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The Inter-Arab Investment Guarantee
Corporation

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2001

The Twenty Ninth
Annual Report

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

OBJECTIVES:

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

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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. Elias Ghantous	Member

The Director-General

Mr. Mamoun Ibrahim Hassan

The Deputy Director-General

Mr. Giuma Said Giuma

His Excellency the Chairman of the 29th. 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 2001.

Please accept my highest consideration,

Mamoun Ibrahim Hassan
Director-General

Algiers, April 2002

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Chapter One: Introduction

1.1 World Economic Performance:

The world economy slowed sharply in 2001, with world output growth rate about 2.4%, compared to the growth rate of 4.7% in 2000. The slowdown began to emerge by mid year in the USA, European Union Countries, and emerging economies in Asia and Latin America. Economic slowdown was further exacerbated after the events of September 11, 2001, which caused financial losses in billions of dollars inside and outside USA, hitting hard Air travel, airplanes manufacturing industry, tourism and insurance. The repercussions of the 11th September 2001 attacks affected consumer and business confidence adversely, and contributed to weakening international trade, causing widening external imbalances, more volatility in world financial markets especially in emerging economies, and rising uncertainty in the oil market. Risk averse practices were consolidated and preference was directed to less risky and more mature investment locations.

Economic growth in the group of advanced economies witnessed a drop in its economic growth rate to 1.1% on average in 2001, compared to 3.9% in 2000. Within this group, USA broke its longest growth cycle growing by a mere 1.0% in 2001 compared to a revised 3.5% growth in 2000; Japan dipped back to a negative growth rate of (0.4%) in 2001 compared to a revised 2.2% growth rate in 2000, despite a generous government fiscal stimulus program, with the financial and banking sector remaining under pressure. On the other hand, the Euro area countries as a group recorded an average growth rate of 1.5% in 2001 compared to 3.4% in 2000. The newly industrialized Asian economies, which are classified with the group of advanced economies, witnessed a drastic drop in their growth rate from 8.2% in 2000 to 0.4% in 2001.

The group of developing countries sustained a growth rate of 4.0% in 2001 compared to a revised 5.8% recorded in 2000. Within the developing countries group, the Asian countries witnessed a growth rate on average of 5.6% in 2001 compared to 6.8% in 2000, led by consolidation of economic performance in China and India recording growth rates of 7.3% and 4.4% in 2001 compared to 8.0% and 6.0% in 2000, respectively. The developing countries in the Western Hemisphere average growth rate dropped to 1.0% in 2001 down from 4.1% in 2000, with Brazil recording a growth of 1.8% in 2001 down from 4.4% in 2000. The developing countries in Africa witnessed a higher growth rate of 3.5% in 2001 up from a revised growth of 2.8% in 2000.

The group of countries in transition (Russia, Central and Eastern Europe, Commonwealth of Independent States and Mongolia) recorded as a group the highest growth rate of 4.9% in 2001, but still down from 6.3% in 2000.

Inflation, as measured by the consumer price index, in the advanced economies remained unchanged at an average of 2.3% in 2001. Inflation in developing countries rose slightly from 5.6% in 2000 to 6.0% in 2001. The inflation outlook continued to improve in countries in transition as it dropped from 20.1% in 2000 to 16.0% in 2001, reflecting consolidation macroeconomic policies.

The growth in the world trade volume of goods and services dropped drastically from 12.4% in 2000 to a mere 1.0% . The value of world trade in goods and services dropped from US\$ 7746 bn in 2000 to US\$ 7557 bn in 2001. Growth rate of imports of advanced economies dropped from 11.5 % in 2000 to a negative (0.3%) in 2001, and this group s exports witnessed similar changes. The developing countries imports and exports grew by 5.0% and 3.4% respectively in 2001 down from 16.1% and 15.0% growth rate in 2000. The countries in transition imports grew by 11.2% in 2001 slightly down from 12.6% recorded in 2000; while the group s exports rose grew by 7.8% in 2001 down from 16.3% in 2000.

Oil prices recorded a 14% drop in 2001 after witnessing an increase of 56.9% in 2000, as a result of weakened global economic growth and consequently slower demand for oil products, adding to that excess in oil supplies. Oil prices rose drastically to US\$ 30/barrel in the aftermath of 11th September 2001 attacks, then dropped by half to around US\$ 15/barrel. The 2001 average spot price of the OPEC crude oil basket was around US\$ 23.1/barrel.

Current account deficit in the advanced economies narrowed from (US\$ 253.7) bn to in 2000 a deficit of (US\$ 199.6) bn in 2001 due to improved current account deficit in the USA from (US\$ 444.7) bn in 2000 to (US\$ 392.0) bn in 2000. Both the developing countries and countries in transition current account surplus narrowed from US\$ 61.5bn in 2000 to US\$ 4.6bn in 2001 for the first group, and from US\$ 27.0 bn to US\$ 13.2 bn for the same period for the second group.

The external debt of the developing countries dropped from around US\$ 2204 bn in 2000 to around US\$2195 bn in 2001, due to debt forgiveness for the least developing countries. Whereas the external debt of the countries in transition group rose from around \$359.0 bn in 2000 to around US\$365.0 bn in 2001. The total external debt to total exports of goods and services reached 144.3% for developing countries and 104.1% for the countries in transition in 2001 compared to 142.3% and 107.6% in 2000 respectively. The debt service ratio (debt service payments as percentage of total exports of goods and services) reached around 21.5% and 13.9% in 2001 for each group respectively compared to 21.9% and 14.5% in 2000.

World Investment Developments:

According to preliminary data, FDI inflows worldwide dropped to an estimated US\$ 760 bn in 2001 down by 40.1% from its level in 2000. The developed countries share of total FDI flows reached an estimated US\$ 510 bn (comprising around 67% of the total), while the developing countries received US\$ 225 bn (30%), and the countries in transition received US\$ 25 bn (3%). The drop was caused by the decline in mergers and acquisitions activity (M&As), economic slowdown, fall in equity prices in international financial markets, which comprised 56% of financing of M&As. The implications of the 11th September 2001 attacks were not accounted for in these estimates. However, due to more cautious investors attitude in their investment location decisions, it is expected that the FDI inflows could have dropped to less than US\$ 700 bn in 2001.

The detailed figures for FDI inflows for 2000 showed that the total FDI inflows had reached US\$ 1271 bn, increasing by 18% from its level in 1999, of which the share of the developed countries reached US\$ 005 bn, centralized in USA (US\$ 281 bn), and Germany (US\$ 176 bn), and UK (US\$ 130 bn).

The developing countries received around US\$ 240 bn in 2000 of FDI inflows. The FDI inflows to Asian countries reached US\$143 bn of which US\$ 64 bn went to Hong Kong and US\$ 41 bn went to China. The Latin American and Caribbean countries received around US\$ 86 bn, of which Brazil received US\$ 33 bn, Mexico US\$ 13 bn, and Argentina US\$ 11 bn. The developing countries in Africa, excluding the Arab countries in North Africa, received around US\$ 5.0 bn of which Angola received US\$ 1.8 bn, and Nigeria US\$1.4 bn.

The FDI inflows to countries in transition (Central and Eastern Europe and Russia) reached around US\$ 25 bn in 2000, of which Poland received US\$ 10.0 bn, the Czech Republic US\$ 5.0 bn, and Russia around US\$ 3.0 bn.

FDI inflows to Arab countries reached around US\$ 4.9 bn in 2000, comprising less than 1% of global FDI inflows, and nearly 2.0% of FDI inflows to developing countries, of which Egypt received US\$ 1.24 bn, Saudi Arabia around US\$ 1.0 bn, and Tunisia US\$ 781 mn.

The legal and institutional framework worldwide continued to be more conducive towards trade liberalization and investment protection, with 95% of the 1185 regulatory changes that took place during the period 1991-2000 were directed to create more favorable conditions for FDI. By end of 2000 the number of bilateral agreements (BITs) on investment protection and encouragement reached 1941 agreements compared to 385 agreements in 1990, while BITs relating to avoidance of double taxation reached 2118 agreements by end of 2000.

World Developments in the Guarantee Industry:

The guarantee industry witnessed several developments during the year, mainly in consolidating ability to adapt to a host of new challenges and to handle change in risk patterns; underwriters took account of the overall impact of the international economic slowdown and the repercussions of the September 11 attacks, which increased pressures on political risk exposure and uncertainty regarding unexpected external factors. It is, however, still early to fully assess the impact of those developments on the industry's capacity. Obvious results, though, can be seen in the introduction of air-travel terrorism as a risk to be considered; increased cost of insurance in certain countries, while political-risk cover was cancelled for others. On the other hand, and for less risky business, insurers tended to relax their conditions for cover, in an effort to promote their services.

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 51 national agencies from 42 different countries and the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group, reached US\$ 504 bn in 2000, with US\$ 491 bn in export credit insurance and US\$

13 bn in investment insurance. Short term export credit insurance comprised 86% of the total credit insurance, of which 50% was handled totally by the private sector insurers and reinsurers.

During the year, the African Trade Insurance Agency was launched and became operational. Also the Islamic Agency for Development of the Private Sector was established within the Islamic Bank for Development Group.

Economic and Investment Developments in the Arab Countries:

The political outlook of the region remained unstable. During the year the 13th Regular Arab Summit was convened in Amman/Jordan, and several other regional meetings were held at different levels to address the critical situation created by the faltering peace process, and the increased violence against the Palestinians in the occupied Palestinian Territories, with the Al Aqsa Intifada entering its second year of upheaval. The Arab region was feared to become the next target of the Anti-Terrorist Campaign launched by the United States. On the positive side, several cross-border disputes were settled peacefully during the year, the inter-Arab relations were further consolidated through formulation of several joint committees, and the Arab international relations were advanced especially with the European Union countries.

