

**THE INTER - ARAB INVESTMENT
GUARANTEE CORPORATION**



THE TWENTY FIRST

ANNUAL REPORT 1995



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

OBJECTIVES:

- The Corporation provides insurance coverage for inter-Arab investments and for export credits against non-commercial risks in the case of investments, and non-commercial and commercial risks in the case of export credits. The non-commercial risks include nationalization, currency inconvertibility, war, civil disturbances, cancellation of the import license and prevention of the entry of goods or their transit passage into the country. The commercial risks include insolvency of the debtor, bankruptcy, as well as default and abrogation or termination of the export contract.

- The Corporation also undertakes the promotion of the flow of investments within the Arab countries by carrying out activities which are ancillary to its main purpose and in particular those relating to the identification of investment opportunities as well as the study of the conditions that govern the flow of investments in the said countries.

Headquarters

P.O.Box: 23568 Safat 13096 State of Kuwait

Tel: 4844500

Fax: 4841240, 4815741, 4815742

Tlx: 46312,22562 Kafeel KT.

email: IAI@NCC.MOC.KW

ORGANIZATION AND MANAGEMENT

The Council :

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

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

The Supervisory Committee:

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

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

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

The Director-General

Mr. Mamoun Ibrahim Hassan

The Deputy Director-General

Mr. Giuma Said Giuma

His Excellency the Chairman of the 23rd. Session
of the Council of the Inter-Arab Investment Gu-
arantee Corporation :

In accordance with Article (12) of the Inter-Arab
Investment Guarantee Corporation's Conventi-
on, it is my pleasure to submit to your hon-
ourable Council for consideration the Annual
Report of the Director-General for the year 1995.

Please accept my highest consideration ,

Mamoun Ibrahim Hassan
Director-General

Tunis , April 1996 .

CONTENTS

Chapter One: Introduction	5
1.1 World Economic Performance	5
1.2 Highlights of the Corporation Activities	7
Chapter Two: Guarantee Operations	8
2.1 Guarantee Contracts	8
2.2 Reinsurance	11
2.3 Marketing the Guarantee Services	11
2.4 Cooperation with Arab Guarantee Agencies	12
Table (1): Value of Guarantee Contracts signed during 1995 (Host/Importing Countries)	13
Table (2): Geographical Distribution of Export Credit Guarantee Contracts signed during 1995	14
Table (3): Value of Current Contracts and Outstanding Commitments as at 31/12/1995 (Host/Importing Countries and Types of Contracts)	15
Graphics	16
Chapter Three: Ancillary Activities	19
3.1 Specialized Reports and Contributed Papers	19
3.2 Investment Encouragement and Project Promotion	20
3.3 Cooperation with Arab and International Organizations	22
3.4 Investment Guarantee Newsletter	24
3.5 Information and Documentation	24
3.6 Training	25
Chapter four: Financial Report	26
- Auditor's Report	27
- Balance Sheets as of December 31,1995 and 1994	28
- Statements of Revenues and Expenditures for the Years Ended December 31,1995 and 1994	30
- Statements of Shareholders' Equity for the Years Ended December 31,1995 and 1994	31
- Statements of Cash flows for the Years Ended December 31,1995 and 1994	32
Notes to Financial Statements	33

CHAPTER ONE : INTRODUCTION

1.1 World Economic Performance :

World economic recovery continued during 1995 with world output growing at an annual rate of 3.6% compared to 2.5% in 1993 and 3.7% in 1994. However, the annual growth rate of output in industrial countries declined to 2.5% compared to 3.1% in 1994. In view of a number of indicators, this slowdown is interpreted as a midcycle pause rather than a fully-fledged recession. On the other hand, the developing countries were able to achieve a relatively high rate of output growth of 6% per annum, slightly less than the 6.2% achieved in 1994. Asian developing countries increased their output growth rate from 8.5% per annum in 1994 to 8.7% per annum in 1995. Further, output in the countries in transition (Central and Eastern Europe, Russia and Central Asia) continued its decline but at a lower annual rate of 2.1% in 1995 compared to 9.5% in 1994 indicating continued recovery.

In tandem with world economic recovery, the volume of world trade expanded at an annual rate of 7.9% in 1995, slightly less than the rate of 8.7% achieved in 1994. The rate of increase of industrial countries imports declined to 7.1% in 1995 compared to 9.2% in 1994 while that for developing countries increased from 8.5% in 1994 to 11.1% in 1995. Similarly, the rate of increase of the volume of exports of industrial countries declined from 8.1% in 1994 to 6.9% in 1995 while that for developing countries remained constant at about 11% per annum.

Despite these economic gains there remains a number of challenges that need to be addressed through the design of appropriate policies. During 1995, the world economy has witnessed several episodes of turbulence in financial markets precipitated largely by investors readjusting their portfolios in response to changes in risk evaluation. Now, while it may be difficult to explain the behaviour of financial markets in terms of economic fundamentals, investors' behaviour could be interpreted as reflecting concerns about the resolve or ability of governments to deal with economic imbalances and to correct weaknesses in economic policies. In this respect, it is argued that the sensitivity of markets to such concerns seems to be increasing which implies that the key challenge is to address policy weaknesses before markets force the required adjustments.

World Investment Trends :

Foreign direct investment (FDI) flows in 1995 were estimated to reach US\$230 billion, recording an annual rate of increase of 3.98% and continuing the recovery trend which had started in 1993. The recovery was explained in terms of the economic cycle in advanced countries as well as in terms of the pressures of increased international competition coupled with advances in communications technology which avail better coordination of cross-border activities.

The share of developing countries in FDI was estimated to amount to US\$85 billion in 1995, on the assumption that the group maintained its relative share of 37% of total flows achieved in 1994. These flows continued to be characterized by their

geographical bias in favour of Asian countries such that the Asia and Pacific region accounted for 73% of total flows in 1994. Further, China occupied a dominating position as a host country receiving US\$33.8 billion in 1994, a share of 44% of total FDI flows to developing countries. At the other extreme the marginalization of Africa (with FDI inflows of US\$1.8 billion) and the Arab countries (US\$1.7 billion) continued in 1994 and 1995.

Economic and Investment Trends in Arab Countries :

In a development parallel to the expansion of the world economy, the real GDP growth rate for the Arab countries increased from 1.7% in 1994 to about 1.98% in 1995. However, economic performance was negatively impacted by the drought in North Africa leading to substantial reduction in the rate of growth of Kingdom of Morocco from 11.8% in 1994 to -6.5% in 1995. In contrast, economic performance was positively influenced by the increase in oil prices. Out of a sample of (15) Arab countries for which data was available, and which represented 76% of the Arab economy, real GDP growth rate increased in (10) countries and declined in (5) countries. On the other hand, data from the World Trade Organization indicates that the Arab countries were able to maintain their 1994 share in world trade of 2.9%.

Improved economic performance is one important indicator of an improved investment climate. This prompted a revaluation of the investment potential of the Arab countries by foreign investors. As a result of this the Republic of Tunisia became the first Arab country to receive a (BBB) rating from IBCA while the State of Kuwait became the second Arab country to receive such a rating during 1995. Further, conscious efforts to improve the investment climate, with the objective of attracting foreign investment, continued during 1995. Two new investment laws were promulgated in Hashemite Kingdom of Jordan and Kingdom of Morocco in addition to a law passed by the Palestinian Authority. All these new legal instruments sought the streamlining of investment procedures and of rationalizing investment incentives. In 1994 two such investment laws were issued in the Republic of Tunisia and Sultanate of Oman.

The above positive developments in the investment climate of the Arab countries however, were not reflected in terms of foreign investment flows to the region. According to UNCTAD estimates, foreign direct investment flows to the Arab countries amounted to about US\$1.8 billion representing only 0.8% of the total flows to developing countries. This represented a slight increase from the US\$1.7 billion recorded for 1994. The regional distribution of these flows was such that they declined in all sub-regions of the Arab world except for North Africa. By the end of 1995, the stock of foreign direct investment in the Arab countries was estimated as US\$ 51 billion.

Positive developments in 1995 were also recorded in the context of Arab Stock Markets. Out of ten stock markets for which data was available, the stock market index increased in seven countries such that the biggest increase was recorded

for the State of Kuwait (35.2%) , followed by the Republic of Tunisia (24.2%) while the lowest increase was recorded for the Kingdom of Saudi Arabia (4.82%) . The stock market index lost ground in the state of Bahrain (- 14.72%) , the Arab Republic of Egypt (- 10.5%) and the Kingdom of Morocco (- 0.08%) . It is believed that on the basis of these developments an increasing number of investors may decide to target the Arab countries as worthy markets for investment .

1.2 Highlights of the Corporation Activities:

The total value of guarantee contracts signed during the year 1995 amounted to US\$63,146,159 (KD.18,943,848) . The total value of current guarantee contracts as at 31/12/1995 reached US\$10,712,760 (KD.33,213,826) . The value of operations executed (outstanding commitments) within the framework of current contracts amounted to US\$60,296,094 (KD.18,088,827) . The Corporation has during the year paid one compensation amounting to US\$4,094,513 , and recovered US\$9 million for compensation previously paid for non-commercial risks realized in a member country .

Regarding its ancillary activities, the Corporation has during the year, continued its efforts of marketing its services among Arab investors and exporters . It also continued its activities in undertaking new economic and investment studies and research work in the Arab countries, in addition to completing certain ongoing research. The Corporation also promoted a number of national and regional investment projects, and carried out its technical assistance program in member countries in the area of its competence.

CHAPTER TWO: GUARANTEE OPERATIONS

2.1 Guarantee Contracts :

2.1.1 Value of Contracts in 1995 :

The value of contracts signed in 1995 amounted to US\$ 63,146,159 (KD 18,943,848)*, one of which is a direct investment guarantee contract, valued at US\$ 6 m. (KD 1.8 m.) or 9.5% of the total, and 13 export credit guarantee contracts valued at US\$ 57,146,159 (KD 17,143,848) or 90.5% of the total (see table 1) .

