

**THE INTER-ARAB INVESTMENT  
GUARANTEE CORPORATION**

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**THE FOURTEENTH**

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**ANNUAL REPORT 1988**

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

**OBJECTIVES :**

The Corporation aims at achieving two major objectives:

- To provide insurance coverage for Arab investors and exporters against the risks specified in the Corporation's Convention.
- 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 investment climate in these countries.

## Organization and Management:

### **The Council:**

The Council consists of one representative for each member state. 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 elected 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 General Federation of 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 current membership of the Supervisory Committee is as follows:

H.E. Mr. Fahad Rashid Al Ibrahim	Chairman
H.E. Dr. Ibrahim Abdul Rahman Al Barrak	Member
H.E. Mr. Abdul Fatah Bin Mansour	Member
H.E. Dr. Mohamed Said Al-Nabulsi	Member
H.E. Mr. Miziel Awad	Member
H.E. Mr. Burhan Al-Dajani	Member

### **The Director-General**

Mr. Mamoun Ibrahim Hassan

### **The Deputy Director-General**

Mr. Giuma Said Giuma

**The Chairman  
The Council of the Inter-Arab Investment  
Guarantee Corporation in its 16th Session.**

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 1988.

Please accept my highest consideration.

**Mamoun Ibrahim Hassan**  
Director-General

Kuwait, March, 1989

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## Chapter One: Introduction

### 1.1 Major Economic and Investment Developments:

The performance of world economy was better than expected in 1988. According to preliminary estimates, the economies of industrial countries grew by 3.9 percent during the year compared to 3.3 percent in 1987. The growth rate for the developing countries as a group - with varying growth rates - was 3.6 percent compared to 3.4 percent in the previous year. This better performance for the world economy was due to the adjustment policies and other policy measures adopted by the industrial countries during the year. Such policies helped to minimize the negative impact of the stock-market crash in October, 1987 on their economies. Also contributing to the good economic performance was the improvement in international relations, particularly that between the two main blocs, a fact that led to a greater international co-operation.

This healthy economic performance stimulated world trade during the year thereby leading to the surge in demand of industrial countries for developing countries' primary products as well as other industrial inputs. The result was an expansion in world trade by 7.5 percent during the year compared to 5.8 percent in 1987. The rise in demand of industrial countries had a favourable impact on the exports of mineral products and on some agricultural products exported by some developing countries. Other countries in the developing world, particularly the group of oil exporting countries, and the tropical fruits and vegetables exporters witnessed a deterioration in the terms of trade with industrial countries during the year. For the oil exporting countries, this was due to the fact that the world oil market remained unstable for most of the year. Member countries in the Organization of Petroleum Exporting Countries (OPEC) did not stick to their production quotas and this in turn led to a sharp reduction in oil price during the year. At one point, the price of Dubai Crude - the most preferred form of crude oil in the Middle East - reached \$5 below (OPEC) benchmark price of \$18 per barrel. With respect to the tropical fruits and vegetables exporting countries, the deterioration of their terms of trade was due to the increase of production of these products in the industrial countries following the improvement of climatic conditions during the year. The least developed and the most indebted countries of the developing countries did not fare well too, during the year, as their economic performance was less than the average of the rest of the developing countries.

In the Arab countries, the economic performance varied from one country to the other. The economies of the Arab oil producing countries saw a decline and instability in the oil prices during the year. On the other hand, some of the economic sectors, particularly exports and tourism, in a number of other Arab countries witnessed a remarkable improvement during the year despite the fact that the agricultural sector in most Arab countries performed poorly during the year due to fluctuation in seasonal rains. The Sudan, for example, was struck with floods which inundated large sections of the country inflicting heavy damages on agriculture and on the country's infrastructure. Other Arab countries in North and East Africa, and in the Arabian peninsula were attacked by swarming locusts which inflicted havoc on their agricultural produce.

Arab investment flows witnessed during the year, a number of important developments. The trend to privatize publicly owned companies in several Arab countries was noticeable. In that respect the Kingdom of Morocco took the lead as it embarked on policies and measures to restructure its economy by denationalising public sector companies and selling them to the private sector. In the Republic of Iraq, this trend embraced the sale of a number of industrial establishments to the private sector and the government's decision to dissolve the Public Tourist Authority. The Iraqi government delegated an expert committee to administer the sale or leasing of its establishments to the private sector. In the Republic of Tunisia, the government announced its decision to sell some of the public companies to the private sector, while in the Socialist People's Libyan Arab Jamahiriya, the decision was taken to dissolve the

public export-import corporations as part of a government policy to encourage private sector participation through people's partnerships in the country's economy.

The year 1988 saw the launching and promoting of a number of large Arab investment companies. This is reflected in the efforts to form a pan-Arab financing company for purchase and leasing of planes; an Arab company to promote private investment in small and medium-sized industrial projects; and a company for the Arab Gulf countries to promote investment in industries. The year also witnessed a growing tendency at the pan-Arab, regional and country levels to put emphasis on identification of investment projects, and co-ordination of Arab efforts to promote such projects in Arab businessmen and investors' circles. Towards this end, the 4th Arab Businessmen and Investors' Conference was held in Tunis during the period 5-8/11/1988. Also an investors' forum for the promotion of Arab investments into the Arab Republic of Egypt was held. By the same token, after the cease-fire was declared between Iraq and Iran, a group of businessmen and investors from the GCC countries visited Iraq to explore investment possibilities available in the reconstruction as well as in other areas with investment potentials.

On sectoral developments, the Arab countries continued their efforts to boost inter-Arab trade. The Arab Monetary Fund approved "the Program for the Financing of Arab Trade" with a capital of U.S. \$500 million. The programme, in whose capital the Fund's subscription amounted to 50 percent, aims at providing finance for inter-Arab trade. Within the framework of the Arab Economic and Social Council, the Arab countries sought to promote inter-Arab trade. In this regard, an increasing number of bilateral agreements was signed by a number of Arab countries to promote barter trade. Also a number of Arab countries continued to promote and upgrade the institutions concerned with the promotion of exports. This was reflected in the efforts exerted by several countries to set up national export credit guarantee systems to improve the competitiveness of their exports. Among these countries were the Hashemite Kingdom of Jordan, the Democratic and Peoples Republic of Algeria, the Sultanate of Oman, the Arab Republic of Egypt, and the Peoples' Democratic Republic of Yemen. To serve the same objective, some Arab countries established high level export councils and set up other forms of institutions responsible for export promotion.

In the field of finance and banking, there was a tendency to create and enhance co-operation between Islamic banks and traditional forms of banks in Arab countries. In that respect, it was felt that special efforts to introduce innovative methods in support of this co-operation were needed.

Regarding the Arab co-operation at the regional level, co-operative efforts continued in various fields. In this regard, the Supreme Council of the GCC sanctioned some activities in which nationals of the GCC countries are allowed to engage. The Council also stressed the need to program the remaining procedural steps required to grant in each Arab Gulf country equal treatment to businesses owned by GCC nationals. The Council also agreed to speed up the establishment of the common market for the GCC countries. Steps to enhance regional integration was another development during the year. To foster their unity, the five Arab countries in the Magreb region, have taken great steps towards the creation of the Greater Arab Magreb. In this regard, according to a Maghreb Summit's resolution, the five countries formed a high level committee to study ways and means of achieving their unity. The committee called for the creation of a Magreb grouping under which the five countries will achieve coordination in matters such as foreign policy, economic, financial and social policies through the creation of councils, institutions, and expert committees. This institutional set-up will also work towards the achievement of an integrated economic climate in these countries. As the year drew to a close, there were discussions which focused on the creation of a quadratic grouping for the countries of: the Hashemite Kingdom of Jordan,

the Republic of Iraq, the Arab Republic of Egypt, and the Yemen Arab Republic. The membership of the grouping is also open to other Arab countries which may like to join.

## **1.2 Highlights of the Corporation's Activities:**

At the end of 1988, the paid-up capital of the Corporation was KD 21,999,620, with an increase of KD 600,000 over 1987. This followed the settlement in full by the Socialist People's Libyan Arab Jamahiria of the remaining instalments of its capital subscription to the Corporation. The paid-up capital at the end of the year reached 87.9 percent of the subscribed capital.

Regarding the general reserves, the total was KD 21,587,237 at the end of 1988 compared with KD 19,387,115 at the end of 1987, with an increase of KD 2,200,122 or by 11.3 percent. The total shareholders equity (paid-up capital + reserves) reached KD 43,586,857.

