

KUWAIT FUND
FOR
ARAB ECONOMIC DEVELOPMENT



SEVENTH ANNUAL REPORT

1968 - 1969



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I. THE YEAR'S ACTIVITIES

The Fund ended its seventh year of operations on March 31, 1969. Its activities during the year continued to be affected by the conditions which followed the June 1967 war. Due to Kuwait's continued financial support to a number of Arab countries, no new addition to the Fund's paid-in capital was made during the year. Furthermore, the post-war situation is still affecting progress on two of the Fund's projects : the Yarmouk project in Jordan and the Suez Canal expansion project in the United Arab Republic.

Nevertheless, the Fund has continued to expand the scope of its operations within the limitations of the current situation. The total number of loans committed increased to 18, with a total value of KD. 68.81 million, as a result of two new loans : a KD. 1.00 million loan to the Lebanese Republic to finance the construction of a grain silo in the port of Beirut, and a KD. 0.19 million loan to the Republic of Yemen to cover a portion of the cost of a pre-investment survey project in Wadi Zabid in the Tihama region.

During the year the inflow of funds amounted to KD. 6.77 million of which KD. 3.02 million was income from portfolio investment, KD. 1.51 million interest on loans and KD. 2.24 million loan repayments.

Disbursements on loans during the year amounted to KD. 7.94 million, bringing total disbursements to date to about KD. 45.00 million or 65.4% of total loan commitments.

Current expenses amounted to KD. 248,900 or approximately 5.5% of the year's gross income.

Total assets increased from 79.65 million at the end of 1967/68 to KD. 83.85 million at the end of this year. Accumulated reserves increased by KD. 4.18 million bringing the total to KD. 15.79 million or 23.2% of paid-in capital and 7.9% of declared capital.

During the year, Fund missions visited Jordan, Lebanon, Sudan and the United Arab Republic to follow up on progress of projects under construction. Missions also visited the Syrian Arab Republic to collect information on some of the country's development projects and to assess a proposed project for the construction of grain silos and related facilities.

The Fund participated during the year in two meetings sponsored by the United Nations : the Panel on Foreign Investment in Developing Countries which was held in Amsterdam in February 1969, and the Round Table on Export Credits which met in March 1969 at United Nations Headquarters in New York.

Early in the year, the Fund completed its studies on the establishment of a regional organization for the guarantee of inter-Arab investments and prepared a draft convention which is currently under consideration by Arab Governments.

Studies related to the economic development of the Arab countries continued to receive considerable attention by the Fund. In addition to the regular surveys of Arab economies, a study on the economic and social determinants of growth in the Arab world is now under preparation.

II. NEW LOANS

Lebanon

Port of Beirut Grain Silo Project

Amount	:	KD. 1.00 million
Interest	:	3.5% p. a. (1)
Period	:	7.8.1968 — 15.1.1980.

The expansion of the Port of Beirut facilities is one of the principal projects in the development programme of Lebanon and is given special priority by the Lebanese Government. The Fund has agreed to participate in this project by financing one of its main parts, namely the construction of a grain silo which would help the country in handling its increasing grain imports.

(1) *Excluding 0.5% service charges.*

This project includes the construction of 96 storage units and the equipment related to the reception, delivery, cleaning, bagging and protection of grain. The total nominal storage capacity of the silos will be 105,000 tons. The quantity of grain which the silo could handle annually is estimated at about 700,000 tons.

Total cost of the project is estimated to be L.L. 19.73 million or about KD. 2.22 million. The Fund's loan which covers foreign exchange requirements — excluding interest during construction — amounts to KD. 1.00 million and represents about 45.0% of the total cost of the project.

The benefits of the project will be realized mainly in the form of savings resulting from importing grain in larger shipments in bulk carriers, and from faster unloading operations. In addition, the project will reduce the cost of loading, unloading and transportation, and will provide further storage capacity. Other benefits of the project include in particular alleviating pressure on the Port's docks, preserving the quality of grains in store, and helping the authorities to improve the management of the country's grain imports.