On the Economic Developments outlook, and according to available information on 17 Arab countries, the average real rate of growth is estimated to have reached 3.9 % in 2001 compared to 4.2% in 2000. The highest growth rates were recorded in Sudan (6.7%), Morocco (6.5%), Qatar (5.7%), and Mauritania (5.5%). The year witnessed varied economic performance amongst the Arab countries, which were affected by global economic slowdown, declining oil prices, and the repercussions of September 11 attack. Some Arab countries resumed consolidation of their economic reform and structural adjustment programs, and liberalization of trade.

The outlook on the Arab countries fiscal budget deficits, as a measure of internal balance, was mixed. Five Arab countries witnessed a reduction in their budget deficit, of which Lebanon narrowed its deficit from 24.3% of GDP in 2000 to 20.3% in 2001, and Oman (from 4.8% of GDP in 2000 to 0.2% in 2001). Qatar turned its budget deficit of 0.6% of GDP in 2000 to a surplus of 5.3% in 2001. However, budget deficit rose in four Arab countries, and the surplus in other Arab countries turned into a deficit, in the same period. Kuwait, on the other hand, recorded a bigger budget surplus at 18.9% of GDP in 2001 compared to a surplus of 9.2% in 2000.

The current account position in the balance of payment, as a measure of external balance, witnessed varied performance amongst the Arab countries during the year. Nine Arab countries maintained a surplus in their current account. Among them, Kuwait with current account surplus rising from 33.6% of GDP in 2000 to a surplus of 33.9% in 2001; also Qatar (from a surplus of 18.4% to a surplus of 21.8%). Morocco transformed a deficit of 1.4% of GDP in 2000 to a surplus of 3.0% in 2001. Jordan maintained an approximate balance recording a deficit of 0.7%, while Egypt witnessed narrowing of its deficit

(from 1.2% to 0.03%) in the same period. Syria turned its surplus of 9.8% in 2000 to a deficit of 2.0% in 2001. Three other Arab countries witnessed widening current account deficits.

The inflation rate remained contained under 8.0% in 2001 in most of the Arab countries according to available information, except for Libya (13.6%). Inflation declined in ten Arab countries, of which Sudan (from 8.5 % in 2000 to 4.8% in 2001); but rose in four other Arab countries, of which Yemen (from 3.9% to 8.0%) in the same period.

The regulatory and institutional framework in the Arab countries continued to improve with more favorable measures adopted in 2001 in the direction of enhanced investment and trade 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 new legislations on intellectual property rights, money laundering, transparency, anti-dumping and combating monopoly. Several Arab countries launched e-government programs, and initiated consideration 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 (HRD) were further consolidated during the year, especially in areas pertaining to computer-based skills and utilization of advanced technology. The year witnessed continued efforts in several Arab countries to complete the digital infrastructure and establishment of Internet cities, smart villages, and scientific parks for research and development (R&D).

Investment promotion activities in the Arab countries were further developed in 2001, focusing on enhanced utilization of investment promotion techniques and improving quality of these activities, especially for image building, investor targeting, and services provided for potential and actual investors. The Arab countries participated or organized an increased number of specialized conferences on national, regional, and international levels, holding promotion seminars, receiving delegate visits, sending missions, and organizing road shows. Special attention was given to establishing websites by the Arab investment promotion agencies (IPAs) to enhance utilization of e- 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 improved performance in 2001. Market capitalization rose slightly from US\$ 148 bn at the end of 2000 to US\$ 152 bn at the end of 2001, with Saudi Arabia holding around 48% of total market capitalization. The total number of listed companies in those markets rose from 1678 in 2000 to 1687 at the end of 2001, with Egypt holding around 66% of listed companies. The volume of trading rose from US\$ 36 bn at the end of 2000 to US\$ 43 bn at the end of 2001, and the number of shares traded also rose from 9.1 bn shares to 23.5 bn shares for the same period, of which Kuwait's share was 89%. On the other hand, both Syria and Yemen took positive steps to establish national stock markets.

According to available information, the inter-Arab investments were preliminary estimated to have

reached US\$ 2.45 bn in 2001 compared to US\$ 1.82 bn in 2000, making the cumulative inter-Arab investments around US\$ 17.2 bn during the period 1985-2001. The main recipients of Arab inflows were Saudi Arabia US\$ 721 mn representing 29.5% of total Arab inflows, followed by Sudan (US\$ 559 mn representing 27.2%), Lebanon (US\$ 365 mn and share of 17.7%), Algeria (US\$ 350 mn and share of 17%). The sectoral distribution of inter-Arab investments in 2001 concentrated on services comprising around 50%, followed by industrial sector (around 30%), and the agricultural sector (around 20%) respectively.

1.2 Highlights of the Corporation Activities

The total value of guarantee contracts signed in 2001 amounted to US\$ 163,180,970 (KD. 50,204,263). The total value of current guarantee contracts as at 31/12/2001 reached US\$ 288,372,996 (KD. 88,720,837). The value of operations executed (outstanding commitments) within current contracts amounted to US\$ 61,072,375 (KD. 18,789,528). During the year, the Corporation paid compensation against the realization of commercial risks amounting to US\$ 2,797,551 and recovered US\$ 647,246 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 raising awareness on investment issues, providing investment promotion services, and enhancing human resource development. In 2001, the Survey on Investment Climate in the Arab Countries, 2000 was published and distributed, and efforts were initiated to prepare the 2001 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 (65) investment opportunities and analyzing emerging trends in investment on national, regional, and global levels; a specialized publication was produced entitled Investment Promotion Techniques in the Arab Countries based on the papers and deliberations presented in a regional workshop on the subject co-organized by the Corporation in Amman/Jordan in October 2000. Several introductory papers were prepared and presented in various meetings, seminars, and training workshops in which the Corporation took part. On another note, the Corporation co-organized the Ninth Arab Businessmen and Investors Conference, and organized the Eighth Annual Arab Guarantee Agencies Forum. The Corporation resumed efforts to enhance IT applications in its operations, as well as updating its website. Human resource empowerment and training of the Corporation's staff continued throughout the year, along with relevant performance appraisals.

Chapter Two: Guarantee Operations

2.1 Guarantee Contracts:

2.1.1 Value of Contracts in 2001 :

Sixty six contracts were issued during the year, with a total value of US\$ 163.18 m (KD 50.2 m)⁽¹⁾ this is in addition to inward reinsurance in the amount of US\$ 723,998 (KD 222,745), as detailed in section (3.2) below.

The issued contracts included three investment guarantee contracts valued at US\$ 41.48 m (KD 12.76 m) and sixty three export credit guarantee contracts with a total value of US\$ 121.70 m (KD 37.44 m). As such, investment guarantees accounted for 25.4% of total guarantees issued in 2001, while export credit guarantees accounted for 74.6% (See Table 1) .

Compared to their value in the previous year of US\$ 103,230,735 (KD 31,545,248)⁽²⁾, the contracts value in 2001 witnessed an increase of 58%.

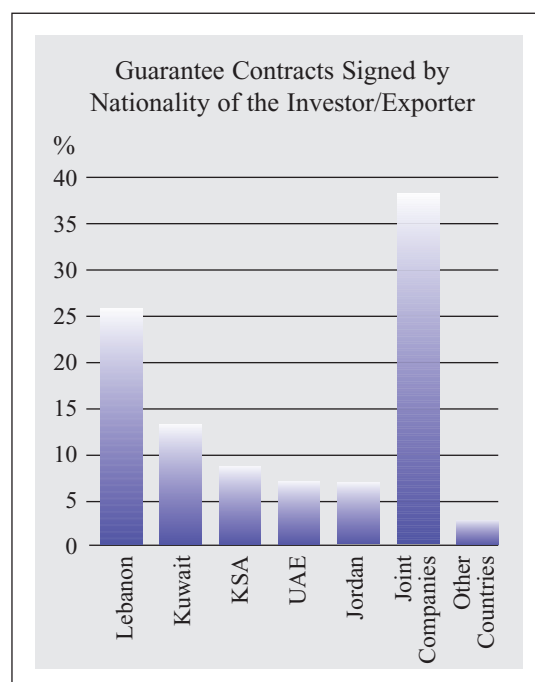
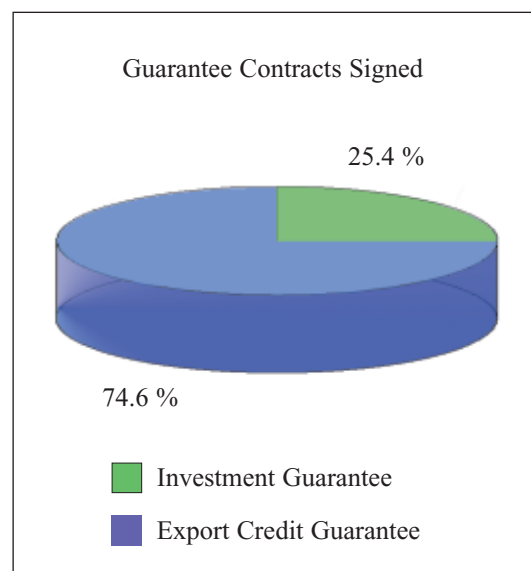
Investors and exporters from seven Arab countries and joint Arab-foreign companies benefited from the contracts. Lebanon, Kuwait and joint Arab companies accounted for a share of 75.48%, while the other Arab countries share was 24.52%.

The list of host/importing countries comprised sixteen countries, of which Saudi Arabia, Sudan and Algeria together accounted for 65.48% of the contracts value, while the combined share of the other thirteen Arab countries was 34.52%.

2.1.2 Details of Contracts Signed:

2.1.2.1 Investment Guarantee Contracts :

- 1 .A Loan Guarantee Contract signed with a Kuwaiti investor valued at US\$ 5 m (KD 1.54m), to finance several small productive projects in



(1) US\$ 1 = KD 0.30766 as at 31.12.2001.

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

Sudan .

- 2 .A Loan Guarantee Contract signed with a joint Arab company valued US\$ 29.5 m (KD9.06m), to finance the construction of an electricity generation plant in Sudan.
- 3 .An Annex to an Equity Participation Guarantee Contract signed a year before with a Kuwaiti investor to cover the investment in a Tunisian touristic project. The Annex covered an increase in the capital of the said project in the amount of TD 10 m ⁽³⁾ (US\$ 7 m) (KD 2.15 m).