Meanwhile, the total revenue was KD 3,856,219 during the year, while the total expenditure was KD 1,656,097 resulting in a net income transferred to reserves of KD 2,200,122.

The total value of guarantee contracts concluded during the year was KD 67,384,322 compared to KD 42,302,474 in 1987, thus an increase of KD 25,081,848 representing 59.3 percent has been realized. Moreover, the total number of guarantee contracts concluded during the year was (64) involving (19) Arab capital importing and exporting countries. This represents an increase of 10.3 percent over 1987.

The total value of outstanding guarantee contracts as of the end of 1988 was KD 130,535,962.

Regarding its ancillary services, the Corporation continued its work during the year on the areas of research, studies and publications. In that respect, it published a volume of its series entitled "Legislative Encyclopedia for Investment in Arab Countries". The volume included legislations of a member state relative to foreign investment. Moreover, the Corporation updated and published two supplements to volumes of the said series that concern two member countries. The Corporation also started the preparation or release of a number of other studies related to the economic and investment situation in the Arab countries, besides other specialised studies.

Also during the year, the Corporation continued its efforts to promote its services amongst Arab investors and exporters. The Corporation's investment promotion services included a number of regional and national projects. In the implementation of its data bank for Arab businessmen, investment companies, and financial institutions, the Corporation has made a considerable progress.

Technical assistance was provided to a number of member countries in various fields of the Corporation's objectives.



## Chapter Two: Guarantee Operations

### 2.1. Guarantee Contracts:

#### 2.1.1. Value of Contracts in 1988:

The year 1988 has witnessed a substantial increase in the volume of operations. The value of contracts signed during the year reached KD. 67,384,322 (US\$ 238,951,498)\*, as compared to KD. 42,302,474 (US\$ 156,722,266) in 1987, resulting in an increase of 59.3%. (Table 1).

The number of contracts has also increased from (58) in 1987 to (64) in 1988 (10.3%).

#### 2.1.2. Value of Current Contracts:

The total value of the current guarantee contracts as at 31.12.1988 amounts to KD. 130,535,962 (US\$ 462,893,483), while the operations executed within the framework of these contracts amount to KD. 39,542,099 (US\$ 140,220,209) or 30.3%.

This latter amount represents the Corporation's outstanding guarantee obligations\*\* at the end of the year. (Table 2).

#### 2.1.3. Investment Guarantee:

During the year, the Corporation signed three contracts with a total value of KD. 9,372,925 (US\$ 33,237,323) as compared to five contracts signed last year totalling KD. 695,044 (US\$ 2,583,807).

These contracts include two loans amounting to KD. 8,586,972 (US\$ 30,450,255) extended by two joint Arab-foreign banks to finance investment projects in both the Kingdom of Morocco and the Arab Republic of Egypt. The remaining amount of KD. 785,953 (US\$ 2,787,068) represents the value of a contractors' equipment contract signed with a company from the United Arab Emirates executing a construction project in the State of Kuwait.

#### 2.1.4. Export Credit Guarantee:

The Corporation concluded sixty one export credit guarantee contracts during the year, covering one hundred and thirty one export transactions, the total value of which amounts to KD. 58,011,397 (US\$ 205,714,175), thus achieving an increase of 39.4% from last year's contracts which totalled KD. 41,607,430 (US\$ 154,147,265).

Nine Arab exporting countries have benefited from the export credit guarantee services. The Arab Republic of Egypt comes first with a total of KD. 16.4 mn. worth of exports covered, followed by the Hashemite Kingdom of Jordan with KD 15.9 mn., the Kingdom of Saudi Arabia with KD 9.9 mn., and the State of Kuwait with KD. 4.8 mn.

As for importing countries benefiting from the export credit guarantee services,, the Republic of Iraq leads with a total value of KD. 21.8 mn. of imported goods covered, followed by the Kingdom of Saudi Arabia with KD. 6.7 mn., the Yemen Arab Republic with KD. 6.3 mn., and the United Arab Emirates with KD. 2.9 mn. (Table 3).

Distribution by type of guaranteed exports shows that building materials top the list of export goods, representing 52.5% of the total value of guarantee contracts, followed by foodstuffs with 11.7%, and medical and pharmaceutical products with 8.5% (Table 4).

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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 0.282 as at 31.12.1988.

US Dollar = KD 0.269 as at 31.12.1987.

\*\* The outstanding guarantee commitments represent:

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

#### **2.1.5. Operations in process:**

The total value of guarantee operations under consideration registered at the year's end amounts to KD. 107,484,300 (US\$ 381,150,000) divided between KD. 29,934,300 (US\$ 106,150,000) for investments (investments and loans for project financing), and KD. 77,550,000 (US\$ 275,000,000) for export credits. This indicates good prospects for achieving a substantial increase in the volume of operations in 1989.

#### **2.1.6. Revenues from Guarantee Premia:**

The total guarantee premia received during the year amounts to KD. 623,260 (US\$ 2,210,142), showing an increase of KD. 111,815 (21.8%) from last year's premia which reached KD. 511,445.

#### **2.1.7. Compensation and Claims:**

##### **2.1.7.1. Compensation Payment**

During the year, the Corporation paid compensation on a due instalment of a loan extended by an eligible bank to finance a development project in an Arab country. The amount of compensation reached US\$ three million (US\$ 3,000,000).

An agreement to recover this amount in instalments, the first of which falls due on 30.6.1989, was concluded with the borrower.

##### **2.1.7.2. Claims under Settlement:**

The total amount of claims during the year reached KD. 143,654, of which, KD. 129,794 concern non-commercial risks, and have been settled by the importing country before completion of the compensation procedures, and KD. 13,860, for commercial risks for which compensation procedures are underway.

#### **2.2. Reinsurance:**

The Arab Consortium for non-Commercial Risks Reinsurance Treaty and the Commercial Risks Reinsurance Treaty entered into force on 1.10.1987 and 1.1.1988 respectively.

In accordance with these treaties, the Corporation started to cede portions of its guarantee commitments portfolio, and thus, expanding its underwriting capacity with the volume available under these treaties.

The guarantee premia paid to the reinsurers (excluding commitments retained by the Corporation) amount to KD. 179,395. The Corporation has also collected from the reinsurers the amounts of KD. 53,184 as reinsurance commission and KD. 31,966 as commission on profits.

#### **2.3. Marketing the Guarantee Services:**

##### **2.3.1 The Marketing Strategy:**

During the year, the Corporation developed and implemented a comprehensive program to market its guarantee services. The program has two main features:

- 1) an intensive direct marketing campaign aimed at direct contact with current and potential customers.
- 2) establishment of a network of representatives and commission agents covering most member countries. Within this framework, the following has been achieved:

##### **2.3.2. Representative Offices and Commission Agents:**

The Corporation signed agreements with twenty four specialized institutions (National guarantee companies, banks, insurance, trading, and services companies) to represent the Corporation in eleven Arab countries, including Jordan, UAE, Tunisia, Sudan, Syria, Iraq, Kuwait, Lebanon, Egypt, Morocco, and Mauritania, in addition to a UK based Arab company specialized in Arab and international trade.

#### **2.3.3 Visits to Member Countries:**

A program of twenty one visits covering most member countries was implemented; with 600 investors/ exporters, and 150 financial/ governmental institutions visited. Business promotional meetings with investors and exporters were organized with the cooperation of local chambers of commerce and industries during which discussions focused on the technical aspects of guarantee schemes and possibilities of mutual cooperation.

The Corporation has also participated in a number of seminars and conferences relevant to export promotion, using the opportunities to present and promote its export credit guarantee services.

#### **2.3.4. Contact by Mail:**

The Corporation continued its efforts aiming at promoting its services by dispatching information material to Arab investors, exporters and financial institutions.

