



ANNUAL REPORT

& FINANCIAL STATEMENTS

1985



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

ANNUAL REPORT 1985

OBJECTIVES:

The Corporation aims at achieving two major objectives:

- To provide insurance coverage for Arab investments in Arab countries against non-commercial risks i.e. expropriation, nationalisation, currency inconvertibility and wars.
- To promote the flow of Arab capital among Arab countries by carrying out activities which are ancillary and complementary to its guarantee operations, in particular research related to the identification of investment opportunities and to the study of the investment climate in these countries.

ORGANIZATION AND MANAGEMENT:

The Council:

The Council consists of one representative from each member country. The Council assumes all authorities necessary to realise the objectives of the Corporation, except those authorities delegated to other organs of the Corporation.

The Supervisory Committee:

This Committee consists of six experts of whom five are appointed by the Council with the proviso that they should belong to different nationalities. The sixth member is appointed by the Council upon the recommendation of the General Union of Arab Chambers of Commerce, Industry and Agriculture. The Supervisory Committee supervises the activities of the Corporation and may provide advice as it may deem appropriate, without the interference in the administration of the Corporation. The current membership of the Supervisory Committee is as follows:

H. E. Dr. Mohamed Said Al-Nabulsi	Chairman
Mr. Burhan Al-Dajani	Member
Mr. Ahmed Abdullatif	Member
Mr. Miziel Awad	Member
Mr. Rajab Al-Maslati	Member
Mr. Abdul Fatah Bin Mansour	Member

The Director- General

Mr. Mamoun Ibrahim Hassan

The Deputy Director- General

Mr. Giuma Said Giuma

Mr. Chairman,

In accordance with Article 12 of the Corporation's Convention, it is my pleasure to submit to your honourable Council, the Annual Report of the Director General for the Year 1985. Please accept my highest consideration.

Mamoun Ibrahim Hassan
Director- General

Kuwait, April, 1986



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CHAPTER 1

INTRODUCTION

The world economy experienced a slowdown in its recovery which began in the first half of 1983. The growth rate -in real terms- of the combined GDP of the OECD countries registered only 2.7% compared with 4.9% in 1984. Although the industrialised countries, in general, have improved their economic management, however this was not enough to bring about steady economic growth. Moreover, the growth of the world trade slackened while the size of the deficit of the American balance of payments increased substantially. Also protectionist measures adopted by the industrial countries against foreign competition were on the increase.

Developing countries experienced a general slowdown in their growth rate from 4.6% in 1984 to 2.6% in 1985. Meanwhile the surplus in the combined balance of trade of one billion dollars realised by these countries in 1984 turned into a deficit of one billion dollars in 1985.

At the close of the year, a number of problems plagued the economies of the developing countries; the mounting size of the foreign debt bill and the annual debt service burden posed a threat to the economies of these countries. Other problems include the unfavourable exchange rate of their currencies, trade barriers which stood on the way of the export of their products to international markets and the dwindling of the flow of capital into their economies.

Developing oil exporting countries faced serious economic pressures resulting from the drop in oil prices, which in turn was a result of the declining oil consumption in the world markets happening simultaneously with increasing levels of production.

A significant development on the international financial scene during 1985 was the approval of the convention for the establishment of

the Multilateral Investment Guarantee Agency (MIGA) at the joint annual meeting of the World Bank and the IMF in Seoul in October, 1985.

The creation of MIGA will undoubtedly expand the availability of investment guarantees in the international market. It is also expected that the Agency and the Inter-Arab Investment Guarantee Corporation will co-operate in various areas of mutual interest.

The Arab economies experienced a slowdown in their economic growth. Arab oil exporting countries saw a curtailment of their public expenditures and a slackening of the performance of their economies. Arab capital importing countries, on the other hand, continued to suffer from the debt service burden of their foreign debt bill, coupled with a slowdown in the flow of capital into their economies. This led to a marked reduction in the funds available to finance development projects in these countries.

Also contributing to the poor performance of the economies of the Arab countries was the low growth rates realised by the economies of the industrial countries which had a negative impact on the exports of the Arab countries to these countries. Trade barriers placed by industrial countries in face of exports from Arab and other developing countries helped to exacerbate the situation.

Despite these generally unfavourable developments, the Arab countries in Africa had good rains during the year which reduced the negative impact of the drought which plagued some of these countries.

In another positive development, the Arab countries generally moved in the direction of improving their investment climate during the year as reflected in their continuous efforts to review existing investment laws. Some countries also reviewed the structure of agencies responsible for investment to upgrade their effectiveness, and to simplify investment procedures; others moved to upgrade their financial markets in recognition of

their importance as a vehicle for the flow of investment. All these measures were aimed at providing incentives to Arab investors to attract them toward available investment opportunities in these countries, and to establish new patterns of investments in them. In a move designed to help boost inter-Arab trade, and help market surplus Arab products in the wake of intensifying international competition, and growing protectionist measures imposed by industrial countries, the argument in favour of boosting inter-Arab trade gained greater credibility. Towards this end, the year witnessed the appearance of some new national export credit guarantee schemes in the Arab countries.

