

INSURING INVESTMENTS ■ ENSURING OPPORTUNITIES

2003
ANNUAL
REPORT



MULTILATERAL INVESTMENT GUARANTEE AGENCY ■ WORLD BANK GROUP



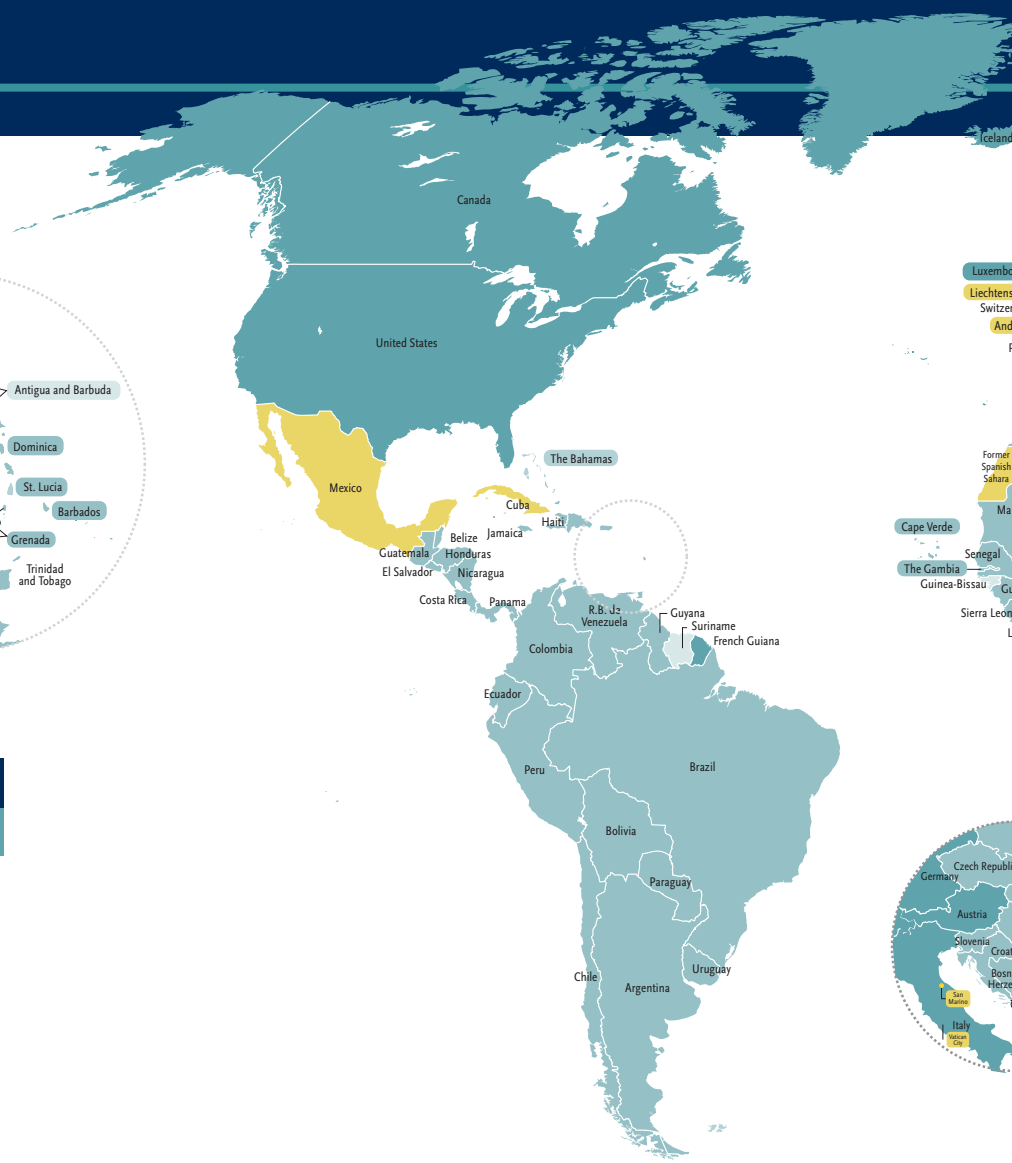
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MIGA Membership

162 Members

As of June 30, 2003



CATEGORY ONE (INDUSTRIALIZED)

22 Members

Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States

CATEGORY TWO (DEVELOPING)

140 Members

ASIA and the PACIFIC

Afghanistan, Bangladesh, Cambodia, China, Fiji, India, Indonesia, Republic of Korea, Lao People's Democratic Republic, Malaysia, Federated States of Micronesia, Mongolia, Nepal, Pakistan, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Sri Lanka, Thailand, Timor-Leste, Vanuatu, Vietnam

EUROPE and CENTRAL ASIA

Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, FYR of Macedonia, Moldova, Poland, Romania, Russian Federation, Serbia and Montenegro, Slovak Republic, Slovenia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan

LATIN AMERICA and the CARIBBEAN

Argentina, The Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, Uruguay, Republica Bolivariana de Venezuela

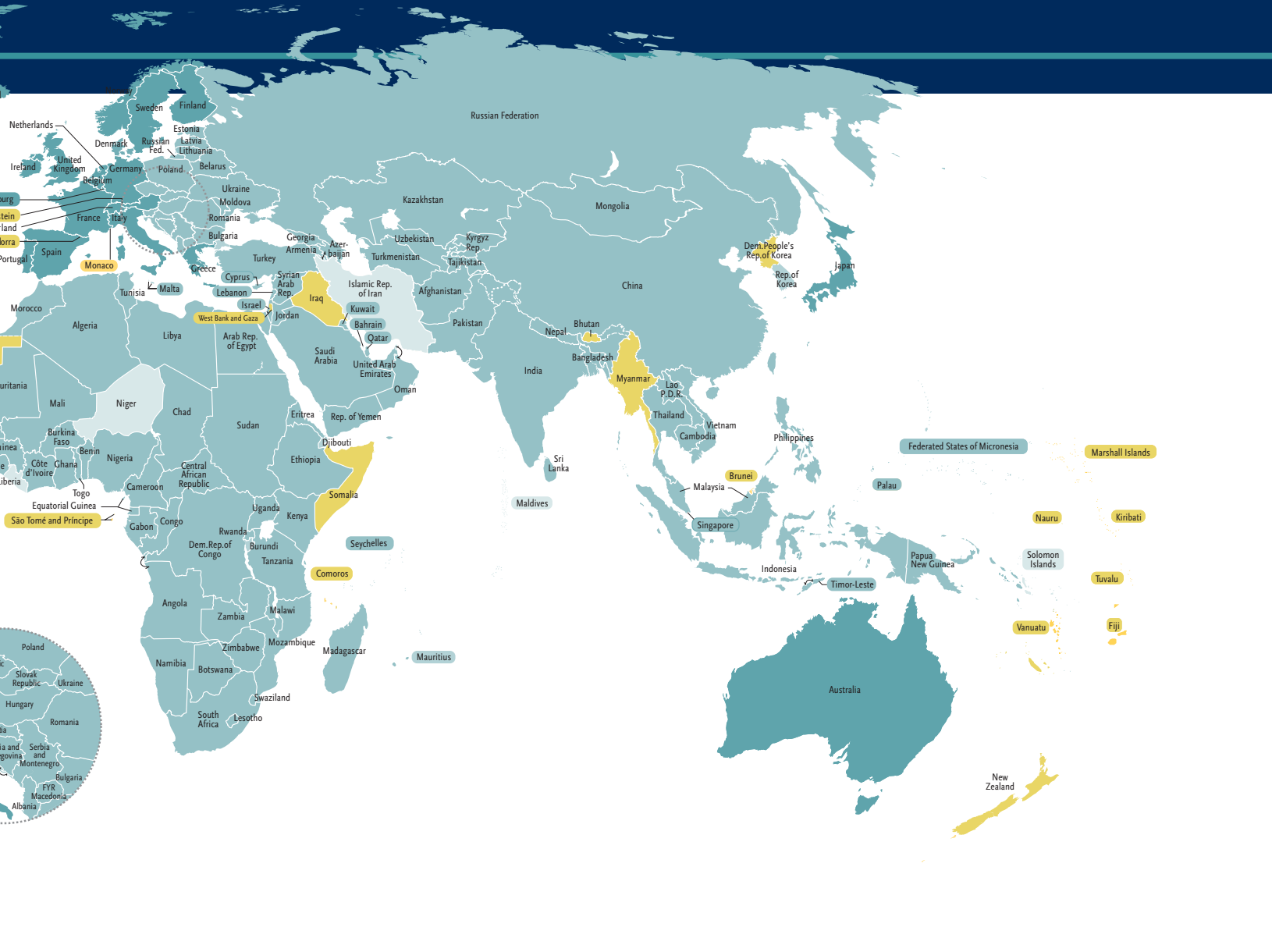
8 Countries in the Process of Fulfilling Membership Requirements

ASIA and the PACIFIC

Maldives, Solomon Islands

LATIN AMERICA and the CARIBBEAN

Antigua and Barbuda, Suriname



- Category One Members
- Category Two Members
- Category Two Signatories (in process of fulfilling membership requirements)
- Nonmembers

MIDDLE EAST and NORTH AFRICA

Algeria, Bahrain, Arab Republic of Egypt, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Tunisia, United Arab Emirates, Republic of Yemen

SUB-SAHARAN AFRICA

Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Eritrea, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe

MIDDLE EAST and NORTH AFRICA

Islamic Republic of Iran

SUB-SAHARAN AFRICA

Guinea-Bissau, Liberia, Niger

Fiscal Year 2003 Highlights

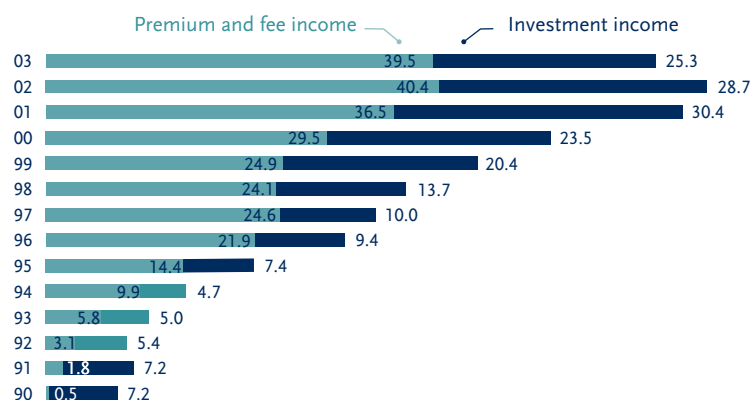
All dollar amounts used in this Annual Report are current US dollars unless otherwise specified.

Table 1 Guarantees Issued and Foreign Direct Investment (FDI) Facilitated

| Fiscal year | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | Total |
|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|-------|-------|-------|-------|--------|
| Guarantees Issued (No.) | 4 | 11 | 21 | 27 | 38 | 54 | 68 | 70 | 55 | 72 | 53 | 66 | 58 | 59 | 656 |
| Gross Amount Issued (\$ M) | 132 | 59 | 313 | 374 | 372 | 672 | 862 | 614 | 830 | 1,310 | 1,605 | 2,000 | 1,222 | 1,372 | 11,738 |
| Total Amount Issued (\$ M) * | 132 | 59 | 313 | 374 | 372 | 672 | 862 | 614 | 860 | 1,425 | 1,863 | 2,154 | 1,358 | 1,372 | 12,428 |
| Est. FDI Facilitated (\$ B) | 1.0 | 0.9 | 0.6 | 1.8 | 1.3 | 2.3 | 6.5 | 4.7 | 6.1 | 5.2 | 5.5 | 5.2 | 4.7 | 3.9 | 49.7 |

* Includes amounts leveraged through the Cooperative Underwriting Program (CUP)

Figure 1 Earned Premium, Fee and Investment Income *, \$ M



* Excludes other income

Figure 2 Country Membership, number of countries

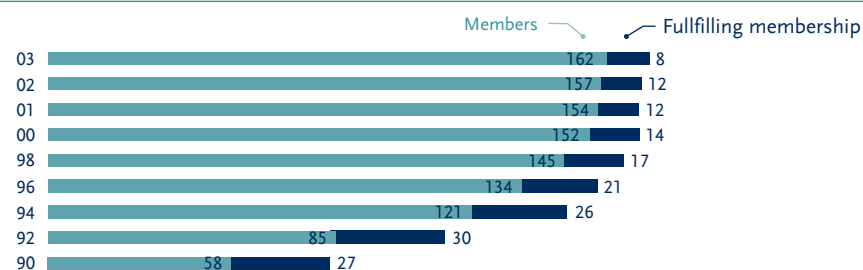
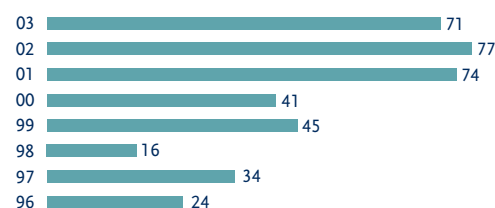


Figure 3 Technical Assistance Projects, number of activities



AGENCY-WIDE

- ▶ Five New Members: Afghanistan, Gabon, Rwanda, Tajikistan, Timor-Leste
- ▶ The General Capital Increase subscription period ended in March 2003, with 133 member countries subscribing or committing to subscribe—representing 97 percent of the \$850 million capital increase sought.
- ▶ A new field office was established in Singapore
- ▶ Seven “Mobile Offices” were undertaken, visiting: Western Africa, Southern Africa, East Asia, Europe and Central Asia, Latin America, and the Middle East and North Africa (two).

GUARANTEES

| | FY00 | FY01 | FY02 | FY03 |
|--|------|------|------|------|
| Amount of New Issuance, Gross (\$ B) | 1.6 | 2.0 | 1.2 | 1.4 |
| Amount of New Issuance, Total (\$ B)* | 1.9 | 2.2 | 1.4 | 1.4 |
| Estimated Amount of FDI Facilitated (\$ B) | 5.5 | 5.2 | 4.7 | 3.9 |
| Guarantees Issued (no.) | 53 | 66 | 58 | 59 |
| Projects Supported (no.) | 37 | 46 | 33 | 37 |
| Net Exposure (\$ B) | 2.8 | 3.2 | 3.2 | 3.2 |
| Gross Exposure (\$ B) | 4.4 | 5.2 | 5.3 | 5.1 |

* Includes amount leveraged through CUP

Coverage for Priority Areas¹

- ▶ 19 projects in IDA–eligible countries²
- ▶ 8 projects in sub-Saharan Africa
- ▶ 12 South–South investments³
- ▶ 10 investments in small and medium-sized enterprises (SMEs)⁴

¹ Some projects address more than one priority area.