The execution of this project will be supervised by the C.E.G.P. (Conseil Executif des Grands Projets), a public corporation to which the proceeds of the loan will be made available in accordance with the Loan Agreement. The management of the silo, after its completion in 1970, will be entrusted to a firm under the supervision of the O.C.B.S. (Office des Cereales et de la Betterave Sucriere), a department in the Lebanese Ministry of Economy.

Yemen

Wadi Zabid Survey Project

Amount	:	KD. 0.19 million
Interest	:	Free (1)
Period	:	6. 6. 1968 — 30. 6. 2015

The Fund is financing jointly with the United Nations Development Programme a pre-investment survey of the irrigation potential of Wadi Zabid in the region of Tihama. The Food and Agriculture Organization is acting as the executing agency for the project.

(1) 0.5% service charges only.

Technical, economic and financial studies covering the project area of about 20,000 hectares are being undertaken. These studies include aerial and topographical survey of the region, the investigation of the surface and ground water resources, and soil studies to ascertain suitable crops and determine water requirements. The project also involves the preparation of designs for flood control works, the establishment of a pilot land and water development scheme as well as related agro-economic research.

The cost of the project is estimated at KD. 0.49 million of which KD. 0.30 million is covered by a grant from the United Nations Development Programme, while the balance representing the Yemen Government counterpart contribution is covered by the Kuwait Fund loan.

As a pre-investment survey, the project represents the first step in developing the agricultural resources of Wadi Zabid in particular and the Tihama region in general. It is expected to be followed in due course by the execution of investment projects aimed at exploiting the potentialities revealed by the present survey.

The execution of the project is proceeding on the basis of a Plan of Operation under which work in the field, which began in April 1969, is expected to be completed in about two years.

III. SOME DEVELOPMENTS IN CURRENT PROJECTS

Jordan

Yarmouk Project (1)

The Fund agreed to finance, as part of Loan No. 2, a feasibility study and site investigation works for a proposed dam on the Zerqa River, which forms part of the Jordan Valley Development Scheme. The dam is expected to have a storage capacity of about 40 million

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- (1) *This project includes irrigation, land development and electricity generation based on the waters of the Yarmouk river. It is part of the Arab plan for the utilization of the waters of River Jordan and its tributaries. The Fund had made a loan of KD. 4.00 million towards the financing of this project in 1962.*

cubic metres which will be adequate for the irrigation of between 30,000 and 45,000 dunums, depending on the findings of the studies. These studies are expected to be completed during the first half of 1971. The Fund's participation in the implementation of this project will be assessed in the light of the findings on the feasibility of the dam and its financing requirements.

Phosphate Project (1)

The Jordan Phosphate Mines Company is presently considering an expansion scheme designed to raise the annual production capacity at the company's mines from 2 to 3 million tons, and involving the construction of further beneficiation facilities in order to improve the properties of the ore.

Following a request from the Borrower, the Fund reviewed and appraised this scheme. Certain aspects of the scheme are being clarified, and discussions with the Borrower are expected to be finalized in the coming fiscal year.

United Arab Republic

Suez Canal Expansion Project (2)

As a result of the 1967 war and the closure of the Canal, balances in this loan amounting to KD. 1.00 million had remained uncommitted by the Borrower. The Fund approved the allocation of these balances to cover the foreign exchange cost of the construction of two new dredgers which will be added to the Suez Canal Authority's dredging fleet.

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- (1) *This project received a loan of KD. 3.00 million from the Fund in 1962 for the production of phosphate from new mines in the El Hasa region, south of Amman.*
 - (2) *The Fund made a loan of KD. 9.80 million to the Suez Canal authority in 1964 to finance this project which includes the widening and deepening of the Canal and improving its installations.*

Maritime Project (1)

The Loan Agreement stipulated that construction of the dry cargo ships will be undertaken by the Suez Canal Authority in their shipyards. Construction work on part of the project is under way in the Alexandria Shipyard whose operation and management was transferred in September 1968 from the Suez Canal Authority to the Organization for Engineering Industries (Ministry of Industry). Under a subsequent arrangement between the two organizations, however, the Suez Canal Authority will continue to assume full supervision over the Fund-financed project.

