



# INTER-ARAB INVESTMENT GUARANTEE CORPORATION

## 2003

The Thirty First Annual Report

**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 against non-commercial risks, and for inter-Arab export credits as well as Arab export credits to international markets against non-commercial and commercial risks. 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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### **The Subscribers' Council:**

It 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, the adoption of the financial and administrative rules and regulations, deciding upon the financial and administrative matters, appointment of members of the Board of Directors and the Director General.

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

### **The Board of Directors:**

The Board consists of eight part time member elected by the Subscribers' Council for a three-years term. The Board shall elect its Chairman from among its members. It shall, in administering the Corporation, exercise the powers delegated to it by the Council. These comprise preparation of the financial and administrative rules, approval of the operations and research programs presented by the Director General of the Corporation and overseeing their execution, determination of how the Corporation's resources are to be invested, adoption of its annual financial program, and presentation to the Council of an annual report on the activity of the Corporation.

#### **The members of the current Board of Directors are:**

H.E. Nassir Ben Mohamad Al Gahtani	<i>Chairman</i>
H.E. Dr. Mohammed Said Mohammed Shahin	<i>Member</i>
H.E. Mr. Jasim Rashid Al Shamsi	<i>Member</i>
H.E. Mr. Mansour Ibrahim Al Mahmoud	<i>Member</i>
H.E. Mr. Badr Suleiman Algar Alla	<i>Member</i>
H.E. Mr. Ali Ramadhan Shinaibish	<i>Member</i>
H.E. Dr. Ahmad Al Sa'eed Sharaf Aldin	<i>Member</i>
H.E. Abdeltif Loudayi	<i>Member</i>

The Director General:

**Mr. Fahad Rashid Al Ibrahim**





His Excellency the Chairman of the 31st Session of the Subscribers' Council of the Inter-Arab Investment Guarantee Corporation,

In accordance with Article (12) (e) of Inter-Arab Investment Guarantee Corporation's Convention, it is my pleasure to submit to your honorable Council for consideration the Annual Report of the Board of Directors on the activity of the Corporation for the year 2003.

**Please accept my highest consideration,**

Nassir Ben Mohamad Al Gahtani

**Chairman of the Board of Directors**

Kuwait, April 2003



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## Chapter One: Introduction

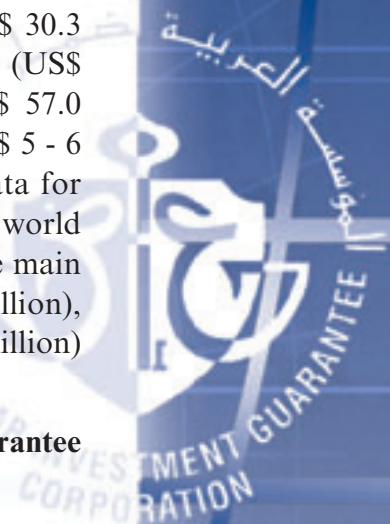
The **world economy** witnessed slight improvement in 2003, with the world output growth rate rising to 3.2%, compared to a growth rate of 3.0% in 2002, reaching in value US\$ 35.6 trillion up from US\$ 32.2 trillion for the same period. World economic conditions were affected during the first half of 2003 by several "adverse shocks", yet overall, the year ended with positive indications of renewed recovery triggered by the continuous control of inflation, the short war in Iraq, pickup of stock markets and business confidence. However, on the downside, international trade remained weak, oil prices volatile, the spread of "SARS" in southern Asia, and the continued depreciation of US dollar in contrast to the substantial appreciation of the Euro.

The **advanced countries group** witnessed a continuous yet mediocre growth rate of 1.8% around the same level as in 2002, whereas the **developing countries group** maintained a better growth rate, rising to 5.0% in 2003 from 4.6% in 2002. The **group of countries in transition** recorded a growth rate of 4.9%, up from 4.2% for the same period last year. **Inflation**, as measured by the Consumer Price Index, maintained a low level in the **group of advanced countries**, reaching about 1.8% in 2003 compared to 1.5% in 2002, while the group of **developing countries** maintained a higher inflation rate rising slightly from 5.3% to 5.9% for the same period; the **group of countries in transition**, although recording higher inflation rate, witnessed continued improvement as inflation further decreased from 11.1% in 2002 to 9.7% in 2003.

**World trade volume of goods and services** remained at low levels, recording a drop in growth rate from 3.2% in 2002 to 2.9% in 2003. The value of world exports of goods and services rose from US\$ 7.87 trillion to US\$ 8.93 trillion for the same period last year.

According to international sources, FDI inflows during 2003 were estimated at US\$ 653 billion; around their levels in 2002. The low level of FDI inflows was attributed to continued decline in cross-border mergers & acquisitions (M&A) and the slower pace of privatization projects, the slow worldwide economic growth rate, depressed stock markets, investor uncertainty, and stringent anti-terrorism measures. Advanced countries group estimated share was around US\$ 467 billion (comprising 71.5% of the total world FDI inflows). Developing countries group estimated share was around US\$ 155.7 billion (23.8%), whereas countries in transition share was around US\$ 30.3 billion (4.7%). Luxembourg was the main recipient of FDI inflows (US\$ 103.9 billion), followed by USA (US\$ 86.6 billion), and China (US\$ 57.0 billion). Estimated FDI inflows into the **Arab countries** was around US\$ 5 - 6 billion in 2003, compared to US\$ 4.53 billion in 2002; detailed FDI data for 2002 showed that FDI inflows into Arab countries comprised 0.7% of world total inflows and 2.8% of the total inflows to developing countries. The main recipients of FDI inflows in 2002 were respectively, Algeria (US\$ 1.06 billion), Tunisia (US\$ 821 million), Sudan (US\$ 681 million), Egypt (US\$ 647 million) and Morocco (US\$ 428 million).

The repercussions of 9/11 attacks continued to affect the **guarantee**





**industry**, as well as investors and borrowers in international financial markets, causing a wave of re-structuring and mergers among underwriters. The year witnessed the bankruptcy of three major reinsurance companies and the establishment of new companies to confront risks resulting from sizable bankruptcies of companies which reached in Europe alone around 12% in 2003. A noted change in reaction to new challenges covered the risk guarantee against terrorism, which had been dealt with as a separate risk instead of being part of other types of risk; this had given stronger role to state guarantee agencies, while private guarantee agencies took a back seat.

The international guarantee market had become increasingly convinced of the need to develop different methods of handling political risks and to develop various types of contracts and mechanisms to confront situations of state economic collapse, as was the case in Argentina, which is similar to commercial bankruptcy of companies, particularly that limits have become unclear in terms of political risk resulting from decisions taken by the state and those emancipating from economic crisis but having the same impact. This entailed growing interest in the guarantees offered by the host countries laws pertaining to encourage FDI inflows, as well as on the quality and transparency of measures taken to improve the investment climate and to mitigate political and commercial risks on investors.

The year witnessed a growing cooperation amongst export credit and guarantee agencies on one hand, and with both government and private sectors on the other. The noticeable increase in financing infrastructure projects and the electricity generation sector in particular, made political risk assessment more important, especially the risk of breach of contract. Furthermore, it enhanced the FDI acts that aim to provide appropriate protection to major investment projects, along with the establishment of national regulatory bodies to oversee relevant supervisory and organizational aspects. These fluid conditions had brought about the consideration to introduce new guarantee contracts that would ensure coverage of contracts valued in local currency, with appropriate appendices against severe depreciation of the local currency. The international guarantee specialists continued to study the impact of the implementation of "Basel II" capital standards on national banking sector, and the continued enforcement of WTO agreements for trade liberalization and intellectual property rights.

Available data indicates coverage of total guarantee operations provided by members of the International Union of Credit and Investment Insurers (The Berne Union), which was established in 1934 and currently encompasses (52) national agencies from (43) different countries, reached US\$ 499 billion, with US\$ 485 billion in export credit insurance and US\$ 14 billion in investment insurance in 2002. Short term export credit insurance comprised 86.0% of total export credit insurance.

According to international sources **economic developments in the Arab countries** showed relative improvement in 2003, especially in light of continued implementation of economic reform programs. Estimated economic growth rate in the Arab countries was around 4.1% in 2003 increasing from 2.8% in 2002, with varying performance between oil and non-oil countries.



Inflation in the Arab countries continued its downward trend and was estimated around 3.2% in 2003, down from 10.5% back in 1997. In view of higher oil prices, oil revenues increased and consequently improved internal balances in several Arab countries. Whereas external balances regarding the current account positions witnessed, in general, a limited improvement affected by the decline of the dollar exchange rate and the rise of the Euro, which increased the cost of imports from European Union countries.

The year also witnessed several developments towards more liberalization of external trade policies in Arab countries, along with continued advancement of Greater Arab Free Trade Area (GAFTA), now consisting of (17) Arab countries representing respectively 90% and 95% of Arab external trade and inter-Arab trade. Tariff reduction on goods reached 60% in 2003. A draft framework agreement for liberalization of trade in services among Arab countries was presented during the 10<sup>th</sup> Arab Businessmen and Investors Conference, held in Algiers in December 2003 under the theme "Investment in Services". A proposal to issue a unified Arab Investor Travel Card (valid for 5 years) was made towards the year end, aiming at facilitating the movement of Arab businessmen, subject to certain conditions.

The beginning of 2003 witnessed the launching of the **GCC Customs Union**, and the customs tariff ceiling was set at 5%. Efforts were made during the year to activate the "**Aghadeer declaration**" for launching a free trade area by the end of 2012, initially amongst Egypt, Jordan, Morocco and Tunisia, and later to be open for other Arab countries to join. Several **bilateral agreements** were signed or activated, and a number of bilateral free trade areas amongst Arab countries and non-Arab countries were established. Joint committees and business councils were also established or activated during the year.

Arab countries participated effectively in the 5<sup>th</sup> Ministerial Conference of **WTO** held in Cancun, Mexico, in September 2003. Prior to the Conference, the Arab countries tried to consolidate their stance on various trade issues and to set a negotiating strategy for different groups based on their national trade interests. Saudi Arabia, Lebanon, Yemen, Sudan and Algeria advanced through various stages of the accession process towards becoming full members of WTO, while both Libya and Syria submitted a request to accede. Paving the way for a free trade area with Arab countries by 2013, USA proceeded to negotiate bilateral free trade agreements with a number of Arab countries (Saudi Arabia, Bahrain, Morocco, and Egypt), similar to the agreement signed with Jordan (**FTA**) that entered into force by end of 2001. The year witnessed further advancement in the **Euro-Mediterranean partnership Association Agreements** between the (15) EU members and (8) Arab countries, with one Arab country maintaining observer status. The GCC countries continued the process of negotiations with EU that was initiated back in 1990. Arab economic and trade cooperation intensified with Russia and China, while new countries in Central Asia and Eastern Europe were approached.

**Arab regional integration** efforts were further consolidated during the year. The Arab League called for the establishment of a special solidarity fund



for the development of south Sudan and to mobilize efforts to support Arab participation in the reconstruction campaign of Iraq. The Arab League also launched an initiative entitled "The New Agenda", which aims to enhance the role of the private sector and its partnership with the public sector. On another note, an agreement for combating Corruption was suggested to concur with international efforts in this regard. Considerable progress was noted during the year in the expansion of Arab networks to link electricity grids and natural gas pipelines, also through formulating various agreements regarding regional cooperation in the transport sector (land, sea, air, and railways), and in the establishment of several national committees for facilitating transport and trade. Furthermore, the year witnessed increased inter-Arab investments in the Arab tourism sector, which represented around 42% of external tourism in the Arab countries; several initiatives were announced to promote tourism development. Small and medium enterprises (SMEs) continued to be a growing area of concern, and calls for the establishment of an Arab (SMEs) network were considered.

**Sovereign credit ratings** were granted to (12) Arab countries by major international credit rating agencies, of which (7) Arab countries were granted Investment Grade. Moreover, (139) banks and financial institutions were internationally rated, whereas (38) banks and financial companies in Egypt and Tunisia were rated by two regional rating agencies (Nile rating and Magreb rating). The **International Country Risk Guide** ranked (18) Arab countries, (3) of which were very low risk level (Kuwait, UAE, Oman), countries were of low risk (Bahrain, Qatar, Saudi Arabia, Libya, Morocco, Tunisia, Jordan and Syria). A further (3) Arab countries (Yemen, Egypt and Algeria) were of medium risk level, two countries (Lebanon and Sudan) were of high risk level and two countries (Somalia and Iraq) were of a very high risk level.

Arab countries progressed further in improving their **legal and regulatory environment**. The year witnessed the issuance of new or amended laws which aim to further harmonize economic policies and FDI legal framework, particularly new laws related to combating corruption and money laundering, fostering competitiveness, and protecting intellectual property rights. New institutional schemes for investment promotion or exports development were established. Efforts continued towards streamlining and facilitating procedures related to all stages of receiving, registering and establishing investments, as well as driving the cost of doing business to more efficient levels, while curtailing bureaucracy at government institutions.

