

**THE INTER-ARAB INVESTMENT
GUARANTEE CORPORATION**



THE NINETEENTH

ANNUAL REPORT 1993



The Inter-Arab Investment Guarantee Corporation is an autonomous regional organization with a membership of all the Arab countries. The Corporation has its main office in the State of Kuwait and commenced its activities in the middle of 1975.

OBJECTIVES:

- The Corporation provides insurance coverage for inter-Arab investments and for export credits against non-commercial risks in the case of investments, and non-commercial and commercial risks in the case of export credits. The non-commercial risks include nationalization, currency inconvertibility, war, civil disturbances, cancellation of the import license and prevention of the entry of goods or their transit passage into the country. The commercial risks include insolvency of the debtor, bankruptcy, as well as default and abrogation or termination of the export contract.
- The Corporation also undertakes the promotion of the flow of investments within the Arab countries by carrying out activities which are ancillary to its main purpose and in particular those relating to the identification of investment opportunities as well as the study of the conditions that govern the flow of investments in the said countries.

The Council :

This is the highest authority in the Corporation . It is entrusted with all the powers necessary for the realization of the objectives of the Corporation. Among its functions are the formulation of general policies , rules and regulations, the making of decisions pertaining to guarantee, financial and administrative matters, appointment of members of the supervisory committee and the election of the director-general and deputy director-general.

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

The Supervisory Committee:

The Committee consists of six Arab experts, five of whom are of different nationalities , elected by the Council upon the recommendation of the member-countries while the sixth member is appointed by the Council upon the recommendation of the General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries.

The Supervisory Committee supervises the activities of the Corporation and may give advice, as it may deem appropriate, to the Director-General or/and the Council of the Corporation. The membership of the current Supervisory Committee is as follows:

H.E. Mr. Fahad Rashid AlIbrahim	Chairman
H.E. Mr. Jasim Rashed AlShamsi	Member
H.E. Mr. Abdel-Fattah Ben Mansour	Member
H.E. Mr. Abdel Rahman Al Seheebani	Member
H.E. Mr. Murtadha Mohamed Fadhil	Member
H.E. Mr. Burhan Al Dajani	Member

The Director-General

Mr. Mamoun Ibrahim Hassan

The Deputy Director-General

Mr. Giuma Said Giuma

**His Excellency The Chairman of the 21st Session of
the Council Of the Inter-Arab Investment
Guarantee Corporation :**

In accordance with Article (12) of the Inter-Arab Investment Guarantee Corporation's Convention, it is my pleasure to submit to your honourable Council for consideration the Annual Report of the Director General for the year 1993.

Please accept my highest consideration ,

Mamoun Ibrahim Hassan
Director-General

Cairo , April, 1994.

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1.1 RELEVANT INTERNATIONAL POLITICAL AND ECONOMIC DEVELOPMENTS:

During the past year, disarmament measures taken by great powers were the most important development in the field of international peace and security. The major nuclear powers have continued to halt nuclear tests and (148) states signed the treaty banning the development, production, stockpiling, usage and destruction of chemical weapons.

The march towards democracy and restoration of human rights has scored significant success. Some regions where human fundamental rights are flagrantly violated and disturbed international peace and security have witnessed positive developments. In South Africa the struggle of the indigenous people was victorious by the triumph of the principle "One man one vote" which will lead ultimately to the end of the system of apartheid in the region.

In the Middle East the question of Palestine has also witnessed important developments. The Palestine Liberation Organization and Israel have reached an agreement on a declaration of principles towards the solution of the Palestine Problem. Moreover the mediation of the United States and some other major powers used their influence and mediation between Israel and other parties to the Middle East conflict with the aim of reaching a lasting and durable peace in the region.

Despite these positive developments, many interactive problems are still plaguing our World which is striving to cope with developments resulting from the end of the cold war, its balance of powers and the emergence of one polar world. Several countries that formed the socialist block namely in Asia and in the Balkans, have seen tensions, regional ethnic, and religious conflicts and wars.

Old problems that threaten peace and security in many parts of the world still persist. In Asia the question of Kashmere remains unsolved with all the tension it causes between India and Pakistan. In Afghanistan bitter war continues between warring factions. In many parts of the world internal conflicts threatened the stability of many countries. Some of these conflicts have been a real test to the "New World Order". The United Nations, supported by some major powers, has tested its ability in resolution of such disputes by its intervention in Somalia, Haiti and Bosnia-Herzegovina.

In the field of international trade, while many developing countries are undertaking measures to liberalize their trade policies, there was a tendency towards multilateral formation of trade blocks in many parts of the world.

The most prominent development in international trade during the year was the

conclusion of the Uruguay Round of Multilateral Trade Negotiations by the signature of a draft containing 28 legal texts. The package which was adopted in Geneva in December 15, 1993 strengthened the objective of the "GATT" which aims at removal of restrictive practices and achieving freer trade. The package stipulates further reduction in tariff and non-tariff barriers, and the list of goods were widened to include new commodities namely agricultural products and textiles. The realm of "GATT" regime has been also widened by the addition of trade related investment issues and intellectual property. Although the package did not include services such as financial, insurance and maritime and air shipping, it made them as an important agenda for the next rounds of negotiations.

The package proposed the creation of a "Multilateral Trade Organization" to oversee the operation of the agreement and arrange for settlement of disputes amongst its members. Although, the "GATT" has witnessed several rounds of negotiations since its inception; held with a view to adapt its system to changing international economic situations, the Uruguay Round stands to be the most important and comprehensive round. As it seems, the round meant to make the "GATT" rules more binding and enforceable. It is meant to make its members obey the "rules of the game" in international trade. As big trading partners have reached agreements in many issues of the round before its conclusion, such as the "BlairHouse Agreement"; the consensus reached is directed mostly to the small and medium trading powers.

World Economic Performance: An Overview:

The resumption of growth remained the overriding issue in the world economy in 1993. The urgent social concerns in the developed countries will remain unaddressed in the absence of growth, and major issues of development in other areas of the world will not be resolved so long as the world economy continues to stagnate.

The year 1993 marked the fourth consecutive year of stagnation or insignificant growth in the world economy. World output is estimated to have grown by only 2.0% in 1993, a modest strengthening factor, compared to 1.4% in the previous year, but this owed much to sustained expansion in developing countries, notably in Asia and many countries of Latin America, as well as in China.

In the developed market-economy countries growth weakened in 1993 to 1.2% following a modest recovery in 1992 of 1.4%. The persistent slowness in the pace of recovery, together with rising unemployment, widening budget deficits in some major countries and a highly uncertain business climate are all matters that do not lend much optimism. Restrictive budget policies in these economies will dampen aggregate demand and render any significant improvement difficult.

Japan's economy is estimated to have grown by a mere 0.2 % in 1993 compared with 1.3% the previous year , reflecting to some extent the slow impact of various fiscal measures adopted by Japan. In North America growth was weaker than expected. Growth in the United States was moderate , and only slightly higher than the previous year , while in Canada exports showed greater dynamism. In the transition economies of Central and Eastern Europe , output declined sharply in 1992 and fell further in 1993 . Resumption of growth in most cases is still some way off.

Generally speaking it could be said that the developed market-economy countries in Europe and Japan witnessed in 1993 the worst recession since the Second World War. In Russia and most other states of the former Soviet Union , there have been notable efforts toward the liberization of the economic system. Lack of financial stability , economic distortions due to subsidies and budgetary deficits remain the main obstacles to the transformation process. In several countries of the Central Eastern European countries including the Czech Republic , Poland , Hungary and Albania there were promising signs that the transformation process has been relatively positive.

A notable feature of the 1993 economic performance has been the ability of some developing countries to accelerate growth or maintain relatively high growth rates in the face of recession in the industrial world . Emerging-Market Economies achieved in 1993 impressive growth which served to compensate to some extent for slower growth in the major industrial countries. This is evidenced by the fact that the volume of imports of Latin American and Asian developing countries rose by 10% and 15% , respectively , at a time when imports of industrial countries were growing by only 1.5% .

Other important economic developments that took place during the year include continued success in containing inflation in most industrial countries with relative exchange rate stability as compared with the previous year . The end of the cold war has had its profound effects on military cuts. Statistics of the world economy show that military spending relative to output has fallen by almost one third between 1986 and 1992 which will be reflected on the potential economic welfare gains worldwide .

The debt crisis is still considered to be one of the major obstacles facing economic growth in most of the developing countries. Though debt crisis has receded in some middle and low-income countries, yet many of the poorer countries are still hobbled by debt. While more debt relief is needed , those countries are hoping for an adequate level of external financial support , with more concessional treatment , leading to increased investment and growth .

During 1993, and the last decade in general , the overall trend of foreign direct investment (FDI) shows that the scale of total cross investment flows has increased substantially. Efforts to attract greater flows of inward investment are complemented by adopting more domestic liberalization measures by several developing countries and by confronting forcefully structural rigidities inherited from the past by others, thus opening their markets to an increased inflow of foreign direct investment.