Moreover, the Inter-Arab Investment Guarantee Corporation completed the development of its new export credit guarantee scheme which provides, for the first time in the Arab world, starting from the beginning of 1986, coverage against both commercial and non-commercial risks.

SUMMARY

At the end of 1985, the paid-up capital of the Corporation was KD★ 21,399,620 compared with KD 21,268,620 in the preceding year, yielding an increase of KD 131,000-over 1984. The general reserves increased in 1985 by 27% over the preceding year, recording KD 11,251,210 compared to KD 8,856,782 in 1984.

Meanwhile, the total revenue and expenditures in the 1985 budget were as follows:

	KD
Total Revenue	4,012,728
Total Expenditures and Provisions	1,618,300
Net Profits transferred to General Reserves	2,394,428

★ KD. 1.000 = \$ 3.46 (as at 31 Dec. 1985).



The Corporation signed 20 guarantee contracts covering investments in four Arab countries with a total value of KD 15,247,080. These contracts were concluded with 3 Arab investors as well as a joint Arab-foreign corporation. Regarding ancillary activities, the year witnessed an intensification of research and studies; another volume of the Legislative Encyclopedia for Investment in the Arab Countries, pertaining to Syria was issued. Also issued were Guides to Income Tax Status and to Companies' Establishment in the Kingdom of Saudi Arabia. Work was also completed on a Tax Guide for the Peoples Democratic Republic of Yemen, and a Guide for Exchange Control in the Hashemite Kingdom of Jordan. Six investor guides for six Arab countries and

surveys on socio-economic conditions and investment prospects for two Arab countries were issued during the year. Work was also completed on two investor guides for two Arab countries, and four other surveys for four Arab countries. These guides and studies, will be published soon.

Besides these guides and surveys, the Corporation continued to carry out and publish a number of specialized studies. Moreover, work continued in collaboration with the Arab Monetary Fund on the Joint Study on Inter-Arab Trade. The Study aims at describing various aspects of inter-Arab trade particularly the institutional setup for trade promotion, credit facilities, and guarantees.

The Joint Study with the Amman Stock Exchange on Arab Financial Markets covering nine Arab countries was completed during the year.

In the area of project promotion, the Corporation undertook the promotion of new projects in a number of Arab countries, and helped promote some new inter-Arab projects. In a related activity, the Corporation continued its efforts to build a data bank on Arab investors.

The Corporation also continued to render technical assistance to member countries to improve their investment laws, and the institutional structure for investment promotion.

The Corporation also continued its efforts to provide training opportunities for the staff responsible for investment in the Arab countries. In this respect the Corporation held its Fifth Training Seminar on Arab Financial Markets and Project Financing in Damascus, Syria.

The year also witnessed a number of other activities pertaining to the development and improvement of the guarantee scheme managed by the Corporation, as well as the upgrading of the skills of its professional staff.

Finally and in its endeavours to promote its services, the Corporation participated in a number of seminars, conferences and meetings to which it was invited.



CHAPTER 2

GUARANTEE CONTRACTS

The year 1985 witnessed the conclusion of 20 guarantee contracts with a total value of KD 15,247,080 distributed among four Arab recipient countries.

The number of guarantee contracts increased by 82% over 1984 while the value of the contracts increased by 16% as summarised below:

	1985	1984
Number of Guarantee Contracts	20	11
Percentage Increase	82%	—
Value of Guarantee Contracts	(KD) 15,247,080	13,180,720
Percentage Increase	16%	—

Distributed by country, the Republic of Iraq heads the list of the recipient countries with total investments of KD 12,528,945, followed by the Kingdom of Morocco with KD 2,510,475, the Republic of Tunisia with KD 120,960, and finally the State of Bahrain with KD 86,700.

The guarantee contracts were distributed over investors from the Kingdom of Saudi Arabia, the Kingdom of Morocco, the Republic of Tunisia, and a joint- Arab foreign corporation.

This brings the total value of guarantee contracts concluded since the establishment of the Corporation to KD 87,838,957 distributed over 13 Arab recipient countries (See Table 3). When the guarantee operations are classified by sector, tourism receives the largest share with 28.8% of the total value of guarantee contracts, followed by export credit trade with 25.5%, and industry with 16%. The sectors of infrastructure, animal wealth and fishery, real estate, transportation and agriculture receive 15.5%, 9.5%, 2.2%, 1.7%, and 0.8% respectively (See Table 4).

Examination of investments by type reveals that direct investments and equity participation received the lion's share with 42.3% of the total value of the guarantee contracts. This is followed by export credit with 25.5%, loans with 23.9%, and contractors' equipment with 8.3% (See Table 5).

