE (IN K.D.)
AS AT 31/12/1986

TYPE OF INVESTMENT	TOTAL VALUE OF CONTRACTS (K.D.)	PERCENTAGE OF TOTAL	TOTAL VALUE OF COMMITMENTS (K.D.)	PERCENTAGE OF TOTAL
Direct Investment	30,898,700	28.7	16,422,398	26.7
Equity Participation	8,038,789	7.5	5,181,945	8.4
Loans	26,647,002	24.7	16,058,197	26.1
Contractors' Equipment	7,611,850	7.1	353,000	0.6
Export Credit	34,481,608	32.0	23,590,047	38.2
TOTAL	107,677,949	100	61,605,587	100

TABLE 4
INVESTMENT GUARANTEE CONTRACTS
SIGNED DURING 1986

HOST COUNTRY	SECTOR	TYPE OF INVESTMENT	NATIONALITY OF INVESTOR	MAXIMUM AMOUNT OF GUARANTEE K.D.	U.S.\$
Tunisia	Industry	Equity Participation	UAE	175,767	600,000
Morocco	Industry	Equity	Kuwaiti	1,611,198	5,500,000
Morocco	Tourism	Loan	UAE	3,267,920	11,155,405
Mauritania	Fisheries	Loan	Joint Bank	1,669,787	5,700,000
Yemen Arab Republic	Infrastructure	ContractorEquipment	Kuwaiti	353,000	1,205,004
TOTAL				7,077,672	24,160,409

TABLE 5
EXPORT CREDIT GUARANTEE CONTRACTS
SIGNED DURING 1986

	EXPORTING COUNTRY	TYPE OF POLICY	IMPORTING COUNTRY (S)	MAXIMUM K.D.	AMOUNT OF GUARANTEE U.S.\$
1	Jordan	Comprehensive	Saudi Arabia Jamahiriya Y.A.R.	1,271,835	4,341,549
2	Jordan	Specific/ non-Commercial	Iraq	847,890	2,894,366
3	Kuwait	Specific/ All Risks	Somalia	585,890	2,000,000
4	Tunisia	Specific/ non-Commercial	Iraq	2,399,805	8,192,000
5	Morocco	Specific/ non-Commercial	Jamahiriya	97,228	331,899
6	Morocco	Specific/ non-Commercial	Iraq	1,171,780	4,000,000
7	Tunisia	Specific/ non-Commercial	Algeria	587,419	2,005,219
8	Tunisia	Specific/ non-Commercial	Algeria	379,210	1,294,475
9	Tunisia	Specific/ non-Commercial	Algeria	108,756	371,251
10	Tunisia	Specific/ non-Commercial	Algeria	89,012	303,852
11	Tunisia	Specific/ non-Commercial	Iraq	1,245,749	4,252,500
12	Kuwait	Specific/ non-Commercial	Iraq	22,703	77,498
13	Kuwait	Specific/ non-Commercial	Iraq	263,650	900,000
14	Bahrain	Specific/ non-Commercial	Iraq	1,183,040	4,038,438
15	Morocco	Specific/ non-Commercial	Iraq	224,103	765,000
16	Morocco	Comprehensive	Saudi Arabia Jamahiriya Jordan	1,142,486	3,900,000
17	Kuwait	Comprehensive	Saudi Arabia Bahrain Qatar	83,000	283,330
18	Bahrain	Comprehensive	Saudi Arabia Oman United Arab Emarites Kuwait	377,780	1,289,592
TOTAL				12,081,336	41,240,969

TABLE 6
GEOGRAPHICAL DISTRIBUTION OF EXPORT CREDIT GUARANTEE CONTRACTS
SIGNED DURING 1986 ★

TO \ FROM	JORDAN	BAHRAIN	TUNISIA	KUWAIT	MOROCCO	TOTAL
Jordan					58,589	58,589
United Arab Emirates		30,054				30,054
Bahrain				23,000		23,000
Algeria			1,164,397			1,164,397
Saudi Arabia	847,890	292,945		50,000	498,007	1,688,842
Somalia				585,890		585,890
Iraq	847,890	1,183,040	3,645,554	286,353	1,395,883	7,358,720
Oman		29,295				29,295
Qatar				10,000		10,000
Kuwait		25,486				25,486
Jamahiriya	254,367				683,118	937,485
Yemen Arab Republic	169,578					169,587
TOTAL	2,119,725	1,560,820	4,809,951	955,243	2,635,597	12,081,336

(★) The table shows the export transactions covered by the guarantee contracts during the year. (Table 5).