With that the total value of investment guarantee contracts in 2001 witnessed an increase of 156% compared to the previous year .

2.1.2.2 Export credit Guarantee Contracts :

Sixty three export credit guarantee contracts were issued during the year totaling US\$ 121.7 m (KD 37.44 m), recording an increase of 40% in their total value compared to the previous year.

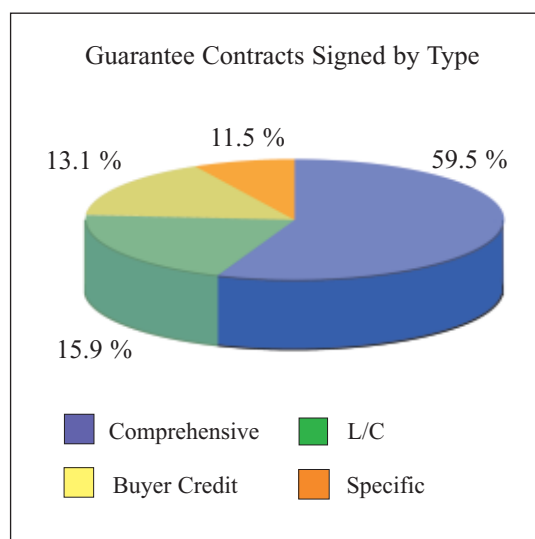
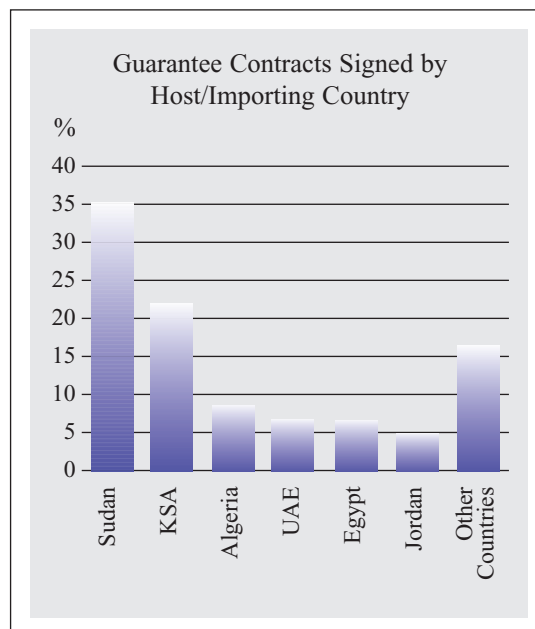
Exporters belonged to seven Arab countries in addition to a joint Arab-foreign company. Lebanon, Saudi Arabia and the joint Arab company accounted for a share of 70.99% , while the combined share of the other four Arab countries was 29.01% .

Importing countries comprised sixteen Arab countries. Of which Saudi Arabia, Sudan, UAE and Egypt accounted for a share of 77.11%, while the share of the other eleven Arab countries was 22.89% .

Details of export credit guarantee contracts are shown in Table (5) .

2.1.3 Classification of Goods under Guarantee :

Goods covered under the Corporation s guarantee



(3) 1 Tunisian Dinar = KD 0.215 as at 31/12/2001

scheme in 2001 belonged to the following categories:

Petrochemicals and chemical products, industrial equipment, building materials, metal and electrical products, foodstuff products, paper products, textiles, pharmaceutical products, jewelry, and other miscellaneous products .

2.1.4 Value of Current Contracts and Outstanding Commitments :

The value of current contracts reached US\$ 288,372,996 (KD 88,720,837) as at 31/12/2001, of which investment guarantee contracts accounted for 54.76%, while export credit guarantee contracts accounted for 45.24%. This is in comparison with US\$ 219,384,213 (KD 67,039,429) as at 31/12/2000.

The value of executed operations within the current guarantee contracts amounted to US\$ 61,072,375 (KD 18,789,528) representing 21.2% of the current guarantee contracts . This amount represented the outstanding guarantee commitments vis- -vis the guaranteed parties as at 31/12/2001⁽⁴⁾. (See Table 4)

2.1.5 Revenues from Premia :

The total guarantee premia during the year amounted to US\$ 822,222 (KD 252,965), of which 65% was derived from investment guarantee and 35% from export credit guarantee, recording an increase of 7.2% compared to last year.

2.2 Compensation and Recovery :

During the year, eight compensations were paid to exporters against the realization of commercial risks, with a total value of US\$ 2,797,551. Exporters from two Arab countries benefited from the compensations paid .

On the other hand, the Corporation recovered an amount of US\$ 647,246 in the same period .

2.3 Reinsurance :

2.3.1 Inward reinsurance: Within the established framework of cooperation with national guarantee agencies in reinsurance activities, the Corporation signed four facultative reinsurance agreements submitted by a national agency in connection with exports against documentary letters of credit (LCs) issued by several local Banks in the importing country. Total value of the reinsurance operations during the year amounted to US\$ 723,998 .

2.3.2 Outward reinsurance: Namur Re, the lead reinsurer, decided to cancel its participation in the Quota-Share commercial risks reinsurance treaty, which started in 1988. The decision was effective at the beginning of the underwriting year of 2001. The Corporation is investigating substitute arrangements concomitant with its reinsurance needs.

2.4 Marketing the Guarantee Services :

During the year, the Corporation carried out focused activities to market its guarantee services in its

(4)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.

member Arab countries, as follows:

- 2.4.1 Eleven **field missions** were delegated to seven Arab countries in addition to field visits in the country of domicile. The Corporation's Regional Office in Riyadh-Saudi Arabia, visited 285 company.
- 2.4.2 Four **introductory seminars** were held in Jordan, Lebanon and Syria.
- 2.4.3 Seven **specialized conferences**, relevant to the Corporation's core business, were attended in Syria, Sudan, Lebanon, Morocco, Saudi Arabia, Kuwait and UAE.
- 2.4.4 Five **trade exhibitions** were attended.
- 2.4.5 Five **direct-mail campaigns** were conducted covering 6,424 businessmen, industrial, exporting and investment companies, as well as joint Arab and Foreign Banks.
- 2.4.6 Three **Commission Agency Agreements** were signed to promote the guarantee services, raising the total number of such agreements to 48 covering 14 Arab countries, in addition to two **external Commission Agreements** to promote loan guarantee contracts in U.K. and France.
- 2.4.7 The Corporation **potential clients Database** was updated adding 400 new companies.

2.5 Cooperation with the Guarantee Agencies :

- The Corporation maintained contacts with the Berne Union regarding its membership accession. It is expected that the membership procedures will be finalized in the second half of the year 2002.
- The Corporation and the French Coface Group signed the agreement to join the Credit Alliance, thus the status of the Corporation changed from observer to full member. The benefits of membership include:
 - * Acquiring reinsurance with Coface thus enhancing the Corporation's underwriting capacity in international and Arab markets.
 - * Accessing Coface Databank on credit information about importers in the world, which includes 35 million importers .
 - * Possibility of benefiting from reinsurance with other member agencies of the Credit Alliance, distributed in 49 countries.
 - * Exchanging experience and technical expertise concerning the guarantee industry, and providing opportunities for training .
 - * Keeping abreast of emerging developments and new issues in the international guarantee market.
- The Corporation participated in the **Annual Meeting of the Credit Alliance**, held in Vienna-Austria, during the period from 30/9 to 2/10/2001.
- The Corporation attended the meeting of **Islamic Guarantee Agencies**, held in Jeddah, Saudi Arabia, during the period 4-5/11/2001. The meeting discussed technical issues concerning the guarantee business in these countries.
- The Corporation organized the **Eighth Annual Forum for Arab Guarantee Agencies**, in Jeddah, Saudi Arabia, synchronized with the meeting of Islamic Guarantee Agencies. The meeting discussed subjects related to credit information of importers, and importers black lists. The participants agreed to further discuss the subject of credit information of importers in the upcoming annual meeting due to its importance in taking credit guarantee decisions.

TABLE (1)
VALUE OF GUARANTEE CONTRACTS SIGNED DURING 2001 BY EXPORTING COUNTRIES AND TYPE OF CONTRACT
(VALUE IN US DOLLARS AND EQUIVALENT IN KUWAITI DINARS)

EXPORTING COUNTRY	INVESTMENT CONTRACTS			EXPORT CREDIT CONTRACTS			TOTAL		
	US\$	KD	%	US\$	KD	%	US\$	KD	%
JOINT	29,500,000	9,075,970	71.10	31,700,000	9,752,822	26.05	61,200,000	18,828,792	37.50
LEBANON	-	-	-	41,295,000	12,704,823	33.92	41,295,000	12,704,823	25.31
KUWAIT	11,988,230	3,688,299	28.90	8,693,404	2,674,613	7.14	20,681,634	6,362,912	12.67
SAUDI ARABIA	-	-	-	13,402,058	4,123,277	11.01	13,402,058	4,123,277	8.21
UAE	-	-	-	11,164,778	3,434,956	9.17	11,164,778	3,434,956	6.84
JORDAN	-	-	-	11,102,500	3,415,797	9.12	11,102,500	3,415,797	6.80
EGYPT	-	-	-	4,170,000	1,282,942	3.43	4,170,000	1,282,942	2.56
SYRIA	-	-	-	165,000	50,764	0.14	165,000	50,764	0.11
GRAND TOTAL	41,488,230	12,764,269	100.00	121,692,740	37,439,994	100.00	163,180,970	50,204,263	100.00
% TO GRAND TOTAL	25.4			74.6					

TABLE (2)
VALUE OF GUARANTEE CONTRACTS SIGNED DURING 2001 BY IMPORTING/HOST COUNTRIES AND TYPE OF CONTRACT
(VALUE IN US DOLLARS AND EQUIVALENT IN KUWAITI DINARS)