Ten Arab nationals and some joint- Arab foreign financial institutions benefited from the Corporation's guarantee schemes. Of the investing countries, Kuwait came at the top of the list in the value of the contracts with 33.9% of the total, it is followed by the Kingdom of Morocco with 25%, the Joint Arab-foreign Banks with 15%, and the United Arab Emirates with 10.9% (See Table 6).

The total value of the outstanding obligations of guarantee contracts were KD 49,046,602 at the end of 1985. These obligations covered 10 Arab recipient countries, dealt with different economic sectors, and involved 5 different types of guarantee contracts (See Table 4).



NEW CONTRACTS SIGNED IN 1985:

- Equity participation guarantee contract covering Saudi participation in an agricultural company in the State of Bahrain. The value of the contract is KD 86,700.
- Equity participation guarantee contract covering Saudi participation in a tourist services project in the Republic of Tunisia. The value of the contract is KD 120,960.
- Export credit guarantee contract in favour of a Tunisian company covering the export financing of Tunisian chemical products exported to an Iraqi public company. The value of the contract is KD 598,360.
- A loan guarantee contract in favour of a joint Arab-foreign financial institution with its principal office in Paris to cover the value of a supplementary loan extended to a public Iraqi authority charged with the execution of an infrastructural project in Baghdad. The value of the contract is KD 491,300.
- Equity participation guarantee contract covering Saudi participation in a fishing project in the Kingdom of Morocco. The value of the contract is KD 86,700.
- Equity participation guarantee contract covering Saudi participation in a poultry project in the Kingdom of Morocco. The value of the contract is KD 28,200.
- A loan guarantee contract in favour of a joint Arab- foreign financial institution with its principal office in Paris. The guarantee covers a loan extended to a mining company in the Kingdom of Morocco. The value of the contract is KD 2,395,575.
- Export credit guarantee contracts involving 13 export operations of Moroccan products to the Republic of Iraq. The value of the contracts is KD 11,439,285.



REVENUE FROM GUARANTEE PREMIUMS AND COMPENSATION PAID:

The total income from guarantee premiums during the year was KD 479,959 of which KD 320,284 represents revenue from guarantee contracts during the year, while the balance of KD 159,675 represents guarantee premiums received in advance.

On the other hand, the compensations paid by the Corporation were as follows:

Date of payment of compensation	Value of compensation KD	Risks realised
16.3.1985	55,053	currency inconvertibility
09.7.1985	52,819	currency inconvertibility
Total	107,872	

There were no recoveries to be made of prior paid compensations. Thus, the profit realised from guarantee operations was as follows:

	KD
Revenue	479,959
Compensations paid	107,872
Net Profit	372,087

Compensations paid during 1985 are expected to be recovered the following year.

CHAPTER 3

SUPPORTING ACTIVITIES

A - RESEARCH AND STUDIES:

1. In its efforts to inform Arab investors on the economic situation and investment climate in the Arab countries, The Corporation issued the following studies during the year.
 - Socio-economic Survey and Investment Prospects in the Syrian Arab Republic.
 - Socio-economic Survey and Investment Prospects in the Republic of the Sudan.

Moreover, the following studies were completed and awaited publication:

- Socio-economic Survey and Investment Prospects in the Hashemite Kingdom of Jordan.
- Socio-economic Survey and Investment Prospects in the Peoples Democratic Republic of Yemen.
- Socio-economic Survey and Investment Prospects in the Yemen Arab Republic.
- Socio-economic Survey and Investment Prospects in the Sultanate of Oman.

Furthermore, Studies updated during the year included the Socio-economic Survey and Investment Prospects in the Islamic Republic of Mauritania.

2. Also, as part of its task to inform Arab investors on investment regulations, institutions and opportunities in the Arab countries, and to provide them with basic information on these countries, the Corporation continued to issue its series of Investor Guides. Towards this end, the following guides were issued during the year:
 - The Investor Guide to the Hashemite Kingdom of Jordan.
 - The Investor Guide to the Peoples Democratic Republic of Yemen.

- The Investor Guide to the Yemen Arab Republic.
- The Investor Guide to the Syrian Arab Republic.
- The Investor Guide to the Republic of Tunisia.

Meanwhile, work was also completed on the following guides during the year:

- The Investor Guide to the Sultanate of Oman.
 - The Investor Guide to the Republic of Djibouti.
3. The Corporation continued the publication of the series of the Legislative Encyclopedia for Investment in the Arab Countries. In this regard, work was completed during the year on the volumes for the Syrian Arab Republic and the State of Kuwait.
 4. During the year, the publication of another series of guides designed to inform Arab investors about company incorporation procedure in the Arab capital-importing countries was also continued. Of this series, the Guide for Companies' Establishment in the Kingdom of Saudi Arabia was issued during the year.
 5. In another series of guides entitled "The Guide for Income Tax Status", the Guide for the Kingdom of Saudi Arabia was issued during the year and work was completed on another guide for the Peoples Democratic Republic of Yemen. This latter Guide, however, will be issued soon.
 6. The Corporation also released a new issue in the series entitled "Guide to Exchange Control". The Guide for the Hashemite Kingdom of Jordan was issued.
 7. Joint Studies:
 - Joint Study with the Arab Monetary Fund on Ways and Means of Boosting Inter- Arab Trade: A joint team from the two institutions made field trips to the Republic of Sudan, and a report was prepared on the country's foreign trade situation.