TABLE 1  
VALUE OF GUARANTEE CONTRACTS SIGNED DURING 1988  
(HOST/IMPORTING COUNTRIES)

Host/Importing Country	Investment Contracts		Export Credit Contracts		Total		%
	\$	KD	\$	KD	\$	KD	
Algeria	—		8,483,250	2,392,276	8,483,250	2,392,276	3.55
Bahrain	—		3,686,165	1,039,499	3,686,165	1,039,499	1.54
Egypt	26,501,545	7,473,437	5,329,785	1,502,998	31,831,330	8,976,435	13.32
Iraq	—		77,209,564	21,773,097	77,209,564	21,773,097	32.31
Jordan	—		10,178,925	2,870,457	10,178,925	2,870,457	4.26
Kuwait	2,787,068	785,952	8,354,230	2,355,894	11,141,298	3,141,846	4.66
Lebanon	—		4,323,190	1,219,139	4,323,190	1,219,139	1.81
Libya	—		8,736,000	2,463,552	8,736,000	2,463,552	3.66
Mauritania	—		41,825	11,795	41,825	11,795	.02
Morocco	3,948,710	1,113,536	500,000	141,000	4,448,710	1,254,536	1.86
Oman	—		5,771,590	1,627,588	5,771,590	1,627,588	2.42
Qatar	—		1,531,886	431,992	1,531,886	431,992	.64
Saudi Arabia	—		24,003,405	6,768,960	24,003,405	6,768,960	10.05
Sudan	—		8,232,500	2,321,565	8,232,500	2,321,565	3.45
Syria	—		714,706	201,547	714,706	201,547	.30
Tunisia	—		2,916,165	822,359	2,916,165	822,359	1.22
U.A.E.	—		10,464,045	2,950,861	10,464,045	2,950,861	4.38
A. Yemen	—		22,486,944	6,341,318	22,486,944	6,341,318	9.40
D. Yemen	—		2,750,000	775,500	2,750,000	775,500	1.15
TOTAL	33,237,323	9,372,925	205,714,175	58,011,397	238,951,498	67,384,322	100

\* Host Country: country receiving the investment capital  
\* Importing Country: country importing Arab goods  
\* Contract original value in US dollar and equivalent in KD.

**TABLE 2**  
**VALUE OF CURRENT CONTRACTS AS AT 31/12/1988**  
**(HOST/IMPORTING COUNTRIES)**

Host/Importing Country	Investment Contracts		Export Credit Contracts		Total		% commitments	Actual <sup>1</sup>
	\$	KD	\$	KD	\$	KD		
Algeria	—	—	9,483,250	2,674,277	9,483,250	2,674,277	2.05	120,936
Bahrain	—	—	3,948,925	1,113,597	3,948,925	1,113,597	.85	53,648
Egypt	26,501,545	7,473,436	5,329,785	1,502,999	31,831,330	8,976,435	6.88	—
Iraq	18,700,000	5,273,400	140,520,031	39,626,649	159,220,031	44,900,049	34.40	22,603,074
Jordan	—	—	10,778,925	3,039,657	10,778,925	3,039,657	2.33	334,958
Kuwait	—	—	9,786,892	2,759,904	9,786,892	2,759,904	2.11	113,337
Lebanon	—	—	4,423,370	1,247,390	4,423,370	1,247,390	.96	32,075
Libya	—	—	28,660,040	8,082,131	28,660,040	8,082,131	6.19	1,599,653
Mauritania	—	—	2,533,812	714,535	2,533,812	714,535	.55	31,075
Morocco	35,194,216	9,924,769	500,000	141,000	35,694,216	10,065,769	7.71	4,706,760
Oman	—	—	5,218,400	1,471,589	5,218,400	1,471,589	1.13	—
Qatar	—	—	2,018,589	569,242	2,018,589	569,242	.44	52,146
Saudi Arabia	—	—	41,655,231	11,746,775	41,655,231	11,746,775	9.00	698,274
Somalia	2,000,000	564,000	—	—	2,000,000	564,000	0.43	524,520
Sudan	673,740	189,995	27,941,272	7,879,438	28,615,012	8,069,433	6.18	3,616,641
Syria	26,200,752	7,388,612	714,706	201,547	26,915,458	7,590,159	5.81	3,272,021
Tunisia	2,521,506	711,064	3,816,165	1,076,159	6,337,671	1,787,223	1.37	490,393
U.A.E.	—	—	14,371,493	4,052,761	14,371,493	4,052,761	3.10	685,128
A. Yemen	—	—	36,586,944	10,317,518	36,586,944	10,317,518	7.90	589,462
D. Yemen	—	—	2,813,894	793,518	2,813,894	793,518	.61	18,018
<b>TOTAL</b>	<b>111,791,759</b>	<b>31,525,276</b>	<b>351,101,724</b>	<b>99,010,686</b>	<b>462,893,483</b>	<b>130,535,962</b>	<b>100</b>	<b>39,542,099</b>

<sup>1</sup> Host country: country receiving the investment capital.  
<sup>\*</sup> Importing country: country importing Arab goods.  
<sup>\*</sup> Contract original value in US dollar.

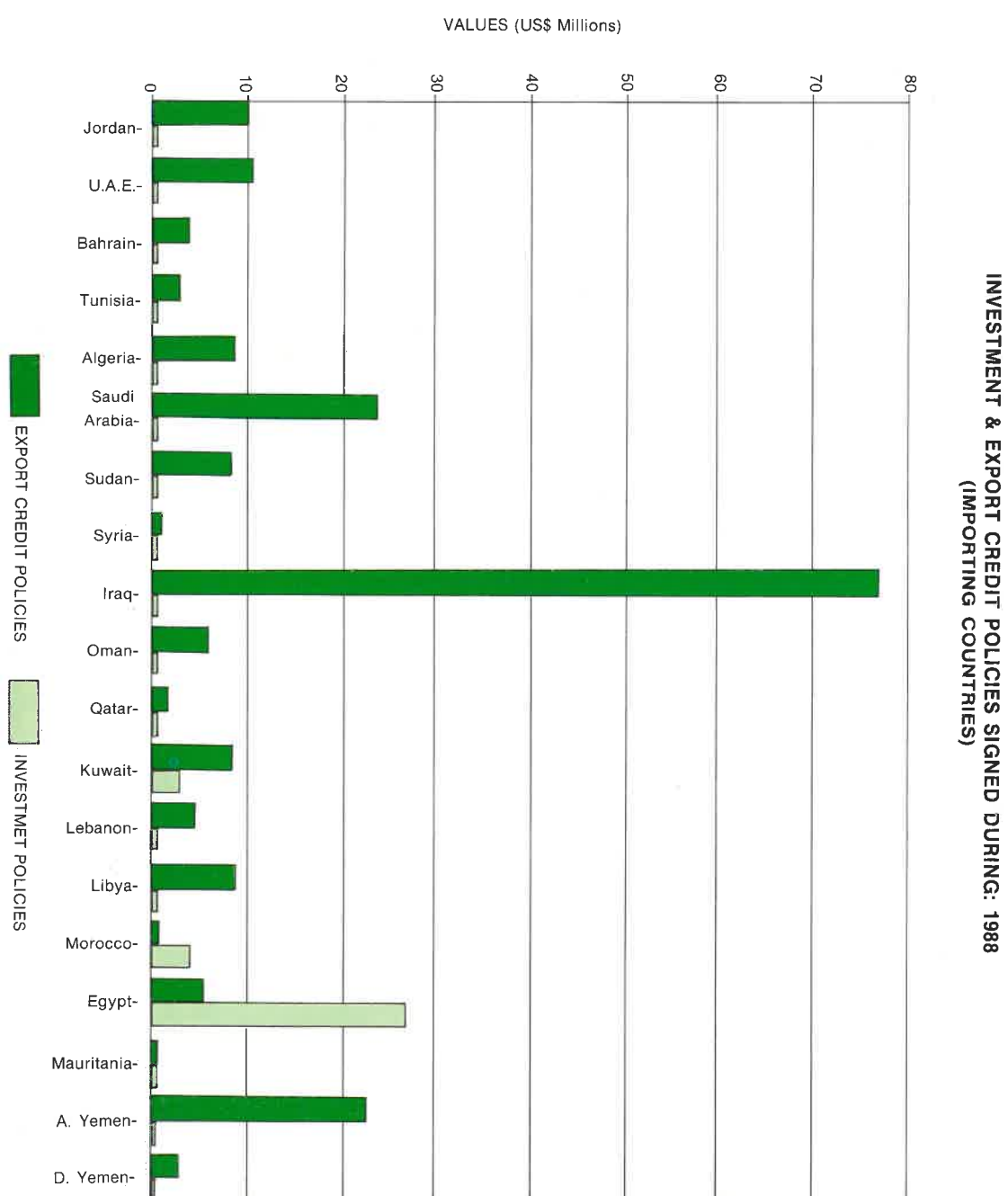
**TABLE 3**  
**GEOGRAPHICAL DISTRIBUTION OF EXPORT CREDIT GUARANTEE CONTRACTS**  
**(EXPORTING/IMPORTING COUNTRIES)**