HOST/IMPORTING COUNTRY	INVESTMENT CONTRACTS			EXPORT CREDIT CONTRACTS			TOTAL		
	US\$	KD	%	US\$	KD	%	US\$	KD	%
SUDAN	34,500,000	10,614,270	83.16	22,925,000	7,053,106	18.84	57,425,000	17,667,376	35.19
SAUDI ARABIA	-	-	-	35,630,215	10,961,993	29.28	35,630,215	10,961,993	21.83
ALGERIA	-	-	-	13,800,000	4,245,708	11.34	13,800,000	4,245,708	8.46
UAE	-	-	-	10,794,333	3,320,809	8.87	10,794,333	3,320,984	6.61
EGYPT	-	-	-	10,680,000	3,285,984	8.78	10,680,000	3,285,809	6.54
JORDAN	-	-	-	8,456,671	2,601,780	6.95	8,456,671	2,601,780	5.18
TUNISIA	6,988,230	2,149,999	16.84	800,000	246,128	0.66	7,788,230	2,396,127	4.77
KUWAIT	-	-	-	4,481,398	1,378,747	3.68	4,481,398	1,378,747	2.75
LIBYA	-	-	-	3,000,000	922,980	2.47	3,000,000	922,980	1.84
MOROCCO	-	-	-	3,000,000	922,980	2.47	3,000,000	922,980	1.84
QATAR	-	-	-	2,694,311	828,932	2.21	2,694,311	828,932	1.65
BAHRAIN	-	-	-	2,698,593	830,249	2.22	2,698,593	830,249	1.65
LEBANON	-	-	-	1,040,000	319,967	0.85	1,040,000	319,967	0.64
SYRIA	-	-	-	1,025,000	315,352	0.84	1,025,000	315,352	0.63
OMAN	-	-	-	559,721	172,205	0.46	559,721	172,205	0.34
YEMEN	-	-	-	107,500	33,074	0.08	107,500	33,074	0.08
GRAND TOTAL	41,488,230	12,764,269	100.00	121,692,740	37,439,994	100.00	163,180,970	50,204,263	100.00
% TO GRAND TOTAL	25.4			74.6					

TABLE (3)
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	SAUDI										
	LEBANON US\$	JOINT US\$	ARABIA US\$	UAE US\$	JORDAN US\$	KUWAIT US\$	EGYPT US\$	SYRIA US\$	TOTAL US\$ KD %		
SAUDI ARABIA	14,425,000	5,000,000	-	8,142,090	1,515,000	6,028,125	520,000	-	35,630,215	10,961,993	29.28
SUDAN	25,000	8,700,000	1,000,000	2,300,000	7,250,000	-	3,650,000	-	22,925,000	7,053,106	18.84
ALGERIA	10,000,000	3,000,000	-	-	800,000	-	-	-	13,800,000	4,245,708	11.34
UAE	5,300,000	500,000	3,321,666	-	80,000	1,592,667	-	-	10,794,333	3,320,984	8.87
EGYPT	4,630,000	6,000,000	50,000	-	-	-	-	-	10,680,000	3,285,809	8.78
JORDAN	4,625,000	500,000	2,551,589	-	-	780,082	-	-	8,456,671	2,601,780	6.95
KUWAIT	1,240,000	-	2,941,398	-	300,000	-	-	-	4,481,398	1,378,747	3.68
MOROCCO	-	3,000,000	-	-	-	-	-	-	3,000,000	922,980	2.47
LIBYA	-	3,000,000	-	-	-	-	-	-	3,000,000	922,980	2.47
BAHRAIN	175,000	-	2,323,593	-	200,000	-	-	-	2,698,593	830,249	2.22
QATAR	800,000	-	1,080,427	651,367	-	162,517	-	-	2,694,311	828,932	2.21
LEBANON	-	500,000	-	-	375,000	-	-	165,000	1,040,000	319,967	0.85
SYRIA	25,000	1,000,000	-	-	-	-	-	-	1,025,000	315,352	0.84
TUNSLA	-	500,000	-	-	300,000	-	-	-	800,000	246,128	0.66
OMAN	25,000	-	133,386	71,321	200,000	130,014	-	-	559,721	172,205	0.46
YEMEN	25,000	-	-	-	82,500	-	-	-	107,500	33,078	0.08
TOTAL IN US\$	41,295,000	31,700,000	13,402,058	11,164,778	11,102,500	8,693,404	4,170,000	165,00	121,692,740		100.00
TOTAL IN KD	12,704,823	9,752,822	4,123,277	3,434,956	3,415,797	2,674,613	1,282,942	50,764		37,439,994	
% OF TOTAL	33.93	26.05	11.01	9.17	9.12	7.14	3.43	0.15		100.00	

TABLE (4)
VALUE OF CURRENT CONTRACTS & OUTSTANDING COMMITMENTS AS AT 31/12/2001
BY HOST/IMPORTING COUNTRIES AND TYPE OF CONTRACT
(IN US DOLLARS AND ITS EQUIVALENT IN KD)⁽¹⁾

HOST/IMPORTING COUNTRY	INVESTMENT CONTRACTS ⁽²⁾		EXPORT CREDIT CONTRACTS		TOTAL		% OF TOTAL	OUTSTANDING COMMITMENTS ⁽³⁾	
	US\$	KD	US\$	KD	US\$	KD	TOTAL	US\$	KD
JORDAN	-	-	8,563,173	2,634,546	8,563,173	2,634,546	2.97	472,768	145,452
UAE	-	-	11,254,951	3,462,698	11,254,951	3,462,698	3.90	660,942	203,345
BAHRAIN	-	-	2,698,593	830,249	2,698,593	830,249	0.49	13,249	4,076
TUNISIA	24,458,805	7,524,996	800,000	246,128	25,258,805	7,771,124	8.76	12,624,839	3,884,158
ALGERIA	-	-	15,593,721	4,797,565	15,593,721	4,797,565	5.41	4,416,363	1,358,738
SAUDI ARABIA	-	-	37,564,197	11,557,001	37,564,197	11,557,001	13.03	2,620,420	806,199
SUDAN	49,500,000	15,229,170	26,121,271	8,036,471	75,621,271	23,265,641	26.22	2,249,492	692,079
SYRIA	12,420,000	3,821,137	1,025,000	315,352	13,445,000	4,136,489	4.66	5,600,000	1,722,896
OMAN	-	-	559,721	172,204	559,721	172,204	0.19	-	-
QATAR	-	-	5,053,970	1,554,904	5,053,970	1,554,904	1.75	146,630	45,112
KUWAIT	-	-	2,292,243	705,231	2,292,243	705,231	0.79	31,670	9,743
LIBYA	-	-	3,000,000	922,980	3,000,000	922,980	1.04	-	-
LEBANON	68,529,932	21,083,919	1,703,129	523,985	70,233,061	21,607,904	24.35	32,050,122	9,860,541
EGYPT	-	-	11,126,791	3,423,268	11,126,791	3,423,268	3.86	185,880	57,188
MOROCCO	3,000,000	922,980	3,000,000	922,980	6,000,000	1,845,960	2.08	-	-
YEMEN	-	-	107,500	33,073	107,500	33,073	0.04	-	-
TOTAL	157,908,737	48,582,202	130,464,259	40,138,635	288,372,996	88,720,837	100.00	61,072,375	18,789,528

(1) USD 1 = KD 0.30766

(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 (5)
EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 2001

	EXPORTING COUNTRY	IMPORTING COUNTRY	GOODS	VALUE IN US\$	VALUE IN KD
1	JORDAN	SEVERAL COUNTRIES	PAINTS & CHEMICAL	240,000	73,838
2		SEVERAL COUNTRIES	PAINTS & CHEMICAL	600,000	184,596
3		SEVERAL COUNTRIES	PAINTS & CHEMICAL	1,100,000	338,426
4		TUNISIA	CHEMICAL FERTILIZER	300,000	92,298
5		LEBANON	CHEMICAL FERTILIZER	300,000	92,298
6		LEBANON	GARMENTS	75,000	23,075
7		SAUDI ARABIA	STATIONARY AND COVERS	130,000	39,996
8		SAUDI ARABIA	FOODSTUFF	75,000	23,075
9		SAUDI ARABIA	PAINTS & CHEMICAL	150,000	46,149
10		ALGERIA	HUMAN MEDICINE	800,000	246,128
11		SUDAN	POLYPROPELENE PAPER	50,000	15,383
12		SUDAN	FERTILIZERS, DISINFECTANTS		
			AND TYRES	1,750,000	538,405
13		SUDAN	UREA AND TYRES	3,000,000	922,980
14		SUDAN	FERTILIZERS, DISINFECTANTS		
			AND TYRES	1,250,000	384,575
15		YEMEN	PACKAGING MATERIALS	82,500	25,382
16		SUDAN	CEMENT	1,200,000	369,192
			JORDAN S TOTAL	11,102,500	3,415,795
17	UAE	SAUDI ARABIA	POTATO CHIPS	8,142,090	2,504,995
18		QATAR	POTATO CHIPS	651,367	200,400
19		OMAN	GLASS	71,321	21,943
20		SUDAN	INDUSTRIAL EQUIPMENT	1,000,000	307,660
21		SUDAN	CHEMICAL AND METAL		
			MATERIALS	300,000	92,298
22		SUDAN	WHEAT FLOUR	1,000,000	307,660
			UAE S TOTAL	11,164,778	3,434,956
23	SAUDI ARABIA	SEVERAL COUNTRIES	CARTON BOXES	7,772,562	2,391,307
24		SEVERAL COUNTRIES	ELECTRICAL APPLIANCES	133,386	41,038
25		SEVERAL COUNTRIES	CARTON BOXES	733,623	225,706
26		UAE	CHEMICAL FERTILIZERS	160,063	49,245
27		JORDAN	METAL CANS	213,418	65,660
28		EGYPT	CARTON PIPES	50,000	15,383