1.2 HIGHLIGHTS OF THE CORPORATION ACTIVITIES:

The total value of guarantee contracts concluded during the year 1993 was US\$ 61,371,735 equivalent to about KD. 18,350,149. Total value of valid contracts as of 31/12/1993 reached US\$ 106,135,314 equivalent to about KD. 31,734,459 . Value of operations executed (outstanding commitments) within the framework of the concluded contracts was US\$ 52,754,170 equivalent to about KD. 15,773,497 .

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

2.1 GUARANTEE CONTRACTS :

2.1.1 Value of Contracts in 1993 :

The value of the contracts signed in 1993 amounted to US\$ 61,371,735 (KD18,350,149)* (see table No. 1), four of which are investment guarantee contracts valued at US\$ 14,404,210 (KD 4,306,859) or 23.47% of the total, and five are export credit guarantee contracts valued at US\$ 46,967,525 (KD 14,043,290) , or 76.53% of the total .

The contracts' value has increased by 76.63% as compared with 1992 whereby the contracts' value amounted to US\$ 34,746,589 , all signed within the framework of the export credit guarantee scheme .

2.1.2 Details of the Contracts Signed :

2.1.2.1 Direct Investment Guarantee Contracts :

- A contract to cover the investment of a Kuwaiti company in a touristic project in the Republic of Lebanon, against non-commercial risks. The value of the contract is US\$ 3,000,000 (KD 897,000) .
- A contract to cover the investment of a Kuwaiti company in a touristic project in the Republic of Lebanon, against non-commercial risks. The value of the contract is US\$ 2,000,000 (KD 598,000) .
- A contract to cover the equity increase of a Libyan bank in the capital of a financial institution in the Islamic Republic of Mauritania, against non-commercial risks. The value of the contract is US\$ 6,404,210 (KD1,914,859).
- A contract to cover the investment of an Egyptian company in a touristic project in the Kingdom of Morocco, against non-commercial risks. The value of the contract is US\$ 3,000,000 (KD 897,000) .

2.1.2.2 Export Credit Guarantee Contracts :

- A comprehensive contract to cover the export of various goods of Arab origin from the Kingdom of Saudi Arabia to 10 Arab countries , against commercial and non-commercial risks. The value of the contract is US\$ 10,000,000 (KD 2,990,000) .

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

For illustrative purposes, the equivalent of the operations value in US dollars has been stated. Comparison between the guarantee operations during the year and those of the previous years is made on the basis of the KD/US\$ conversion rate at the end of the year concerned . The exchange rates used in 1993 and 1992 are as follows :

US\$ = KD 0.299 as at 31.12.1993 .

US\$ = KD 0.3032 as at 31.12.1992 .

- A comprehensive contract to cover the export of various goods of Arab origin from the Kingdom of Saudi Arabia to 6 Arab countries, against commercial and non-commercial risks. The value of the contract is US\$ 24,000,000 (KD 7,176,000) .
- A contract to cover the export of electric and telephone cables from the Kingdom of Saudi Arabia to the People's Democratic Republic of Algeria, against non-commercial risks. The value of the contract is US\$ 11,300,000 (KD 3,378,700) .
- A comprehensive contract to cover the export of aluminium products from the Kingdom of Saudi Arabia to the Hashemite Kingdom of Jordan, the State of Kuwait , and the Republic of Lebanon , against commercial and non-commercial risks. The value of the contract is S.R. 6,000,000 (US\$1,600,000) (KD 478,400) .
- A comprehensive contract to cover the export of green houses from the Hashemite Kingdom of Jordan to two companies in the United Arab Emirates, against commercial and non-commercial risks . The value of the contract is US\$ 67,525, (KD 20,190) .

2.1.3 Value of Current Contracts and Outstanding Commitments :

The value of the current guarantee contracts as at 31.12.1993 amounted to US\$ 106,135,314 (KD 31,734,459) , 49.97% of which represents investment guarantee , and 50.03% represents export credit guarantee .

The value of operations executed (within the current guarantee contracts) amounted to US\$ 52,754,170 (KD15,773,497) or 49.7% of the value of the current contracts . This amount represents the outstanding guarantee commitments* vis-à-vis the guaranteed parties as at 31.12.1993 (see table No. 3) .

2.1.4 Revenues from Guarantee Premia :

The total guarantee premia realized during the year amounted to US\$ 2,096,187 (KD 626,760) , increasing by 27,5% over last year premia which amounted to US\$ 1,644,330 (KD 498,561) .

2.1.5 Compensation and Recoveries :

The amount of compensation paid during the year for commercial and non-commercial risks, amounted to US\$ 12,247,252 (KD 3,661,928), the distribution of which is as follows :

* The outstanding guarantee commitments represent :

- For Investment Guarantee Contracts : the value of investments executed .
- For Export Credit Guarantee Contracts : the value of shipments executed but not yet repaid. Such commitments do not constitute compensation unless any of the risks covered is realized .

A. An amount of US\$ 11,546,725,725 (KD 3,452,471) for non-commercial risks (inconvertibility) realized in two member countries , within the framework of the export credit guarantee scheme , of which US\$ 9,411,853 (KD 2,814,144) or 81.5% of the total was paid for risks realized in one country, and US\$ 2,134,872 (KD 638,327) or 18.5% of the total was paid for risks realized in the other .

B. An amount of US\$ 475,277 (KD 142,108) for non-commercial risks (expropriation) realized in a third member country within the framework of the investment guarantee scheme .

C. An amount of US\$ 225,250 (KD 67,350) for commercial risks (refusal of a private sector buyer to accept the shipped goods) realized within the framework of the export credit guarantee scheme .

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

Joint international Arab-foreign financial institutions 77% , Tunisians 12%, Egyptians 7%, and U.A.E nationals 4% .

No recoveries of the compensated amounts have been received during the year .

2.2 REINSURANCE :

The "Arab Consortium Treaty for Reinsuring Non-commercial Risks" signed on 1.10.1987 with Arab insurance and reinsurance companies, has expired on 30.9.1993 .

The "Export Trade Credit Q.S. Treaty" signed on 1.1.1988 with Arab and foreign insurance and reinsurance companies, has also expired on 31.12.1993.

The Corporation is presently looking into various alternatives .

2.3 MARKETING THE GUARANTEE SERVICES :

The Corporation continued to carry out its promotional activities which aim basically at acquainting the prospective customers of its services . The present plan for promotion, while promoting both export guarantee as well as investment guarantee schemes, puts emphasis on the latter. Various instruments for communication with its customers were used such as post , information media and country missions . During April 1993 about 3500 letters have been posted to investors , businessmen, financial and investment institutions . Similar number has been posted in October 1993 . Intensive promotional activities have been conducted in Kuwait, the seat of the Corporation, and in Saudi Arabia where the Corporation has an office in Riyadh . Missions to member countries to carry out necessary promotional activities have been sent to the United Arab Emirates, the Syrian Arab Republic , the Sultanate of Oman, the State of Qatar, the Republic of Lebanon and the Arab Republic of Egypt .

The Corporation's participation in the Fifth Conference of Arab Businessmen and

Investors held in Damascus during May 1993, the Conference of Reconstruction of Lebanon held in Beirut during June 1993, the Conference of Lebanese Industry in the Year 2000 and Arab and International Industrial Cooperation held in Beirut during October 1993, and the Seminar on Promoting Investments and Investment Projects in the Arab Countries organized by the Corporation in Dubai - the United Arab Emirates during November 1993, have availed good opportunities to present the Corporation's services and activities .

On the other hand, the Corporation has during the year assigned eight commission agents in Six Arab countries to market direct investment and contractors' equipment guarantee contracts. Such assignment emanates from the Corporation's plan to appoint agents in most Arab countries to promote demand for investment guarantee .

2.4 DEVELOPING THE ARAB GUARANTEE SCHEME :

2.4.1 Upon the Corporation's Council resolution in its twentieth session held on 14.4.1993, regarding discrimination of investment guarantee premia among member countries according to risk assessment in each country, the Corporation has devised a new pricing system for premia levied on direct investment, loans and contractors' equipment guarantee contracts .

Said pricing reflects assessment of each risk covered .

2.4.2 The Corporation has operated the trade information computer programme relative to the financial solvency of Arab importers.

2.5 COOPERATION WITH ARAB AND INTERNATIONAL GUARANTEE AGENCIES :

The following activities and contacts have been achieved during the year :

2.5.1 Upon a request from the Islamic Development Bank, the Corporation studied and commented on documents relative to the policies, operational regulations and procedures, and guarantee contracts of the Islamic Corporation for the Insurance of Investment and Export Credit .

2.5.2 The Corporation conducted a comparative study on the similarities and differences between the guarantee schemes managed by the Corporation and the Multilateral Investment Guarantee Agency (MIGA) . The study resulted in proposing scopes of joint cooperation between the two institutions. In this regard, two meetings were held during the year with MIGA's officials to discuss scopes and possibilities of cooperation. Mr. Akira Iida, the Executive Vice President and General Manager represented MIGA in the first meeting, and a MIGA technical official participated in the second.

