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

OBJECTIVES:

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

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

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Organization and Management

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

The Supervisory Committee:
The Committee consists of six Arab experts, five of whom are of different nationalities, elected by the Council upon the recommendation of the member-countries while the sixth member is appointed by the Council upon the recommendation of the General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries.
The Supervisory Committee supervises the activities of the Corporation and may give advice, as it may deem appropriate, to the Director-General or/and the Council of the Corporation. The membership of the current Supervisory Committee is as follows:

H.E. Mr. Fahad Rashid AlIbrahim	Chairman
H.E. Mr. Jasim Rashed AlShamsi	Member
H.E. Mr. Abdel-Fattah Benmansour	Member
H.E. Mr. Nasser Mohamed Al-qahtani	Member
H.E. Mr. Murtadha ben Mohamed Fadhil	Member
H.E. Mr. Burhan Al Dajani	Member

The Director-General

Mr. Mamoun Ibrahim Hassan

The Deputy Director-General

Mr. Giuma Said Giuma

His Excellency the Chairman of the 27th. Session of the Council of the Inter-Arab Investment Guarantee Corporation:
In accordance with Article (12) of the Inter-Arab Investment Guarantee Corporation's Convention, it is my pleasure to submit to your honourable Council for consideration the Annual Report of the Director General for the year 1999.

Please accept my highest consideration,

Mamoun Ibrahim Hassan
Director-General

Fez, April 2000

Contents

Chapter One

Introduction

1.1 World Economic Performance:

The world economy continued to show improvement in 1999, with world output growing at an estimated rate of 3.0 %, compared to the revised growth rate of 2.5% in 1998, due to economic and financial improved outlook in the crisis-hit Asian economies, and the rise in oil prices with apparent consolidation in non-oil commodity prices, despite the lingering uncertainty in the stability of overall macroeconomic indicators and the potential repercussions of the " Year 2000 (Y2K) Computer Bug" compatibility. The decade of the nineties has witnessed an average growth rate of 3.0% compared to 3.5% in the eighties and 4.5% in the seventies. The decade of the nineties was characterized by the fast pace of technical advancement in information technology (IT) and communications, which further enhanced the process of globalization arising new set of challenges for decision makers with more intricate economic and financial linkages, warranting new mechanisms for detecting and managing financial crises. Furthermore, inflationary pressures receded remarkably and more price stability convergence was attained as a result of strengthened monetary and fiscal disciplines. The fast integration of financial markets was accompanied by more liberalization, move towards market economies, and prevalence of flexible exchange rates. However the overall macroeconomic instability remained pervasive with some sharp fluctuations in the exchange rate of some major currencies, especially US dollar exchange rate versus the Japanese Yen; this was accompanied by unprecedented rise in asset prices in the equity and real estate markets, straining a vulnerable financial and banking sector.

Analyzing the performance of the major economic groups showed that the advanced economies witnessed a slightly higher growth rate at 2.8% in 1999, compared to 2.2% in 1998. Within this group USA recorded a strong growth for the third consecutive year rising by 3.7% compared to 3.9% in 1998; Canada has benefited from the positive spillover effect of its largest trading partner, recording a growth rate of 3.6% in 1999 compared to 3.1% in 1998. Japan has finally emerged from the recession recording a growth rate of 1.0% in 1999 compared to a negative growth of (2.8%) in 1998, due to partial success of the fiscal stimulus program, the establishment of new financial supervisory bodies, and easing of the bad debt problem; however the strength of the Yen adversely lingered over the performance of the Japanese exports. On the other hand, the Euro area countries as a group recorded an average growth rate of 2.1% in 1999 down from a growth rate of 2.8% in 1998.

The developing countries as a group sustained a growth rate of 3.5% in 1999 slightly higher than 3.2% recorded in 1998. Within the developing countries group, the Asian countries witnessed a growth rate on average of 5.3% in 1999 up from 3.7% in 1998, due mainly to improved economic performance of the crisis-hit Asian economies adopting effective restructuring programs. The developing countries in the Western Hemisphere average growth rate slowed to 0.1% in 1999 from 2.2% in 1998 due to deterioration of economic and financial conditions. The developing countries in Africa maintained the positive growth rate at 3.1% in 1999 though at a slightly lower rate than 1998 growth rate of 3.4%. The countries in transition (Russia, Central and Eastern Europe, Tran Caucasus and Central Asia) grew at a moderate rate of 0.8% in 1999 up from a recorded decline of (- 0.2%) in 1998.

Inflation, as measured by consumer price index, remained well contained and inflationary pressures receded in the advanced economies dropping to an average of 1.4% in 1999 down from 1.5% in 1998. Inflation outlook improved in the developing countries, declining from 10.3% in 1998 to 6.7% in 1999. However, inflation in countries in transition recorded a rise to 39.3% in 1999 up from 20.9% in 1998, entailing that the issue of inflation must be adequately addressed within the framework of their overall macroeconomic policies.

The world trade volume of goods and services resumed its moderate growth at 3.7% in 1999 near its 1998 level of 3.6%. The value of trade in goods and services rose from $6686 bn in 1998 to $6844 bn in 1999, with uneven performance among various economic groups. Imports of advanced economies grew by 5.9% in 1999 up from 4.8% in 1998, whereas this group exports dropped from 3.2% in 1998 to 3.0% in 1999. The developing countries imports grew slightly by 1.1% in 1999 up from a decline of (1.0%) in 1998, and the countries in transition imports declined markedly from 2.9% in 1998 to a negative (2.7%) in 1999. Exports dropped in both the developing countries group (from 4.9% in 1998 to 2.4% in 1999) and countries in transition group (from 5.9% in 1998 to 2.7% in 1999).

Oil prices witnessed resurgence during 1999 increasing by 27.7%, after falling sharply in 1998 by 31.2%, as a result of OPEC countries agreement to constrain production quotas while oil demand picked over cold weather conditions and strategic reserves buildup.

Current account balance moved to a deficit of $(77.3) bn in 1999 eroding a surplus of $37.3 bn attained in 1998 in the advanced economies group payments position, due to worsening current account position of the USA with the current account deficit widening from $(220.6) bn in 1998 to $(316.1) bn in 1999. Both the developing countries and countries in transition current account deficit witnessed an improvement with the deficit narrowing from $(77.3) bn in 1998 to $(55.6) bn in 1999 for the first group and from $(25.1) bn to $(16.1) bn for the second group.

The external debt of the developing countries rose from around $1965 bn in 1998 to around $ 1969 bn in 1999, comprising 37% of their total GDP, whereas the external debt of the countries in transition group rose from around $53 bn in 1998 to around $ 59 bn in 1999. Debt service payments as percentage of total exports of goods and services reached nearly 27% and 20% in 1999 for each group respectively.

World Investment Developments:

World investment continued to manifest intensified momentum and rising importance of foreign direct investment (FDI) inflows, with developing countries becoming increasingly aware of the need to enhance national investment promotion efforts to attract a larger share of FDI inflows. This was attained through maintaining an enabling investment climate conducive to FDI, improving the regulatory and institutional framework, combating corruption, enhancing transparency, improving labor productivity, fostering a sound educational system and cultivating the culture for training and re-training. With the increasing role of the Transnational Corporations (TNCs) in international production and trade in an increasingly globalizing world economy, calls were made for more corporate social responsibility towards host countries' development needs, and closer observance to international standards and codes of conduct for performing business practices taking into account human and labor rights and environmental considerations.

The FDI inflows worldwide reached an estimated $827 bn in 1999 up by 25% from $660 bn in 1998, which in turn increased by 42% from FDI inflows in 1997 of $464 bn, with the mergers and acquisitions (M&As) leading the rise. According to preliminary published figures for 1999, the developed countries share of total FDI flows remained high at 74% ($609 bn), while the developing countries received 24% ($198 bn) and the countries in transition only 2% ($20 bn). The Arab countries share was estimated to have reached $6.2 bn in 1999, which amounted to less than 1% of total FDI inflows, with Morocco receiving around 30% of these inflows at $2.0 bn.

The detailed figures for FDI inflows for 1998 indicated that the developed countries share reached 71%, whereas that of the developing countries and countries in transition 26% and 3% respectively. The cross-border M&As reached $411 bn in 1998 up from $236 bn in 1997, thus comprising 64% and 51% respectively of total FDI inflows in the two years.

The developing countries received around $166 bn in 1998 of FDI inflows compared to $173 bn in 1997. The FDI inflows to Asian countries reached $85 bn of which $77 bn went to south and south east Asian countries. The Latin American and Caribbean countries received around $72 bn, thus put together these two sub-groups engrossed 95% of FDI inflows to developing countries. China remained the top recipient ($45 bn) and led its group in receiving FDI inflows, followed by Singapore ($7 bn), while Brazil came first within its group ($29 bn), followed by Mexico ($10 bn) and together Chaina and Brazil claimed more than 45% of total FDI inflows to developing countries. The developing countries in Africa, excluding the Arab North African countries, received around $5.3 bn comprising nearly 3.0% of total FDI inflows to developing countries, and was centered in Nigeria ($ 1.5 bn), Angola ($396 mn), and Gabon ($300 mn).

The FDI inflows to countries in transition (Central and Eastern Europe and Russia) reached around $18.8 bn in 1998 compared to $ 19.5 bn in 1997, and was centered in Poland ($5.1 bn), Czech Republic ($2.5 bn), and Russia ($2.2 bn).

FDI inflows to Arab countries declined in 1998 to around $5.95 bn compared to $6.35 bn in 1997, comprising nearly 4% of FDI inflows to developing countries, and was centered in Saudi Arabia ($2.4 bn), Egypt ($1.08 bn), Tunisia ($650 mn), Algeria ($500 mn), Morocco ($ 258 mn), Lebanon ($230 mn), and Libya ($150 mn).

Economic and Investment Developments in the Arab Countries:

According to available information, the average rate of growth in the Arab countries in 1999 was estimated at 3.5%, compared to 2.5% in 1998. The highest growth rates were recorded in UAE (10%), Tunisia (6.2%), Egypt and Sudan (6%) and Yemen (5%). The positive economic outlook was attributed mainly to the rise in oil prices, the increased implementation of structural adjustment and privatization programs, improved trade liberalization measures, improved legislative and regulatory framework, and enhanced utilization of investment promotion techniques to attract FDI inflows. On the other hand, the political outlook of the region stabilized with the smooth succession of power in some Arab countries, enhanced democratic practices, diplomatic management of the border issues, improving relations between neighboring countries, and rising momentum for Arab issues in international fora.

Following more consolidated fiscal policies in some Arab countries, budget deficits were reduced in five Arab countries with Yemen turning the budget deficit of 7.3% of GDP in 1998 to a budget surplus of 4.7% in 1999. On the other hand, Mauritania maintained a budget surplus at 2.2% in 1999 compared to a surplus of 2.1% of GDP in 1998 . Six Arab countries had varying rates of widening budget deficits.