TABLE (5)(contd.)
EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 2001

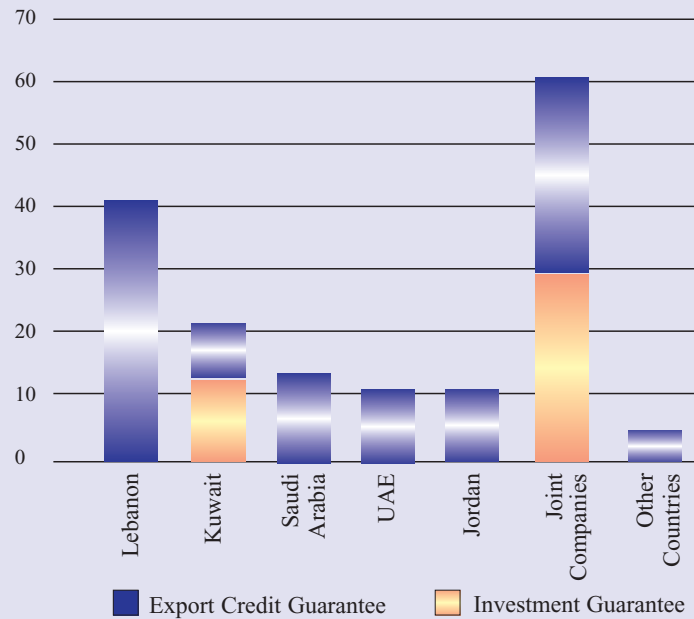
	EXPORTING COUNTRY	IMPORTING COUNTRY	GOODS	VALUE IN US\$	VALUE IN KD
29	SAUDI ARABIA	BAHRAIN	SWITCH BOARDS	53,354	16,415
30		JORDAN	METAL CANS	320,126	98,490
31		SUDAN	HYDROCARBON SOLVANTS	1,000,000	307,660
32		UAE	TRUCKS	2,965,525	912,373
		SAUDI ARABIA S TOTAL:		13,402,058	4,123,277
33	SYRIA	LEBANON	CHEESE	165,000	50,764
		SYRIA S TOTAL:		165,000	50,764
34	KUWAIT	SEVERAL COUNTRIES	INSULATING MATERIALS	6,663,200	2,050,000
35		SEVERAL COUNTRIES	FOODSTUFF	910,096	280,000
36		SAUDI ARABIA	FOODSTUFF	80,000	24,613
37		SAUDI ARABIA	FOODSTUFF	195,020	60,000
38		SAUDI ARABIA	FOODSTUFF	585,020	180,000
39		UAE	FOODSTUFF	260,027	80,000
		KUWAIT S TOTAL:		8,693,404	2,674,613
40	LEBANON	SEVERAL COUNTRIES	JEWELRY	16,450,000	5,061,007
41		JORDAN	PACKAGING MATERIALS	2,500,000	769,150
42		SEVERAL COUNTRIES	PAPER PRODUCTS	1,195,000	367,654
43		SEVERAL COUNTRIES	ELECTRICAL APPLIANCES	2,500,000	769,150
44		EGYPT	CONFECTIONERY	300,000	92,298
45		SEVERAL COUNTRIES	CARPETS	2,100,000	646,086
46		SEVERAL COUNTRIES	HUMAN MEDICINES	550,000	169,213
47		SEVERAL COUNTRIES	CERAMICS	3,100,000	953,746
48		SAUDI ARABIA	PACKAGING MATERIALS	300,000	92,298
49		UAE	ORGANIC FERTILIZERS	500,000	153,830
50		UAE	CARTON	100,000	30,766
51		UAE	PACKAGING MATERIALS	300,000	92,298
52		UAE	ORGANIC FERTILIZERS	1,400,000	430,724
53		ALGERIA	TELEPHONE CABLES	10,000,000	3,076,600
		LEBANON S TOTAL:		41,295,000	12,704,820
54	EGYPT	SAUDI ARABIA	AGRICULTURAL PRODUCTS	400,000	123,064
55		SAUDI ARABIA	ALUMINIUM FOIL	120,000	36,919
56		SUDAN	STEEL	3,300,000	1,015,278

TABLE (5)(contd.)
EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 2001

	EXPORTING COUNTRY	IMPORTING COUNTRY	GOODS	VALUE IN US\$	VALUE IN KD
57	EGYPT	SUDAN	CERAMICS	100,000	30,766
58		SUDAN	VETERINARY MEDICINES	250,000	76,915
			EGYPT S TOTAL:	4,170,000	1,282,942
59	JOINT	EGYPT	HOTEL S FURNITURE	3,000,000	922,980
60		SEVERAL COUNTRIES	VARIOUS PRODUCTS	25,000,000	7,691,500
61		SUDAN	BRASS FOUNDES AND CABLES	1,500,000	461,490
62		SUDAN	CEMENT	1,650,000	507,639
63		SUDAN	TEXTILE	550,000	169,213
			JOINT S TOTAL:	31,700,000	9,752,822
			GRAND TOTAL	121,692,740	37,439,989

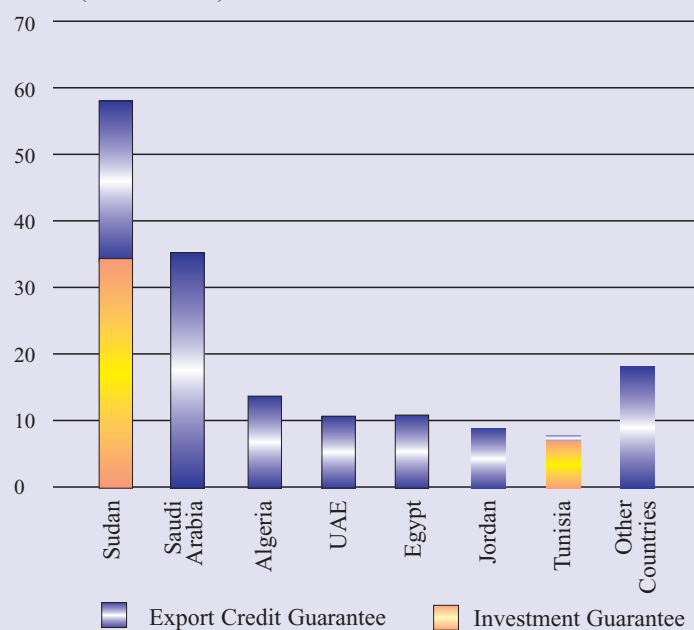
GUARANTEE CONTRACTS SIGNED DURING 2001 (BY NATIONALITY OF GUARANTEED PARTIES)

Value (US\$ Millions)

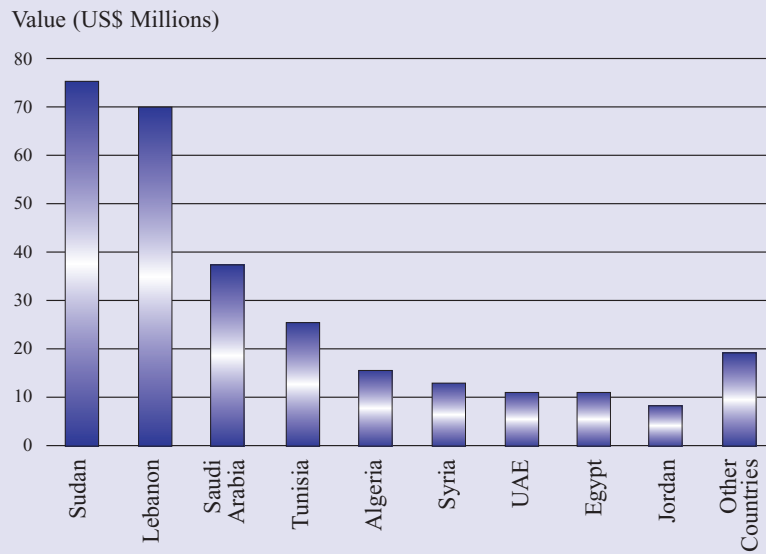


GUARANTEE CONTRACTS SIGNED DURING 2001 (BY HOST/IMPORTING COUNTRIES)

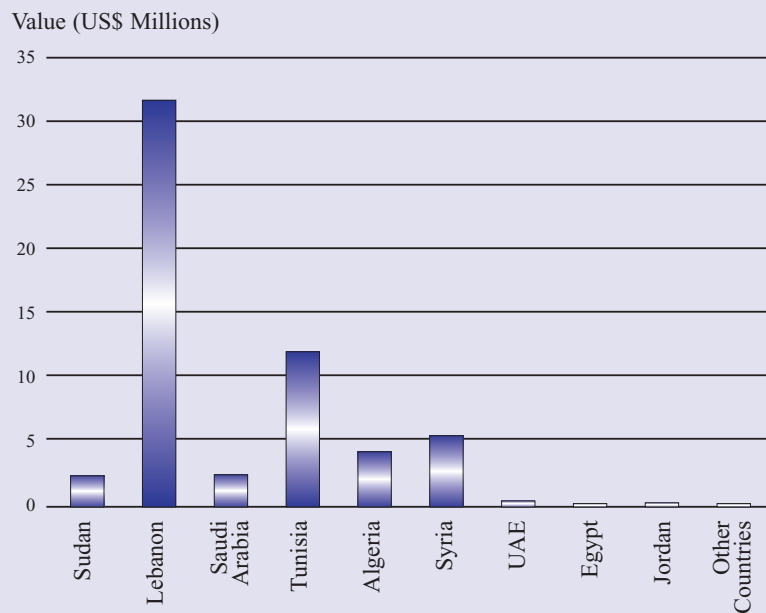
Value (US\$ Millions)



**CURRENT CONTRACTS AS AT 31/12/2001
(BY HOST/IMPORTING COUNTRIES)**



**OUTSTANDING COMMITMENTS AS AT 31/12/2001
(BY HOST/IMPORTING COUNTRIES)**



Chapter Three: Ancillary Activities and Support Services

3.1 Reports, Studies, Publications and Conferences:

During 2001 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 Report on Investment Climate, the Capsule Series, the Monthly Bulletin, and a number of specialized studies and papers, as follows:

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

- * The report on Investment Climate in the Arab Countries for 2000 was finalized and distributed to government agencies and institutions in charge of investment, institutional and individual investors, select readership, Arab and international organizations. Work on the 2001 report was initiated.