Efforts relating to **human resource development (HRD)** were further consolidated during the year, in light of Arab countries commitment to achieve the UN millennium development goals (MDG), especially in the areas of poverty reduction, illiteracy elimination, and improved provision of primary health care. Efforts were directed at developing educational curriculum, enhancing computer-based education, and deepening interest in continuous training. The second edition of the **Arab Human Development Report** was issued by UNDP with collaboration of selected Arab and International experts; the report put forward a strategic vision based on building the

enlightened knowledge society, adopting modern educational systems, supporting democracy and civil liberties, and empowering women.

The **new economy** sectors in the Arab countries received remarkable support at the highest levels in most Arab Countries, through which priority was given to ICT initiatives to strengthen the basis of the new economy. Efforts were focused on creating the information environment, digital infrastructure, the development of human capital, strengthening areas related to integrated software applications, computer utilization literacy, e-commerce, e-government, and enhanced connectivity to bridge the existing digital divide. Arab countries coordinated effectively their stance during the first Global Summit on Information Society, held in Geneva, during December 2003. The Second Global Summit on Information Society is scheduled to be held in Tunisia during 2005.

In 2003, the **Inter-Arab Investment Guarantee Corporation** consolidated its operations and activities to achieve its goods with more efficiency. The total value of **guarantee contracts** signed in 2003 (52 contracts) amounted to around US\$ 129 million. The total value of current guarantee contracts reached around US\$ 255 million, and the value of operations executed (outstanding commitments), within current guarantee contracts, amounted to around US\$ 121 million. During the year, the Corporation paid compensation against the realization of commercial risks amounting to US\$ 123,283 and recovered US\$ 1,658,134 as part of compensation previously paid for commercial and non-commercial risks.

Regarding its **ancillary activities and support services**, the Corporation continued to disseminate services in raising awareness on investment issues, investment promotion and human resources development. The Survey on Investment Climate in the Arab Countries 2002 was published and preparations for the 2003 report were initiated; (12) issues of the monthly bulletin Daman Al-Istithmar were published portraying (53) investment opportunities and analyzing emerging trends in investment and trade on national, regional, and global levels; (17) introductory papers and interventions were prepared and submitted in (24) conferences and workshops, in which the Corporation took part. Furthermore, (12) press releases were published during the year. **The Tenth Arab Businessmen and Investors Conference** were convened in participation with other parties. Moreover, the Corporation took further steps to enhance electronic documents management within the framework of a comprehensive plan to improve IT infrastructure and staff performance.







## Chapter Two: Guarantee Operations

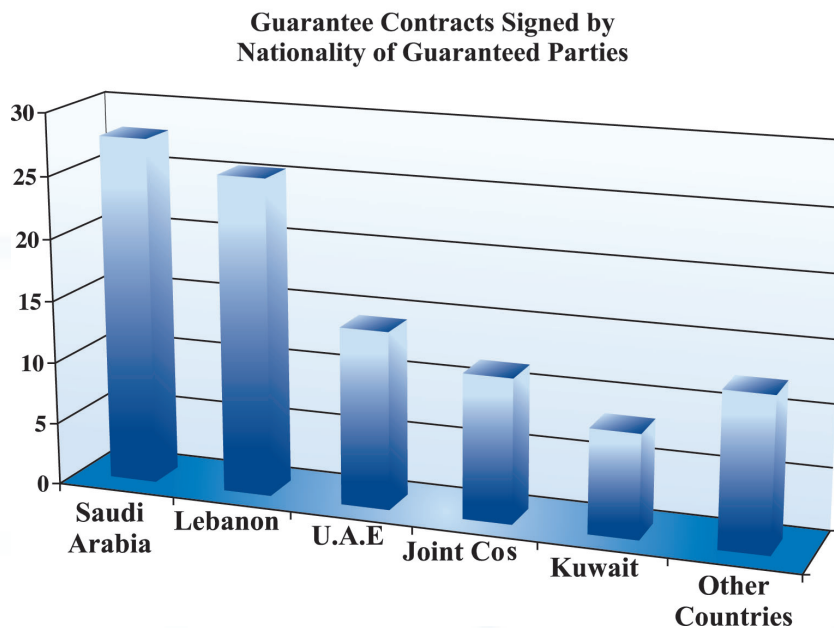
### 2.1 Guarantee Contracts

#### 2.1.1 Value of Contracts:

Fifty two guarantee contracts were signed during 2003, with a cumulative value totaling US\$ 129.05 mn (KD 38.1 mn)<sup>(1)</sup>, registering a decline of 8.2% compared to the value of contracts signed during 2002, which totaled US\$ 140.6 mn (KD 42.2 mn)<sup>(2)</sup>. This included two Investment Guarantee contracts, valued at US\$ 31 mn (KD 9.15 mn), and fifty Export Credit Guarantee contracts, valued at approximately US\$ 98.05 mn (KD 28.95 mn), which included an inward reinsurance agreement and six addendums raising the maximum guarantee limit of existing contracts. (See Table 1).



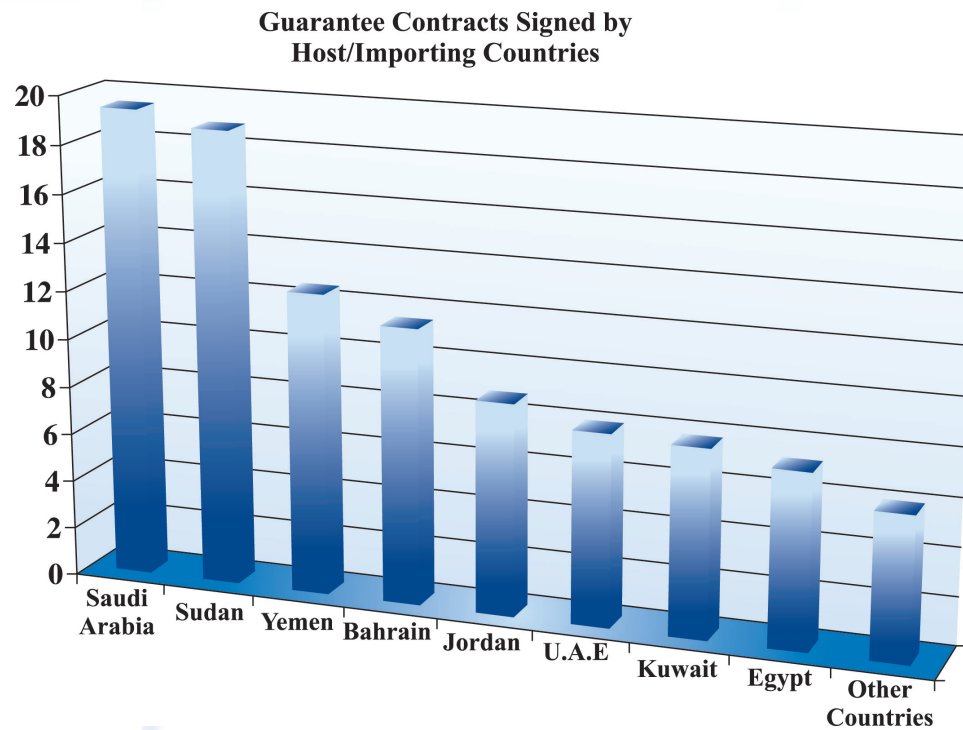
Investors and Exporters from eight Arab countries and a joint Arab-foreign company benefited from the guarantees. These countries included Saudi Arabia (27.9%), Lebanon (25.5%), the United Arab Emirates (14.3%), the joint company (11.6%) and Kuwait (8.4%). Four other countries accounted for 12.3% of the guaranteed value of these contracts.



(1) US\$ 1 = KD 0.2952 as at 31/12/2003

(2) US\$ 1 = KD 0.29993 as at 31/12/2002

The list of host/importing countries comprised nineteen countries, with Saudi Arabia (19.4%), Sudan (18.8%), Yemen (12.5%), Bahrain (11.5%), Jordan (8.8%), the United Arab Emirates (7.9%), Kuwait (7.8%) and Egypt (7.3%). Eight other Arab countries and three non-Arab countries accounted for 6% of the guaranteed value of these contracts.



## 2.1.2 Details of Contracts Signed:

### 2.1.2.1 Investment Guarantee Contracts:

Two Investment Guarantee contracts were signed during the year. Their details are as follows:

- 1 - A contract guaranteeing the equity participation of two joint Arab-foreign companies in the capital of a Yemeni company, valued at US\$ 15 mn (KD 4.43 mn).
- 2 - A direct investment guarantee contract in Sudan, signed with an Emirates company, valued at US\$ 16 mn (KD 4.72 mn).

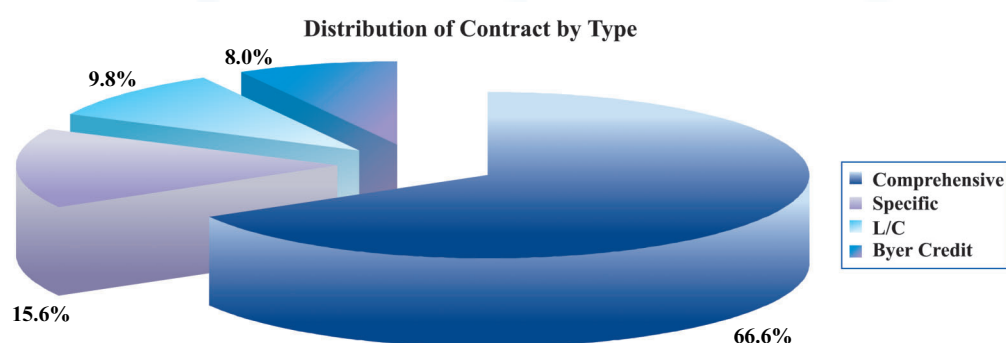
### 2.1.2.2 Export Credit Guarantee Contracts:

Fifty Export Credit Guarantee contracts were signed in addition to an inward facultative reinsurance agreement and six addendums raising the maximum guarantee limit of existing contracts, with a total value of US\$ 98.05 mn (KD 28.95 mn). A decline of 30.2% was registered, compared to the value of export credit guarantee contracts signed during 2002 which totaled US\$ 140.6 mn.

Exporters from eight Arab countries benefited from the guarantees. The countries included Saudi Arabia (36.7%), Lebanon (33.5%), Kuwait (11%) and Bahrain (7.6%). Four other Arab countries accounted for 11.2% of the said guarantees.

Importing countries comprised nineteen countries, of which Saudi Arabia (25.5%), Bahrain (15%), Jordan (11.6%), United Arab Emirates (10.5%), Kuwait (10.3%), Egypt (9.6%) and Sudan (8.5%), while the share of other nine Arab countries and three non-Arab countries was 9% the said guarantees.

Details of Export Credit Guarantee contracts signed during the year are specified in Table (5).



### 2.1.3 Classification of Goods under Guarantee:

Goods covered under the guarantee contracts during the year included chemicals, metal and electrical products, building materials, paper products, textiles, foodstuffs, jewelry and other miscellaneous products.

### 2.1.4 Value of Current Contracts & Outstanding Commitments:

The total value of current contracts reached US \$255.5 mn (KD 74.9 mn) as at 31/12/2003, distributed between 49.9% for investment guarantee contracts and 51.1% for Export Credit Guarantee contracts, in comparison with US\$ 299.5 mn (KD 88.9 mn) for the previous year.

Total value of executed operations within the context of current contracts reached US\$ 120.9 mn (KD 35.7 mn), representing 47.3% of the total current contracts. This amount reflects the Corporation's outstanding guarantee commitments vis-à-vis the guaranteed parties at year end<sup>(1)</sup>, in comparison with the total value of executed operations last year which totaled US\$ 99.8 mn (see Table 4).

### 2.1.5 Revenues from Guarantee Premia:

The total guarantee premia during the year amounted to US\$ 3.12 mn (KD 920,300), of which 35.16% was derived from investment guarantee and 64.84% from export credit guarantee, realizing an increase of 76.3% over 2002.

(1) The outstanding Guarantee commitments represents:

- In the case of Investment Guarantee contracts: the value of investments executed.
- In the case of Export Credit Guarantee contracts: the value of shipments executed by not yet repaid. Such commitments do not constitute compensation unless any of the risks covered is realized.



## 2.2 Compensation and Recovery:

During the year, four compensations amounting to US\$ 132,650 were paid to exporters from four Arab countries against the realization of commercial risks.

The Corporation recovered US\$ 1,658,133.5, of which US\$ 1,367,396 was for compensation against non-commercial risks, and US\$ 290,737.5 for compensation against commercial risks.

## 2.3 Reinsurance:

### 2.3.1 Inward Reinsurance:

One facultative reinsurance agreement was signed with an Arab export credit guarantee agency for the value of US\$ 300,000.

### 2.3.2 Outward Reinsurance:

The Corporation continued to reinsure its non-commercial risks through an existing treaty signed with a renowned reinsurance group. Arrangements are underway to enter into reinsurance treaties covering commercial risks with the same group and with other specialized companies, as a means to expand the Corporations' capacity and mitigate potential losses, in face of the new challenges that affected the guarantee industry regionally and internationally.