The current account position in the balance of payment improved in ten Arab countries. Among them, Qatar current account deficit narrowed from 17.3% of GDP in 1998 to 4.5% of GDP in 1999, Bahrain (from 17% to 7%), and Saudi Arabia (from 10% to 2.8%). Three Arab countries turned the current account deficit into a surplus, namely Libya which had a current account deficit of 8% of GDP in 1998 compared to a surplus of 2.8% in 1999, Yemen (from a deficit of 4.4% to a surplus of 6%), and Algeria (from a deficit of 2% to a surplus of 1.2%). Kuwait, Jordan and Syria maintained a surplus in their current account positions in 1999 of 23%, 4.5%, and 0.2%, compared to a surplus of 10%, 0.3%, 0.1% in 1998 respectively. However Mauritania and UAE budget deficits widened from 10.1% and 6.2% in 1998 to 11.2% and 7% in 1999 respectively.

The inflation rate in the Arab countries according to available information remained under 7% in 1999 except for Libya (18%), and Sudan (14%), declining in 12 Arab countries but slightly rising in 4 other Arab countries.

The regulatory and institutional framework in the Arab countries continued to improve with a host of positive measures adopted in 1999 in the direction of more investment legislation, and the creation of investment-related institutions and higher councils.

Efforts relating to human resource development continued to be intense during the year and focused on enhancing productivity and performance, especially in areas relevant to computer-based skills and utilization of advanced technology. The year witnessed calls for launching of advanced technology areas in Egypt, UAE, and Jordan.

Investment promotion activities in the Arab countries continued to increase in 1999, reflecting rising global competition among countries to attract larger share of FDI inflows. Several measures were taken to enhance the Arab Investment Promotion Agencies (IPAs) capacity and effectiveness, and to utilize more advanced investment promotion techniques for country image building, investment generation, and investment services. The range of investment promotion activities covered convening of specialized conferences on national, regional, and international levels, holding promotion seminars, receiving delegate visits, sending missions, along with updating or launching websites on the internet.

The nine Arab stock markets (Jordan, Bahrain, Tunisia, Saudi Arabia, Oman, Kuwait, Lebanon, Egypt, Morocco), monitored by the Arab Monetary Fund (AMF) exhibited mixed performance in 1999, with Saudi Arabia, Egypt, and Tunisia stock exchanges recording gains at 31.7%, 6.9% and 6.4%, while Lebanon, and Morocco recording losses around 21.9% and 8.2% respectively in terms of the AMF index. The total number of listed companies in those markets rose from 1446 in 1998 to 1634 in 1999, with Egypt holding 63% of listed companies. Market capitalization increased from $122.9 bn at the end of 1998 to $149.2 bn at the end of 1999, with Saudi Arabia holding 40.9% of total market capitalization. The other six Arab stock markets not monitored by AMF, noted active trading especially in Sudan, Palestine, Qatar, and Iraq, while trading dropped in UAE and Bahrain. Algeria stock market had started its operation in September 1999.

According to available information, the inter-Arab investments were estimated to have reached $2.18 bn in 1999 compared to US$ 2.31 bn in 1998. The main recipients of Arab inflows were Tunisia ($506 mn), Lebanon ($500 mn), Egypt ($277 mn), and Syria ($224 mn) comprising together around 69% of total inter-Arab investment flows.

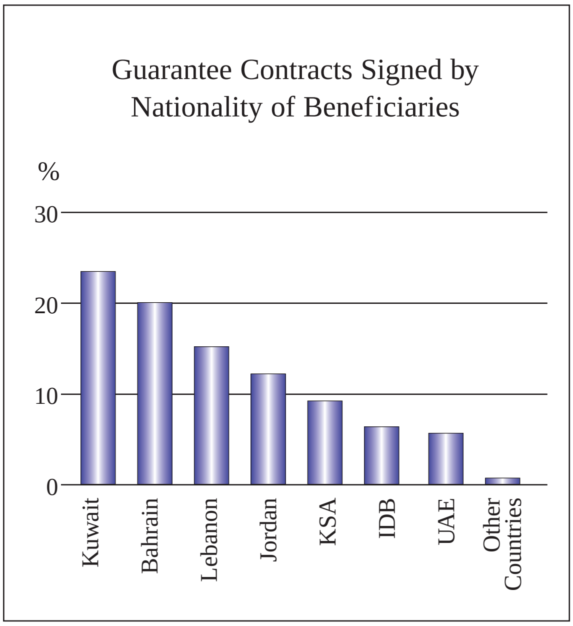
1.2 Highlights of the Corporation Activities

The total value of guarantee contracts signed in 1999 amounted to (US$ 157,531,785) equivalent to (KD. 47,996,779). The total value of current guarantee contracts as at 31/12/1999 reached (US$ 230,401,145) equivalent to (KD. 70,198,622). The value of operations executed (outstanding commitments) within current contracts amounted to (US$ 86,933,226) equivalent to (KD. 26,486,817). The Corporation has, during the year, paid compensation against the realization of a non-commercial risk in a member country, amounting to (US$ 1,470,549) and recovered (US$ 747,756) as part of a compensation previously paid for non-commercial risks in another member country.

Regarding ancillary activities and support services of its guarantee operations, the Corporation has consolidated its efforts in three major areas relating to raising awareness on investment issues, providing investment promotion services, and enhancing human resource development (HRD). In 1999 the Survey on Investment Climate in the Arab Countries, 1998 was published and distributed, and efforts were initiated to prepare the 1999 survey; (6) issues of the Capsule Series were published covering mainly certain key concepts relating to international investment agreements; (12) issues of the monthly bulletin Daman Al Istismar were published, portraying (50) investment opportunities and analyzing emerging trends in investment on national, regional, and global levels; (10) specialized studies and papers were prepared and presented in various meetings, seminars, and training workshops in which the Corporation took part. On another note, the Corporation co-organized with UNCTAD a regional workshop on “International Investment Agreements and their Implications for Arab Countries”, and the Eighth Arab Businessmen and Investors Conference in which around (400) investment opportunities were presented. Several expert meeting were held covering important topics like private sector investment opportunities in the field of higher education and the impact of exchange rate stability in attracting FDI. The Corporation continued its endeavor to enhance HRD in the Arab countries in areas of interest, and extended the utilization of the PC-based applications and programs in conducting daily work, as well as establishing specialized databases, and developing a website. The staff of the Corporation received focused training in the diverse areas of the Corporation's realm of work.

Chapter Two

Guarantee Operations



2.1 Guarantee Contracts:

2.1.1 Value of Contracts in 1999:

During the year, eighty guarantee contracts amounting to US$157,531,785(KD 47,996,779)[1] were signed, of which three contracts were within the framework of the investment guarantee scheme totaling US$ 32,285,151 (KD 9,836,640) representing 20.5% of the total, and seventy seven export credit guarantee contracts totaling US$ 125,246,634 (KD 38,160,139) or 79.5% of the total (See table 1).

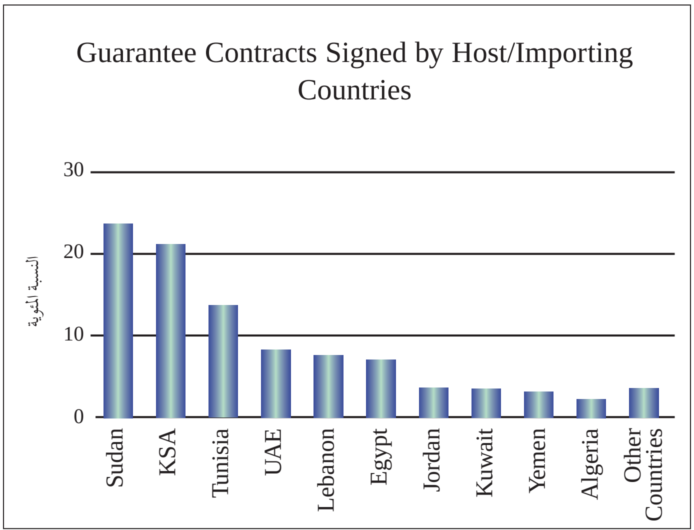
The contracts' value has increased by 28.32% in comparison with last year's total value of US$ 122,765,162 (KD 37,115,596)[2].

Investors and exporters from Kuwait topped the list of beneficiaries from nine Arab exporting countries of capital and goods, in addition to the Islamic Development Bank (IDB) with 24.68% of the contracts' value, followed by Bahrain with 20.69%, Lebanon 15.97%, Jordan 13.31%, Saudi Arabia 9.54%, the IDB 7.90%, UAE 6.82%, then Syria, Morocco, and Egypt combined with 1.09%.

The list of host/importing countries comprised seventeen Arab states, topped by Sudan with 24.91% of the contracts' value, followed by Saudi Arabia 21.17%, Tunisia 13.83%, UAE

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

(2) US$ 1 = KD 0.30233 as at 31.12.1998.



8.42%, Lebanon 8.12%, Egypt 7.74%, Jordan 3.50%, Kuwait 3.47%, Yemen 3.08%, Algeria 2.63%, and seven other Arab countries combined with 3.13%.

2.1.2 Details of Contracts Signed:

2.1.2.1 Investment Guarantee Contracts:

1. Equity Participation Guarantee Contract to cover the investment of a Kuwaiti Company in the capital of a touristic company in Tunisia. The contract's value amounts to TD 20 mn[3]. (US$ 17.43 mn.) (KD 5.31 mn.)

2. Equity Participation Guarantee Contract to cover the investment of a Kuwaiti Company in the capital of an electrical appliances manufacturing company in Tunisia. The contract's value amounts to TD 5.00 mn. (US$ 4.36 mn.) (KD 1.33 mn.)

3. Equity Participation Guarantee Contract to cover the investment of a Kuwaiti Company in the capital of a hospital in Tripoli, Lebanon. The contract's value amounts to US$ 10.5 mn. (KD 3.20 mn.)