2.5.3 Due to establishing a number of national export credit agencies in the Arab countries, and with the objective of exploring the potentialities of joint and mutual cooperation with these agencies, the Corporation took the initiative and organized a meeting with these agencies which was held in Cairo on 28.11.1993 . In addition to the Islamic Development Bank, Investment and export credit guarantee agencies from Six Arab countries (Tunisia, Algeria, Sultanate of Oman, Lebanon, Egypt and Morocco) participated in the meeting, during which , the Corporation's proposal regarding "The Organizational Framework of an Arab Investment and Export Credit Agencies Forum" has been approved. The said framework details the Forum's objectives, means of achievement, as well as the scopes of cooperation, which include :

- a.** exchange of information and data which particularly assist in minimizing the risks that may encounter the guarantee agencies . This includes the information and data related to the financial solvency of Arab importers, and methods and techniques of risk assessment.
- b.** cooperation in procedures relating to recovery of compensation paid .
- c.** study of problems and impediments of guarantee activities , and proposing the suitable solutions .
- d.** developing guarantee policies, procedures, schemes, and contracts.
- e.** undertaking joint guarantee operations .
- f.** study of the possibilities of reinsurance .
- g.** cooperation in availing technical assistance in areas such as exchange of expertise and training .
- h.** coordination of cooperation with international organizations.

Table (1)
VALUE OF GUARANTEE CONTRACTS SIGNED DURING 1993
(By Host/Importing Countries)
(VALUE IN US DOLLARS AND EQUIVALENT IN KUWAITI DINAR)*

Host/Importing Country	Investment Contracts		Export Credit Contracts		Total		Percentage to Total
	US\$	KD	US\$	KD	US\$	KD	
JORDAN			6,666,667	1,993,333	6,666,667	1,993,333	10.86%
U.A.E.			2,817,525	842,440	2,817,525	842,440	4.60%
TUNISIA			1,000,000	299,000	1,000,000	299,000	1.63%
ALGERIA			16,300,000	4,873,700	16,300,000	4,873,700	26.56%
SYRIA			1,000,000	299,000	1,000,000	299,000	1.63%
OMAN			2,500,000	747,500	2,500,000	747,500	4.07%
KUWAIT			800,000	239,200	800,000	239,200	1.30%
LIBYA			2,000,000	598,000	2,000,000	598,000	3.26%
LEBANON	5,000,000	1,495,000	5,533,333	1,654,467	10,533,333	3,149,467	17.16%
EGYPT			7,850,000	2,347,150	7,850,000	2,347,150	12.79%
MOROCCO	3,000,000	897,000	500,000	149,500	3,500,000	1,046,500	5.70%
MAURITANIA	6,404,210	1,914,859			6,404,210	1,914,859	10.44%
Grand Total	14,404,210	4,306,859	46,967,525	14,043,290	61,371,735	18,350,149	100.00%

* US\$ 1 = KD 0.299

Table (2)
GEOGRAPHICAL DISTRIBUTION OF THE EXPORT CREDIT GUARANTEE CONTRACTS
SIGNED DURING 1993
(VALUE IN US DOLLARS EXCEPT IN THE TOTAL WHICH IS EXPRESSED IN KD* ALSO)

From	JORDAN	SAUDI ARABIA	Total US\$	KD
To				
JORDAN		6,666,667	6,666,667	1,993,333
U.A.E.	67,525	2,750,000	2,817,525	842,440
TUNISIA		1,000,000	1,000,000	299,000
ALGERIA		16,300,000	16,300,000	4,873,700
SYRIA		1,000,000	1,000,000	299,000
OMAN		2,500,000	2,500,000	747,500
KUWAIT		800,000	800,000	239,200
LIBYA		2,000,000	2,000,000	598,000
LEBANON		5,533,333	5,533,333	1,654,467
EGYPT		7,850,000	7,850,000	2,347,150
MOROCCO		500,000	500,000	149,500
Grand Total	67,525	46,900,000	46,967,525	14,043,290

* The original value of contracts is denominated in different currencies that are translated into US\$ and its equivalent in KD

** US\$ 1 = KD .299

Table (3)
VALUE OF CURRENT CONTRACTS AND OUTSTANDING COMMITMENTS AS AT 31.12.1993
IN US DOLLARS AND ITS EQUIVALENT IN KD*
(BY HOST / IMPORTING COUNTRIES AND TYPE OF CONTRACTS)

Host / Importing Countries	Investment Contracts**		Export Credit Contracts		Total		% Of Total	Outstanding Commitments***	
	US\$	KD	US\$	KD	US\$	KD		US\$	KD
JORDAN			6,666,667	1,993,333	6,666,667	1,993,333	6.28%		
U.A.E.			2,817,525	842,440	2,817,525	842,440	2.65%		
TUNISIA			1,000,000	299,000	1,000,000	299,000	0.95%		
ALGERIA	462,630	138,327	21,300,000	6,368,700	21,762,630	6,507,027	20.50%	2,254,173	673,998
SAUDI ARABIA			1,129,567	337,741	1,129,567	337,741	1.06%	1,129,567	337,741
SUDAN	4,669,000	1,396,031			4,669,000	1,396,031	4.40%	4,669,000	1,396,031
SYRIA	2,968,750	887,656	1,000,000	299,000	3,968,750	1,186,656	3.75%	2,131,187	637,225
KUWAIT			800,000	239,200	800,000	239,200	0.75%		
OMAN			2,500,000	747,500	2,500,000	747,500	2.36%		
LIBYA			2,000,000	598,000	2,000,000	598,000	1.88%		
LEBANON	5,000,000	1,495,000	5,533,333	1,654,467	10,533,333	3,149,467	9.92%	5,000,000	1,495,000
EGYPT	17,296,468	5,171,644	7,850,000	2,347,150	25,146,468	7,518,794	23.70%	17,296,468	5,171,644
MOROCCO	4,363,657	1,304,733	500,000	149,500	4,863,657	1,454,233	4.58%	4,363,657	1,304,733
MUARITANIA	18,277,717	5,465,037			18,277,717	5,465,037	17.22%	15,910,118	4,757,125
TOTAL	53,038,222	15,858,428	53,097,092	15,876,031	106,135,314	31,734,459	100.00%	52,754,170	15,773,497

* US\$ 1 = KD 0.299

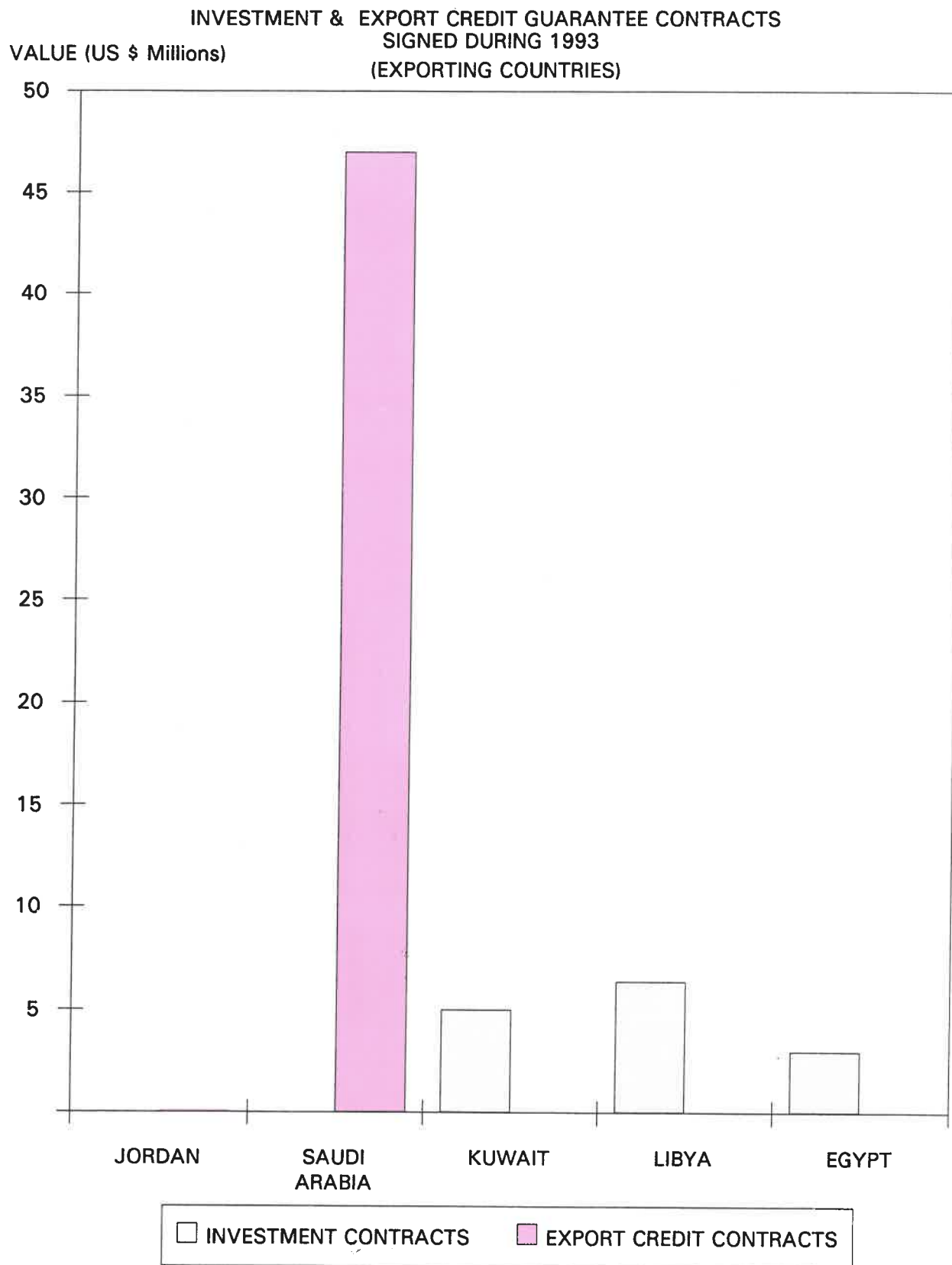
** Current Contracts represent the value of the guarantee contracts, whether executed or not.