The contracts' value has increased by 73.6% as compared with 1994 whereby the contracts' value reached US\$ 36,367,836.

Twelve recipient/ importing Arab countries have benefited from the contracts signed during the year. Algeria heads the list with 44.7%, followed by Sudan with 23.8%, Jordan 9.8%, Saudi Arabia 8.5% and Lebanon 8% .

2.1.2 Details of the Contracts Signed:

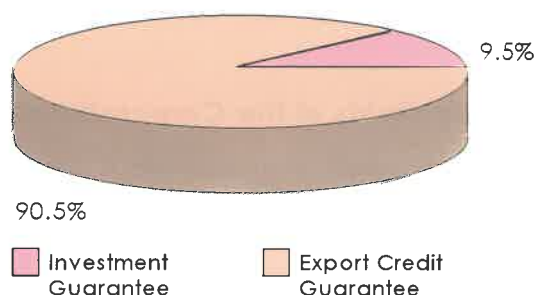
2.1.2.1 Investment Guarantee Contracts :

- A contract to cover the investment of a Jordanian company in an industrial project in Algeria against non-commercial risks. The value of the contract is US\$ 6 million.(KD 1.8 million)

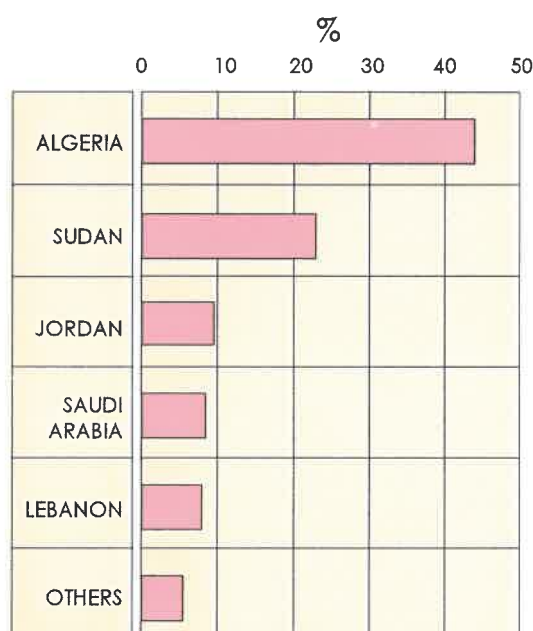
2.1.2.2 Export Credit Guarantee Contracts :

The total value of the export credit guarantee contracts reached US\$ 57,146,159 (KD 17,143,848). Twelve Arab importing countries benefited from these contracts. Algeria comes first with 38.9%, Sudan comes second with 26.3%, followed by Jordan with 10.9%, then Saudi Arabia with 9.4% and Lebanon 8.8% and seven other countries with 5.7% . (see table 1) .

Guarantee Contracts signed in 1995

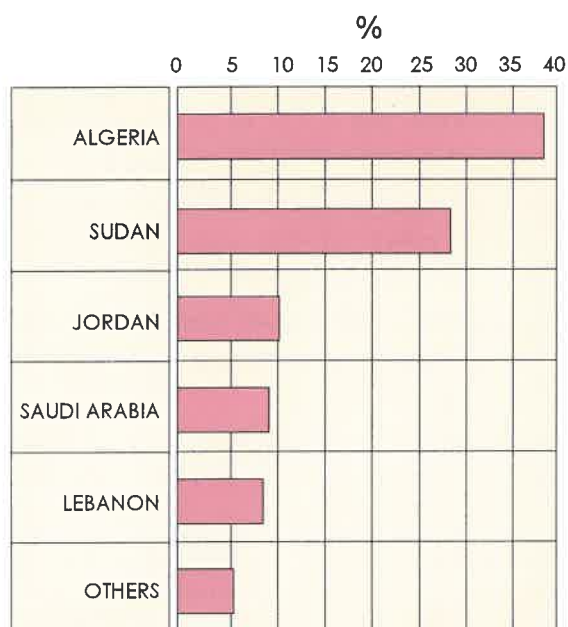


Guarantee Contracts by Host/Importing Country



* USD = KD 0.300 as at 31.12.1995 .

Export Credit Guarantees by Importing Country



Four Arab exporting countries benefited from the contracts, of which Saudi Arabia comes first with 31.8% , followed by Jordan with 31.6% , the U.A.E. 26.3% and Lebanon 10.3% . (see table 2) . Details of the contracts are as follows :

* A comprehensive contract to cover the export of ceramic tiles from Lebanon to several private importers in Saudi Arabia and Jordan against commercial and non-commercial risks . The value of the contract is US\$ 4,450,000 (KD 1,335,000).

* A contract to cover the export of agricultural pumps from Lebanon to Morocco against commercial and non-commercial risks. The value of the contract is FrF 244,650, (US\$ 48,159 or KD 14,448).

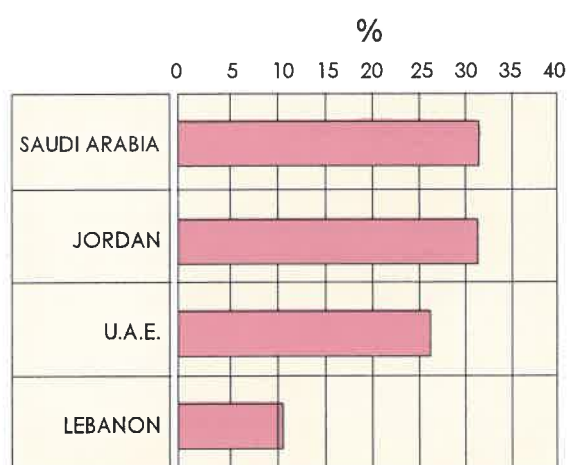
* A comprehensive contract to cover the export of aluminum foil and wrapping paper from Lebanon to private importers in several Arab countries against commercial and non-commercial risks . The value of the contract is US\$ 1,400,000 (KD 420,000).

* A contract to cover the export of human medicines from Jordan to Algeria against commercial and non-commercial risks. The value of the contract is US\$ 12,000,000 (KD 3,600,000).

* A contract to cover the export of industrial paints from Jordan to Saudi Arabia against commercial and non-commercial risks . The value of the contract is US\$ 300,000 (KD 90,000).

* A comprehensive contract to cover the export of canned meat to several Arab countries against commercial and non-commercial risks . The value of the contract is US\$ 2,750,000 (KD 825,000).

Export Credit Guarantees by Exporting Countries



- * A contract to cover the export of medicine from Jordan to Algeria against commercial and non-commercial risks . The value of the contract is US\$ 3,000,000 (KD 900,000).
- * A contract to cover the export of crude oil from the U.A.E. to Sudan against non-commercial risks. The value of the contract is US\$ 9,000,000 (KD 2,700,000).
- * A contract to cover the export of oil products from the U.A.E. to Sudan against non-commercial risks . The value of the contract is US\$ 6,000,000 (KD 1,800,000).
- * A contract to cover the export of telephone cables from Saudi Arabia to Lebanon against non-commercial risks . The value of the contract is US\$ 4,300,000 (KD 1,290,000).
- * A contract to cover the export of telephone cables from Saudi Arabia to Jordan against non-commercial risks . The value of the contract is US\$6,000,000(KD 1,800,000).
- * A contract to cover the export of telephone cables from Saudi Arabia to Algeria against non-commercial risks . The value of the contract is US\$ 7,218,000 (KD 2,165,400).
- * A comprehensive contract to cover the export of exterior and interior lighting fixtures from Saudi Arabia to several Arab countries against commercial and non-commercial risks . The value of the contract is SR 2,550,000 or (US\$ 680,000 and KD 204,000).

2.1.3 Value of Current Contracts and Outstanding Commitments:

Value of the current guarantee contracts as at 31/12/1995 amounted to US\$ 110,712,760 (KD 33,213,826) , 39.1% of which represents investment guarantee, and the remaining 60.9% for export credit guarantee .

The value of executed operations (within the current guarantee contracts) amounted to US\$ 60,296,094 (KD 18,088,827) or 54.5% of the current guarantee contracts . This amount represents the outstanding guarantee commitments vis-a-vis the guaranteed parties as at 31/12/1995* . (see table 3) .

2.1.4 Revenues from Premia :

The total guarantee premia realized during the year amounted to US\$ 1,342,655 (KD 401,449), increasing by 14.7% over last year's premia which amounted to US\$ 1,170,534 (KD 351,885)** , after eliminating the effect of the provision for unexpired risks which was discontinued in 1994 .

* The outstanding guarantee commitments represent :

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

** As per conversion rate prevailing as at 31/12/1995 for US\$ 1 = KD 0.30062 .

2.1.5 Compensation and Recoveries :

2.1.5.1 Compensation :

The amount of compensation paid during the year to a Kuwaiti investor for non-commercial risks (inconvertibility) , realized in a member country within the framework of the investment guarantee scheme, amounted to US\$ 4,094,513 .

2.1.5.2 Recoveries :

The Corporation has, during the year, recovered an amount of US\$ 9 m. from a member country, with which the Corporation signed an agreement to recover the compensation paid for non-commercial risks realized thereby . The said country expedited payment of compensation before the scheduled dates .

2.2 Reinsurance :

2.2.1 Incoming Reinsurance :

2.2.1.1 The Corporation as Reinsurer to Arab National Export Credit Guarantee Agencies :

The Corporation has, during the year , commenced accepting applications from national guarantee agencies in some Arab countries to reinsure their operations in the Arab region . The first ever reinsurance acceptance on facultative basis has been issued to the Export Credit Guarantee Corporation of Egypt .

2.2.2 Outgoing Reinsurance :

2.2.2.1 Commercial Risks Reinsurance Treaty :

The Corporation renewed this treaty for the year 1996, with a tangible increase in placement .

2.2.2.2 Reinsurance Treaty with the Lebanese Investment Guarantee Establishment :

This Treaty which avails the Corporation of reinsuring the non-commercial risks that may occur to direct investment projects in Lebanon with the Establishment, is still valid .