Sudan

Agricultural Development of 260,000 Feddans (2)

At the request of the Sudan Government, the Fund reviewed progress of work on the project in order to ascertain the need for re-allocation in the List of Goods in the light of revised requirements firmed up during construction. The review, which was completed in April 1969, indicated the desirability of introducing certain adjustments which were subsequently worked out with the Borrower. The major item affected relates to cotton ginning facilities. A reassessment of ginning requirements in the Gezira and Guneid areas and their extensions indicated that a shortage of ginning capacity is expected to occur during the coming two cotton seasons.

Originally, a major part of ginning requirements for the Gezira and Guneid extensions, developed under the Fund-financed project, was to be provided by existing facilities in the Gezira. Owing to the expected shortage, however, it was agreed to raise the allocation for ginning facilities under the Loan to cover fully the requirements of the project.

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- (1) *The project consists of building 8 new ships of 4000 and 6500 tdw in the United Arab Republic Shipyards for the merchant fleet. The Fund extended a loan of KD. 3.50 million in 1968 for the project.*
 - (2) *The Fund made a loan of KD. 5.07 million in 1967 for this project which aims at developing three agricultural areas in Gezira, Guneid and Khashm El Girba.*

Tunisia

La Goulette Power Project (1)

Certain works relating to the first stage of this project (Loan No. 5) were completed at a lower cost than originally estimated. Consequently, an amount equal to KD. 197,021 was cancelled from the Loan, thus reducing the principal from KD. 4,000,000 to KD. 3,802,979.

Amendments were introduced in the List of Goods of the Fund loan extended to cover the second stage of the plant as well as necessary transformer and transmission facilities to close the national grid. These amendments covered additional facilities in transformer stations to meet increased power demand in certain areas which had been under review during construction. It is to be noted that the second stage of the power plant was commissioned in March 1969, and it is expected that the other facilities covered by the loan will be completed by the end of 1969.

IV. PROJECTS UNDER CONSIDERATION

Syria

Grain Silos and Related Facilities

This project consists of three parts : 11 grain silos with a storage capacity of about 300,000 tons, 3 seed processing plants with an annual capacity of 10,000 tons each and one animal feed mill with an annual production capacity of 30,000 tons. The total cost of the three parts is estimated at about KD. 10.42 million.

The main function of the silos is to provide adequate storage facilities which would realize significant savings in grain handling, storage and transport, and improve marketing operations. The seed processing plants will treat seed grain in various ways in order to im-

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- (1) *This project received in 1963 a loan of KD. 4.00 million from the Fund to finance the first stage of a power plant in La Goulette, near Tunis. In 1967 the Fund extended another loan (KD. 4.60 million) to finance the second stage of the plant together with transformer and transmission facilities.*

prove its quality and yield. The animal feed mill will produce animal feed locally at reasonable cost to meet part of Syria's large demand for this product and to spread proper animal feeding practices among farmers.

Fund missions visited Syria during the year to appraise the project ; a report was submitted for Board approval.

V. FINANCIAL POSITION

Disbursements on loans during the year amounted to KD. 7.94 million. They totalled KD. 45.00 million on March 31, 1969 compared to KD. 37.06 million at the end of the previous fiscal year, and KD. 30.74 million at the end of March 1967. This represents an annual increase of over 20% in the last two fiscal years. Total disbursements represented 65.4% of total loan commitments by year-end compared to 54.8 % at the end of the preceding year.

Loan repayments during the year increased by KD. 2.23 million, to a total of KD. 4.08 million which represents 9.1% of withdrawals. By the end of the previous year repayments which totalled KD. 1.85 million were 5.0% of the total amounts withdrawn.

