THE INTER-ARAB INVESTMENT GUARANTEE CORPORATION

2000

The Twenty Eighth
Annual Report 2000

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 distrubances, 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.

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Organization and Management

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 Benmansour	Member
H.E. Mr. Nasser Mohamed Al-qahtani	Member
H.E. Mr. Murtadha ben Mohamed Fadhil	Member
H.E. Mr. Burhan Al Dajani	Member[1]

The Director-General
Mr. Mamoun Ibrahim Hassan

The Deputy Director-General
Mr. Giuma Said Giuma

(1) Mr. Burhan Al Dajani passed away on 15/9/2000.

His Excellency the Chairman of the 28th. 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 2000.

Please accept my highest consideration,

Mamoun Ibrahim Hassan
Director-General

Riyadh, April 2001

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Chapter One: Introduction

1.1 World Economic Performance:

The world economy improved remarkably in 2000, with world output rate of growth of about 4.7%, compared to a growth rate of 3.4% in 1999, due to the continued strength in the economic growth of USA, economic consolidation in the European Union, and the improved outlook in the crisis-hit Asian countries and some emerging economies. Nevertheless, there remained significant challenges resulting from imbalances in external current accounts and exchange rate misalignments among major currencies, the higher oil prices with rising inflationary pressures, and the reduction in the depth and liquidity of financial markets.

Analyzing the performance of the major economic groups showed that the advanced economies witnessed a higher growth rate of 4.2% in 2000, compared to 3.2% in 1999. Within this group, USA maintained a strong growth for the fifth consecutive year rising by 5.2% compared to 4.2% in 1999; Canada continued to benefit from the positive spillover effect of its largest trading partner, recording a growth rate of 4.7% in 2000 compared to 4.5% in 1999. Japan consolidated its economic growth at a rate of 1.4% in 2000 compared to a revised 0.2% in 1999, supported by the government fiscal stimulus program and the financial and banking sector reforms. On the other hand, the Euro area countries as a group recorded an average growth rate of 3.5% in 2000 up from a growth rate of 2.4% in 1999.

The developing countries as a group sustained a higher growth rate of 5.6% in 2000 compared to 3.8% recorded in 1999. Within the developing countries group, the Asian countries witnessed a growth rate on average of 6.7% in 2000 up from 5.9% in 1999, due to consolidation of economic performance of the crisis-hit Asian economies adopting economic reforms and effective restructuring programs. The developing countries in the Western Hemisphere average growth rate rose remarkably to 4.3% in 2000 from 0.3% in 1999. The developing countries in Africa maintained the positive growth rate of 3.4% in 2000 up from a growth rate of 2.2% in 1999. Also, the countries in transition (Russia, Central and Eastern Europe, Trans-Caucasus and Central Asia) grew at a higher rate of 4.9% in 2000 up from 2.4% in 1999.

Inflation, as measured by consumer price index, rose slightly in the advanced economies to an average of 2.3% in 2000 up from 1.4% in 1999. Inflation in developing countries declined slightly from 6.6% in 1999 to 6.2% in 2000. The inflation outlook improved remarkably in countries in transition as it dropped from 43.8% in 1999 to 18.3% in 2000, reflecting adequacy of measures adopted to curtail it within the framework of overall macroeconomic policies.

The world trade volume of goods and services doubled its growth from 5.1% in 1999 to 10% in 2000. The value of trade in goods and services rose from $6889 bn in 1999 to $7497 bn in 2000, reflecting remarkable performance among various economic groups. Imports of advanced economies grew by 10.3 % in 2000 up from 7.6% in 1999, while this group s exports rose from 4.8% in 1999 to 9.9% in 2000. The developing countries imports grew by 10% in 2000 up from a near zero growth in 1999, and also the countries in transition imports grew from a negative (2.9%) in 1999 to 12.4% in 2000. Exports rose in both the developing countries group (from 3.5% in 1999 to 8.8% in 2000) and countries in transition group (from 5% in 1999 to 10.1% in 2000).

Oil prices resumed the upward trend during 2000 increasing by 47.5% compared to a rise of 37.5% in 1999, as a result of strong global demand for oil products and supply constraints due to OPEC countries nearing production capacity and abiding by production quotas.

Current account balance in the advanced economies widened to a higher deficit of ($175.9) bn in 2000 compared to a deficit of ($134.2) bn in 1999, due to worsening current account position of the USA from ($331.5) bn in 1999 to ($418.5) bn in 2000. Both the developing countries and countries in transition transformed their current account deficits into surpluses, rising from a deficit of ($24.1) bn in 1999 to a surplus of $21.1 bn in 2000 for the first group, and from ($3.8) bn in 1999 to $6.9 bn in 2000 for the second group respectively.

The external debt of developing countries rose from around $2041 bn in 1999 to around $2068 bn in 2000, comprising 36% of their total GDP, of which $857 bn (ie around 41%) from official sources. Whereas the external debt of the countries in transition group rose from around $348.5 bn in 1999 to around $361.3 bn in 2000. The total external debt to total exports of goods and services reached 139.5% for developing countries and 112.1% for the countries in transition in 2000. The ratio of debt service payments as percentage of total exports of goods and services reached around 23.1% and 15.9% in 2000 for each group respectively.

World Investment Developments:

The FDI inflows worldwide reached an estimated $1119 bn in 2000 up by 14% from its level in 1999. According to preliminary published figures for 2000, the developed countries share of total FDI flows remained high at 80% ($899 bn), while the developing countries received 17% ($190 bn), and the countries in transition only 3% ($30 bn). In 2000 FDI had surpassed the trillion dollar threshold for the first time, increasing by fivefold its level at the beginning of the decade of the nineties. Mergers and acquisitions (M&As) among Transnational corporations (TNCs), remained the driving thrust behind this increase, at the expense of Greenfield projects.

The detailed figures for FDI inflows for 1999 indicated that the total FDI inflows in 1999 reached $866 bn, of which the share of the developed countries reached $637 bn, centralized in USA ($ 276 bn), and UK ($82 bn).

The developing countries received around $208 bn in 1999 of FDI inflows. The FDI inflows to Asian countries reached $106 bn of which $40 bn went to China, and $23 bn to Hong Kong. The Latin American and Caribbean countries received around $90bn, of which Brazil received $31 bn, and Argentina $23 bn. The developing countries in Africa, excluding the Arab countries in North Africa, received around $5 bn of which Angola received $1.8 bn, and Nigeria $1.4 bn.

The FDI inflows to countries in transition (Central and Eastern Europe and Russia) reached around $21 bn in 1999, of which Poland received $7.5 bn, and the Czech Republic $5.0 bn.

FDI inflows to Arab countries reached $8.7 bn in 1999, comprising around 1% of global FDI inflows, and nearly 4.2% of FDI inflows to developing countries, of which Saudi Arabia received $4.8 bn, Egypt $1.5 bn, and Morocco $847 mn.

The cross-border M&As reached $720 bn in 1999 compared to $75 bn back in 1987, reflecting its crucial role in enhancing international production. M&As were centered in sectors relating to communications, mining, financial services, motor vehicles and transport equipment, pharmaceuticals, food, and cigarettes. The cumulative value of M&As operations reached around $2.3 trillion during the period 1980-1999, through a total of 24,000 operations.

The legal and institutional framework worldwide continued to encourage more liberalization and protection of FDI, with 94% of the 1035 regulatory changes that took place during the period 1991-1999 were directed to create more favorable conditions for FDI. By end of 1999 the number of bilateral agreements (BITs) on investment protection and encouragement reached 1856 compared to 181 in 1980, while BITs relating to avoidance of double taxation reached 1982 compared to 719 in the same period.

World Developments in the Guarantee Industry:

With enhanced implementation of procedures facilitating liberalization of trade, and the declining role of the state in ownership, production, and distribution, accompanied with rising privatization and FDI flows, as well as the fast pace of technological advancements, the demand for guarantee services consolidated, fostering the need to develop a wider range of guarantee products and services, and to revise underwriting policies to accommodate for these developments and enhance due diligence.

The latest available information showed that the total guarantees provided by the members of the International Union of Credit & Investment Insurers (The Berne Union), composed of 47 national agencies from 40 different countries and the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group, reached $426 billion in 1999 recording an increase of 11% over the average annual growth during the period 1993-1999. Of this total, $412 billion were granted in export credit insurance, and $14 billion in investment insurance. This meant that the Berne Union members insured around 10% of their countries global exports, which accounted for more than 75% of world exports.

The year also witnessed intensity of improvements in the operational efficiency involving restructuring in several national Export Credit Agencies (ECAs), and enhanced utilization of electronic innovations. Furthermore, the documents for setting up the African Trade Insurance Agency were finalized during the year.

1.2 Economic and Investment Developments in the Arab Countries:

According to available information on 18 Arab countries, average real rate of growth was higher in 2000 estimated at 4.4%, compared to 2.7% in 1999. The highest growth rates were recorded in Sudan (8.3 %), Syria (8.0%), UAE (7.8%), Egypt (6.5%), Tunisia and Mauritania (5%) each. The positive economic outlook was attributed mainly to the continued rise in oil prices, consolidation of economic reform measures and structural adjustment programs, continued liberalization of trade, favorable amendments to FDI in the legislative and regulatory framework, and more intensive application of state of the art investment promotion techniques to attract an increased share of FDI inflows.

On the other hand, the political outlook of the region remained unstable with faltering peace process, however on the positive side several cross-border disputes were settled peacefully, and efforts to implement internal democratic schemes proceeded at various levels.

Following more consolidated fiscal policies in some Arab countries, budget deficits, as a measure of internal balance, were reduced in 9 Arab countries with UAE narrowing its budget deficit from 17% of GDP in 1999 to 2% in 2000; Bahrain from 6.5% to 0.7%; Oman from 6.9% to 3.1%; Qatar from 3.8% to 0.6%, and Morocco from 2.4% to 0.7%. Saudi Arabia turned its budget deficit of (6.8%) of GDP in 1999 to a surplus of 7.3% in 2000, also Algeria from a deficit of 3.3% to a surplus of 0.4% in the same period. On the other hand, Kuwait surplus rose from 8.8% of GDP in 1999 to a surplus of 9.2% in 2000. Whereas, Lebanon recorded a rise in budget deficit from 14.9% to 24.3% in the same period.

The current account position in the balance of payment, as a measure of external balance, improved in 5 Arab countries. Among them, Lebanon with current account deficit of 22.3% of GDP in 1999 narrowing to 18.1% of GDP in 2000 and Sudan (from 4.4% to 2.1%) in the same period. Five other Arab countries turned the current account deficit into a surplus, of which Qatar from a deficit of 4.5% in 1999 to a surplus of 18.4% in 2000; Oman (from a deficit of 0.8% to a surplus of 13.3%) in the same period. Five other countries witnessed increase in their current account surplus, of which Kuwait (from a surplus of 17.1% in 1999 to a surplus of 33.6% in 2000), UAE (from 3.4% to 14.8%), and Libya (from 1.1% to 11%) in the same period. However Yemen and Morocco witnessed widening in their current account deficits from 0.3% to 14.3%, and from 0.5% to 2.1%, respectively, in the same period.

The inflation rate remained under 8% in 2000 in most of the Arab countries according to available information, except for Libya (15%) and Yemen (12.3%). Inflation declined in 6 Arab countries but rose in 9 other Arab countries, in the same period.

The regulatory and institutional framework in the Arab countries continued to improve with more positive measures adopted in 2000 in the direction of enhanced liberalization, with several bilateral agreements signed for free trade areas, and establishment of joint committees between Arab countries and with other foreign countries. More Arab countries introduced legislations on intellectual property rights, money laundering, and transparency and good governance. Serious consideration was given to draft e-commerce legislation, with focus on electronic signature and preservation of security and privacy in the Internet.

Efforts relating to human resource development were further consolidated during the year, especially in areas pertaining to computer-based skills and utilization of advanced technology. The year witnessed remarkable developments to activate the Internet cities and Technological Incubators in Egypt, UAE, and Jordan, as part of overall efforts to bridge the digital divide.