- Joint Study with the Amman Stock Exchange on Arab Financial Markets:

The study was completed and published in the form of a book. Covered in the study were the nine Arab countries of: Hashemite Kingdom of Jordan, United Arab Emirates, State of Bahrain, Republic of Tunisia, Kingdom of Saudi Arabia, Republic of Sudan, State of Kuwait, Arab Republic of Egypt, and the Kingdom of Morocco.

- Regarding the joint study on Migrant Workers Remittances to the Arab Labour Exporting Countries which is co-sponsored with the Arab Planning Institute, the Corporation prepared a paper on the role of promotion in attracting and employing workers remittances toward productive investment.

8. New Studies

- Survey of Arab Free Zones:**
This survey aims at studying the investment possibilities that exist in these areas, and the factors which govern them. It covers the 6 Arab countries of: Hashemite Kingdom of Jordan, Republic of Tunisia, Syrian Arab Republic, Arab Republic of Egypt, Kingdom of Morocco, and the Peoples Democratic Republic of Yemen. The survey on the Arab Free Zones was completed for all the countries except that for Morocco which will soon be completed.
- A study on insurance mechanisms and guarantees available for investments in the international financial markets** was prepared and completed in English, and it was translated into Arabic for presentation to an Arab experts' meeting to be held during 1986.





(iii) **Study to Evaluate the Performance of Arab Investments in Arab Countries:**

An outline was prepared for this study which aims at researching the causes or the factors which are responsible for the success or failure of a chosen sample of Arab investment projects in a number of Arab countries.

9. **The Investment Climate in the Arab countries:**

Work was underway on the first annual report on the investment climate in the Arab countries. The report is sub-divided into two sections. The first deals with the general investment climate in the Arab countries as a whole, while the second section deals with specific reports detailing the elements which make up the investment climate in each country. The first report for 1985 is expected to be released in April, 1986.

B - Investment Promotion Activities:

- The Corporation continued its efforts in the field of project promotion. It succeeded in the promotion of a veterinary medicine manufacturing project in the Hashemite Kingdom of Jordan. The project was sponsored by the Arab Company for Drug Industries and Medical Appliances (ACDIMA).
- The Corporation continued its promotion of a proposed first class hotel to be set up in Mogadishu, in the Democratic Republic of Somalia.
- The Corporation prepared the draft agreement establishing the Syrian Arab Company for Finance and Investment, and assisted in its promotion.
- The Corporation's newsletter "Investment Guarantee" listed a total of 15 projects seeking finance.
- The Corporation served as consultant to the meetings of the promoters of the Arab Company for Investments in Fisheries held in Casablanca. It also participated in the general meeting of the

Company promoters held on 17 April, 1985 and all the meetings held by the representative committee of the promoters prior to that date.

C - Technical Assistance to Member Countries:

- In its on-going program which aims at providing technical assistance to member countries that express the desire to utilize the expertise available within the Corporation, the Corporation continued to organize its seminar on Arab Financial Markets and Sources of Finance. The program for the year was held in Damascus for the period 1-5 December 1985 and was attended by high level professionals from the government and private sector. Experts from a number of regional and national Arab organizations, in addition to experts from international organizations helped in the presentation of papers in the Seminar.

In their evaluation of the Seminar, the participants indicated that they found the Seminar both interesting, and useful. As for the Corporation, it was accorded the opportunity to know more about the investment climate in the Syrian Arab Republic.

- The Corporation upon the request of the concerned authorities in the Socialist Peoples Libyan Arab Jamahiriya assigned a member of its staff to assist the Libyan Committee responsible for the settlement of disputes on matters pertaining to international arbitration.
- Upon the request of the Ministry of Finance and Economic Planning in the Sudan, the Corporation prepared a study on the reorganization of the General Secretariat for Investment.
- Upon the request of the Ministry of Economy and Industry in the Yemen Arab Republic, the Corporation prepared a draft law for the creation of an office

responsible for the trading of company shares; it also rendered technical assistance to the Yemeni authorities on the preparations for the Yemeni Investors Conference held in Sana'a during the period 10-11 May, 1985.

- Upon the request of the Arab Federation of Fish Producers, it prepared a draft study on investment laws governing fisheries in Arab Countries for submission to the proposed Conference for Arab Ministers Responsible for Fisheries.
- Upon the request of the General Secretariat of the Arab League, a study was prepared on investment laws in the African countries as a prelude to the preparation of an agreement of protection, promotion, and guarantee of investments between the Arab and African countries.
- The Corporation had the opportunity to study the proposal for the creation of the Multilateral Investment Guarantee Agency (MIGA) to be established under the auspices of the World Bank, made comments on the proposal and submitted them to the Arab governments for their consideration. It also participated, at the request of the Executive Director representing Arab countries in the World Bank, in the technical meetings held at the Bank headquarters in which the proposal was discussed.