2.3 Marketing the Guarantee Services :

The Corporation continued its efforts to market its services among Arab investors, exporters and businessmen in various Arab countries . Such efforts focused on :

2.3.1 Mailing information brochures to parties interested in investment , project and trade financing , and exporters in the Arab region based on the distribution list which is subject to continuous updating .

2.3.2 Field visits : During the year, eleven field missions were executed to promote the Corporation's services in nine Arab countries , namely , Jordan , the

U.A.E., Tunisia, Saudi Arabia, Syria, Lebanon, Egypt, Morocco, and Yemen in addition to the continuous promotional activities in Kuwait , the seat of the Corporation and in Saudi Arabia through the Corporation's regional office in Riyadh. Within the missions' framework, nine seminars in seven countries have been held to acquaint the audience with the various activities and services rendered by the Corporation.

2.3.3 Commission Agents : Aiming at marketing its services , the Corporation during the year , signed seven commission agency agreements in four Arab countries , i.e., Jordan, Syria, Lebanon and Yemen, thus raising the number of such agreements to twenty two in nine Arab countries.

2.3.4 Conferences : The Corporation participated in a number of Arab meetings and conferences related to investment, finance and trade , in order to present and discuss its guarantee services .

2.4 Cooperation with Arab Guarantee Agencies :

2.4.1 Upon a request from the Central Bank of Jordan and the Jordan Loan Guarantee Company, the Corporation assigned a delegation to Amman to study the possibility of expanding the Company's activities in order to include export credit guarantee , and discuss the various facets of technical assistance which can be rendered by the Corporation . A pertinent report has been submitted in this regard , and subsequently, the Corporation prepared the guarantee contracts and annexations necessary for the current stage , as well as the guarantee procedures manual and the various formats necessary to manage and follow-up the guarantee contracts .

2.4.2 The Corporation organized the third meeting of the Arab Investment and Export Credit Guarantee Agencies Forum, which was held in Casablanca, Morocco, on 7th November 1995 .The main theme of the meeting was to review and discuss the individual experience in the Arab region of each participating Agency .

The Meeting studied in detail the various common issues and problems , along with the procedures for recovering compensations paid for commercial risks , applicable in each country. The participants emphasized the importance of exchanging information on the most effective payment instruments, in each country, and the lapse of time practically needed for the litigation procedures and deciding cases before courts pertaining to compensation recovery in each country. Within this framework, the participants emphasized the possibility of signing bilateral agreements among the Forum members to mutually assist and cooperate in recovering the paid compensations . It was agreed that the theme of the Fourth Forum will focus on "the guarantee premia adopted by each agency, means of pricing and possibility of reconciliating the differences in premium rates" .

Table (1)
VALUE OF GUARANTEE CONTRACTS SIGNED DURING 1995
By Host/Importing Countries
(VALUE IN US DOLLARS AND EQUIVALENT IN KUWAITI DINARS)*

Host/Importing Country	Investment Contracts			Export Credit Contracts			Total		
	US\$	KD	%	US\$	KD	%	US\$	KD	%
ALGERIA	6,000,000	1,800,000	100.00%	22,218,000	6,665,400	38.88%	28,218,000	8,465,400	44.69%
SUDAN	-	-	-	15,000,000	4,500,000	26.25%	15,000,000	4,500,000	23.75%
JORDAN	-	-	-	6,200,000	1,860,000	10.85%	6,200,000	1,860,000	9.82%
SAUDI ARABIA	-	-	-	5,350,000	1,605,000	9.36%	5,350,000	1,605,000	8.47%
LEBANON	-	-	-	5,050,000	1,515,000	8.84%	5,050,000	1,515,000	8.00%
U.A.E	-	-	-	900,000	270,000	1.57%	900,000	270,000	1.43%
EGYPT	-	-	-	600,000	180,000	1.05%	600,000	180,000	0.95%
BAHRAIN	-	-	-	300,000	90,000	0.52%	300,000	90,000	0.48%
KUWAIT	-	-	-	266,667	80,000	0.48%	266,667	80,000	0.42%
QATAR	-	-	-	180,000	54,000	0.31%	180,000	54,000	0.29%
OMAN	-	-	-	133,333	40,000	0.23%	133,333	40,000	0.20%
MOROCCO	-	-	-	48,159	14,448	0.09%	48,159	14,448	0.08%
UNSPECIFIED GULF COUNTRIES	-	-	-	900,000	270,000	1.57%	900,000	270,000	1.42%
Grand Total	6,000,000	1,800,000	100.00%	57,146,159	17,143,848	100.00%	63,146,159	18,943,848	100.00%
% To Total	9.50%			90.50%					

* US\$ 1 = KD 0.300

Table (2)
GEOGRAPHICAL DISTRIBUTION OF THE EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1995
(VALUE IN DOLLARS, THE GRAND TOTAL IS ALSO EXPRESSED IN KD)*

From To	JORDAN	U.A.E	LEBANON	SAUDI ARABIA	Total	
					US\$	KD
ALGERIA	15,000,000	-	-	7,218,000	22,218,000	6,665,400
SUDAN	-	15,000,000	-	-	15,000,000	4,500,000
LEBANON	750,000	-	-	4,300,000	5,050,000	1,515,000
JORDAN	-	-	200,000	6,000,000	6,200,000	1,860,000
SAUDI ARABIA	300,000	-	5,050,000	-	5,350,000	1,605,000
U.A.E	500,000	-	400,000	-	900,000	270,000
EGYPT	600,000	-	-	-	600,000	180,000
BAHRAIN	-	-	100,000	200,000	300,000	90,000
KUWAIT	-	-	-	266,667	266,667	80,000
QATAR	-	-	100,000	80,000	180,000	54,000
OMAN	-	-	-	133,333	133,333	40,000
MOROCCO	-	-	48,159	-	48,159	14,448
UNSPECIFIED GULF COUNTRIES	900,000	-	-	-	900,000	270,000
Grand Total (US\$)	18,050,000	15,000,000	5,898,159	18,198,000	57,146,159	
Grand Total (KD)	5,415,000	4,500,000	1,769,448	5,459,400		17,143,848
% To Total	31.59%	26.25%	10.32%	31.84%		100.00%

* US \$ 1 = KD 0.300

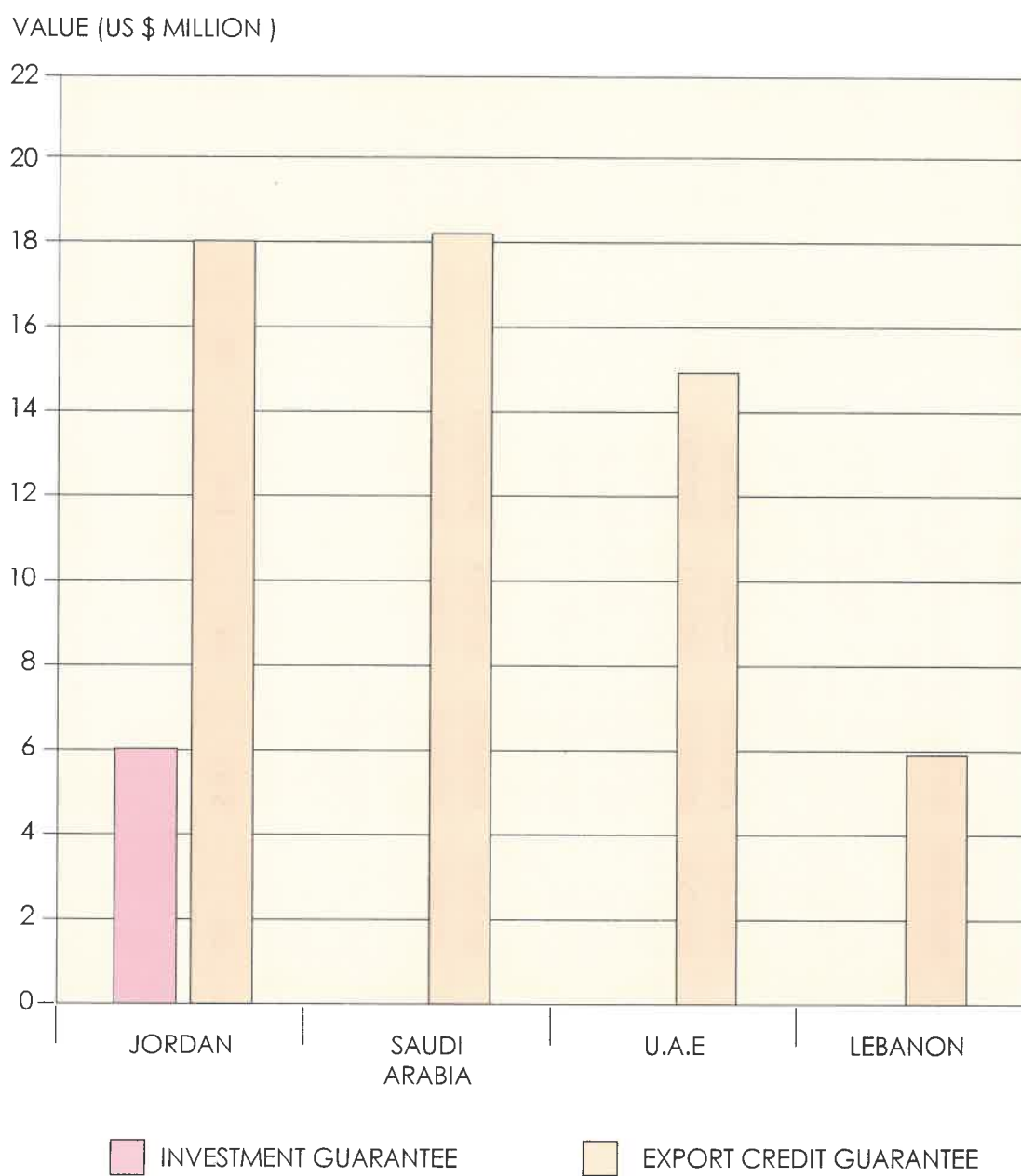
Table (3)
VALUE OF CURRENT CONTRACTS AND OUTSTANDING COMMITMENTS AS AT 31.12.1995
IN US DOLLARS AND ITS EQUIVALENT IN KD⁽¹⁾ ((BY HOST/IMPORTING COUNTRIES AND TYPE OF CONTRACT))