3.1.2 Capsule Series:

The Corporation published (6) issues of the 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:

- * **Asia after the Financial Crisis - the New Approach :** This summary reviewed the major thoughts of Dr. Mahateer Mohammed, the renown Malaysian Prime Minister, expressed in his book *A New Deal for Asia*, focusing on the Malaysian experience in consolidation of its economy to encounter the ramifications of the Asian financial crisis in the summer of 1997.
- * **Energy for Tomorrow s World: the Need to Act Now :** This summary reviewed the main conclusions of the World Energy Council Report published in the year 2000 under the same title, focusing on regional and international developments that emerged since 1993 in the field of energy, within the framework of an integrated program till the year 2020, and reviewing assumptions on the supply and demand sides and the rising concern on environmental issues.
- * **Euro-Arab Partnership: Rationale & Benefits :** This summary reviewed the main features of the Euro-Arab partnership agreements and the potential economic and social impact on the future of the region based on the experience of the Arab countries that signed this agreement. The summary was based on regional and international relevant reports.
- * **Features of the 21st Century Company :** This summary reviewed the major findings of a Business Week Magazine article published in the end of 2000, depicting the emerging characteristic of the corporation in the new century, and the changing methods of management.
- * **Means of Dealing with Change :** This summary reviewed the main findings of the bestseller book *Who Moved my Cheese* wrote by Dr. Spencer Johnson in the year 2000. The summary tackles the issue of change and how to deal with it, as well as how it affects individuals, groups and institutional entities. It further reflects on the importance of understanding change in technological advance-

ment and its impact on utilization processes and cost-benefit chains from the perspective of the Arab investor for maintaining competitiveness and expanding investment potential.

- * **Intellectual Property Rights :** This summary reviewed the current situation in intellectual property rights based on various regional and international reports especially those by the World Trade Organization on TRIPS agreement, the World Intellectual Property Organization (WIPO), and the Arab Society for Intellectual Property (ASIP). The summary attempts to outline the major IP rights, agreements that govern them, the resulting rights and obligations, and the status of IP in the Arab countries.

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 6000 copies monthly for public and private Arab investment institutions, investors and decision-makers. The Bulletin was made available online through the Corporation s website.
- * The Bulletin covered the Corporation s activities during the year including emerging trends in the Guarantee Industry, the guarantee operations executed, and the new publications, like the Legal Encyclopedia for Investment in Libya.
- * The Bulletin tackled several issues in its editorial among which were: The Greater Arab Free Trade Area; Arab-Chinese Cooperation; the Ninth Arab Businessmen & Investors Conference; developments in exchange rate on Egypt and its implications; investment climate in the Arab Countries in 2000; new model of cooperation among Inter-Arab investment companies; Palestinian economy holding to pressures.
- * The Bulletin covered emerging issues relevant to investment on international, regional, and national levels such as: the impact of 11/9 on world economy; FDI inflows for 2000 and forecasts for 2001; rising number of bilateral investment agreements (BITs); the emerging trends in the non-commercial risk market; financial globalization and its impact on the financial markets of emerging economies; launching Islamic investment portal in the internet.
- * The Bulletin covered new developments that concern decision makers and investors in the Arab countries like: country risk in Arab countries; new economic reforms in Algeria; rising concern on money laundering efforts in the Arab countries; new custom measures in Egypt; industrial competitiveness in Jordan; new ownership law for foreigners in Lebanon; new measures for investment in Qatar; potential of the communications sector in Saudi Arabia; Syria amending its investment law and authorizes opening of private banks.
- * The Bulletin followed developments relating to the infrastructure of the new economy in the Arab, like: formulating e-commerce legislation in the Arab countries; Dubai launches the first Arab e-gov-

ernment initiative; Oman completes initial study to launch e-government program; the first technology fund established; opening the biggest information center in Egypt; development of application of intellectual property rights in the Arab countries.

- * The Bulletin presented new developments in the IT sector like: the development of the digital economy: Britain experience; the impact of IP in the American economy; software pirating trends for 2000; technological applications for e-governments; characteristics of an enabling e-environment.
- * The Bulletin covered the following indices: Information Society Index for 2000; Business Environment Index (2000-2004); Wealth of Nations Index for Emerging Countries (2000 & 2001); Economic Freedom Index (2000 & 2001), Opacity Index (2000); Transparency or Corruption Perception Index (2000); Entrepreneurship Index (2001).
- * The bulletin continued to follow up on investment promotion activities and to support promotion of viable investment opportunities in the Arab countries.

3.1.4 Specialized Studies and Papers:

- * A publication was produced on **Investment Promotion Techniques in the Arab Countries** , based on the papers and deliberations that took place in the regional workshop under the same title co-sponsored by IAIGC and the Foreign Investment Advisory Service (FIAS) of the World Bank Group, in cooperation with Jordan Investment Board (JIB), and held in Amman, Jordan, during the period 30-31/10/2000. More than 50 Arab experts from 18 Arab countries participated in the said workshop.
- * A paper on **Reflection on the Arab Coordination Experience among National & Regional Development Agencies and the Lessons Learnt for the Joint Arab Companies** , presented in the First Coordination Meeting of the Inter- Arab companies held in Khartoum, Sudan, during the period 6-7/2/2001.
- * A paper on **Investments Flows between Arab Countries & China** , presented in the seminar on Enhancing Exchange of Investments between China & the Arab Countries , held in Xiamen, China, during 8-12/9/2001.

3.1.5 Conferences and Seminars:

- * The First Coordination meeting for inter-Arab companies was held in Khartoum, Sudan, during 6-7/2/2001, bringing together ten major inter-Arab companies, specializing in animal and agricultural production, mining, financial services, pharmaceuticals, communications, and guarantee industry, to exchange views on potential and viable investment opportunities mainly in mining and pharmaceuticals and to identify marketing and distribution channels, loan syndication, methods of implementation, and coordination priorities. The meeting ended with four Inter-Arab companies agreeing to consider a veterinary medicines project in Sudan. The Coordination Secretariat held a special meet-

ing in Khartoum on 28/3/2001 to discuss the proposed project with the Sudanese counterpart. Another meeting followed in Amman, Jordan on 18/6/2001, held in the Arab Company for Drug Industries and Medical Appliances (ACDIMA) office in Amman to discuss further measures towards implementation of the said project.

- * A Tele-conference was held with Multilateral Investment Guarantee Agency (MIGA), of the World Bank Group, on 23/4/2001 to discuss co-organization of a regional workshop on e-promotion. The Foreign Investment Advisory Service (FIAS), of the World Bank Group, expressed interest to take part in this coming workshop expected to be held in the third quarter of 2002 in an Arab country. An initial survey on the status of e-promotion in the Arab Investment Promotion Agencies (IPAs) was conducted by the Corporation.
- * The Corporation participated in the International Forum on Investment and Trade and the accompanied seminar on Enhancing Exchange of Investments between China & the Arab Countries, held in Xiamen, China, during 8-12/9/2001. The Arab delegation was coordinated under the Arab League Secretariat, and included Arab businessmen operating in China and from several Arab countries as well as official delegates from Egypt, Sudan, UAE, Oman, Jordan, Syria, Iraq, Palestine, Lebanon, and Yemen; as well as the Arab Organization for Agricultural Development.
- * The Corporation co-organized the Ninth Arab Businessmen and Investors Conference that was held in Dubai during 12-14/11/2001 under the Patronage of Sheikh Maktoum Ben Rashid AlMaktoum. More than 450 Arab and foreign experts and businessmen participated in the Conference. The main theme was investment opportunities in the IT sector in the Arab countries, and the needed legislation, infrastructure, human capital, and the private sector initiatives.

3.2 Investment Promotion:

IAIGC focused its activities in this aspect on the following:

- * The Corporation covered in its monthly bulletin Daman Al Istismar (65) investment opportunities, distributed amongst the industrial, agricultural, and service sectors in areas like cement production, melamine, recycled paper products, air conditioning units, pumps, ceramic, frozen vegetables, animal feed, IT services, water boilers, recreational and cultural touristic park.
- * IAIGC addressed Arab IPAs to fill (8) specialized tables covering various investment promotion activities as well as legislative changes that took place during 2001, and coordinated the feedback to reflect the regional investment promotion outlook.
- * IAIGC informed Arab IPAs about available training opportunities in investment promotion. One was the Eighth Training Program with Malaysia Industrial Development Agency (MIDA) that was held during 23/7-4/8/2001, and the other was a training workshop on investment promotion with the Arab Planning Institute, held at the request of a member Arab country.

3.3 Cooperation with Arab and International Organizations:

During 2001 the Corporation participated in (36) conferences and meetings, (22) of which were relevant to joint Arab action, one meeting involved an international party, and (13) meetings covered economic and investment issues of relevance to the Corporation's core business. Of these meetings (9) were held in Kuwait, (8) in Egypt, (8) in UAE, (5) in Lebanon, (1) in each of Jordan, Algeria, Oman, Morocco, Kenya, and China. 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 towards various productive and service sectors in the Arab countries, aiming at enhancing understanding on issues relevant to investment and inter-Arab trade. On the other hand, these meetings served to strengthen the Corporation's relations and coordination with international and regional organizations.

3.4 Computerization:

Computer Programs

- * The following programs were executed during the year:
- Upgrade of the Administrative Procedures Program.
- Upgrade for Employees Payment Program.
- Upgrade of Accounting Program
- Upgrade of the General Information Program for the Arab Countries.
- Upgrade of the Operations Program.
- Continued backup of documents.
- Installation of anti-virus programs in all PCs.
- Implementing pre-emptive maintenance program.
- Upgrade of old PCs.

Networks

- * Updating content in IAIGC Website.
- * Coordinating internal e-mails
- * Assigning special server for e-mails.
- * Maintenance of neighborhood network.

3.5 The Library

- * The Corporation continued to streamline subscriptions to Arabic and foreign periodicals, and to enhance utilization of the Arab Fund for Economic & Social Development Library, as well as the internet.