D - Promotion of the Corporation's Services and the Setting-up of a Data Bank:

Since its establishment, the Corporation has carried out a broad range of activities aimed at promoting its services both regarding its guarantee scheme, and the ancillary services it renders to investors such as research, studies, etc. To accomplish this, the Corporation was able to establish contacts with Arab investors and businessmen, in addition to various economic and financial establishments. To achieve this, the

Corporation employs a number of methods, such as field trips to economic establishments, conferences, seminars, and use of mail services. During the year the Corporation mailed more than 5000 promotional kits in Arabic to individuals and corporations, as well as 2000 kits in English and French.

In another development, the Corporation organised seminars to promote its services, particularly its new export credit scheme. In the meantime, the Corporation continued its on-going program to compile data and collect addresses from various economic sectors, businessmen, exporters and importers in the Arab countries. As of the end of the year, the data collected, corrected, reclassified, and stored reached about 6000 addresses. Furthermore, the Corporation continued to gather data and basic information on industrial projects in the Arab countries. In this regard, three countries were fully covered while work was nearing completion on a fourth country at the end of the year.

A card system was also set up for joint Arab projects to identify their ownership i.e. multilateral, bilateral, foreign, Arab, public owned, privately owned, joint Arab- foreign owned etc.

E - Export Credit Guarantee Against Commercial and Non-Commercial Risks:-

In line with the Council Resolution in its 12th Session held in Khartoum in July, 1985 which deals with the expansion of the Corporation's export credit guarantee scheme to include coverage against both commercial and non-commercial risks, the Corporation took the necessary measures to develop the expanded export credit guarantee scheme. In this regard, it laid down the general conditions for the export credit guarantee contracts to pave the way for its application; also completed were the appendices, and other supplementary documents. The documents were then sent to the Arab member countries for their comments

and reaction as a prelude to the application of the contracts at the beginning of 1986.

The contracts are tailored in this way to meet the requirements of the Arab exporter, and are designed to provide the kind of coverage required and are of 3 types as follows:-

(i) Comprehensive policy contract:

Covers both commercial and non-commercial risks for all export transactions with the condition that the duration of the credit period should not exceed 180 days.

(ii) Specific policy for commercial and non-commercial risks:

Covers both commercial and non-commercial risks for a specific export transaction regardless of the duration of the credit period.

(iii) Specific policy for non-commercial risks:

Covers non-commercial risks only for a specific export transaction regardless of the duration of the credit period. However, this policy applies to cases where the importer is a public entity.

The Corporation designed the procedures required to prepare and follow up any signed contracts.

With the new comprehensive guarantee scheme, the Corporation hopes to give Arab products a competitive advantage in the Arab markets, and to help boost inter-Arab trade.

Seminars on the Export Credit Guarantee Scheme:

The seminars were organised with the objective of informing Arab producers, industrialists, exporters, and businessmen about the export credit guarantee scheme managed by the Corporation since 1984. The emphasis in all the seminars was on the promotion of the guarantee program in its expanded form which



covers against both commercial and non-commercial risks, and on ways in which it can be utilized for the benefit of Arab products with the aim of paving the way for their entry into the Arab markets and generally helping to boost the inter- Arab trade. The first such Seminar was held in the Kingdom of Morocco in 1984, followed by another in the Republic of Tunisia, and then another one in the Syrian Arab Republic.

The Seminars to which Arab producers, exporters and bankers are invited are of short duration and consist of only one session.

Thus far, the results of the Seminars are both positive and encouraging judging from the large number of guarantee applications received, and the number of contracts concluded with Arab exporters from various Arab countries.

F - Training and Personnel Development:

The Corporation continued its efforts to enhance the skills of its staff to improve their technical and management capabilities. In this regard, the Corporation arranged for a number of its staff to attend seminars and training courses in line with its personnel development plan.

The areas covered in the training included the following:

- Settlement of foreign trade payments.
- International banking.
- Investment negotiations.
- Computer studies.
- Financial accounting.
- Management development.
- Documentation and information systems.
- Financial analysis.
- English language.

CHAPTER 4

FINANCIAL REPORT

The paid-up capital was KD 21,399,620 at the end of 1985 compared with KD 21,268,620 in 1984, representing 85.5% of the subscribed capital.

The revenue realised during the year was KD 4,012,728 exceeding the projected revenue in the budget estimate by KD 964,025 or 31.6%. This is a direct result of the policy adopted by the Corporation to diversify its portfolio with regard to the international currencies and investment instruments. The Corporation, in direct response to the conditions prevailing in the international financial markets, also adopted a more prudent approach in its investment strategy by choosing investment outlets and instruments which provide adequate security and bring in maximum return.