2.1.2.2 Export Credit Guarantee Contracts:

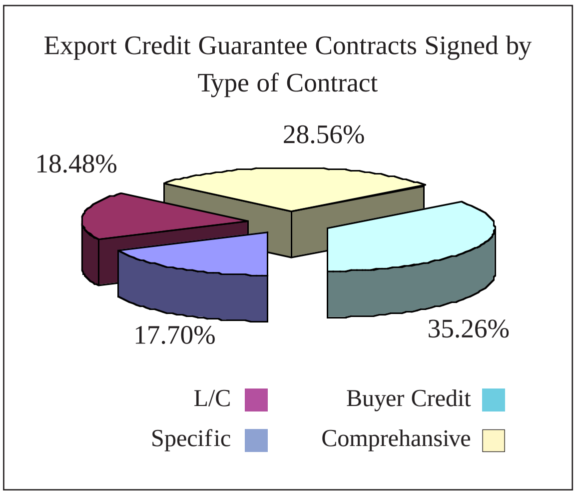
Bahrain topped the list of beneficiaries from nine exporting countries in addition to the IDB with 26.03% of the contracts' value, followed by Lebanon with 20.09%, Jordan 16.75%, Saudi Arabia 12.01%, the IDB 9.9%, UAE 8.57%, Kuwait 5.27%, Syria 1.11%, Morocco 0.16%, and Egypt 0.11%. The number of importing countries reached sixteen. Sudan came first with 31.32% of the contracts' value, followed by Saudi Arabia with 26.63%, UAE 10.58%, Egypt 9.74%, Jordan 4.40%, Kuwait 4.37%, Yemen 3.87%, Algeria 3.31%, and Eight other Arab countries[4] combined with 5.78% (See table 2).

Details of the export credit guarantee contracts are shown in table[4].

2.1.3 Classification of Goods Under Guarantee:

Goods under the Corporation's guarantee can be grouped as follows: petrochemical and chemical products (paints, lubricants, fertilizers, kerosene, and aromatic solvents) with 31.15% of contracts' value, metal products (aluminum products, aluminum conductors, and prefabricated steel buildings) with 18.55%, building materials (cement, ceramic tiles, insulating materials, and plastic pipes) with 10.27%, foodstuff (cold and processed meat, sesame, wheat flour, potato chips, and canned food) with 10.03%, jewelry 6.6%, paper products (corrugated carton, stationery, and hygienic paper) with 5.83%, pharmaceuticals, cosmetics, and insecticides with 4.3%, gum Arabic with 4%, textiles (readymade garments, blankets, and carpet liners) with 3.27%, and other miscellaneous products with 6%.

(3) US$ 1 = 1.14757 Tunisian Dinar as at 31.12.1999.
(4) Lebanon, Qatar, Djibouti, Bahrain, Libya, Oman, Syria and Morocco.



2.1.4 Value of Current Contracts and Outstanding Commitments:

Value of the current contracts as at 31.12.1999 amounted to US$ 230,401,145 (KD 70,198,622), 45.88% of which represents investment guarantee contracts and 54.12% for export credit guarantee contracts.

The value of executed operations within the current guarantee contracts amounted to US$ 86,933,226 (KD 26,486,817) or 37.73% of the current contracts. This amount represents the outstanding guarantee commitments vis-à-vis the guaranteed parties as at 31.12.1999[5]. (See table 3).

2.1.5 Revenues from Premia:

The total guarantee premia realized during the year amounted to US$ 1,917,037 (KD 584,083) increasing by 100% over last year's premia. 15.25% of the premia was derived from investment guarantee contracts, and 84.75% from export credit guarantee contracts.

2.2 Compensation and Recovery:

Four compensations were paid to exporters due to the realization of a commercial risk (non-payment) covered under the export credit guarantee scheme. The first of which, amounting to US$ 4,293 was paid against a specific export credit guarantee contract, the second amounting to US$ 16,150 was paid against a comprehensive contract, while the third amounting to US$ 739,200 was paid against an L/C contract and was recovered with interest in arrears. The fourth amounting to US$ 710,906 was paid against a buyer credit guarantee contract; measures have been taken to recover it on installments in accordance with a re-scheduling agreement signed with the importer. To date US$ 30,000 was recovered, of which US$ 8,556 represents principal and the remaining for interest in arrears.

As such, total value of compensation paid during the year amounted to US$ 1,470,549, of which US$ 747,756 was recovered. The compensation paid and not yet recovered amounts to US$ 722,793.

2.3 Reinsurance:

2.3.1 Reinsurance of Commercial Risks:

- The Corporation renegotiated the commercial risks reinsurance treaty, whereby the maximum limit per importer would be increased from US$ 500,000 to US$ 4,000,000 on facultative basis.
- Ceding rate during the year reached 29% of the treaty limit.

(5) 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.

2.3.2 Reinsurance of Non-commercial Risks:

The Corporation signed a non-commercial risk reinsurance treaty with "COFACE" of France specifying the reinsurer's share of US$ 1 mn. for each member country.

2.4 Marketing the Guarantee Services:

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

2.4.1 Fifteen field missions were delegated to eight Arab countries, including Jordan, U.A.E, Bahrain, Algeria, Djibouti, Saudi Arabia, Lebanon, and Libya. Two more missions were assigned to visit France and the UK. This is in addition to visits in Kuwait and in Saudi Arabia through the Corporation's regional office in Riyadh. Within this context 337 visits had taken place.

2.4.2 Seven introductory seminars were held in the U.A.E, Lebanon, Libya, and Morocco.

2.4.3 The Corporation participated in seven conferences and Arab meetings related to its activities, held in six countries including Jordan, U.A.E, Tunisia, Syria, Lebanon, and Egypt.

2.4.4 Nine Arab trade fairs and exhibitions were attended.

2.4.5 Direct mailing campaigns were conducted covering 5110 banks, investment companies and businessmen.

2.4.6 Eight commission agency agreements were signed to promote the Corporation's guarantee services, raising the total number of such agreements to 43 covering 14 Arab countries.

2.4.7 The Corporation's database of potential clients had been extensively expanded. More than 20,000 new companies had been identified, of which 3,000 were added to the database, and the remaining will be included in due course.

2.4.8 Presentation and marketing techniques were further developed to enhance awareness of the Corporation's services. These include informative brochures, Power Point presentations, exhibitions' stands, and utilizing the Corporation's website on the Internet upon launching it.

2.5 Cooperation with the Guarantee Agencies:

- As indicated earlier, the Corporation signed a non-commercial risks reinsurance treaty with COFACE of France, whereby the reinsurer's liability amounts to US$ 1 mn. for each Arab country.

- A memorandum of understanding was signed with the Societe Morocaine D'Assurance A L'exportation of Morocco (SMAEX), identifying means of cooperation in various areas, such as the exchanging of importers' credit information, developing the expertise related to investment and export credit guarantees, extending the necessary assistance for claims recovery, in addition to jointly organized seminars and workshops and training of staff.

TABLE (1)
VALUE OF GUARANTEE CONTRACTS SIGNED DURING 1999 BY HOST/IMPORTING COUNTRIES
(VALUE IN US DOLLARS AND EQUIVALENT IN KUWAITI DINARS)(1)

HOST/ IMPORTING COUNTRY	INVESTMENT CONTRACTS			EXPORT CREDIT CONTRACTS			TOTAL		
SUDAN	US$	KD	%	US$	KD	%	US$	KD	%
SAUDI ARABIA	-	-	-	39,232,804	11,953,451	31.32	39,232,804	11,953,451	24.90
TUNISIA	-	-	-	33,350,905	10,161,354	26.63	33,350,905	10,161,354	21.17
UAE	21,785,151	6,637,500	67.48	-	-	-	21,785,151	6,637,500	13.83
LEBANON	-	-	-	13,256,670	4,039,041	10.58	13,256,670	4,039,041	8.42
EGYPT	10,500,000	3,199,140	32.52	2,289,780	697,650	1.83	12,789,780	3,896,790	8.12
JORDAN	-	-	-	12,195,793	3,715,814	9.74	12,195,793	3,715,814	7.74
KUWAIT	-	-	-	5,499,350	1,675,541	4.39	5,499,350	1,675,541	3.50
YEMEN	-	-	-	5,472,449	1,667,345	4.37	5,472,449	1,667,345	3.47
ALGERIA	-	-	-	4,852,967	1,478,602	3.87	4,852,967	1,478,602	3.08
QATAR	-	-	-	4,150,000	1,264,422	3.31	4,150,000	1,264,422	2.63
DJIBOUTI	-	-	-	2,071,467	631,134	1.65	2,071,467	631,134	1.31
BAHRAIN	-	-	-	1,000,000	304,680	0.80	1,000,000	304,680	0.63
LIBYA	-	-	-	801,185	244,104	0.65	801,185	244,104	0.51
OMAN	-	-	-	398,902	121,537	0.32	398,902	121,537	0.25
SYRIA	-	-	-	347,769	105,958	0.28	347,769	105,958	0.22
MOROCCO	-	-	-	300,000	91,404	0.24	300,000	91,404	0.20
GRAND TOTAL	-	-	-	26,593	8,102	0.02	26,593	8,102	0.02
% TO GRAND TOTAL	32,285,151	9,836,640	100.00	125,246,634	38,160,139	100.00	157,531,785	47,996,779	100.00
	20.50			79.50					

(1) USD 1 = KD 0.30468

TABLE (2)

GEOGRAPHICAL DISTRIBUTION OF THE EXPORT CREDIT GUARANTEE CONTRACTS SIGNED IN 1999

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

NATIONALITY OF GUARANTEED PARTIES\ IMPORTERS	BAHRAIN	LEBANON	JORDAN	SAUDI ARABIA	IDB	UAE	KUWAIT	SYRIA	MOROCCO	EGYPT	TOTAL	
											USD	KD
SUDAN	11,765,000	-	5,000,000	7,547,804	12,400,000	1,770,000	-	750,000	-	-	39,232,804	11,953,451
SAUDI ARABIA	15,000,000	10,180,000	2,425,000	-	-	4,224,432	661,473	560,000	200,000	100,000	33,350,905	10,161,354
UAE	5,000,000	4,240,000	1,440,000	2,496,670	-	-	-	80,000	-	-	13,256,670	4,039,041
EGYPT	-	5,420,000	2,495,000	1,099,451	-	200,000	2,981,342	-	-	-	12,195,793	3,715,814
JORDAN	-	1,165,000	-	1,004,494	-	640,000	2,689,856	-	-	-	5,499,350	1,675,541
KUWAIT	-	3,144,660	400,000	1,187,789	-	700,000	-	-	-	40,000	5,472,449	1,667,345
YEMEN	-	-	3,720,000	132,967	-	1,000,000	-	-	-	-	4,852,967	1,478,602
ALGERIA	-	-	4,000,000	150,000	-	-	-	-	-	-	4,150,000	1,264,422
LEBANON	840,000	-	1,220,000	229,780	-	-	-	-	-	-	2,289,780	697,650
QATAR	-	410,000	200,000	127,091	-	1,203,091	131,285	-	-	-	2,071,467	631,134
DJIBOUTI	-	-	-	-	-	1,000,000	-	-	-	-	1,000,000	304,680
BAHRAIN	-	150,000	80,000	571,185	-	-	-	-	-	-	801,185	244,104
LIBYA	-	-	-	398,902	-	-	-	-	-	-	398,902	121,537
OMAN	-	150,000	-	66,484	-	-	131,285	-	-	-	347,769	105,958
SYRIA	-	300,000	-	-	-	-	-	-	-	-	300,000	91,404
MOROCCO	-	-	-	26,593	-	-	-	-	-	-	26,593	8,102
TOTAL IN US$	32,605,000	25,159,660	20,980,000	15,039,210	12,400,000	10,737,523	6,595,241	1,390,000	200,000	140,000	125,246,634	-
TOTAL IN KD	9,934,091	7,665,646	6,392,186	4,582,143	3,778,032	3,271,508	2,009,437	423,505	60,936	42,655	-	38,160,139
% OF TOTAL	26.03	20.09	16.75	12.01	9.90	8.57	5.27	1.11	0.16	0.11	-	100.00