## 2.4 Marketing Guarantee Services:

The Corporation's efforts have continued to market its guarantee services in various Arab countries through the following methods:

- 2.4.1 The Corporation delegated **field missions** to seven Arab countries, in addition to field visits both in the country of domicile (Kuwait) and Saudi Arabia, through the Corporation's Regional Office in Riyadh. A total of 235 companies were visited.
- 2.4.2 Six **conferences, meetings and workshops** were organized and held in Lebanon, Oman, Bahrain, Yemen and Kuwait.
- 2.4.3 Eleven **specialized conferences** relevant to the Corporation's core business were attended that took place in eight Arab countries including Kuwait, Algeria, Syria, Saudi Arabia, Jordan, Bahrain, Yemen and Tunisia.
- 2.4.4 Two **direct-mail campaigns** were conducted covering 600 Arab businessmen, industrial, exporting and investment companies, as well as joint Arab and foreign banks.
- 2.4.5 Three **Commission Agency Agreements** were signed during this year to promote the guarantee services, raising the total number of such agreements to 54 covering 15 Arab countries, in addition to a commission agent to promote Loan Guarantee contracts in the U.K and France.

## 2.5 Relationship with Guarantee Agencies:

- The Corporation continued communication with national export credit guarantee agencies (ECA's) in Arab countries concerning preparations for the Tenth Annual Forum of Arab Export Credit Guarantee Agencies



scheduled to be held in Jeddah, Saudi Arabia, during the last quarter of 2004. The Corporation also proceeded to prepare the background material on the relationship of ECA's with financial institutions, which will be the main theme of the coming forum.

- The Corporation convened two meetings with the Islamic Corporation for Investment and Export Credit Insurance; the first in Jeddah during June 2003 and the second in Kuwait during December 2003. Areas of mutual cooperation were explored in the context of joint guarantee, reinsurance, review of existing contracts, the creation of new contracts, investment promotion and the development of the human resources.
- A delegation from the Corporation visited Coface in Paris during 7-8 October 2003. Areas of mutual cooperation were explored, particularly the possibility of the Corporation benefiting from Coface's expertise in managing a specialized fund providing medium/long term guarantees on behalf of the French government.



Table (1)  
**VALUE OF CONTRACTS SIGNED DURING 2003 BY EXPORTING COUNTRY & TYPE OF CONTRACT**  
**(IN US DOLLARS and KD EQUIVALENT)**

EXPORTING COUNTRY	INVESTMENT CONTRACTS			EXPORT CONTRACTS			TOTAL		% OF TOTAL
	US\$	KD	%	US\$	KD	%	US\$	KD	
1- SAUDI ARABIA	-	-	-	35,961,802	10,615,924	36.68	35,961,802	10,615,924	27.87
2- LEBANON	-	-	-	32,876,493	9,705,141	33.53	32,876,493	9,705,141	25.48
3- U.A.E	16,000,000	4,723,200	51.61	2,423,218	715,334	2.47	18,423,218	5,438,534	14.28
4- JOINT ARAB COMPANIES	15,000,000	4,428,000	48.39	-	-	-	15,000,000	4,428,000	11.62
5- KUWAIT	-	-	-	10,782,443	3,182,977	11.00	10,782,443	3,182,977	8.36
6- BAHRAIN	-	-	-	7,449,070	2,198,965	7.60	7,449,070	2,198,965	5.77
7- JORDAN	-	-	-	4,522,834	1,335,141	4.61	4,522,834	1,335,141	3.50
8- OMAN	-	-	-	2,860,000	844,272	2.92	2,860,000	844,272	2.22
9- EGYPT	-	-	-	1,175,000	346,860	1.20	1,175,000	346,860	0.91
<b>TOTAL FOR THE YEAR</b>	<b>31,000,000</b>	<b>9,151,200</b>	<b>100.00</b>	<b>98,050,860</b>	<b>28,944,614</b>	<b>100.00</b>	<b>129,050,860</b>	<b>38,095,814</b>	<b>100.00</b>
<b>OF TOTAL</b>	<b>24.02</b>			<b>75.98</b>					

Table (2)  
VALUE OF CONTRACTS SIGNED DURING 2003 BY HOST/IMPORTING COUNTRY & TYPE OF CONTRACT  
(IN US DOLLARS and KD EQUIVALENT)

HOST/IMPORTING COUNTRY	INVESTMENT CONTRACTS			EXPORT CONTRACTS			TOTAL		% OF TOTAL
	US\$	KD	%	US\$	KD	%	US\$	KD	
1- SAUDI ARABIA	-	-	-	25,064,393	7,399,009	25.56	25,064,393	7,399,009	19.42
2- SUDAN	16,000,000	4,723,200	51.61	8,293,664	2,448,290	8.46	24,293,664	7,171,490	18.82
3- YEMEN	15,000,000	4,428,000	48.39	1,131,123	333,908	1.15	16,131,123	4,761,908	12.50
4- BAHRAIN	-	-	-	14,782,285	4,363,731	15.08	14,782,285	4,363,731	11.45
5- JORDAN	-	-	-	11,331,001	3,344,911	11.56	11,331,001	3,344,911	8.78
6- U.A.E	-	-	-	10,282,228	3,035,314	10.49	10,282,228	3,035,314	7.97
7- KUWAIT	-	-	-	10,058,534	2,969,279	10.26	10,058,534	2,969,279	7.79
8- EGYPT	-	-	-	9,361,667	2,763,564	9.55	9,361,667	2,763,564	7.25
9- QATAR	-	-	-	2,777,219	819,835	2.83	2,777,219	819,835	2.15
10- OMAN	-	-	-	2,208,668	651,999	2.25	2,208,668	651,999	1.71
11- ALGERIA	-	-	-	1,000,000	295,200	1.02	1,000,000	295,200	0.77
12- LEBANON	-	-	-	575,000	169,740	0.59	575,000	169,740	0.45
13- LIBYA	-	-	-	300,000	88,560	0.31	300,000	88,560	0.24
14- MOROCCO	-	-	-	300,000	88,560	0.30	300,000	88,560	0.24
15- TUNISIA	-	-	-	200,000	59,040	0.20	200,000	59,040	0.16
16- INDONESIA	-	-	-	180,078	53,159	0.18	180,078	53,159	0.14
17- AUSTRALIA	-	-	-	120,000	35,424	0.12	120,000	35,424	0.09
18- ITALY	-	-	-	60,000	17,712	0.06	60,000	17,712	0.05
19- SYRIA	-	-	-	25,000	7,380	0.03	25,000	7,380	0.02
TOTAL FOR THE YEAR.	31,000,000	9,151,200	100.00	98,050,860	28,944,614	100.00	129,050,860	38,095,814	100.00
% OF TOTAL	24.02			75.98					



Table (3)  
DISTRIBUTION OF THE EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 2003  
(VALUE IN US DOLLARS, GRAND TOTAL IN US DOLLARS & KD EQUIVALENT)

IMPORTING COUNTRIES	SAUDI ARABIA	LEBANON	KUWAIT	BAHRAIN	JORDAN	U.A.E	OMAN	EGYPT	TOTAL		
									US\$	KD	%
1- SAUDI ARABIA	-	14,960,000	7,455,884	498,620	1,400,000	549,888	200,000	-	25,064,393	7,399,009	25.55
2- BAHRAIN	13,747,285	445,000	-	-	200,000	-	390,000	-	14,782,285	4,363,731	15.08
3- JORDAN	4,152,992	6,365,000	813,008	-	-	-	-	-	11,331,001	3,344,911	11.56
4- U.A.E	1,525,165	4,114,120	1,822,493	1,000,450	-	-	1,820,000	-	10,282,228	3,035,314	10.49
5- KUWAIT	6,855,200	2,590,000	-	-	-	163,333	450,000	-	10,058,534	2,969,279	10.26
6- EGYPT	-	3,330,000	-	5,950,000	-	81,667	-	-	9,361,667	2,763,564	9.55
7- SUDAN	6,245,830	25,000	-	-	1,147,834	-	-	875,000	8,293,664	2,448,290	8.46
8- QATAR	800,346	710,000	169,377	-	-	1,097,497	-	-	2,777,219	819,835	2.83
9- OMAN	1,131,156	25,000	521,681	-	-	530,833	-	-	2,208,669	651,999	2.25
10- YEMEN	1,023,750	107,373	-	-	-	-	-	-	1,131,123	333,907	1.15
11- ALGERIA	-	-	-	-	1,000,000	-	-	-	1,000,000	295,200	1.02
12- LEBANON	-	-	-	-	575,000	-	-	-	575,000	169,740	0.59
13- MOROCCO	300,000	-	-	-	-	-	-	-	300,000	88,560	0.31
14- LIBYA	-	-	-	-	-	-	-	300,000	300,000	88,560	0.31
15- TUNISIA	-	-	-	-	200,000	-	-	-	200,000	59,040	0.20
16- INDONESIA	180,078	-	-	-	-	-	-	-	180,078	53,159	0.18
17- AUSTRALIA	-	120,000	-	-	-	-	-	-	120,000	35,424	0.12
18- ITALY	-	60,000	-	-	-	-	-	-	60,000	17,712	0.06
19- SYRIA	-	25,000	-	-	-	-	-	-	25,000	7,380	0.03
TOTAL IN US\$	35,961,802	32,876,493	10,782,443	7,449,070	4,522,834	2,423,218	2,860,000	1,175,000	98,050,860		100.00
EQUIVALENT IN KD	10,615,924	9,705,141	3,182,977	2,198,966	1,335,141	715,334	844,272	346,860		28,944,614	
% OF TOTAL	36.68	33.53	10.99	7.60	4.61	2.47	2.92	1.20		100.00	

**Table (4)**  
**VALUE OF CURRENT CONTRACTS & OUTSTANDING COMMITMENTS AS AT 31/12/2003 BY HOST/IMPORTING COUNTRY & TYPE OF CONTRACT**  
**(IN US DOLLARS AND ITS EQUIVALENT IN KD) (1)**

HOST/IMPORTING COUNTRY	CURRENT INVESTMENT CONTRACTS <sup>(2)</sup>		CURRENT EXPORT CONTRACTS		CREDIT CONTRACTS		TOTAL		% OF TOTAL		OUTSTANDING COMMITMENTS <sup>(3)</sup>	
	US\$	KD	US\$	KD	US\$	KD	US\$	KD			US\$	KD
JORDAN	-	-	9,973,338	-	9,973,338	2,933,736	9,973,338	2,933,736	3.92		467,128	137,896
U.A.E	-	-	11,840,839	-	11,840,839	3,400,139	11,840,839	3,400,139	4.54		3,715,848	1,096,919
BAHRAIN	-	-	14,618,670	-	14,618,670	4,315,432	14,618,670	4,315,432	5.76		2,303,479	679,986
TUNISIA	14,041,280	4,144,986	294,591	-	14,335,871	86,963	14,335,871	4,231,949	5.65		5,711,103	1,685,917
ALGERIA	-	-	8,282,504	-	8,282,504	2,444,996	8,282,504	2,444,996	3.26		7,282,504	2,149,796
SAUDI ARABIA	-	-	25,844,136	-	25,844,136	7,629,188	25,844,136	7,629,188	10.19		3,067,536	905,537
SUDAN	60,375,000	17,822,700	30,898,820	-	91,273,820	9,121,331	91,273,820	26,944,031	35.97		60,812,358	17,951,807
SYRIA	12,420,000	3,666,384	25,000	-	12,445,000	7,380	12,445,000	3,673,764	4.91		5,800,000	1,712,160
OMAN	-	-	1,518,073	-	1,518,073	355,745	1,518,073	355,745	0.47		136,877	24,649
QATAR	-	-	2,064,032	-	2,064,032	609,302	2,064,032	609,302	0.81		255,480	75,417
KUWAIT	-	-	8,299,964	-	8,299,964	2,121,008	8,299,964	2,121,008	2.83		349,846	103,274
LIBYA	-	-	300,000	-	300,000	88,560	300,000	88,560	0.12		-	-
LEBANON	25,700,000	7,586,640	574,711	-	26,274,711	169,654	26,274,711	7,756,294	10.36		19,248,769	5,682,236
EGYPT	-	-	11,704,419	-	11,704,419	3,455,144	11,704,419	3,455,144	4.61		4,214,388	1,244,087
MOROCCO	-	-	300,000	-	300,000	88,560	300,000	88,560	0.12		-	-
YEMEN	15,000,000	4,428,000	1,131,133	-	16,131,133	333,910	16,131,133	4,761,910	6.36		7,567,230	2,233,846
AUSTRALIA	-	-	60,000	-	60,000	17,712	60,000	17,712	0.02		30,000	8,856
ITALY	-	-	60,000	-	60,000	17,712	60,000	17,712	0.02		-	-
INDONESIA	-	-	180,078	-	180,078	53,159	180,078	53,159	0.07		-	-
<b>TOTAL</b>	<b>127,536,280</b>	<b>37,648,710</b>	<b>127,970,308</b>	<b>37,249,631</b>	<b>255,506,588</b>	<b>74,898,341</b>	<b>255,506,588</b>	<b>74,898,341</b>	<b>100.00</b>		<b>120,962,546</b>	<b>35,692,383</b>

[1] US\$ = 0.2952 KD

[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 Guarantee contracts: The value of shipments executed but not repaid.