² The International Development Association (IDA), a member of the World Bank Group, helps the world's poorest countries reduce poverty by providing “credits,” which are loans at zero interest.

³ Investments made from one developing country to another developing country.

⁴ MIGA shares the same working definition of SMEs as IFC: A small enterprise meets two of the following three conditions—up to 50 employees, total assets up to \$3 million, total annual sales of up to \$3 million; A medium-sized enterprise meets two of the following three conditions—up to 300 employees, total assets up to \$15 million, total annual sales up to \$15 million.

Guarantee Landmarks

- ▶ First coverage for projects in Burundi, Serbia and Montenegro, and the Syrian Arab Republic.
- ▶ Two MIGA-supported projects received awards: Baymina Enerji, a power project in Turkey, named 2002 Power Deal of the Year by Project Finance International; the Coltea Clinic project, a hospital renovation project in Romania, named Deal of the Year by Global Trade Review.
- ▶ First Facultative Reinsurance contract provided by MIGA to Export Credit Insurance Organization (ECIO) of Greece.

Cooperation

- ▶ Three new cooperation agreements signed, with: the Asian Development Bank (ADB), the Export-Import Bank of Romania, and Senegal's Agence nationale chargée de la promotion des investissements et des grands travaux (APIX).
- ▶ Facultative Reinsurance provided to MIGA: €142.5 million plus \$100 million for three projects.
- ▶ Facultative Reinsurance provided by MIGA: €7.6 million plus \$71 million for three projects.
- ▶ Training program provided in Europe for 40 representatives from Memorandum of Understanding partner institutions and Private Sector Liaison Officers.

Claims

- ▶ In one claim filed and registered with MIGA, relating to an investment in Argentina, MIGA is working actively with the investor and the host government to achieve a mutually beneficial resolution.

TECHNICAL ASSISTANCE SERVICES

Activities

- ▶ 71 technical assistance activities conducted in support of 28 projects in 30 countries, along with several regional and global initiatives.
- ▶ 35 of the technical assistance efforts benefited IDA-eligible countries.
- ▶ 16 of the technical assistance efforts benefited sub-Saharan African countries.
- ▶ Use of online services surpassed targets and exceeded last year's level by 67 percent.

Products and Services

- ▶ Launched FDI Xchange Investment Information Development Program (FDIX IIDP), providing country grants to support content providers.
- ▶ Trained more than 60 FDI Xchange content partners worldwide in remote content administration using tele-training and video-conferencing.
- ▶ Conducted ex-post evaluations of two-year capacity-building programs undertaken in the Philippines, South Korea and Thailand.

- ▶ Conceptualized and implemented other sector promotion initiatives, including a tourism investment program in Tanzania, and an Infrastructure Communication Technology program in Senegal.

Partnerships and Cooperation

- ▶ Collaborated with the World Bank Group, FIAS (Foreign Investment Advisory Service), and IFC (International Finance Corporation) in the design and implementation of investment promotion components of private sector development projects, including new initiatives in Bangladesh, Bosnia-Herzegovina, the Democratic Republic of the Congo, Kenya, Serbia and Montenegro, Romania and the Russian Federation.
- ▶ Concluded Miyazawa Initiative with completion of a six-country Asia Competitive Benchmarking Study.
- ▶ Designed and implemented several private sector development initiatives in the Latin American and Caribbean region, in collaboration with the World Bank Group.
- ▶ Collaborated with World Bank Group partners in a Europe and Central Asian project, guiding a Learning and Innovation Loan work program in Armenia.
- ▶ Encouraged investors to take advantage of increased Africa trade access under the US African Growth and Opportunities Act (AGOA), through the MIGA-Swiss Partnership, a multi-year initiative launched in fiscal year 2002.

Letter from the President to the Council of Governors

HIGHLIGHTS



James D. Wolfensohn, president of the Multilateral Investment Guarantee Agency (MIGA) and chairman of its Board of Directors, submits to the Council of Governors on behalf of the Board of Directors and in accordance with MIGA's bylaws, this report and audited financial statements for the fiscal year ending June 30, 2003.

The past fiscal year has been an especially challenging one, as a multitude of factors—including the conflict in Iraq and the SARS epidemic—have led to considerable global anxiety and uncertainty. This marks the second consecutive year that has been beset by troubles, and it means that the challenges facing the world's developing nations are all the more urgent. The impact of the ongoing economic malaise is undoubtedly being felt most acutely by the poor.

In this context, the institutions of the World Bank Group have an especially important role to play. The Millennium Development Goals (MDGs)⁵, which aim to halve the number of people living in poverty in the world by 2015, remain as critically important targets. As economies around the world retrench, and markets stand still or retreat, it is vital for public institutions to step forward and try to bridge the gap. We remain committed to the mission of alleviating poverty, and to helping people help themselves and their environment by providing resources, sharing knowledge, building capacity, and forging partnerships in the public and private sectors.

MIGA continues to occupy a key position in achieving this mission. There remains an urgent need for private investment flows to developing countries. However, the uncertainties in the geopolitical environment greatly

influence the risks that people are prepared to take in terms of investment and in terms of the larger outlook on their activities. This is precisely where an institution like MIGA makes a major difference.

This past year has seen MIGA's guarantee program maintain its level of coverage issued from the previous year's levels. Given the external environment, and the decline in foreign direct investment levels to developing countries, this is a noteworthy achievement. At the same time, the Agency has been able to support more projects in more countries than in fiscal year 2002, and has been able to deliver solid results in the Agency's priority areas of supporting investment into: the world's poorest countries, particularly Sub-Saharan Africa; between developing countries; for small and medium-sized enterprises; and for complex infrastructure projects.

MIGA's technical assistance program continues to be extremely relevant, and the Agency has had a strong year in this regard. As foreign direct investment levels have been declining around the world, owing in large part to the hesitation of investors, the importance of host countries having a healthy investment climate cannot be understated. MIGA's capacity building and advisory services provide significant value to governments, and the Agency's suite of online services continues to expand its reach, enabling governments to actively promote opportunities quickly and efficiently to the investment community throughout the world.

Looking to the future, I see the role that MIGA can play only increasing in importance. Foreign investment will remain a crucial ingredient for all countries' seeking to achieve economic development and poverty reduction. And, MIGA's ability to catalyze investment, by helping investors mitigate risk and supporting host countries investment promotion efforts, is unique and valuable.

In closing, I am delighted to note that by the end of MIGA's General Capital Increase subscription period, which closed in March 2003, the Agency's shareholders either contributed or pledged 97 percent of the \$850 million in new capital that was being sought. This additional capital, along with the \$150 million contributed by the International Bank for Reconstruction and Development, will considerably strengthen MIGA for the coming years, and allow the Agency to increase its scope and impact.

*James D. Wolfensohn
June 30th, 2003*

⁵ *The framework for measuring development progress, adopted by the international development community in September 2000.*

Board Activities Highlights

HIGHLIGHTS



The Multilateral Investment Guarantee Agency's 162 member countries, through a Council of Governors, and a Board of Directors, guide its programs and activities. Each country appoints one governor and one alternate. MIGA corporate powers are vested in the Council of Governors, which delegates most of its powers to a board of 24 directors. Voting power is weighted according to the share capital each director represents. The directors meet regularly at the World Bank Group headquarters in Washington, D.C., where they review and decide on investment projects and oversee general management policies.

Directors also serve on one or more of five standing committees, which help the Board discharge its oversight responsibilities through in-depth examinations of policies and procedures. The Audit Committee advises the Board on financial management and other governance issues to facilitate Board decisions on financial policy and control issues. The Budget Committee considers aspects of business processes, administrative policies, standards and budget issues that have a significant impact on the cost effectiveness of the Bank Group operations. The Committee on Development Effectiveness (CODE) advises the Board on operations evaluation and development effectiveness with a view to monitoring progress towards the Bank's mission of poverty reduction. The Personnel Committee advises the Board on compensation and other significant personnel policy issues. In addition, directors serve on the Committee on Administrative Matters (CODAM). CODAM's mandate was expanded this year to include areas of Board governance. CODAM's new name—the Committee on Governance and Executive Directors' Administrative Matters (COGAM)—reflects this change.

During fiscal year 2003, MIGA Board of Directors concurred with 43 individual investment guarantee operations. The Board also oversaw and reviewed MIGA's strategy and policy planning process. As part of ongoing efforts to harmonize sectoral strategies for the World Bank Group, the Board discussed and endorsed the revised forest strategy. Through CODE, directors also had the opportunity to discuss the World Bank Group strategy in private sector development in the electric power sector, which was a joint review by the Operations Evaluation Department of the World Bank, the Operations Evaluation Group of the IFC and MIGA's Operations Evaluation Unit.

MIGA's Board of Executive Directors *As of June 30, 2003*

Standing, left to right: Yahya Abdullah M. ALYAHYA, Guangyao ZHU, Per KUROWSKI, Pietro VEGLIO, Pierre DUQUESNE, Gino ALZETTA, Eckhardt BISKUP*, Eugene MIAGKOV*, Finn JONCK, Carole BROOKINS, Louis A. KASEKENDE, Paulo F. GOMES, Amaury BIER, Yuzo HARADA, Neil Francis HYDEN, Alieto GUADAGNI

Seated, left to right: Rapee ASUMPINPONG, Tanwir Ali AGHA, Mahdy Ismail ALJAZZAF, Rosemary B. STEVENSON*, Ad MELKERT, Chander Mohan VASUDEV, Marcel MASSÉ

Absent: Eckhard DEUTSCHER, Alexey KVASOV, Franco PASSACANTANDO, Tom SCHOLAR

* Alternate

Message from the Executive Vice President

HIGHLIGHTS



Global political and economic instability continued to be the rule during fiscal year 2003. A variety of factors, including the financial crisis in Argentina, the war in the Middle East, and the SARS epidemic in Asia, further affected an already weak global economy. Consequently, investor confidence continued to be constrained, project financing remained hard to obtain, and foreign direct investment levels continued to decline.

While these types of conditions present a challenging operating environment, it is exactly in times like these that public institutions such as MIGA have a particularly important countercyclical role to play. Thus, against a backdrop of adversity in most parts of the world, in fiscal year 2003 MIGA issued \$1.4 billion in guarantee coverage. This represents a slight increase over the amount issued the previous year. At the same time, the number of projects supported and contracts issued both increased over the previous year's levels, to 37 and 59 respectively. The Agency also had a successful year in terms of reaching its qualitative targets for priority areas, supporting eight projects in Africa, 19 in IDA-eligible countries, 12 South-South investments, and 10 investments in smaller and medium-sized enterprises. In addition, we guaranteed investments in six conflict-affected countries. Fiscal year 2003 also saw MIGA step up its efforts to support projects in key sectors emphasized by the Millennium Development Goals (MDGs), for example, in water and sanitation projects.

The same adverse elements in the general operating environment were also instrumental in increasing demand for MIGA's technical assistance services, as developing countries sought to attract and retain scarce FDI inflows. Demand for MIGA's online services continued to increase, while the number of content providers doubled for FDI Xchange—MIGA's e-mail-based investment promotion tool.

MIGA's field presence continues to grow, as fiscal year 2003 saw the agency open a new office in Singapore. This complements those offices that have already been established in Paris, Tokyo and Johannesburg. Our field offices are proving to be crucial in bringing us closer to the markets, and in allowing us to more closely gauge the needs of our host country stakeholders and clients. Plans are currently underway to set up a Central and West African office.

Partnerships have played an important role for MIGA during fiscal year 2003, by helping the Agency enhance its outreach and leverage its resources. We are working more closely with other parts of the World Bank Group, especially in the areas of country assistance strategies, country risk assessments and activities directed towards improving investment climates. In addition, many of the projects MIGA guaranteed in fiscal year 2003 involved cooperation with the International Finance Corporation (IFC), as well as other multilateral and bilateral development institutions, such as the Asian Development Bank, South Africa's Industrial Development Corporation and KfW of Germany, as well as a number of export credit agencies, including NEXI of Japan, SEC of Slovenia, ECICS of Singapore, ECIO of Greece, and CESCE of Spain. We were also able to leverage our counter-cyclical strengths by syndicating significant amounts of private insurance capacity for three projects: the Maritza III power project in Bulgaria; Rabobank's investment in branch banking subsidiaries in Brazil, and the Phu My 3 power project in Vietnam. In each of these cases, we were able to secure longer tenors for our clients that would not otherwise have been available in the private market.

An important milestone for the Agency this fiscal year was the completion of the extended subscription period

for MIGA's General Capital Increase. 133 member countries contributed, either by subscribing to all or part of their shares, or by submitting an instrument of contribution pledging to subscribe. In addition to the \$150 million contributed by the World Bank, by fiscal year-end MIGA had received 76 percent of the \$850 million capital increase sought. This amount will rise to 97 percent when full payment is made by those countries that have pledged their subscription. This is an important indication of members' confidence in MIGA's activities, and gives the Agency the additional capacity needed to fulfill its mandate to promote FDI.

During the year, MIGA also continued with efforts to enhance its risk and financial management, including the implementation of the COSO⁶ internal control framework. COSO attestation of the reliability of MIGA's financial reporting, which was first implemented during fiscal year 2002, continues to be strengthened. During fiscal year 2003, work began in integrating the Agency's risk management systems, and a new costing and pricing model for guarantees was developed. These efforts will continue during the coming year.

This past year, we registered one claim, which is under review, for a project that we have guaranteed in Argentina, linked to the larger financial crisis in the country. We are working actively with the investor and the Argentinean government to resolve the matter. This claim is only the second to have been registered with MIGA, which demonstrates the effectiveness of MIGA's umbrella of deterrence and ability to resolve investor disputes. Also to note, in June 2003 MIGA received the final repayment from the Government of Indonesia corresponding to the first claim that the Agency received, which was paid three years ago.

On occasion, MIGA may play a role in resolving foreign investment disputes even when we are not directly involved through our guarantees program, if our involvement may lead to positive effects on the host

country's overall investment climate. In this regard, we have been negotiating with investors and the government of Ethiopia concerning claims resulting from expropriatory actions taken 27 years ago, and we are pleased to note that tangible progress has been made in this area this fiscal year, as seven claims have been settled.