TABLE (3)
VALUE OF CURRENT CONTRACTS & OUTSTANDING COMMITMENTS AS AT 31/12/1999
IN US DOLLARS AND ITS EQUIVALENT IN KD (1)
(BY HOST/IMPORTING COUNTRIES AND TYPE OF CONTRACT)

HOST/IMPORTING COUNTRY	INVESTMENT CONTRACTS(2)		EXPORT CREDIT CONTRACTS		TOTAL		% OF TOTAL	OUTSTANDING COMMITMENTS(3)	
	US $	KD	US $	KD	US $	KD		US $	KD
JORDAN	-	-	6,048,825	1,842,955	6,048,825	1,842,955	2.63	804,424	245,092
UAE	-	-	12,935,242	3,941,109	12,935,242	3,941,109	5.61	5,993,484	1,826,096
BAHRAIN	-	-	803,002	244,658	803,002	244,658	0.35	69,013	21,027
TUNISIA	21,785,150	6,637,500		-	21,785,150	6,637,500	9.46	6,644,810	2,024,541
ALGERIA	-	-	14,298,441	4,356,449	14,298,441	4,356,449	6.21	10,421,137	3,175,112
DJIBOUTI	-	-	1,000,000	304,680	1,000,000	304,680	0.43	-	-
SAUDI ARABIA	-	-	22,518,193	6,860,844	22,518,193	6,860,844	9.77	6,152,180	1,874,448
SUDAN	-	-	39,901,907	12,157,314	39,901,907	12,157,314	17.32	29,235,223	8,907,387
SYRIA	11,220,000	3,418,510	300,000	91,404	11,520,000	3,509,914	5.00	4,575,000	1,393,911
OMAN	-	-	347,980	106,023	347,980	106,023	0.15	-	-
QATAR	-	-	2,182,267	664,894	2,182,267	664,894	0.95	47,612	14,507
KUWAIT	-	-	4,652,961	1,417,663	4,652,961	1,417,663	2.02	309,731	94,369
LIBYA	-	-	400,171	121,924	400,171	121,924	0.17	-	-
LEBANON	68,529,932	20,879,700	2,316,114	705,674	70,846,046	21,585,374	30.75	17,767,749	5,413,477
EGYPT	1,181,568	360,000	11,995,433	3,654,769	13,177,001	4,014,769	5.72	3,693,051	1,125,198
MOROCCO	3,000,000	914,040	278,490	84,850	3,278,490	998,890	1.42	251,812	76,722
YEMEN	-	-	4,705,469	1,433,662	4,705,469	1,433,662	2.04	968,000	294,930
TOTAL	105,716,650	32,209,750	124,684,495	37,988,872	230,401,145	70,198,622	100	86,933,226	26,486,817

(1) USD 1 = KD 0.30468
(2) Current Contracts represent the value of guarantee contracts, whether executed or not.
(3) The Outstanding Commitments represent:
- For Investment Guarantee Contracts: The value of investment realized.
- For Export Credit Guarantee Contracts: The value of shipments executed but not repaid.

TABLE (4)
EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1999

EXPORTING COUNTRY	IMPORTING COUNTRY	GOODS	VALUE IN US$	VALUE IN KD
A- COMPREHENSIVE CONTRACTS[1]:				
JORDAN	SEVERAL COUNTRIES	PROCESSED MEAT	1,160,000	353,428
JORDAN	SEVERAL COUNTRIES	OFFICE FURNITURE	240,000	73,124
JORDAN	SEVERAL COUNTRIES	GREEN HOUSES	2,300,000	700,764
JORDAN	SEVERAL COUNTRIES	PAINTS	700,000	213,276
UAE	SEVERAL COUNTRIES	FOOD STUFF	920,000	280,305
UAE	SEVERAL COUNTRIES	CERAMIC TILES	2,400,000	731,232
SAUDI ARABIA	SEVERAL COUNTRIES	CARPET LINING	1,140,000	347,335
SAUDI ARABIA	SEVERAL COUNTRIES	CORRUGATED CARTON	543,343	165,546
SAUDI ARABIA	SEVERAL COUNTRIES	CORRUGATED CARTON	915,201	278,843
SAUDI ARABIA	SEVERAL COUNTRIES	CARTON CONTAINERS	2,659,346	810,246
SAUDI ARABIA	SEVERAL COUNTRIES	CARPETS	1,000,000	304,680
SYRIA	SEVERAL COUNTRIES	PASTRY DOUGH	140,000	42,655
KUWAIT	EGYPT	PRE-ENGINEERED STEEL STRUCTURES	216,000	65,811
KUWAIT	EGYPT	PRE-ENGINEERED STEEL STRUCTURES	400,571	122,046
KUWAIT	SEVERAL COUNTRIES	CANNED FOODS	997,768	304,000
LEBANON	SEVERAL COUNTRIES	GARMENTS	350,000	106,638
LEBANON	SEVERAL COUNTRIES	GARMENTS	905,000	275,736
LEBANON	SEVERAL COUNTRIES	PAINTS	2,339,660	712,848
LEBANON	SEVERAL COUNTRIES	FOOD STUFF	350,000	106,638
LEBANON	SEVERAL COUNTRIES	ALUMINUM FOIL	650,000	198,042
LEBANON	SAUDI ARABIA	ELECTRIC ELEVATORS	550,000	167,574
LEBANON	EGYPT	PAINTS	1,150,000	350,382
LEBANON	SEVERAL COUNTRIES	ORGANIC FERTILIZERS	600,000	182,808
LEBANON	SEVERAL COUNTRIES	JEWELRY	6,700,000	2,041,356
LEBANON	SEVERAL COUNTRIES	JEWELRY	800,000	243,744
LEBANON	SEVERAL COUNTRIES	SESAME PASTE	1,280,000	389,991
LEBANON	SEVERAL COUNTRIES	CERAMIC TILES	3,490,000	1,063,333
LEBANON	SEVERAL COUNTRIES	STATIONERY	875,000	266,595
	TOTAL COMPREHENSIVE CONTRACTS		**35,771,889**	**10,898,976**
B- SPECIFIC CONTRACTS[2]:				
JORDAN	SAUDI ARABIA	ELECTRICAL APPLIANCES	150,000	45,702
JORDAN	EGYPT	PHOSPHORIC ACID	455,000	138,629
JORDAN	SAUDI ARABIA	CHEMICAL DETERGENTS	75,000	22,851
JORDAN	LEBANON	CHEMICAL FERTILIZERS	100,000	30,468
JORDAN	UAE	COLOR TV SETS	400,000	121,872

TABLE (4)
EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1999

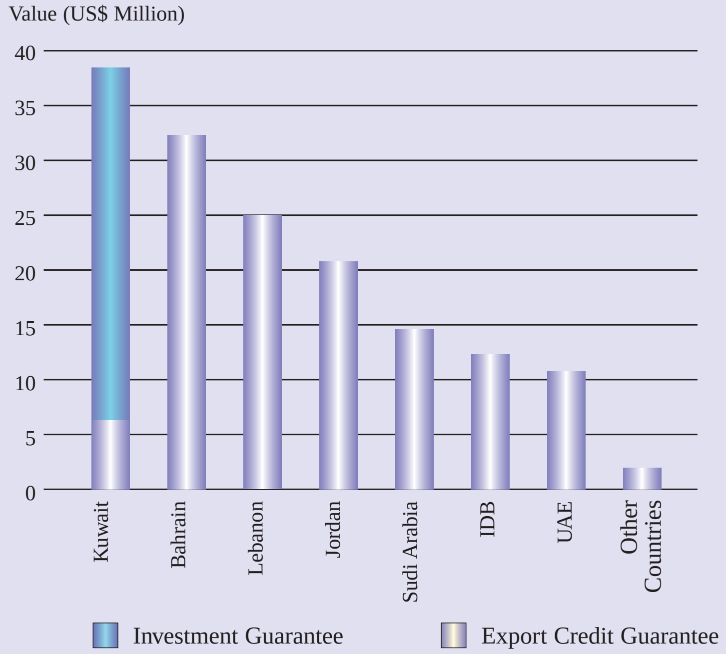
EXPORTING COUNTRY	IMPORTING COUNTRY	GOODS	VALUE IN US$	VALUE IN KD
JORDAN	EGYPT	COLOR TV SETS	2,000,000	609,360
JORDAN	SAUDI ARABIA	AGRICULTURAL PESTICIDE	700,000	213,276
JORDAN[3]	ALGERIA	HUMAN MEDICINES	4,000,000	1,218,720
UAE	SAUDI ARABIA	POTATO CHIPS	2,179,546	664,064
UAE	JORDAN	JEWELRY	400,000	121,872
UAE	QATAR	CORN & POTATO CHIPS	523,091	159,375
UAE	SAUDI ARABIA	POTATO CHIPS	544,886	166,016
BAHRAIN	LEBANON	ALUMINUM CONTAINERS	840,000	255,931
SAUDI ARABIA	UAE	SANITARY PAPER	750,000	228,510
SAUDI ARABIA	UAE	JEWELRY	400,000	121,872
SYRIA	SAUDI ARABIA	KITCHENS	500,000	152,340
KUWAIT	SAUDI ARABIA	INSULATING MATERIALS	398,902	121,537
KUWAIT	EGYPT	PRE-ENGINEERED STEEL STRUCTURES	2,286,000	696,498
LEBANON	UAE	STATIONERY	80,000	24,374
LEBANON	EGYPT	ALUMINUM FOIL	150,000	45,702
LEBANON	EGYPT	PAINTS	2,000,000	609,360
LEBANON	SAUDI ARABIA	LEATHER PRODUCTS	400,000	121,872
LEBANON	UAE	SOAP & DETERGENTS	600,000	182,808
LEBANON	SAUDI ARABIA	FOOD STUFF	400,000	121,872
LEBANON	KUWAIT	STATIONERY	1,340,000	408,271
LEBANON	EGYPT	PAINTS	150,000	45,702
EGYPT	KUWAIT	ALUMINUM CONDUCTORS	40,000	12,187
EGYPT	SAUDI ARABIA	ALUMINUM CONDUCTORS	100,000	30,468
MOROCCO	SAUDI ARABIA	TEXTILES	200,000	60,936
	TOTAL SPECIFIC CONTRACTS		**22,162,425**	**6,752,445**
C- LETTER OF CREDIT CONTRACTS[4]:				
JORDAN	SUDAN	CEMENT	3,000,000	914,040
JORDAN	YEMEN	ALUMINUM	3,700,000	1,127,316
JORDAN	SUDAN	CEMENT	2,000,000	609,360
UAE	SUDAN	WHEAT FLOUR	770,000	234,604
UAE	DJIBOUTI	PETROLEUM PRODUCTS	1,000,000	304,680
UAE	SUDAN	AGRICULTURAL MACHINERY	1,000,000	304,680
UAE	YEMEN	SESAME	1,000,000	304,680
SAUDI ARABIA	SUDAN	PLASTIC PIPES	1,031,320	314,223
SAUDI ARABIA	SUDAN	LUBRICANTS	350,000	106,638
SAUDI ARABIA	ALGERIA	LUBRICANTS	150,000	45,702
SAUDI ARABIA	SUDAN	FUEL ADDITIVES	3,600,000	1,096,848