TO	FROM	Algeria	Bahrain	Egypt	Jordan	Kuwait	Lebanon	Morocco	Saudi Arabia	Tunisia	Total	
											\$	KD
Algeria				3,483,250	2,000,000			3,000,000		8,483,250	2,392,276	
Bahrain				2,000,000	1,500,000	53,190			132,975		3,686,165	1,039,489
Egypt					2,550,000	700,000			2,079,785		5,329,785	1,502,999
Iraq	4,746,336			25,230,000	21,596,428	5,536,800	4,600,000		9,500,000	6,000,000	77,209,564	21,773,097
Jordan				4,180,000			1,100,000		4,898,925		10,178,925	2,870,457
Kuwait				3,000,000	3,500,000		950,000		904,230		8,354,230	2,355,893
Lebanon					120,000	2,550,000					4,323,190	1,219,140
Libya					1,525,000		5,611,000		1,653,190		8,736,000	2,463,562
Mauritania									1,600,000		41,825	11,795
Morocco				500,000							500,000	141,000
Oman				2,800,000	1,500,000	1,418,400			53,190		5,771,590	1,627,588
Qatar				500,000		832,424			199,463		1,531,887	431,992
Saudi Arabia				34,508	5,000,000	8,769,137	4,043,760	6,150,000			24,003,405	6,768,960
Sudan				3,000,000					4,232,500	1,000,000	8,232,500	2,327,565
Syria					714,706						714,706	207,547
Tunisia				200,000	1,838,274			877,890			2,916,164	822,358
U.A.E.				1,500,000	2,161,762	390,060	2,000,000		4,412,223		10,464,045	2,950,861
A. Yemen				4,000,000	8,777,744	1,709,200			4,000,000	4,000,000	22,486,944	6,341,318
D. Yemen				2,750,000							2,750,000	775,500
Total in US \$	4,746,336	34,508	56,143,250	56,553,051	17,239,834	14,800,000	6,488,890	35,066,481	12,641,825	205,714,175	-	-
Total in KD	1,338,467	9,731	16,396,396	15,947,960	4,861,633	4,173,600	1,829,867	9,888,748	3,564,995	58,011,397	-	-

**TABLE 4**  
**EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1988**  
**(DISTRIBUTION BY TYPE OF GOODS)**

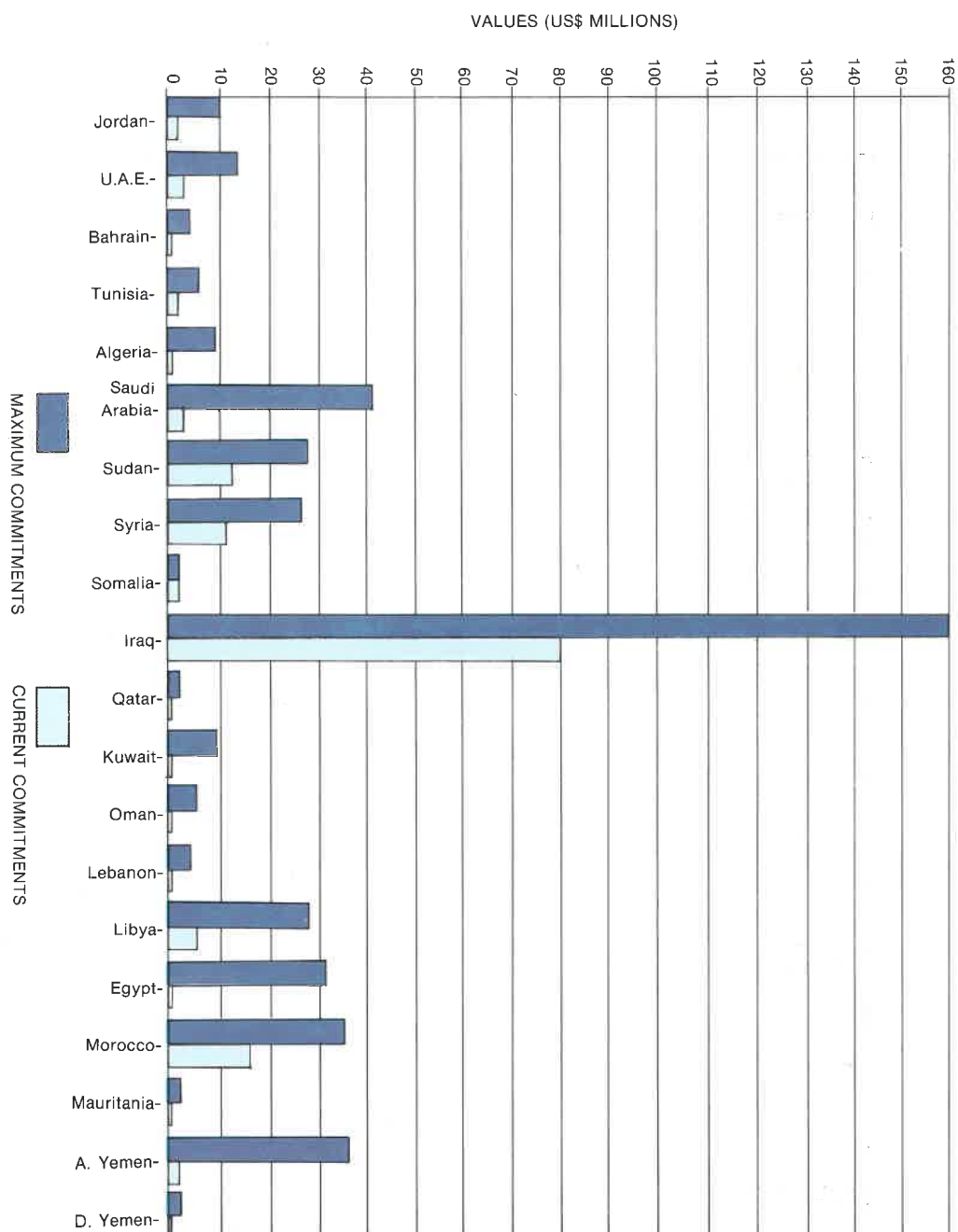
<b>Type of goods</b>	<b>Contract Value</b>		<b>%</b>
	<b>KD</b>	<b>\$</b>	
Food stuffs	6,779,551	24,040,960	11.69
Pharmaceuticals	4,921,781	17,453,135	8.48
Chemical products	1,407,418	4,990,845	2.43
Building materials	30,453,648	107,991,689	52.50
Capital goods	1,496,387	5,306,336	2.57
Clothing & textiles	4,539,636	16,098,000	7.83
Wood products	1,903,500	6,750,000	3.28
Other	6,509,476	23,083,250	11.22
<b>Total</b>	<b>58,011,397</b>	<b>205,714,175</b>	<b>100</b>