Looking ahead to the upcoming fiscal year, MIGA remains committed to focusing on its priority areas of supporting investment: into IDA-eligible countries; into sub-Saharan Africa; between South–South countries; and in small and medium-sized enterprises. We will also work hard to encourage investment into conflict-affected countries and to support the efforts of the development community to realize the MDGs. For the guarantees program, close attention will be paid to further broadening regional and sectoral diversification, and enhancing products and services to meet changing investor demands. The Agency will also provide leadership in a tight, difficult market by preserving capacity and tenors, as well as by insuring projects in countries or sectors perceived to be risky.

MIGA's capacity-building resources will be focused on a select number of countries, particularly in Africa, that have the greatest opportunity and need to translate assistance into increased FDI inflows. We will be taking particular care to link these activities with broader trade and investment agendas, such as the New Economic Partnership for Africa's Development. We will also focus on helping countries take advantage of preferential trade agreements with the European Union and the United States.

MIGA continues to face a challenging operating environment, but the difficulties that our member countries and foreign investors face underscore the importance of our role. As we proceed, we look forward to working vigorously and effectively with our shareholders and our clients to catalyze productive and sustainable FDI into the developing world.

Motomichi Ikawa
June 30th, 2003

⁶ In fiscal year 2000, MIGA initiated a Committee of Sponsoring Organizations (COSO) compliance exercise (a control self-assessment) designed to identify and address critical areas of risk in the Agency's operations.



From left to right:

Aysegul AKIN-KARASAPAN
Director, Operations Evaluation Unit

Gerald T. WEST
Director, Policy and Evaluations

Ngozi N. OKONJO-IWEALA
Vice President and Corporate Secretary

Luis DODERO
Vice President and General Counsel

Motomichi IKAWA
Executive Vice President

Amédée PROUVOST
Director and Chief Financial Officer

Roger PRUNEAU
Vice President, Underwriting

Tony WAN
Director, Central Administration

Tessie SAN MARTIN
Director, Investment Marketing Services

MIGA's Mission: To promote foreign direct investment into emerging economies to improve people's lives and reduce poverty.

MIGA seeks to fulfill this mandate in member countries through:

- ▶ Political risk insurance (guarantees) for investors and lenders
- ▶ Capacity building and advisory services to facilitate foreign direct investment
- ▶ Online dissemination of information on investment opportunities
- ▶ Investment dispute mediation services

Guarantees

Through its investment guarantees, MIGA offers protection for new cross-border investments, including multi-country projects, as well as expansions and privatizations of existing projects, against the following types of noncommercial risk:

- ▶ Currency inconvertibility and transfer restriction
- ▶ Expropriation
- ▶ War and civil disturbance
- ▶ Breach of contract, including the wrongful call of performance instruments

Technical Assistance

MIGA strengthens the capacity of investment intermediaries in developing member countries by equipping them with the tools, techniques, and know-how to target and attract foreign direct investment.

Information Dissemination

The Agency disseminates information through a suite of online services on investment opportunities, business operating conditions, and business partners through the FDI Xchange, IPAnet, and PrivatizationLink.

Investment Dispute Mediation

MIGA's legal counsel provides guidance to encourage the settlement of disputes between investors and member countries. The goal in these cases is to resolve disputes before they rise to a level that requires formal arbitration.

Partnerships

HIGHLIGHTS



Engaging in partnerships is one of MIGA's guiding principles. This year, MIGA continued to cooperate with other national insurers, government agencies and international organizations with several goals in mind: to ensure complementarity of services and approach, to increase the capacity of the political risk insurance

industry as a whole, and to encourage insurers to venture into markets where they may not feel comfortable on their own. In addition, MIGA has, as in previous years, participated in the New Partnership for Africa's Development (NEPAD) investment-related events and is constantly looking for opportunities for cooperation and synergy between the Agency and its African partners.

These efforts resulted in the signing of three Memoranda of Understanding during fiscal year 2003, with the Asian Development Bank, the Export-Import Bank of Romania, and Senegal's Agence Nationale Chargée de la Promotion des Investissements et des Grands Travaux (APIX). This brings the total number of partnerships to 33.

Table 2 Memoranda of Understanding Partners

| Partner Organization | Date Signed |
|---|----------------|
| Agence Nationale Chargée de la Promotion des Investissements et des Grands Travaux (APIX), <i>Senegal</i> | March 2003 |
| Export-Import Bank of Romania | January 2003 |
| Asian Development Bank * | September 2002 |
| Compañía Española de Seguros de Crédito a la Exportación, S.A. (CESCE), <i>Spain</i> | June 2002 |
| Export Credit Insurance Corporation of South Africa Ltd. (ECIC) | June 2002 |
| Securadora Brasileira de Crédito À Exportação S/A (SBCE), <i>Brazil</i> | March 2002 |
| Banco Nacional de Desenvolvimento Econômico e Social (BNDES), <i>Brazil</i> | March 2002 |
| Trade and Investment Development Corporation of Philippines (TIDCORP) | February 2002 |
| Export Credit Guarantee Corporation of India, Ltd. (ECGC) | February 2002 |
| Österreichische Kontrollbank Aktiengesellschaft (OeKB), <i>Austria</i> | January 2002 |
| Slovene Export Corporation (SEC), <i>Slovenia</i> | December 2001 |
| African Development Bank (AfDB) * | November 2001 |
| Export-Import Bank of Thailand (EXIM) | November 2001 |
| Fundación ProBarranquilla, <i>Colombia</i> | October 2001 |
| PROPARCO, <i>France</i> | July 2001 |
| Export Credit Insurance Organization (ECIO), <i>Greece</i> | June 2001 |
| Korea Export Insurance Corporation (KEIC) | May 2001 |
| PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), <i>Germany</i> | December 2000 |
| People's Insurance Company of China (PICC-SINOSURE) | November 2000 |
| FINNVERA PLC, <i>Finland</i> | October 2000 |
| Austria Wirtschaftsservice Gesellschaft mbH (AWS) | October 2000 |
| Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) * | October 2000 |
| Eksport Kredit Fonden (EKF), <i>Denmark</i> | May 2000 |
| Malaysia Export Credit Insurance Berhad (MECIB) | May 2000 |
| Società italiana per la cooperazione all'estero (SIMEST), <i>Italy</i> | November 1999 |
| Export Credit Bank of Turkey | October 1999 |
| Export Finance and Insurance Corporation (EFIC), <i>Australia</i> | May 1999 |
| Nippon Export and Investment Insurance (NEXI), <i>Japan</i> | April 1999 |
| ECICS Credit Insurance Ltd. of Singapore | November 1998 |
| Inter-Arab Investment Guarantee Corporation (IAIGC) * | February 1997 |
| Export-Import Bank of India (EXIM Bank) | March 1996 |
| Compagnie Française pour le Commerce Extérieur (COFACE), <i>France</i> | December 1994 |
| Islamic Development Bank (IDB) * | July 1994 |

* Denotes a regional multilateral organization

| | |
|--|----|
| Water—A Priority for Poverty Reduction | 4 |
| Mining Projects and Community Development | 8 |
| Leveraging Information Technology to Facilitate FDI Flows | 12 |

This section elaborates on MIGA's work in three key areas. The issues and their importance for development are discussed, and examples of MIGA's role in catalyzing investment are described.

Water—A Priority for Poverty Reduction examines the link between water and water services, and development. Increasingly, improvements to the water sector around the world are viewed as absolutely critical to achieving the Millennium Development Goals (MDGs). The resources required to develop this sector are vast, and the need for private financing to complement public efforts is evident. MIGA's role in this sector is expected to take on increasing importance as private participation in the sector evolves and concerns about subsovereign risk create greater demand for political risk insurance products. During fiscal year 2003, MIGA assessed a water project in Ecuador being supported with a MIGA guarantee, to review the project's development impact and the strengths of public-private partnerships, and also to learn lessons for future projects. This overview also draws on reports from a variety of organizations, including the World Bank Group and the international NGO WaterAid.

Mining Projects and Community Development looks at the way foreign investors demonstrate corporate social responsibility when they develop the mining sector, bringing with them far more than just the necessary equipment and technical expertise. This past year MIGA conducted site visits to two of its clients—visiting projects in Africa and Latin America—to witness how these companies have not only helped the host countries leverage their natural resources, but have also had a significant impact in terms of local community development. The site visit reports were supplemented by public documents from Business Partners for Development, the government of Tanzania, and Compañía Minera Antamina S.A.

Leveraging Information Technology to Facilitate FDI Flows discusses the highly competitive environment that all countries face as they seek recognition as attractive destinations for foreign investment. Today, the Internet and other technologies allow countries to reach out to potential investors in a targeted and efficient fashion. Through its suite of online services and advisory capacities, MIGA is helping to support governments and their investment promotion arms as they strive to position themselves within the global market.

Water—A Priority for Poverty Reduction

DEVELOPMENT
THEMES



The Water Sector and the Need for Public/Private Participation

Clean water. Safe sanitation. Protection from water-borne illness. These are fundamental needs that people should be able to take for granted, no matter what other circumstances their community faces. And yet today, there are over one billion people around the world who do not have access to clean water. And there are more than two billion—roughly one of every three people on the planet—who lack access to safe sanitation. Worldwide, a child dies from a preventable water-borne illness about once every ten seconds—three million young lives lost every year.

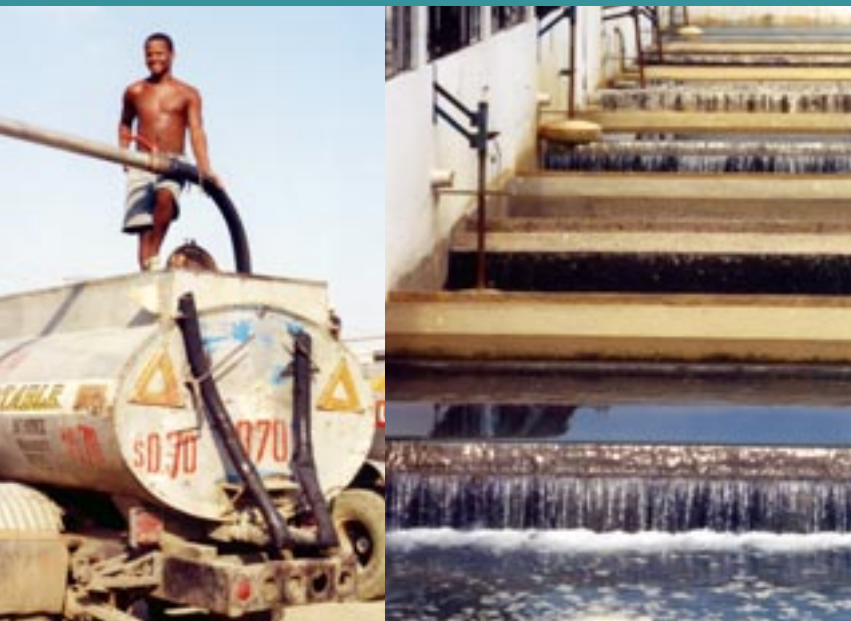
These staggering numbers reflect a challenge of massive proportions. Over the past fifty years, population growth has far outstripped water availability. Estimates suggest that the world's population will increase by three billion during the next half-century, mostly in poor countries where many people live on as little as two dollars a day. According to a World Bank report⁷, water investments in developing nations will need to increase from the current level of about

\$75 billion per year to \$180 billion if we are to achieve the Millennium Development Goal of halving the number of people without access to clean water and sanitation by 2015.

Lack of water resources impedes poverty alleviation, retards development and depletes the environment. It transcends individual sector concerns as an overarching problem that must be attacked on multiple fronts. A growing world population requires more water services and more water infrastructure for basic day-to-day living, including safe water supply and sanitation, and irrigation and drainage for increasing food production. An economically viable world population requires reliable water sources for industrial processes and agribusiness development. And a sustainable world population requires protection of our ecosystems, including thoughtful and responsible management of renewable energy sources.

Delivering safe water and sanitation costs money. All too often, the poor pay more for inefficient services, either because they are not connected to formal water supply and sanitation services or because they are forced to use sub-standard municipal facilities. The poor may have little voice in deciding the level and quality of service they pay for. Harnessing the potential of water to function as a driver of growth requires not only increased financial investment in

⁷ *Water—A Priority for Responsible Growth and Poverty Reduction: An Agenda for Investment and Policy Change*, World Bank Group, Washington, D.C., 2003.



“This service is very necessary. The water is dirty, filled with bugs. Sometimes we go five days without water. Then we have to collect rain water or go to friends to get some. It takes a lot of time.”

—Juana Tambrano
a resident of Isla Trinitaria
Ecuador

water related sectors, but institutional and policy changes designed to encourage good corporate governance and participation by all interested parties. Increased access, particularly by the poor, long-term investment in infrastructure, sensible pricing policies and environmental protection are also key. The public sector cannot possibly tackle the challenges the water sector presents alone. Public funds are scarce. Conflicting yet similarly important demands compete constantly for these resources. Stated simply, the financing gap is so large and the situation is so critical that private investment has to be mobilized if many of the MDGs are to be met. Moreover, private involvement in partnership with the public sector can be more effective at insuring that investment is catalyzed, that the poor in cities, rural areas and secondary towns receive services in reliable, cost effective ways and that service providers will become accountable, efficient, equitable and effective. An effective public-private partnership can help create a viable water sector that adds to the country's tax base and boosts its economic development.

It is not an easy task to encourage private participation in the water sector because of the perceived risks, which are very different from those of other infrastructure investments. Water investments have a low risk-adjusted rate of return on investment, longer payback periods, and regulatory risks tend to be are

also high. Furthermore many governments are decentralizing control of services from national to provincial and municipal authorities, who have little experience dealing with the private sector and often have a poor understanding of investors' needs. For instance, sub-sovereigns tend to be less aware of the need for a stable regulatory environment that allows for predictable earning streams. They also tend to have more trouble accessing credit than central governments.

MIGA has an important role to play in addressing the challenges laid out by the Camdessus Report⁸ on the financing of water. The Agency has a unique comparative advantage in handling subsovereign risk. The MIGA Convention allows the Agency to provide coverage for risks associated with the state or municipal level—the level at which the vast majority of water concessions are handled—and provide protection to the investor.