TABLE (4)
EXPORT CREDIT GUARANTEE CONTRACTS SIGNED DURING 1999

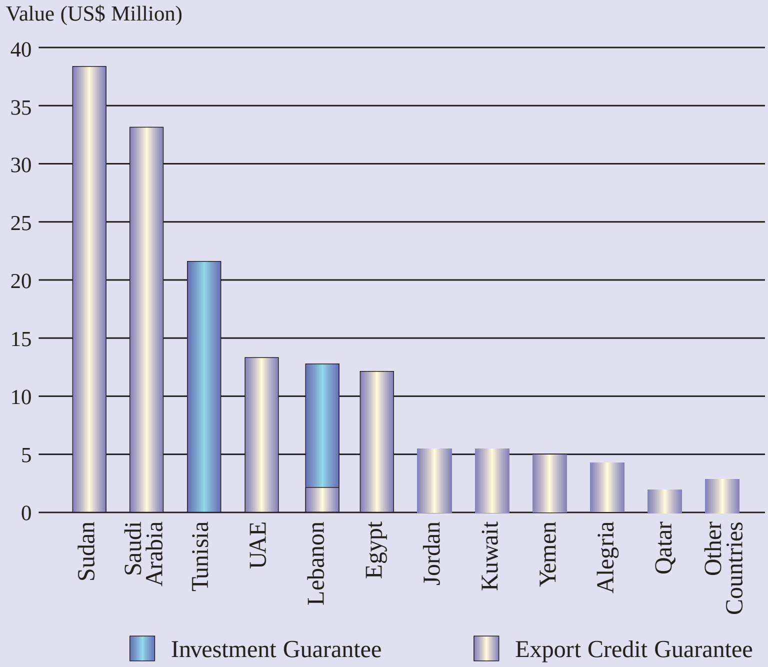
EXPORTING COUNTRY	IMPORTING COUNTRY	GOODS	VALUE IN US$	VALUE IN KD
SAUDI ARABIA	SUDAN	SOLVENTS	2,000,000	609,360
SAUDI ARABIA	SUDAN	PLASTIC PIPES	500,000	152,340
SYRIA	SUDAN	GARMENTS	500,000	152,340
SYRIA	SUDAN	PHOSPHORIC FERTILIZER	250,000	76,170
KUWAIT	JORDAN	SESAME	2,296,000	699,545
	TOTAL L/C CONTRACTS		**23,147,320**	**7,052,526**
D- BUYER CREDIT CONTRACTS(5):				
BAHRAIN	SUDAN	PETROLEUM PRODUCTS	11,765,000	3,584,560
BAHRAIN	SAUDI ARABIA	ALUMINUM	15,000,000	4,570,200
BAHRAIN	UAE	GUM ARABIC	5,000,000	1,523,400
JOINT ISLAMIC				3,778,032
BANK	SUDAN	PETROLEUM PRODUCTS	12,400,000	**13,456,192**
	TOTAL BUYER CREDIT CONTRACTS		**44,165,000**	**38,160,139**
GRAND TOTAL			**125,246,634**	

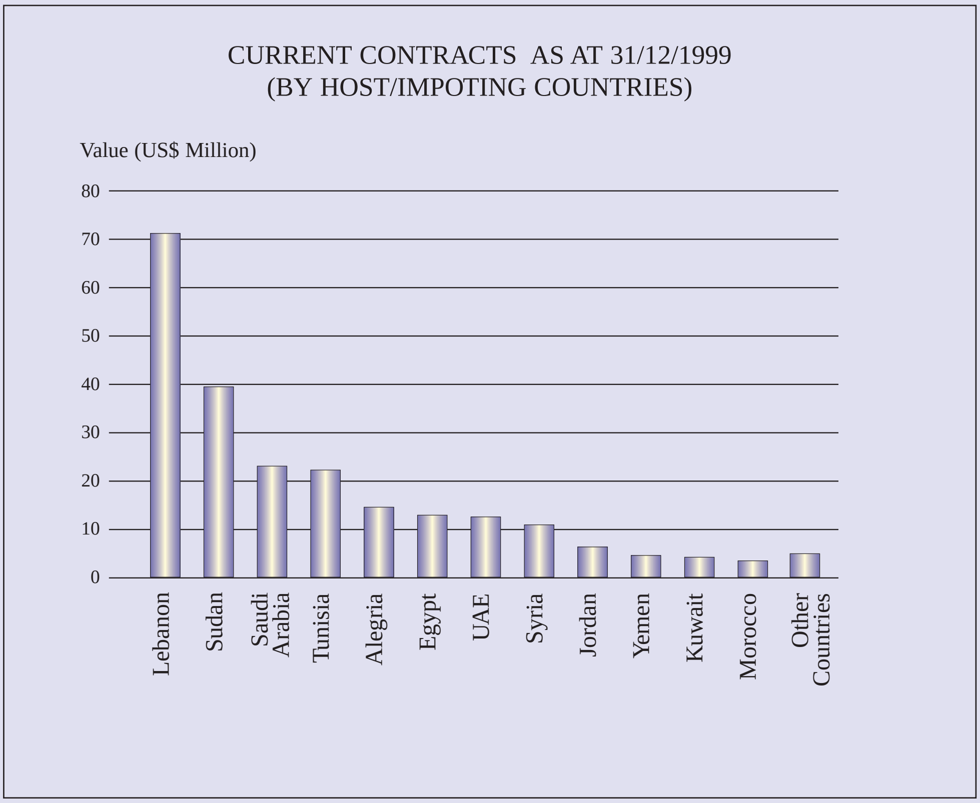
(1) Cover commercial and non-commercial risks for exports to more than one importer in the same country or several countries, with credit periods less than one year.
(2) Cover commercial and non-commercial risks for exports to one private sector importer with any credit period agreed to in the export agreement.
(3) Covers non-commercial risks only for exports to a private sector importer.
(4) Cover commercial and non-commercial risks resulting in the non-payment of the issuing bank.
(5)Cover commercial and non-commercial risks for the financing offered by Arab and joint Arab-foreign banks to Arab importers.

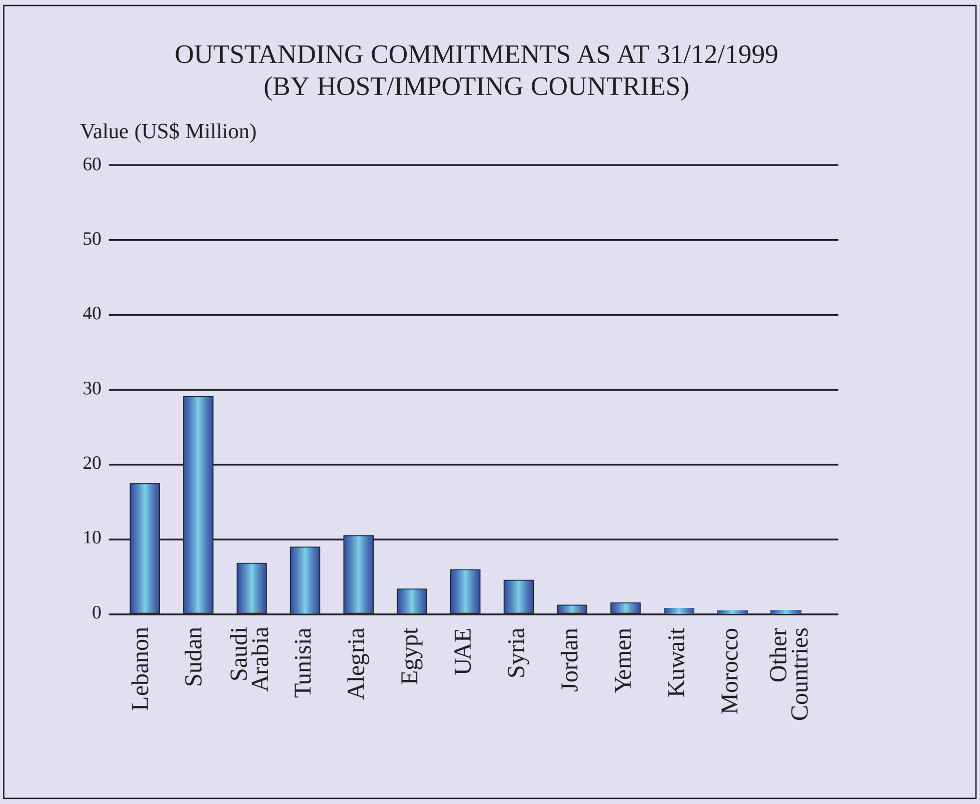
GUARANTEE CONTRACTS SIGNED DURING 1999
(BY NATIONALITY OF GUARANTEED PARTIES)



GUARANTEE CONTRACTS SIGNED DURING 1999
(BY HOST/IMPORTING COUNTRIES)




CURRENT CONTRACTS AS AT 31/12/1999
(BY HOST/IMPOTING COUNTRIES)
Value (US$ Million)
80
70
60
50
40
30
20
10
0
Lebanon
Sudan
Saudi Arabia
Tunisia
Alegria
Egypt
UAE
Syria
Jordan
Yemen
Kuwait
Morocco
Other Countries


OUTSTANDING COMMITMENTS AS AT 31/12/1999
(BY HOST/IMPOTING COUNTRIES)
Value (US$ Million)
60
50
40
30
20
10
0
Lebanon
Sudan
Saudi Arabia
Tunisia
Alegria
Egypt
UAE
Syria
Jordan
Yemen
Kuwait
Morocco
Other Countries

Chapter Three

Ancillary Activities and Support Services

3.1 Publications and Conferences:

During 1999 the Corporation continued to pursue its objective to disseminate information and raise awareness on investment issues in the Arab Countries through the publication and continued improvement of the Annual Report on Investment Climate, the Capsule Series, the Monthly Bulletin, the specialized studies and papers.