## Graphics

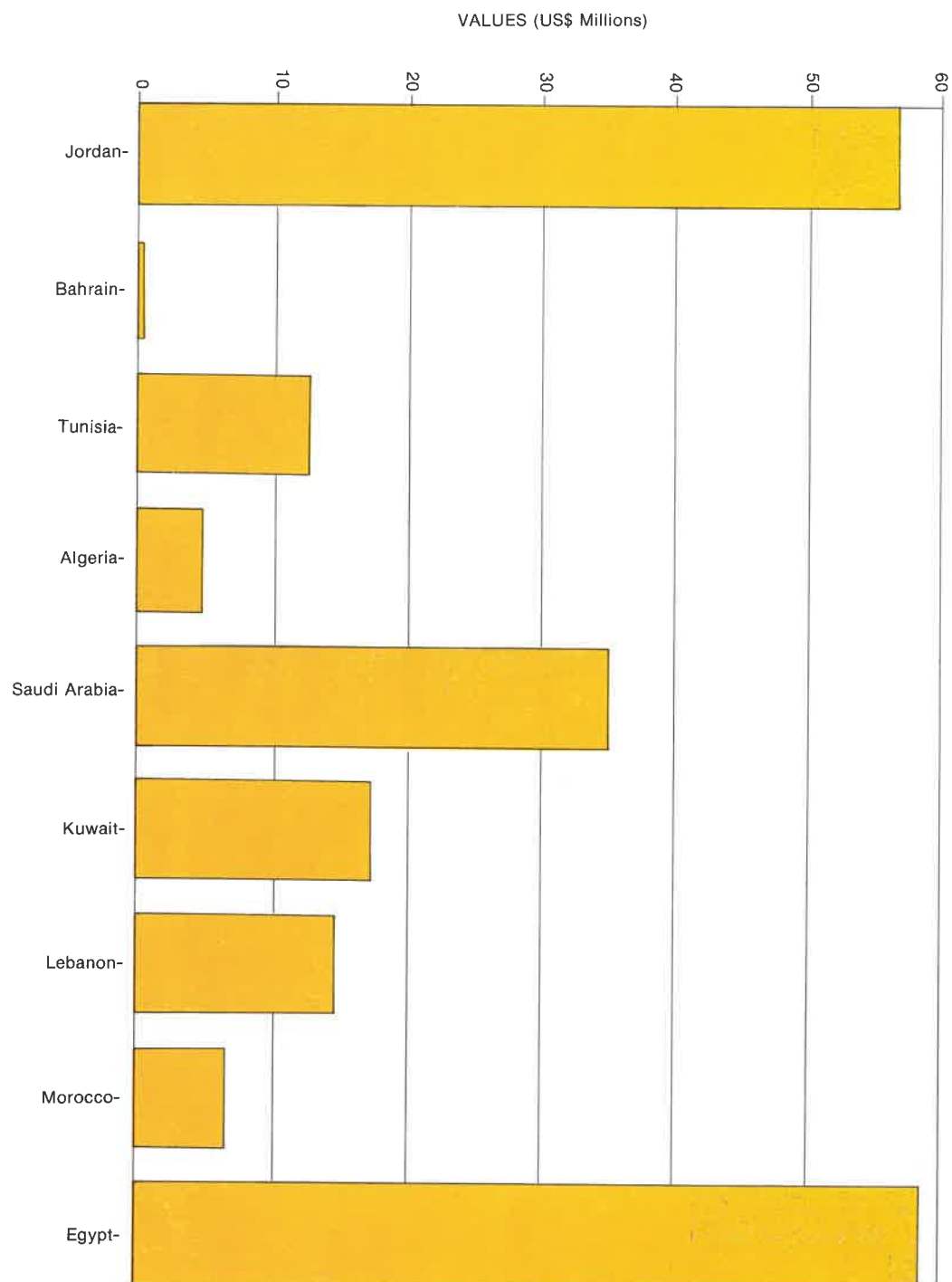


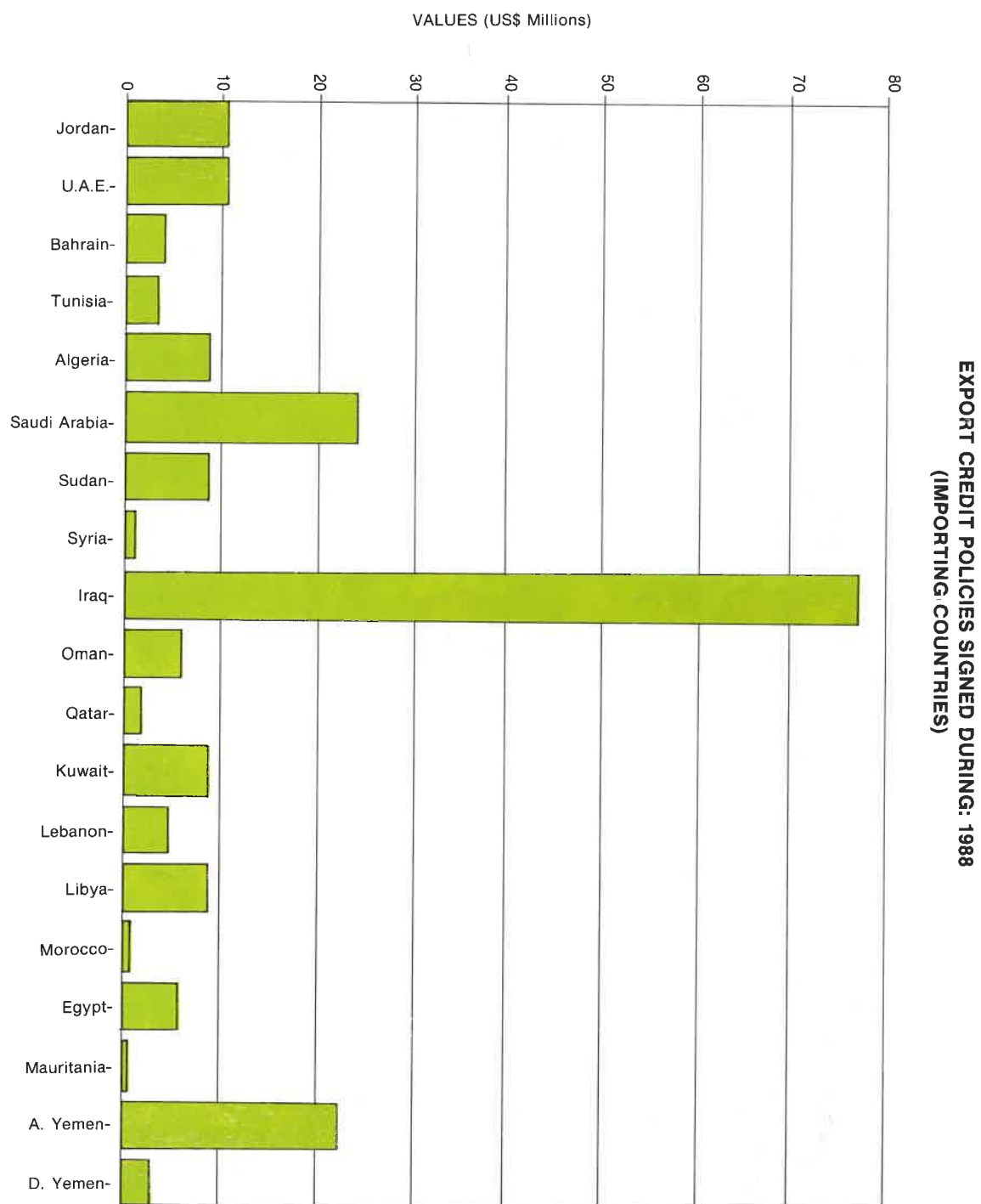


**INVESTMENT & EXPORT CREDIT POLICIES COMMITMENTS AS AT 31/12/88  
(IMPORTING / HOST COUNTRIES)**



**EXPORT CREDIT POLICIES SIGNED DURING: 1988**  
**(EXPORTING COUNTRIES)**





### 3.1 Research and Studies:

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

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

#### 3.1.2 Investors' Guide for the Arab Countries:

Of this series, the Investors' Guide for the Republic of Djibouti was issued during the year.

It has been decided to integrate the country survey on economic and investment prospects in the Arab countries, and the investors' guide in the Arab countries. A new structural outline has already been completed and work is now underway to complete two studies for the State of Bahrain, and the Republic of the Sudan.

#### 3.1.3 The Legislative Encyclopedia for Investment in the Arab Countries:

Within its efforts to provide information for investors relating to the legal framework of investment in Arab countries, the following volumes of the above series were issued during the year:

- The volume of the Legislative Encyclopedia for the State of Qatar (approx. 1176 pages).
- The supplement to the volume of the Legislative Encyclopedia for the Republic of the Sudan (approx. 920 pages).
- The supplement to the volume of the Legislative Encyclopedia for the Hashemite Kingdom of Jordan (approx. 760 pages).

#### 3.1.4 Specialised Studies:

##### 3.1.4.1 Study of Ways and Means of Promoting Inter-Arab Trade:

During 1988, the above mentioned study was still continuing. The following countries were covered:

- The United Arab Emirates.
- The Republic of Tunisia.
- The Somali Democratic Republic.
- The Peoples' Democratic Republic of Yemen.

##### 3.1.4.2 Study on the Evaluation of the Performance of Arab Investment Projects:

The 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. For this purpose, detailed studies evaluating the performance of (24) Arab investment projects in seven Arab investment recipient countries were completed. These countries are: the Hashemite Kingdom of Jordan, the Republic of Tunisia, the Republic of the Sudan, the Arab Republic of Syria, the Arab Republic of Egypt, the Kingdom of Morocco, and the Yemen Arab Republic.

The Corporation had prepared a preliminary report on the conclusions of the studies and had submitted the same to the 4th Arab Businessmen and Investors' Conference which was held in Tunis in November, 1988. The preparation of the final reports for these studies is now underway.

##### 3.1.4.3 Documentation and Data Evaluation of Arab Investment Flows within the Arab Countries:

To determine the size of direct Arab investment flows in the Arab countries, and

depending on data and other statistical information previously collected, the Corporation has completed the processing of such data. Tables for each Arab country up to the end of 1987, and the final cumulative tables for these flows were compiled.