3.6 Training:

In its effort to enhance the efficiency of its employees, the Corporation enrolled (14) staff members in (14) training courses in the following fields:

Professional Courses:

- * Two staff members from the Operations & Corporate Development Department attended a workshop on Export Credit Guarantees , organized by the Islamic Corporation for Insurance of Export Credit and Investment in Jeddah, Saudi Arabia, during 2/4 to 4/2001.
- * A staff member from the Financial Affairs attended a workshop on Portfolio Management and Investment Assets and Bond Evaluation , held in Kuwait during 8-12/9/2001.
- * A staff member from the Economics Department attended a training workshop on Methods of Effective Information Presentation , organized by Union of GCC Chambers and Bahrain Chamber of Commerce and Industry, held in Manama, Bahrain, during 10-12/9/2001.
- * A staff member from the Operations & Corporate Development Department attended a workshop Marketing Insurance Services through the Internet , organized by the General Union of Arab Insurance, held in Beirut, Lebanon, during 2-3/10/2001.
- * A staff member from the Operations & Corporate Development Department attended a workshop Building the Clients Loyalty , organized by Al Ahliyah Gulf Consulting, held in Kuwait during 4-6/11/2001.

Computer Courses:

- * Basic Courses: (4) staff members from General Management, the Operations & Corporate Development Department, and Administrative Affairs, participated in (4) basic computer courses, organized by New Horizon and held in Kuwait.
- * Advanced Courses: (3) staff members from Economics Department and Administrative Affairs participated in (4) advanced courses on Corel draw, Adobe, and Archiving.

English Language Courses:

- * One Staff member from the Operations & Corporate Development Department participated in an English Language courses organized by the British Council, and held in Kuwait during 9/5 - 25/6/2001.

3.7 Information Activities:

Based on the media program adopted for the year 2001, seven press releases were issued during the year and transmitted to local, and national Arab media, as well as to Arab media abroad, covering, among other subjects, the annual meeting of the Corporation's Governing Council, the meetings of the Corporation's Supervisory Committee, developments in the guarantee and recovery operations, and other activities. The content of the Investment Climate in the Arab Countries Report for 2000, the Capsule Series, and the monthly Bulletin, were quoted in several Arabic newspapers and magazines.

The Corporation also participated in two press conferences one held in Dubai 25/9/2001 and the other held in Kuwait on 29/9/2001 relating to the Ninth Arab Businessmen and Investors Conference. A total of (99) news items on the Corporation were published in the press at an average of 2 news items per week.

Chapter Four: Financial Report

The paid up capital has increased from KD 24,689,871 (US\$ 80,250,507) as at 31 December 2000 to KD 24,751,667 (US\$ 80,451,365) as at 31 December 2001. This is an increase of KD 61,796 (US\$ 200,858) and it represents a payment by the government of Sudan to increase its share in the capital of the Corporation.

As for the financial markets there has been wide spread expectation for the markets to improve during the second half of the year 2001 as a result of the interest rate reductions as well as other policy measures adopted by the United States and Europe to boost the economy, however, the recovery did not materialize and the financial markets remained in doldrums and with events of September 11, 2001 events have taken a turn to the worst.

These developments have adversely affected the unrealized profit (loss) for the year (including recoverable claims) which declined from KD 911,237 (US\$ 2,961,831) as at 31 December 2000 to (KD 86,804) (US\$ 282,143) as at 31 December 2001.

Consequently, the Investment in Portfolios and Funds has also suffered an unrealized loss of KD 2,111,340 (US\$ 6,862,576) however, the U.S Dollar appreciation against the Kuwaiti Dinar has resulted in a slight profit of KD 2,920 (US\$ 9,491) as at 31 December 2001 compared to KD 110,630 (US\$ 359,585) as at 31 December 2000.

The total expenditure for the year 2001 has amounted to KD 1,773,548 (US\$ 5,764,636) compared to KD 1,793,525 (US\$ 5,829,572) for the year 2000. This is a decrease of KD 19,977 (US\$ 64,936).

The balance sheet as at 31 December 2001 shows that the total financial resources for the Corporation amounted to KD 61,797,690 (US\$ 200,863,583) which is comprised of KD 28,829,672 (US\$ 93,706,273) which is investments in the financial markets in the form of money markets and investments in securities (Marketable Securities), and KD 32,968,018 (US\$ 107,157,310) promissory notes and recoverable claims.

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, 2001 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 (8) 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, 2001 and understatement of net loss for the year then ended of KD 15,219,851 and KD 1,613,545 respectively.

Promissory notes receivable and recoverable claims amounted to KD 3,965,585 and KD 29,002,433 respectively as of December 31, 2001 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, 2001 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 contravention's 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
March 17, 2002

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

Balance Sheet December 31, 2001

		December 31,	
		2001	2000
ASSETS	Note	KD	KD
Cash and cash equivalents	4	392,369	657,917
Investment in bonds		1,466,758	1,009,620
Investment in portfolios and funds		25,935,608	30,559,119
Time deposits		-	30,558
Claim from two member countries	5	669,206	647,548
Promissory notes receivable	6	3,965,585	3,938,775
Investment in Arab Trade Finance Program	7	365,731	365,731
Recoverable claims	8	29,002,433	28,089,895
Accrued interest		15,277,459	13,632,169
Reinsurance claims receivable	9	4,910,943	4,878,285
Due from saving fund		186,464	317,629
Accounts receivable and other debit balances	10	530,299	236,533
Share of joint building	11	1,171,560	1,211,556
Total assets		83,874,415	85,575,335

The accompanying notes are an integral part of the financial statements

		December 31,	
		2001	2000
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	KD	KD
Liabilities:			
Accounts payable and other credit balances	12	1,845,212	1,898,899
Reinsurance claims payable	9	7,827,608	7,676,285
Total liabilities		9,672,820	9,575,184
Shareholders' equity:			
Paid-up capital	13	24,751,667	24,689,871
General reserve	14	49,449,928	51,310,280
Total shareholders' equity		74,201,595	76,000,151
Total liabilities and shareholders' equity		83,874,415	85,575,335

Statement of Revenues and Expenses

For the year ended December 31, 2001

		2001	2000
	Note	KD	KD
Revenues:			
Net guarantee premiums		233,967	209,325
Interest on promissory notes and recoverable claims	8	1,613,545	1,523,833
Bank interest		17,981	34,015
Interest on bonds		140,244	106,129
Investment (loss) income	15	(2,149,475)	(1,191,489)
Foreign currency exchange gain	16	2,920	110,630
Interest on a claim from two member countries	5	46,393	71,679
Other miscellaneous income		7,621	47,115
Total revenues		(86,804)	911,237
Expenses:			
	17		
First Chapter- Salaries, wages and bonuses		1,034,517	1,099,650
Second Chapter - General and administrative expenses		586,676	641,205
Third Chapter - Capital expenses		60,505	47,535
Fourth Chapter - Provision for contingencies and Arbitration fees		91,850	5,135
Total expenses		1,773,548	1,793,525
Net (loss) income for the year		(1,860,352)	(882,288)

The accompanying notes are an integral part of the financial statements

Statement of Changes in Shareholders Equity

For the year ended December 31, 2001

	Paid-up Capital KD	General Reserve KD	Net retained earnings (losses) KD	Total KD
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
Paid in capital increase	61,796	-	-	61,796
Net loss for the year	-	-	(1,860,352)	(1,860,352)
Transfer from general reserve	-	(1,860,352)	1,860,352	-
Balance at December 31, 2001	24,751,667	49,449,928	-	74,201,595

The accompanying notes are an integral part of the financial statements

Statement of Cash Flows

For the year ended December 31, 2001

	2001	2000
	KD	KD
Cash flows from operating activities:		
Net (loss) income for the year	(1,860,352)	(882,288)
Adjustments for:		
Depreciation	60,505	47,535
Investment loss	2,149,475	1,191,489
Interest income	(1,818,163)	(1,735,656)
Interest expense on a finance lease agreement	98,343	99,115
Operating loss before changes in operating assets and liabilities	(1,370,192)	(1,279,805)
Proceeds from claim from two member countries	24,735	9,492
Increase in promissory notes receivable	(26,810)	(11,601)
Investment in Arab trade finance program	-	15,119
Increase in recoverable claims	(912,538)	(1,642,689)
Increase in reinsurance claims receivable	(32,658)	-
(Increase) decrease in accounts receivable and other debit balances	(293,766)	74,861
Decrease (increase) in due from / to saving fund	131,165	(397,125)
(Decrease) increase in accounts payable and other credit balances	(41,875)	82,152
Increase in reinsurance claims payable	151,323	-
Cash used in operations	(2,370,616)	(3,149,596)
Interest received	126,480	167,876
Dividends received	21,049	16,806
Net cash used in operating activities	(2,223,087)	(2,964,914)
Cash flows from investing activities:		
Net (paid in) proceeds from sale of bonds	(516,321)	599,866
Net proceeds from sale of investment in		
Portfolios and funds	2,512,170	388,352
Time deposits liquidated	30,558	465,768
Purchase of fixed assets	(20,509)	(10,821)
Net cash generated from investing activities	2,005,898	1,443,165
Cash flows from financing activities:		
Payment of principal of finance lease agreement	(11,812)	(11,040)
Interest paid on finance lease agreement	(98,343)	(99,115)
Proceeds from capital increase	61,796	-
Net cash used in financing activities	(48,359)	(110,155)
Net (decrease) increase in cash and cash equivalents	(265,548)	(1,631,904)
Cash and cash equivalents at beginning of the year	657,917	2,289,821
Cash and cash equivalents at end of the year	392,369	657,917

Notes to Financial Statements

December 31, 2001

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, 2001, the Corporation had 43 employees (2000 - 47 employees).

The financial statements were authorized for issue by the Corporation Director General on March 17, 2001.

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 available-for-sale

The Corporation determines the appropriate classification of its investments at the date of purchase. This classification is reviewed periodically. The Corporation had classified its investments held for an indefinite period, and can be sold when needed as investment available for sale. These investments include bonds, portfolios, funds and investment in Arab trade finance program.