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

- The report on Investment Climate in the Arab Countries for 1998 was finalized and distributed to government agencies and institutions in charge of investment, institutional and individual investors, select readership, Arab and international organizations. Work on the 1999 report was initiated.

3.1.2 Capsule Series:

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

- "Foreign Direct Investment and Development", "Foreign Direct Investment and Investment related Trade Measures", "International Investment Agreements and the Most-Favored Nation Treatment", and "International Investment Agreements: Scope and Definition": these four capsule series were based on the International Investment Agreements Series (IIAs) published by UNCTAD as part of a comprehensive program to raise awareness on issues relevant to international investment agreements in terms of basic concepts, development dimension, and interrelated aspects.

- "Learning: the Treasure Within": which was based on a specialized study assigned by UNESCO to Delors Commission and published in 1996, focusing on the timely subject of learning, its future prospects, and the evolving insight into the role of education in the age of globalization and fast growing information technology.

- "Corruption: Economic and Social Implications and Means of Combating it": which was based on various articles and reports from specialized resources especially reports by Transparency International. This summary explains the issue of corruption, its causes, implications, and current national and international efforts to combat corruption.

3.1.3 The Monthly Bulletin "Daman Al-Istismar":

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

- The Bulletin tackled several issues in its editorial among which were: The Development of Bond Markets in the Arab Countries; a Review of Achievements of the Greater Arab Free Trade Area upon Completion of First year of Launching it; Opening Up of the Oil & Gas Sectors in the Arab Countries for Foreign Investments; The Investment Legislation Framework in the Arab Countries; the Evolving Role of Arab Women in Business; the Relationship between Institutional Capacity and Investment; the Eighth Arab Businessmen and Investors Conference as a Forum for Dialogue, and Investment Promotion.

- The Bulletin detected emerging issues relevant to investment on international, regional, and national levels such as: the Launching of New Islamic Financial Tools; Mergers and Acquisitions in the Banking Sector in the Arab Countries; The Developmental Role of the Medium and Small Enterprises; the Establishment of the Higher Economic Council in Saudi Arabia; Launching One-Stop-Shop at the Jordanian Investment Promotion Corporation; Utilizing Financial Leasing as an Islamic Tool; the Rise of Technical Partnerships in the Arab Countries. The Bulletin also referred to several other developments relevant to decision makers in the field of investment in the Arab Countries.

3.1.4 Specialized Studies and Papers:

- A study was prepared on "Tunisia's Experience in Attracting FDI", presented to the Eighth Arab Businessmen and Investors Conference held in Tunis during 23-25/11/1999.
- A study on "Impact of Exchange Rate Stability in Attracting FDI in Selected Arab Countries" was initiated. The study covers Egypt, Jordan, and Tunisia.
- A specialized meeting was held on 28/10/1999 in the Corporation's headquarter, attended by Arab experts in education and HRD, as well as Arab investors in the field of higher education and discussed the issue of "Private Investment Opportunities in Higher Education in the Arab Countries" with a view to preparing a study on the subject.

- Five papers were presented in the training course on "Analyzing FDI", held in Kuwait during 30/10-3/11-1999 and organized annually by the Arab Planning Institute, as follows:-

"Investment Guarantee: Facts and Practical Applications"
"Inter-Arab Investments"
"The Investment Climate in the Arab Countries"
"Review of the World Investment Report"
"Utilizing the Internet to Attract FDI"

- A paper on "The Inter-Arab Investment Guarantee Corporation and its Role in Enhancing Inter-Arab Investment and Trade", presented to the Seventh Conference on Mineral Resources and Mining, held in Cairo during 25-28/10/1999.

- A paper on " Media Handling of Investment Issues", presented in the training course on "Specialized Media" held in Kuwait during 2-6/10/1999 and organized by Kuwait News Agency (KUNA).

- A paper on "Trends on National Investment Policies in the Arab Countries" was presented at the regional symposium organized by the Corporation, UNCTAD, and the General Sretariat of the Arab League, and held in Cairo during 17 -18/5/1999.

- A paper on "Investment Climate in the Arab Countries" was presented to the Fifth Conference of Arab Financial Markets, held in Beirut during 12-14/5/1999 and organized by Al Iktisad wa-ALamal Mgazine.

3.1.5 Conferences and Seminars:

- The IAIGC, the General secretariat of the Arab league, and the General Union of Arab Chambers of Commerce, Industry and Agriculture co-organized the Eighth Bi-Annual Arab Businessmen and Investors Conference, held in Tunis during 23-25/11/1999 under the theme "Investment and the Greater Arab Free Trade Area". More than (700) participants attended, composed primarily of businessmen, investors, officials, regional institutions and unions, and Arab joint companies.

- The IAIGC, the General Secretariat of the Arab League, and UNCTAD, co-organized a regional symposium on "International Investment Agreements and their Implications on the Arab Countries" held in Cairo during 17-18/5/1999. More than (100) participants attended from (20) Arab Countries, along with selected international experts and institutions. The symposium consisted of four sessions in which (12) papers were presented on issues relevant to key concepts of the international investment agreements, national and regional initiatives, and international expertise.

3.2 Investment Promotion:

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

- The Corporation covered in its monthly bulletin Daman Al Istismar (50) investment opportunities.

- About (400) investment opportunities were presented at the Eighth Arab Businessmen and Investors Conference, held in Tunis during 23-24/11/1999.

- IAIGC continued to coordinate and encourage the Arab participation from their respective Investment Promotion Agencies in the annual training course at the Malaysian Industrial Development Agency (MIDA), which was held in Kuala Lumpur during 9-21/8/1999; a report on the Arab participation will be forwarded to the Corporation upon its request.

- IAIGC prepared an English Power Point Presentation on "Investment Climate in the Arab

Countries for 1998" and distributed it to joint Arab-foreign chambers of commerce (17 chambers) and selected foreign embassies in Kuwait (28 embassies).

- The Corporation continued to develop and update its Investment Database, which includes (12) fields covering: Arab businessmen and investors; national investment companies; bilateral investment companies; joint Arab companies; Arab Investment Promotion Agencies (IPAs); Arab experts in investment promotion; Arab financial markets; Arab chambers of commerce; joint Arab-foreign chambers of commerce; Arab banks; joint Arab-foreign banks; Free Trade Areas and Industrial Zones.

- IAIGC coordinated the feedback obtained from various Arab IPAs on the issue of focusing current state of knowledge on investment promotion techniques and the issue of establishing and maintaining national investment information networks, to be discussed in a joint meeting to be held second half of the year 2000.

- IAIGC cooperated with the Arab Investment Company in Riyadh/Saudi Arabia, and the Arab Mining Company in Amman/Jordan to organize a meeting for Arab Joint Companies to be held early in the year 2000 in Amman, for the purpose of exchanging expertise and identifying areas of possible cooperation.

3.3 Cooperation with Arab and International Organizations:

During 1999 the Corporation participated in (41) conferences and meetings, (7) of which were relevant to joint Arab action, (2) involved international parties, and (32) covered economic and investment issues of relevance to the Corporation core business. Of these meetings (21) were held in Kuwait, (6) in Egypt, (3) in each of Tunisia, and Saudi Arabia, (2) in each of Jordan and Lebanon, (1) in each of Emirates, Syria, Oman, and Morocco. The main objective for taking part in these meetings was to introduce the Corporation and the nature and scope of its business and to market its services, as well as to actively take part in events oriented with various productive and service sectors in the Arab countries, and strengthening relations and coordination with international and regional organizations.

3.4 Computerization:

Computer Programs

- The following programs were prepared and installed:

  * A program on commercial information.
  * A program on follow-up for inquires of information companies.
  * A program for policies and procedures for guarantee services.
  * A Program for Public Relations.

- Some modifications and additions were conducted for the Marketing and Accounting Programs.

- A plan was outlined to prepare electronic tables for follow up of investment portfolios of the Corporation.

- Necessary steps were taken to ensure (Y2K) compatibility.

Networks

- Contract was signed with the company selected to establish the Corporation website which included (10) menu items covering essential information on the Corporation, its mission, objectives, guarantee services, contact persons, publications and investment opportunities.

- Necessary steps were taken to protect the network from viruses encountered from various sources.

- A new network server was obtained.

- The intra-net was extended.

- The company providing the Internet services lifted the speed to 64 KB.

Desktop Publishing

- Efforts continued to improve utilization of the Mackintosh PC to contribute to in-house publishing.

3.5 The Library

The Corporation continued its efforts to expand and enrich the Library resources. New additions to the Library collection included the following:

- (216) Books, bringing the total number of books to (7888)- Arabic, English and French titles.

- (139) Annual reports of Arab and international organizations.

- Documents and papers of (20) conferences convened in Arab and foreign countries.

- (142) subscription in specialized periodicals

- Within a comprehensive plan to automate information retrieval, a separate databases on CDS/ISIS Library System for periodical articles indexing was established and completed. The 18th Index of Selected Arabic Periodical Titles, covering the year 1998 was listed on the Corporation intra-net and data for 1999 is being entered.

- A database for listing conferences documents was established and a total of (455) entries were recorded.

- The Corporation Publications Catalogue was updated to cover material till end of 1999, and was prepared for publication.

3.6 Training:

In its effort to enhance the efficiency of its employees, the Corporation enrolled (19) staff members in (26) training courses. Among those, some have participated in more than one program. The courses encompassed the following fields:

Professional Courses:

- Two staff members from the Operations Department attended a specialized course on "Insurance" organized by the British Council in Kuwait during 12/12/1998-15/10/1999.
- A staff member attended a course on "International Accounting Standards and Investment" held in Kuwait during 17-19/5/1999.
- A staff member attended a course on "Reporting and Financial Accounts for the Insurance Business and Follow up of Investments", held in Emirates during 11-13/5/1999.
- A staff member attended a course on "Analytical View on Cases of Custody and Settlement", held in Bahrain during 4-5/5/1999.
- Two staff members from the Operations Department attended a course on "New Trends in Marketing Techniques", held in Qatar during 20-24/3/1999.

Computer Courses:

- Advanced Courses: (4) staff members participated in (11) advanced courses.

- Basic Courses: (3) staff members participated in several basic computer courses (windows, Excel, etc).

English Language Courses:

- (9) Staff members participated in (5) English Language courses held by the British Council, Kuwait.

3.7 Information Activities:

Based on the Media Program adopted for the year 1999/2000, (22) Press Releases were issued during the year and transmitted to local, and national Arab media, as well as to Arab media abroad, covering meetings of the Corporation's Governing Council and the Supervisory Committee, the Eighth Arab Businessmen and Investors Conference, and excerpts from the Corporation's various publications: The Report on Investment Climate, Capsule Series, Monthly Bulletin and other special publications.

Chapter Four

Financial Report

The paid up capital of KD 24,689,871 (US$ 81,035,417) as of December 31,1999 has not changed as compared with December 31, 1998, due to the full payment of called up capital by all participating states.