**Table (5)**  
**EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 2003**

NATIONALITY OF GUARANTEED PARTIES	IMPORTING COUNTRY	GOODS	VALUE IN US\$	VALUE IN KD
1 JORDAN	LEBANON	GARMENTS	75,000	22,140
2	ALGERIA	MEDICINE	1,000,000	295,200
3	SUDAN	MEDICINE	147,894	43,658
4	SAUDI ARABIA	PLASTIC MATERIALS	90,000	26,568
5	SEVERAL COUNTRIES	PAINTS	1,360,000	401,472
6	SUDAN	MEDICINE	499,952	147,586
7	SEVERAL COUNTRIES	CHEMICAL FERTILIZER	700,000	206,640
8	SUDAN	MEDICINE	499,988	147,596
Annex	SAUDI ARABIA	PAINTS	150,000	44,280
JORDAN'S TOTAL			4,522,834	1,335,141
9 U.A.E	QATAR	FOODSTUFF	199,164	58,793
10	SEVERAL COUNTRIES	LIGHTING FIXTURES	694,166	204,918
11	SEVERAL COUNTRIES	FOODSTUFF	1,529,888	451,623
U.A.E'S TOTAL			2,423,218	715,334
12 BAHRAIN	EGYPT	HOTEL FURNITURE	5,950,000	1,756,440
13	U.A.E	TRUCKS	1,000,450	295,333
14	SAUDI ARABIA	SOCKS	498,620	147,193
BAHRAIN'S TOTAL			7,449,070	2,198,965
15 SAUDI ARABIA	U.A.E	TRAILERS	888,890	262,400
16	SEVERAL COUNTRIES	PACKAGING MATERIALS	1,660,000	490,032
17	SUDAN	IRRIGATION EQUIP- MENTS AND PUMPS	2,837,922	837,755
18	SEVERAL COUNTRIES	CARTONS	8,210,376	2,423,703
19	BAHRAIN	HIGH PRESSURE CABLES	11,111,470	3,280,106
20	YEMEN	METAL CANS	1,023,750	302,211
21	SUDAN	MAGNESIUM	1,000,500	295,348
22	KUWAIT	CARPETS	480,208	141,757
23	SUDAN	ZINC	1,000,933	295,475
24	SEVERAL COUNTRIES	ELECTRICAL MATERIALS	373,495	110,256
25	JORDAN	FOOD METAL CANS	426,851	126,006
26	SEVERAL COUNTRIES	PLASTIC	2,435,720	719,025
27	SUDAN	STEEL STRUCTURES	1,406,475	415,191
28	JORDAN	NATURAL JUICES	300,000	88,560
29	INDONESIA	PRAYING RUGS	180,078	53,159
Annex	SEVERAL COUNTRIES	PLASTIC	1,638,041	483,550
Annex	SEVERAL COUNTRIES	ELECTRICAL MATERIALS	987,093	291,390
SAUDI ARABIA'S TOTAL			35,961,802	10,615,924



(Cont.) Table (5)

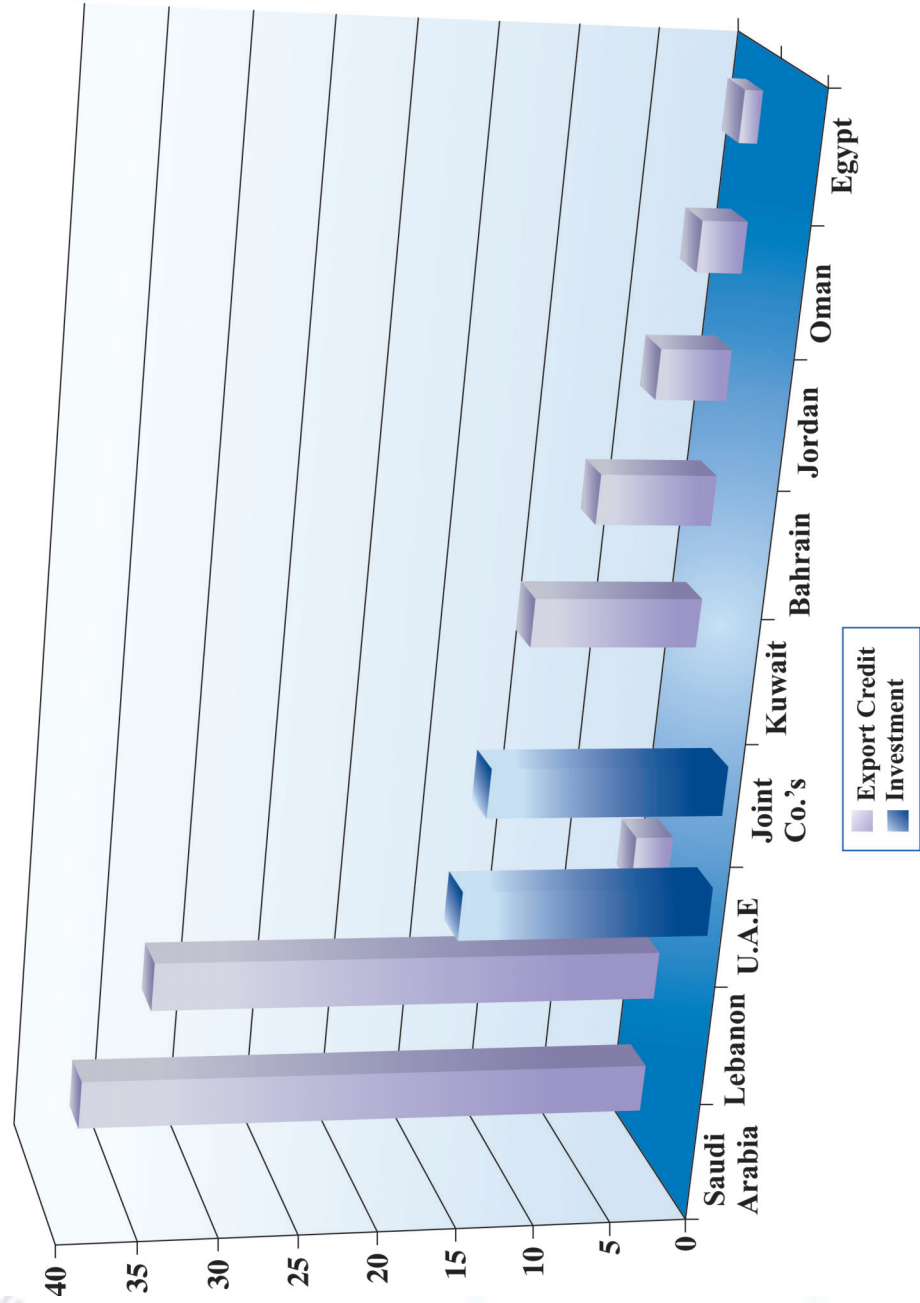
## EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 2003

NATIONALITY OF GUARANTEED PARTIES	IMPORTING COUNTRY	GOODS	VALUE IN US\$	VALUE IN KD
30 OMAN	SEVERAL COUNTRIES	DAIRY PRODUCTS	2,860,000	844,272
		OMAN'S TOTAL	2,860,000	844,272
31 KUWAIT	SEVERAL COUNTRIES	INSULATING MATERIALS	8,916,667	2,632,200
32	SAUDI ARABIA	FOODSTUFF	63,608	18,777
33	SEVERAL COUNTRIES	FOODSTUFF	1,802,168	532,000
		KUWAIT'S PRODUCTS	10,782,443	3,182,977
34 LEBANON	SEVERAL COUNTRIES	PAPER PRODUCTS	1,555,000	459,036
35	SEVERAL COUNTRIES	HOUSEHOLD PRODUCTS	1,450,000	428,040
36	SEVERAL COUNTRIES	GOLD AND JEWELLERY	16,950,000	5,003,640
37	U.A.E	CHEMICAL FERTILIZER	200,000	59,040
38	SEVERAL COUNTRIES	GARMENTS	1,100,000	324,720
39	SEVERAL COUNTRIES	PACKAGING MATERIALS	4,020,000	1,186,704
40	YEMEN	PUMPS' SPARE PARTS	82,373	24,317
41	SEVERAL COUNTRIES	GOLD AND JEWELLERY	1,000,000	295,200
42	U.A.E	CHEMICAL FERTILIZER	54,120	15,976
43	U.A.E	GENERATORS	400,000	118,080
44	U.A.E	CHEMICAL FERTILIZER	620,000	183,024
45	SEVERAL COUNTRIES	BEAUTY PRODUCTS	890,000	262,728
46	SAUDI ARABIA	CERAMIC & TILES	3,385,000	999,252
47	SAUDI ARABIA	PAINTS	100,000	29,520
Annex	SAUDI ARABIA	PAPER PRODUCTS	100,000	29,520
Annex	JORDAN	PACKAGING MATERIALS	480,000	141,696
Annex	SEVERAL COUNTRIES	GOLD AND JEWELLERY	490,000	144,648
		LEBANON'S TOTAL	32,876,493	9,705,141
48 EGYPT	LIBYA	ELECTRICAL APPLIANCES	300,000	88,560
49	SUDAN	CERAMIC	375,000	110,700
50	SUDAN	CERAMIC & TILES	500,000	147,600
		EGYPT'S TOTAL	1,175,000	346,860
		GRAND TOTAL	98,050,860	28,944,614