Host/Importing Countries	Investment Contracts (2)		Export Credit Contracts		Total		% Outstanding Commitments (3)		
	US \$	KD	US \$	KD	US \$	KD	To Total	US \$	KD
JORDAN	-	-	6,200,000	1,860,000	6,200,000	1,860,000	5.60%	-	-
U.A.E.	-	-	900,000	270,000	900,000	270,000	0.81%	34,363	10,309
BAHRAIN	-	-	300,000	90,000	300,000	90,000	0.27%	-	-
ALGERIA	6,233,618	1,870,085	33,828,468	10,148,540	40,062,086	12,018,625	36.19%	16,818,579	5,045,573
SAUDI ARABIA	-	-	4,162,422	1,248,727	4,162,422	1,248,727	3.66%	539,207	161,762
SUDAN	-	-	15,000,000	4,500,000	15,000,000	4,500,000	13.55%	14,400,000	4,320,000
SYRIA	2,268,750	680,625	-	-	2,268,750	680,625	2.05%	600,000	180,000
OMAN	-	-	106,903	32,071	106,903	32,071	0.10%	-	-
QATAR	-	-	173,488	52,046	173,488	52,046	0.16%	-	-
KUWAIT	-	-	266,667	80,000	266,667	80,000	0.24%	-	-
LEBANON	7,500,000	2,250,000	5,050,000	1,515,000	12,550,000	3,765,000	11.34%	3,571,883	1,071,565
EGYPT	16,467,857	4,940,357	600,000	180,000	17,067,857	5,120,357	15.42%	16,467,857	4,940,357
MOROCCO	3,000,000	900,000	-	-	3,000,000	900,000	2.71%	-	-
MAURITANIA	7,864,205	2,359,261	-	-	7,864,205	2,359,261	7.10%	7,864,205	2,359,261
UNSPECIFIED GULF COUNTRIES			900,000	270,000	900,000	270,000	0.80%		
Total	43,334,430	13,000,328	67,378,330	20,213,498	110,712,760	33,213,826	100.00%	60,296,094	18,088,827

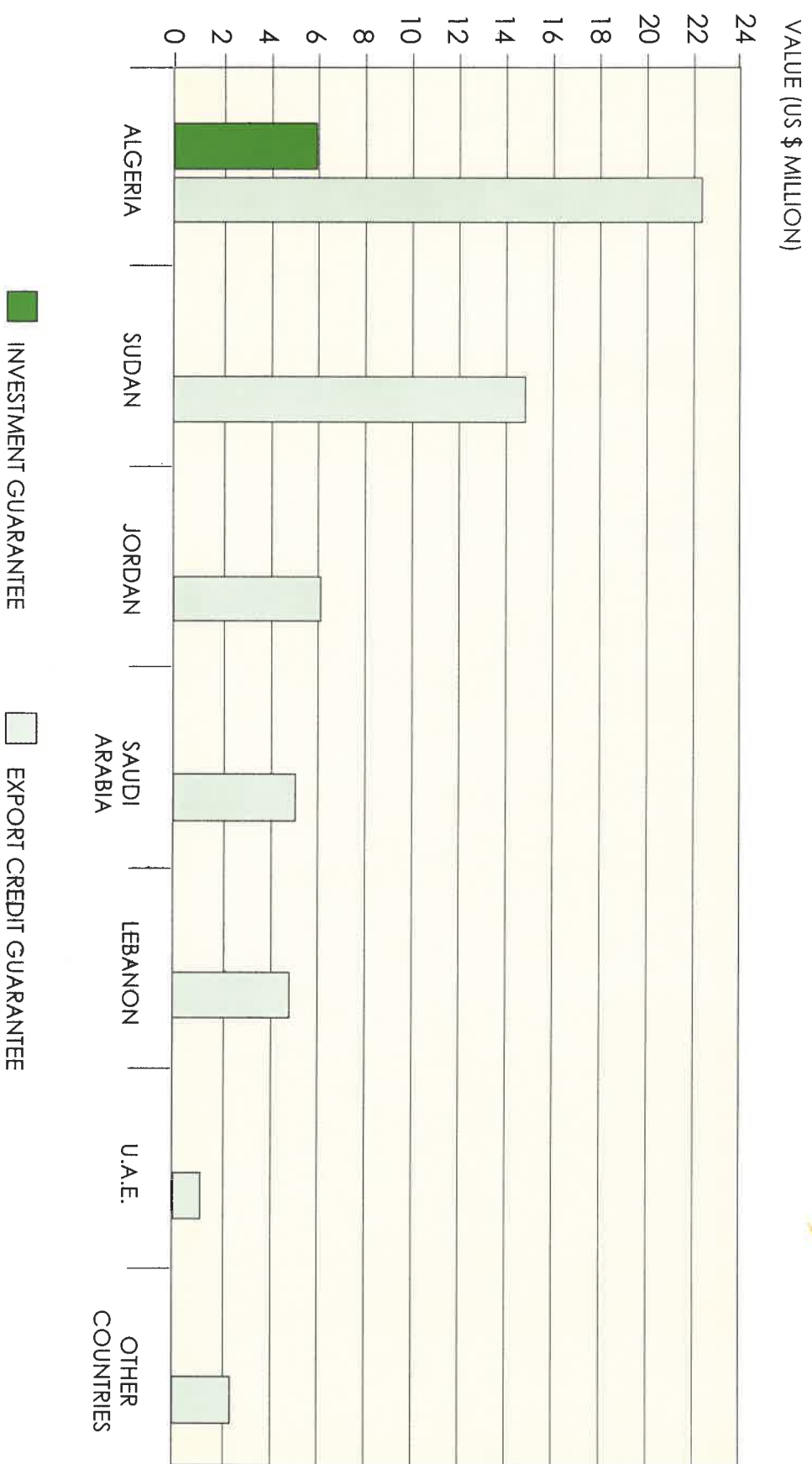
- (1) US \$ 1 = KD 0.300
(2) Current contracts represent the value of the guarantee contracts, whether executed or not.
(3) The Outstanding Commitments represent:
- For Investment Guarantee Contracts: the value of investment realized.
- For Export Credit Guarantee Contracts: the value of shipments executed but not repaid.

GRAPHICS

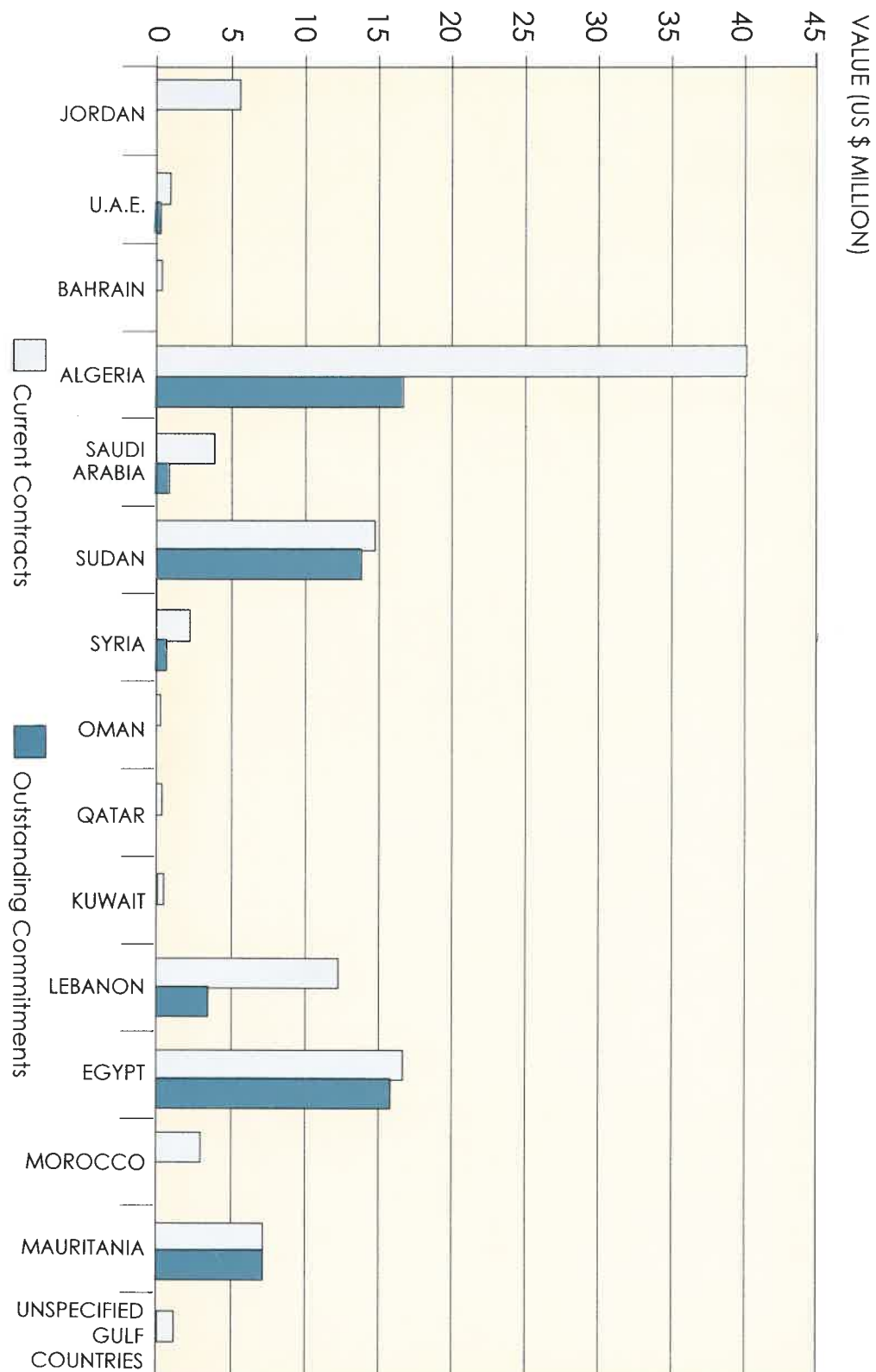
INVESTMENT AND EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1995 (EXPORTING COUNTRIES)



INVESTMENT AND EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1995 (Host/Importing Countries)



CURRENT CONTRACTS AND OUTSTANDING COMMITMENTS AS AT 31.12. 1995 (Host/Importing Countries)



CHAPTER THREE : ANCILLARY ACTIVITIES

Ancillary activities are mainly information generating efforts undertaken by the Corporation in support of its operational programmes. Central to these activities is the research conducted, as well as sponsored, in the specialized areas of investment climate including macro-economic policies. The activities also include efforts directed towards the identification and promotion of investment opportunities in the Arab countries.