Investment promotion activities in the Arab countries were further developed in 2000, covering convening of specialized conferences on national, regional, and international levels, holding promotion seminars, receiving delegate visits, sending missions, organizing road shows, with more attention given to electronic promotion via the internet.

The nine Arab stock markets (Jordan, Bahrain, Tunisia, Saudi Arabia, Oman, Kuwait, Lebanon, Egypt, Morocco), monitored by the Arab Monetary Fund (AMF) exhibited various performance in 2000, with declines in most of the stock exchanges except for Tunisia and Egypt. Market capitalization dropped slightly by 0.66% from $149.2 bn at the end of 1999 to $148.2 bn at the end of 2000, with Saudi Arabia holding 45% of total market capitalization. The total number of listed companies in those markets rose from 1634 in 1999 to 1678 at the end of 2000, with Egypt holding 64% of listed companies. The volume of trading dropped from $10.9 bn at the end of 1999 to $7.3 bn at the end of 2000, and the number of shares traded also declined from 1950 million shares to 1531 million shares for the same period.

According to available information, the inter-Arab investments were preliminary estimated to have reached $2.28 bn in 2000 compared to $ 2.18 bn in 1999, making the cumulative inter-Arab investments around $15.3 billion during the period 1985-2000. The main recipients of Arab inflows were Tunisia ($669.4 mn), Lebanon ($350 mn), Sudan ($330.5), UAE ($196 mn), and Syria ($191 mn) comprising together around 76% of total inter-Arab investment flows.

1.3 Highlights of the Corporation Activities

The total value of guarantee contracts signed in 2000 amounted to (US$ 103,230,735) equivalent to (KD. 31,545,248). The total value of current guarantee contracts as at 31/12/2000 reached (US$ 219,384,213) equivalent to (KD. 67,039,426). The value of operations executed (outstanding commitments) within current contracts amounted to (US$ 77,191,734) equivalent to (KD. 23,588,246). During the year, the Corporation paid compensation against the realization of commercial risks amounting to (US$ 5,273,218) and recovered (US$ 10,878) as part of compensation previously paid for commercial risks.

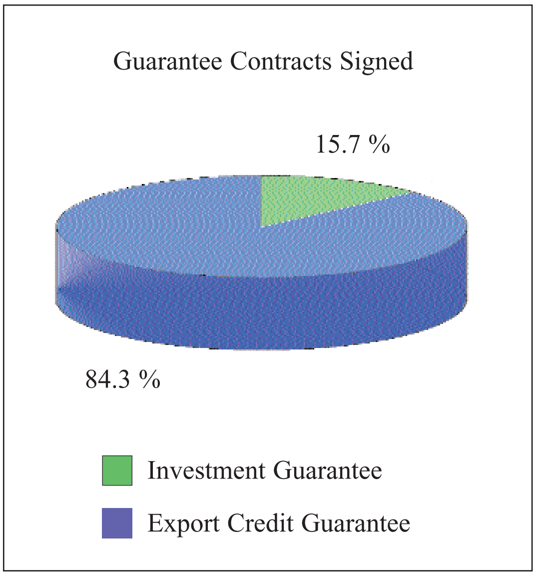
Regarding its ancillary activities and support services of its guarantee operations, the Corporation has consolidated its efforts in three major areas relating to raising awareness on investment issues, providing investment promotion services, and enhancing human resource development (HRD). In 2000, the Survey on Investment Climate in the Arab Countries, 1999 was published and distributed, and efforts were initiated to prepare the 2000 survey; (6) issues of the Capsule Series were published covering new subjects of interest; (12) issues of the monthly bulletin Daman Al Istismar were published, portraying (51) investment opportunities and analyzing emerging trends in investment on national, regional, and global levels; (9) specialized studies and papers were prepared and presented in various meetings, seminars, and training workshops in which the Corporation took part; (10) press releases were issued covering the Corporation s activities. On another note, the Corporation co-organized a regional workshop and participated in the meetings of the preparatory committee of the Ninth Arab Businessmen and Investors Conference. The Corporation continued its endeavor to enhance HRD in the Arab countries in areas of concern, and extended the utilization of the PC-based applications and programs in conducting daily work, as well as establishing specialized databases, and launching its website. The staff of the Corporation received focused training in the diverse areas of the Corporation s activities.

Chapter Two: Guarantee Operations

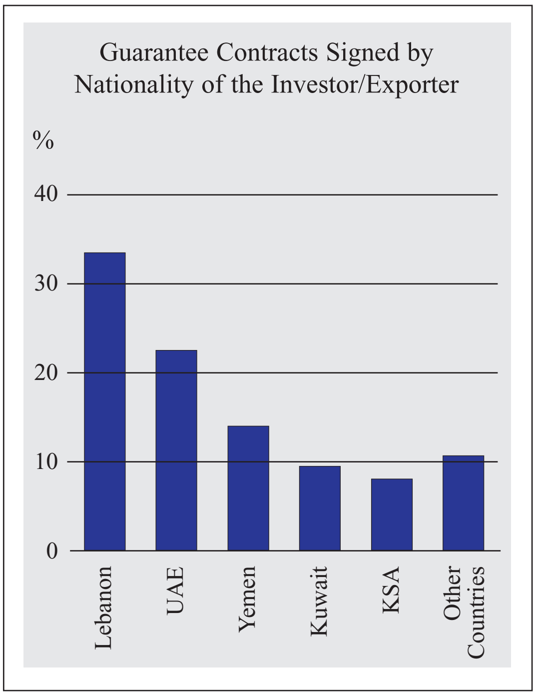
2.1 Guarantee Contracts:

2.1.1 Value of Contracts in 2000:

Sixty three guarantee contracts, seven annexes, and two inward reinsurance agreements were issued during the year, totaling US$ 103,230,735 (KD 31,545,248)[1] including one direct investment guarantee contract valued at US$ 15,000,000 (KD 4,583,700) and three annexes to raise the maximum amounts of guarantee in three other ongoing investment guarantee contracts by US$ 1,200,000 (KD 366,696).



In the context of export credit guarantee, the number of contracts signed reached sixty two valued at US$ 82,685,102 (KD 25,266,913), four annexes at the value of US$ 3,400,008 (KD 1,038,975), and two facultative reinsurance agreements with an Arab export credit guarantee agency at the value of US$ 945,625 (KD 288,964). As a percentage of the total, investment guarantees represented 15.7%, and export credit guarantee 84.3% (See table 1).

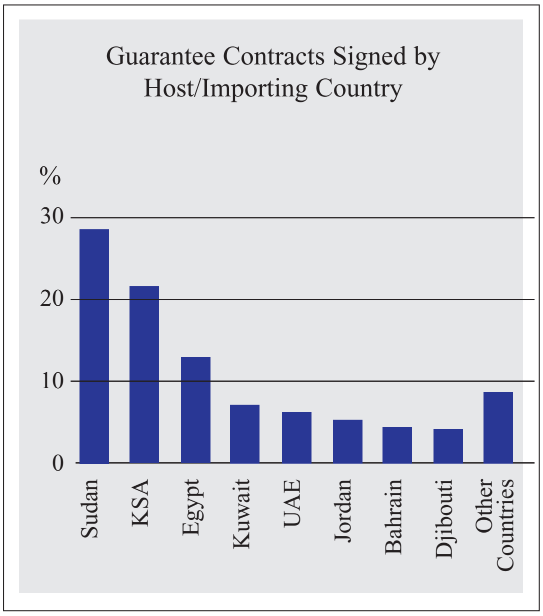


The contracts value, as compared to last year s total value of US$ 157,531,785 (KD 47,996,779)[2] has witnessed a decrease of 34.47%.

Investors and exporters from Lebanon headed the list of beneficiaries, from ten Arab countries in addition to a Joint Arab-foreign company, with 33.99%. They were followed by UAE with 23.16%, Yemen 14.53%, Kuwait 9.51%, Saudi Arabia 7.58%, and Jordan, Oman, Egypt, Bahrain, Syria and the Joint Company combined with 11.23%.

The list of host/importing countries comprised sixteen countries, headed by Sudan with 28.22% of the

(1) US$ 1 = KD 0.30558 as at 31.12.2000.
(2) US$ 1 = KD 0.30468 as at 31.12.1999.



contracts value, followed by Saudi Arabia with 22.74%, Egypt 13.1%, Kuwait 6.39%, UAE 6.22%, Jordan 5.35%, Bahrain 4.89%, Djibouti 4.84%, and eight other Arab countries combined with 8.25%.

2.1.2 Details of Contracts Signed:

2.1.2.1 Investment Guarantee Contracts:

1. Direct Investment Guarantee Contract to cover the investment of a Yemeni investor in Sudan. The contract s value amounts to US$ 15,000,000 (KD 4,583,700).

2. Three annexes to increase the maximum amounts of guarantee of three equity participation guarantee contracts previously signed with Kuwaiti investors to cover their investment in a Syrian touristic project. The value of the increase amounts to US$ 1,200,000 (KD 0.37 mn.).

The Corporation, during January 2001, has also signed a loan guarantee contract, amounting to US$ 5,000,000 (KD 1.53 mn.) to cover a loan extended by a Kuwaiti company to an investment project in Sudan. It also issued its in-principle approval to cover the increase of a Kuwaiti investor s equity in the capital of a Tunisian project by T.D 10 mn. (US$ 8.35 mn.) (KD 2.25 mn.).

2.1.2.2 Export Credit Guarantee Contracts:

Sixty two export credit guarantee contracts, four annexes, and two reinsurance agreements were issued during the year, totaling US$ 87,030,735 (KD 26,594,852) in coverage.

Lebanon headed the list of nine exporting countries in addition to a Joint Arab-foreign company with 40.31% of the contracts value, followed by UAE with 27.47%, Kuwait 9.90%, Saudi Arabia 8.99%, the Joint company 4.18%, Jordan 2.86%, Oman 2.73%, Egypt 2.42%, Bahrain 0.97%, and Syria 0.17%.

The list of importing countries comprised fifteen countries, headed by Saudi Arabia with 26.97%, followed by Sudan with 16.24%, Egypt with 15.54%, Kuwait 7.58%, UAE 7.37%, Jordan 6.34%, Bahrain 5.80%, Djibouti 5.75%, and seven other Arab countries combined with 8.41%.
Details of export credit guarantee contracts are shown in table (4).

2.1.3 Classification of Goods Under Guarantee:

Goods under the Corporation s guarantee are grouped as follows: petrochemical and chemical products (oil, paints, fertilizers, polyurethane and urea) with 28% of the contracts value, foodstuff (processed meat, flour, sesame, Halawa, potato chips, frozen dough, canned food and sweets) with 23%, Jewelry 12.1%, paper products (corrugated carton, stationery) 12%, metal products (aluminum products and conductors, prefabricated steel structures) 8.15%, building materials (tiles, insulating materials, and plastic) 3.8%, industrial equipment (trucks, machineries , gas stations equipment) 5%, textiles (carpets, readymade garments) 2.3%, and other miscellaneous products with 5.65% .

2.1.4 Value of Current Contracts and Outstanding Commitments:

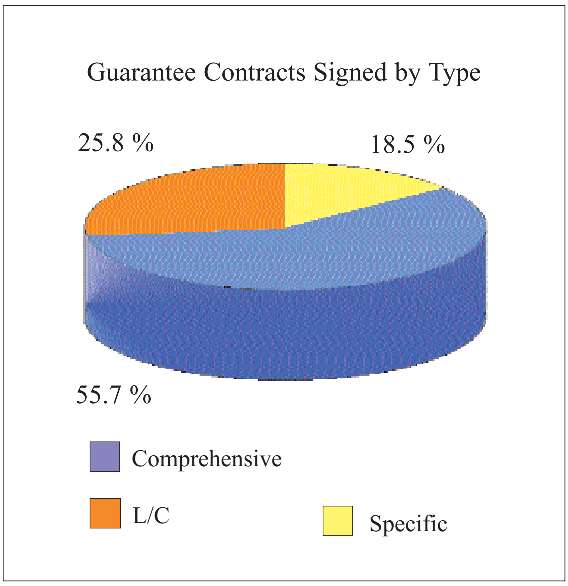
Value of current contracts reached US$ 219,384,213 (KD 67,039,429) at the end of the fiscal year, 48.2% of which is for investment guarantee contracts, and 51.8% is for export credit guarantee contracts. This is in comparison with US$ 230,401,145 (KD 70,405,981) as at 31/12/1999.