*** The Outstanding Commitments represent:

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

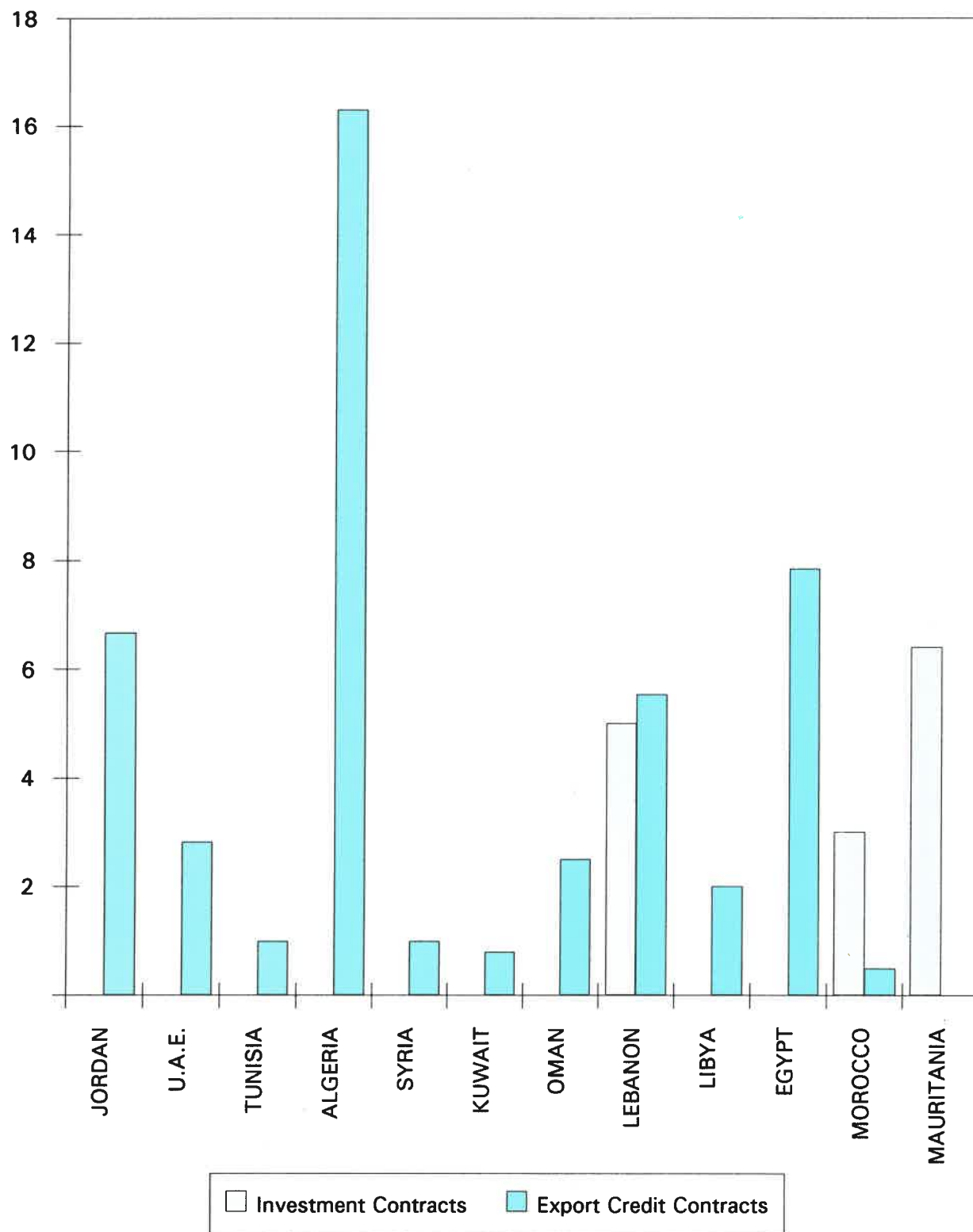
- For Export Credit Guarantee Contracts: the value of shipments executed but not repaid.

GRAPHICS

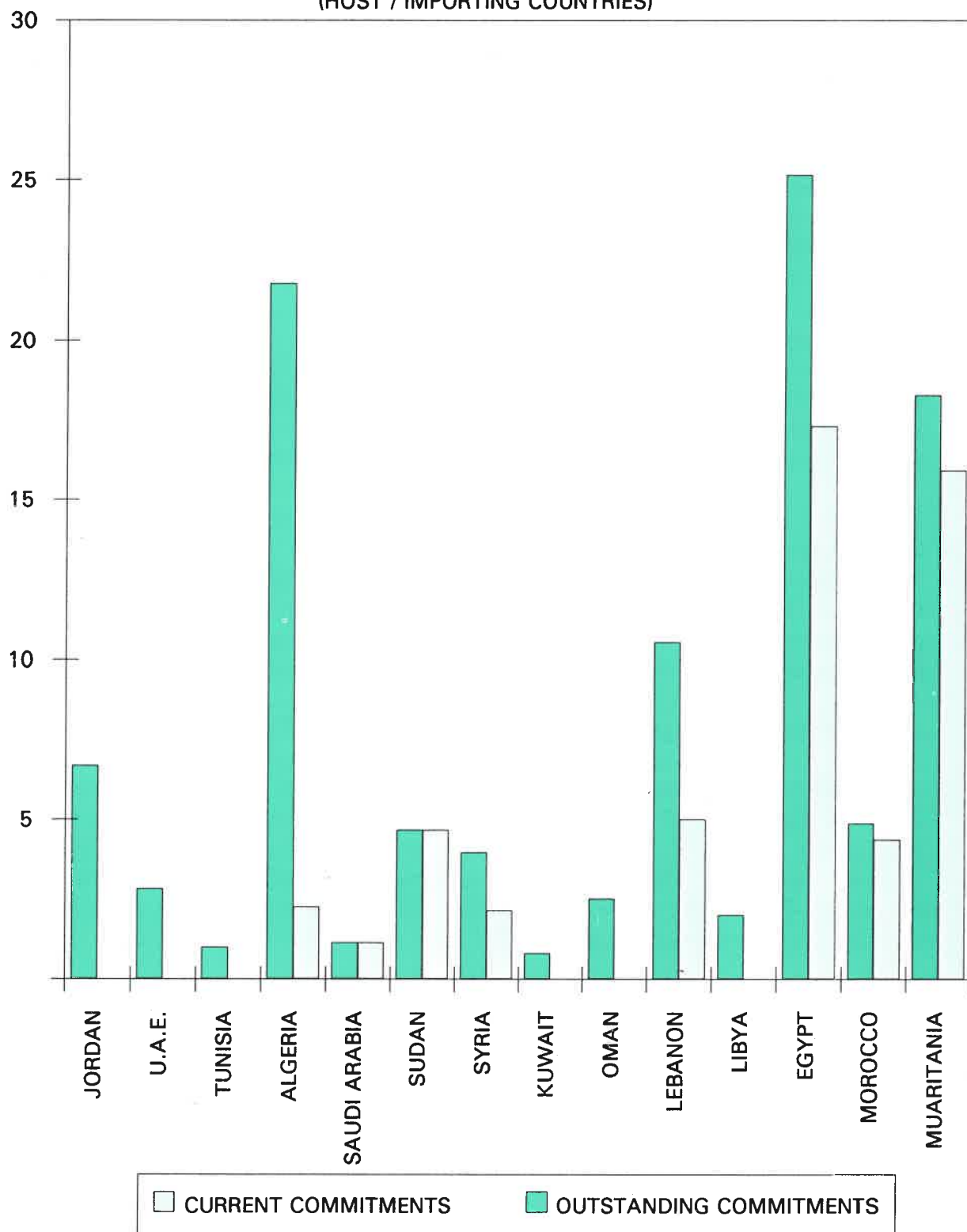


INVESTMENT & EXPORT CREDIT CONTRACTS SIGNED DURING 1993
(HOST / IMPORTING COUNTRIES)

VALUE (US \$ Millions)



VALUE (US \$ Millions) CURRENT AND OUTSTANDING COMMITMENTS AS AT 31.12.1993
(HOST / IMPORTING COUNTRIES)



3.1 SPECIALIZED STUDIES:

3.1.1 Report on "Investment Climate in the Arab Countries" :

Within its efforts to follow-up investment climate and its developments in the Arab countries , the Corporation issued its Report on Investment Climate in the Arab Countries for 1992. On the Other hand, it continued to compile necessary information and data for the 1993 report.