MIGA has extensive experience in covering sovereign and subsovereign risks relating to expropriation. Its coverage protects against discriminatory administrative or legislative actions by governments at all levels that may reduce or eliminate ownership of,

⁸ A report released in March 2003, outlining a road map for poor countries in solving a range of the world's water-related problems.

control over, or rights to the insured investment. To protect investors when governments are contractual partners, MIGA offers coverage against losses arising from local or national breach or repudiation of a contract in the form of denial of justice—the inability to enforce an arbitration award against the host government.

The breach of contract coverage can be tailor-made to deal with specific concerns, such as the revocation of licenses or concessions, as well as tariff and regulatory risks. It also covers for the wrongful calling of performance bonds, and management contracts. Investors in the water sector also face several currency-related risks, as earnings for water projects are typically in local currency, while debt is denominated in foreign currency. MIGA protects investors from some of these risks by covering losses arising from an inability to convert local currency into foreign exchange and transfer it outside the host country.

Before a dispute even reaches such a point, MIGA mediates with governments and investors to find amicable solutions. In China, for example, MIGA successfully averted a claim situation for several power projects by working together with the government, including subsovereigns, and the investor over a three-year period.



MIGA's portfolio of water projects is fairly limited, due to the relatively recent interest demonstrated by private operators in the sector. To date, MIGA has issued \$75.5 million in guarantees for five water-related projects, mostly in the hydro-power category. One of these projects involves the provision of potable water and sanitation services in Guayaquil, Ecuador. The project, which is financed through a loan from the InterAmerican Development Bank, is for the rehabilitation and expansion of water services in this coastal metropolis. MIGA has provided an \$18 million guarantee to International Water Services B.V. of the Netherlands for its investment in an Ecuadorian subsidiary. The guarantee coverage offers protection against the risks of expropriation and war and civil disturbance. It also covers a performance bond—posted in accordance with a 30-year concession contract—that guarantees the company's successful management, expansion, and operation of the water services, against the risk of wrongful call.

The concession has come at a crucial time. With a population of just over two million, Guayaquil is the country's largest urban concentration and its main industrial and commercial development hub. However, for many years, the lack of potable water and proper sewage was a critical problem. Many poor neighborhoods lacked this vital element, and when water did arrive, it was often polluted and undrinkable. The result was serious vulnerability to waterborne illnesses. Furthermore, open water containers and lack of proper sewage disposal created stagnant pools that became breeding grounds for mosquitoes carrying malaria and dengue fever.

With the cooperation of the city, the concession has begun to turn things around. This year, in Isla Trinitaria, an island slum, close to 8,500 families—or 42,500 individuals—are set to receive service. Previously, residents had been compelled to buy water on the other side of the river and transport it by hose and pump. The hose was taken door-to-door and individual barrels (tanques) were filled at three times the cost of piped water. Not everyone had access to water by hose, and those who did not bought water from “tanqueros,” water trucks that periodically came around to fill the plastic barrels, at nearly seven times the cost of piped water.

The concession contract calls for 55,238 new connections to be made throughout the city by the end of a five-year period, all in low-income areas. Payment is on a sliding scale, with low-income customers paying about \$0.24 per cubic meter (c/m) and industries paying about \$1.20 per c/m. Based on the average household size of five, an estimated 276,190 people will have access to safe, clean water and sanitation services once the connections are complete. Overall, the municipality hopes to have coverages of 90 percent and 60 percent for water and sewage services, respectively, in ten years.

The company is also working to clean the drainage network and has helped to significantly reduce the flooding that affects the city, which is flat and sits just five meters above sea level. The city is most at risk of flooding during the rainy season of February to April.

Interagua has invested an estimated \$100,000 in the treatment plants since taking over. The result has been significant physical, mechanical and chemical improvements to the plants, including the chlorination system and laboratories. The contract also calls for monitoring and reporting on the quality of raw and potable water, as well as residential and industrial effluents. This ongoing, comprehensive monitoring helps mitigate pollution of local water bodies, including aquifer and potable waters, dangerous spills, littering, and chemical leaching. The company is required to give adequate notice when supply cuts are planned, and monitoring by the public water agency ensures accountability.

Aside from the positive direct benefits to the population of clean, reliable, low cost water, better drainage and effective waste water treatment, economic developers have high hopes for the impact of the concession. An article in Ecuador's *El Universo* newspaper suggested that this contract "constitutes the most important sign of the reactivation of the construction sector, considered an engine of economic growth."

As a part of the World Bank Group, MIGA brings a breadth of resources and experience that provides an added level of comfort for investors considering these

types of water sector projects. In the case of Guayaquil, MIGA's guarantees played a crucial role in insuring that the project got off the ground. At the time of the signing, potential shareholders were concerned about the country's history of political risk. Without this insurance, the project was in danger of not moving forward.

Looking ahead, the role the Agency can play in catalyzing this type of essential public-private participation seems clear. MIGA sees its pipeline of projects in the water and sanitation sectors expanding rapidly, with potential projects in Asia, Eastern Europe, and the Middle East.



Mining Projects and Community Development

DEVELOPMENT
THEMES



For centuries natural resources have represented a powerful asset for countries seeking to expand their economies. Whether through domestic efforts, or by the granting of licenses and concessions to foreign entities, the responsible use of natural resources can provide developing countries with opportunities for poverty reduction and economic expansion. Mining and extractive industries have played a valuable role in the early stages of development for many of today's industrialized nations: Australia, Canada, South Africa and the United States all advanced with the aid of economic bursts stemming from the successful mining of their natural resources. However, these efforts tended to focus primarily on the immediate economic benefits and less on the long term. Increasingly in recent years, developing countries are seeking to capitalize on their natural resources in a more systematic fashion, and this is particularly true for the mining sector.

Where once governments were content to benefit from the employment, the licensing fees, and the tax revenues, today there are often expectations for far more comprehensive benefits. Governments, and many of the world's progressive mining companies, realize that attending to the intangible elements of a mining venture—the non-commercial social and environmental aspects that are implicit to all enterprises—is good not only for development and responsible corporate citizenship, but for business as well.

In fiscal year 2003, MIGA visited two high-profile mining projects that the Agency has supported with guarantees over the past five years—the Bulyanhulu gold, silver and copper mine in Tanzania, and the Antamina copper and zinc mine in Peru. MIGA observed the many ways that these foreign investments have contributed to the improvement of the host countries. In both cases, the benefits to the country, and particularly to the local communities, have been significant.

During fiscal years 2000 and 2001, MIGA provided a total of \$172 million in guarantees to Barrick Gold Corporation of Canada and a consortium of international banks, for their respective equity investment and non-shareholder loans to the Bulyanhulu mining project in northern Tanzania. Private insurers providing reinsurance were also involved, as was Canada's Export Development Canada (EDC), which coinsured the project with MIGA. The project, which is in the Shinyanga region of Tanzania, approximately 30 miles south of Lake Victoria, consists of the establishment and operation of a state-of-the-art underground mine and mill complex, operated by Barrick's subsidiary, the Kahama Mining Corporation Limited (KMCL).

The Tanzanian government had long demonstrated its intent to operate this deep ore deposit as a commercial venture, but the decision to bring in a leading foreign



“For a company to be considered socially responsible, it should align its strategic objectives with the strategic objectives of the community.”

—CMA’s 2001 Sustainability Report

company was made for a variety of reasons. Prior to the granting of the concession and KMCL’s involvement, the site was mined by artisanal miners who commonly worked in violation of basic safety standards. Without any regulation, artisans tunneled shallow shafts that were dug perilously close together. Unsafe scaffolding regularly led to mine collapses and the death of miners, and the lack of proper underground ventilation led to further deaths by asphyxiation. The project also faced many social and environmental problems, including child labor, deforestation, mercury contamination and poisoning, and lawlessness.

The Bulyanhulu mine started production under KMCL management in April 2001, with improved conditions that are in stark contrast with those of the previous era. All aspects of the mining operation are now conducted in accordance with international environmental standards. In many cases, KMCL surpasses these standards, playing a leading role in establishing industry best practices. At the same time, KMCL has taken steps to alleviate potentially negative side effects of mining operations. The company uses innovative approaches to dispose of tailings, including paste technology and backfilling in the underground mine.

The project’s construction phase created approximately 1,500 jobs. Today, the enterprise employs well over

1,000 people (including contractors) as part of its ongoing operations, with an annual payment in salaries of \$15 million. In addition, the number of people indirectly employed is estimated at 7,500. The company provides extensive training to local staff at all levels of operation, while working to replace expatriate employees with Tanzanians. The project pays roughly \$15 million per year in royalties and taxes to the government, and spends another \$37 million per year in the procurement of local goods and services.

However, beyond the economic benefits resulting from the mining operation, KMCL has brought much needed support to the local community. Like those in other parts of rural Tanzania, most of the 30,000 people in the area around Bulyanhulu live in poverty. The region lacks modern health care, an adequate education system, infrastructure and viable employment opportunities, and disease rates are high.

When KMCL arrived, it set up a Social Development Program that focused on these issues. One of the early outcomes of the program was a new \$1 million medical center that serves employees and their families as well as the local community. KMCL is also refurbishing a nearby dispensary and partnering with the African Medical and Research Foundation to develop, fund, and staff public health education programs regionally. The program will focus on

disease prevention and improving treatment, particularly for HIV/AIDS, other sexually transmitted diseases, tuberculosis, and malaria.

The Social Development Program is also sponsoring the country's first private sector housing program, providing subsidies and interest-free loans to local employees, for up to 600 new houses. The program design allows full employee participation in the scheme, so that all could own their own home at the end of seven years. Along with the housing complex, the company is building the requisite access roads, storm drainage system, and other necessary infrastructure, such as schools.



A scholarship program maintained by Barrick—which to date has invested \$6.4 million in the fund globally—will provide financial support to the children of Bulyanhulu employees for post-secondary education. The project has recently entered a million-dollar partnership with CARE International—a humanitarian non-governmental organization fighting global poverty—to develop education facilities in the communities around the project site.

KMCL's Social Development Program is also tackling the water scarcity and unreliability problems that plague the region. In the past, most of the water came from unsafe, low-yielding open wells. This lack of modern equipment has contributed to the prevalence of water-borne diseases.

Now, KMCL has made clean, reliable water widely available in the region for the first time. For its worker housing communities, KMCL dug a deep well with a sanitary and steady water supply. Water is delivered to residents from clean storage tanks, through pipes and into their homes. In addition, the company constructed a 30 mile pipeline from Lake Victoria to Bulyanhulu, which brings water to the mine site for operations. The company worked with local communities to include fifteen pipeline outlet points that provide water for the villages along the route. Community-based Water User Groups are responsible for managing the water usage and educating residents about safe and appropriate uses.

Other infrastructure needs have been addressed as well. More than \$15 million has gone into the construction of a power line, in cooperation with the Tanzania Electric Supply Company, to bring power to the region. Roads have been upgraded, and financial support is improving rail facilities and ports.

Recognizing that local knowledge and local ownership were essential to the proper design and facilitation of the various programs, KMCL has worked to identify and collaborate with local groups and institutions. All of the company's social development activities have been coordinated closely with local partners and stakeholders. Because of these capacity-building efforts, the Bulyanhulu communities are benefiting today from stronger programs that also bring the promise of sustainability for years to come.

While the Bulyanhulu project was getting underway in Tanzania, an international group of companies was beginning operations at the Antamina copper and zinc mine in Peru, in the Cordillera Blanca range of the Andes. In fiscal year 1999, MIGA issued \$67.5 million of coverage for equity investments by three Canadian mining companies—Rio Algom Limited, Noranda Inc. and Teck Corporation—and loans from a consortium of commercial banks, to the Compañía Minera Antamina S.A. (CMA). A year later, MIGA issued two additional guarantees totaling \$40 million to Mitsubishi Corporation of Japan to cover its equity investment and shareholder loans to CMA.

Antamina, one of the largest copper-zinc mines in the world, received over \$2 billion in investment for construction and start-up. Since the mine began commercial operation in October 2001, the volume of Peruvian copper and zinc exports has increased by approximately 12 percent, and national GDP has increased by approximately 1 percent. For the surrounding Ancash region, a poverty-ridden area in Peru, GDP has increased by an estimated 60 percent. The construction phase of the project provided considerable employment opportunities for several thousand people. With full operations now underway, some 1,400 workers are directly employed, and an additional 5,600 are employed indirectly.

At the outset of CMA's involvement, the government of Peru was aware that successful development of the mine would have a significant economic impact for the country. However, Peruvian authorities and the company shared an understanding that other issues, both hard and soft, needed to be addressed if the desired results were to be achieved. CMA has invested significantly in public infrastructure, including highway and access roads, electricity transmission and telecommunications, opening up concurrent possibilities to develop new economic activities in the area. In addition, CMA has undertaken major efforts to promote the economic and social development of the local communities, as a means to ensure that the project remained sustainable over time.

For its employees, CMA invested some \$25 million in modern and affordable housing. The company also created a school, which currently educates 350 children (70 percent of whom are children of workers). The school plans to increase its capacity to 1,800 students. All employees are paid an educational bonus equivalent to one-half salary to contribute to the educational costs of their children. The company also provides free meals and transportation for workers.

Beyond these employee benefits, however, the company invests more in programs to alleviate poverty than any other firm in the country. This is done through a participatory process, in which local citizens and groups are included in the designing and priority-setting of the social agenda. This open approach has

led to decisions to support health programs, improve education, support traditional economic activities, and set up new micro-businesses. Part of the goal is to promote productive activities that will remain self-sustaining, even after the scheduled closure of the mine. Recently, a foundation has been established with CMA support, which will eventually become a self-supporting institution to help facilitate sustainable development projects and programs in the Ancash area.

For both KMCL and CMA, being a positive force in the local community has become second nature in their commercial operations. Clearly, it is not just a moral imperative that is driving these actions. There are public expectations that opening up natural assets to the private sector must have a far deeper and longer-lasting impact than the creation of short- or medium-term jobs and tax revenues. The process of winning concessions entails an investor's commitment to deeper involvement in the community. Fortunately, community development also makes good operating sense. Providing modern healthcare and safe working conditions leads to a more stable and reliable workforce, and providing housing and education benefits helps to attract and retain the best national employees. These benefits aside, there is a moral imperative, and progressive companies recognize this imperative. Firms such as KMCL and CMA understand that socially responsible companies must align their strategic objectives with those of the community, and that each area of the company should be as committed to community objectives as to business objectives.