The value of executed operations within the current guarantee contracts amounted to US$ 77,191,734 (KD 23,588,246) or 35.2% of the current contracts. This amount represents the outstanding guarantee commitments vis- -vis the guaranteed parties at the end of the fiscal year(3) (See table 3).

2.1.5 Revenues from Premia:

The total guarantee premia realized during the year amounted to US$ 767,077 (KD 234,403), %46.32 of which was derived from investment guarantee and %53.68 from export credit guarantee.

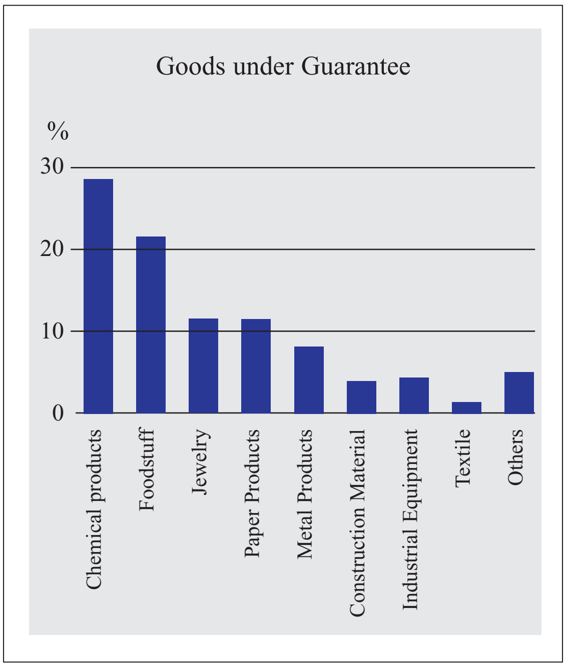
The premia has realized a decrease of 61% over last year due to the fact that commitment in investment guarantee is made gradually over a long period of time, while in export credit guarantee, such commitment does not become established unless shipments are executed. Recession in many importing countries have compelled the importers to request their exporters to postpone shipments or to reduce the quantities previously ordered. The same conditions necessitated the Corporation to adopt a more conservative underwriting policy. This led to issuing guarantee approvals of only US$ 93 mn. out of guarantee applications received with a total value of US$ 172 mn. .



2.2 Compensation and Recovery:

During the fiscal year, ten compensations were paid to exporters due to the realization of com-

(3)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.



mercial risks, the total value of which reached US$ 5,273,218. Exporters from six Arab countries benefited from the compensations paid. These countries include the Untied Arab Emirates with US$ 4,972,500, the Republic of Tunisia with US$ 143,585, the Lebanese Republic with US$ 91,372, the Hashimite Kingdom of Jordan with US$ 37,992, the Syrian Arab Republic with US$ 16,891, and the Kingdom of Saudi Arabia with US$ 10,878.

As for recovery, the Corporation signed two agreements to reschedule an amount of US$ 177,585 due by two importers. It also filed a suit before the Commission for Settlement of Commercial Papers Disputes - the Saudi Ministry of Trade, to collect a compensation of US$ 4,972,500. The remaining amount of compensation was assigned to debt collecting agencies.
The Corporation has, during the year recovered an amount of US$ 10,878 for a compensation paid during the same period, while payments due from the re-scheduling agreements will start during the year 2001.

As such, total value of compensation paid during the year but not yet recovered reached US$ 5,262,340.

2.3 Reinsurance:

The Corporation signed two facultative reinsurance agreements with the Egyptian Company for Export Credit Guarantee, according to which, the Corporation covers %62.5 of two contracts issued by the Company to guarantee export credits for medicine and trucks to Sudan valued at US$ 1,513,000, making the Corporation s commitments per the two agreements amounting to US$ 945,625.

2.4 Marketing the Guarantee Services:

The Corporation continued its ongoing efforts to market its services in various Arab countries using the following tools:

2.4.1 Four field missions were delegated to Jordan, Lebanon, Sudan, and Egypt, in addition to 167 visits performed in Saudi Arabia by the Corporation s regional office in Riyadh.
2.4.2 Three introductory seminars were held in Lebanon and Egypt.
2.4.3 The Corporation participated in eleven conferences and Arab meetings related to its activities, held in eight countries including Tunisia, Syria, Lebanon, Egypt, Bahrain, Morocco, and Kuwait, in addition to the USA.
2.4.4 Seven Arab trade fairs and exhibitions were attended.
2.4.5 Four Direct mailing campaigns were conducted covering 2972 banks, investment companies, and businessmen.
2.4.6 Three commission agency agreements were signed to promote the guarantee services, raising the total number of such agreements to 45 covering 14 Arab countries, in addition to one agreement

to promote loan guarantees in the U.K. .

2.4.7 1000 new companies data were added to the database of potential clients.

2.4.8 The Corporation s web site WWW.IAIGC.ORG has become operative.

2.5 Developing the Guarantee Schemes:

In compliance with the Council s resolution regarding the extension of guarantee services to cover Arab exports globally, the Corporation, in cooperation with its Supervisory Committee, has prepared a complete study, to be discussed during the next Council s 28th meeting. To prepare the study, the Corporation visited eight export credit guarantee agencies representing different economies, i.e., the COFACE of France, NCM of Holland, EULER of the UK, the ECGC of India, MECIB of Malaysia, ASEI of Indonesia, CUAL and CGIC of South Africa, in addition to the Berne Union in London that coordinates and exchanges information and expertise among its members of investment and export credit guarantee agencies around the world. The Corporation has also commissioned a Dutch expert to assist in evaluating the underwriting policy and another Indian expert to assist in defining the Corporation s staffing requirements and in drafting a new organizational chart. A British expert assisted also in deepening the Corporation s knowledge of the reinsurance facilities available in the international market.

In addition to the above, the Corporation participated in a number of international conferences such as the First International Conference on Developing Credit Insurance in Africa and the Mediterranean (Dakar Group), and the Berne Union annual meeting. All such activities have availed a good ground for gaining better knowledge and expertise pertaining to the various aspects of guarantees.

2.6 Cooperation with the Guarantee Agencies:

The Corporation has taken the necessary measures to become a full member in a number of investments and export credit guarantee unions and groups. In this context, the Corporation attended, as an observer, the Berne Union meeting, held in Vienna during October 2000, and kept its contact with the Credit Alliance group set up by the COFACE of France, after attending one of its important meetings as an observer.

These unions and groups avail important opportunities to meet officials of agencies working in same domain and to exchange professional expertise and views regarding latest developments in the international insurance market, in addition to the possibilities of reinsuring the Corporation s operations, and benefiting from their databases covering buyers around the world, in addition to training courses offered by the Berne Union and the COFACE.

TABLE (1)

VALUE OF GUARANTEE CONTRACTS SIGNED DURING 2000 BY HOST/IMPORTING COUNTRIES AND TYPE OF CONTRACT

(VALUE IN US DOLLARS AND EQIVALENT IN KUWAITI DINARS)

HOST/IMPORTING COUNTRY	INVESTMENT CONTRACTS			EXPORT CREDIT CONTRACTS			TOTAL		
	US$	KD	%	US$	KD	%	US$	KD	%
SUDAN	15,000,000	4,583,700	92.59	14,133,625	4,318,953	16.24	29,133,625	8,902,653	28.22
SAUDI ARABIA	–	–	–	23,474,555	7,173,355	26.96	23,474,555	7,173,355	22.74
EGYPT	–	–	–	13,527,877	4,133,849	15.54	13,527,877	4,133,849	13.10
KUWAIT	–	–	–	6,591,538	2,014,242	7.57	6,591,538	2,014,242	6.39
UAE	–	–	–	6,416,089	1,960,629	7.37	6,416,089	1,960,629	6.22
JORDAN	–	–	–	5,518,858	1,686,453	6.34	5,518,858	1,686,453	5.35
BAHRAIN	–	–	–	5,050,374	1,543,293	5.80	5,050,374	1,543,293	4.89
DJIBOUTI	–	–	–	5,000,000	1,527,900	5.75	5,000,000	1,527,900	4.84
LEBANON	–	–	–	1,950,000	595,881	2.24	1,950,000	595,881	1.89
QATAR	–	–	–	1,776,919	542,991	2.04	1,776,919	542,991	1.72
SYRIA	1,6200,000	366,696	7.41	–	–	–	1,200,000	366,696	1.16
MOROCCO	–	–	–	1,120,000	342,250	1.29	1,120,000	342,250	1.08
ALGERIA	–	–	–	1,000,000	305,580	1.15	1,000,000	305,580	0.97
YEMEN	–	–	–	1,000,000	305,580	1.15	1,000,000	305,580	0.97
TUNSIA	–	–	–	300,000	91,674	0.34	300,000	91,674	0.29
OMAN	–	–	–	170,899	52,223	0.20	170,899	52,223	0.17
GRAND TOTAL	16,200,000	4,950,396	100	87,030,735	26,594,852	100	103,230,735	31,545,248	100
% TO GRAND TOTAL	15.7			84.3					

TABLE (2)

GEOGRAPHICAL DISTRIBUTION OF THE EXPORT CREDIT GUARANTEE CONTRACTS SIGNED IN 2000

(VALUE IN US DOLLARS, THE GRAND TOTAL IS ALSO EXPRESSED IN KUWAITI DINARS)

NATIONALITY OF GUARANTEED PARTIES/IMPORTERS	LEBANON	UAE	KUWAIT	SAUDI ARABIA	JOINT	JORDAN	OMAN	EGYPT	BAHRAIN	SYRIA	TOTAL US$	TOTAL KD	%
SAUDI ARABIA	10,470,000	10,784,670	1,439,885	-	-	660,000	-	120,000	-	-	23,474,555	7,173,355	26.97
SUDAN	150,000	9,404,000	-	-	3,634,000	-	-	945,625	-	-	14,133,625	4,318,953	16.24
EGYPT	12,947,338	-	430,539	-	-	-	-	-	-	150,000	13,527,877	4,133,849	15.54
KUWAIT	3,240,000	150,000	-	2,861,538	-	300,000	-	40,000	-	-	6,591,538	2,014,242	7.58
UAE	6,140,000	-	-	196,089	-	80,000	-	-	-	-	6,416,088	1,960,628	7.37
JORDAN	886,000	109,300	1,085,392	2,018,166	-	-	1,420,000	-	-	-	5,518,858	1,686,453	6.34
BAHRAIN	580,000	1,800,000	400,000	2,270,374	-	-	-	-	-	-	5,050,374	1,543,293	5.80
DJIBOUTI	-	-	5,000,000	-	-	-	-	-	-	-	5,000,000	1,527,900	5.75
LEBANON	-	-	-	-	-	150,000	960,000	-	840,000	-	1,950,000	595,881	2.24
QATAR	510,000	655,802	130,899	480,218	-	-	-	-	-	-	1,776,919	542,991	2.04
MOROCCO	120,000	-	-	-	-	-	-	1,000,000	-	-	1,120,000	342,250	1.29
ALGERIA	-	-	-	-	-	1,000,000	-	-	-	-	1,000,000	305,580	1.15
YEMEN	-	1,000,000	-	-	-	-	-	-	-	-	1,000,000	305,580	1.15
TUNSIA	-	-	-	-	-	300,000	-	-	-	-	300,000	91,674	0.34
OMAN	40,000	-	130,899	-	-	-	-	-	-	-	170,899	52,223	0.20
TOTAL IN US$	35,083,338	23,903,773	8,617,613	7,826,386	3,634,000	2,490,000	2,380,000	2,105,625	840,000	150,000	87,030,734		
TOTAL IN KD	10,720,767	7,304,515	2,633,370	2,391,587	1,110,478	760,894	727,280	643,437	256,687	45,837		26,594,852	100
% OF TOTAL	40.31	27.47	9.90	8.99	4.18	2.86	2.73	2.42	0.97	0.17		100	

