

THE INTER-ARAB INVESTMENT GUARANTEE CORPORATION (IAIGC)

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The Inter-Arab Investment Guarantee Corporation is a regional organization similar to the World Bank's MIGA, comprising all Arab states. It was established in 1974 and its headquarters is located in Kuwait. Paid-up capital is over US\$80 million. It was felt that one of the bottlenecks in the flow of private capital between rich and poor Arab countries was the lack of insurance coverage against non-commercial risks. The purpose of the scheme was to create a joint arrangement in which Arab countries, both capital-exporting and capital-importing nations could participate on an equal basis. IAIGC seeks to promote Arab investments in Arab countries, thus fostering Arab economic development and integration.

IAIGC provides essentially export credit guarantees against both political and commercial risks, investment guarantees (political risk only), and insurance coverage for Arab investments as well as for inter-Arab trade transactions. It also undertakes investment/project promotion activities among Arab countries.

The guarantee operations offer coverage for three-types of non-commercial risks:

- political risks such as nationalisation, confiscation or "creeping" expropriation;
- non-transferability of principal and dividends;
- losses due to military operations, war, or civil strife.

The most important sectors covered by the IAIGC are real estate, agro-industries, transportation, mining and some light industries. The Corporation has worked at promoting trade between member states, provided that this involves goods produced, processed or manufactured in one of the member countries. It complements the activities of the Arab Trade Financing Program (ATFP) which provides export financing.

To be eligible, investors must be a national of an Arab member country, or a firm substantially owned by Arab nationals and whose office is located in one of the member countries. Coverage is not provided in the investor's country and only new projects exceeding three years are considered. Eligibility criteria include very extensive interpretation of the