Gross income increased by KD. 0.16 million rising from KD. 4.37 million to KD. 4.53 million. Interest on loans increased from KD. 1.28 million to KD. 1.51 million while income from investments decreased from KD. 3.08 million to KD. 3.02 million. The contribution of these two sources to gross income in 1968/69 was 33.1% and 66.9% respectively. The comparable figures for the preceding year were 29.2% and 70.8%. Current operating expenses (including depreciation) for the year remained at last year's level of about KD. 248,900. They represented 5.5% of the year's gross income. Net income for the year amounted to KD. 4.18 million or KD. 80,000 higher than net income for the preceding year.

The Fund's total resources at year-end were KD. 83.85 million. Paid-in capital accounted for 81.1% of the total and the balance of 18.9% represented reserves (including 5.4% increment from this year's net income). Last year's total assets amounted to KD. 79.65 million of which 85.3% was paid-in capital and 14.7% reserves.

Total assets at the end of March 1969 included cash and investments in the amount of KD. 41.07 million (48.9%), net loan balances KD. 40.91 million (48.7%), and interest accruals on loans and investments KD. 1.84 million (2.4%). The corresponding ratios for the previous year were 53.4%, 44.2% and 2.4% respectively.

The balance of sundry debtors and prepaid expenses increased during the year to approximately KD. 10,000 as a result of payments made in connection with the construction of the new Fund offices.

TABLE (1)
Distribution of Loans
31/3/1969

(Million KD)

Country	Sector				Total	%
	Agriculture	Transport	Power	Industry		
Algeria		7.50				
		2.50			10.00	(14.5)
Jordan	4.00		0.24	3.00	7.50(1)	(10.5)
Lebanon		1.00	2.40		3.40	(4.9)
Morocco	7.35					
	2.70				10.05	(14.6)
Sudan	5.07	7.00		1.70	13.77	(20.0)
Tunisia	2.00		4.00(2)			
			4.60		10.60	(15.4)
U.A.R.		9.80				
		3.50			13.30	(19.3)
Yemen	0.19				0.19	
Total	21.31	31.30	11.24	4.70	68.81(1)	
%	(31.0)	(45.5)	(16.3)	(6.8)		(100.0)

(1) This total includes two loans totalling KD. 260,000 for the finance of two small projects in Jordan's tourism sector.

(2) Of this loan, KD. 140,000 was cancelled on 31/3/1968 and KD. 57,000 on 7/2/1969.

TABLE (2)
Status of Loans
31.3.1969

(KD.1000)

Loan No.	Country/Project	Amount	Disbursements	Repayments	Project Implementation
<u>ALGERIA</u>					
7	Pipeline Phase I	7,500	7,498	300	Completed
14	„ „ II & III	2,500	2,500	200	Completed
<u>JORDAN</u>					
2	Yarmouk Project	4,000	738	—	Progressing
3	Phosphate Mines	3,000	2,989	1,000	Completed
4a	Jerusalem Electricity	240	240	52	Completed
4b	Jerusalem Hotel	175	175	53	Completed
4c	Jordan Hotel	85	85	15	Completed
<u>LEBANON</u>					
12	Joun Electricity	2,400	792	—	Nearly completed
18	Grain silos	1,000	—	—	Progressing
<u>MOROCCO</u>					
10	Tessaout Agricultural Project	7,350	942	—	Progressing
11	Tadla Agricultural Project	2,700	999	—	Progressing
<u>SUDAN</u>					
1	Sudan Railways	7,000	7,000	900	Completed
9	Sugar Plant	1,700	1,530	100	Completed
15	Agricultural Development	5,070	1,953	—	Progressing

TABLE (2) — (Continued)

Loan No.	Country/Project	Amount	Disbursements	Repayments	Project Implementation
<u>TUNISIA</u>					
5	La Goulette Electricity Stage I	4,000(1)	3,801	487	Completed
13	La Goulette Electricity Stage II ...	4,600	3,575	—	Power plant completed, transmission nearly completed.
6	Medjerda Valley	2,000	2,000	30	Completed
<u>U. A. R.</u>					
8	Suez Canal Expansion	9,800	8,100	900	Progressing
16	Cargo Ships Construction	3,500	—	—	Progressing
<u>YEMEN</u>					
17	Wadi Zabid Project	190	77	—	Progressing