#### **3.1.4.4 Comparative Study on the National Institutions Responsible for Investment in the Arab Countries:**

The Corporation has completed laying the necessary methodology for the conducting of a detailed study on the national institutions responsible for investment in five member countries (the Hashemite Kingdom of Jordan, the Republic of Tunisia, the Republic of Sudan, the Arab Republic of Egypt, and the Kingdom of Morocco). The aim of the study is to evaluate the effectiveness of these institutions within the framework of the investment laws under which they operate, and thereafter to know and to inform about the positive and negative aspects of these experiences.

Using this methodology, a study was completed for the Arab Republic of Egypt, and the work is now underway to complete the studies for the remaining countries as a prelude to the preparation of the final comparative report for all the studies.

#### **3.1.4.5 Study on the Arab Stock-Markets: their Current Status, and the Possibilities for their Development and Integration:**

The study aims at identifying a practical, specific conceptual approach designed to eliminate the obstacles in the way of the development and the opening up of these markets to each other. It also aims at suggesting basic measures and regulations required to facilitate the exchange of security issues and trading of other financial papers in these markets. The study was prepared in accordance with a resolution of the 3rd Arab Businessmen and Investors' Conference held in Kuwait in 1986. Thus the study was prepared and submitted to the 4th Businessmen and Investors' Conference held in Tunis in November 1988. It covered the stock-markets of nine Arab countries (the Hashemite Kingdom of Jordan, the U.A.E., the State of Bahrain, the Republic of Tunisia, the Kingdom of Saudi Arabia, the Sultanate of Oman, the State of Kuwait, the Arab Republic of Egypt, and the Kingdom of Morocco).

#### **3.1.4.6 Project Identification Guide:**

The Corporation completed the draft of a project identification guide to help Arab businessmen, investors and government officials acquaint themselves with the appropriate and possible ways and means to identify investment opportunities in the Arab region with the aim of identifying specific investment projects.

The completed draft guide is now under final review prior to its issuance.

#### **3.1.5 Report on the Investment Climate in the Arab Countries:**

To provide information on the developments in the investment climate in the Arab countries, the Corporation released its report on "The Investment Climate in the Arab Countries" for 1987. Data and information are currently analysed to prepare the draft report for 1988.

### **3.2 Investment and Project Promotion Activities:**

#### **3.2.1 Investment Promotion:**

- 3.2.1.1** The Corporation provided technical assistance to the Public Authority for Investment and Free Zones in the Arab Republic of Egypt to prepare convening "the Arab Investment Meeting" held in Cairo during the period 13-16/3/1988. It provided lists of the names of Arab businessmen and investors, as well as the names of companies, financial and investment institutions to whom invitations were extended. Financial assistance was also provided for the publication of necessary

materials designed to inform the participants of the investment climate in the Arab Republic of Egypt.

- 3.2.1.2** Together with the Arab League Secretariat, and the General Union of the Chambers of Commerce, Industry and Agriculture of the Arab Countries, the Corporation organized the 4th Arab Businessmen and Investors' Conference held in Tunis during the period 5-8/11/1988. The Corporation presented to the Conference two papers: the first on "The Arab Stock-Markets (Their Current Status, and Possibilities for their Development and Integration)", and the second on "The Evaluation of the Performance of a Chosen Sample of Arab Investment Projects". The Conference was well attended by Arab businessmen and investors, and a large number of investment projects were presented for promotion among the conferees. Sectoral project distribution was as follows:

Sector	No. of Projects
Industry	198
Agriculture	55
Tourism	35
Services	2
Total	290

- 3.2.1.3** The Corporation continued to publish its newsletter "Investment Guarantee" on a monthly basis. Twelve issues of the newsletter, publicising forty investment project proposals in the Arab countries, were released during the year. In response to these proposals, the Corporation received a number of queries from various interested parties. The queries were passed on to the concerned project owners.
- 3.2.1.4** The Corporation reprinted investment legislation booklets for sixteen countries after they have been updated.

### **3.2.2 Project Promotion:**

- 3.2.2.1** As a result of the Corporation's efforts to promote investment opportunities in the fishery sector in the Islamic Republic of Mauritania, an agreement to establish an integrated fishery project for fishing and for fish and shrimp processing was concluded between the Islamic Republic of Mauritania and the Coast Investment and Development Company.
- 3.2.2.2** In addition, the Corporation has participated in the promotion of a number of projects by way of direct contact with investors. Some of the projects have been promoted in cooperation with other Arab organizations. The following were some of these projects:
1. A cotton spinning mill project in the Republic of the Sudan in collaboration with the Arab Industrial Development Organization. A meeting is scheduled for the project promoters in the first quarter of 1989.
  2. A project for the manufacture of confectionery and pastry with international specifications in the Republic of Lebanon.
  3. A fishery project on the Red Sea in the Kingdom of Saudi Arabia.
  4. A project for production and manufacture of medical herbs in the Republic of the Sudan.
  5. A high grade steel project proposed to be set up in the Arab Republic of Egypt in collaboration with the Arab Industrial Development Organization.
  6. A project for the manufacture of insecticides proposed to be set up in the Arab Republic of Syria in collaboration with the Arab Industrial Development Organization and the Syrian-Jordanian Industrial Company.
  7. The establishment of a specialized offshore holding company registered in the State of Bahrain with the aim of investing in industrial projects to manufacture

advanced equipments for drip and spray irrigation to satisfy the needs of the Republic of Tunisia, the Republic of Iraq, the Syrian Arab Republic, the Arab Republic of Egypt, and the Yemen Arab Republic. Towards that end, the Corporation had made arrangements for the visit of a delegation from the Arab Drip Irrigation Company in Jordan to the Arab Republic of Syria.

The aim of the visit was to explore the potential available to produce the needed requirements. In another development, the Corporation organized a meeting of the Arab Drip Irrigation Company, the Arab Company for Industrial Investments in Baghdad, and the Palms Agro-Production Company in Kuwait to co-ordinate their efforts to set up an industrial project for the manufacture of advanced irrigation equipments in a number of Arab countries. In this Meeting, subsequent meetings for their representatives have been agreed upon to consider the scope of co-operation and co-ordination amongst them.

8. Establishment of a holding company specialized in fishery investments, with the objective of uniting the fishery companies in the (GCC) countries, aiming at investing in fish production in the Arab countries.
9. Establishment of storing and packing facilities for fruits and vegetables in the Republic of the Sudan to encourage their export. The Corporation, in collaboration with the Sudanese Development Corporation, the Union of Fruits and Vegetables Exporters in Khartoum Province, and the Emirates-Sudan Investment Company arranged for field visits of the representatives of the project promoters to a number of Arab countries to acquaint themselves with such projects.

### **3.3 Technical Assistance to Member Countries:**

The technical assistance provided by the Corporation to member countries is designed to enhance the investment climate in Arab countries, develop institutional framework for foreign investments, and promote the efficiency of the cadres engaged in this domain. Under this program, the following were accomplished during the year.

#### **3.3.1 Studies and Technical Consultations:**

The Corporation undertook and provided during the year the following studies and technical consultations:

- 3.3.1.1** Preparation of a study designed to identify ways of utilizing the services of the Multilateral Investment Guarantee Agency (MIGA). This study was made upon the request of the Ministry of Finance and National Economy of the Kingdom of Saudi Arabia.
- 3.3.1.2** Upon the request of the Arab Lawyers Union, a draft for setting up a training institute was prepared.
- 3.3.1.3** Upon the request of the Sudanese Development Corporation, the Corporation prepared a pre-feasibility study for fruits and vegetables export from the Republic of the Sudan.
- 3.3.1.4** Upon the request of the Ministry of Industry and Trade in the Hashemite Kingdom of Jordan, the Corporation is undertaking a study to set up a national export credit guarantee scheme. This study is now in its final stages.

#### **3.3.2 Training:**

In the field of training of Arab personnel engaged in activities related to the flow of foreign investments, the Corporation provided the following during the year:

- 3.3.2.1** Upon the request of the Ministry of Finance of Iraq, a training seminar on financial markets and sources of project financing was held in Baghdad in June, 1988. A total of (37) participants attended the Seminar.