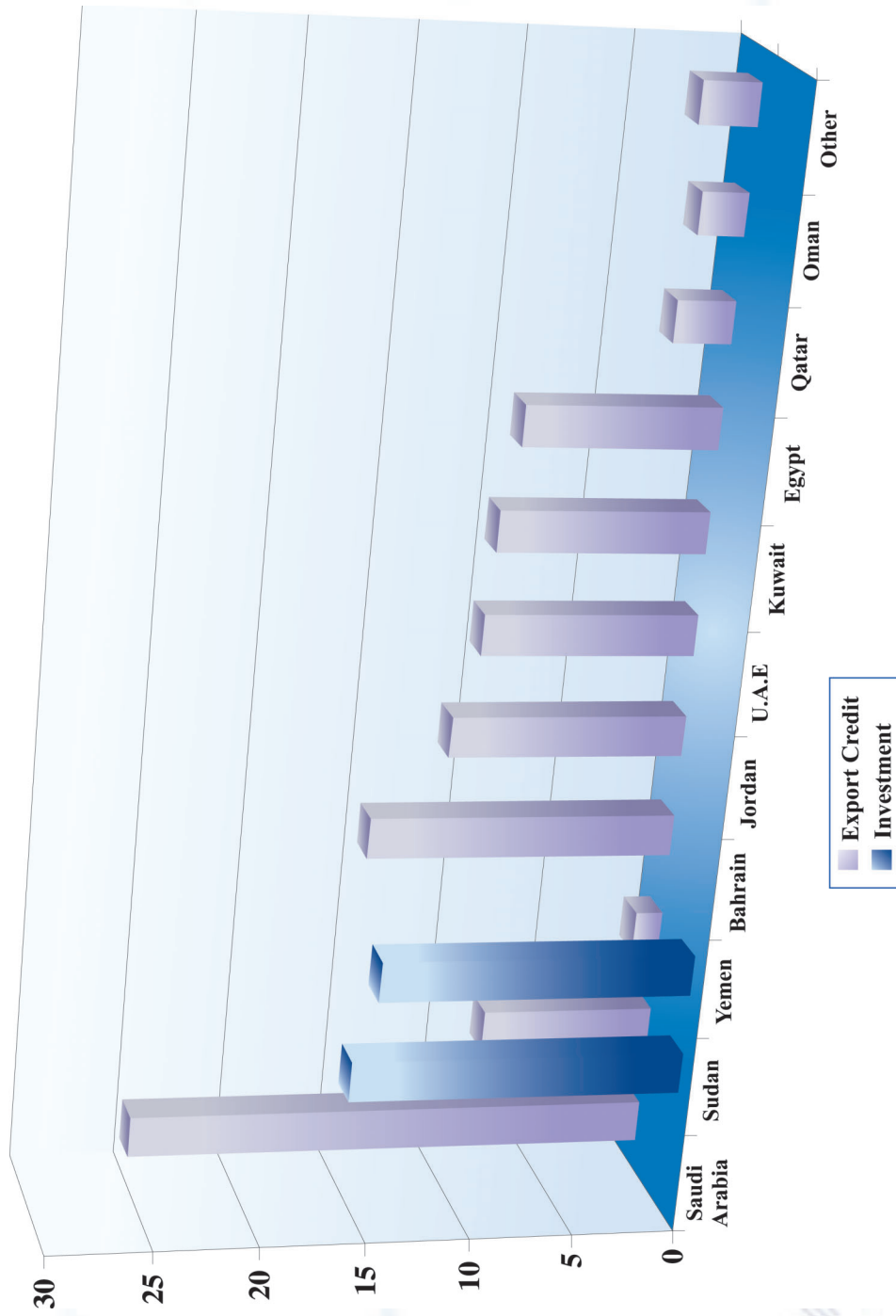




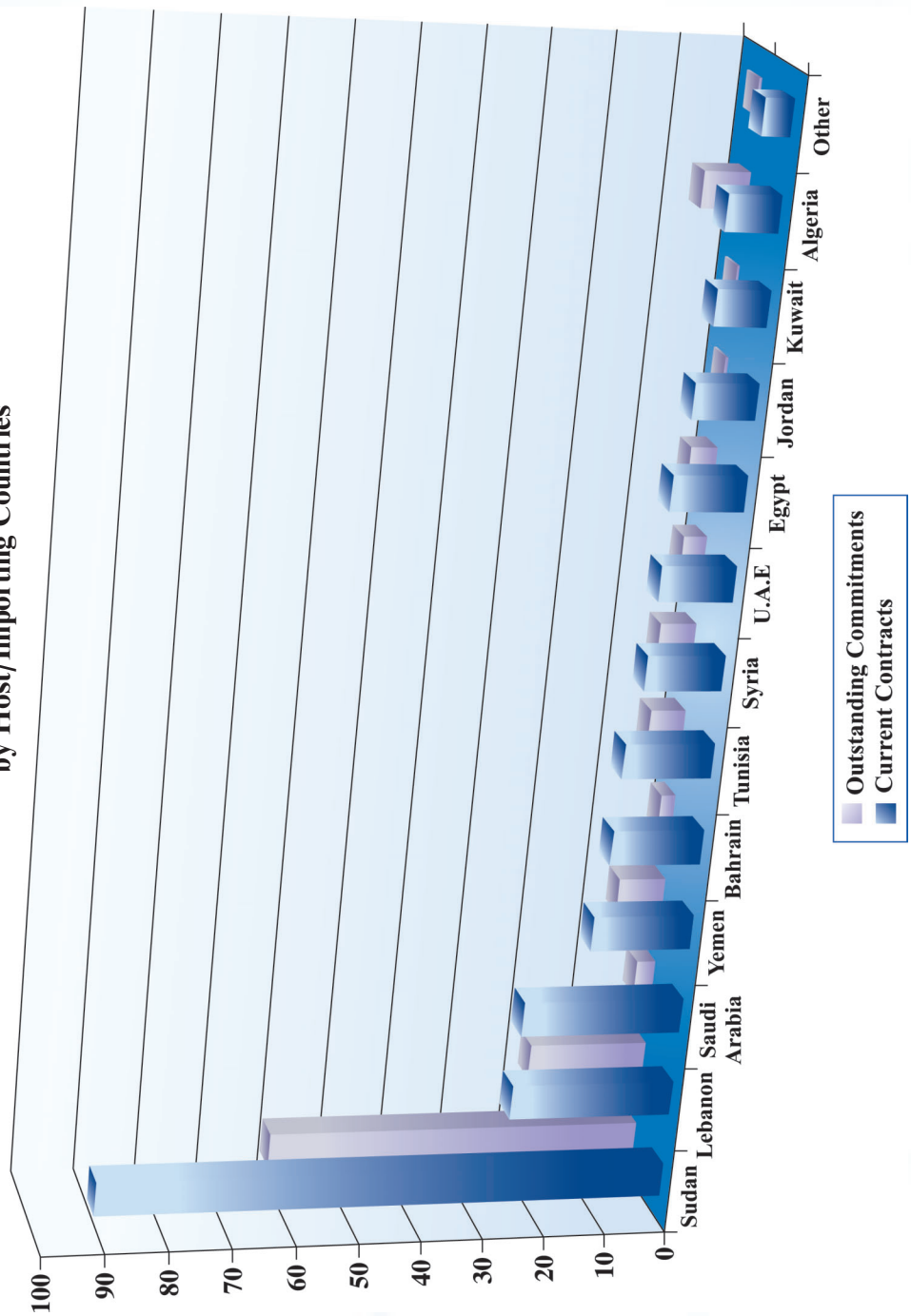
Guarantee Contracts Signed during 2003 by Guaranteed Parties



Guarantee Contracts Signed during 2003 by Host/Importing Countries



**Current Contracts and Outstanding Commitments as at  
31/12/2003  
by Host/Importing Countries**



## Chapter Three: Ancillary Activities and Support Services

### 3.1 Reports, Studies, Publications, and Conferences:

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 Monthly Bulletin, and a number of specialized studies and papers along with the attendance of conferences and seminars, 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 2002** was finalized and distributed to competent authorities in member countries, regional institutions investors, businessmen, media and research centers in the Arab region and abroad.
- National contacts were addressed to arrange for providing needed data for the preparation of **Investment Climate in the Arab Countries 2003** which consists of (20 tables) covering economic, legislative and promotional developments, human resources development, and indicators of the new economy.

#### 3.1.2 The Monthly Bulletin "Daman Al-Istithmar":

- Twelve bulletins were issued during the year covering the period from January to December 2003. The Bulletin was widely circulated at an average of 6000 copies per month for private and public investment institutions, investors and other investment parties in the Arab Countries. The Bulletin was also made available online through the Corporation's website. The bulletin covered the following:
- **Under editorial:** The 23<sup>rd</sup> Summit of the Gulf Cooperation Council, the 2003 Arab Investment Conference in Morocco, Coface Annual Conference on Country Risk 2003, the 30<sup>th</sup> meeting of the Corporation subscribers' Council (22-23/4/2003), the role of guarantee cooperation between Saudi Arabia and the Corporation in enhancing trade and investment development, and the 24<sup>th</sup> Summit of the Gulf Cooperation Council.
- **Under Board of Directors Meetings:** the Fourth meeting of the Board of Directors on (28/6/2003) and the Fifth meeting on (19/10/2003) both held in Kuwait, also clarifying the shift from the Supervision Committee system to the Board of Directors system.
- **Under the Corporation's Activities:** First meeting of Arab Gulf Countries Exporters and Importers (23/2/2003), reports of the Corporation delegations to Algeria (January 2003) and (29/6-3/7/2003), and the United Arab Emirates (26-29/5/2003), filed visits to local banks and companies carried-out by the Corporation staff in the State of Kuwait, participation to the **Preparatory Committee Meetings of the Tenth Conference of Arab Businessmen and Investors** (fourth in Beirut 24/9/2003 and fifth in Cairo 9/11/2003), technical support program for trainees from FDI bureau (Kuwait 14-17/9/2003), the annual meetings of the International Financial Institution (Dubai 23-24/9/2003), seventh meeting of **Arab Business Forum** (Manama 18-19/10/2003), the fourth symposium on advancement



of industrial exports in the Gulf Cooperation Council (Kuwait 14/10/2003), organizing an introductory workshop on the Corporation's services to Kuwaiti exporters (9/12/2003), bilateral meetings with Islamic Corporation for the Insurance of Investments and Export Credits (28/12/2003) and Islamic Corporation for the Development of the Private Sector Development (29/12/2003).

- A **special edition** was issued in November 2003 regarding the "Reconstruction of Iraq" covering the Corporation's role, and its operations, the estimated cost of reconstruction, legal and administrative procedures in relation to investment and trade, the investment environment, estimated budget (2004-2006), foreign debts, role of the private sector, and future Arab role in the reconstruction operations.
- Under emerging trends and developments **related to investment and trade in the Arab Countries**: an overview on Arab tourism, the emerging industry of conferences in the Arab Countries, views on modernizing the industrial sector in Syria in view of trade liberalization agreements, and an overview of the Tenth Conference of Arab Businessmen and Investors (Algiers 9-10/12/2003).
- **Under the New Economy**: developments in the Arab Countries included increased utilization of internet, establishment of investment fund in technology companies in Dubai, and launching the Yemeni national program for computer utilization and literacy.
- **Reports and specialized studies** regularly issued by the Corporation include: **Investment Climate in the Arab Countries 2002**, regularly issued by the Corporation for (18) years, the legal framework for investment, "**A Comparative Study on FDI Laws in the Arab Countries and in Other Developing Countries**", and other reports issued by International parties such as the World Bank report on "Economic Reform and the Illusion of Development in the Middle East and North Africa Region (2002)"; the First Annual Review of Developments in Globalization and Regional Integration in ESCWA countries, 2002; Developments of the Guarantee Industry based on the annual yearbook of International Union of Credit and Investment Insurers (the Berne Union); an overview on the FDI trends in the Organization for Economic Cooperation and Development (OECD); and the World Investment Report 2003 of the United Nations Conference on Trade and Development (UNCTAD).
- Covering the following **indices**: Economic Freedom (2003), Globalization (2003), Information Society Readiness (2003), overview of Arab Countries position in selected International indices (12 indices), World Bank Doing Business Indicator (2002), OECD Development Commitment (2003) and Euro-money Country Risk Ratings (September 2003).
- Pursuance of **Investment Promotion Activities** of which increasing importance of investment promotion techniques worldwide, the eighth annual conference of World Association of Investment Promotion Agencies (WAIPA) held in Geneva during the period 22-24/1/2003, the first and second coordination meetings of Arab Investment Promotion Agencies held in Rabat on 27/2/2003 and 12/12/2003 respectively..



### 3.1.3 Specialized Studies and Papers:

Various papers were presented covering the following:

- **"The Role and Mechanism of Insurance Industry in Enhancing Exports"** was presented in the Training Workshop on **"New Methods for Promoting and Financing Exports"**, organized by the Arab Planning Institute and held in Kuwait City, during the period 18-22/1/2003.
- **"Governments Role in Promoting FDI in the GCC Countries"** was presented in a regional workshop organized by Dubai Development and Investment Agency (DDIA), held during the annual conference of World Association of Investment Promotion Agencies (WAIPA), held in Geneva during the period 22-24 /1/2003.
- **"Framework for Arab Integration and New Economic Developments in Morocco"** was presented in the **"Arab Investment Conference"**, organized by the Moroccan Directorate of Foreign Investment and the Monthly Moroccan Gazette **"Economy & Business"**, and held in Rabat during the period 26-27/2/2003.
- **"The Role of the Inter Arab Investment Guarantee Corporation in Supporting Investment Promotion in Arab Countries "** was presented during the first coordination meeting of **Arab Investment Promotion Agencies**, organized by the Moroccan Directorate of Foreign Investment, and held in Rabat on 27/2/2003.
- **"Enhancing Arab Integration in the Global Economy"** was presented to the **International Investment Forum in Dubai** during the period 3-5/5/2003, organized by Dubai Development and Investment Agency (DDIA).
- **"A Comparative Study on FDI Laws in the Arab Countries and in Other Developing Countries"** issued under the capsule series, (vol.5 1/2003).
- **"The Role of Guarantees in Enhancing Inter-Arab Investment Inflows"** was presented during the seminar on the **Relation Between the Implementation of Greater Arab Free Trade Area, the WTO Agreement and the Euro-Mediterranean Agreement, and their effect on the Industrial Sector in the Arab Republic of Syria**", held in Damascus during the period 24-25 /5/ 2003 and organized by (ESCWA) and the General Union of Chambers of Commerce, Industry and Agriculture in the Arab Countries, and the Syrian Ministry of Industry.
- **"The Role of Investment Guarantee in Aversing Risk"** was presented to the roundtable on **"Opportunities and Challenges in Water and Power Sectors in the Middle East and North Africa"**, held in Beirut in 27-28/5/2003 and organized by the World Bank Group.
- **"The Corporation's Role in the Guarantee Industry and its Cooperation with Financing Institutions"** was presented to the banking forum on **"Arab and International Banking Techniques of 2003"**, held in Paris on 30-31/7/ 2003 and organized by the Union of Arab Banks.
- **"The Guarantee Role in Enhancing Trade and Investment in the Arab Countries"** was presented to the second exhibition of Arab Industries and the accompanying seminar, held in Jeddah during the period 13-19/9/2003.



- The Director General intervention in **"Jordan Economic Forum"**, held in Amman during the period 12-13/10/2003.
- **"The Techniques and Role of Guarantees in Enhancing Advancement of Exports"** was presented to the fourth Symposium on **"Industrial Development and Guarantee of Industrial Exports in the Gulf Cooperation Council Countries"**, held in Kuwait on 14/10/2003.
- **"Arab Guarantee Agencies and their Role in Enhancing Inter Arab Investment and Trade"** was presented to the seventh meeting of Arab Business Society, held in Manama during the period 18-20/10/2003.
- Organizers opening address presented by the Director General to the **Tenth Conference of Arab Businessmen and Investors** held in Algiers during the period 9-10/10/2003.
- The Director General intervention on **"The Inter Arab Investment Guarantee Corporation Experience in Enhancing Investment and Trade in the People's Democratic Republic of Algeria"** was presented during the **Tenth Conference of Arab Businessmen and Investors**, held in Algiers during the period 9-10/12/2003.
- **"The Role of the Private Sector in Enhancing Investment in the Services Sector"**, was presented to the **Tenth Conference of Arab Businessmen and Investors**, held in Algiers during the period 9-10/12/2003.
- **"The Inter Arab Investment Guarantee Corporation Initiative for Setting-up a Strategy for the Joint Promotion of Arab Investment Opportunities"**, was presented in the second meeting of Arab Investment Promotion Agencies, held during the International Conference on Investment held in Rabat on 12/12/2003.