Regarding the expenditures, the total for the year was KD 1,618,300 of which KD 250,000 represented provision made to meet extraordinary expenses, while the actual cash expenditures were KD 1,368,300 compared with KD 1,394,000 in the budget estimate.

The total value of the Corporation's investment portfolio was KD 32,141,760 of which KD 16,528,494 was in time deposits, while KD 14,127,721 was in bonds, and KD 1,484,545 was in other financial investment. The total revenue realised on these investments was KD 3,683,249 or an average of 11.4%. Meanwhile, the total value of guarantee premiums received in 1985 was KD 320,284, while a revenue of KD 9,195 was realised from miscellaneous other sources. This brings the total net profit transferred to General Reserve to KD 2,394,428.

AUDITOR'S REPORT

The Chairman and Members of the Board Inter-Arab Investment Guarantee Corporation

(An Arab Corporation with a Special
Independent Legal Status, Kuwait)

We have examined the Balance Sheet of Inter-Arab Investment Guarantee Corporation (An Arab Corporation with a Special Independent Legal Status, Kuwait) as at December 31, 1985 and the related Statements of Revenue and Expenditure, Shareholders' Equity and Changes in Financial Position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Inter-Arab Investment Guarantee Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. We are also of the opinion that proper books of account were kept and that the accompanying financial statements are in agreement with those books.

SABA, AL-FAHAD & CO.

Kuwait
January 30, 1986

EXHIBIT A
BALANCE SHEET AS AT DECEMBER 31, 1985

ASSETS	December 31		LIABILITIES & SHAREHOLDERS' EQUITY	December 31	
	1985 K.D.	1984 K.D.		1985 K.D.	1984 K.D.
Current and call accounts with banks	343,173	234,615	Accounts payable and other credit accounts	828,083	646,550
Time deposits	16,528,494	17,519,650	Provision for contingencies and foreign currencies	500,000	250,000
Investment in bonds	14,127,721	11,410,349	Guarantee premium in advance	159,675	104,655
Portfolio investments	1,485,545	—	Total liabilities	1,487,758	1,001,205
Special drawing rights	—	141,339	SHAREHOLDERS' EQUITY-EXHIBIT C		
Accrued revenue	718,624	1,008,450	Capital authorized	25,000,000	25,000,000
Accounts receivable and other debit accounts	935,031	812,204	Capital issued	25,025,000	25,025,000
			Called-up capital	24,525,000	23,925,000
			Less: Unpaid capital	3,125,380	2,656,380
			Paid-up capital	21,399,620	21,268,620
			General reserve - Exhibit C	11,251,210	8,856,782
			Total shareholders' equity	32,650,830	30,125,402
TOTAL ASSETS	34,138,588	31,126,607	TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	34,138,588	31,126,607

EXHIBIT B
STATEMENT OF REVENUE AND EXPENDITURE

	Year Ended December 31	
	1985	1984
REVENUE:	K.D.	K.D.
Investment Income	3,683,249	2,753,241
Premium from guarantees	320,284	361,708
Other	9,195	6,820
Total revenue	4,012,728	3,121,769
EXPENDITURE:	K.D.	K.D.
Salaries, wages & bonuses	753,061	679,508
General & administrative expenses	563,189	493,586
Capital expenditure & provisions	302,050	644,263
Total expenditure	1,618,300	1,817,357
Net revenue- Exhibit C	2,394,428	1,304,412

EXHIBIT C
STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE TWO YEARS ENDED DECEMBER 31, 1985 AND 1984

	Authorized Capital K.D.	Capital Issued K.D.	Called-Up Capital K.D.	Unpaid Capital K.D.	Paid-Up Capital K.D.	Net Revenue K.D.	General Reserve K.D.
Balance as at							
December 31, 1985	25,000,000	25,025,000	23,325,000	2,156,380	21,168,620	—	7,552,370
Called-up Capital	—	—	600,000	500,000	100,000	—	—
Net Revenue- Exhibit B	—	—	—	—	—	1,304,412	—
Transferred to							
General Reserve	—	—	—	—	—	(1,304,412)	1,304,412
Balance as at							
December 31, 1984	25,000,000	25,025,000	23,925,000	2,656,380	21,268,620	—	8,856,782
Called-up Capital	—	—	600,000	469,000	131,000	—	—
Net Revenue- Exhibit B	—	—	—	—	—	2,394,428	—
Transferred to							
General Reserve	—	—	—	—	—	(2,394,428)	2,394,428
Balance as at December 31, 1985 Exhibit A	25,000,000	25,025,000	24,525,000	3,125,380	21,399,620	-	11,251,210