(1) *Of this loan, K.D. 140,000 was cancelled on 31/3/1968 and K.D. 57,000 on 17/2/1969.*

THE KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT
BALANCE SHEET AS AT 31st MARCH, 1969

	KD.	KD.		KD.	KD.
<u>CAPITAL & RESERVE</u>			<u>CASH & INVESTMENTS</u>		
Declared Capital	200,000,000		Cash on Hand & at Banks	540,709	
Paid - Up Capital	68,000,000		Investments in Deposits & Bonds	40,531,358	41,072,067
<u>RESERVE</u>			<u>LOANS</u> — Committed	68,611,115	
Brought Forward from Previous year	11,609,040		Less — Undisbursed Balance	23,606,488	
Net Income for Current year per Account Annexed	4,181,096		Withdrawn to date	45,004,627	
	15,790,136	83,790,136	Instalments Due & Redeemed	4,087,340	40,917,287
<u>TOTAL CAPITAL & RESERVE</u>			Accrued Interest on Investments & Loans		1,843,832
<u>CURRENT LIABILITIES</u>			Sundry Debtors Including Deposits and Prepaid Expenses.		10,230
Banks — Current Accounts	5,862		<u>FIXED ASSETS</u>		
Sundry Creditors Including Accruals	4,183		At Cost Less Depreciation		6,180
	10,045		<u>CONTRA ACCOUNTS</u>		
Provision for Staff Indemnities & Leave	49,415	59,460	Irrevocable Commitments	1,230,781	
<u>CONTRA ACCOUNTS</u>			Ministry of Finance & Oil — Pensions Fund	4,015	
Banks — Irrevocable Commitments	1,230,781			1,234,796	83,849,596
Staff Pensions Fund	4,051				
	1,234,796	83,849,596			

AUDITOR'S REPORT

We have examined the Balance Sheet of the Kuwait Fund For Arab Economic Development as at 31st March, 1969, and the Income and Expenditure Account for the year ended at that date. We have obtained all the information and explanations deemed necessary for purposes of our audit.

In our opinion the Fund has kept proper books of account and the Balance Sheet and the Income and Expenditure Account are in accordance therewith. Our examination was conducted according to generally recognized Auditing Standards and therefore included such tests of the Accounting Records and such other Auditing Procedures as we considered necessary in the circumstances. Investments were valued on the same basis used in the previous years.

In our opinion and according to information and explanations given to us the Balance Sheet gives a true and fair view of the Financial Situation of the Fund as at 31st March, 1969, and the Income and Expenditure Account shows the net income for the year then ended subject to information and explanations given to us and as shown by the books of the Fund.

Kuwait, 16th. May, 1969.

PROF. Y. NAWAR,
Ex. Prof. of Accountancy & Auditing — Cairo University.,
SENIOR PARTNER — NAWAR & CO.,
Chartered Accountants (London)

THE KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDING
31st. MARCH, 1969

	KD.		KD.	KD.
<u>EXPENDITURE</u>		<u>INCOME</u>		
Salaries, Wages & Honorarium	166,710	Net Income and Earnings from Deposits and Investments	3,022,561	
Travel, Transport & Accommodation Expenses	28,447	Interest on Loans (Including Interest Payable with Loan Instalments)	1,507,493	
Rent, Water & Electricity	27,108			4,530,054
Sundry Expenses	18,018	Miscellaneous Income		820
Exchange Differences	59,100			
Loss on Sale of Bonds (Net)	23,642			
Provision for Staff Indemnities and Leave	18,051			
Depreciation of Fixed Assets	8,702			
Net Income Carried to Balance Sheet	4,181,096			
	4,530,874			4,530,874