### 3.1.4 Conferences and Seminars:

The Corporation participated in the following Conferences and Seminars during the year:

- **"The Eighth Annual Conference of World Association of Investment Promotion Agencies" (WAIPA)**, held in Geneva during the period 22-24/1/2003.
- **"The Annual Coface Country Risk Conference"** held in Paris on 28/1/2003.
- Meetings of the Preparatory Committee for the **Tenth Conference of Arab Businessmen and Investors**, the second held in Cairo on 18/2/2003, the third and forth in Beirut on 23/5/2003 and 24/9/2003, the fifth in Cairo on 9/11/2003, in cooperation with the General Secretariat of the Arab League and the General Union of Chambers of Commerce, Industry and Agriculture for the Arab Countries.
- **"Arab Investment Conference"**, held in Rabat during the period 26-27/2/2003, and organized by the Moroccan Directorate of Foreign Investment in cooperation with the Monthly Moroccan Gazette "Economy & Business".
- **"The International Investment Forum"**, held in Dubai during the period 3-5/5/2003 and organized by Dubai Development and Investment Authority (DDIA).
- **"The Ninth Conference for Investment and Arab Stock Markets"**, held in Beirut during the period 22-23/5/2003 and organized by Al Iktissad Wa Al Amal Group.
- **"The Seminar on the Relation between the Implementation Program of the**

**Great Arab Free Trade Area, the WTO Agreement and the Euro-Mediterranean Agreements, and their Impact on the Industrial Sector in the Arab Republic of Syria**", organized by (ESCWA) and the General Union of Chambers of Commerce, Industry and Agriculture in the Arab Countries, and the Syrian Ministry of Industry, and held in Damascus during the period 24-25/5/2003.

- **"Opportunities and Challenges round table on the Water & Power Sectors in the Middle East & North Africa Region"**, held in Beirut during the period 27-28/5/2003 and organized by the World Bank Group.
- **"The Annual Meeting of the Board of Directors and the General Assembly of the Joint Arab-Belgium-Luxembourg Chamber of Commerce"**, held in Brussels on 28/5/2003.
- A Forum on **"Arab and International Banking Techniques Forum 2003"**, held in Paris during the period 30-31/7/2003 and organized by Union of Arab Banks.
- **"The Second Arab Industry Exhibition and the accompanying Seminar"**, organized by the Arab Organization for Industrial Development and Mining in collaboration with Jeddah International Exhibitions Company, and held in Jeddah during the period 13-19/9/2003.
- **"Investment and Trade Opportunities in the Kingdom of Saudi Arabia Seminar "**, organized by the Ministry of Finance in Saudi Arabia and held in Dubai on 20/9/2003.
- **"The Annual Meeting of the World Bank Group and the International Monetary Fund"**, held in Dubai during the period 23-24/9/2003 along with a special seminar on Iraq.
- **"Strategic Planning for Investment Promotion Workshop"**, organized by the World Association of Investment Promotion Agencies (WAIPA) and hosted by Dubai and Investment Development Authority, during the period 8-9/10/2003.
- **"Jordan Economic Forum and the accompanying seminar on Iraq Reconstruction"**, co- organized by the Jordanian Government and the Al Iktissad Wa Al Amal Group, during the period 12-13 /10/2003.
- Fourth Symposium for the Advancement and Guarantee of Industrial Exports in the **GCC Countries**, organized by the Secretariat of the GCC in cooperation with the Public Authority for Industry, and held in Kuwait City on 14/10/2003.
- A **Conference on the "Electronic Government"**, organized by Kuwait Institute for Scientific Research and held in Kuwait City, during the period 13-15/10/2003.
- **The Eighth Arab Conference on Mineral Resources**, organized by the Arab Organization for Industrial Development and Mining and held in Sana'a, during the period 13-16/10/2003.
- **"Arab Competitiveness Report Workshop"**, organized by the Arab Planning Institute, and held in Kuwait on 15/10/2003.
- The Sixth Scientific Conference of Kuwaiti Economists on **"Oil Economies in Kuwait & Globalization Impact"**, organized by Kuwait Economic Society and held in Kuwait, during the period 18-19/10/2003.



- **The Seventh Meeting of Arab Business Society**, organized by Arab Businessmen Union and held in Manama, during the period 18-20/10/2003.
- **Carthage Meeting for the Insurance & Reinsurance titled "Areas of Arab Cooperation in Insurance and Reinsurance"** organized by General Union for Arab Insurance in cooperation with the Federation of Tunisian Reinsurance Companies and the Tunisian Company for Reinsurance, and held during the period 20-21/10/2003.
- **The Tenth Conference of Arab Businessmen and Investors** held in Algiers during the period 9-10/12/2003 and organized jointly by the Corporation, the Secretariat of the Arab League, and the General Union of Chambers of Commerce, Industry and Agriculture for the Arab Countries.
- **"International Investment Conference: cultures & civilizations - linkages & effects"**, organized by Ministry of Economic and General Affairs and the Rehabilitation of Economy in Morocco, and held in Rabat during the period 11-12/12/2003 along with **the second coordination meeting of Investment Promotion Agencies the in Arab Countries**, held along side the seminar on 12/12/2003.

### 3.2 Investment Promotion:

The Corporation investment promotion activity during the year focused on the following:

- The Corporation covered (53) investment opportunities in its monthly bulletin, **Daman Al-Istithmar**. It was distributed among the industrial, agricultural, and service sectors in various areas in (8) Arab Countries, including tourism projects, BOT projects for electricity generation, distribution of fuel gas and plastic industries.

### 3.3 Cooperation with Arab and International Organizations:

During 2003 the Corporation participated in (42) conferences and meetings, of which (14) functions were relevant to joint Arab action, (6) functions involved international organizations, and (22) functions covered economic issues of relevance to the Corporation's core business. Of these functions (12) were held in the Corporation's Head Office in Kuwait City, (5) in Egypt, (4) in each of UAE and Lebanon, (3) in each of Saudi Arabia and Syria, (2) in each of Morocco and France, and (1) in each of Jordan, Bahrain, Tunisia, Algeria, Yemen, Switzerland and Belgium. The main objective for taking part in these meetings was to introduce the Corporation business and market its services, as well as aiming at enhancing understanding of productive and service sectors in the Arab Countries, and to actively take part in discussing issues relevant to investment and trade in the Arab Countries. On the other hand, these meetings served to strengthen the Corporation's relations with international and regional organizations.

### 3.4 Information & Computerization:

The following activities were covered during the year:

#### Programs & Maintenance

- Adoption of (Oracle) database to all the Corporation's databases including the electronic content management system (File Net), the Database of the Guarantee Operations Department and the Administration Section.

- Considering several offers of hardware and network equipment for the application of electronic content management system, approving the best offer.
- Negotiations with internet service provider for obtaining higher speed (765 kbps) at the same cost.
- Completion of diagnostic study on the relocation of existing printers for better utilization.

#### Networks:

- The bandwidth of the local network was upgraded, as well as the bandwidth of the server.
- Installation of anti-virus system for local network.
- Periodical maintenance and updating of printers and computers, and installment of new applications.
- Periodical backing-up of the Corporation's documents.
- Uploading of the Corporation's applications to its website.

#### IT Unit:

- A pilot version of the Export Credit Guarantee application was implemented.
- Approval of electronic content management system (File Net), and an analytical study of the Corporation's archives was conducted towards implementation of the system.
- A preliminary action plan for IT management was drafted, taking into consideration the Corporation's development over the coming three years, aiming to streamline the flow of information within the Corporation's departments and sections on one hand and with the Corporation's clients on the other. The implementation of the action plan will progress in stages.
- The formulation and implementation of a new payroll program, integrating it with the Corporation's accounting system.

### 3.5 The Library

- The Corporation made a number of subscriptions to Arabic and foreign specialized periodicals, of direct relevance to its core business.
- Making use of the Arab Fund for Economic and Social Development library.
- Increased utilization of sources of information available on the internet, in view of the future plan to launch a **Virtual Library**.
- Continuous updating of the Corporation's publications distribution database.
- Preparing and categorizing the internal press archive.

### 3.6 Training:

In its effort to enhance the efficiency of its employees and to build human capital, the Corporation enrolled (7) staff members in (7) training courses. The courses encompassed the following fields:

#### Professional Courses:

- A course on "**Feasibility Studies and Evaluation of Investment Opportunities**" organized by Brain Power Center, held in Kuwait City during the

period 18-22/1/2003 and attended by two staff members from the Guarantee Operations Department.

- A course on "**Banking Analysis & Classification**" organized by Capital Intelligence Corporation held in Cyprus during the period 21-24 /9/2003 and attended by one staff member from the Guarantee Operations Department.
- A presentation on a **specialized software program to analyze and follow-up investment** organized by FactSet Research System, held in Kuwait City on 12/10/2003, and attended by one staff member from the Investment Section.
- A course on "**Letters of Credit**" and relevant treasury operations organized by Arab Investment Corporation, was held in Bahrain during the period 11-13/10/2003, and was attended by one staff member from the Guarantee Operations Department.

#### Computer Courses:

- An advanced course on design & Publication using Macromedia Dream Waver 4, organized by IBM Authorized Education Center, held in Cairo during the period 19/1 - 17/2/2003. Another advanced course entitled "Macromedia Flash 5" was organized by the same Center, during the period 18-24/2/2003 and attended by one staff member from the Guarantee Operations Department.
- A course on the latest Visual Basic language was organized by InfoCenter in Kuwait City on 23/10/2003, and attended by one staff member from the Administration Section.

#### English Courses:

- An **English Language** course organized by the British Council was held in Kuwait City, during the period 19/5-2/7/2003 and attended by one staff member from the Administration Section.

### 3.7 Information Activities:

Based on the **Media Program** prepared and adopted for the year 2003, (12) press releases were issued during the year covering, among other subjects, the fourth and fifth meetings of Corporation's Subscriber's Council, the first meeting of **Importers & Exporters in the Arab Countries**, the annual meeting of the **Corporation's Subscriber's Council**, issuance of the brief summary (no.1/2003) entitled "**A Comparative Study on FDI Laws in the Arab Countries and in Other Developing Countries**", the Corporation's business delegation to Algeria, a television interview with the Director General on Dubai Economic Channel on "**Return of Arab Money Invested Abroad**", and the participation in each of the following activities: a seminar on "**Investment & Trade Opportunities in Saudi Arabia**" which was part of the activities of the annual meetings of the World Bank & International Monetary Fund, "**Jordan Economic Forum**", the introductory Workshop organized by the Corporation on "**Exports Credit Guarantee**" in cooperation with Kuwait Chamber of Commerce and Industry and the Center for the Advancement of Industrial Exports.

Based on the follow-up of news issued during the year, (291) news items were issued on the Corporation's activities and periodical publications (**Investment Climate Report**, "**Daman Al Istithmar**" bulletin, and press releases). News sources came from a number of local Arab newspapers and others abroad, news agencies and on-line information portals.



## Chapter Four: Financial Report

The paid up capital of the Corporation increased by 31 December 2003 to KD 25,398,615 (US\$ 86,038,669) compared to KD 24,751,667 (US\$ 83,847,110) as it was on 31 December 2002. The increase of KD 646,948 composed of KD 425,000 representing 50% of the amount by which UAE increased its subscription to the Corporation's capital, and KD 221,948 which represented the first installment, due in 2003, from the Arab Authority For Agricultural Investment and Development's share in the Corporation's capital increase. The capital was composed of two parts, the first of which amounting KD 25,176,667 was paid by the member countries, and the second part, which was KD 221,948, represented the capital payable by the Arab Financial Organizations.

As for the total income which included income from investments, guarantee premia, interest on recoverable compensations, promissory notes and other earnings it amounted by 31 December 2003 to KD 5,220,805 (US\$ 17,685,654) compared to a loss of (KD 439,656) (US\$ 1,489,350) as of 31 December 2002. The Corporation realized in 2003 a net profit amounting to KD 3,529,402 (US\$ 11,955,969) compared to a net loss amounting to (KD 2,043,417) (US\$ 6,922,144) as of 31 December 2002, with an increase of KD 5,572,819 (US\$ 18,878,113). That increase was mainly due to the incomes realized from investment of the liquid financial resources which amounted to KD 3,039,390 (US\$ 10,296,037) and the guarantee premia that amounted to KD 911,191 (US\$ 3,086,690).

As for the Corporation's investments, particularly the portfolios and funds, the unrealized profit amounted to KD 2,898,269 (US\$ 9,817,984) as of 31 December 2003 compared to a loss of (KD 2,037,345) (US\$ 6,901,576) by 31 December 2002, with an increase of KD 4,935,614 (US\$ 16,719,560).

As a result of the decline in the exchange rate of the U.S Dollar against the Kuwaiti Dinar the unrealised loss amounted to (KD 537,083) by 31 December 2003 compared to an unrealised loss of (KD 822,971) as of 31 December 2002.