Leveraging Information Technology to Facilitate FDI Flows

DEVELOPMENT
THEMES



Recognizing the economic benefits of foreign direct investment, national and regional governments worldwide are competing intensely to attract multinational corporate investors. They have made improvements in their investment climate and established incentives such as special economic zones. Their investment promotion intermediaries are utilizing sophisticated marketing techniques to identify and reach out to potential foreign investors in a targeted fashion. With the help of the Internet and other information technology tools, these agencies can access and interact online with investors worldwide at a much reduced cost as compared with traditional marketing approaches.

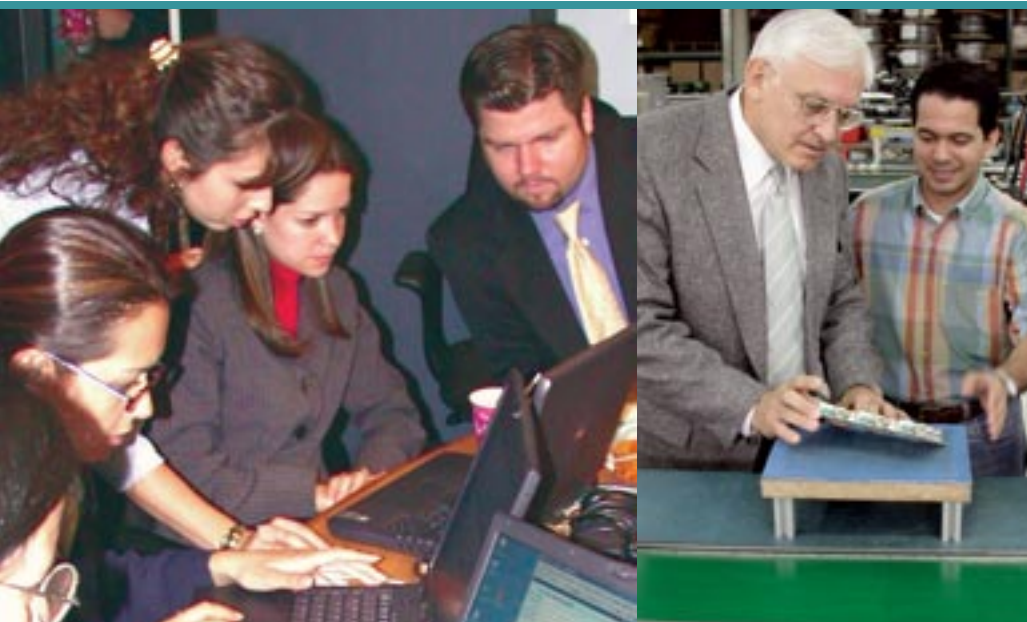
Just as information technology has streamlined other aspects of international business, it allows potential investors evaluating overseas locations to conduct the early stages of site selection research without direct contact with the countries they are considering. In fact, for investors in some advanced economies such as the United States, an estimated 80 percent of the short-listing process in a site selection exercise is now conducted online. The Internet brings a wealth of country and product market data and analysis directly to the site selector's desktop. Today's best practice investment promotion Web sites provide detailed sectoral analysis and market research, as well as information on factor costs, labor demographics, available

real estate, and infrastructure considerations, all with the click of a mouse. Thus, geographic distance and time zone differences become less formidable obstacles for investors seeking to evaluate the business operating environment and investment opportunities in a particular country.

Such virtual site searches can level the playing field, giving investment promotion agencies in developing countries an opportunity to promote the business advantages of their locations where once they might not have been considered at all. Opening a dialogue with potential investors through the Internet enables the investment promotion intermediary to respond to questions and provide any specialized data that investors might require.

However, these efficiencies can also pose a challenge for investment promotion intermediaries in many developing countries and economies in transition. Since the investor can easily compare potential investment locations before undertaking site visits, the institutions charged with attracting foreign investment must provide enough information to ensure that they receive adequate consideration in the short-listing process.

But agencies in emerging market nations often lack the IT resources and in-house expertise to effectively



“One foreign investor recently set up a factory here in Guatemala, after learning about the investment climate here through our national investment promotion website.”

—Rodolfo Batres
Investment Manager
Invest in Guatemala

leverage these technology tools for information dissemination and investor communication. For some investment promotion intermediaries with a Web presence, lack of a reliable telecommunications infrastructure can make connectivity irregular; for others, the lack of budgetary resources and information technology capabilities results in Web sites with inadequate or outdated information.

MIGA helps client countries benefit from communications and information technologies in three ways:

- ▶ The Agency’s suite of online information services provides a low-cost means for investment promotion intermediaries to reach out to prospective foreign investors.
- ▶ MIGA’s capacity-building assistance and technology tools, such as the IPAworks Web site template, enable client investment promotion intermediaries to maintain a professional yet cost-effective Web presence.
- ▶ MIGA assists clients in harnessing the business and company information resources available on the Internet to improve their investor targeting capabilities, develop a tailored marketing message to relevant corporate investors, and manage their interactions with investors using client relationship management (CRM) systems—customized to their requirements.

The upgraded technology platform underlying MIGA’s online services provides investment promotion intermediaries and other organizations involved in promoting FDI (for example: privatization agencies, infrastructure ministries) a cost-effective channel for communicating marketing information to relevant corporate investors. To date, over 60 such organizations use the FDI Xchange customized e-mail alert service, as well as IPAnet and PrivatizationLink, in leveraging their own Web presence to reach the investment community. These online services also provide a baseline of investment information for all MIGA member countries, sourced from a variety of public and private sector information providers.

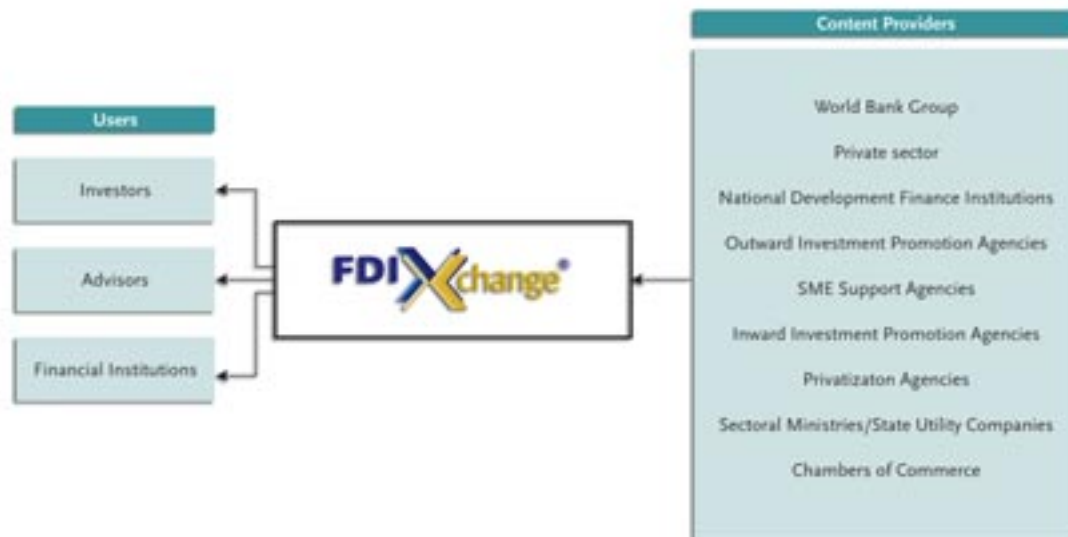
In addition, MIGA’s technical experts help investment promotion intermediaries bridge the information gap with foreign investors through advice and tools for establishing and maintaining their Web presence. IPAworks, a MIGA-developed Web template, brings together the technology expertise, capacity-building experience and design acumen of MIGA staff through an online investor information services kit for investment promotion intermediaries. This open source software package provides a set of user-customizable templates that allows an investment promotion intermediary to operate and continually update its Web site without in-house programming skills. There are now ten IPAworks-generated sites in

operation in MIGA client agencies—the Uganda Investment Authority, the Zanzibar Investment Promotion Centre, the Tanzania Ministry of Natural Resources and Tourism, the Tanzania Investment Centre, the Ghana Chamber of Mines, the Ghana Investment Promotion Centre, Council for the Development of Cambodia, Laos PDR’s Foreign Investment Management Cabinet, HCMC Vietnam’s Department of Planning and Investment and the Zambia Investment Centre.

MIGA’s new Investor Information Development Program (IIDP), funded by the Development Gateway Foundation and the government of Japan, provides additional hands-on technical assistance to investment promotion intermediaries in developing the knowledge base of sectoral analysis, factor cost data, details on infrastructure and logistics, as well as business and legal information required to effectively respond to

investors’ information needs. The initial round of grants has been awarded and investment promotion intermediaries in Bosnia and Herzegovina, Guatemala, Kenya, Malta, Mongolia and Turkey will receive funding and assistance in fiscal year 2004.

Pro-active marketing is also important. With the help of the Internet, which provides access to a vast array of business and company information resources, investment promotion intermediaries can easily and cost-effectively conduct company research and identify the most promising corporate candidates for targeted marketing. Public and private sector resources enable an investment promotion intermediary to more easily benchmark their country vis-à-vis the competition to determine the industries in which they possess a competitive advantage and analyze the expansion strategies of major players in those sectors. Investment promotion intermediaries can gather specific resources



MIGA leverages a growing network of international content partners to keep investors abreast of current investment research and FDI.

such as credit analyses, filings with securities regulators, annual reports, industry analysis and current news stories to provide a comprehensive view of the key companies within a particular sector, refine their target lists, and hone their marketing messages.

MIGA helps agencies in their marketing efforts by leveraging knowledge resources and tools to improve investor research, outreach and servicing. MIGA provides training and online guides to enable its clients to better integrate these information resources into their marketing efforts. Due to the high demand from developing country investment promotion intermediaries over the past several years, MIGA has held a series of regional training workshops, in conjunction with the World Association of Investment Promotion Agencies and other partners, in the Caribbean, Central and Eastern Europe, East, Southern and West Africa, North Africa and the Middle East and the South Pacific Islands. This specialized training is also a normal component of country-specific technical assistance programs, such as those completed or underway in Tunisia, Armenia, Serbia and Montenegro, Cyprus, Thailand and the Philippines.

CRM systems are another important technology tool utilized by investment promotion intermediaries. Customized off-the-shelf software is used by the private sector to track the results of outreach activities and subsequent contacts with individual investors. These investor tracking systems also provide critical support for investor servicing and aftercare activities, such as tracking various stages of the investment process and the status of required government actions, such as the issuance of permits, licenses and visas. Investment promotion intermediary management can also view information and statistics at a summary level to better track the institution's marketing performance.

Through periodic interaction with existing foreign investors, investment promotion intermediaries also use these systems to compile feedback on the investors' experience in order to enhance their own services as well as support their policy advocacy efforts concerning residual legal and regulatory obstacles. MIGA has assisted a number of clients in implementing CRM tools into their operations, including

investment promotion intermediaries in Bolivia, El Salvador, Armenia, Guatemala, Mozambique, Tanzania, Uganda and Zambia. CRM systems are also components of ongoing technical assistance programs being planned or currently underway in Serbia and Montenegro, Ghana, Nicaragua, Senegal and Honduras.

Given the resource constraints that many of the Agency's client countries face, effectively harnessing technology for investment promotion is essential to their efforts to competing in the international marketplace for investment. MIGA will continue to play a key role in helping overcome these constraints.



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www.ipanet.net



www.privatizationlink.com



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Guarantees

OPERATIONAL
OVERVIEW



MIGA's Underwriting Department provides political risk guarantees (insurance) for overseas investments against the risks of currency inconvertibility and transfer restriction, expropriation, war and civil disturbance, and breach of contract, including the wrongful call of performance instruments.

Despite the challenging operating environment experienced throughout fiscal year 2003, MIGA's underwriting program remained active, issuing \$1.37 billion in guarantee coverage. During the year, MIGA provided 59 contracts in support of 37 projects, representing an increase of 2 percent and 12 percent, respectively, over the previous year. A significant amount of the year's activity was related to projects falling within the Agency's priority areas of IDA-eligible countries, Africa, SMEs (small and medium-sized enterprises), and South-South investments. Of particular note, the share of African projects in MIGA's outstanding guarantees portfolio increased to 19 percent by year-end. Additionally, MIGA offered first-time coverage for projects in three countries: Burundi, Serbia and Montenegro, and the Syrian Arab Republic.