EXHIBIT D
GENERAL AND ADMINISTRATIVE EXPENSES
ON 31/12/1985

	Year Ended 31/12/1985 (K.D.)	Year Ended 31/12/1984 (K.D.)
Salaries, Wages and Terminal Benefits	753,061	653,501
Consultancy and Seminars	50,922	72,048
Entertainment, Travel and Accommodation	213,416	171,186
Rents	133,747	132,035
Insurance	1,556	1,718
Electricity and Water	1,964	2,566
General Maintenance	22,660	19,344
Postage, Cable, Telephone and Telex	24,030	12,588
Promotion, Subscription and Encyclopaedia	63,465	57,527
Stationary and Publications	40,005	32,050
Audit Expenses	5,000	4,000
Miscellaneous Expenses	6,424	4,799
Depreciation of Fixed Assets	52,050	26,775
Total General and Administrative Expenses	1,368,300	1,190,137
Provision against Currency Fluctuations and for Contingencies	250,000	627,220
	1,618,300	1,817,357

TABLE (1)
MEMBERS OBLIGATIONS IN THE CAPITAL OF THE CORPORATION, AMOUNTS SETTLED
TO-DATE AND INSTALMENTS IN ARREARS AS AT 31/12/1985

Member Country	% Share of Participation	Amount Contracted to (K.D.)	Settlement Required up to 31/12/1985	Amount Settled at 31/12/1985	Instalments in Arrears at 31/12/1985	Deferred Instalments	Remarks
Hashemite Kingdom of Jordan	2	525,000	525,000	525,000	—	—	
United Arab Emirates	6	1,500,000	1,500,000	1,500,000	—	—	
State of Bahrain	2	500,000	500,000	500,000	—	—	
Republic of Tunisia	5	1,250,000	1,250,000	1,250,000	—	—	
Peoples' Democratic Republic of Algeria	5	1,250,000	1,250,000	1,250,000	—	—	
Republic of Djibouti	2	500,000	500,000	200,000	300,000	—	83/85 Instl.
Kingdom of Saudi Arabia	15	3,750,000	3,750,000	3,750,000	—	—	
Republic of Sudan	5	1,250,000	1,250,000	325,730	924,270	—	77/81 Instl.
Syrian Arab Republic	2	500,000	500,000	500,000	—	—	
Democratic Republic of Somalia	2	500,000	500,000	58,735	441,265	—	81/85 Instl.
Republic of Iraq	2	500,000	500,000	500,000	—	—	
Sultanate of Oman	2	500,000	500,000	500,000	—	—	
Palestine	2	500,000	500,000	—	—	500,000	Instl. Deferred
State of Qatar	8	2,000,000	2,000,000	2,000,000	—	—	
State of Kuwait	12	3,000,000	3,000,000	3,000,000	—	—	
Republic of Lebanon	2	500,000	500,000	500,000	—	—	
People's Socialist Libyan Arab Jamahiriya	10	2,500,000	2,500,000	1,900,000	600,000	—	84/85 Instl.
Arab Republic of Egypt	5	1,250,000	1,250,000	650,000	600,000	—	79/81 Instl.
Kingdom of Morocco	5	1,250,000	1,250,000	1,250,000	—	—	
Islamic Republic of Mauritania	2	500,000	500,000	240,155	259,845	—	76/81 Instl.
Yemen Arab Republic	2	500,000	500,000	500,000	—	—	
Peoples Democratic Republic of Yemen	2	500,000	500,000	500,000	—	—	
Total	100	25,025,000	25,025,000	21,399,620	3,125,380	500,000	
%			100	85.5	12.5	2	

TABLE (2)
GUARANTEE CONTRACTS EXECUTED DURING 1985

Host Country	Beneficiary Project	Type of Investment	Nationality of Investor	Maximum Amount of Guarantee	
				K.D.	US. \$
Bahrain	Agricultural Sector	Equity Participation	Saudi	86,700	300,000
Tunisia	Services Sector	Equity Participation	Saudi	120,960	418,547
Iraq	Public Sector	Export Credit	Moroccan	4,913,000	17,000,000
	Public Sector	Export Credit	Moroccan	484,075	1,675,000
	Public Sector	Export Credit	Moroccan	268,047	927,500
	Public Sector	Export Credit	Moroccan	422,662	1,462,500
	Public Sector	Export Credit	Moroccan	116,756	404,000
	Public Sector	Export Credit	Moroccan	731,170	2,530,000
	Public Sector	Export Credit	Moroccan	2,890,000	10,000,000
	Public Sector	Export Credit	Tunisian	598,360	2,070,450
	Public Sector	Loan	Multinational	491,300	1,700,000
	Public Sector	Export Credit	Moroccan	231,200	800,000
	Public Sector	Export Credit	Moroccan	141,610	490,000
	Public Sector	Export Credit	Moroccan	162,563	562,500
	Public Sector	Export Credit	Moroccan	240,824	833,300
	Public Sector	Export Credit	Moroccan	693,600	2,400,000
	Public Sector	Export Credit	Moroccan	143,778	497,500
				12,528,945	43,352,750
Morocco	Agricultural Sector	Equity Participation	Saudi	28,200	97,578
	Fishery	Equity Participation	Saudi	86,700	300,000
	Mining	Loan	Multinational	2,395,575	8,289,187
				2,510,475	8,686,765
Grand Total				15,247,080	52,758,062