3.1.2 Statistics of Inter-Arab Investments:

Efforts continued to achieve compilation and analysis of data. The Corporation started addressing those in charge of existing joint Arab projects with the aim of updating statistics relating to Arab participation in the capital of these projects. The projects which were contacted (4815 projects) are located in almost all the Arab countries.

3.1.3 "The Possibility of Substituting Foreign Imports to Some Selected Arab States by Goods Produced in the Gulf States":

This research project is undertaken jointly by The Gulf Organization for Industrial Consulting (GOIC) and the Corporation . While (GOIC) had undertaken the task of preparing statistics relating to (GCC) exports, the Corporation undertook the preparation of corresponding imports of the selected Arab countries.

Among the several findings of the research , the following could be listed:

- Low relative importance of trade exchange between (GCC) States and the Arab Countries under study (Egypt, Syria, Jordan, Algeria, Morocco, Tunisia and Yemen). The relative importance of the (GCC) trade exchange with the selected group of Arab countries was shown. Out of their global trade, the (GCC) percentage exchange with the selected group during the period 1985 - 1990 was as follows: 4.2% , 5.4 % , 4.5 % , 5.2% , 6.8 % , and 4.7 % respectively.
- (GCC) States possess great export potentials specially in petrochemicals and basic metallic industries. This is because the commodities produced are mainly export items.
- The study revealed that the selected Arab countries under study import a substantial amount of industrial commodities from outside the Arab countries . These could be substituted by commodities imported from the (GCC) States provided that some basic prerequisites are met. These prerequisites , which the study covered extensively, include: quality of goods, their specifications, prices, competitiveness, promotion, marketing, obstacles hindering inter-Arab trade liberalization, settlement of payments and transport .

3.1.4 Study on "Investment Climate in the Arab Countries" :

The study aimed at defining the meaning of "Investment Climate" and its basic

elements in general, and presenting the " Annual Report on Investment Climate in the Arab Countries" issued by the Corporation . The study was presented as a lecture on 11/1/1993 within the lectures programme organized by the Arab Planning Institute in Kuwait.

3.1.5 Study on "The Role of I.A.I.G.C. in Promoting Agricultural Investment and Rural Development in the Arab Countries" :

The study explained the Corporation's role in developing research concerning identification of investment opportunities in the Arab countries. It also covers the methods adopted by the Corporation in project promotion, with special reference to its experience in promoting agricultural projects. Reference is also made to the "Arab Businessmen and Investors Conferences" and their role in the promotion of new companies in agricultural and fishing sectors. The study also referred to the experience of the food security committee of the Arab League, the joint agricultural projects guarantee contracts, and the findings of a research project undertaken by the Corporation concerning the evaluation of performance of a sample of joint Arab investment projects, which includes a number of agricultural projects.

The study was presented to the "Workshop on Structural Changes in the Agricultural Sector in the Arab Countries", organized by the "Arab Organization for Agricultural Development" and the "Economic Development Institute" (IBRD), held in Damascus during the period 24/4 - 6/5/1993.

3.1.6 Study on "The Experience of I.A.I.G.C. in Extending its Guarantees to Trade Finance in the Arab Countries" :

The study presented the main features of export credit guarantee system rendered by the Corporation, and its practical experience in implementing the system . It was presented at The Fifth Arab Businessmen and Investors Conference held in Damascus during 17 - 20 May 1993.

3.1.7 Paper on "Investment Climate and Experiences of Inter-Arab Investment Flows":

The paper introduces some basic facts about inter-Arab investments, with special reference to the present investment climate in the Arab countries. Reference is also made to the efforts exerted to overcome obstacles hindering inter-Arab investment flows and improvement of investment climate. The significant efforts include : the accomplishment of a legal framework for the flow of inter-Arab investment, the setting up and/or development of infrastructure , as well as economic and structural reforms in most of the Arab countries. The study was presented to the Fifth Arab Businessmen and Investors Conference held in Damascus during 17 - 20 May 1993.

3.1.8 Study on "Lebanon and the Possibilities of Making Use of I.A.I.G.C. Services":

The study explains the role the Corporation could play through rendering its guarantees to Arab investment flowing into Lebanon and extending guarantees to Lebanese exports to Arab countries. The role of the Corporation will be in tune with aid and support offered by joint Arab financial institutions as well as international and other regional organizations such as the IBRD and EEC.

The study was presented to the conference entitled " Reconstruction in Lebanon: Investment and Export Opportunities" .

3.1.9 Paper on "The Experience of I.A.I.G.C. in Arab Trade Financing Guarantee":

The paper aimed at explaining the techniques and mechanism of export credit guarantee system and its role in inter-Arab trade promotion . It was presented in "Lebanese Industry in the Year 2000 and Arab Regional and International Industrial Cooperation Conference" held in Beirut/Lebanon during 13 - 14 October 1993.

3.1.10 Study on "Investment Promotion in the Arab Countries... An Evaluation":

The study dealt with the importance of investment promotion in encouraging the flow of inter-Arab investment in the light of the present international circumstances. Such circumstances show that it is becoming more difficult for the Arab countries to obtain finance from international markets. Moreover, it is expected that the Arab countries might witness another era of financial surpluses. Added to this is the general improvement in investment climate in most of the Arab countries following structural change programmes adopted to liberalize the economy and allow market forces to operate freely. The above mentioned factors emphasize the importance of investment promotion in the Arab region.

The study dealt also with the methods and techniques adopted by the Arab countries for investment promotion, which differed from one country to another, according to the level of economic development, promotion objectives, and level of political development reached. Moreover, promotion activities are affected by the institutional framework that supervises foreign investment flows.

The study concluded by stating the common features of experience in investment promotion in the Arab countries and the lessons thus learned. It is evident that some countries realized relative success in their promotional efforts assisted by the prevalence of a suitable investment climate. Promotion in most cases was directed towards serving the local market with little emphasis on export industries. On the other

hand, some countries made big efforts in preparing pre-investment studies without linking these studied projects with local promoters/ investors, or securing sufficient information relating to Arab or foreign partners, or preparing sub-sectoral studies which would help in the identification of investment opportunities.

The study was presented to the workshop on "Country and Investment Project Promotion in the Arab Countries" organized by the Corporation in collaboration with the government of the United Arab Emirates , UNIDO and FIAS of the World Bank. It was held in Dubai during 1 - 3 November 1993.

3.1.11 Study on "The Possibility of Establishing a Regional Guarantee Corporation for the African, Caribbean and Pacific Countries on I.A.I.G.C. Model" :

The study aimed at introducing the Corporation, its objectives, and the types of contracts rendered to the Arab investor and exporter, as well as introducing the national guarantee corporations in the Arab countries. The study also tackled the issue of establishing an institution similar to I.A.I.G.C. to serve the African, Pacific and Caribbean countries. The study was requested for a workshop organized by the EEC Commission and the Dakar Union which encompasses the African Exports Guarantee Institutions. The workshop entitled "Means of Developing the Exports of African, Pacific and Caribbean Countries" held in Dakar/Senegal during 15 - 17 November 1993.

3.1.12 Study on "I.A.I.G.C. and Arab Exports Credit Guarantee" :

The study dealt with the role of finance and guarantees in trade exchange development, inter-Arab trade conditions, and the Corporation's experience in guaranteeing inter-Arab trade finance. It was presented in the workshop on "Exports Financing and Guarantee" held in Manama/Bahrain on 21/11/1993 .

3.1.13 Study on "Latest Developments in International Investment Climate and their Reflection on Inter-Arab Investment" :

The study covered the recent developments in international investment flows. It dealt with the prerequisite to achieve a suitable investment climate from the point of view of the Arab investor, the host country, joint-Arab action and international efforts.

The study was presented as a lecture organized by the Kuwaiti Economic Society on 28/12/1993.

3.1.14 Guide for Arab Countries ' Investment Codes :

The Guide is issued for the benefit of Arab investors as well as Arab governments. The Guide lists all Arab countries' investment codes and classifies them according to

subject. It is an easy and quick reference. It will help investors to acquaint themselves with Arab investment codes and help in the unification and convergence of Arab investment codes.

3.2 INVESTMENT ENCOURAGEMENT AND PROJECTS PROMOTION :

3.2.1 The Arab Businessmen and Investors Fifth Conference :

Following a joint invitation by the Arab League, I.A.I.G.C. and the Federation of Chambers of Commerce, Industry and Agriculture in the Arab Countries , and in co-organization with the Syrian Federation of Chambers of Commerce, the Fifth Arab Businessmen and Investors Conference was held in Damascus during 17 - 20 May 1993 .

The Corporation participated in the meetings of the conference preparatory committees, and presented two papers in the Conference. The first paper was entitled "Investment Climate and Experiences of the Arab Countries in Inter-Arab Investments... Conclusions and Inferences" ; and the other under the title "I.A.I.G.C. Experience in Guaranteeing and Financing Arab Trade" . The Conference achieved fruitful results and witnessed intensive attendance from Arab businessmen and investors. It was a good opportunity to introduce the Corporation to the participants. Moreover, the establishment of a number of new joint Arab investment projects in Syria was announced during the Conference.