The revenue of 1999 amounted to KD 5,297,394 (US$ 17,386,747) as compared with KD 4,204,899 (US$ 13,801,034) representing an increase of KD 1,092,495 (US$ 3,585,713) 25.98%. Said increase is mainly the result of the improvement and increase in value of the international money markets during the last semester in 1999, as well as the increase in foreign exchange rates of US Dollar against Kuwait Dinar. Accordingly a gain of KD 154,643 (US$ 507,559) is included in the revenue of 1999 in comparison with a loss of KD 240,182 (US$ 788,309) in the year 1998. Revenue of 1999 is represented by KD 4,713,311 (US$ 15,469,709) being gain from the investments of the Corporation's financial resources, and KD 584,083 (US$ 1,917,038) being the net insurance premium.

The total expenditure for 1999 is amounted to KD 1,869,901 (US$ 6,137,262) as compared with KD 1,814,534 (US$ 5,955,540) for 1998, with an increase of KD 55,367 (US$ 181,722) representing 3.05%, this is due to the increase particularly in staff salaries in compliance with resolution No.6 year 1999 of the Corporation's Council.
The balance sheet as of December 31,1999 showed that the total financial resources amounted to KD 67,812,496 (US$ 222,569,568) consisting of KD 37,438,116 (US$ 122,876,841) financial resources and KD 30,374,380 (US$ 99,692,727) commercial papers and recoverable claims.

The net revenue of 1999 is amounted to KD 3,427,493 (US$ 11,249,485) against KD 2,390,365 (US$ 7,845,494) in 1998, with an increase of KD 1,037,128 (US$ 3,403,991) representing 43.39 %.

Auditor’s Report

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

I have audited the accompanying balance sheet of The Inter-Arab Investment Guarantee Corporation - An Arab Corporation with a special Independent Legal Status as of December 31, 1999 and the related statements of revenues and expenses, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on the audit. The financial statements as of December 31, 1998 were audited by another auditor whose report dated February 10, 1999, expressed a qualified opinion in respect of recoverable claims, promissory notes receivable and related delay interest.

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

According to International Accounting Standards, contingent assets and gains are recognized when their collectability is certain. As indicated in Note 8, the Corporation has accounted for a delay interest income on over due recoverable claims and promissory notes receivable from member countries. This resulted in overstatement of assets as of December 31, 1999 and overstatement of net income for the year then ended of KD 12,081,886 and KD 1,500,000 respectively.

Promissory notes receivable and recoverable claims amounted to KD 3,927,174 and KD 26,447,206 respectively as of December 31, 1999 are due from certain member countries in the Corporation. Due to economic and political conditions of these countries, it is not possible at this stage to determine the collectability of these amounts. Accordingly, no provision has been made in the financial statements for the losses that might result in case of unrecoverability.

In my opinion, except for the effect of the matter mentioned in the above third paragraph on the financial statements, and subject to any adjustments that might be necessary had the collectability of the amounts mentioned in the above fourth paragraph been known, the financial statements referred to above present fairly, in all material respects, the financial position of The Inter-Arab Investment Guarantee Corporation - An Arab Corporation with a special Independent Legal Status as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with International Accounting Standards.

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

State of Kuwait
February 8, 2000

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

Balance Sheet December 31, 1999

		December 31,	
		1999	1998
ASSETS	**Note**	**KD**	**(Restated) KD**
Cash and cash equivalents	3	2,210,325	2,283,068
Investment in bonds		1,758,881	2,153,212
Investment in portfolios and funds		32,158,711	31,039,153
Other deposits	4	410,969	64,961
Claim from a member country	5	518,378	333,820
Promissory notes receivable	6	3,927,174	3,896,884
Investment in Arab Trade Finance Program	7	380,850	377,913
Recoverable claims	8	26,447,206	26,033,739
Accrued interest		12,136,067	10,650,437
Reinsurance claims receivable	9	4,878,285	4,878,285
Account receivable and other debit accounts		311,395	94,840
Share of joint building	10	1,248,270	1,284,984
Total assets		**86,386,511**	**83,091,296**

The accompanying notes are an integral part of the financial statements

		December 31,	
LIABILITIES AND SHAREHOLDERS' EQUITY		**1999**	**1998**
Liabilities:	**Note**	**KD**	**(Restated) KD**
Accounts payable and other credit balances	11	1,827,787	1,960,065
Reinsurance claims payable	9	7,676,285	7,676,285
Total liabilities		**9,504,072**	**9,636,350**
Shareholders' equity:			
Paid-up capital	12	24,689,871	24,689,871
General reserve	13	52,192,568	48,765,075
Total shareholders' equity		**76,882,439**	**73,454,946**
Total liabilities and shareholders' equity		**86,386,511**	**83,091,296**

Statement of Revenues and Expenses

For the year ended December 31, 1999

	Note	1999 KD	1998 (Restated) KD
Revenues:			
Net guarantee premiums		584,083	291,427
Interest on promissory notes and recoverable claims	8	1,509,552	1,496,531
Interest on call accounts		18,334	20,746
Interest on time deposits		51,167	128,421
Interest on bonds		155,154	190,865
Investment income	14	2,552,612	2,476,478
Foreign currency exchange gain (loss)	15	154,643	(240,182)
Interest on other deposits	5	186,580	–
Other		85,269	(159,387)
Total revenues		**5,297,394**	**4,204,899**
Expenses:	16		
First Section - Salaries, wages and bonuses		1,138,536	1,034,996
Second Section - General and administrative			
expenses		576,239	658,194
Third Section - Capital expenses		69,870	73,259
Fourth Section - Provision for contingencies and			
arbitration fees		85,256	48,085
Total expenses		**1,869,901**	**1,814,534**
Net income for the year		**3,427,493**	**2,390,365**

The accompanying notes are an integral part of the financial statements

Statement of Changes in Shareholders' Equity (Restated)

For the year ended December 31, 1999

	Paid-up capital KD	General reserve KD	Net retained earnings KD	Total KD
Balance at January 1, 1998				
as previously stated	24,480,137	46,550,456	–	71,030,593
Prior years adjustment (Note 17)	–	(175,746)	–	(175,746)
Restated balance at January 1, 1998	24,480,137	46,374,710	–	70,854,847
Capital contributions received	209,734	–	–	209,734
Net income for the year	–	–	2,390,365	2,390,365
Transfer to general reserve	–	2,390,365	(2,390,365)	–
Balance at December 31, 1998	24,689,871	48,765,075	–	73,454,946
Net income for the year	–	–	3,427,493	3,427,493
Transfer to general reserve	–	3,427,493	(3,427,493)	–
Balance at December 31, 1999	24,689,871	52,192,568	–	76,882,439

The accompanying notes are an integral part of the financial statements

Statement of Cash Flows

For the year ended December 31, 1999

	1999	1998
	KD	**KD**
Cash flows from operating activities:		
Net income for the year	3,427,493	2,390,365
Adjustments for:		
Depreciation	69,870	73,259
Investment income	(2,552,612)	(2,476,478)
Interest income	(1,734,207)	(1,836,563)
Interest expense on a finance lease agreement	99,838	100,513
Other adjustments	(33,227)	35,630
Operating loss before changes in operating assets and liabilities	(722,845)	(1,713,274)
(Increase) decrease in recoverable claims	(413,467)	209,229
Increase in accounts receivable and other debit accounts	(249,711)	(35,097)
Decrease in accounts payable and other credit accounts	(121,961)	(10,065)
Cash used in operations	(1,507,984)	(1,549,207)
Interest received	248,577	363,915
Dividends received	20,919	21,024
Net cash used in operating activities	(1,238,488)	(1,164,268)
Cash flows from investing activities:		
Net proceeds from sale of bonds	397,220	151,875
Net proceeds from sale (purchase) of investment in		
portfolios and funds	1,409,246	(647,839)
Increase in other deposits	(530,566)	–
Net cash generated from (used in) investing activities	1,275,900	(495,964)
Cash flows from financing activities:		
Payment of principal of finance lease agreement	(10,317)	(9,642)
Capital contributions received	–	209,734
Interest paid on finance lease agreement	(99,838)	(100,513)
Net cash (used in) generated from financing activities	(110,155)	99,579
Net decrease in cash and cash equivalents	(72,743)	(1,560,653)
Cash and cash equivalents at beginning of the year	2,283,068	3,843,721
Cash and cash equivalents at end of the year	**2,210,325**	**2,283,068**

The accompanying notes are an integral part of the financial statements

Notes To Financial Statements

December 31, 1999

1. Activities of the Corporation

The Corporation is an Arab corporation with a special independent legal status and is located in the State of Kuwait. Its main objectives are to provide guarantee for Inter-Arab investments against non-commercial risks and trade financing between member countries for both commercial and non-commercial risks as defined in its convention. The Corporation also promotes investments and trade between its member countries.

The Corporation's current investment guarantee 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 and these contracts are not re-insured, while export credit guarantee contracts are primarily a cover for importers' failure to settle goods value. Reinsurance agreements provide a maximum cover of US$500,000 per importer for commercial risks on export credit guarantees insured by the Corporation.

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

At December 31, 1999, the Corporation had 58 employees (1998 - 55 employees).

2. Significant accounting policies

The financial statements are prepared in accordance with International Accounting Standards. The significant accounting policies are summarized as follows:

a) Accounting convention
The financial statements are prepared under the historical cost convention adjusted by revaluing certain investments.

b) Cash equivalents
Cash equivalents comprise bank deposits with a maturity date not exceeding three months from the date of deposit.

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

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

e) Investment in Arab trade finance program

This investment is held by the Corporation for long-term purposes and is stated at cost less provision for any permanent decline in value.

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

g) Depreciation
Fixed assets cost is depreciated over its useful lives by 2.5% to 100% per annum. Estimated cash flows are not discounted to its present value when determining fixed assets recoverable value.

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

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

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

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

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

3. Cash and cash equivalents

	1999 **KD**	**1998** **KD**
Current and call accounts with banks	1,741,209	404,543
Time deposits	469,116	1,878,525
Total	2,210,325	2,283,068

4. Other deposits

Other deposits include two deposits placed in banks in two member countries amounted to KD 66,983 (1998 - KD 64,961) which were deposited by the member countries in favor of the Corporation against settlement of their share of capital in accordance with the Corporation Council resolutions and the agreements between the Corporation and each member country. The utilization of these deposits by the Corporation continues to be limited.

5. Claim from a member country

Claim from a member country represents the difference of translating one of the above mentioned deposits in Note 4 to Kuwaiti Dinars according to prevailing exchange rates, and a fixed exchange rate stated in the agreement with the member country, in addition to the difference between income agreed upon and actual income from the deposit.

The Corporation had recorded that claim and recognized the amount of KD 186,580 during 1999 as interest income assuming that claim will be accepted and paid, based on an agreement made with the member country.