Investments are recognized at cost, including all acquisition costs associated with purchase process being the fair value of the consideration given, which is measured using settlement date. Investments available-for-sale are measured at fair value at the balance sheet date. The fair value of quoted investments is measured at their market prices while the fair value of unquoted investments is determined based on pricing, profitability or discounted cash flows models, after making the necessary adjustments to reflect the specific circumstances of the company originating the

financial instrument being valued. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses.

Any gain or loss recognized or unrecognized arising from a change in the fair value of investments classified as available-for-sale is recognized in income statement.

d) Promissory notes receivable

Promissory notes are stated at face value, and its interest income is recognized in the statement of income.

e) Recoverable claims

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

f) Receivables

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

g) 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 methods 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.

h) Impairment of assets

The carrying amounts of the Corporation's assets are reviewed at each balance sheet date to determine whether there is any indication or objective evidence of impairment. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognized in income whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of the Corporation's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rates inherent in the asset. Assets with a short duration are not discounted. The recoverable amount of the Corporation's investment available-for-sale is their fair value at the balance sheet date. Impairment losses recorded in previous years are recognized as income when an evidence exists indicating that the impairment losses previously recorded are no longer exists or had decreased.

i) Payables

Accounts payables 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 added 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

In the normal course of business, the corporation deals in the financial assets and financial liabilities carried on the balance sheet which include cash and cash equivalents, investments available-for-sale 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 assets and financial liabilities 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. Change in accounting policy

Effective January 1, 2001, the Corporation adopted IAS (39), Financial Instruments-(Measurement and Recognition of Financial Instruments). The adoption of IAS (39) has resulted in classifying the Corporation's instruments into investment available-for-sale and loans and receivables originated by the Corporation. Each category of investment is accounted for using the respective policy indicated in Note (2-c). The adoption of this IAS had no effect on the financial statements for purposes of application of IAS (39). All financial assets are classified as loans and receivables originated by the Corporations except for those classified as available-for-sale.

4. Cash and cash equivalents

	2001	2000
	KD	KD
Cash on hand and at banks	365,427	589,039
Time deposits	26,942	68,878
	392,369	657,917

5. 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 46,393 during the year ended December 31, 2001 (2000 - KD 71,679).

6. Promissory notes receivable

	2001	2000
	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		
from 1988 to 1990	(19,334,256)	(19,334,256)
	12,889,504	12,889,504
Equivalent to KD	3,965,585	3,938,775

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.

7. Investment in Arab trade finance program

This program was established within the framework of the Arab Monetary Fund, to stimulate inter-Arab trade. The Corporation's share represent 0.25% of program shares. The management was not able to determine the fair value of the Corporation's investment, so it was stated at cost.

8. Recoverable claims

	2001	2000
	U.S.\$	U.S.\$
Balance at beginning of the year	91,923,212	86,803,224
Net claims paid during the year	2,989,281	5,141,964
Claims recovered during the year	(644,689)	(21,976)
Balance at end of the year	94,267,804	91,923,212
Equivalent to KD	29,002,433	28,089,895

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:

	2001	2000
	U.S.\$	U.S.\$
Balance at beginning of the year	44,527,934	39,654,345
Interest charged during the year	4,941,775	4,873,589
Balance at end of the year	49,469,709	44,527,934
Equivalent to KD	15,219,851	13,606,846

9. 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, 2001. 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.

10. Accounts receivable and other debit balances

Accounts receivable and other debit balances include an amount of U.S. \$ 1,527,108 (equivalent to KD 468,471). Deposits in a suspense account in a foreign bank as a guarantee for payment of a contingent liability in one of the legal cases Note (19 - b).

11. 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.

12. Accounts payable and other credit balances

	2001	2000
	KD	KD
Due to Arab Fund for Economic and Social Development	1,393,081	1,404,893
Due to reinsurance companies	74,540	73,401
Provision for staff leave	94,687	93,182
Provision for legal encyclopedia	15,051	6,791
Emergency provision	150,000	150,000
Others	117,853	170,632
Total	1,845,212	1,898,899

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
2002	110,155
From 2003 to 2007	550,775
From 2008 to 2033	2,864,030
Total minimum payments	3,524,960
Less: Imputed interest	(2,131,879)
Present value of minimum payments	1,393,081

13. 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. It also increased its subscription in the capital by an amount of U.S.\$ 200,000 equivalent to KD 61,796. Accordingly, the capital of the Corporation is as follows:

	2001	2000
	Capital	Capital
	KD	KD
The Hashemite Kingdom of Jordan	525,000	525,000
United Arab Emirates	1,500,000	1,500,000
State of Bahrain	500,000	500,000
The Republic of Tunisia	1,250,000	1,250,000
People's Democratic Republic of Algeria	1,250,000	1,250,000
Republic of Djibouti	200,000	200,000
Kingdom of Saudi Arabia	3,750,000	3,750,000
Republic of Sudan	1,217,932	1,156,136
Syrian Arab Republic	500,000	500,000
Somali Democratic Republic	58,735	58,735
Republic of Iraq	500,000	500,000
Sultanate of Oman	750,000	750,000
State of Palestine	500,000	500,000
State of Qatar	2,000,000	2,000,000
State of Kuwait	3,000,000	3,000,000
Republic of Lebanon	500,000	500,000
The Socialist Peoples' Libyan Arab Jamahiriya	2,500,000	2,500,000
Arab Republic of Egypt	1,250,000	1,250,000
Kingdom of Morocco	2,000,000	2,000,000
The Islamic Republic of Mauritania	500,000	500,000
The Republic of Yemen	1,000,000	1,000,000
Issued capital	25,251,667	25,189,871
Amount not to be paid by the state of Palestine	(500,000)	(500,000)
Paid-up capital	24,751,667	24,689,871

14. 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.

15. Investment (losses) income

	2001	2000
	KD	KD
(Losses) income from revaluation of portfolios and investment funds	(2,111,341)	(1,211,240)
Dividends on Arab Trade Finance Program	21,049	16,806
(Loss) income from bonds redemption and trading	(59,183)	2,945
Total	(2,149,475)	(1,191,489)

16. Foreign currency exchange gain

Foreign currency exchange differences resulted from applying the corporation's accounting policy presented in Note 2 (L). In addition, foreign exchange gain includes an amount of KD 75,000 resulting from foreign currency forward exchange contracts relating to the saving and social security fund. The corporation's management believes that such an amount is not relevant to any of the expense chapters in the financial statements. Following are exchange differences resulted from major foreign currencies:

	2001	2000
	KD	KD
Deutsche Mark	(12,236)	(25,961)
U.S. Dollar	145,252	63,862
European Currency Unit	(104,205)	112,928
Japanese Yen	(2,273)	(11,277)
G. Britain Pound	(10,779)	(23,500)
Other Currencies	(12,839)	(5,422)
Total	2,920	110,630

17. Expenses

General and administrative expenses include interest on financial lease relating to joint building of Arab Organizations in the amount of KD 98,343 (2000 - KD 99,115). Capital expenses represent fixed assets depreciation charge.

18. 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 com-

mercial and non commercial risks.

19. Contingent and unrecorded liabilities

a) The total current guarantee contracts signed by the Corporation with other parties as of December 31, 2001 amounted to KD 88,720,837 out of which executed guarantee operations amounted to KD 18,789,528. Approximately KD 1,014,655 of this amount is re-insured against commercial risks, which represents the Corporation's total outstanding contingent guarantees as of December 31, 2001.

b) During 1997, the Corporation paid a claim of U.S.\$ 10,042,165 to a bank (equivalent to KD 3,089,573 at the rate of exchange prevailing at December 31, 2001) 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 U.S.\$ 927,587 (equivalent to KD 285,381 at the rate prevailing at December 31, 2001). 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.\$ 1,527,108 (equivalent to KD 468,471 at the rate prevailing as of December 31, 2001). 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 319,966 at the rate of exchange prevailing at December 31, 2001). 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, 2001 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.

20. 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. Accordingly, the Corporation is exposed to the following risks:

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:

	Less than 1 year KD	Within 1 - 5 Years KD	Total KD	Effective interest rate%
December 31, 2001:				
Cash and cash equivalents	392,369	-	392,369	0 - 6
Bonds	611,551	855,207	1,466,758	6. 375 - 9.125
Claim on two member countries	669,206	-	669,206	5 - 7
Promissory notes receivable	3,965,585	-	3,965,585	5
Recoverable claims	29,002,433	-	29,002,433	5
	34,641,144	855,207	35,496,351	
December 31, 2000:				
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	

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 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.

At the balance sheet date, the fair values of financial instruments approximate their carrying amounts, except for:

A.Promissory notes and recoverable claims, where the management was not able to ascertain the collectability of these assets. Accordingly, no provision has been taken against losses relating to the uncollectability of these assets.

B.Reinsurance balances, since it does not bear interest and with no stated due date.

C.As explained in Note (7), relating to the fact that the investment in Arab Trade Finance program is stated at cost.

21. 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:

	2001	2000
Assets	KD	KD
Cash and cash equivalents	19	352
Investments	897,332	999,980
Employees loans	343,228	376,752
Total assets	1,240,579	1,377,084
Liabilities		
Provision for end of service indemnity	813,135	849,398
Employees salaries deductions	263,140	257,098
Employees bonus	-	72,878
Current account with the Corporation	186,464	317,629
Total liabilities	1,262,739	1,497,003
Net accumulated deficit	(22,160)	(119,919)

Revenue and expenses

	2001	2000
	KD	KD
(Losses) income from revaluation of investments	(109,077)	(148,847)
Interest and other income	228,844	95,950
Foreign currency and forward deals differences	6,443	137,046
	126,210	84,149
Expenses	(1,450)	-
Surplus for the year	124,760	84,149
Accumulated deficit at the beginning of the year	(119,919)	(124,457)
Paid during the year for resigned employees	(27,001)	(79,611)
Accumulated deficit at end of the year	(22,160)	(119,919)

The Corporation's management is aware of the net deficit amounted to KD 22,160 as of December 31, 2001 (2000-KD 119,919). 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.

22. 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.

23. Comparative figures

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