TABLE (3)
VALUE OF CURRENT CONTRACTS & OUTSTANDING COMMITMENTS AS AT 31/12/2000
IN US DOLLARS AND ITS EQUIVALENT IN KD(1)
(BY HOST/IMPORTING COUNTRIES AND TYPE OF CONTRACT)

HOST/IMPORTING COUNTRY	INVESTMENT CONTRACTS(2)		EXPORT CREDIT CONTRACTS		TOTAL		% OF TOTAL	OUTSTANDING COMMITMENTS(3)	
	US$	KD	US$	KD	US$	KD		US$	KD
JORDAN	-	-	5,876,085	1,795,614	5,876,085	1,795,614	2.68%	1,238,393	378,428
UAE	-	-	6,505,101	1,987,829	6,505,101	1,987,829	2.97%	1,127,484	344,537
BAHRAIN	-	-	5,033,479	1,538,130	5,033,479	1,538,130	2.29%	162,454	49,642
TUNSIA	6,831,275	2,087,501	300,000	91,674	7,131,275	2,179,175	3.25%	3,552,263	1,085,500
ALGERIA	-	-	12,309,676	3,761,590	12,309,676	3,761,590	5.61%	9,770,882	2,985,785
DJIBOUTI	-	-	5,000,000	1,527,900	5,000,000	1,527,900	2.28%		
SAUDI ARABIA	-	-	22,640,554	6,918,502	22,640,554	6,918,502	10.32%	4,826,942	1,475,015
SUDAN	15,000,000	4,583,700	27,141,260	8,293,826	42,141,260	12,877,526	19.21%	19,870,716	6,072,093
SYRIA	12,420,000	3,795,304	-	-	12,420,000	3,795,304	5.66%	5,600,000	1,711,248
OMAN	-	-	320,899	98,060	320,899	98,060	0.15%	169,875	51,910
QATAR	-	-	1,755,287	536,381	1,755,287	536,381	0.80%	130,774	39,962
KUWAIT	-	-	6,540,647	1,998,690	6,540,647	1,998,690	2.98%	315,007	96,259
LEBANON	68,529,932	20,941,377	2,177,792	665,490	70,707,724	21,606,867	32.23%	27,002,568	8,251,446
EGYPT	-	-	15,882,228	4,853,292	15,882,228	4,853,292	7.24%	3,366,672	1,028,787
MOROCCO	3,000,000	916,740	1,120,000	342,250	4,120,000	1,258,990	1.88%	57,702	17,633
YEMEN	-	-	1,000,000	305,580	1,000,000	305,580	0.46%		
TOTAL	105,781,207	32,324,622	113,603,006	34,714,807	219,384,213	67,039,429	100.00%	77,191,734	23,588,246

(1) USD 1 = KD 0.30558
(2) Current Contracts represent the value of guarantee contracts, whether executed or not.
(3) 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.

TABLE (4)

EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 2000

	EXPORTING COUNTRY	IMPORTING COUNTRY	GOODS	VALUE IN US$	VALUE IN KD
1	JORDAN	SEVERAL COUNTRIES	PAINTS&CHEMICALS	240,000	73,339
2	JORDAN	SEVERAL COUNTRIES	PAINTS&CHEMICALS	600,000	183,348
3	JORDAN	SAUDI ARABIA	GARMENTS	200,000	61,116
4	JORDAN	TUNSIA	COMPOUND FERTILIZERS	300,000	91,674
5	JORDAN	LEBANON	CHEMICAL FERTILIZERS	150,000	45,837
6	JORDAN	ALGERIA	MEDICINES	1,000,000	305,580
			JORDAN S TOTAL	**2,490,000**	**760,894**
7	UAE	QATAR	POTATO CHIPS	655,802	200,400
8	UAE	KUWAIT	PACKAGING MATERIALS	150,000	45,837
9	UAE	SAUDI ARABIA	POTATO&CORN CHIPS	401,132	122,578
10	UAE	SAUDI ARABIA	POTATO&CORN CHIPS	8,197,530	2,505,001
11	UAE	JORDAN	POTATO&CORN CHIPS	109,300	33,400
12	UAE	BAHRAIN	SCRAPING MATERIALS	1,800,000	550,044
13	UAE	SUDAN	WHEAT FLOUR	1,350,000	412,533
14	UAE	SUDAN	INDUSTRIAL EQUIPMENT	1,000,000	305,580
15	UAE	YEMEN	SESAME	1,000,000	305,580
16	UAE	SUDAN	WHEAT FLOUR	1,150,000	351,417
17	UAE	SUDAN	VEHICLES	750,000	229,185
18	UAE	SUDAN	FERTILIZER	2,300,000	702,834
19	UAE	SUDAN	FUEL STATIONS EQUIPMENT	1,500,000	458,370
20	UAE	SUDAN	FUEL STATIONS EQUIPMENT	300,000	91,674
21	UAE	SUDAN	WHEAT FLOUR	129,000	39,420
22	UAE	SUDAN	WHEAT FLOUR	925,000	282,662
23	UAE	SAUDI ARABIA	POTATO CHIPS	2,186,008	668,000
			UAE S TOTAL	**23,903,773**	**7,304,515**
24	BAHRAIN	LEBANON	ALUMINUM CONTAINERS	840,000	256,687
			BAHRAIN S TOTAL	**840,000**	**256,687**
25	SAUDI ARABIA	SEVERAL COUNTRIES	CARTONS	7,773,028	2,375,282
26	SAUDI ARABIA	BAHRAIN	SWITCH BOARDS	53,358	16,305
			SAUDI ARABIA S TOTAL	**7,826,386**	**2,391,587**
27	SYRIA	EGYPT	FERTILIZER	150,000	45,837
			SYRIA S TOTAL	**150,000**	**45,837**
28	OMAN	SEVERAL COUNTRIES	CHEMICAL PRODUCTS	2,380,000	727,280

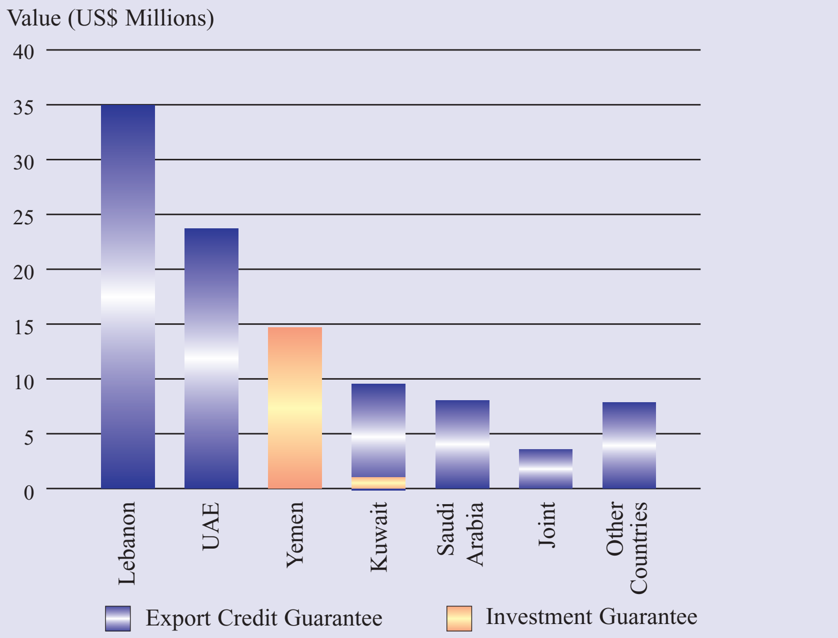
TABLE (4)
EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 2000

	EXPORTING COUNTRY	IMPORTING COUNTRY	GOODS	VALUE IN US$	VALUE IN KD
			OMAN S TOTAL	**2,380,000**	**727,280**
29	KUWAIT	SAUDI ARABIA	INSULATION MATERIALS	589,044	180,000
30	KUWAIT	SEVERAL COUNTRIES	CARPETS	700,000	213,906
31	KUWAIT	SEVERAL COUNTRIES	FOOD STUFF	1,387,525	424,000
32	KUWAIT	EGYPT	STEEL STRUCTURES	200,000	61,116
33	KUWAIT	SAUDI ARABIA	BISQUIT&FOOD STUFF	589,044	180,000
34	KUWAIT	EGYPT	STEEL STRUCTURES	152,000	46,448
35	KUWAIT	DJBOUTI	CRUDE OIL	5,000,000	1,527,900
			KUWAIT S TOTAL	**8,617,613**	**2,633,370**
	LEBANON	SEVERAL COUNTRIES	JEWELRY	10,500,000	3,208,590
36	LEBANON	SEVERAL COUNTRIES	PLASTIC MATERIALS	4,000,000	1,222,320
37	LEBANON	SEVERAL COUNTRIES	HOUSEHOLD GOODS	600,000	183,348
38	LEBANON	KUWAIT	GARMENTS	450,000	137,511
39	LEBANON	SEVERAL COUNTRIES	PAINTS	980,000	299,468
40	LEBANON	SEVERAL COUNTRIES	GARMENTS	620,000	189,460
41	LEBANON	SEVERAL COUNTRIES	ORGANIC FERTILIZERS	600,000	183,348
42	LEBANON	SEVERAL COUNTRIES	STATIONARY	845,000	258,215
43	LEBANON	EGYPT	NYLONS ROLLS&BAGS	225,000	68,756
44	LEBANON	SEVERAL COUNTRIES	SESAME PASTE	720,000	220,018
45	LEBANON	EGYPT	PAINTS	8,600,000	2,627,988
46	LEBANON	EGYPT	POLYTHERENE	82,338	25,161
47	LEBANON	SEVERAL COUNTRIES	CERAMIC TILES	2,715,000	829,650
48	LEBANON	SEVERAL COUNTRIES	STATIONARY	1,050,000	320,859
49	LEBANON	EGYPT	PASTRY	200,000	61,116
50	LEBANON	SEVERAL COUNTRIES	PACKAGING MATERIALS	220,000	67,228
51	LEBANON	SAUDI ARABIA	SESAME PASTE	200,000	61,116
52	LEBANON	SAUDI ARABIA	SESAME PASTE	200,000	61,116
53	LEBANON	SAUDI ARABIA	PACKAGING MATERIALS	300,000	91,674
54	LEBANON	JORDAN	ELECTRICAL GOODS	200,000	61,116
55	LEBANON	JORDAN	KITCHEN EQUIPMENT	66,000	20,168
56	LEBANON	SUDAN	POLYPROPELENE PAPERS	150,000	45,837
57	LEBANON	UAE	ORGANIC FERTILIZERS	1,400,000	427,812