3.2.2 Collection and Assembling of Investment Opportunities in the Arab Countries:

The Corporation continued its efforts to collect data about existing investment opportunities in the Arab countries through direct contacts with those in charge of investment promotion, as well as those in charge of privatization programmes. On the other hand, The Fifth Arab Businessmen and Investors Conference held in Damascus in May 1993 contributed by adding (200) new projects in the fields of industry, agriculture, and services to the Corporation's data bank of projects. After completing a computer programme for storing and retrieval of projects available to the Corporation for promotion, work is now underway to "mechanize" data concerning these projects in order to activate contacts between investment companies and capital exporting finance institutions on one hand, and the institutions and individuals concerned in the capital-receiving Arab countries on the other hand.

During the "Workshop on Investment Promotion" organized by the Corporation and held in Dubai, many international institutions expressed their willingness and desire to cooperate with I.A.I.G.C. in the field of Arab project promotion. The details of this issue are now under discussion, so as to serve Arab investment through facilitating means of communication with global finance and technology sources.

During 1993 about (45) investment projects were received from Arab countries and promoted through publication in the monthly bulletin issued by the Corporation. In case of promotion of investment projects through the Corporation's bulletin, the Corporation aims at linking the project owners with prospective Arab financiers and investors. The contact between the two usually takes place directly .

3.2.3 "Workshop on Country and Investment Project Promotion in the Arab Countries" Dubai 1 - 3 November 1993 :

In the light of what was concluded following a workshop organized by the Corporation in March 1990 in Kuwait on "National Investment Agencies in the Arab Countries" , it was felt that there was a real need for organizing another workshop to deal with investment promotion. Hence, it was agreed with promotion services within The United Nations Industrial Development Organization (UNIDO) and The Foreign Investment Advisory Services (FIAS/IBRD) to work jointly for the preparation of the workshop. The workshop was held in Dubai during 1 - 3 November 1993. Coorganizers were: The Ministry of Finance and Industry, U.A.E. , Federation of Chambers of Commerce and Industry in U.A.E. , and the Economic Department of the Local Government of Dubai. Representatives from all Arab investment agencies and other government institutions participated in the workshop, besides representatives of Arab organizations, federations and investment companies , a number of international organizations and foreign investment and promotion agencies.

The workshop was composed of five working sessions in the form of panels which dealt with the following subjects:

- "Elements of Successful Investment Promotion"
- " Marketing a Country" .
- "Investment Project Promotion"
- "The Role and Structure of Investment Promotion Agencies with Special Reference to Arab Countries" .

The fifth session was devoted to "Presentation of Software Tools for Investment Promotion" .

The number of participants in the workshop amounted to about (120) . This is considered a positive phenomenon which reflects the extent of awareness and concern of governments, semi-governmental, and non-governmental institutions of the vital role played by promotion in the process of investment flows.

3.3 TECHNICAL ASSISTANCE TO MEMBER COUNTRIES :

The Chamber of Commerce and Industry in Beirut organized in collaboration with the Lebanese Construction and Development Council and "Al-Iqtisad Wal Aamal"

Magazine a conference on "Reconstruction in Lebanon... Investment and Export Opportunities" during 15-16 June 1993. On the request of the organizers the Corporation played an important role in the preliminary organization of the conference.

3.4 COOPERATION WITH ARAB AND INTERNATIONAL ORGANIZATIONS :

The Corporation participated in the following meetings during 1993 :

- The 4th (GCC) Industrialists Conference on "Industrial Development in (GCC) States in the Nineties: Challenges and Opportunities" . The conference was organized by the Gulf Organization for Industrial Consulting (GIOIC) , (GCC) General Secretariat, and Kuwait Chamber of Commerce and Industry , and was held in Kuwait City during 12-13 January 1993 .
- Symposium organized by the French Embassy in Kuwait on "How to Invest in France" During 24-25 January 1993.
- Seminar on "Horizons of Arab Economies in the Nineties" held in Bahrain during 1 - 3 February 1993.
- Seminar on "Structural Changes in the Agricultural Sector in the Arab Countries" held in Damascus during 24 April - 6 May 1993.
- "The First Scientific Economic Research " held by Kuwait Economic Society in Kuwait City during 3-5 May 1993.
- Conference on "Reconstruction in Lebanon: Investment and Export Opportunities" held in Beirut during 15-16 June 1993.
- Symposium on "Technical and Financial Accounts and Investment" held in Beirut during 12-14 October 1993 .
- Workshop on "Taxation Coordination for the Development of Inter-Arab Investments" organized by the Economic Department of the Arab League, Council of Arab Economic Unity, and the General Union of Arab Accountants and Auditors, held in Cairo during 9-11 November 1993 .
- Symposium on "Documentation and Information Strategy in the Arab World" held in Tunisia during 7-10 December 1993, and organized by ALECSO (Documentation and Information Department).

In the field of coordinating the activities of Arab institutions in pursuing inter-Arab trade exchange, the Corporation participated in the following :

- Conference on "Technical Cooperation in the Field of Arab Trade Development" organized by UNDP , Arab Trade Financing Programme, and Arab Monetary Fund, held in Abu Dhabi during 5-6 April 1993.

- Meeting of the "Trade Negotiations Committee" held in Cairo on 30 August 1993 (within the Arab League framework) .
- Meeting of the "Committee entrusted with Coordination of Activities relating to Inter-Arab Trade" held in Cairo on 31 August 1993 (within Arab League framework).
- Conference on "Lebanese Industry in the Year 2000 ... Arab and International Industrial Cooperation" , held in Beirut during 13-14 October 1993.
- Seminar on "Means of Developing Exports of the African , Pacific and Caribbean Countries" held in Dakar/Senegal during 15-17 November 1993.
- Seminar on "Export Finance and Guarantees" held in Bahrain on 21 November 1993.

3.5 PUBLICITY IN INFORMATION MEDIA :

- **News Coverage of the Corporation's Activities:** The different mass media were supplied with the news and statements as well as topics concerning the Corporation's activities or other related activities. More than (16) statements were issued covering several different topics.
- **Dissemination of the Corporation's Activities:** During the year efforts were directed to promote the Corporation's services in the field of encouraging inter-Arab trade and investment . Relevant informations and data were made available for selected mass media. Publicity was carried through many daily newspapers and specialized journals as well as journals of Arab Chambers of Commerce. Four T.V. seminars in different Arab countries were held through which the Corporation was able to explain its services.
- **Investment Guarantee Bulletin :** The Corporation's monthly bulletin continued to be published regularly to propagate the Corporation's services. On the other hand, the bulletin's topics are a source of information for mass media . Its editorials and main topics are widely republished and broadcasted in mass media .

3.6 INFORMATION AND DOCUMENTATION :

3.6.1 The Corporation managed to reactivate most of its programmes that had been operating previously and continued its efforts to operate its new programmes. The Corporation was able to identify the reliable computer companies in Kuwait to benefit from their services.

3.6.1.1 Programmes:

After a lapse of more than six years since the introduction of computerization in the Corporation, it became necessary for IAIGC to develop and renew some of its programmes.

- **The General Ledger Programme :** It has been reedited to accomodate some essential modifications. Also network facility has been introduced to allow the operation of the programme as a multi-user .

- **Investment Programme** : It has been modified to expand code and to control the report output on screen.
- **CDSISIS** : This programme contains bibliographic data of Arab and foreign books. Contact with the Arab League Documentation Centre has resulted in obtaining a new edition of the programme which is now being installed.
- **Personnel Salaries and Wages Programme** : This programme is currently performing efficiently.
- **Publication Distribution Programme** : It has been modified to facilitate dealing with foreign addresses.

3.6.1.2 New Programmes :

- **The Operations Programme** : After considerable amount of data has been stored , certain modifications had to be made to facilitate the processing of data throughout the cycle of the guarantee operations.
- **Investment Opportunities and Projects** : This programme aims at storing and retrieving data on investment opportunities classified for promotion . Modifications necessary for the programme had been achieved .
- **Addresses Programme** : A new programme has been developed for storing the addresses with which the Corporation corresponds.
- **Secretarial Programme** : With the acquisition of new computers , new secretarial programmes have been introduced. e.g. Microsoft Word.

3.6.1.3 Other Activities :

Portfolio investment unit has been connected with Euroclear system , using a modem via the Kuwait Ministry of Communication , to facilitate uninterrupted flow of developments in the international markets.

3.6.2 Library Development :

On resumption of IAIGC's activities in Kuwait , its official headquarters , the Library reestablished its communication channels with similar units in other organizations , as well as local, Arab and international publishing and distribution centres. This enabled the Library to acquire books , periodicals , and other documents relevant to its work .

- With the aim of promoting its documentation services , the Library introduced a special system for arranging and organizing its document files (about 676 files) relating to Arab organizations , corporations , specialized unions , as well as Arab conferences and symposia . These files include studies , researches , working papers , reports ... etc. The system will facilitate the efficient use of these documents .
- The Library resumed its previous service of indexing the periodicals to which it

subscribes . The index for the Arabic periodicals , covering (27) periodicals has been completed while the work on the English titles is underway .

- The Library is currently organizing files for newspapers and magazines clippings so as to make them more accessible .