As regards to the total expenditure for the year 2003, it amounted to KD 1,691,403 (US\$ 5,729,685) compared to KD 1,603,761 (US\$ 5,432,795) by 31 December 2002, with an increase of KD 87,642 (US\$ 296,890) amounting to 5.46%. The increase was due to an increase of the end of service benefits and the annual leave to the employees who had been promoted from the administrative to the technical staff as well as to expenses related to some employees who either joined the Corporation or whose services were terminated during the year 2003.

The balance sheet shows that the total financial resources for the Corporation amounted KD 61,219,535 (US\$ 207,383,249) which is comprised of KD 30,384,443 (US\$ 102,928,330) in the form of investments in the money markets and marketable securities and KD 30,835,092 in promissory notes and recoverable claims.

The shareholder's equity was increased to KD 76,334,528 (US\$ 258,585,800) as on 31 December 2003 compared to KD 72,158,178 (US\$ 244,438,272) as on 31 December 2002 which is an increase of KD 4,176,350. (US\$ 14,147,528).



## Auditors' Report

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

We have audited the accompanying balance sheet of The Inter-Arab Investment Guarantee Corporation as of 31 December 2003 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. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

As indicated in Note (8) to the financial statements, the corporation continues to accrue and recognise interest on long outstanding recoverable claims and promissory notes receivable from member states that have been unable, due to difficult political and economic conditions, to settle their principal obligations on the due dates. In our opinion, the corporation should not accrue delay interest and recognise the related income unless their recoverability is certain; accordingly, the corporation's assets and shareholders' equity as of 31 December 2003 should be reduced by KD 18,462,803 (2002: KD 16,853,843) and the net profit for the year then ended should be reduced by KD 1,608,960 (2002: KD 1,633,992). Our audit opinion on the prior year's financial statements was qualified in respect to the same matter.

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the corporation as of 31 December 2003, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Furthermore, in our opinion proper books of account have been kept by the corporation and we obtained all the information and explanations that we required for the purpose of our audit. We further report that, to the best of our knowledge and belief, no violations of the corporation's convention have occurred during the year ended 31 December 2003 that might have had a material effect on the business of the corporation or on its financial position.

Without qualifying our opinion, we draw attention to Notes (6) and (7) to the financial statements. As indicated in the Notes, promissory notes receivable and recoverable claims amounting to KD 3,804,981 and KD 24,560,137 respectively as of 31 December 2003 are due from certain member states who are experiencing difficult political and economic conditions. Because of these conditions, it is not possible to ascertain the collectability of these amounts. Accordingly, no provision for any loss relating to the uncollectability of these receivables has been made in the accompanying financial statements.

Kuwait, 6 March 2004

**Waleed A. Al-Osaimi**

Licence No. 68 A-Kuwait

Member of Ernst & Young



**BALANCE SHEET**  
**At December 31, 2003**

		2003	2002
	Note	KD	KD
<b>Assets</b>			
Cash and cash equivalents	3	424,696	653,578
Investments available for sale	4	29,258,641	25,184,572
Claim from two member states	5	701,106	675,036
Promissory notes receivable	6	3,804,981	3,865,949
Recoverable claims	7	27,030,111	27,901,382
Accrued interest	8	18,462,803	16,853,843
Reinsurance claims receivable	9	4,881,834	5,082,161
Due from savings and social security fund		-	49,752
Accounts receivable and other debit balances	10	543,898	608,955
Property and equipment	11	1,101,408	1,138,128
<b>Total Assets</b>		<b>86,209,478</b>	<b>82,013,356</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Accounts payable and other credit balances	12	423,255	428,033
Obligations under finance lease	13	1,366,918	1,380,442
Reinsurance claims payable	9	8,046,703	8,046,703
Due to savings and social security fund		38,074	-
<b>Total Liabilities</b>		<b>9,874,950</b>	<b>9,855,178</b>
<b>Shareholders' Equity</b>			
Paid-up capital	14	25,398,615	24,751,667
General reserve	15	50,935,913	47,406,511
<b>Total Shareholders' Equity</b>		<b>76,334,528</b>	<b>72,158,178</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>86,209,478</b>	<b>82,013,356</b>

The attached notes 1 to 23 form part of these financial statements.



## STATEMENT OF REVENUES AND EXPENSES

For the Year Ended December 31, 2003

	Note	2003 KD	2002 KD
<b>Revenues:</b>			
Gross guarantee premiums		920,301	523,015
Guarantee premiums ceded		(3,513)	(32,686)
Net guarantee premiums		916,788	490,329
Commission received on ceded reinsurance		-	7,840
Expenses and other commission		(5,597)	(5,778)
Guarantee results		911,191	492,391
Interest on promissory notes and recoverable claims	8	1,608,960	1,633,992
Bank interest		7,791	7,707
Interest on bonds		114,740	104,235
Investment gain (loss)	16	3,039,390	(1,906,433)
Exchange loss	17	(537,083)	(822,971)
Interest on claim from two member states	5	44,626	41,706
Other miscellaneous income		31,190	9,717
<b>Total Revenues</b>		<b>5,220,805</b>	<b>(439,656)</b>
<b>Expenses:</b>	<b>18</b>		
First Chapter - Salaries, wages and bonuses		969,165	880,692
Second Chapter-General and administrative expenses		569,244	520,662
Third Chapter - Capital expenses		57,556	53,967
Fourth Chapter - Provisions and others		95,438	148,440
<b>Total Expenses</b>		<b>1,691,403</b>	<b>1,603,761</b>
<b>Net Profit (Loss) for the Year</b>		<b>3,529,402</b>	<b>(2,043,417)</b>

The attached notes 1 to 23 form part of these financial statements.



**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Year Ended December 31, 2003**

	Paid-up capital KD	General reserve KD	Retained earnings (losses) KD	Total KD
Balance at 31 December 2001	24,751,667	49,449,928	-	74,201,595
Net loss for the year	-	-	(2,043,417)	(2,043,417)
Transfer from general reserve	-	(2,043,417)	2,043,417	-
Balance at 31 December 2002	24,751,667	47,406,511	-	72,158,178
Paid in capital increase	221,948	-	-	221,948
Payment of unpaid capital	425,000	-	-	425,000
Net profit for the year	-	-	3,529,402	3,529,402
Transfer to general reserve	-	3,529,402	(3,529,402)	-
Balance at 31 December 2003	25,398,615	50,935,913	-	76,334,528

The attached 1 to 23 form part of these financial statements.





**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2003**

	2003 KD	2002 KD
<b>Operating Activities</b>		
Net profit (loss) for the year	3,529,402	(2,043,417)
Adjustments for:		
Depreciation	36,720	36,714
Investment (gain) loss	(3,039,390)	1,906,433
Exchange loss on translation of certain financial assets	500,398	794,960
Interest income	(1,776,117)	(1,787,640)
Finance lease charges	96,631	97,516
Provision for doubtful debts	-	69,004
<b>Operating Loss Before Changes in Operating Assets and Liabilities</b>	<b>(652,356)</b>	<b>(926,430)</b>
Claim from two member states	18,556	35,876
Recoverable claims	431,841	405,727
Reinsurance claims receivable	200,327	(171,218)
Accounts receivable and other debit balances	65,057	(21,048)
Savings and social security fund	87,826	67,708
Accounts payable and other credit balances	(4,778)	(24,098)
Reinsurance claims payable	-	219,095
<b>Cash from (used in) Operations</b>	<b>146,473</b>	<b>(414,388)</b>
Interest received	122,531	111,942
Dividends received	8,210	16,709
<b>Net Cash from (used in) Operating Activities</b>	<b>277,214</b>	<b>(285,737)</b>
<b>Investing Activities</b>		
(Purchase) proceeds from redemption and sale of bonds	(92,943)	47,476
(Purchase) proceeds from sale of portfolios and funds	(949,946)	612,907
Purchase of property and equipment	-	(3,282)
<b>Net Cash from (used in) Investing Activities</b>	<b>(1,042,889)</b>	<b>657,101</b>
<b>Financing Activities</b>		
Payment of finance lease obligations	(110,155)	(110,155)
Proceeds from capital increase and unpaid capital	646,948	-
<b>Net Cash from (used in) Financing Activities</b>	<b>536,793</b>	<b>(110,155)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(228,882)</b>	<b>261,209</b>
Cash and Cash Equivalents at Beginning of the Year	653,578	392,369
<b>Cash and Cash Equivalents at End of the Year</b>	<b>424,696</b>	<b>653,578</b>

The attached notes 1 to 23 form part of these financial statements.

## Notes to Financial Statements

### December 31, 2003

#### 1 - Activities

The corporation is an Arab corporation with a special independent legal status that was incorporated in accordance with a convention between Arab member states. 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 states.

The corporation is located in Kuwait and its registered address is at P.O. Box (23568) - Safat 13096, State of Kuwait.

At 31 December 2003, the corporation had 45 employees (2002: 42 employees).

The financial statements were authorised for issue by the corporation's general manager on 6 March, 2004.

#### 2 - Significant Accounting Policies

##### - Basis of preparation

The financial statements have been prepared in accordance with Standards issued, or adopted by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and practices followed by the "Arab Organisations".

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of investments available for sale.

The accounting policies are consistent with those used in the previous year.

##### - 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.

##### - Investments available for sale

Investments are initially recognised at cost, being the fair value of the consideration given, which is measured using settlement date, including all acquisition costs associated with the investment.

After initial recognition, investments available for sale are measured at fair value. The fair value of investments traded in recognised financial markets

is their quoted market price at the close of business on the balance sheet date. For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on discounted cash flow analysis. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses. Any gain or loss arising from a change in the fair value of investments classified as available for sale is recognised in the statement of revenues and expenses in the period in which it arises.

**- Promissory notes receivable**

Promissory notes are stated at face value less provision for amounts deemed uncollectable. Interest earned on the promissory notes, if any, is recognised on a time proportion basis and included separately under accrued interest in the balance sheet.

**- Recoverable claims**

In accordance with the corporation's convention, claims incurred and paid by the corporation in compensating insured individuals and entities against non-commercial risks are reimbursable from the respective member state. Claims paid in relation to commercial risks are the responsibility of the importer and are subject to reinsurance arrangements. Accordingly, recoverable claims are stated at face value less, in rare circumstances, provision for doubtful accounts.

**- Receivables**

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

**- Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is computed on a straight-line basis over the estimated useful lives of items of property and equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

**- 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 recognised in the statement of revenues and expenses 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.



**- Payables**

Accounts payable are stated at their cost.

**- End of service indemnity**

The end of service indemnity for the general manager is calculated in accordance with article No. (6) of the resolution made by the Arab Ministers of Finance and Economy in Abu Dhabi. The end of service indemnity for other employees is based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. In accordance with article No. (21) of the employees' internal policy, the indemnities are paid in a funded employee savings and social security fund.

**- Income recognition**

Net guarantee premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis.

**- 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 retranslated into Kuwaiti Dinars at the rate of exchange prevailing on that date. Exchange differences are reported as part of the results for the year.

**- Finance leases**

Assets acquired under finance lease agreements are capitalised in the balance sheet and are depreciated over their useful lives. A corresponding liability is recorded in the balance sheet for rental obligations under the finance lease. The finance charge is allocated over the period of the lease so as to produce a constant rate of interest on the remaining obligation.

**- Reinsurance**

In the normal course of business, the corporation cedes certain levels of risk in various areas of exposure with reinsurance companies. Reinsurance contracts do not relieve the corporation from its obligations to policyholders; accordingly, failure of reinsurance companies to honour their obligations could result in losses to the corporation. In the opinion of management, the corporation's exposure to such losses is minimal since losses incurred in compensating policyholders are the ultimate responsibility of counter parties or member states. Amounts recoverable from reinsurance companies are estimated in a manner consistent with the related claim liability.

**- Financial instruments**

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, investment, accounts and notes receivable,

accrued interest, recoverable claims and payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note. 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 realise the asset and settle the liability simultaneously.

#### - Contingencies

Contingent liabilities are not recognised 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 recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

#### - Use of estimates

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

### 3 - Cash and Cash Equivalents

	2003 KD	2002 KD
Cash in hand and at banks	424,696	621,376
Time deposits maturing within three months	-	32,202
	424,696	653,578

### 4 - Investments Available for Sale

	2003 KD	2002 KD
Bonds	1,861,234	1,533,485
Portfolios and funds "primarily in quoted securities"	27,031,676	23,285,356
Investment in Arab Trade Finance Program	365,731	365,731
	29,258,641	25,184,572

The corporation owns 0.25% of the capital of the Arab Trade Finance Program, which was established within the framework of the Arab Monetary Fund, to stimulate inter-Arab trade. Due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable measure of fair value, the investment is carried at cost.

### 5 - Claim from Two Member States

This claim represents amounts due from two member states in respect of their unpaid capital contribution, together with delay interest, following a

decision by council and agreements between the corporation and each member state. Delay interest charged during the year on the outstanding balances amounted to KD 44,626 (2002: KD 41,706).