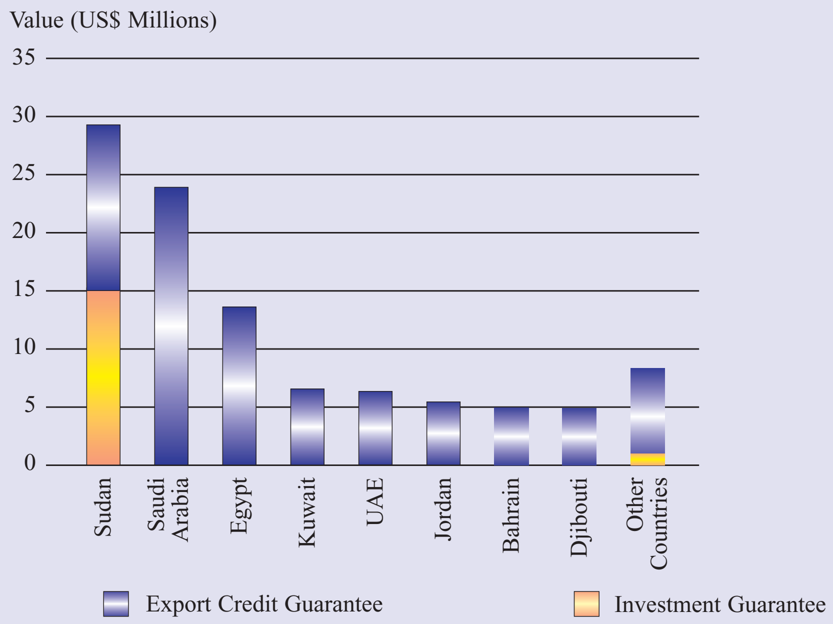
TABLE (4)
EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 2000

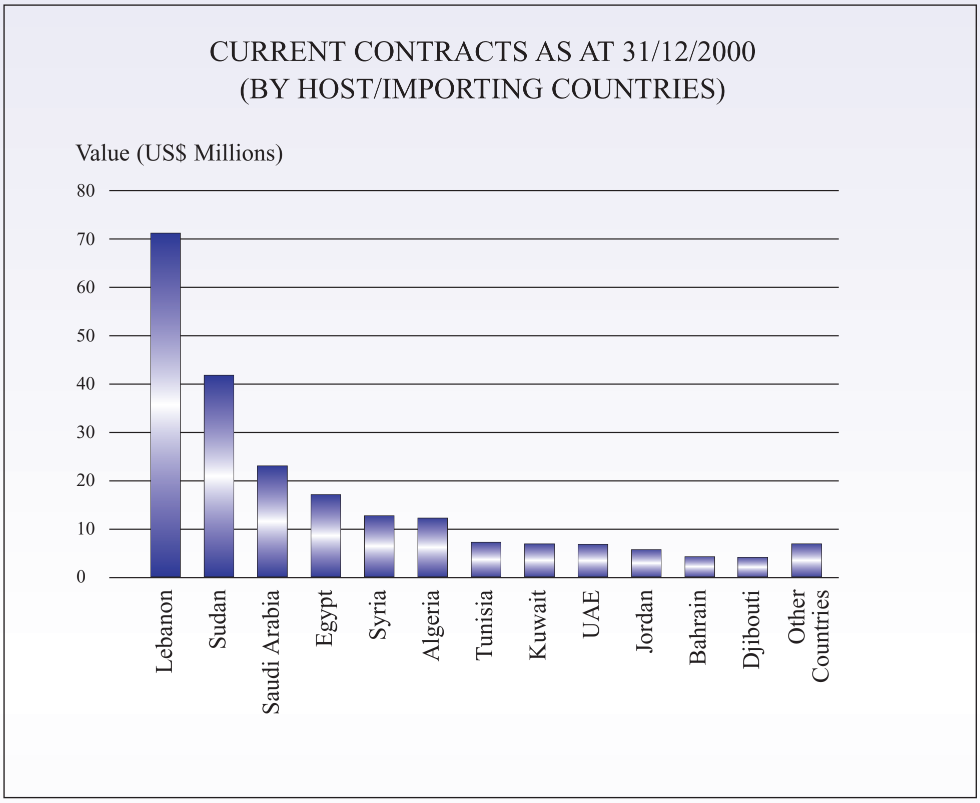
	EXPORTING COUNTRY	IMPORTING COUNTRY	GOODS	VALUE IN US$	VALUE IN KD
58	LEBANON	KUWAIT	STATIONARY	160,000	48,893
59			**LEBANON S TOTAL**	**35,083,338**	**10,720,766**
	EGYPT	MOROCCO	STEEL	1,000,000	305,580
60	EGYPT	KUWAIT	ALUMINUM FOIL	40,000	12,223
61	EGYPT	SAUDI ARABIA	ALUMINUM FOIL	120,000	36,670
62	EGYPT	SUDAN	MEDICINES	133,125	40,680
63	EGYPT	SUDAN	TRUCKS	812,500	248,284
64			**EGYPT S TOTAL**	**2,105,625**	**643,437**
	JOINT	SUDAN	PLASTIC PIPES	739,000	225,824
65	JOINT	SUDAN	UREA&FLOUR	1,900,000	580,602
66	JOINT	SUDAN	FLOUR	695,000	212,378
67	JOINT	SUDAN	UREA	300,000	91,674
68			**JOINT TOTAL**	**3,634,000**	**1,110,478**
			GRAND TOTAL	**87,030,735**	**26,594,852**

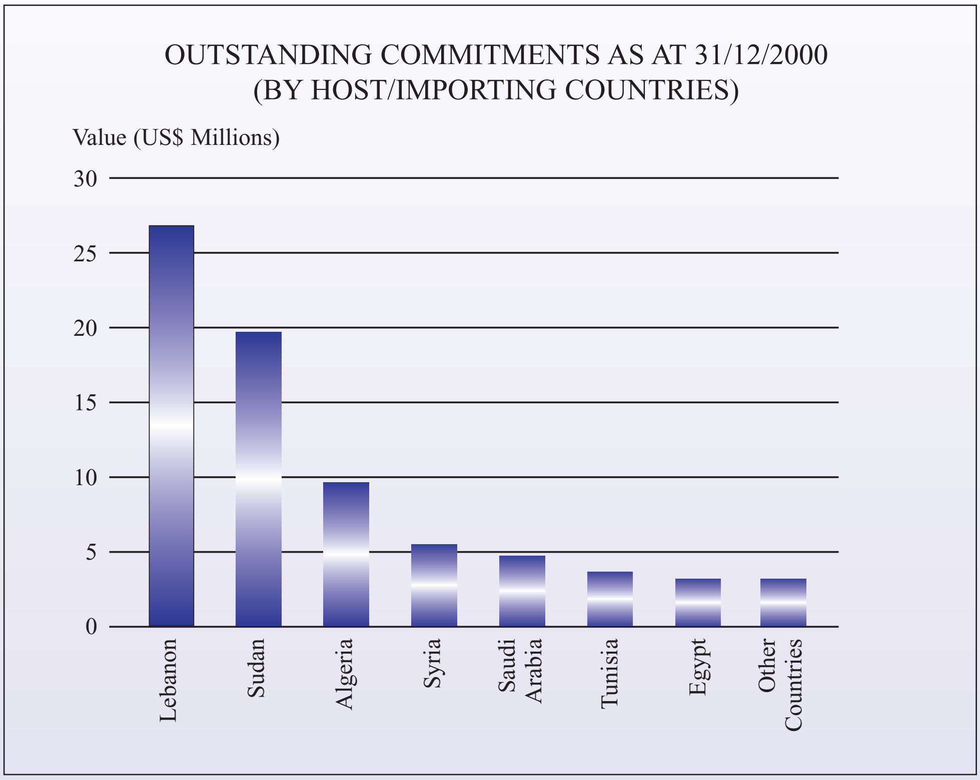
GUARANTEE CONTRACTS SIGNED DURING 2000
(BY NATIONALITY OF GUARANTEED PARTIES)



GUARANTEE CONTRACTS SIGNED DURING 2000
(BY HOST/IMPORTING COUNTRIES)




CURRENT CONTRACTS AS AT 31/12/2000
(BY HOST/IMPORTING COUNTRIES)
Value (US$ Millions)
80
70
60
50
40
30
20
10
0
Lebanon
Sudan
Saudi Arabia
Egypt
Syria
Algeria
Tunisia
Kuwait
UAE
Jordan
Bahrain
Djibouti
Other Countries


OUTSTANDING COMMITMENTS AS AT 31/12/2000
(BY HOST/IMPORTING COUNTRIES)
Value (US$ Millions)
30
25
20
15
10
5
0
Lebanon
Sudan
Algeria
Syria
Saudi Arabia
Tunisia
Egypt
Other Countries

Chapter Three: Ancillary Activities and Support Services

3.1 Reports, Studies, Publications and Conferences:

During 2000 the Corporation continued to pursue its objective to disseminate information and raise awareness on investment issues in the Arab Countries through the publication and continued improvement of the Annual Survey on Investment Climate, the Capsule Series, the Monthly Bulletin, and a number of specialized studies and papers, as follows:

3.1.1 The Annual Survey on Investment Climate in the Arab Countries:

- The Survey on Investment Climate in the Arab Countries for 1999 was finalized and distributed to select readership in government agencies and institutions in charge of investment, institutional and individual investors and Arab and international organizations. A questionaire was distributed to these parties to determine their desire to receive the upcoming annual survey by e-mail. A database was established based on the feedback received. Work on the 2000 survey was initiated.

3.1.2 Capsule Series:

The Corporation issued (6) capsule series during the year based on in-depth review and analysis of selected specialized reports and studies that were deemed conducive to enriching the knowledge base on investment related issues. The series comprised the following:-

- The New Economy in USA : This summary reviewed the components of the so-called new economy , and its main features and prospects versus the performance of the real (traditional) economy.

- Economy without Government: The Role of the Civil Society in the Absence of Government (Case of Somalia) : This summary reviewed the main socio-economic factors that prevailed during the last ten years with the absence of a government in Somalia, and the lessons learnt from the experience of the civil society that mobilized its internal strengths to face the challenges of streamlining various functions.

- Africa in the 21 St. Century : This summary reviewed the challenges that Africa faces as it entered a new century, like poverty, low per capita income, military conflicts, weak educational system, spread of diseases, declining share of world trade, brain drain, lack of resources, absence of communications and information infrastructure needed for the digital economy, while highlighting action to be taken on addressing these challenges.

- Human Resource Development in the Arab Countries : This summary reviewed the UNDP Human Development Report for the year 2000, beholding the theme Human Rights and Development , and pointed out the efforts exerted in the field of HRD in the Arab Countries in the last decade, highlighting areas that need to be further addressed.

- Money Laundering: Implications and Combating Efforts : This summary reviewed the critical nature of money laundering, its definition, size, and the economic and non-economic implications, as well as the international initiatives and national efforts to combat it, with focus on its status in the Arab countries.

- The Digital Divide : This summary reviewed the critical issue of digital divide that differentiates between countries with connectivity and those that lack connectivity in the global information society, its definition and features, facts relevant to it, and the main challenges facing the developing countries, and within them the Arab countries, in entering the new digital age. It also reviewed the current international, regional, and national initiatives that aimed at transforming the digital divide into digital opportunities.

3.1.3 The Monthly Bulletin Daman Al-Istismar :

- Twelve bulletins were issued during the year. The bulletin was widely circulated at an average of 5500 copies monthly for public and private Arab investment institutions, investors and decision-makers.

- The Bulletin tackled several issues in its editorial among which were: Syria Investment Forum; Conclusion of the Investment Promotion Techniques Workshop; Opening new Venues for Saudi Private Sector; New Investment Opportunities in Information Technology Industries; IAIGC Council Approves $100 million Increase in Financial Resources; Overall Improvement in the Investment Climate in the Arab Countries; Investment Opportunities in Algeria International Investment Forum.

- The Bulletin reviewed new developments regarding the Corporation, especially the Council s decision to raise its financial resources and scope of its export credit guarantee coverage, the growth of its operations in 1999, and the new events and publications.

- The Bulletin covered emerging issues relevant to investment on international, regional, and national levels such as: the role of institutional development in raising productivity and enhancing labor relations in the Arab countries; the concept of competitive advantage of countries; the role of private sector in supporting higher education; development of Arab financial markets.

- Under (Investment Developments) section, the Bulletin covered developments that concern decision makers and investors in the Arab countries like: FDI in the Arab countries; launching One Stop Shop in Oman; FDI law in Saudi Arabia; amendments to Syrian Investment law.

- Under (Indices), the bulletin covered the FT 500 index for biggest companies in the world; the Global Economic Forum Competitiveness Index for Africa ; and the UNDP/ HRD index regarding the Arab countries.