3.1 Specialized Reports and Contributed Papers:

During 1995 two specialized reports were produced, these are:-

a) The Annual Report on "Investment Climate in the Arab Countries":

The Corporation issued its annual report on "Investment Climate in the Arab Countries for 1994". The new report embodies preliminary efforts aimed at improving both the methodology and information content of the report. In this respect, and in the process of preparing for the 1995 report the Corporation convened a meeting in Cairo during December last for the purpose of discussing the technical issues pertaining to the process of preparing and producing the report .

b) Report on "Incentives and Foreign Direct Investment" :

The Corporation issued the Arabic version of a report prepared by the General Secretariat of the United Nations Conference on Trade and Development (UNCTAD) titled "Incentives and Foreign Direct Investment". The Corporation plans to call for an experts meeting during 1996 with the purpose of discussing issues pertaining to incentives for foreign investments in the Arab countries .

On the other hand, five papers were written as contributions to specialized meetings held in the region. Some of these will be published in the proceedings of the said meetings while others will remain in an occasional paper format. The papers in question include the following :-

a) "The Extent to which GCC Exports make Use of IAIGC Guarantees":

The paper dealt with the types of services provided by the Corporation to the GCC states. These include investment guarantees and export credit guarantees. It was concluded that the GCC states did not exploit fully their ceiling in most of member states . The paper proposed possible approaches to increasing the utilization of the services provided by the Corporation. The paper was presented to the workshop on "The Extent to Which Exports of GCC States Make Use of the Available Finance and Guarantee Programs and the Possibility of Finding an Optimal Way of Maximizing Such Use", held in Abu Dhabi (17-18 June 1995) and organized by the Secretariat of the GCC .

b) "The Role of Guarantee in Promoting Arab Exports: the IAIGC Experience" :

The paper dealt with the crucial role of finance and guarantee in enhancing trade, and the role of IAIGC in export credit guarantee. The paper provided

detailed information on all forms of guarantee rendered by the Corporation in financing inter-Arab trade, as well as all kinds of risk covered and the nature of the guarantee contracts . The paper was presented to the workshop on "The Efficiency of Arab Trade" held in Cairo (25-29 June 1995) .

c) " Techniques of Improving Efficiency in Direct Investment Decision- Making" :

The paper gave a brief definition of foreign direct investment, with special reference to investment flows in developing countries in general and the Arab countries in particular, as well as inter-Arab investment by region and by sector. It also dealt in detail with efficiency in investment decision and the appropriate techniques for improving efficiency in decision-making as regards direct investment. It is argued that central to the decision-making process is the generation and utilization of timely and accurate information . The paper was presented to the Sixth Arab Businessmen and Investors Conference held in Alexandria (29-31 May 1995) .

d) "Investment Climate in the Arab Countries: Investment Policy Changes and New Developments" :

The paper aimed at dealing with the prevailing political and economic situations in the Arab region, with special emphasis on the economic reform programs. The new developments in investment are reflected in increasing the contribution of the private sector in development projects, the emergence of investment funds, and the adoption of offset programs. The paper was presented also to the Sixth Arab Businessmen and Investors Conference .

e) " Trade Related Investment Measures Agreement in GATT 1994 " :

The paper defined trade related investment measures (TRIMS) as those laws, rules, principles and procedures dealing with foreign direct investments and related to trade. TRIMS deal exclusively with commodities, and require that two principles be respected : one is that of equal treatment of foreign and domestic investments and the other is the removal of quantitative restrictions. The paper argues that Arab laws respect the first principle but rules and procedures may have aspects contravening the second. The paper was presented to the Sixth Arab Businessmen and Investors Conference .

3.2 Investment Encouragement and Project Promotion :

Two major conferences dealing with investment promotion were held during the year, where the Corporation was involved as a co-organizer . A brief summary of the two conferences is given below.

a) Conference on "Investment Opportunities in Tourism and Hotel Sector in the Arab Countries" :

IAIGC collaborated with MIGA , The Arab Union of Hotels and Tourism , Franco-

Arab Chamber of Commerce, and Al-Iktisad Wal-Aamal Magazine, in organizing the conference on "Investment Opportunities in Tourism and Hotel Sector in the Arab Countries" which was held in Damascus (13-15 March 1995) .

The conference was attended by three Arab ministers of Tourism and more than (500) participants representing ministries of tourism and tourstic institutions, investment and tourism companies, Arab and foreign tourism experts, Euro-Arab chambers of commerce as well as local and international banks and finance institutions.

Investment opportunities, strategies , plans and programs in tourism and hotel sector in the Arab countries as well as different national experiences were discussed. Services rendered by financial and guarantee institutions together with new communication technologies and their effect on touristic and hotel services were also debated. In general , the conference provided a good opportunity for a fruitful dialogue between the various parties of the tourism industry.

b) The Sixth Arab Businessmen and Investors Conference :

By joint invitation from the League of Arab States, IAIGC and the General Union of Chambers of Commerce, Industry and Agriculture in the Arab Countries, and organized by the General Union of the Egyptian Chambers of Commerce , and under the auspices of H.E. President Husni Mubarak, the Sixth Arab Businessmen and Investors Conference was held in Alexandria during 29-31 May 1995 . The theme of the conference was "The Role of Investment in Developing Exports and Arab Economic Integration". The Lebanese Prime Minister H.E. Rafeek Al-Hareeri was the guest of honour of the conference. The conference was also attended and addressed by H.E the Secretary General of the League of Arab States, Dr. Ismat Abdel Mageed. More than a thousand Arab businessmen and investors representing different investment institutions, chambers of commerce and joint Arab and foreign companies participated in the conference .

The conference was organized around general sessions and specialized seminars. The issues presented and discussed at the general sessions included the Egyptian experience in investment and export promotion, investment and Arab economic integration., investment climate and experiences in the Arab Countries, new developments in the area of investment, the role of Arab businessmen and investors, the effects of GATT in the fields of trade, investment and integration and the efficiency of decision-making .

Three specialized seminars dealt with the promotion of projects on a sectoral basis. In total information on (78) projects was provided with a sectoral distribution of (8) industrial, (38) agricultural and (32) tourism projects.

The conference made a number of recommendations which included :-

- the establishment of an Arab free trade zone as a step towards forming the Arab common market ,
- widening the scope of operation of the Arab financial institutions, to include the private sector,

- an appeal to the Arab governments to take the required actions for the completion of the transport and communication network in the Arab countries,
- formation of a working group from the private sector to prepare a working paper on the necessary steps to be taken in achieving Arab integration,
- creation of a coordination committee between the Union of Arab Banks and the Arab Chambers to form a new mechanism to enable banks to play their role in furthering the cause of inter-Arab trade and investment .

The Seventh Conference will be held in Beirut in 1997 at the invitation of the Lebanese chambers.

3.3 Cooperation with Arab and International Organizations :

The Corporation participated in thirty meetings during 1995: (16) meetings (53% of the total) were concerned with investment promotion, (9) meetings (30% of the total) were concerned with general Arab economic issues in the context of cooperation with the League of Arab States and its specialized organizations, and (5) meetings, (16.6% of the total) were on general economic issues. A listing of these meetings is given below.

a) Meetings on Investment and Trade Promotion:

- Workshop on "Arab Investment and the Twenty First Century" held in Cairo (11-12 January 1995) and organized by Al Ahram Press Agency .
- Workshop on "Investment Opportunities in Kuwait: Horizons and New Developments", held in Kuwait (March 18,1995) and organized by Kuwait Investment Authority in collaboration with the Gulf Organization for Industrial Consultation (GOIC) and the National Bank of Kuwait .
- Workshop on "Industrial Investment Opportunities in Oman" held in Muscat (17-18 April 1995) and organized by GOIC in collaboration with the Ministry of Commerce and Industry in Oman .
- "Made in Bahrain" exhibition held in Manama (15-19 May 1995) and organized by Bahrain Chamber of Commerce in collaboration with the Ministry of Commerce and Agriculture and the Ministry of Development and Industry .
- "The First Conference of the Jordanian and Palestinian Businessmen" held in Amman (5-7 June 1995),organized by the Jordanian Businessmen Society and the Arab Economists Society in Jerusalem .
- Seminar on "GCC Exports and Exports Finance and Guarantee Programs" held in Abu Dhabi (17-18 June 1995).
- Conference on "Internet Network" held in Dubai (18-20 June 1995) and organized by A.B.C. Gulf Conferences.
- Conference on "Arab Capital Markets" held in Beirut (21-23 June 1995) and org-

anized by the Central Bank of Lebanon , Lebanese Banks Society and Al Iktisad Wal Aamal Magazine .