6. Promissory notes receivable

	1999	**1998**
	U.S.$	**U.S.$**
Five promissory notes of U.S.$ 6,444,752 each	32,223,760	32,223,760
Three installments collected within the period		
From 1988 to 1990	(19,334,256)	(19,334,256)
	12,889,504	12,889,504
Equivalent balance in KD at the rate of exchange		
prevailing at year-end	3,927,174	3,896,884

An agreement signed between the Corporation and a representative of a member country dated December 20, 1989 states that the remaining amount of the promissory notes along with any other due amounts should be settled in equal quarterly installments of U.S.$ five million each starting from July 1, 1990; however, no amounts of the promissory notes or installments due have been settled. The Ministry of Finance of the member country advised that these debts will be paid as soon as the reasons preventing payments are no longer valid.

7. Investment in Arab trade finance program

This program was established within the framework of the Arab Monetary Fund, to stimulate inter-Arab trade. The Corporation's share represent 0.25% of program shares.

8. Recoverable claims

	1999 U.S. $	1998 U.S. $
Balance at beginning of the year	86,110,342	86,084,852
Paid during the year - net	1,470,550	25,490
Claims recovered during the year	(777,668)	–
Balance at end of the year	86,803,224	86,110,342
Equivalent balance in KD at the rates of		
exchange prevailing at the year-end	26,447,206	26,033,739

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

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

	1999 U.S.$	1998 U.S.$
Balance at beginning of the year	35,001,115	29,869,763
Interest charged during the year	4,653,230	5,131,352
Balance at end of the year	39,654,345	35,001,115
Equivalent to KD	12,081,886	10,581,887

9. Reinsurance claims

Reinsurance claims receivable represent total amounts claimed by the Corporation from re-insurance companies being their share of the compensation paid by the Corporation up to December 31, 1999. On the other hand, reinsurance claims payable represent obligations of the Corporation that will become due to the reinsurance companies at the time of settlement of claims by the member countries for the amounts previously paid by the Corporation. When any amounts are received from such claims, the Corporation will pay the net amount due to re-insurance companies after taking into consideration the amounts due from such companies that are included in reinsurance claims receivable.

10. Share of the joint building of the Arab organizations

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

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

11. Accounts payable and other credit balances

	1999 KD	1998 KD
Due to Arab Fund for Economic and Social Development	1,415,933	1,426,250
Due to reinsurance companies	74,348	73,659
Provision for staff leave	50,000	87,756
Provision for encyclopedia	15,000	57,486
Emergency provision	150,000	150,000
Others	122,506	164,914
Total	**1,827,787**	**1,960,065**

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

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

Period	**KD**
2000	110,155
From 2001 to 2010	1,101,550
From 2011 to 2033	2,533,565
Total minimum payments	3,745,270
Imputed interest	(2,329,337)
Present value of minimum payments	1,415,933

12. Paid-up capital

The capital of the Corporation is variable and is based on an initial amount of ten million Kuwaiti Dinars according to the official exchange rates prevailing at the time of signing the convention and is divided into ten thousand nominal shares of Kuwaiti Dinars one thousand each. The Council of the Corporation issued resolution No. 2/1975 with recommendation to 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. During 1998 the share of one member country was reduced by the unpaid amount of its called up capital based on resolution No. 2/1998 of the Corporation's Council. Such reduction amounted to KD 170,364 after that member country payment of KD 133,234. Additionally such member country increased its subscription in the capital, after the above mentioned Corporation's Council resolution, by an amount of U.S.$ 250,000 equivalent to KD 76,500. The capital of the Corporation is as follows:

	1999 KD	1998 KD
Capital issued	25,189,871	25,189,871
Uncalled capital	(500,000)	(500,000)
Paid up capital	24,689,871	24,689,871

Issued and paid-up capital are distributed on member countries as follows:

	Issued capital KD	**Paid-up capital KD**
The Hashemite Kingdom of Jordan	525,000	525,000
United Arab Emirates	1,500,000	1,500,000
State of Bahrain	500,000	500,000
The Republic of Tunisia	1,250,000	1,250,000
People's Democratic Republic of Algeria	1,250,000	1,250,000
Republic of Djibouti	200,000	200,000
Kingdom of Saudi Arabia	3,750,000	3,750,000
Republic of Sudan	1,156,136	1,156,136
Syrian Arab Republic	500,000	500,000
Somali Democratic Republic	58,735	58,735
Republic of Iraq	500,000	500,000
Sultanate of Oman	750,000	750,000
State of Palestine	500,000	–
State of Qatar	2,000,000	2,000,000
State of Kuwait	3,000,000	3,000,000
Republic f Lebanon	500,000	500,000
The Socialist Peoples' Libyan Arab Jamahiriyah	2,500,000	2,500,000
Arab Republic of Egypt	1,250,000	1,250,000
Kingdom of Morocco	2,000,000	2,000,000
The Islamic Republic of Mauritania	500,000	500,000
The Republic of Yemen	1,000,000	1,000,000
Total	**25,189,871**	**24,689,871**

13. General Reserve

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

14. Investment income

	1999	**1998**
	KD	**KD**
Income from revaluation of portfolios and investment funds	2,528,804	2,438,168
Dividends on Arab Trade Finance Program	20,919	21,024
Income from bonds redemption and trading	2,889	17,286
Total	**2,552,612**	**2,476,478**

15. Foreign currency exchange gain (loss)

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

	1999	**1998**
	KD	**KD**
Deutsche Mark	(80,640)	50,302
U.S.Dollar	281,727	(297,916)
European Currency Unit	(27,654)	4,734
Japanese Yen	7,375	22,380
G.Britian Pound	(14,859)	(14,154)
Other Currencies	(11,306)	(5,528)
Total	**154,643**	**(240,182)**

16. Expenses

General and administrative expenses include interest on financial lease relating to joint building of Arab Organizations in the amount of KD 99,838 (1998 - KD 100,513). Capital expenses represent fixed assets depreciation charge.

17. Prior year adjustment

Prior year adjustment represents the reversal of delay interest recorded by the Corporation on certain

Arab countries in connection with their capital settlement. Since the called-up capital due from these countries was reduced, there was no need of recording delay interest of KD 175,746 in the previous years.

18. Provision for unexpired risks

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

19. Contingent and unrecorded liabilities

a) The total current guarantee contracts signed by the Corporation with other parties as of December 31, 1999 amounted to KD 70,198,622 out of which executed guarantee operations amounted to KD 26,486,817. Approximately KD 2,376,760 of this amount is re-insured against commercial risks, which represents the Corporation's total outstanding contingent guarantees as of December 31, 1999.

b) During 1997, the Corporation paid a claim of U.S.$ 10,042,165 to a bank (equivalent to KD 3,059,647 at the rate of exchange prevailing at December 31, 1999) including interest up to December 31, 1994 in connection with an arbitration award. In addition to this payment the Corporation was also required to issue a letter of guarantee to the bank in the amount of French francs 6,084,575 (equivalent to KD 284,576 and KD 327,119 at the rate prevailing at December 31, 1999 and 1998 respectively). As a result, the Corporation's assets, which were restricted in certain banks, were released. The Corporation charged the related member country with such claim according to its policy of not recording the obligation until payment

The bank has appealed before the court claiming for a delay interest on the above-mentioned claim. The delay interest amounted to U.S.$ 1,459,495 (equivalent to KD 444,679 at the rate prevailing as of December 31, 1999). The claim is still pending before the court.

c) There is a claim from an Arab exporter and one of the Arab banks for an amount of U.S.$ 1,040,000 (equivalent to KD 316,867 at the rate of exchange prevailing at December 31, 1999). The award was issued in favor of the claimants for such amount plus interest of 21% from the date the amount became due until payment is made. As a result of the award, the Corporation's rights to claim against the insurance companies in one of the member countries were restricted. Such rights amounted to KD 1,167,195 as of December 31, 1999 and are included in claim reinsurance receivables balance. The Corporation has challenged the validity of the arbitration proceedings and the matter is still pending before the court.

d) Another claim has been raised by an Arab company in the amount of KD 982,175 plus interest from May 26, 1996 until date of payment. During 1998 the award was issued in favor of the claimant for such amount plus interest of 7% from the date the amount became due until payment is made. It is the policy of the Corporation not to record such obligation until payment is made and the related member country is charged with such amount.

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

20. Saving and social security fund (unaudited)

In accordance with Article 21 of the employees internal policy approved by the Corporation's resolution No. 6 of 1998 and the general manager resolution dated January 1, 1984, the saving and social security fund was established for the purpose of increasing employee benefits. The fund resources are as follows:

a) Approved amounts in the Corporation's budget for end of service indemnity. These amounts are paid to the fund after approving the budget.
b) Employees saving determined by each employee with a minimum of 3% of his salary. These amounts are paid to the fund through monthly deductions from the employees' salaries.
c) Fund investment income.

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

	1999	**1998**
Assets	**KD**	**KD**
Cash and cash equivalents	363,370	–
Investments	839,930	879,044
Employees loans	462,430	466,451
Other assets	27,470	–
Total assets	1,693,200	1,345,495
Liabilities		
Provision for end of service indemnity	972,363	823,531
Employees salaries deductions	264,000	202,885
Employees bonus	40,000	–
Net position of forward deals	541,294	–
Total liabilities	1,817,657	1,026,416
Net (deficit) surplus	(124,457)	319,079

Income from revaluation of investments	53,826	319,079
Other income	106,300	–
	160,126	319,079
Foreign currency and forward deals differences	(540,706)	–
(Deficit) surplus for the year	(380,580)	319,079

The Corporation's management is aware of the net deficit amounted to KD 124,457 as of December 31, 1999 resulting from the unrealized loss of forward deals amounted to KD 540,706. The management is in process of closing this position when the market conditions improve. The unrealized loss of forward deals amounted to KD 372,418 as of January 31, 2000 and accordingly, loss decreased by KD 168,288. The management does not expect any loss for the forward deal position until maturity at July 20, 2000 and accordingly no liability will arise on the Corporation towards the saving and social security fund.

21. Financial instruments

In the ordinary course of business, the Corporation is exposed to certain primary financial instruments such as cash, deposits, investments, receivables and payables.

Estimation of fair values

- Cash and deposits at banks, receivables and payables:

  The carrying amounts are a reasonable estimate of the fair values because of the short maturity of such instruments, except for non-current reinsurance balances as it is non-interest bearing and its due date is not determined.

- Investments:

  The fair values of investments are based on market quotations and on management's estimates using acceptable valuation bases.

Interest rate fluctuation and credit risks

Financial instruments are subject to the risk of changes in values due to changes in the rate of interest, and to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation on the due date.

Management minimizes such exposures by way of dealing with governments and creditworthy institutions and non-concentration of the Corporation's investments.

22. Comparative figures

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