- 3.3.2.2** Upon the request of the Institute for Development Financing of the Arab Maghreb Countries in Tunis, the Corporation trained one of the Institute's cadres at its office in Kuwait from 15 January-15 March 1988.
- 3.3.2.3** The Corporation trained two employees of the Compagnie Algerienne d'Assurance for the duration of one week in the field of export credit guarantee.
- 3.3.2.4** The Corporation trained two employees of the Bank of Egypt for Export Development, one for one-week period and the other for a 10-day period. The training which was held in the Corporation office focused on export credit guarantee scheme.
- 3.3.2.5** The Corporation trained two employees of the Jordanian Trading Centres Company for one week at the Corporation's office on export credit guarantee.
- 3.3.2.6** The Corporation participated in a 5-day training program organized by the Gulf Investment Corporation in Kuwait on project documentation. A legal advisor in the Corporation lectured in the first day of the Seminar on the legal framework of investment in the Gulf countries, the identification of joint projects, the role of guarantee in investment promotion, and negotiation techniques. The training program was attended by senior professional cadres from the Gulf Investment Corporation, the Public Authority for Investment in Kuwait, and the Kuwait Foreign Trading Contracting and Investment Company.
- 3.3.2.7** Upon the request of the Ministry of Economy and Finance in the Islamic Republic of Mauritania, the Corporation started the preparations for a training seminar on financial markets and sources of finance scheduled to be held in Nouakchott in March 1989.

#### **3.4 Co-operation with Arab and International Organizations:**

- 3.4.1** The Corporation participated in an expert group meeting organized by the Islamic Development Bank to study the possibilities for setting up an investment and export credit guarantee scheme under the auspices of the Bank.
- 3.4.2** The Corporation participated in the 44th and 45th sessions of the Economic and Social Council of the Arab League held in Tunis in February, 1988, and in September, 1988 respectively.
- 3.4.3** The Corporation participated in the 11th session of the Arab Commission for the Unified Agreement for Arab Investment in Arab Countries, held in Tunis in February, 1988. In this session, the Corporation presented a paper on "Investment Obstacles in the Arab Countries", prepared by the Corporation upon the request of the Commission. The Corporation also participated in the 12th session of the Commission held in September, 1988 and presented its annual report on "The Investment Climate in the Arab Countries", for the year 1987.
- 3.4.4** The Corporation participated in the meetings of the Arab Food Security Work Team held in Tunis in June, 1988 and in November 1988.
- 3.4.5** The Corporation participated in a seminar on "Islamic Banks" organised by Al-Iktisad wa Al-Amal Magazine, the Al Baraka Group, and the Dar Al-Mal Al-Islami, in Tunis in June, 1988. In this Seminar, the Corporation presented a paper on "The Guarantee Fund for Islamic Transactions" proposed to be set up within the framework of the Corporation.
- 3.4.6** The Corporation participated in a seminar on "The Role of Arab Banks in Financing Foreign Trade" held in Tunis in October, 1988 organized by the Union of Arab Banks.

#### **3.5 Specialized Seminars:**

The Corporation organized a specialized seminar in Kuwait in February, 1988 on "The Guarantee of Islamic Transactions". The objective of the seminar was to bring



to light the various alternative forms of providing guarantee for investment transactions in accordance with Islamic principles.

### **3.6 Developing the Corporation's Work Methods:**

#### **3.6.1 Computerization of the Corporation Activities:**

Work stations have been connected to the main server through a network. Users are allowed access to the data bank, the use of word processing and Lotus. Moreover, work is now underway to modify and feed into the network other programs needed for the remaining activities of the Corporation. On the other hand, work was completed for the programming and implementation of the following systems:

1. Operations System: Computerization of the Corporation's operations is progressing. A program for limited contracts has been implemented. Another program to enable the follow-up of export credit guarantee contracts, namely the follow-up of shipments carried within limited and comprehensive guarantee contracts is underway. Work was also started on the programming of the Corporation's reinsurance system.
2. The English version of the CDS/ISIS system, issued by UNESCO, has been introduced in the Library. Work is now underway to implement the Arabic version of this system.
3. Program on information relating to joint Arab projects, Arab banks, and joint Arab-foreign banks has been implemented. Work is also underway on the collection of information related to Arab businessmen and investors.

#### **3.6.2 Training:**

The Corporation continued its program which aims at enhancing the efficiency of its professional and administrative staff. Towards this end, a number of staff members participated in training programs relating to computer science, foreign trade finance, financial analysis, banking, financing investment projects, analysis of economic indicators, planning and implementation of information campaigns, and languages.

#### **3.6.3 Library Development:**

##### **3.6.3.1 Acquisitions:**

A total of (1152) books and reports on a wide range of subjects were added to the Library during the year as well as papers for nineteen Arab and other conferences. The Library also continued to receive a total of (455) Arabic and English periodicals.

##### **3.6.3.2 Technical Processing:**

The Corporation continued to work on cataloguing, classification and assigning of descriptors to the Arabic and foreign language books in the Library, prior to their entry into the computer under the CDS/ISIS system. 1306 books in foreign languages have been entered.

Regarding Arabic books, the same system is now being applied in collaboration with the Center for Documentation and Information of the Arab League.

##### **3.6.3.3 Library Services:**

The Library received a number of researchers from outside the Corporation and provided them with articles and other specialized materials required. The total number of Library loans exceeded (1000) during the year.

The Library released the 10th issue (July-Dec., 1987) and the 11th. issue (Jan.-June, 1988) of the Index of Periodical Literature in both Arabic and English. It also commenced the preparation for subsequent release of the 12th. issue of the Index for the second half of 1988.

## Chapter Four: Financial Report

The paid-up Capital at the end of 1988 amounted to KD 21,999,620 compared to KD. 21,399,620 in 1987, with an increase of KD. 600,000 representing the settlement of capital instalments due from the Socialist People's Libyan Arab Jamahiriya.

The paid-up capital increased to 87.9 percent of the subscribed capital.

The revenue realized during the year was KD 3,856,219 of which 3,557,582 were realized from the investment of the Corporation's financial resources, and the balance of KD 298,637 was realized from the guarantee premia and other miscellaneous income.

The total expenditure for the year 1988 amounted to KD 1,656,097 compared to KD. 1,746,240 in 1987, with a decrease of KD. 90,143 (5.4 percent) due to non allocating of new provisions for 1988 other than existing ones.

The balance sheet for the year ended 31st. Dec. 1988 showed a total investment portfolio of KD. 43,067,811 of which KD. 14,121,193 were in deposits, KD. 18,216,898 were in bonds, KD. 8,522,640 were in portfolios held with banks, KD. 2,003,200 were in commercial papers and KD. 203,880 were in Current and Call Accounts. The total revenue realized from these investments was KD. 3,557,582 at an average of 8.3 percent.

The total amount of guarantee premia received during 1988 was KD. 623,260 including deductible provisions. This amount exceeded the revenue realized in 1987 by KD. 111,816 (21.8 percent). The amount of KD. 203,865 represents accrued interest realized from commercial papers with an increase of KD. 36,763 (22 percent) compared with 1987. KD. 12,773 were received from miscellaneous other income.

The accumulated general reserve at the end of the year reached KD. 21,587,237 compared with KD. 19,387,115 in 1987 with an increase of 11.3 percent.



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

We have examined the Balance Sheet of the INTER-ARAB INVESTMENT GUARANTEE CORPORATION (An Arab Corporation with a Special Independent Legal Status) Kuwait, as at December 31, 1988, 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 the Inter-Arab Investment Guarantee Corporation as at December 31, 1988, and the results of its operations and the changes in its financial position for the year then ended, in conformity with the accounting policies as set out in Note (2) to the Financial Statements 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.