CHAPTER FOUR : FINANCIAL REPORT

The Paid-up capital of the Corporation increased from KD. 23,205,720 as at 31/12/1993 (US\$ 76,536,100) to KD. 23,606,202 (US\$ 78,971,637) as at 31/12/1993 i.e by KD. 400,482 out of which the Republic of Sudan paid KD. 66,385 as instalment and KD. 10,953 as accrued interest, the Islamic Republic of Mauritania paid KD. 28,208 as a partial payment of two capital instalments and KD. 6,318 as a partial payment of accrued interest on the two capital instalments. The Arab Republic of Egypt paid KD. 90,000 as the fourth capital instalment. Lastly, the Kingdom of Morocco paid KD. 215,889 representing the big portion of the first instalment of the capital increase for 1993.

The realized revenue for 1993 amounted to KD. 3,330,690 (US\$ 11,142,413) compared with KD. 5,991,641 (US\$ 19,761,349) in 1992. 1993 revenue is composed of KD. 3,041,800 (US\$ 10,175,967) realized from the Corporation's investment of its financial resources, while the balance of KD. 288,890 (US\$ 966,446) represents a net return from the Corporation's Guarantee Services, in addition to adjustment in previous years accounts and other revenues.

The total expenditure for the year 1993 amounted to KD. 1,313,383 (US\$ 4,393,761) compared with KD. 1,667,070 (US\$ 5,498,252) in 1992.

The balance sheet for the year ended 31st. December 1993, showed that the value of the Corporation's total resources were KD. 58,308,590 (US\$ 195,064,198) of which KD. 29,008,678 (US\$ 97,044,955) were financial resources and KD. 29,299,912 (US\$ 98,019,246) were in Promissory Notes and recoverable claims.

The net revenue transferred to the general reserve for the current year amounted to KD. 2,017,307 (US\$ 6,748,652).

The accumulated general reserve at the end of 1993 reached KD. 36,200,732 (US\$ 121,105,085) compared with KD. 34,183,425 (US\$ 112,742,167) for the year 1992.

AUDITOR'S REPORT

**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 audited the Balance Sheet of The Inter-Arab Investment Guarantee Corporation (An Arab Corporation with a Special Independent Legal Status) - Kuwait as of December 31, 1993 and the related Statments of Revenue and Expenditure, Shareholders' Equity and Changes in Financial Position for the year then ended. Our audit was made in accordance with International Standards on Auditing.

As shown in the accompanying Notes (6) and (8) , the financial statements include amounts of U.S. Dollars 110,790,247 (Equivalent to KD. 33,117,421 at the rate of exchange prevailing as of December 31, 1993) due mainly from two of the member countries on promissory notes and recoverable claims in addition to related interest accrued thereon up to December 31, 1993 which was recorded to income and included in the statement of revenue and expenditure. The payment of such amounts and related interest have not been effected.

In our opinion , except for the effect of the preceding paragraph , the accompanying financial position of The Inter-Arab Investment Guarantee Corporation as of December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended , are in conformity with the accounting policies as set out in Note (2) to the Financial Statements applied on a consistent basis.

Jassim Ahmad Al-Fahad
Licence No. 53-A

Kuwait
February 7, 1994

BALANCE SHEET AS OF DECEMBER 31, 1993

ASSETS	December 31,	
	1993	1992
	KD	KD
Current and call accounts with banks	454,034	1,146,016
Time deposits (Note 3)	5,296,967	6,717,202
Investment in bonds (Note 4)	9,085,532	9,619,180
Investment Portfolios (Note 5)	13,798,495	12,858,189
Accrued Interest	4,258,136	2,934,527
Promissory Notes receivable (Note 6)	3,852,930	3,908,098
Investment in Arab Trade Finance Program (Note 7)	373,650	379,000
Recoverable Claims (Note 8)	25,446,982	22,149,474
Accounts receivable re-insurance claims (Note 9)	7,431,688	9,194,204
Accounts receivable and other debit accounts (Note 10)	766,338	1,237,504
Total Assets	70,764,752	70,143,394
Investments of provident and social security fund	1,196,340	1,092,614
Total Balance Sheet	71,961,092	71,236,008

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31	
	1993	1992
LIABILITIES:	KD	KD
Accounts payable and other credit accounts (Note 10)	1,092,670	1,507,980
Re-insurance claims payable	9,159,627	10,358,208
Provisions for unexpired risks and commercial claims under settlement	344,448	344,448
Provision for contingencies	361,073	543,613
Total liabilities	10,957,818	12,754,249
SHAREHOLDERS' EQUITY:		
Capital issued (Note 11)	25,283,735	26,025,000
Called-up capital	24,783,735	25,525,000
Less: Unpaid capital	(1,177,533)	(2,319,280)
Paid-up capital	23,606,202	23,205,720
General reserve	36,200,732	34,183,425
Total shareholders' equity	59,806,934	57,389,145
Total Liabilities and Shareholders' Equity	70,764,752	70,143,394
Payable to participants of the provident and social security fund	1,196,340	1,092,614
Total Balance Sheet	71,961,092	71,236,008

**STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 1993**

	Year Ended December 31	
	1993	1992
REVENUE:	KD	KD
Premiums from guarantee:		
Provision for unexpired risks beginning of year -	344,448	344,448
Premiums earned	282,313	154,113
	626,761	498,561
Reinsurance companies share of premiums earned	(117,953)	(16,359)
	508,808	482,202
Provision for unexpired risks end of year -	(344,448)	(344,448)
premiums retained	164,360	137,754
Reinsurance commission After deducting the		
commissions paid and other insurance expenses	33,719	3,938
Net premiums from guarantees	198,079	141,692
Interest on call accounts	11,431	29,148
Interest on time deposits	305,764	592,776
Interest on bonds	485,760	827,303
Income from investment portfolios	940,307	1,442,740
Income from trading, redemption of bonds		
and unrealized appreciation on valuation of bonds	379,521	63,146
Interest from promissory notes and recoverable claims	1,432,999	1,413,982
Exchange gain (loss) (Notes 12)	(513,982)	1,554,883
Prior years' adjustments	83,007	(76,995)
Others	7,804	2,966
Total revenue	3,330,690	5,991,641
EXPENDITURE:		
First Section - Salaries, wages and bonuses	787,121	640,918
Second Section - General and administrative expenses	494,435	384,739
Third Section - Capital expenditure depreciation -	31,827	38,369
Incidental expenditure (Note 13)	—	603,044
Total Expenditure	1,313,383	1,667,070
Net revenue	2,017,307	4,324,571

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1993**

	Capital Issued KD.	Called-up Capital KD.	Unpaid Capital KD.	Paid-up Capital KD.	Net Revenue KD.	General Reserve KD.
Balance as of December 31, 1991	25,025,000	24,525,000	1,764,641	22,760,359	-	29,858,854
Increase in issued capital	1,000,000	1,000,000	1,000,000	-	-	-
Capital payment	-	-	(445,361)	445,361	-	-
Net revenue	-	-	-	-	4,324,571	-
Transferred to general reserve	-	-	-	-	(4,324,571)	4,324,571
Balance as of December 31, 1992	26,025,000	25,525,000	2,319,280	23,205,720	-	34,183,425
Decrease in issued capital	(741,265)	(741,265)	(741,265)	-	-	-
Capital payment	-	-	(400,482)	400,482	-	-
Net revenue	-	-	-	-	2,017,307	-
Transferred to general reserve	-	-	-	-	(2,017,307)	2,017,307
Balance as of December 31, 1993	25,283,735	24,783,735	1,177,533	23,606,202	-	36,200,732

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993**

	Year Ended December 31	
	1993	1992
Sources of Funds:	KD	KD
Funds provided from net revenue	2,017,307	4,324,571
Decrease in time deposits	1,420,235	5,710,341
Decrease in investment in bonds	533,648	4,913,958
Decrease in promissory notes receivable	55,168	—
Decrease in investment in Arab Trade Finance Program	5,350	—
Decrease in accounts receivable re-insurance claims -	1,762,516	—
Increase in re-insurance claims payable	—	6,920,379
Decrease in accounts receivable and other debit accounts	471,166	23,735
Increase in paid-up capital	400,482	445,361
Total funds provided	6,665,872	22,338,345
Applications of Funds :		
Increase in promissory notes receivable	—	244,643
Increase in recoverable claims	3,297,508	11,887,201
Increase in investment portfolios	940,306	1,987,888
Increase in investment in Arab Trade Finance Program	—	23,725
Increase in accounts receivable re-insurance claims -	—	5,965,382
Decrease in re-insurance claims payable	1,198,581	—
Decrease in accounts payable and other credit accounts	415,310	190,365
Increase in accrued interest	1,323,609	1,151,162
Decrease in provision for contingencies	182,540	506,188
Total funds applied	7,357,854	21,956,554
Increase (decrease) in current and call accounts with banks	(691,982)	381,791
Current and call accounts with banks - beginning of year	1,146,016	764,225
Current and call accounts with banks - end of year	454,034	1,146,016

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

NOTES TO FINANCIAL STATEMENTS

1 . ACTIVITIES OF THE CORPORATION:

The Corporation is an Arab Corporation with a Special Independent Legal Status and is located in the State of Kuwait. Its main objectives are to provide insurance coverage for Arab investments and trade financing between member countries for both commercial and non-commercial risks as defined in its articles of incorporation . The Corporation also promotes investments and trade exports between its member countries.