TABLE (3)
GEOGRAPHICAL DISTRIBUTION OF OPERATIONS (IN KD)
AS AT 31/12/1985

Host Country	Total Value of Contracts as at 31/12/1985	Percentage Share %	Total Value of Outstanding Obligations as at 31/12/1985	Percentage Share %
Hashemite Kingdom of Jordan	430,000	0.5	—	—
United Arab Emirates	2,422,000	2.8	—	—
State of Bahrain	86,700	0.1	86,700	0.2
Republic of Tunisia	555,960	0.6	555,960	1.0
Republic of Sudan	6,690,003	7.6	3,690,000	7.5
Syrian Arab Republic	7,400,000	8.4	6,712,500	13.7
Democratic Republic of Somalia	845,042	1.0	581,489	1.2
Republic of Iraq	33,425,788	38.1	19,059,603	38.9
Arab Republic of Egypt	10,105,200	11.5	6,347,970	12.9
Kingdom of Morocco	5,990,475	6.8	5,990,475	12.2
Islamic Republic of Mauritania	1,771,155	2.0	166,724	0.3
Yemen Arab Republic	16,967,000	19.3	5,855,181	12.0
People's Democratic Republic of Yemen	1,149,634	1.3	—	—
Total	87,838,957	100	49,046,602	100

TABLE (4)
SECTORAL DISTRIBUTION OF OPERATIONS (IN KD)
AS AT 31/12/1985

Type of Sector	Total Value of Contracts as at 31/12/1985	Percentage Share %	Total Value of Outstanding Obligations as at 31/12/1985	Percentage Share %
Tourism	25,303,160	28.8	13,788,154	28.1
Industry	14,061,539	16.0	9,207,763	18.8
Agriculture	698,700	0.8	664,700	1.4
Animal Wealth and Fishery	8,359,900	9.5	6,185,024	12.6
Export Credit	22,405,272	25.5	12,788,303	26.1
Real Estate	1,909,634	2.2	—	—
Infrastructure	13,600,749	15.5	6,412,658	13.0
Transportation	1,500,003	1.7	—	—
Total	87,838,957	100	49,046,602	100

TABLE (5)
DISTRIBUTION OF OPERATIONS BY TYPE (IN KD)
AS AT 31/12/1985

Type of Investment	Total Value of Contracts as at 31/12/1985	Percentage Share %	Total Value of Outstanding Obligations as at 31/12/1985	Percentage Share %
Direct Investment	30,898,700	35.2	17,160,470	35.5
Equity Participation	6,251,824	7.1	6,130,560	12.0
Loans	21,024,311	23.9	12,967,269	26.4
Contractors' Equipment	7,258,850	8.3	—	—
Export Credit	22,405,272	25.5	12,788,303	26.1
Total	87,838,957	100	49,046,602	100

TABLE (6)
GEOGRAPHICAL DISTRIBUTION OF THE GUARANTEE CONTRACTS FOR
BOTH INVESTING AND HOST COUNTRIES
AS AT 31/12/1985 IN (KD)

Country/ Organization	Total Value of Guarantee Contracts of Investing Countries	Percentage Share %	Total Value of Guarantee Contracts in Host Countries	Percentage Share %
Hashemite Kingdom of Jordan	278,000	0.3	430,000	0.5
United Arab Emirates	9,614,332	10.9	2,422,000	2.8
State of Bahrain	926,344	1.1	86,700	0.1
Republic of Tunisia	598,360	0.7	555,960	0.6
People's Democratic Republic of Algeria	—	—	—	—
Republic of Djibouti	—	—	—	—
Kingdom of Saudi Arabia	2,407,560	2.7	—	—
Republic of Sudan	—	—	6,690,003	7.6
Syrian Arab Republic	1,606,000	1.8	7,400,000	8.4
Democratic Republic of Somalia	—	—	845,042	1.0
Republic of Iraq	—	—	33,425,788	38.1
Sultanate of Oman	—	—	—	—
Palestine	—	—	—	—
State of Qatar	—	—	—	—
State of Kuwait	29,763,828	33.9	—	—
Republic of Lebanon	3,439,000	3.9	—	—
People's Socialist Libyan Arab Jamahiriya	4,092,000	4.7	—	—
Arab Republic of Egypt	—	—	10,105,200	11.5
Kingdom of Morocco	21,959,264	25	5,990,475	6.8
Islamic Republic of Mauritania	—	—	1,771,155	2.0
Yemen Arab Republic	—	—	16,967,000	19.3
People's Democratic Republic of Yemen	—	—	1,149,634	1.3
Joint Arab-Foreign Banks	13,154,269	15	—	—
Total	87,838,957	100	87,838,957	100