- "Meeting of Dealers Working in Arab Bourses and Money Markets" held in Beirut(5-7 July 1995), and organized by Arab Bourses and Money Markets Union.
- Workshop on "Introducing Trade Finance Program" held in Manama (25 September 1995) and organized by the Ministry of Commerce in Bahrain, Bahrain Chamber of Commerce and Industry and the Arab Trade Finance Program.
- Workshop on "Derivatives and Market Risks Management" held in Tunis (23-27 October 1995) and organized by the Union of Arab Banks.
- "Aleppo Workshop on Investment Promotion 95" held in Aleppo/Syria (4-5 November 1995) and organized by Aleppo Chamber of Commerce.
- Conference on "Investment and Trade in the Fishing Sector in the Arab Countries" held in Casablanca (7-10 November 1995) and organized by the Arab Organization for Agricultural Development .
- Workshop on "Gulf Trade Finance" held in Manama (29-30 November 1995) and organized by Euromoney.
- Conference on "Investment and Arab Food Security" held in Amman (9-13 December 1995) and organized by Arab Federation for Food Industries - Regional Office - Jordan. .

b) Cooperation with the League of Arab States and Arab Organizations:

- Workshop on "GATT Impact on the Arab Countries" held in Kuwait (17-18 January 1995) and organized by the Arab Fund for Economic and Social Development and the Arab Monetary Fund in collaboration with the IMF and the World Bank.
- Workshop on "GATT Impact on Arab Insurance" held in Cairo (18-20 January 1995) and organized by the Arab Insurance Union .
- Emergency Meeting of the Higher Committee of the Joint Arab Work held in Cairo (12-13 February 1995).
- Workshop on "Arab Trade Efficiency" held in Cairo (25-29 June 1995) and organized by the League of Arab States .
- Workshop on "Reconstruction and Development in Palestine" held in Cairo (7-9 November 1995) and organized by the League of Arab States and the Palestinian Cooperation Corporation.
- The Sixth Arab Mineral Resources Conference held in Damascus (27-30 November 1995) and organized by the Arab Industrial Development and Mining Organization (AIDMO) and the Ministry of Energy and Mineral Resources in the Syrian Arab Republic .
- The Second Arab Conference on Electronics and Telecommunication Industries, held in Cairo (28 November -1 December 1995) and organized by ESCWA.

- Workshop on "Present and Future of Sugar Industry in the Arab World" held in Cairo (2-5 December 1995) and organized by AIDMO and the Ministry of Industry in the Arab Republic of Egypt.
- Meeting of Arab Experts on "Potential for Arab Cooperation in Industrial Development" held in Rabat (12-15 December 1995) and organized by AIDMO .

c) General Meetings:

- Conference on "Integration of Agricultural Marketing Policies in GCC States" held in Kuwait (27-29 March 1995) and organized by Kuwait Agricultural Engineers Society and Kuwait Institute for Scientific Advancement.
- "The Kuwait Economists Second Scientific Conference: Fiscal Tools and the Budget Deficit" held in Kuwait (9-11 April 1995) and organized by the Kuwait Economic Society , Kuwait Institute for Scientific Advancement , Kuwait University, Kuwait Chamber of Commerce and Industry, Kuwaiti Banks Committee, Kuwait Industrial Bank, and National Bank of Kuwait.
- Annual Meetings of the IMF and the World Bank Group held in Washington (7-15 October 1995).
- The International Conference on "Solving Energy and International Electricity Networks Disputes" held in Cairo (19-20 November 1995) and organized by Cairo Regional Center for International Commercial Arbitration.
- The Twentieth Annual Meeting of the Islamic Development Bank held in Djakarta (29-30 November 1995).

3.4 Investment Guarantee Newsletter :

Eleven issues of the monthly "Investment Guarantee Newsletter" were published during 1995. The role of the newsletter as a means of promoting investment opportunities among businessmen and investors was reinforced by further upgrading its content. Several Arabic newspapers and magazines quote and republish the investment opportunities which are published in the newsletter. Major economic and investment reports are summarized with the objective of raising the awareness of Arab business community regarding the topical issues being discussed in the world.

3.5 Information and Documentation :

3.5.1 Computerization :

During the year, various computer applications have been developed or updated according to the needs of different departments. Such applications included software on labels , administration , investment , training, budget and country risk analysis . In addition to software development and updating, the technological base of the Corporation was enhanced through networking facilities. These included installation of a local area network and the active participation in

the INTERNET.

On request from the League of Arab States General Secretariat the Corporation has begun a two-phased study during this year to explore the possibility of establishing an Arab investment information network. The first phase consisted of data collection about the information infrastructure available in the Arab countries . The second phase will involve a detailed feasibility study including technology choice, the ways and means of investment information collection and the technical and financial feasibility of establishing the regional network .

3.5.2 The Library :

The stock of books at the end of 1995 in the Library reached 6712 titles (Arabic, English and French), including (316) new titles which have been accessioned during the year. In addition, documents and papers of fourteen Arab and international conferences and reports of international and Arab organizations, banks and companies were also added to the Corporation collection. Further , twenty new periodical titles have been subscribed to during the year, bringing the total to 195 periodicals covering various aspects of economic activities relevant to the Corporation's work.

The year also saw the publication of the fourteenth issue of the "Index to Selected Arabic Periodical Articles" covering the period January - December 1994. The fifteenth issue for 1995 will be ready in 1996. In the area of disseminating information about Arab investment, the Corporation donated sets of its publications to (45) Libraries in higher education and research institutions in the Arab countries.

3.6 Training :

To upgrade the performance of staff members, the training program for 1995 offered training opportunities for sixty eight staff members. Computer and information training attracted most of the training activities. Other training topics included courses on: administration development, personnel administration , public relations and information, some investment instruments . In addition, twenty five staff members have attended English language courses at different levels.

CHAPTER FOUR : FINANCIAL REPORT

The paid-up capital of the Corporation increased from KD. 24,083,531 (US\$ 80,112,870) as at 31/12/1994 to KD.24,333,531 (US\$ 81,111,77) as at 31/12/1995 i.e. by KD.250,000 (US\$ 833,333) representing the last instalment of the increase in the capital share paid by the Kingdom of Morocco.

The revenue for 1995 amounted to KD.4,349,582 (US\$14,498,606) compared with KD.3,569,897(US\$11,875,114)for 1994 i.e. an increase by KD.779,685 (US\$ 2,598,950) 21.8%. 1995 revenue is composed of KD.4,178,044 (US\$13,926,813) realized from the Corporation's investment of its financial resources, while the balance of KD.431,731(US\$1,439,103) represents a net return from the Corporation's guarantee services, in addition to adjustment in previous years accounts and other revenues.

The total expenditure for the year 1995 amounted to KD.1,581,797 (US\$5,272,626) compared with KD.1,534,613 (US\$5,104,826) in 1994, i.e. an increase by KD.47,184 US\$157,280) 3.1 %.

The balance sheet for the year ended 31st December 1995, showed that the value of The Corporation's total resources were KD.61,978,789 (US\$206,595,960) of which KD.35,081,465 (US\$116,938,210) were financial resources and KD.26,897,324 US\$ 89,657,747) were in promissory notes and recoverable claims.

The net revenue transferred to the general reserve for the current year amounted to KD.2,767,785 (US\$9,225,950).

The accumulated general reserve at the end of 1995 reached KD.41,003,801 (US\$ 136,679,336) compared with KD.38,236,016 (US\$127,190,526) for the year 1994, i.e. 7.2%.

AUDITOR'S REPORT

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

We have audited the Balance Sheets of THE INTER-ARAB INVESTMENT GUARANTEE CORPORATION (An Arab Corporation with a Special Independent Legal Status) - Kuwait as of December 31, 1995 and 1994 and the related Statements of Revenues and Expenditures, Shareholders' Equity and Cash Flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As shown in the accompanying Notes (7) and (9), the financial statements include assets in the aggregate amount of U.S. Dollars 110,380,149 (equivalent to KD.33,114,044 at the rate of exchange prevailing as of December 31, 1995) due mainly from two of the member countries on promissory notes and recoverable claims in addition to related interest accrued thereon up to December 31, 1995 which was recorded to income and included in the statements of revenues and expenditures. The payment of such amounts and related interest has not been effected except for an amount equivalent to KD.1,228,000 which is being contested by the member country. Management of the Corporation continues to believe that such amount will be recovered in the future.

In our opinion, except for the effect of the preceding matter on the financial statements, such financial statements present fairly, in all material respects, the financial position of the Inter-Arab Investment Guarantee Corporation as of December 31, 1995 and 1994, the results of its operations and its cash flows for the years then ended, in conformity with the accounting policies referred to in Note 2), of the notes to the financial statements which have been applied on a basis consistent with that of the preceding year.

We are also of the opinion that proper books of account were kept by the Corporation and we obtained all the information necessary for the satisfactory performance of our assignment. We further believe, according to the information given to us, that no contraventions of the Corporation's convention occurred during the years ended December 31, 1995 or 1994 which would materially affect the Corporation's activities or its financial position.