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(A) Accounting Convention:

The Financial statements are prepared in accordance with the historical cost basis.

(B) Investment in Bonds:

Bonds are valued at the lower of market price or cost at year end on an aggregate portfolio basis.

(C) Investment Portfolios:

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

(D) Investment in Arab Trade Finance Program:

This investment is held by the Corporation for long-term objectives and is stated in the balance sheet at cost unless there has been a decline in value which is other than temporary in which case it is written down to its estimated net realizable value.

(E) Fixed Assets:

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

(F) Revenue Recognition:

Interest earned, premiums from guarantees and income from portfolios are recorded on the accrual basis of accounting.

(G) General Reserve:

Article (24) of the Corporation convention states that "Net income realized from the Corporation's operations is to be accumulated to establish a reserve equal to three times the capital" , after which time , the council shall decide the manner of utilization or distribution of the realized annual profits, provided that no more than 10 percent of such profits shall be distributed and that the distribution shall be made pro rata in proportion to the share of each member in the capital of the Corporation.

(H) Translation of Foreign Currency:

The accounts of the Corporation are maintained in Kuwaiti Dinars. Assets and liabilities

in foreign currencies are converted into Kuwaiti Dinars at average rate of exchange prevailing at the end of each month. Resulting unrealized gains or losses are credited or charged to current income. Gains or losses from foreign currency transactions during the year are also credited or charged to current income.

(I) Provision for Contingencies and Other Payable Accounts:

The Corporation provides for contingencies and other payable accounts against seen and unforeseen expenditure which is charged against statement of revenue and expenditure. These amounts are included in "Provision for Contingencies" and "Accounts payable and other credit accounts" under liabilities in the accompanying balance sheet.

(J) 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.

The fund is managed by the Corporation on behalf of its employees.

(K) Provision for Unexpired Risks:

The Corporation estimated the provision for unexpired risks for the guarantee operations executed during the year in accordance with several technical and mathematical considerations provided that the ratio of the above provision to the guarantee premiums should not be less than a specific limit.

3. TIME DEPOSITS :

Time deposits include two deposits placed in banks in two member countries and were deposited by the member countries in favour of the Corporation against partial settlement of unpaid capital. Such deposits amounted to KD. 398,781 as of December 31, 1993 (KD. 333,820 as of December 31, 1992) and can not be currently transferred outside the two countries. Any interest earned on the deposits is rolled-over along with the principal amounts.

4. INVESTMENT IN BONDS:

	31 December	
	1993	1992
	KD	KD
Investment in straight bonds	6,626,557	7,238,081
Investment in convertible bonds	2,895,979	2,958,881
Investment in warrants	—	422,218
Investment in bonds at cost	9,522,536	10,619,180
Less: Provision for decline in value	437,004	1,000,000
Investment in bonds	9,085,532	9,619,180

5 . INVESTMENT PORTFOLIOS:

Investment portfolios book value amounted to KD. 13,798,495 as of December 31, 1993 (KD. 12,858, at December 31, 1992) whereas the market value amounted to KD. 14,003,431 as of the same date (KD. 12,955,666 at December 31, 1992) .

6 . PROMISSORY NOTES RECEIVABLE :

Promissory notes are composed of the following:	U.S. Dollars
Five promissory notes of U.S. Dollars 6,444,752 Each	32,223,760
Three installments collected within the period from 1988 to 1990	(19,334,256)
Balance (equivalent to KD. 3,852,930 at the rate of exchange prevailing as of December 31, 1992)	12,889,504

An agreement between the Corporation and the representatives of the member country dated December 20, 1989 states that the remaining amount of the promissory notes along with any other due amounts should be settled in equal quarterly installments of U.S. Dollars five million each starting from July 1, 1990, however , no amounts of the promissory notes or installments due were settled. The Ministry of Finance of the member country advised that these debts will be paid at the time their economic conditions of the country improves.

7 . INVESTMENT IN ARAB TRADE FINANCE PROGRAM:

This program was established within the framework of the Arab Monetary Fund , to stimulate inter-Arab trade. The Corporation has settled its share in the abovementioned program amounting to U.S. Dollars 1,250,000 (equivalent to KD. 373,650 at the rate of exchange prevailing as of December 31, 1993) (KD. 379,000 at the rate of exchange prevailing as of December 31, 1992) which represents 250 shares of the program's capital totalling 100,000 shares at a nominal value of U.S. Dollars 5,000 each .

8 . RECOVERABLE CLAIMS :

(A) Recoverable claims are as follows:

	31 December	
	1993	1992
	U.S Dollars	U.S. Dollars
Recoverable claims - beginning of the year	73,052,359	36,106,795
Recoverable claims paid during the year - net	12,077,382	36,945,564
Recoverable claims - end of year	85,129,741	73,052,359
Total recoverable claims paid - equivalent to KD. at the rates of exchange prevailing at the respective year end	25,446,982	22,149,474

The above amounts represent payments made to several parties of Arab nationalities and are related to risks realized in three of the member countries. Such claims due were not settled in accordance with the articles of incorporation.

(B) The accrued interest on promissory notes, recoverable claims and delay interest on such accounts is included in accrued interest and has not yet been collected. The details of such interest are as follows:

	31 December	
	1993	1992
	U.S Dollars	U.S. Dollars
Balance - beginning of year	7,938,254	4,235,827
Accrued interest for the year	4,846,936	3,702,427
Balance - end of year	12,785,190	7,938,254
Equivalent to KD. at the rate of exchange prevailing at the respective year end	3,821,749	2,406,879

9 . ACCOUNTS RECEIVABLE - RE-INSURANCE CLAIMS:

	31 December	
	1993	1992
	KD	KD
A. Accounts receivable re-insurance claims	7,431,688	2,273,143
B. Accounts receivable re-insurance claims (under settlement)	—	6,921,061
	7,431,688	9,194,204

(A) This amount represents total amounts claimed by the Corporation from re-insurance companies being their share of the compensation paid by the Corporation up to December 31, 1993.

(B) This amount represents the re-insurance Companies' share of the compensation paid by the Corporation. This amount will be claimed from re-insurance companies in accordance with the terms and conditions of the agreements with such companies . The amount was adjusted during 1993 and claimed from re-insurance companies.

10 . ACCOUNTS RECEIVABLE AND OTHER DEBIT ACCOUNTS:

	31 December 1993 KD	1992 KD
Fixed assets at cost	259,987	249,992
Less: Accumulated depreciation	259,986	249,991
Net fixed assets	1	1
Joint building	674,373	674,373
Accounts receivable - trade	41,147	63,233
Accounts receivable - UBAF Limited -London	—	370,209
Other debit accounts	50,817	129,688
Total accounts receivable and other debit accounts	766,338	1,237,504

A provision for the Corporation's share of the cost of a joint building is included in accounts payable and other credit accounts under liabilities in the balance sheet with an amount of KD. 615,218 .

11 . CAPITAL :

(A) The capital of the Corporation is open-ended and is based on an initial amount of Ten Million Kuwaiti Dinars according to the official exchange rates prevailing at the time of signing the convention and is divided into Ten Thousand nominal shares of Kuwaiti Dinars, One Thousand each. The Council of the Corporation issued resolution no. 2/1975 with recommendation to the membe-states to increase their subscriptions in the capital to the extent of 25 million Kuwaiti Dinars . Also the shares of two member countries were reduced by the unpaid amount of their called up capital based on the Council of the Corporation resolution no. 3/1993. Such reduction amounted to KD. 741,265. The capital of the Corporation is as follows:

	31 December 1993 KD	1992 KD
Capital authorized and issued	25,283,735	26,025,000
Unpaid capital	(1,177,533)	(2,319,280)
Uncalled capital	(500,000)	(500,000)
Paid up capital	23,606,202	23,205,720

12 . EXCHANGE GAIN (Loss):

Differences in foreign currencies exchange resulted from revaluation of the following items at the rates of exchange prevailing at December 31, 1992 and December 31, 1993.

	Year Ended December 31,	
	1993	1992
	KD	KD
Revaluation of recoverable claims	(366,790)	1,221,587
Revaluation of promissory notes receivable	(55,167)	244,643
Revaluation of remaining balances and transactions		
during the year	(92,025)	88,653
Total exchange gain (loss)	(513,982)	1,554,883

13 . INCIDENTAL EXPENDITURE:

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

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

14 . CONTINGENT LIABILITIES:

(A) Current guarantee contracts signed by the Corporation with other parties as of December 31, 1993 amounted to KD. 31,734,459 out of which executed guarantee operations amounted to KD. 15,773,497. This represents total outstanding contingent guarantees as of December 31, 1993 .

(B) There is a claim from one of the foreign Arab joint banks for an amounts of U.S. Dollars 8,917,051 (equivalent to KD. 2,665,484 at the rate of exchange prevailing as of December 31, 1993) . From the legal standpoint of the Corporation , the bank is not entitled for compensation as it had lost the nationality condition prior to making the claim , and because of loss of nationality condition the contract was rescinded by the Corporation. The claim is currently reviewed by an arbitration committee .

15 . COMPARATIVE FIGURES :

Some of the comparative figures for the year ended December 31, 1992 were reclassified to conform with current year's presentation.