## 6 - Promissory Notes Receivable

	2003	2002
	U.S.\$	U.S.\$
Five promissory notes of U.S.\$ 6,444,752 each	32,223,760	32,223,760
Three instalments collected during 1988 to 1990	(19,334,256)	(19,334,256)
	12,889,504	12,889,504
Equivalent in KD	3,804,981	3,865,949

An agreement executed between the corporation and a representative of a member state dated 20 December 1989 stipulates that the remaining amount of the promissory notes along with any other outstanding amounts should be settled in equal quarterly instalments of U.S.\$ five million each starting 1 July 1990; however, due to difficult political and economic conditions in that state, none of the instalments were settled on the due dates. The Ministry of Finance of the respective member state has confirmed and acknowledged that their obligations will be satisfied as soon as the circumstances preventing payment no longer exist.

## 7 - Recoverable Claims

	2003	2002
	U.S.\$	U.S.\$
Balance at beginning of the year	93,026,313	94,267,804
Net claims paid during the year	167,162	165,874
Claims recovered during the year	(1,628,057)	(1,407,365)
Balance at End of the Year	91,565,418	93,026,313
Equivalent in KD	27,030,111	27,901,382

These amounts represent claims paid in compensating Arab nationals against risks realised in ten member states with concentration in four states. In accordance with the inter member states convention, claims paid by the corporation are reimbursable from the importer or member state in which the risk is realised accordingly, in the opinion of management, the above claims are recoverable in full. Long outstanding claims that are due from states who are experiencing difficult political and economic conditions and therefore have been unable to meet their obligations within the usual timeframe amounted to KD 24,560,137 at 31 December 2003 (2002: KD 25,363,789).

## 8 - Accrued Interest

The corporation accrues delay interest on the promissory notes receivable from a certain member state and claims recoverable from counter parties and



member states that have not met their obligations within the usual timeframe. This decision was taken in the prior years and as of the balance sheet date; none of the accrued interest has been paid. The details of the interest are as follows:

	2003 KD	2002 KD
Balance at beginning of the year	16,853,843	15,219,851
Interest charged during the year	1,608,960	1,633,992
Balance at End of the Year	18,462,803	16,853,843

## 9 - Reinsurance Claims

Reinsurance claims receivable represent the reinsurance companies' share of claims incurred and paid by the corporation under the respective reinsurance contract. Reinsurance claims payable represent amounts refundable to the reinsurance companies following reimbursement by the counter party or member state. In making settlement with a given reinsurance company, the corporation will observe amounts owed by the reinsurance company and settle on a net basis.

## 10- Accounts Receivable and Other Debit Balances

Accounts receivable and other debit balances include an amount of U.S.\$ 1,527,108 (2002: U.S. \$ 1,527,108) held in an escrow account with a foreign bank as security for the possible payment of a contingent liability arising from one of the legal cases (Note 19 - b).

## 11- Property and Equipment

Property and equipment are substantially represented in the carrying amount of the corporation's premises, which were acquired under a finance lease based on the space allocated to and occupied by the corporation in the Joint Building of the Arab Organisations. The premises are being depreciated over the 40-year lease term and the related depreciation charge for the year amounted to KD 36,720 (2002: KD 36,714).

## 12- Accounts Payable and Other Credit Balances

	2003 KD	2002 KD
Due to reinsurance companies	71,553	74,893
Accrued staff leave	115,922	101,024
Provision for legal encyclopaedia	13,757	13,757
Others	222,023	238,359
	423,255	428,033



### 13- Obligations Under Finance Lease

The obligations under the finance lease are payable as follows:

	2003 KD	2002 KD
Within one year	110,155	110,155
In the second to fifth years inclusive	550,775	550,775
Over five years	2,643,720	2,753,875
	<b>3,304,650</b>	<b>3,414,805</b>
Less: Finance charges allocated to future periods	(1,937,732)	(2,034,363)
	<b>1,366,918</b>	<b>1,380,442</b>

### 14- Paid-up Capital

At 31 December 2003, the capital of the corporation and the share of each member state and other authorities are as follows:

	2003 KD	2002 KD
<b>A. Member State:</b>		
The Hashemite Kingdom of Jordan	525,000	525,000
United Arab Emirates	2,350,000	2,350,000
Kingdom 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	1,217,932
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
<b>Issued Capital</b>	<b>26,101,667</b>	<b>26,101,667</b>
Unpaid portion	(425,000)	(850,000)
Amount not to be paid by the state of Palestine	(500,000)	(500,000)
	<b>25,176,667</b>	<b>24,751,667</b>
<b>B. Arab Financial Authorities:</b>		
Arab Authority for Agricultural		
Investment and Development	221,948	-
<b>Paid-up Capital</b>	<b>25,398,615</b>	<b>24,751,667</b>

## 15- General Reserve

Article (24) of the Corporation's convention states that "Net income realised 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 utilisation or distribution of the realised annual profits, provided that no more than 10% 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.

## 16- Investment Gain (Loss)

	2003 KD	2002 KD
Unrealised gain (loss) on revaluation of investments	2,524,535	(1,890,098)
Dividend from Arab Trade Finance Program	8,210	16,709
Gain (loss) on sale of portfolios and funds	395,080	(31,692)
Gain (loss) on redemption and sale of bonds	111,565	(1,352)
	3,039,390	(1,906,433)

## 17- Exchange Loss

Foreign currency exchange differences result from applying the corporation's accounting policy as stated in Note (2). Following are exchange differences resulting from major foreign currencies:

	2003 KD	2002 KD
U.S. Dollar	(576,007)	(845,777)
European Currency Unit	29,690	23,782
G. Britain Pound Sterling	11,890	8,300
Other Currencies	(2,656)	(9,276)
	(537,083)	(822,971)

## 18- Expenses

General and administrative expenses include finance lease charges in the amount of KD 96,631 (2002: KD 97,516). Capital expenses represent depreciation charge and expenditure on minor capital items, which is expensed as incurred.

## 19- Contingent and Unrecorded Liabilities

- The underlying value of written guarantee contracts in force as of 31 December 2003 amounted to KD 35,692,383 (2002: KD 29,932,794). Approximately KD 1,907,651 (2002: KD 2,257,129) of this value is reinsured against non-commercial risks. As of 31 December 2003, no amount has been reinsured against commercial risks under reinsurance contracts (2002: KD Nil).
- During 1997, the corporation paid a claim of U.S.\$ 10,042,165 to a bank



(equivalent to KD 2,964,447 at the rate of exchange prevailing at 31 December 2003) including interest up to 31 December 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 Euro 927,587 (equivalent to KD 342,608 at the rate prevailing at 31 December 2003). As a result, the corporation's assets were released and the corporation duly charged the respective member state with the amount of the claim. The bank subsequently appealed before the appellant court, claiming delay interest of U.S.\$ 1,527,108 (equivalent to KD 450,802 at the rate prevailing as of 31 December 2003) on the above claim. The claim is still pending before the court.

- c) Included in reinsurance claims receivable is an amount of KD 1,167,195 that has been blocked by one of the Arab banks. The bank, together with an Arab exporter, filed a claim on the corporation of U.S.\$ 1,040,000 (equivalent to KD 307,008 at the rate of exchange prevailing at 31 December 2003). The claimed amount plus interest at 21% from the date the amount became payable until payment is made has been awarded to the claimants; accordingly, the bank may possibly recover this claim from the blocked amount. The corporation has challenged the validity of this case's 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 26 May 1996 until the date of payment. During 1998, an award was issued in favour of the claimant for the amount plus interest of 7% from the date the amount became payable until payment is made. It is the policy of the corporation to record such obligation when payment is made and to charge the respective member state with the amount.

In the opinion of management and in accordance with the corporation's business practices, all litigations and claims are the ultimate responsibility of the importer in the case of commercial risks and the ultimate responsibility of the respective member state in the case of non-commercial risks. Accordingly, no provision has been made in the accompanying financial statements in respect of the matters discussed above.

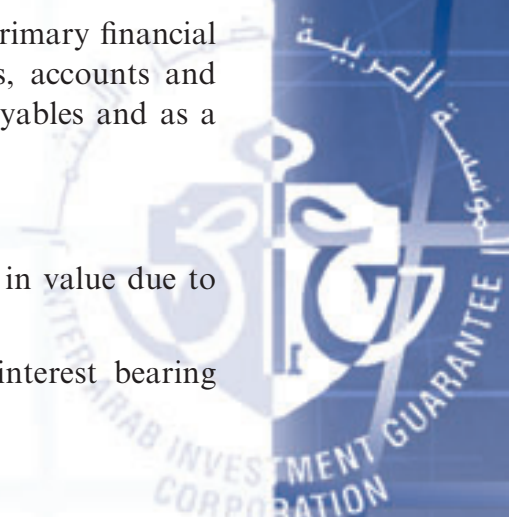
## 20- Financial Instruments

In the normal course of business, the corporation uses primary financial instruments such as cash and cash equivalents, investments, accounts and notes receivable, accrued interest, recoverable claims and payables and as a result, 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 are reprised or mature are as follows:



	Less than 1 year	Within 1 - 5 Years	Total	Effective in- terest rate
	KD	KD	KD	%
<b>31 December 2003</b>				
Cash and cash equivalents	302,000	-	302,000	1 - 2
Bonds	131,505	1,729,729	1,861,234	2 - 9.75
Claim from two member states	701,106	-	701,106	7
Promissory notes receivable	-	3,804,981	3,804,981	5
Recoverable claims	-	27,030,111	27,030,111	5
	<b>1,134,611</b>	<b>32,564,821</b>	<b>33,699,432</b>	
<b>31 December 2002</b>				
Cash and cash equivalents	258,678	-	258,678	1.5 - 2.5
Bonds	150,000	1,383,485	1,533,485	6.375 -10.25
Claim from two member states	675,036	-	675,036	7
Promissory notes receivable	-	3,865,949	3,865,949	5
Recoverable claims	-	27,901,382	27,901,382	5
	<b>1,083,714</b>	<b>33,150,816</b>	<b>34,234,530</b>	

#### - Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which potentially subject the corporation to credit risk, consist principally of cash at banks and bonds. Cash is placed with high credit rating financial institutions. Bonds are issued by either high credit rating financial institutions or governments. In the opinion of management, financial assets related to the corporation's investment guarantee business do not expose the corporation to credit risk since such business is backed up by the member states.

#### - Foreign currency risk

The corporation incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. 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 encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the corporation invests in bank deposits or other investments that are readily realisable.

#### - 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. At the balance sheet date, the fair values of financial instruments approximate their carrying amounts, except that it was not possible to reliably measure the fair value of certain investments available for sale as indicated in Note (4).

## 21- Savings and Social Security Fund (Unaudited)

The savings and social security fund was established in accordance with article No. (21) of the employees' internal policy, as approved by resolution No. (6) of 1981, and the general manager's resolution dated 1 January 1984, for the purpose of providing extra benefits to the employees. The fund resources are as follows:

- End of service indemnities under the respective employment contracts. These amounts are paid to the fund after approving the budget.
- Employee savings as determined by each employee with a minimum of 3% of the employee's salary. These amounts are paid to the fund through monthly deductions from the payroll.
- Fund investment income.

At the conclusion of the employment period, the employee is paid his net balance in the fund comprising indemnity in accordance with the terms of employment, savings and his share of any surplus arising on the fund balance. Where the fund's assets are not sufficient to meet the employees' entitlements, the deficiency is borne by the corporation. Article No. (9) of the fund's articles states that the fund accounts should be audited annually and its financial position examined by an actuary, as selected by the management. Following is a summary of the fund's unaudited financial position and results for the year:

	2003	2002
	KD	KD
<b>Assets</b>		
Investments	904,052	805,391
Employee loans	364,410	349,909
<b>Total Assets</b>	<b>1,268,462</b>	<b>1,155,300</b>
<b>Liabilities</b>		
End of service indemnity	853,003	822,786
Employee savings	291,993	282,762
Current account with the corporation	(38,074)	118,756
<b>Total Liabilities</b>	<b>1,106,922</b>	<b>1,224,304</b>
<b>Surplus (Deficit)</b>	<b>161,540</b>	<b>(69,004)</b>
<b>Revenues:</b>		
Unrealised gain (loss) on revaluation of investments	111,218	(70,634)
Other income	139,735	60,000
Exchange and forward contracts losses	(1,205)	(21,329)
	249,748	(31,963)
Expenses	(2,200)	(1,002)
<b>Surplus (deficit) for the year</b>	<b>247,548</b>	<b>(32,965)</b>
Accumulated deficit at beginning of the year	(69,004)	(22,160)
Payments to employees during the year	(17,004)	(13,879)
<b>Accumulated Surplus (Deficit) at End of the Year</b>	<b>161,540</b>	<b>(69,004)</b>



## 22- Contingent Compensation

The corporation filed a claim in the amount of KD 917,421 through the Public Authority for the Assessment of Compensation (PAAC) in respect of losses suffered as a result of relocating its head quarters to Cairo during the period 1990 - 1991. During the year, the corporation collected an amount of US\$ 58,761 in full and final settlement of the claim. The corporation is disputing the amount of the final settlement.

## 23- Comparative Figures

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