Jassim Ahmad A. Al-Fahad
License NO.53-A
Kuwait
January 26, 1996

BALANCE SHEETS AS OF DECEMBER 31, 1995 AND 1994

ASSETS	DECEMBER 31,	
	1995	1994
	KD	KD
Cash and cash equivalents (Note 3)	10,844,013	7,207,931
Investment in bonds (Note 5)	642,251	5,183,085
Investment portfolios (Note 6)	17,808,178	18,406,760
Assets acquired in settlement of debt	75,000	150,000
Other deposits (Note 4)	398,781	398,781
Promissory notes receivable (Note 7)	3,866,851	3,874,843
Investment in Arab Trade Finance Program (Note 8)	375,000	375,775
Recoverable claims (Note 9)	23,030,473	24,184,221
Accrued interest	6,596,400	5,587,187
Accounts receivable-re-insurance claims (Note 10)	4,991,249	5,744,094
Share of the joint building (Note 11)	1,395,126	1,468,554
Accounts receivable and other debit accounts	95,258	96,721
Restricted assets (Notes 13 and 17)	4,938,242	-
TOTAL ASSETS	75,056,822	72,677,952
Investments of provident and social security fund	1,117,967	1,001,373
TOTAL BALANCE SHEETS	76,174,789	73,679,325

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE BALANCE SHEETS

	DECEMBER 31,	
LIABILITIES AND SHAREHOLDER'S EQUITY	1995	1994
LIABILITIES:	KD	KD
Accounts payable and other credit		
accounts (Note 12)	1,893,205	1,894,205
Re-insurance claims payable (Note 10)	7,676,285	8,314,200
Provision for contingencies	150,000	150,000
Total liabilities	9,719,490	10,358,405
SHAREHOLDERS' EQUITY:		
Capital issued (Note 15)		
(KD.25,283,735)		
Called-up capital	24,783,735	24,783,735
Less: Unpaid capital	(450,204)	(700,204)
Paid-up capital	24,333,531	24,083,531
General reserve (Notes 7,9 and 14)	41,003,801	38,236,016
Total shareholders' equity	65,337,332	62,319,547
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	75,056,822	72,677,952
Payable to participants of the provident and		
social security fund	1,117,967	1,001,373
TOTAL BALANCE SHEETS	76,174,789	73,679,325

**STATEMENTS OF REVENUES AND EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994**

	Year Ended December 31,	
REVENUES:	1995	1994
NET PREMIUMS FROM GUARANTEES	KD	KD
Balance of provision for unexpired risk taken to	399,185	348,384
income (Note 14)	-	344,448
Interest from promissory notes and recoverable		
claims (Note 9)	1,391,897	1,397,490
Interest on call accounts	18,271	18,620
Interest on time deposits	518,728	268,694
Interest on bonds	331,445	441,386
Income (loss) from investment portfolios	1,565,137	(8,299)
Income (loss) from trading, redemption of bonds and		
unrealized appreciation on valuation of bonds	251,639	(68,076)
Exchange gain (Note 16)	100,927	834,163
Prior year's adjustments	(260,193)	(26,292)
Other	32,546	19,379
TOTAL REVENUE	4,349,582	3,569,897
EXPENDITURES:		
First Section - Salaries, wages and bonuses	849,558	818,812
Second Section - General and administrative expenses	597,394	502,363
Third Section - Capital expenditure	61,576	63,438
Fourth Section - Provision for contingencies and		
arbitration fees	73,269	150,000
TOTAL EXPENDITURE	1,581,797	1,534,613
NET REVENUE	2,767,785	2,035,284

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

	CAPITAL ISSUED KD.	CALLED-UP CAPITAL KD.	UNPAID CAPITAL KD.	PAID-UP CAPITAL KD.	NET REVENUE KD.	GENERAL RESERVE KD.
Balance - January 1, 1994	25,283,735	24,783,735	(1,177,533)	23,606,202	-	36,200,732
Capital contribution received	-	-	477,329	477,329	-	-
Net revenues	-	-	-	-	2,035,284	-
Transferred to general reserve	-	-	-	-	(2,035,284)	2,035,284
Balance - December 31, 1994	25,283,735	24,783,735	(700,204)	24,083,531	-	38,236,016
Capital contribution received	-	-	250,000	250,000	-	-
Net revenues	-	-	-	-	2,767,785	-
Transferred to general reserve	-	-	-	-	(2,767,785)	2,767,785
Balance - December 31, 1995	25,283,735	24,783,735	(450,204)	24,333,531	-	41,003,801

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1995 AND 1994

	Year Ended December 31,	
	1995	1994
	KD	KD
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net revenues	2,767,785	2,035,284
Adjustments for :		
Depreciation	98,290	63,438
Unrealized appreciation on valuation of bonds	(232,189)	(204,815)
Recovery of provisions for unexpired risks and commercial claims under settlement	-	(344,448)
Other adjustments	8,767	(24,038)
Operating revenue before changes in operating assets and liabilities	2,642,653	1,525,421
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Recoverable claims	1,153,748	1,262,761
Accrued interest	(1,009,213)	(1,329,051)
Accounts receivable re-insurance claims	752,845	1,687,594
Accounts receivable and other debit accounts	(23,399)	606,179
Accounts payable and other credit accounts	14,227	(667,019)
Re-insurance claims payable	(637,915)	(845,427)
Provision for contingencies	-	(211,073)
Net cash flows from operating activities	2,892,946	2,029,385
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in investment in bonds	466,674	4,107,262
Decrease (increase) in investment portfolio	598,582	(4,608,265)
Decrease (increase) in assets acquired in settlement of debt	75,000	(150,000)
Cash and cash equivalents restricted during the year	(631,893)	-
Net cash flows provided by, (used in) investing activities	508,363	(651,003)
CASH FLOWS FROM FINANCIING ACTIVITIES:		
Principal paydowns on finance lease	(15,227)	-
Capital contribution received	250,000	477,329
Net cash flows provided by financing activities	234,773	477,329
Net increase in cash and cash equivalents	3,636,082	1,855,711
Cash and cash equivalents - beginning of year	7,207,931	5,352,220
Cash and cash equivalents - end of year	10,844,013	7,207,931
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES:		
Interest paid on finance lease	205,083	-
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Finance lease for Corporation's share of the joint building	-	1,468,554
Restriction of certain assets during year	4,939,242	-

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTES TO FINANCIAL STATEMENTS

1. ACTIVITIES OF THE CORPORATION:

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

During 1994 the Corporation's insurance activity changed to effectively exclude commercial risk coverage which is subject to reinsurance. The majority of the Corporation's new insurance contracts are primarily a cover for risks associated with actions taken by public authorities in the host country of the insured investor or certain military actions both of which are not reinsurable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(A) ACCOUNTING CONVENTION:

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

(B) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include cash on hand and in banks and highly liquid investments that mature within 3 months from the date of acquisition.

(C) INVESTMENT IN BONDS:

Bonds are valued at the lower of aggregate cost or market price.

(D) INVESTMENT PORTFOLIOS:

Investment portfolios are managed by independent agents and are valued at their market price or their net asset value. Any appreciation or depreciation in the portfolios during the year is credited or charged to current operations.

(E) INVESTMENT IN ARAB TRADE FINANCE PROGRAM:

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

(F) RECOVERABLE CLAIMS:

The Corporation charges the related member countries with claim amounts at the time of payment of such claims by the Corporation to the insured parties.

(G) FIXED ASSETS:

Fixed assets are fully depreciated at the time of their purchase except for the amount associated with the Corporation's proportionate share of the joint building and its furnishings which will be charged against revenues on a straight line basis over their estimated useful lives.

(H) REVENUE RECOGNITION:

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

(I) GENERAL RESERVE:

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

(J) TRANSLATION OF FOREIGN CURRENCY:

The accounts of the Corporation are maintained in Kuwaiti Dinars. Assets and liabilities in foreign currencies are converted into Kuwaiti Dinars at average rates of exchange prevailing at the end of each month .Resulting unrealized gains or losses are credited or charged to current revenue. Gains or losses from foreign currency transactions during the year are also credited or charged to current revenue.

(K) PROVISION FOR CONTINGENCIES AND OTHER PAYABLE ACCOUNTS:

The Corporation provides for seen and unforeseen expenditures by charging against the statement of revenues and expenditures. These amounts are included in "Provision for contingencies" and "Accounts payable and other credit accounts" under liabilities in the accompanying balance sheets.

(L) PROVIDENT AND SOCIAL SECURITY FUND:

The net assets of the provident and social security fund which was established by the Corporation for the benefit of its employees except for the Director General and Deputy Director General, consist of the following :-

1. A fixed percentage deducted monthly from the employees' salaries;
2. The provision for staff termination indemnity;
3. Revenues resulting from investing the amounts under (1) and (2) above.

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

(M) END OF SERVICE INDEMNITIES:

The end of service indemnities for the Director General and Deputy Director General are calculated in accordance with Article no. (6) of the resolution made by the Arab Ministers of Finance and Economy in Abu Dhabi.

(N) COMPARATIVE FIGURES:

Certain comparative figures for the year ended December 31,1994 were reclassified to conform with current year presentation.

3. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of the following :-

	December 31,	
	1995	1994
	KD.	KD.
Current and call accounts with banks	347,182	359,486
Time deposits	10,496,831	6,848,445
	10,844,013	7,207,931

4. OTHER DEPOSITS:

Other deposits represent two deposits placed in banks in two member countries and were deposited by the member countries in favor of the Corporation against partial settlement of unpaid capital. Such deposits amounted to KD.398,781 as of December 31, 1995 and 1994 and cannot be currently transferred outside the two countries.

5. INVESTMENT IN BONDS:

	December 31,	
	1995	1994
	KD.	KD.
Investment in straight bonds	642,251	5,415,274
Less: Provision for decline in value	-	(232,189)
	642,251	5,183,085

6. INVESTMENT PORTFOLIOS

Investment Portfolios market value amounted to KD.17,808,178 as of December 31, 1995 (KD.18,406,760 at December 31, 1994) whereas the cost amounted to KD. 13,810,267 as of the same date (KD.15,242,985 at December 31, 1994).

7. PROMISSORY NOTES RECEIVABLE

Promissory notes are composed of the following:

	U.S. Dollars
Five promissory notes of U.S. Dollars 6,444,752 each	32,223,760
Three installments collected within the period from 1988 to 1990	(19,334,256)
Balance (equivalent to KD.3,866,851 at the rate of exchange prevailing as of December 31,1995)	
(KD.3,874,843 at December 31,1994)	12,889,504

An agreement signed between the Corporation and the representatives of the member country dated December 20,1989 states that the remaining amount of the promissory notes along with any other due amounts should be settled in equal quarterly installments of U.S. Dollars five million each starting from July1,1990; however, no amounts of the promissory notes or installments due have been settled. The Ministry of Finance of the member country advised that these debts will be paid as soon as the reasons preventing payments are no longer valid.

8. INVESTMENT IN ARAB TRADE FINANCE PROGRAM:

This program was established within the framework of the Arab Monetary Fund, to stimulate inter-Arab trade. The Corporation has settled its share in the above mentioned program amounting to U.S.Dollars 1,250,000 (equivalent to KD.375,000 at the rate of exchange prevailing as of December 31,1995 and KD.375,775 at the rate of exchange prevailing as of December 31,1994) which represents 250 shares of the program's capital composed of 100,000 shares at a nominal value of U.S. Dollars 5,000 each.