MIGA's guarantee business was clearly affected during the year by the uncertain geopolitical situation and the accompanying depressed global economy. In particular, concerns about economic

stability in parts of Latin America, the war in Iraq, and the Severe Acute Respiratory Syndrome (SARS) outbreak in Asia resulted in delays for a number of large projects MIGA intended to support. Market conditions also led to the active consolidation of investors in the infrastructure sector (notably in the power and telecommunications sub-sectors), which led to a retrenchment from emerging markets. As a result, the total amount of guarantees issued in fiscal year 2003, while slightly higher than the \$1.36 billion issued in fiscal year 2002, was lower than had been anticipated at the outset of the fiscal year. In relative terms, MIGA's performance was strong, with the Agency recording the second highest amount of new coverage issued in calendar year 2002 among all the investment insurers belonging to the Berne Union.⁹

⁹ *The Berne Union is the international union of credit and investment insurers, established in 1934 to work for the international acceptance of sound principles of export credit insurance and foreign investment insurance. It also provides a vital forum for exchange of information, experience, and expertise between members. There are currently 51 member organizations from 42 countries.*

Table 3 Projects Supported, FY03

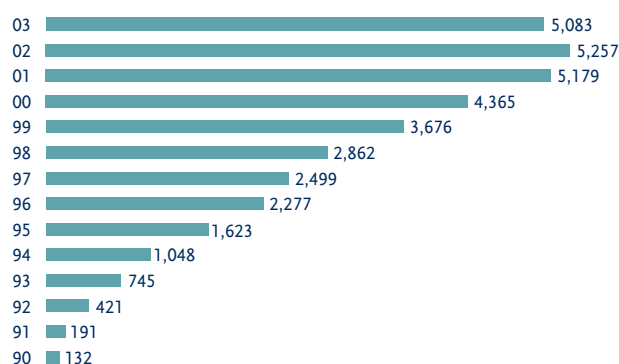
| Host Country | Guarantee Holder | Investor Country | Sector | Amount \$ M | Priority Area * |
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| ASIA and the PACIFIC | | | | | |
| Indonesia | MTU Asia Pte. Ltd. | Singapore | Services | 2.4 | IDA, S-S, SME |
| Vietnam | SembCorp Utilities Pte., Crédit Lyonnais, S.A. | Singapore, France | Infrastructure | 118.2 | IDA, S-S |
| EUROPE and CENTRAL ASIA | | | | | |
| Azerbaijan | Fatouglu Gida Sanayi ve Ticaret Anonim Sirketi | Turkey | Agribusiness | 0.5 | IDA, S-S, SME |
| Bosnia and Herzegovina | Bank Austria Creditanstalt AG | Austria | Financial | 4.6 | IDA |
| Bosnia and Herzegovina | Hypo Alpe-Adria-Bank AG | Austria | Financial | 14.2 | IDA |
| Bosnia and Herzegovina | Raiffeisen Zentralbank Österreich AG | Austria | Financial | 11.1 | IDA |
| Bulgaria | Bank Austria Creditanstalt AG | Austria | Financial | 23.3 | |
| Bulgaria | Entergy Power Development Corporation, Société Générale S.A. | United States, France | Power | 289.3 | |
| Bulgaria | Sidenor | Greece | Manufacturing | 21.0 | |
| Croatia | Bank Austria Creditanstalt AG | Austria | Financial | 60.6 | |
| Croatia | Bank Austria Creditanstalt AG | Austria | Financial | 61.8 | |
| Croatia | Slovene Export Corporation (Mercator) | Slovenia | Services | 8.7 | S-S |
| Czech Republic | Raiffeissen Leasing GmbH | Austria | Financial | 5.0 | SME |
| Kyrgyz Republic | Finrep Handels Ges.m.b.H. | Austria | Services | 4.9 | IDA, SME |
| Romania | Bank Austria Creditanstalt AG | Austria | Financial | 13.9 | |
| Romania | Raiffeisen Zentralbank Österreich AG | Austria | Leasing | 38.0 | SME |
| Russia | Raiffeisenlandesbank Steiermark | Austria | Financial | 23.8 | |
| Russia | Raiffeisenverband Salzburg | Austria | Financial | 5.7 | |
| Serbia and Montenegro | Hypo Alpe-Adria-Bank AG | Austria | Financial | 15.6 | IDA |
| Serbia and Montenegro | Hypo-Leasing Karnten GMBH | Austria | Financial | 1.8 | IDA, SME |
| Serbia and Montenegro | Bank Austria Creditanstalt AG | Austria | Financial | 20.6 | IDA |
| Turkey ** | BNP Paribas | France | Infrastructure | 19.5 | |
| LATIN AMERICA and the CARIBBEAN | | | | | |
| Brazil | Rabobank Curaçao N.V. | The Netherlands | Financial | 95.0 | |
| Brazil | SLAP CABO, LLC | United States | Infrastructure | 32.6 | |
| Costa Rica | Wings of Papagayo LLC | United States | Tourism | 81.0 | |
| Dominican Republic | Caribe Hospitality, Scotiabank (Cayman Islands) Ltd | Panama, Cayman Islands | Tourism | 7.4 | S-S, SME |
| Ecuador | Aecon Group, Inc., ADC Management, Ltd., HAS Development Corporation | Canada, British Virgin Islands, United States | Infrastructure | 66.5 | |
| Nicaragua | Corporación Interfin, S.A. | Costa Rica | Financial | 1.4 | IDA, S-S, SME |
| MIDDLE EAST and NORTH AFRICA | | | | | |
| Algeria | Compañía Española de Seguros de Crédito a la Exportación, S.A. | Spain | Oil and Gas | 50.0 | |
| Syrian Arab Republic | Kingdom 5 KR 71 Ltd. | Saudi Arabia | Tourism | 22.8 | S-S |
| SUB-SAHARAN AFRICA | | | | | |
| Burundi | Mauritius Telecom Ltd. | Mauritius | Infrastructure | 0.9 | IDA, SSA, S-S, SME |
| Mali | Société Nationale de Télécommunications du Sénégal | Senegal | Infrastructure | 39.6 | IDA, SSA, S-S |
| Mozambique | Kenmare Resources P.L.C., Kreditanstalt für Wiederaufbau | Ireland, Germany | Mining | 20.8 | IDA, SSA |
| Mozambique ** | Portus Indico-Sociedade de Servicos Portuarios, S.A | Portugal | Infrastructure | 13.8 | |
| Mozambique | Sasol Gas Holdings (Pty) Ltd., Sasol Petroleum International (Pty) Ltd. | South Africa | Oil and Gas | 72.0 | IDA, SSA, S-S |
| Nigeria | Cotecna S.A. | Switzerland | Services | 30.0 | IDA, SSA |
| Nigeria | MTN International Ltd., Ericsson Credit AB | Mauritius, Sweden | Infrastructure | 50.0 | IDA, SSA, S-S |
| Nigeria | Ewekoro Power Plant Sales Ltd., Rolls Royce-Power Ventures, Rolls Royce-Power Ventures (Ekiti) Ltd. | United Kingdom | Infrastructure | 19.5 | IDA, SSA, SME |
| Zambia | Industrial Development Corporation of South Africa Ltd. | South Africa | Agribusiness | 3.6 | IDA, SSA, S-S |

* Representing projects in priority areas, as follows: IDA: in an IDA-eligible country; SSA: in a sub-Saharan African country; SME: support to a small or medium-sized enterprise; S-S: support of a South-South investment between developing countries.

** Counted towards annual Projects Supported and Priority Areas figures in previous years.

The results from fiscal year 2003 bring total coverage issued (including CUP) in the course of MIGA's history to \$12.4 billion, and the amount of additional foreign direct investment facilitated into developing countries to an estimated \$50 billion. With respect to the amount of guarantees outstanding, gross exposure was reduced from \$5.3 billion at fiscal year-end 2002, to \$5.1 billion at the end of this most recent year. The reduction in outstanding exposure levels was due to higher than expected cancellations in fiscal year 2003, primarily a result of the crisis in Argentina, which caused many international banks to retrench and refocus on their core markets. Consequently, cancellations were concentrated in the financial sector.

Figure 4 Gross Exposure, \$ M, as of June 30, 2003



Priority Areas

Despite the ongoing turbulence in the global political and economic environment, MIGA was able to stay focused on its priority areas, as indicated in Table 4. During the year, MIGA supported 19 projects in IDA-eligible countries, and eight into and within Africa. This performance ensured that projects in IDA-eligible countries represent more than 33 percent of MIGA's gross outstanding portfolio, and that the sub-Saharan African share increased to 19 percent. In addition, MIGA supported 12 South-South investments during the year. These included two telecommunication

projects in Mali and Burundi, involving a Senegalese and Mauritanian investor respectively, an important oil and gas pipeline project undertaken by a South African investor into Mozambique, and a major power project in Vietnam, involving a Singaporean investor, which MIGA coinsured with the Asian Development Bank. The Agency also supported ten SME projects, including one in Central America, a small Costa Rican investment in a leasing company for SMEs in Nicaragua.

Table 4 Number of Projects in Priority Areas

| | FY01 | FY02 | FY03 |
|--------------------|------|------|------|
| IDA-eligible | 18 | 14 | 19 |
| Sub-Saharan Africa | 8 | 9 | 8 |
| South-South | 8 | 11 | 12 |
| SME | 18 | 11 | 10 |

Note: These numbers reflect only new projects in each fiscal year.

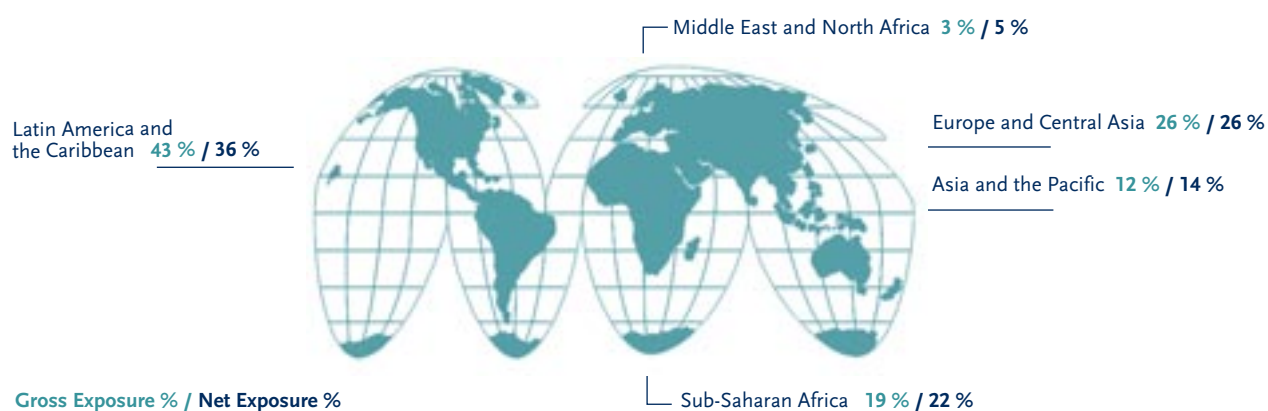
Portfolio Diversification

Regional Diversification MIGA's efforts to diversify its regional portfolio continued to show positive results in fiscal year 2003, as shown in Figure 5. The Agency's strong performance in the Europe and Central Asian and sub-Saharan African regions led to their shares of the outstanding portfolio increasing substantially, to 26 percent and 19 percent, respectively. Europe and Central Asia benefited from buoyant investor activity in several countries, as well as increased political stability in southeastern Europe. Fiscal year 2003 marked the first year that Croatia and Bulgaria entered MIGA's top ten list, as is indicated in Table 5. The increase in the African share of the portfolio continues to reflect the Agency's intense efforts to underwrite business in the region. Portfolio shares also increased to 3 percent in the Middle East and North Africa region, amidst the very difficult political and economic situation in the region. While still modest, this growth is a reflection of MIGA's concerted outreach efforts in the region over the past three years. The Asian share

of the portfolio also increased, reaching 12 percent. The Latin American and the Caribbean region alone experienced a decline, dropping from 55 percent of

the gross outstanding portfolio to 43 percent, due to the economic difficulties and political uncertainties experienced by several countries.

Figure 5 Outstanding Portfolio Distribution by Host Region, as of June 30, 2003



Note: Percentages add up to more than 100 percent because of multi-country agreements. Refer to Statements of Guarantees Outstanding in the Financial Statements.

Table 5 Ten Largest Outstanding Country Exposures in MIGA Portfolio, as of June 30, 2003

| Host Country | Gross Exposure \$ M | % of Gross Outstanding Portfolio | Net Exposure \$ M | % of Net Outstanding Portfolio |
|--------------------|------------------------|-------------------------------------|----------------------|-----------------------------------|
| Brazil | 826 | 16.3 | 266 | 8.3 |
| Bulgaria | 334 | 6.6 | 125 | 3.9 |
| Argentina | 293 | 5.8 | 139 | 4.3 |
| Mozambique | 262 | 5.2 | 192 | 6.0 |
| Turkey | 214 | 4.2 | 117 | 3.7 |
| Romania | 214 | 4.2 | 127 | 4.0 |
| Nigeria | 200 | 3.9 | 168 | 5.2 |
| Dominican Republic | 184 | 3.6 | 110 | 3.4 |
| Croatia | 167 | 3.3 | 148 | 4.6 |
| Peru | 154 | 3.0 | 112 | 3.5 |
| Total | 2,848 | 56.1 | 1,504 | 46.9 |

Sectoral Diversification The changes in relative sector shares in MIGA's portfolio were influenced by contraction in the financial sector's share, which fell from 35 percent in fiscal year 2002, to 29 percent in fiscal year 2003. As previously noted, this is a reflection of cancellations in the Latin America and the Caribbean region and the low level of new investor activity in the sector.

Undertaking more business in the infrastructure sector is one of MIGA's strategic priorities. In fiscal year 2003, this sector increased its share to 41 percent from 36 percent in fiscal year 2002, as indicated in Table 6. Within the infrastructure sector, the Agency aims to increase support to complex projects, where the value-added of a multilateral insurer is typically heightened, while maintaining balanced diversification among sub-sectors. In addition, MIGA continued efforts to increase its involvement in the transportation sub-sectors—roads, ports and airports.

Investor Country Diversification Notable changes in the outstanding portfolio distribution by investor country (Figure 6) have occurred since last year. Traditionally, the greatest amount of MIGA-guaranteed investment originated from the United States and the Netherlands. The United States remains MIGA's largest investor country. However, in fiscal year 2003 Austria became the second largest investor country in the Agency's outstanding portfolio as the Austrian banking sector showed strong activity in several countries in eastern Europe and Russia. As with other areas, the diversification of investor countries remains an important objective for the Agency as it manages its portfolio and seeks to provide value for member countries.