- New sections were introduced like (privatization), (promotion), (IT) to cover related developments, like: privatization in the Arab countries; Investment Promotion in Algeria, the growth of software industries in USA. The Bulletin continued to support promotion of viable investment opportunities in the Arab countries under (Investment Opportunities) section.

3.1.4 Specialized studies and Papers:

- A publication was produced on Towards an International Investment Agreement , based on the papers and deliberations that took place in the regional symposium on International Investment Agreements and their Implications on the Arab Countries co- organized by IAIGC, UNCTAD, and the General Secretariat of the Arab League, in cooperation with the Egyptian Ministry of Foreign Affairs, and held in Cairo, during 17-18, /5/1999. The publication aimed at raising awareness on key concepts relevant to international investment agreements, ensuring more pro-active participation in international fora, tackling relevant controversial issues, and reflecting on national and regional initiatives, as well as lessons learnt from international expertise.

- A publication was produced on Tunisia s Experience in Attracting FDI , based on a similar paper presented to the Eighth Arab Businessmen and Investors Conference held in Tunis during 23-25/11/1999.

- A paper on Overview of Emerging FDI Trends , presented in the workshop on FDI in the Arab Countries , organized by the Arab Planning Institute, held in Kuwait during 27-29/3/2000.

- A paper on Supporting the Arab Private Sector through IAIGC Investment & Export Credit Guarantee Scheme , presented in the Fourth Meeting of the Arab Businessmen Society, held in Kuwait during 6-7/5/2000, organized by the Arab Fund for Social and Economic Development, the Arab Businessmen Union, and the General Secretariat of the Arab League.

- A paper on The Role of IAIGC and Arab Regional Investment Arrangements presented in the training workshop on Training Egyptian Diplomats on Investment Promotion Techniques , organized by UNCTAD, and the Egyptian Ministry of Foreign Affairs, held in Cairo during 24-28/6/2000.

- A paper on Investment Climate in the Arab Countries in 1999: Selected Cases , presented in the workshop on Policies Encouraging FDI , held in Kuwait during 28/10-1/11/2000, and organized by the Arab Planning Institute.

- A paper on IAIGC Role in Enhancing Inter-Arab Investment & Trade through the Guarantee Scheme , presented in the seminar on Development of Arab Exports , held in Cairo during 4-5/11/2000, and organized by the General Secretariat of the Arab League, the General Union of Arab Chambers of Commerce, Industry and Agriculture, and the Joint Arab-European Chamber.

- A paper on Supporting Arab Economies through IAIGC Investment and Export Credit Guarantee

Scheme , presented in Syria International Investment Forum , held in Damascus during 9-10/11/2000, and organized by Al-Iktisad Wal-Aamal Group, the Syrian Ministry of Economy and Foreign Trade, and the General Union of Syrian Chambers of Commerce.

- A paper on The Role of IAIGC as an Outward Investment Promotion Agency , presented in the training workshop on Investor Targeting , held in Jaipur/Rajestan (India), during 29/11-1/12/2000, and organized by UNCTAD, WAIPA, and Rajestan Investment Bureau.

3.1.5 Conferences and Seminars:

- A preparatory meeting for inter-Arab companies was held in Amman, during 25-26/1/2000, bringing together ten major inter-Arab companies, specializing in animal and agricultural production, mining, financial services, pharmaceuticals, communications, and guarantee industry, to serve as a forum to exchange information and lessons learnt from their actual extensive experience, as well as to identify future cooperation channels based on emerging developments internationally and regionally. The meeting ended with agreement to behold the IAIGC as the coordinating secretariat for the inter-Arab companies network. The first meeting will be held in Khartoum during the first quarter of 2001.

- An expert meeting on Impact of Exchange Rate Stability in Attracting FDI in Selected Arab Countries was held in Kuwait on 7/2/2000. The meeting discussed general findings of the study that covered Egypt, Jordan, and Tunisia, and the general recommendations were put forth.

- A regional workshop on Investment Promotion Techniques in the Arab Countries , co-organized by IAIGC, FIAS (of the World Bank), and Jordan Investment Board (JIB), was held in Amman during 30-31/10/2000. More than 50 participants from 18 Arab IPAs attended the workshop. The main themes tackled covered international expertise versus Arab experience in streamlining institutional environment, image building, investor targeting, representative offices abroad, one-stop-shop and electronic promotion. The participants emphasized the need to convene similar workshops annually.

3.2 Investment Promotion:

IAIGC conducted several activities in this aspect focused on the following:

- The Corporation promoted (51) investment opportunities in its monthly bulletin Daman Al Istismar.

- IAIGC coordinated the feedback obtained from various Arab IPAs on the issue of focusing current state of knowledge on investment promotion activities performed during the year.

- IAIGC attended the Fifth Annual meeting of the World Association of Investment Promotion Agencies (WAIPA), held in Bangkok, Thailand during 9-10/2/2000. The meeting served as a important venue for exchange of information and expertise with other IPAs in both developed and developing countries. Following the meeting, the IAIGC had become a member of WAIPA to enhance its coordinating role among Arab IPAs.

- IAIGC attended the specialized training workshop on Investment Promotion, organized by UNCTAD and the Egyptian Ministry of Foreign Affairs held in Cairo during 24-28/6/2000. The workshop provided intensive training on investment promotion techniques targeting Egyptian newly assigned diplomats and the senior diplomats.

- IAIGC attended the specialized training workshop on Investor Targeting, held in Jaipur/Rajestan (India), during 29/11-1/12/2000, and organized by UNCTAD, WAIPA, and Rajestan Investment Bureau. The workshop provided hand-on training and up to date industry knowledge on the investment techniques related to investor targeting.

- The Corporation continued to develop and update its Investment Database.

3.3 Cooperation with Arab and International Organizations:

During 2000 the Corporation participated in (51) conferences and meetings, (14) of which were relevant to in joint Arab action, (9) involved international parties, and (28) covered economic and investment issues of relevance to the Corporation core business. Of these meetings (12) were held in Kuwait, (9) in Egypt, (5) in Tunisia, (4) in Bahrain, (3) in each of UAE, Lebanon, and Syria, (2) in each of Morocco, Algeria, and Oman, (1) in each of Sudan, France, U.S.A., and India. The main objective for taking part in these meetings was to introduce the Corporation and the nature and scope of its business and to market its services, as well as to actively take part in events oriented with various productive and service sectors in the Arab countries, and strengthening relations and coordination with international and regional organizations.

3.4 Computerization:

Computer Programs

The following programs were executed:

* Upgrade of the Accounting Program.
* Upgrade of the General Information Program for the Arab Countries.
* Development of a program for the operations scheme covering investment and export credit guarantee services.
* Installation and testing of the Backup Program.

Networks

- IAIGC Website was launched in Arabic and English, and upgrades of content were performed.
- The Internet speed was upgraded to 128 KB.

Desktop Publishing

- Efforts continued to improve utilization of the Mackintosh PC to contribute to in-house publishing of the bulletin, the capsule series, and papers presented in the regional workshop on Investment Promotion Techniques in the Arab Countries , co-organized by IAIGC and FIAS in cooperation with JIB, held in Amman during 30-31/10/2000.

Maintenance

- Routine maintenance was preformed regularly, without resorting to outsourcing.

3.5 The Library

- Within a general plan to rationalize expenditure and streamline financial and administrative resources, the operations of the library were decentralized, such that acquisition of books and specialized publications was reverted to various departments respectively.

- The Subscription List of various Arabic and Foreign periodicals was gradually reduced in view of presence of similar publications in the library of the Arab Fund for Social and Economic Development library, and availability of on-line research resources.

- The database for General Information on the Arab Countries and main addresses was updated.

3.6 Training:

In its effort to enhance the efficiency of its employees, the Corporation enrolled (16) staff members in (53) training courses. Among those, some have participated in more than one program. The courses encompassed the following fields:

Professional Courses:

- A staff member from the Economics Department attended a one day seminar on Changes in the Accounting Procedure of the British Library Documents Supply Center , organized by the British Council in Kuwait on 21/3/2000.

- A staff member from the Operations Department attended a seminar on Project Finance , organized by the United Gulf Company, held in Kuwait during 30/9-4/10/2000.

- A staff member from the Economics Department attended a seminar on Competitive Thinking Strategy , organized by the Gulf Innovation Center, held in Kuwait during 5-6/11/2000.

- A staff member from the Economics Department attended a training workshop on Investor Targeting , organized by WAIPA, UNCTAD, and Rajestan Investment Bureau, held in Jaipur, India, during 29/11-1/12/2000.

Computer Courses:

- Advanced Courses: (4) staff members participated in (2) advanced courses.

- Basic Courses: (6) staff members participated in (45) basic computer courses (windows, Excel, Power Point, etc).

- A staff member from the Economics Department attended an advanced PC course held in Dubai during 22-27/7/2000.

- Two staff members from the Economics Department and one staff member from the Operations Department attended The First Internet Conference in Kuwait held during 20-22/11/2000.

English Language Courses:

- (3) Staff members participated in (2) English Language courses held by the British Council, Kuwait.

3.7 Information Activities:

In accordance with Media Program adopted for the year 2000, press releases were issued covering meetings of the Corporation s Governing Council and the Supervisory Committee, the guarantees made to Arab investors and exporters and the compensation paid during the year, as well as other activities of the Corporation. Furthermore, the substantive content of the Annual Survey of the Investment Climate in the Arab Countries in 1999, the Capsule Series and the Monthly Bulletin Daman Al Istissmar were reflected in the local and national Arab press, as well as the migrant Arab press.

Chapter Four: Financial Report

The paid up capital of KD 24,689,871 (US$ 80, 796,750) as of December 31, 2000 has not changed as compared with December 31,1999, this is due to the full payment of called up capital by all participating states.

The revenue of the year 2000 amounted to KD 911,237 (US$ 2,981,991) has decreased by KD 4,386,159 (US$ 14,353,558) 82.80% as compared with the year 1999 revenue of KD 5,297,397 (US$ 17,335,549). Said decline in revenue is a direct result of the deterioration and decrease in the international money markets particularly the first and third semesters of year 2000. However, the improvement in the US Dollar exchange rates against Kuwaiti Dinars has generated a gain of KD 110,630 (US$ 362,033) compared with a gain of KD 154,643 (US$ 506,064) in the year 1999.

Year 2000 revenue is comprised of KD 701,912 (US$ 2,296,983) being gain from the Corporation s financial investments in addition to KD 209,325 (US$ 685,009) being the net guarantee premiums.

The total expenditure for the year 2000 amounted to KD 1,793,525 (US$ 5,869,249) as compared to KD 1,869,901 (US$ 6,119,186) in the year 1999 has decreased by KD 76,376 (US$ 249,937) 4.08 %

Said decline is due to the rationalization of expenditure and working with the minimum staff members.

The balance sheet as of December 31,2000 shows that the total financial resources amounted to KD 65,299,163 (US$ 213,689,257) comprised of KD 33, 270,493 (US$ 108,876,540) financial resources, and KD 32,028,670 (US$ 104,812,717) promissory notes and refundable claims.

Net losses for the year 2000 of KD 882,288 (US$ 2,887,257) compared with profit for the year 1999 of KD 3,427,493 (US$ 11,216,352). A decline of KD 4,309,781(US$ 14,103,609) 125.75 %.

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
State of Kuwait

I have audited the accompanying balance sheet of The Inter-Arab Investment Guarantee Corporation - An Arab Corporation with a special Independent Legal Status as of December 31, 2000 and the related statements of revenues and expenses, changes in shareholders equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation s management. My responsibility is to express an opinion on these financial statements based on the audit.

The audit was conducted in accordance with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit conducted provides a reasonable basis for my opinion.