**Jasim Ahmed Al-Fahed**  
**Kuwait , January 31,1989**

## BALANCE SHEET AS AT DECEMBER 31, 1988

ASSETS	DECEMBER 31	
	1988 KD.	1987 KD.
Current and call accounts with banks	203,880	241,697
Time deposits	14,121,193	15,371,760
Investment in bonds	18,216,898	15,267,598
Investment portfolios	8,522,640	7,636,617
Accrued revenue	837,120	880,285
Promissory notes (Note 3)	2,003,200	2,433,857
Recoverable claims (Note 4)	847,800	—
Provident and Social Security fund (Note 5)	1,475,639	1,251,625
Accounts receivable and other debit accounts (Note 6)	381,998	289,335
<b>TOTAL ASSETS</b>	<b>46,610,368</b>	<b>43,372,774</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY LIABILITIES:</b>	<b>DECEMBER 31</b>	
	<b>1988 KD.</b>	<b>1987 KD.</b>
Accounts payable & other credit accounts	439,670	352,009
Provision for unexpired risks	240,371	106,188
Provident and Social Security fund (Note 5)	1,475,639	1,251,625
Provision for contingencies and foreign currencies	867,831	876,217
<b>TOTAL LIABILITIES</b>	<b>3,023,511</b>	<b>2,586,039</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Capital authorized (Note 7)	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	2,525,380	3,125,380
Paid-up capital	21,999,620	21,399,620
General reserve	21,587,237	19,387,115
Total shareholders' equity	43,586,857	40,786,735
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>46,610,368</b>	<b>43,372,774</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED DECEMBER 31, 1988**

	Year Ended December 31	
	1988 KD.	1987 KD.
<b>REVENUE:</b>		
Premiums from guarantees:		
Provision for unexpired risks beginning of year	106,188	110,127
Premiums earned	517,072	401,317
Gross premiums from guarantees	623,260	511,444
Share of reinsurance companies	(179,395)	—
Premiums retained	443,865	511,444
Provision for unexpired risks end of year	(240,371)	(106,188)
	203,494	405,256
Reinsurance commission after deducting the commissions paid and other insurance expenses	82,370	—
Net premiums from guarantees	285,864	405,256
Interest on call accounts	50,651	42,445
Interest on time deposits	983,796	1,041,626
Income from bonds	1,277,815	1,107,043
Income from investment portfolios	659,668	367,082
Income from sale & redemption of bonds	188,156	81,494
Interest from promissory notes	203,865	167,102
Exchange gain (Note 8)	193,631	1,857,317
Others	12,773	15,208
<b>Total revenue</b>	<b>3,856,219</b>	<b>5,084,573</b>
<b>EXPENDITURE:</b>		
First Section		
Salaries, wages & bonuses	928,289	892,108
Second Section		
General & administrative expenses	659,794	643,013
Third Section		
Capital expenditure	68,041	61,119
<b>Total expenditure</b>	<b>1,656,097</b>	<b>1,596,240</b>
Provision for contingencies & foreign currencies	—	150,000
Total expenditure and provisions for contingencies and foreign currencies	1,656,097	1,746,240
Net revenue	2,200,122	3,338,333

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT



**STATEMENT OF SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 1988**

	<b>AUTHORIZED CAPITAL KD.</b>	<b>CAPITAL ISSUED KD.</b>	<b>CALLED-UP CAPITAL KD.</b>	<b>UNPAID CAPITAL KD.</b>	<b>PAID-UP CAPITAL KD.</b>	<b>NET REVENUE KD.</b>	<b>GENERAL RESERVE KD.</b>
Balance as of Dec. 31, 1986	25,000,000	25,025,000	24,525,000	3,125,380	21,399,620	—	16,048,782
Net revenue	—	—	—	—	—	3,338,333	—
Transferred to general reserve	—	—	—	—	—	(3,338,333)	3,338,333
Balance as of Dec. 31, 1987	25,000,000	25,025,000	24,525,000	3,125,380	21,399,620	—	19,387,115
Paid-up share of the capital	—	—	—	(600,000)	600,000	—	—
Net revenue	—	—	—	—	—	2,200,122	—
Transferred to general reserve	—	—	—	—	—	(2,200,122)	2,200,122
Balance as of Dec. 31, 1988	25,000,000	25,025,000	24,525,000	2,525,380	21,999,620	—	21,587,237

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT



**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 1988**

	<b>Year Ended December 31</b>	
	<b>1988 KD</b>	<b>1987 KD</b>
<b>SOURCES OF FUNDS:</b>		
Net revenue	2,200,122	3,338,333
Depreciation	45,298	49,173
Funds provided from operations	2,245,420	3,387,506
Decrease in time deposits	1,250,567	6,265,208
Decrease in promissory notes	430,657	—
Decrease in accrued revenue	43,165	—
Increase in provision for unexpired risks	134,183	—
Increase in accounts payable & other credit accounts	87,661	134,876
Increase in provident and social security fund	224,014	342,093
Increase in paid-up capital	600,000	—
Increase in provision for contingencies & foreign currencies	—	76,217
<b>Total funds provided</b>	<b>5,015,667</b>	<b>10,205,900</b>
<b>APPLICATION OF FUNDS:</b>		
Increase in recoverable claims	847,800	—
Increase in investment in bonds	2,949,300	1,333,221
Increase in investment portfolios	886,023	5,888,304
Increase in promissory notes	—	2,398,127
Increase in accrued income	—	183,394
Increase in provident & social security fund	224,014	342,093
Increase in accounts receivable & other debit accounts	137,961	20,593
Decrease in provision for contingencies & foreign currencies	8,386	—
Decrease in provision for unexpired risks	—	53,939
<b>Total funds applied</b>	<b>5,053,484</b>	<b>10,219,671</b>
Decrease in current & call accounts with banks	(37,817)	(13,771)
Current & call accounts with banks at beginning of year	241,697	255,468
Current and call accounts with banks at end of year	203,880	241,697

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

## NOTES TO FINANCIAL STATEMENTS

### 1. ACTIVITIES OF THE CORPORATION:

The corporation is an Arab Corporation with a Special Independent Legal Status and is located in the State of Kuwait. Its main objective is to provide insurance coverage against risks defined in its articles of incorporation for both Arab Investments and trade financing, respectively made in, or carried among, Arab countries. The Corporation also promotes investments and trade exports between its member countries.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### (A) 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 its maturity or redemption date.

#### (B) Investment Portfolios:

The investment portfolios managed by agents are valued at the market price or net asset value at year end, whichever is less.

#### (C) Fixed Assets:

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

#### (D) Recognition of Income:

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

#### (E) General Reserve:

Article (24) of the Corporation Agreement states that "Profits realized from the Corporation's operations are to be accumulated to establish a reserve equal to three times the capital".

#### (F) 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 currencies under liabilities in the accompanying balance sheet.

#### (G) PROVISION FOR CONTINGENCIES AND OTHER ACCOUNTS:

The Corporation allocates provisions for contingencies and other accounts against seen and unforeseen expenditure and is reflected in current year's statement of revenue and expenditure and included in "provision for contingencies and foreign currencies" and "accounts payable and other credit accounts" under liabilities in the accompanying balance sheet.

#### **(H) 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.

#### **3. PROMISSORY NOTES:**

Included in promissory notes at December 31, 1988 is an amount of U.S. Dollars 7,088,463 (Equivalent to KD 2,003,200 at the rate of exchange prevailing at that date), which represents promissory notes 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 a joint Arab foreign bank for its financing of exports to the abovementioned country. There is a guarantee from that country's bank to settle those promissory notes in five equal semi-annual instalments effective July 1, 1988.

#### **4. RECOVERABLE CLAIMS:**

The Inter-Arab Investment Guarantee Corporation has compensated a joint Arab foreign bank for an amount of U.S. Dollars 3,000,000 (Equivalent to KD 847,800 at the rate of exchange prevailing at December 31, 1988) against the first instalment due and unsettled of a loan extended by the abovementioned bank to one of the member countries. Proper arrangements have been made to recover the amount of the abovementioned compensation.

#### **5. PROVIDENT AND SOCIAL SECURITY FUND**

The balance of the provident and social security fund amounted to KD 1,475,639 and KD 1,251,625 for the years 1988 and 1987 respectively. Contra accounts for the same amounts are shown under liabilities in the accompanying balance sheet.

#### **6. 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 278,142 and KD 272,973 as of December 31, 1988 and 1987 respectively.

#### **7. CAPITAL:**

The capital of the Corporation is variable and is set at an initial Ten Million Kuwaiti Dinars according to the official exchange rates prevailing at the date of signing the agreement and is divided into Ten Thousand nominal shares of Kuwaiti Dinars One Thousand each. The Council 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. In December 31, 1988 an amount of KD 24,525,000 was called-up of which KD 2,525,380 represent instalments due and not settled by some of the member countries.

#### **8. EXCHANGE GAIN:**

The exchange gain of KD. 193,631 for the year ended December 31, 1988 consists of losses resulting from translation of transaction in foreign currencies to Kuwaiti Dinars during the year amounting to KD. 139,422 based on the rates of exchange prevailing at the date of each transaction and gains resulting from translation of assets and liabilities denominated in foreign currencies to Kuwaiti Dinars to KD. 333,053 based on the average rates of exchange prevailing at the end of each month during the year.

**9. COMPARATIVE FIGURES:**

Some of the comparative figures for the year ended December 31, 1987 have been restated to conform with current year's presentation.

**10. CONTINGENT LIABILITIES:**

Current guarantee contracts amounted to KD. 130,535,962 of which, contracts amounting to KD. 39,542,099 were executed as of December 31, 1988 representing the Corporation's contingent liabilities as of that date.