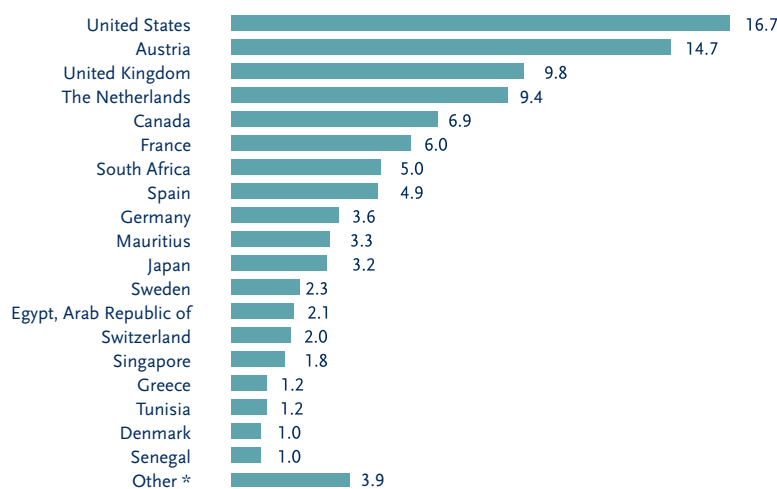
World Bank Group Cooperation

By working closely with other parts of the World Bank Group, MIGA can more effectively ensure that its limited underwriting resources are channeled to priority

Table 6 Outstanding Portfolio Distribution by Sector, gross exposure, in percent, as of June 30, 2003

| | FY99 | FY00 | FY01 | FY02 | FY03 |
|----------------|------|------|------|------|------|
| Infrastructure | 19 | 29 | 29 | 36 | 41 |
| Financial | 42 | 34 | 36 | 35 | 29 |
| Manufacturing | 15 | 12 | 9 | 9 | 10 |
| Mining | 13 | 12 | 9 | 8 | 6 |
| Oil and Gas | 3 | 2 | 5 | 4 | 6 |
| Tourism | 2 | 2 | 2 | 2 | 4 |
| Services | 5 | 8 | 6 | 4 | 3 |
| Agribusiness | 1 | 1 | 4 | 2 | 1 |
| | 100 | 100 | 100 | 100 | 100 |

Figure 6 Outstanding Portfolio Distribution by Investor Country, net exposure, in percent, as of June 30, 2003



* Israel, Belgium, Italy, Norway, Slovenia, Portugal, Panama, Turkey, Luxembourg, Costa Rica, Ireland.

projects. This is particularly important as all the institutions of the World Bank Group strive, along with the rest of the development community, to help meet the Millennium Development Goals (MDGs). The MDGs are aimed at reducing poverty in all its forms, and reaching the ambitious targets that have been set will not be possible without simultaneous work in multiple sectors. The role of infrastructure as a catalyst is illustrative. Access to modern and improved infrastructure services directly improves health and education outcomes, reducing levels of child mortality from water borne diseases and respiratory illnesses, and allowing easier access to schools and clinics. However, for the necessary advances to take place in the infrastructure sector, the presence of foreign private investment to bolster public resources will be critical, since infrastructure projects are typically capital intensive. While the private sector's share in infrastructure is considerably larger than it was ten years ago, recently the flow of private capital to infrastructure projects has declined. Thus, MIGA's role in encouraging new investment is extremely important. The Agency works

with the Sector Boards and Country Units in the World Bank, as well as with colleagues in the International Finance Corporation (IFC), to set priorities, identify opportunities, and reinforce awareness of the catalyzing role of the guarantees program. MIGA also works closely with the World Bank's Project Finance and Guarantees Department, including on large and high risk infrastructure projects, as well as in developing new delivery mechanisms for smaller infrastructure projects in Africa.

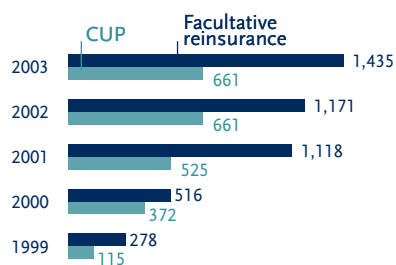
Reinsurance and Coinsurance

Private Partners Reinsurance continued to be an important aspect of MIGA's exposure management. Despite a hardening of the insurance market, as reflected in a reduction of more than 50 percent of the private market's capacity for political risk insurance since the events of September 11th, 2001, MIGA successfully maintained its current beneficial arrangements with its treaty reinsurers in fiscal year

2003. The Agency has also continued to mobilize strong support from its syndication partners for its facultative reinsurance and cooperative underwriting programs (Figure 7). During the fiscal year, MIGA arranged its largest facultative reinsurance to date, supporting the Maritza projects in Bulgaria with €142.5 million of private insurers' capacity for a period of 12 years. This was a significant achievement, since the deal was syndicated at a time when the private market was reducing tenors and project limits. This transaction clearly demonstrated MIGA's countercyclical role and its ability to lead the private market into projects that it would not have supported at all, or on less favorable terms.

Public Partners During the year, MIGA started to work on its first transaction with the Inter-Arab Investment Guarantee Corporation in Kuwait. The Agency also began discussions with Sinosure of China and ECICS of Singapore, as potential reinsurance partners. In addition, MIGA reinsured CESCE of Spain for an oil and gas transaction in Algeria.

Figure 7 Cumulative Amounts of Private Insurance, \$ M



Field Offices and Mobile Offices

Efforts to support projects in priority areas and to diversify the portfolio both regionally and on a sector basis continued to bear fruit as a result of sustained marketing efforts by staff at headquarters and in field offices.

Field Offices Since fiscal year 2001, MIGA has expanded its field presence, in response to requests from host country stakeholders and clients. This presence has allowed MIGA to work more closely with member governments, private sector clients, and national and multilateral development institutions. It also allows the Agency to coordinate more easily and more frequently with colleagues in the World Bank and IFC country offices. The field offices are key in reaching businesses, such as small and medium-sized investors, that otherwise might not be aware of MIGA's services. MIGA now has four established field offices. A newly opened office in Singapore joins previously opened offices in Paris, Johannesburg and Tokyo. Looking ahead, plans include establishing an office in Central and West Africa, an activity that was postponed from fiscal year 2003 due to unrest in Côte d'Ivoire.

Mobile Offices MIGA's mobile offices complement the role of field offices. They began as a way for MIGA to reach out to member countries at a time when MIGA did not yet have a field presence. Today they continue to form a key element of the Agency's marketing and business outreach strategy. Mobile offices are led by senior managers and typically involve a visit to several countries in a region, each for a few days, to meet with investment communities and with senior government officials. Mobile offices are particularly effective in generating business leads that are closely aligned with a country's development priorities. In fiscal year 2003, MIGA conducted seven mobile offices: two in Africa, two in the Middle East and North Africa; and one each in Asia, Latin America and the Caribbean, and Europe and Central Asia.

Table 7 MIGA Guarantees Portfolio in IDA-Eligible Countries, as of June 30, 2003

| Host Countries | Gross Exposure \$ M | % of Gross | Net Exposure \$ M | % of Net |
|------------------------|---------------------|-------------|-------------------|-------------|
| Mozambique | 262.4 | 5.2 | 192.0 | 6.0 |
| Nigeria | 199.5 | 3.9 | 167.8 | 5.2 |
| Tanzania | 151.3 | 3.0 | 62.5 | 2.0 |
| Pakistan | 141.0 | 2.8 | 110.6 | 3.5 |
| Vietnam | 128.2 | 2.5 | 54.1 | 1.7 |
| Kenya | 123.7 | 2.4 | 64.2 | 2.0 |
| Nicaragua | 123.7 | 2.4 | 62.3 | 1.9 |
| Bosnia and Herzegovina | 80.9 | 1.6 | 75.8 | 2.4 |
| Bangladesh | 61.2 | 1.2 | 55.7 | 1.7 |
| Moldova | 61.1 | 1.2 | 30.5 | 1.0 |
| Indonesia | 52.4 | 1.0 | 52.0 | 1.6 |
| Kyrgyz Republic | 46.3 | 0.9 | 41.7 | 1.3 |
| Mauritania | 41.4 | 0.8 | 37.3 | 1.2 |
| Serbia and Montenegro | 37.6 | 0.7 | 33.8 | 1.1 |
| Zambia | 36.1 | 0.7 | 35.7 | 1.1 |
| Mali | 35.8 | 0.7 | 32.2 | 1.0 |
| Nepal | 30.1 | 0.6 | 14.1 | 0.4 |
| Angola | 19.5 | 0.4 | 19.5 | 0.6 |
| Guinea | 17.5 | 0.3 | 17.5 | 0.5 |
| Côte d'Ivoire | 17.1 | 0.3 | 17.1 | 0.5 |
| Bolivia | 14.6 | 0.3 | 14.6 | 0.5 |
| Honduras | 11.3 | 0.2 | 11.3 | 0.4 |
| Lesotho | 10.0 | 0.2 | 10.0 | 0.3 |
| Togo | 9.9 | 0.2 | 9.9 | 0.3 |
| Albania | 8.6 | 0.2 | 8.6 | 0.3 |
| Benin | 5.6 | 0.1 | 5.0 | 0.2 |
| Uganda | 5.3 | 0.1 | 5.3 | 0.2 |
| Azerbaijan | 3.2 | 0.1 | 3.2 | 0.1 |
| Senegal | 2.8 | 0.1 | 2.5 | 0.1 |
| Armenia | 2.7 | 0.1 | 2.7 | 0.1 |
| Georgia | 2.1 | 0.0 | 2.1 | 0.1 |
| Sri Lanka | 1.7 | 0.0 | 1.7 | 0.1 |
| Madagascar | 1.4 | 0.0 | 0.7 | 0.0 |
| Burundi | 0.9 | 0.0 | 0.8 | 0.0 |
| Cape Verde | 0.5 | 0.0 | 0.5 | 0.0 |
| Total 35 | 1,747.3 | 34.4 | 1,255.4 | 39.1 |

Awards

Two MIGA-supported projects received awards during fiscal year 2003. The first, Baymina Enerji, a power project in Turkey, was named Project Finance International's 2002 Power Deal of the Year. MIGA issued 15-year guarantees to Tractebel S.A. of Belgium, and BNP Paribas of France, for \$35 million and \$90 million to cover their respective loan guaranty and non-shareholder loan to the project enterprise. Additional insurance was provided by four major national agencies, including the Overseas Private Insurance Corporation (OPIC) and the Österreichische Kontrollbank Aktiengesellschaft (OeKB). Seven banks took the deal in a club-style arrangement overseen by BNP Paribas.

Global Trade Review named the Coltea Clinic project, a hospital renovation project in Romania, its Deal of the Year. MIGA provided guarantee coverage to Österreichische Volksbanken AG of Austria for its €64 million shareholder loan to Volksbank Romania S.A., which supported a loan to the Ministry of Health for the renovation, modernization, and extension of Clinic Coltea, a teaching hospital in Bucharest.

Investment Marketing Services

OPERATIONAL
OVERVIEW



MIGA's Investment Marketing Services department provides capacity-building, advisory, and information dissemination services to developing member countries. The department is a leading source of FDI expertise.

In fiscal year 2003, demand for services continued to increase, as client countries sought support in their efforts to improve, foster and promote the opportunities they present to investors amidst a difficult international market for FDI. Departmental efforts focused on scaling up to meet rising demand by developing new tools and approaches and by strengthening the collaborative network within the World Bank Group and the broader development community.

MIGA serves a spectrum of investment promotion intermediaries (IPIs) in developing countries with a diverse set of skills, needs, and priorities. For these clients, MIGA staff develops a customized plan based upon an initial needs assessment and proposes a series of actions that will assist the country in reaching FDI objectives. MIGA's approach ranges from strategic advice to hands-on coaching, from distance learning to online outreach, depending on client capabilities and the critical needs identified.

The department's fiscal year 2003 portfolio encompassed 28 projects in 30 countries and several global initiatives. These global initiatives included 71

activities, with 16 activities directed to countries in sub-Saharan Africa and 35 to IDA-eligible countries.

Partnerships and Collaboration in Private Sector Development

Identifying and developing innovative partnerships is a key element of MIGA's strategy to heighten the impact of its technical assistance efforts. In fiscal year 2003, MIGA continued to work with the World Bank in the design and delivery of the investment promotion components of private sector development programs. MIGA led the design of such components of the World Bank's Competitiveness Programs in Bolivia, the Democratic Republic of Congo, Guatemala and Honduras, and supervised components of Learning and Innovation Loans in Armenia and Nicaragua. MIGA was also part of the appraisal and pre-appraisal missions for private sector programs in Cape Verde, Peru, and Senegal, defining the dimensions of the World Bank Group investment promotion support strategy.

MIGA was one of the first organizations on the ground in Kenya after the inauguration of the new government, responding to a request from the Office of the Vice President and the Ministry for National Reconstruction to craft a strategy for promoting critical projects left

Table 8 Regional Breakdown of Technical Assistance Activities, FY03

| | | Priority Areas |
|--|-----------|----------------|
| ASIA and the PACIFIC | 9 | |
| Bangladesh | 1 | IDA |
| China | 1 | |
| Indonesia | 1 | IDA |
| Malaysia | 1 | |
| Mongolia | 1 | IDA |
| Philippines | 1 | |
| Thailand | 1 | |
| Vietnam | 1 | IDA |
| Regional | 1 | |
| EUROPE and CENTRAL ASIA | 14 | |
| Albania | 1 | IDA |
| Armenia | 3 | IDA |
| Bosnia and Herzegovina | 1 | IDA |
| Romania | 2 | |
| Russia | 3 | |
| Serbia and Montenegro | 4 | IDA |
| LATIN AMERICA and the CARIBBEAN | 21 | |
| Bolivia | 1 | IDA |
| Colombia | 2 | |
| El Salvador | 6 | |
| Guatemala | 4 | |
| Honduras | 3 | IDA |
| Nicaragua | 3 | IDA |
| Panama | 1 | |
| Peru | 1 | |
| MIDDLE EAST and NORTH AFRICA | 3 | |
| Egypt | 3 | |
| SUB-SAHARAN AFRICA | 16 | |
| Cape Verde | 1 | IDA, SSA |
| Democratic Republic of Congo | 1 | IDA, SSA |
| Ghana | 1 | IDA, SSA |
| Kenya | 2 | IDA, SSA |
| Mozambique | 3 | IDA, SSA |
| Senegal | 2 | IDA, SSA |
| Tanzania | 5 | IDA, SSA |
| Regional | 1 | SSA |
| GLOBAL ACTIVITIES | 8 | |

undeveloped by the previous administration. Working with the government and the World Bank, MIGA is supervising the preparation and posting of five project proposals for online marketing via the FDI Xchange. MIGA also conducted an analysis of the Kenyan institutional framework for investment promotion, which will be integrated in the development of the World Bank's private sector strategy.

Working with IFC in Panama on the conversion of the former Howard Air Force Base to civilian use, MIGA's efforts helped attract a large United States high-tech company as the anchor tenant. This investment is expected to create significant local employment, and will contribute to technology transfer, having a demonstration effect for other potential investors.

New Strategies for Scaling Up

In fiscal year 2003, MIGA consulted with other parts of the World Bank Group that work on private sector development to explore an integrated and improved approach to cultivating foreign direct investment. MIGA met with more than 30 relevant IFC/IBRD representatives to discuss ways to leverage the Agency's capacity-building activities with country strategies to deliver specific FDI, focusing on transactions that utilize MIGA's political risk insurance.