According to International Accounting Standards, contingent assets and gains are recognized when their collectability is certain. As indicated in Note 7, the Corporation has accounted for a delay interest income on recoverable claims and promissory notes receivable from member countries while these countries did not settle the principal amounts. This resulted in overstatement of assets as of December 31, 2000 and understatement of net loss for the year then ended of KD 13,606,846 and KD 1,523,833 respectively.

Promissory notes receivable and recoverable claims amounted to KD 3,938,775 and KD 28,089,895 respectively as of December 31, 2000 are due from certain member countries in the Corporation and other parties. Due to economic and political conditions of these countries and parties, it is not possible at this stage to determine the collectability of these amounts. Accordingly, no provision has been made in the financial statements for the losses that might result in case of unrecoverability.

In my opinion, except for the effect of the matter mentioned in the above third paragraph on the financial statements, and subject to any adjustments that might be necessary had the collectability of the amounts mentioned in the above fourth paragraph been known, the financial statements referred to above present fairly, in all material respects, the financial position of The Inter-Arab Investment Guarantee Corporation - An Arab Corporation with a special Independent Legal Status as of December 31,2000, and the results of its operations and its cash flows for the year then ended in conformity with International Accounting Standards.

Also in my opinion, proper books of account have been kept by the Corporation and I obtained the information I required to perform my audit. According to the information available to me, there were no contraventions during the year of the Corporation s convention, which might have materially affected the Corporation s financial position, or its results of operations.

State of Kuwait
February 21, 2001

Dr. Shuaib A. Shuaib
Licence No. 33 - A
Member of Andersen Worldwide

Balance Sheet December 31, 2000

		December 31,	
		2000	**1999**
ASSETS	Note	**KD**	**KD**
Cash and cash equivalents	3	657,917	2,289,821
Investment in bonds		1,009,620	1,606,541
Investment in portfolios and funds		30,559,119	32,158,711
Time deposits		30,558	496,326
Claim from two member countries	4	647,548	585,361
Promissory notes receivable	5	3,938,775	3,927,174
Investment in Arab Trade Finance Program	6	365,731	380,850
Recoverable claims	7	28,089,895	26,447,206
Accrued interest		13,632,169	12,136,068
Reinsurance claims receivable	8	4,878,285	4,878,285
Due from saving fund		317,629	–
Accounts receivable and other debit balances		236,533	311,394
Share of joint building	9	1,211,556	1,248,270
Total assets		**85,575,335**	**86,466,007**

The accompanying notes are an integral part of the financial statements

		December 31,	
		2000	**1999**
LIABILITIES AND SHAREHOLDERS EQUITY	**Note**	**KD**	**KD**
Liabilities:			
Accounts payable and other credit balances	10	1,898,899	1,827,787
Reinsurance claims payable	8	7,676,285	7,676,285
Due to saving fund		-	79,496
Total liabilities		9,575,184	**9,583,568**
Shareholders equity:			
Paid-up capital	11	24,689,871	24,689,871
General reserve	12	51,310,280	52,192,568
Total shareholders equity		**76,000,151**	**76,882,439**
Total liabilities and shareholders equity		**85,575,335**	**86,466,007**

Statement of Revenues and Expenses

For the year ended December 31, 2000

			2000	1999
		Note	**KD**	**KD**
Revenues :				
Net guarantee premiums			209,325	584,083
Interest on promissory notes and recoverable claims		7	1,523,833	1,509,552
Bank interest			34,015	69,501
Interest on bonds			106,129	155,154
Investment (loss) income		13	(1,191,489)	2,552,612
Foreign currency exchange gain		14	110,630	154,643
Interest on a claim from two member countries		4	71,679	186,580
Other miscellaneous income			47,115	85,269
Total revenues			**911,237**	**5,297,394**
Expenses:		15		
First Section	- Salaries, wages and bonuses		1,099,650	1,138,536
Second Section	- General and administrative			
	Expenses		641,205	576,239
Third Section	- Capital expenses		47,535	69,870
Fourth Section	- Provision for contingencies			
	and arbitration fees		5,135	85,256
Total expenses			**1,793,525**	**1,869,901**
Net (loss) income for the year			**(882,288)**	**3,427,493**

The accompanying notes are an integral part of the financial statements

Statement of Changes in Shareholders Equity

For the year ended December 31, 2000

	Paid-up Capital KD	General Reserve KD	Net retained earnings (losses) KD	Total KD
Balance at January 1, 1999	24,689,871	48,765,075	-	73,454,946
Net income for the year	-	-	3,427,493	3,427,493
Transfer to general reserve	-	3,427,493	(3,427,493)	-
Balance at December 31, 1999	24,689,871	52,192,568	-	76,882,439
Net loss for the year	-	-	(882,288)	(882,288)
Transfer from general reserve	-	(882,288)	882,288	-
Balance at December 31, 2000	**24,689,871**	**51,310,280**	-	**76,000,151**

The accompanying notes are an integral part of the financial statements

Statement of Cash Flows

For the year ended December 31, 2000

	2000	1999
	KD	**KD**
Cash flows from operating activities:		
Net (loss) income for the year	(882,288)	3,427,493
Adjustments for:		
Depreciation	47,535	69,870
Investment loss (income)	1,191,489	(2,552,612)
Interest income	(1,735,656)	(1,920,787)
Interest expense on a finance lease agreement	99,115	99,838
Other adjustments	3,518	(71)
Operating loss before changes in operating assets and liabilities	(1,276,287)	(876,269)
Decrease in a claim from two member countries	9,492	186,580
Increase in recoverable claims	(1,642,689)	(413,467)
Decrease (increase) in accounts receivable and other debit balances	74,861	(249,711)
(Increase) decrease in due from / to saving fund	(397,125)	79,496
Increase (decrease) in accounts payable and other credit balances	82,152	(121,961)
Cash used in operations	(3,149,596)	(1,395,332)
Interest received	167,876	248,577
Dividends received	16,806	20,919
Net cash used in operating activities	(2,964,914)	(1,125,836)
Cash flows from investing activities:		
Net proceeds from sale of bonds	599,866	244,880
Net proceeds from sale of investment in		
Portfolios and funds	388,352	1,409,246
Decrease (increase) in time deposits	465,768	(378,226)
Additions to fixed assets	(10,821)	(33,156)
Net cash generated from investing activities	1,443,165	1,242,744
Cash flows from financing activities:		
Payment of principal of finance lease agreement	(11,040)	(10,317)
Interest paid on finance lease agreement	(99,115)	(99,838)
Net cash used in financing activities	(110,155)	(110,155)
Net (decrease) increase in cash and cash equivalents	(1,631,904)	6,753
Cash and cash equivalents at beginning of the year	2,289,821	2,283,068
Cash and cash equivalents at end of the year	**657,917**	**2,289,821**

The accompanying notes are an integral part of the financial statements

Notes to Financial Statements
December 31, 2000

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 guarantee for Inter-Arab investments against non-commercial risks and trade financing between member countries for both commercial and non-commercial risks as defined in its convention. The Corporation also promotes investments and trade between its member countries.

The registered address of the Corporation is P.O. Box 23568 Safat, 13096 - State of Kuwait.

At December 31, 2000, the Corporation had 47 employees (1999 - 58 employees).

The financial statements were authorized for issue by the Corporation general manager on February 20, 2001. The Corporation council has the power to amend these financial statements after issuance.

2. Significant accounting policies
The accompanying financial statements have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee (IASC). Significant accounting policies are summarized as follows:

a) Basis of preparation
The financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, modified for the revaluation of certain investments.

b) Cash and cash equivalents
Cash includes cash in hand and at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value such as fixed deposits, which mature within three months from the date of deposit.

c) Investment in bonds
Bonds are valued at the lower of aggregate cost or market value.

d) Investment portfolios and funds
Investment portfolios and funds are valued at their market value and changes in the investment value during the year are recorded in the statement of revenues and expenses.

e) Investment in Arab trade finance program
This investment is held by the Corporation for long-term purposes and is stated at cost less provision for any permanent decline in value.

f) Recoverable claims
The Corporation charges the related member countries for claims paid against non-commercial risks to the insured parties.

g) Receivables
Receivables are stated at face value, after provision for doubtful accounts.

h) Depreciation of fixed assets
Depreciation is computed on a straight-line basis over the estimated useful lives of items of fixed assets, including the Corporation s share in the joint building at 2.5% to 100% per annum. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

i) Payables
Accounts payable are stated at their cost.

j) End of service benefits
The end of service indemnity for the General Manager and Deputy General Manager are calculated in accordance with Article No. (6) of the resolution made by the Arab Ministers of Finance and Economics in Abu Dhabi. Employees end of service indemnity is calculated based on employment contracts and it is paid at the beginning of each year to saving and social security fund.

k) Income recognition
Interest, guarantee premiums and investments income are recognized on the accrual basis.

l) Foreign currencies
Foreign currency transactions are recorded in Kuwaiti Dinars at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Kuwaiti Dinars at the rate of exchange prevailing on that date. Exchange differences are reported as part of the results for the year.

m) Lease agreements
The Corporation s office is leased according to finance lease agreement. The Corporation share in joint building of Arabian Organizations had been capitalized based on the present value of minimum lease future payments at the date of lease contract. The same amount was recorded as a liability in the balance sheet. Interest included in lease payments is charged to the statement of revenues and expenses over the term of lease agreement. This interest represents a fixed percentage of outstanding capital balance.

n) Reinsurance
In the ordinary course of business, the Corporation manages its losses, which may result from guarantee operations, through reinsurance of certain risks with other insurance and reinsurance companies. Recoverable amounts from reinsurance companies are estimated according to the terms of reinsurance agreements.

o) Financial instruments
Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, investments, accounts receivable and accounts payable. The accounting policies on recognition and

measurement of these items are disclosed in the respective accounting policies found in this Note. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Corporation has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

p) Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

q) Use of estimates
The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and cash equivalents

	2000	1999
	KD	**KD**
Cash on hand and at banks	589,039	1,820,705
Time deposits	68,878	469,116
Total	**657,917**	**2,289,821**

4. Claim on two member countries
This claim represents amounts due from two member countries to pay their share in the capital, based on the Corporation council decisions and the agreement between the Corporation and each country, in addition to the interest charged on the outstanding balances which amounted to KD 71,679 during the year ended December 31, 2000 (1999 - KD 186,580).

5. Promissory notes receivable

	2000	1999
	U.S.$	**U.S.$**
Five promissory notes of U.S.$ 6,444,752 each	32,223,760	32,223,760
Three installments collected within the period	(19,334,256)	(19,334,256)
From 1988 to 1990	12,889,504	12,889,504
Equivalent balance in KD at the rate of exchange		
prevailing at year-end	3,938,775	3,927,174

An agreement signed between the Corporation and a representative of a 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.$ five million each starting from July 1, 1990; however, no amounts of the promissory notes or installments due have been settled. The Ministry of Finance of the member country advised that these debts will be paid as soon as the reasons preventing payments are no longer valid.

6. 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 s share represent 0.25% of program shares.

7. Recoverable claims

	2000	1999
	U.S.$	U.S.$
Balance at beginning of the year	86,803,224	86,110,342
Net claims paid during the year	5,141,964	1,470,550
Claims recovered during the year	(21,976)	(777,668)
Balance at end of the year	91,923,212	86,803,224
Equivalent balance in KD at the rates of exchange prevailing		
at the year-end	28,089,895	26,447,206

These amounts represent payments made to several parties of different Arab nationalities and are related to risks realized in ten member countries and concentrated in three of them.

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

	2000	1999
	U.S.$	U.S.$
Balance at beginning of the year	39,654,345	35,001,115
Interest charged during the year	4,873,589	4,653,230
Balance at end of the year	44,527,934	39,654,345
Equivalent to KD	13,606,846	12,081,886

8. Reinsurance claims

Reinsurance claims receivable represent total amounts claimed by the Corporation from re-insurance companies being their share of the compensation paid by the Corporation up to December 31,2000. On the other hand, reinsurance claims payable represent obligations of the Corporation to reinsurance companies at the time of recovery of claims from member countries for the amounts previously paid by the Corporation. When any amounts are received from such claims, the Corporation will pay the net amount due to re-insurance companies after taking into consideration the amounts due from such companies that are included in reinsurance claims receivable.