9. RECOVERABLE CLAIMS:

(A) Recoverable claims are as follows :-

	Year ended December31,	
	1995	1994
	US.Dollars	US.Dollars
Recoverable claims - beginning of the year	80,447,813	85,129,741
Recoverable claims paid during the year - net	4,094,513	287,424
Adjustment of previous recoverable claims	-	30,648
Claims collected during the year	(7,774,082)	(5,000,000)
Recoverable claims -end of year	76,768,244	80,447,813

	Year Ended December 31,	
	1995	1994
	US.Dollars	US.Dollars
Total recoverable claims- equivalent to KD. at the rates of exchange prevailing at the respective year end	23,030,473	24,184,221

The above amounts represent payments made to several parties of Arab nationalities and are related to risks realized in three of the member countries.

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

	Year Ended December 31,	
	1995	1994
	US.Dollars	US.Dollars
Balance - beginning of year	17,281,201	12,785,190
Interest charged for the year	4,482,887	4,496,011
	21,764,088	17,281,201
Interest collected during the year	(1,041,687)	-
Balance - end of year	20,722,401	17,281,201
Equivalent to KD. at the rates of exchange prevailing at the respective year end	KD. 6,216,720	KD. 5,195,075

10. ACCOUNTS RECEIVABLE - RE-INSURANCE CLAIMS AND RE-INSURANCE CLAIMS PAYABLE:

Accounts receivable - re-insurance claims represent total amounts claimed by the Corporation from re-insurance companies being their share of the compensation paid by the Corporation up to December 31,1995.

On the other hand, re-insurance claims payable represent obligations of the Corporation that will become due to the re-insurance companies at the time of settlement of claims by the member countries that were previously paid by the Corporation. When any amounts are received from such claims, the Corporation will pay the net amount due to re-insurance companies after taking into consideration the amounts due from such companies that are included in accounts receivable - re-insurance claims.

11.PROPORTIONATE SHARE OF THE JOINT BUILDING OF THE ARAB ORGANIZATIONS:

During 1994 the Corporation moved its offices to a newly constructed building located in Kuwait and jointly owned with other Arab organizations.

The Corporation's share of the building represents 9.61% of the total cost of construction of the building and is based upon allocated space that the Corporation occupies in the building. The Corporation's share of the total costs is payable in 40 equal installments of KD.110,155 after which time the ownership of the building will revert back to the Kuwaiti government.

The accounting treatment for this transaction follows financing lease accounting which requires recording the asset at the lower of fair value or the present value of future minimum payments.

The present value of the Corporation's future minimum payments of KD.4,406,200 was calculated by discounting the annual installments payable by the Corporation over a 40 year period at the average annual borrowing rate of 7% which resulted in a present value amount of the Corporation's future payments of KD.1,468,554.

Such amount was recorded as the Corporation's share of the joint building with an equal amount recorded as a liability which represents the present value of the amount payable to the Arab Fund for Economic and Social Development.

The beneficial rights of use of the building are amortized beginning in 1994 over the 40 year term of the agreement using the straight-line method. The recorded present value liability as shown in Note (12) of the notes to financial statements is amortized beginning in 1994 over the 40 year term of the agreement using the effective interest method.

The minimum future payments and present values of the minimum payments are:-

Period	Amount KD.
From 1996 to 1999	440,620
From 2000 to 2009	1,101,550
From 2010 to 2033	2,643,720
Total minimum payments	4,185,890
Less: imputed interest	(2,732,563)
Present value of minimum payments	1,453,327

12. ACCOUNTS PAYABLE AND OTHER CREDIT ACCOUNTS:

	December 31,	
	1995	1994
	KD.	KD.
Due to Arab Fund for Economic and Social Development (Note 11)	1,453,327	1,468,554
Due to re-insurance companies	84,404	130,646
Provision for staff leave	100,318	89,798
Provision for encyclopedia	93,359	93,359
Other	161,797	111,848
	1,893,205	1,894,205

13. RESTRICTED ASSETS:

Restricted assets, at December 31, 1995, include certain current and call accounts, time deposits and bonds which are restricted and cannot be used by the Corporation as disclosed in Note 17.

	KD.
Current and call accounts with banks	216,371
Time deposits	415,522
Straight bonds	4,306,349
	4,938,242

14. PROVISION FOR UNEXPIRED RISKS:

Effective 1994, the Corporation stopped making any provisions for unexpired risks as it is considered that the general reserve is the basic source of meeting all the obligations resulting from commercial and non-commercial risks. During the 1994 year the Corporation reserved the balance of the provision which resulted in additional income of KD.344,448. See Note (1) for explanation of insured risks.

15. CAPITAL:

(A) The capital of the Corporation is open-ended and is based on an initial amount of ten million Kuwaiti Dinars according to the official exchange rates prevailing at the time of signing the convention and is divided into ten thousand nominal shares of Kuwaiti Dinars one thousand each.

The Council of the Corporation issued resolution no. 2/1975 with recommendation to the member countries to increase their subscriptions in the capital to the extent of 25 million Kuwaiti Dinars. Also the shares of two member countries were reduced by the unpaid amount of their called up capital based on resolution No. 3/1993 of the Corporation's Council. Such reduction amounted to KD.741,265. The capital of the Corporation is as follows:-

	December 31,	
	1995	1994
	KD.	KD.
Capital issued	25,283,735	25,283,735
Unpaid capital	(450,204)	(700,204)
Uncalled capital	(500,000)	(500,000)
Paid up capital	24,333,531	24,083,531

(B) MEMBER COUNTRIES SHAREHOLDINGS:

	CAPITAL ISSUED	CAPITAL DUE AS OF DECEMBER 31, 1995	PAID -UP CAPITAL AS OF DECEMBER 31, 1995
	KD.	KD.	KD.
The Hashemite Kingdom of Jordan	525,000	525,000	525,000
United Arab Emirates	1,500,000	1,500,000	1,500,000
State of Bahrain	500,000	500,000	500,000
The Republic of Tunisia	1,250,000	1,250,000	1,250,000
Peoples' Democratic Republic of			
Algeria	1,250,000	1,250,000	1,250,000
Republic of Djibouti	200,000	200,000	200,000
Kingdom of Saudi Arabia	3,750,000	3,750,000	3,750,000
Republic of Sudan	1,250,000	1,250,000	851,686
Syrian Arab Republic	500,000	500,000	500,000
Somali Democratic Republic	58,735	58,735	58,735

	CAPITAL ISSUED	CAPITAL DUE AS OF DECEMBER 31, 1995	PAID -UP CAPITAL AS OF DECEMBER 31, 1995
	KD.	KD.	KD.
Republic of Iraq	500,000	500,000	500,000
Sultanate of Oman	750,000	750,000	750,000
State of Palestine	500,000	-	-
State of Qatar	2,000,000	2,000,000	2,000,000
State of Kuwait	3,000,000	3,000,000	3,000,000
Republic of Lebanon	500,000	500,000	500,000
The Socialist Peoples's Libyan Arab Jamahiriya	2,500,000	2,500,000	2,500,000
Arab Republic of Egypt	1,250,000	1,250,000	1,250,000
Kingdom of Morocco	2,000,000	2,000,000	2,000,000
The Islamic Republic of Mauritania	500,000	500,000	448,110
The Republic of Yemen	1,000,000	1,000,000	1,000,000
Total	25,283,735	24,783,735	24,333,531

16. EXCHANGE GAIN:

Exchange gains resulted from the conversion of the recorded assets and liabilities at December 31, 1995 and 1994 and transactions during the years then ended denominated in currencies other than the Kuwaiti Dinars to the reporting currency. Following are the major changes by year :-

	Year Ended December 31,	
	1995	1994
	KD.	KD.
Deutsche Mark	90,300	90,965
U.S. Dollar	(76,901)	216,500
European Currency Unit	74,404	78,986
Japanese Yen	(59,983)	400,660
Canadian Dollar	36,107	(50,256)

	Year Ended December 31,	
	1995	1994
	KD.	KD.
G.Britain Pound	10,119	75,482
Other	26,881	21,826
	100,927	834,163

17. CONTINGENT AND UNRECORDED LIABILITIES:

- (A) Current guarantee contracts signed by the Corporation with other parties as of December 31,1995 amounted to KD. 33,213,826 out of which executed guarantee operations amounted to KD. 18,088,827. Approximately KD. 70,000 of this amount is re-insured against commercial risks. This represents total outstanding contingent guarantees as of December 31,1995.
- (B) The Corporation has an outstanding obligation resulting from a claim raised by a bank which was arbitrated and awarded in favor of the bank. The amount of the original claim was U.S.Dollars 10,042,165 (equivalent to KD. 3,012,650 at the rate of exchange prevailing as of December 31,1995) including interest to December 31,1994. As a result of the award to the claimant,some of the Corporation's assets in certain banks, amounting to KD. 4,938,242 at the rate of exchange prevailing as of December 31,1995 are restricted from use by the Corporation. The Corporation has appealed against the ward made in favor of the bank and has challenged the validity of the arbitration proceedings. The appeal is still pending before the court. It is the policy of the Corporation not to record such obligation until payment is made and the related member Country is charged with such amount.
- (C) There is a claim from an Arab exporter and one of the Arab banks for an amount of U.S. Dollars 1,040,000 (equivalent to KD. 312,000 at the rate of exchange prevailing as of December 31,1995). The award was issued in favor of the claimants for such amount plus interest of 21% from the date the amount becomes due until payment. The Corporation has challenged the validity of the arbitration proceedings and the matter is still pending before the court.

18. SIGNIFICANT INSURED PARTY:

One insured party accounted for 41% and 22% of the total premiums earned during the years ended December 31,1995 and 1994 respectively.

19.CONTRA ACCOUNTS:

The Corporation acts as a custodian for its employees' investments in an investment fund with a value of KD. 155,325 as of December 31,1995 the accounts of which are excluded from these financial statements.