9. Share of the joint building of the Arab organizations

The Corporation offices are located in a building, which is jointly owned with Arab organizations. The Corporation s share of the buildings represents 9.61% of the total cost of construction of the building and is based upon allocated space that the Corporation occupies in the building. The Corporation s share of the total costs is payable in 40 equal annual installments through year 2033 of KD 110,155 after which time the ownership of the building will revert back to the Kuwaiti government.

Corporation s share of the joint building of the Arab organization represents leased fixed assets according to finance lease agreement.

10. Accounts payable and other credit balances

	2000	**1999**
	KD	**KD**
Due to Arab Fund for Economic and Social Development	1,404,893	1,415,933
Due to reinsurance companies	73,401	74,348
Provision for staff leave	93,182	50,000
Provision for legal encyclopedia	6,791	15,000
Emergency provision	150,000	150,000
Others	170,632	122,506
Total	**1,898,899**	**1,827,787**

The amount due to Arab Fund for Economic and Social Development represents liabilities on finance lease agreement related to Corporation offices.

The minimum future lease payments and present value of the minimum payments are as follows:

Period	**KD**
2001	110,155
From 2002 to 2011	1,101,550
From 2012 to 2033	2,423,410
Total minimum payments	3,635,115
Less: Imputed interest	(2,230,222)
Present value of minimum payments	1,404,893

11. Paid-up capital

The capital of the Corporation is variable 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 member countries 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 resolution No. 3/1993 of the Corporation s Council. Such reduction amounted to KD 741,265. During 1998 the share of one member country was reduced by the unpaid amount of its called up capital based on resolution No. 2/1998 of the Corporation s Council. Such reduction amounted to KD 170,364 after paying KD 133,234 by the member country. Additionally such a member country increased its subscription in the capital, after the above mentioned Corporation s Council resolution, by an amount of U.S.$ 250,000 equivalent to KD 76,500. Accordingly, the capital of the Corporation is as follows:

	Capital
	KD
The Hashemite Kingdom of Jordan	525,000
United Arab Emirates	1,500,000
State of Bahrain	500,000
The Republic of Tunisia	1,250,000
People s Democratic Republic of Algeria	1,250,000
Republic of Djibouti	200,000
Kingdom of Saudi Arabia	3,750,000
Republic of Sudan	1,156,136
Syrian Arab Republic	500,000
Somali Democratic Republic	58,735
Republic of Iraq	500,000
Sultanate of Oman	750,000
State of Palestine	500,000
State of Qatar	2,000,000
State of Kuwait	3,000,000
Republic f Lebanon	500,000
The Socialist Peoples Libyan Arab Jamahiriyah	2,500,000
Arab Republic of Egypt	1,250,000
Kingdom of Morocco	2,000,000
The Islamic Republic of Mauritania	500,000
The Republic of Yemen	1,000,000
Issued capital	25,189,871
Amount not to be paid by the state of Palestine	(500,000)
Paid-up capital	24,689,871

12. General Reserve

Article (24) of the Corporation s 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 in proportion to the share of each member in the capital of the Corporation.

13. Investment (losses) income

	2000	1999
	KD	KD
(Losses) income from revaluation of portfolios and		
investment funds	(1,211,240)	2,528,804
Dividends on Arab Trade Finance Program	16,806	20,919
Income from bonds redemption and trading	2,945	2,889
Total	**(1,191,489)**	**2,552,612**

14. Foreign currency exchange gain

Foreign currency exchange differences resulted from applying the corporation s accounting policy presented in Note 2 (l). Following are exchange differences resulted from major foreign currencies:

	2000	1999
	KD	KD
Deutsche Mark	(25,961)	(80,640)
U.S.Dollar	63,862	281,727
European Currency Unit	112,928	(27,654)
Japanese Yen	(11,277)	7,375
G.Britian Pound	(23,500)	(14,859)
Other Currencies	(5,422)	(11,306)
Total	**110,630**	**154,643**

15. Expenses

General and administrative expenses include interest on financial lease relating to joint building of Arab Organizations in the amount of KD 99,115 (1999 - KD 99,838). Capital expenses represent fixed assets depreciation charge.

16. Provision for unexpired risks

Effective 1994, The Corporation discontinued its policy of recording provisions for unexpired risks as the general reserve is considered the main source of meeting all the obligations resulting from commercial and non commercial risks.

17. Contingent and unrecorded liabilities

a) The total current guarantee contracts signed by the Corporation with other parties as of December 31, 2000 amounted to KD 67,039,429 out of which executed guarantee operations amounted to KD 23,588,246. Approximately KD 2,051,805of this amount is re-insured against commercial risks, which represents the Corporation s total outstanding contingent guarantees as of December 31, 2000.

b) During 1997, the Corporation paid a claim of U.S.$ 10,042,165 to a bank (equivalent to KD 3,068,684 at the rate of exchange prevailing at December 31, 2000) including interest up to December 31, 1994 in connection with an arbitration award. In addition to this payment the Corporation was also required to issue a letter of guarantee to the bank in the amount of French francs 6,084,575 (equivalent to KD 266,450 at the rate prevailing at December 2000, 31). As a result, the Corporation s assets, which were restricted in certain banks, were released. The Corporation charged the related member country with such a claim according to its policy of not recording the obligation until payment

The bank has appealed before the court claiming for a delay interest on the above-mentioned claim. The delay interest amounted to U.S.$ 1,459,495 (equivalent to KD 445,992 at the rate prevailing as of December 31, 2000). The claim is still pending before the court.

c) There is a claim from an Arab exporter and one of the Arab banks for an amount of U.S.$ 1,040,000 (equivalent to KD 317,803 at the rate of exchange prevailing at December 31, 2000). The award was issued in favor of the claimants for such amount plus interest of 21% from the date the amount became due until payment is made. As a result of the award, the Corporation s rights to claim against the insurance companies in one of the member countries were restricted. Such rights amounted to KD 1,167,195 as of December 31, 2000 and are included in claim reinsurance receivables balance. The Corporation has challenged the validity of the arbitration proceedings and the matter is still pending before the court.

d) Another claim has been raised by an Arab company in the amount of KD 982,175 plus interest from May 26, 1996 until date of payment. During 1998 the award was issued in favor of the claimant for such amount plus interest of 7% from the date the amount became due until payment is made. It is the policy of the Corporation to record such obligation when payment is made and to charge the related member country with such amount.

In the opinion of the management and according to Corporation activities, all legal liabilities and claims outstanding are the responsibility of others and in case of payment, it will be recovered from others, as recovery is due from the respective country in case of non-commercial risk and due from the importer in case of commercial risk. Based on that, no provision has been made in the financial statements for those contingent liabilities.

18. Financial instruments

In the normal course of business, the Corporation uses primary financial instruments such as cash and cash equivalents, bonds, investment funds and portfolios, promissory notes receivable, accounts receivable and payable.

Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest.

The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are as follows:

December 31, 2000:	Less than 1 year KD	Within 1 - 5 year KD	Total KD	Effective interest rate %
Cash and cash equivalents	657,917	-	657,917	0 - 6
Bonds	100,000	909,620	1,009,620	6.375 - 9.125
Time deposits	30,558	-	30,558	7 - 7.5
Claim on two member countries	610,024	37,524	647,548	5 - 7
Promissory notes receivable	3,938,775	-	3,938,775	5
Recoverable claims	28,089,895	-	28,089,895	5
	33,427,169	947,144	34,374,313	
December 31, 1999:				
Cash and cash equivalents	2,289,821	-	2,289,821	0 - 7.5
Bonds	463,611	1,142,930	1,606,541	6.375 - 9.125
Time deposits	465,858	30,468	496,326	5.25 (2+LIBOR 3 months)
Claim on two member countries	585,361	-	585,361	7
Promissory notes receivable	3,927,174	-	3,927,174	5
Recoverable claims	26,447,206	-	26,447,206	5
	34,179,031	1,173,398	35,352,429	

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets which potentially subject the Corporation to credit risk consist principally of cash and cash equivalents, bonds, promissory notes receivable and receivables. The Corporation s cash and cash equivalents are placed with high credit rating financial institutions. Bonds are issued by either high credit rating financial institutions or governments. Receivables are presented net of allowance for doubtful debts. To manage this risk, management deals with governments and parties with good financial positions and does not concentrate its investments.

Foreign currency risk

The Corporation incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Corporation may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Corporation ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to liquidate its financial assets with a value that approximate their fair values to meet its financial commitments. To manage this risk, the management periodically assesses the financial viability of customers, invests in bank deposits or other investments that are readily realizable and match financial assets and financial liabilities maturities.

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. At present, the Corporation has no significant exposure to such risk.

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm s length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate. The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, accounts receivable and payable

The carrying amount of these financial assets and liabilities approximates fair value due to the relatively short-term maturity of these financial instruments.

Investments

The fair values of publicly traded investments are estimated based on quoted market prices. All other investments for which there are no quoted market prices, a reasonable estimate of fair value has been calculated based on the expected cash flows or the underlying net asset base for each investment.

At the balance sheet date, the fair values of financial instruments approximate their carrying amounts, except for reinsurance balances as it is non-interest bearing and its maturity dates are uncertain.

19. Saving and social security fund (unaudited)

In accordance with Article 21 of the employees internal policy approved by the Corporation s resolution No. 6 of 1981 and the general manager resolution dated January 1, 1984, the saving and social security fund was established for the purpose of increasing employee benefits. The fund resources are as follows:

a) Approved amounts in the Corporation s budget for end of service indemnity. These amounts are paid to the fund after approving the budget.

b) Employees saving determined by each employee with a minimum of 3% of his salary. These amounts are paid to the fund through monthly deductions from the employees salaries.

c) Fund investment income.

Upon the end of the employee service, the employee is paid his net balance in the fund, in addition to the difference between total indemnity balance recorded in the fund and the indemnity amount due to him in accordance with terms of employment. The Corporation s budget should be charged for this difference. Article 9 of the fund Articles states that the fund accounts should be audited annually and its financial position should be tested by an actuarial specialist, selected by the management. Following is a summary of the fund financial position and its unaudited results:

	2000	1999
Assets	**KD**	**KD**
Cash and cash equivalents	352	283,874
Investments	999,980	839,930
Employees loans	376,752	462,430
Current account with the Corporation	-	79,496
Accrued income	-	27,470
Total assets	**1,377,084**	**1,693,200**
Liabilities		
Provision for end of service indemnity	849,398	972,363
Employees salaries deductions	257,098	264,000
Employees bonus	72,878	40,000
Current account with the Corporation	317,629	-
Net position of forward deals	-	541,294
Total liabilities	**1,497,003**	**1,817,657**
Net accumulated deficit	**(119,919)**	**(124,457)**

Revenue and expenses

	2000	1999
	KD	**KD**
(Losses) income from revaluation of investments	(148,847)	53,826
Interest and other income	95,950	106,300
	(52,897)	160,126
Foreign currency and forward deals differences	137,046	(540,706)
Surplus (deficit) for the year	84,149	(380,580)
Accumulated (deficit) surplus at the beginning of the year	(124,457)	256,123
Paid during the year for resigned employees	(79,611)	-
Accumulated deficit at end of the year	(119,919)	(124,457)

The Corporation s management is aware of the net deficit amounted to KD 119,919 as of December 31, 2000. The management is in process of improving the position of the fund and accordingly, no liability will arise on the Corporation towards the saving and social security fund.

20.Contingent compensation

The Corporation filed a claim in the amount of KD 917,421 through the Public Authority for the

Assessment for Compensation (PAAC) in respect of losses suffered as a result of shifting the Corporation offices to Cairo during the period 1990 - 1991. The accompanying financial statements do no include the amount of this claim.

21. Comparative figures

Certain of the prior year amounts have been reclassified to conform with the current year presentation.