As a result of these discussions and internal strategic planning, MIGA concluded preliminary work in defining a new approach to its involvement in Country Assistance Strategies. The intention is to add increased value to the Country Assistance Strategy process and to strengthen the Agency's contribution to the Millennium Development Goals (MDGs). The proposal now being implemented is expected to better serve host countries' development strategies, while allowing MIGA to position its technical assistance and marketing of guarantees more effectively. Countries included in the pilot are Indonesia, Mozambique, and Tanzania. This approach will also allow MIGA to provide regular input to the World Bank Group about trends in investor interest (for example, county, sector, amounts, and types of deals) and investment disputes information.

Emphasis on Trust Funds and Donor Relations

The need to mobilize external funding to support the investment marketing department's activities derives from two separate but related forces. First, the overall dampening of FDI flows requires that MIGA scale up programs to respond to host country requests for assistance with FDI promotion and retention. Second, MIGA wants to expand its capacity to deliver new FDI promotion programs that enhance the development impact of each FDI dollar. In fiscal year 2004, the Investment Marketing Services department will work to establish a trust fund in support of a new Invest in Development Facility. The initiative will develop and deliver the tools investment promotion intermediaries need to attract FDI and to heighten the economic impact of that FDI in support of the MDGs. In preparation for this effort, in fiscal year 2003 MIGA conducted a series of meetings with the trust funds units of the World Bank and IFC, to garner more information on the World Bank's strategy, policies, and objectives in trust fund development and management, and to identify how MIGA can become better integrated in the process. As a near-term result, in December 2002, MIGA participated for the first time in the World Bank's annual European Union (EU) donor consultations, and joined with the IFC in its discussions with the EU in April. In addition, key professional and administrative staff will be certified by the World Bank in trust fund management by the end of fiscal year 2004.

On a regional level, MIGA worked with the European Commission on its Egypt-Industrial Modernization Program to incorporate MIGA-managed components into the project. The €250 million project, which is being financed by trust funds, will include MIGA as the strategic advisor on the investment promotion component. MIGA expects to launch an initial set of capacity-building activities with the General Authority for Investment and Free Zones early in fiscal year 2004.

Global Products and Services

In some advanced economies, such as the United States, it is estimated that 80 percent of the short-listing process in a site selection exercise is conducted

online. Best practice IPI Web sites today provide detailed sectoral analysis and market research, as well as information on factor costs, demographics, available real estate, and infrastructure considerations. This makes the continued expansion of MIGA's on-line services critical to the competitiveness of its client IPIs.

Use of MIGA's online information services grew by all measures—number of users, hits, page views—averaging some 40-60 percent higher than the year before. As of the end of fiscal year 2003, 18,828 users are registered worldwide, primarily comprised of private firms and business advisors based in North America and Europe. With this user base, MIGA's online information services clearly provide an attractive outreach mechanism for developing country clients.

Interest in MIGA's online services has been stimulated by the marketing of new partnership opportunities through the FDI Xchange, MIGA's customized e-mail alert service. Since the end of fiscal year 2002, the number of content partners providing information and investment opportunities for dissemination through the service has more than doubled, rising from 30 to 69 organizations worldwide. More than 4,300 registrants are now enrolled in the service, and marketing partnerships with leading business Web sites are helping to further increase participation.

Figure 8 Online Registrants by Region,
percent

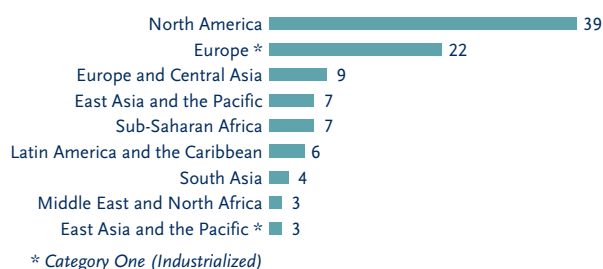
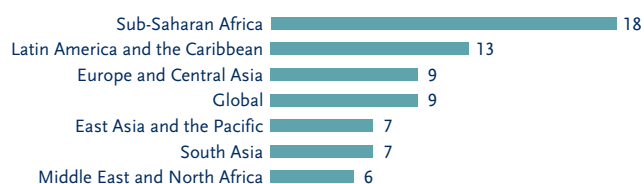


Figure 9 Online Services User Base by Institutions,
percent



Figure 10 FDI Xchange Content Providers by Region,
number



Investment Promotion Resources Center

MIGA has developed an extensive knowledge base of tools, best practices, presentational aids, templates and other resources for the global investment promotion community. The MIGA toolkit publication for investment promotion, published in 2001, constituted the first product which comprehensively packaged MIGA's knowledge in investment promotion. Its success, as well as escalating demand for MIGA's capacity building services by investment promotion intermediaries throughout the developing world, has prompted MIGA to go a step further and conceptualize a virtual Investment Promotion Resources Center (IPRC)—a portal site featuring the online version of MIGA's existing Investment Promotion Toolkit packaged with a reference library of available investment promotion related resources. In a second phase, plans include augmenting the IPRC with e-learning courses developed to address specific functional disciplines, such as investment promotion strategy development and investor targeting.

During fiscal year 2003, MIGA took steps to conceptualize and start the implementation of the IPRC, including developing requirements and functional

specifications for the IPRC, determining the design elements, and posting of a mock-up for the Investor Targeting module to allow for user group testing and further fine-tuning. Programming and site development is expected to start during the first quarter of fiscal year 2004, and a first IPRC version should be available by the second quarter.

Managing for Results

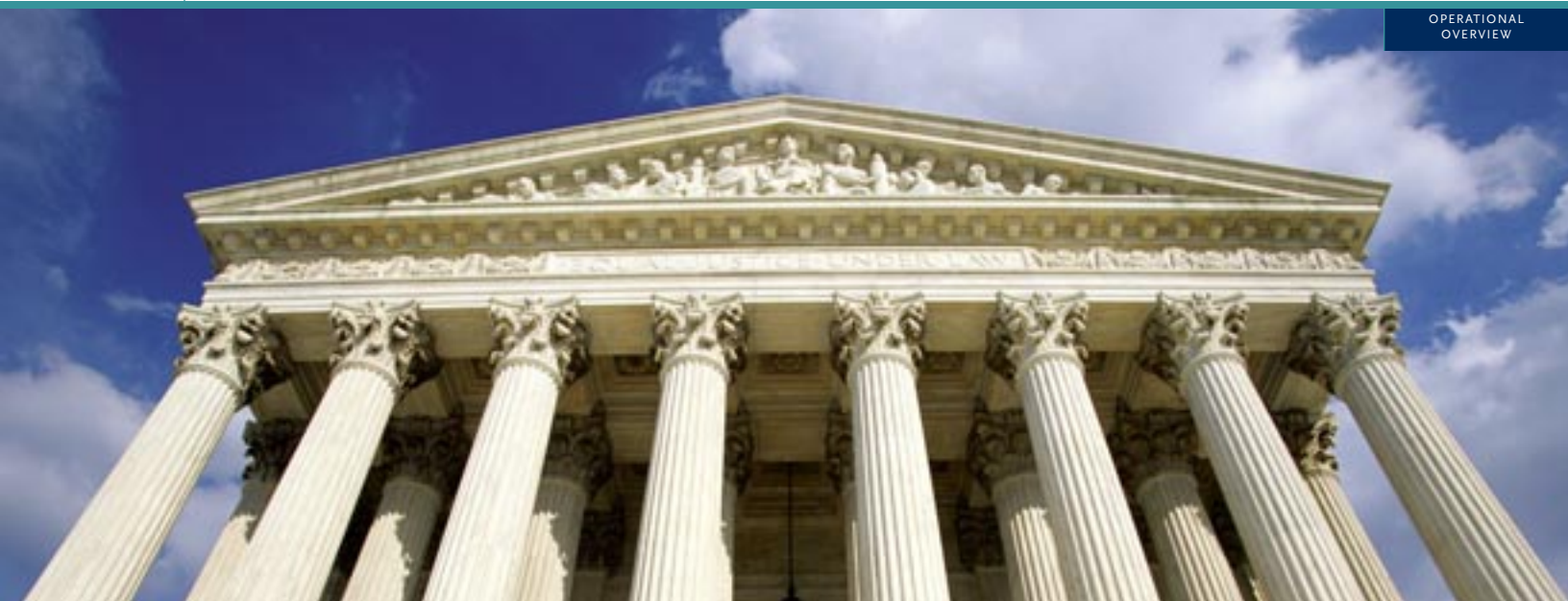
For the first time since the strategic shift in fiscal year 2000 to longer-term technical assistance interventions, MIGA completed multi-year capacity-building initiatives in fiscal year 2003, and conducted ex-post evaluations of programs in Korea, the Philippines, and Thailand. In addition, MIGA's Operations Evaluation unit is developing measures to assess performance, and to define a structured approach to the complex area of evaluation of investment promotion technical assistance. MIGA is also working with FIAS to develop metrics by which to measure the effectiveness of investment promotion intermediaries, using data drawn from a global survey conducted in 2002, and through a series of country-specific case studies now underway.

New Investor Information Development Program

In January 2003, MIGA launched the FDI Xchange's Investor Information Development Program. This pilot program for capacity-building assistance is designed to help MIGA member countries implement their own ideas for employing technology to develop, mobilize and disseminate critical investment information (for example: factor costs, project opportunities, market information). The Development Gateway Foundation, through a grant from the government of Japan, is funding this client-driven initiative, through which six programs will be funded in fiscal year 2003-04. Investment promotion intermediaries in Bosnia,

Guatemala, Kenya, Malta, Mongolia, and Turkey have already been tapped to receive assistance.

Once the country projects are completed, investors will be able to use this information to compile country data for location analysis, short-listing, and investment decision-making. Investment promotion agencies and other investment intermediaries from MIGA's developing member countries will be equipped with an improved information infrastructure (for example: technical and institutional capacity) to service international investors.



MIGA's Legal and Claims Department assists member countries on matters related to foreign investment, provides legal advice to underwriters regarding the issuance of guarantees, and handles claims for compensation brought under contracts issued by MIGA.

The legal department has been active in the past year with regard to MIGA's General Capital Increase (GCI). The extended subscription period to the 1998 General Capital Increase (GCI) expired on March 28, 2003 and the GCI is now closed. At the conclusion of the subscription period, all eligible Category One and 71 Category Two member countries had partially or fully paid for the GCI shares allocated to them. Of the Agency's 162 member countries, 133 have either paid or submitted an Instrument of Contribution.

The legal department has had a busy year with several crises affecting the Latin American region, particularly in Argentina and Venezuela. In Argentina, the move from a dollar-pegged monetary regime to a single floating rate left individuals and businesses reeling at a time when they were already struggling with an economic slowdown. MIGA currently has several outstanding guarantees in Argentina, with the majority concentrated in the financial sector. Several decrees and Central Bank communications in Argentina called for all monetary transfers on payments of loans going outside the country to be

authorized by the Central Bank, a body that had not been involved in such day-to-day transactions for about a decade. The ensuing delays could have resulted in transfer restrictions and other problems. MIGA was able to negotiate with the country's authorities and obtain an exception to the authorization requirement for its guarantee holders.

In addition, MIGA has maintained a solid relationship with the Argentine government, and will continue to use its unique rapport with country authorities to protect its guaranteed clients. New guarantees are currently being considered, provided they meet MIGA's developmental and business standards.

Nevertheless, in one claim filed and registered with MIGA during fiscal year 2003, MIGA is working actively with the investor and the host government to resolve the problem.

Three additional claims relating to investments in two countries were filed during the year, but were not registered, since in each case the matter in question did not constitute a covered event under MIGA's contract of guarantee. In addition, at year-end there were four pre-claim cases, relating to guaranteed investments in various countries, which have the potential to develop into claims. MIGA has been holding discussions with the guarantee holders and the respective host gov-

ernments to try to resolve these problems before they become claims.

In Venezuela, the government imposed restrictions on foreign currency transfers through Decrees No. 2302 and 2303, and the “Convención Cambiaria No. 1” issued by the Central Bank of Venezuela. An exception to these restrictions applicable to multilateral institutions has been granted, and it is expected that this exemption will protect the three projects in Venezuela for which the Agency has issued guarantees.

In June 2003, MIGA received from Indonesia the last payment corresponding to the claim paid by MIGA three years ago, MIGA has been compensated in full by the government of Indonesia.

In several other disputes relating to MIGA guaranteed-investments between investors and member countries, MIGA has been working with the host governments and guarantee holders, in close collaboration with the World Bank Group, to resolve the disputes and avert claim situations which would be counter-productive to all parties.

In addition to those investment disputes in which it is involved as an insurer, MIGA, in accordance with its Convention, uses its good offices to encourage the settlement of other disputes between investors and member countries that may jeopardize the investment climate in these countries. MIGA staff experienced in foreign investment-related conflict resolution provided legal assistance and guidance to claimants and member countries in resolving investment-related disputes. MIGA’s objective in these cases is to resolve disputes before they require formal arbitration.

An especially contentious matter, resolved in fiscal year 2002, illustrates the range of issues that can arise between foreign investors and host countries. The claimant in the Matter of Italtrade was a Gibraltar cor-

poration, now in liquidation. The corporation entered into an agreement in 1990 with the state-owned cement monopoly in Sri Lanka. When the agreement was allegedly breached, Italtrade brought an international arbitral action against the enterprise. It prevailed on all substantive points, but the enterprise refused to honor the award, and the local courts refused to enforce payment. Negotiations between the parties under MIGA’s auspices led to a settlement in satisfaction of Italtrade’s claim.

MIGA continues its work on the mediation services offered to the government of Ethiopia. The goal is to help find a solution to the claims pursuant to the confiscation or expropriation of foreign property without compensation during the Mengistu regime. Since its formal appointment three years ago as mediator by the government, negotiations have continued between MIGA, the government and the claimants. During fiscal year 2003, over 20 claimants received offers from the Ethiopian authorities. A significant number of them have reached an agreement, and have been compensated. A MIGA delegation visited Ethiopia and was reassured by the authorities that the government intends to offer compensation to all pending claimants.

During fiscal year 2003, the legal department also assisted several countries in attaining MIGA membership. Five new countries became members and shareholders, bringing the total number of member countries to 162: Timor-Leste (at the time East Timor) became a member on July 23, 2002; Rwanda became a member on September 27, 2002; Tajikistan completed the process of membership begun in 1993 and became a member of MIGA on December 9, 2002; Gabon, which originally signed the MIGA Convention in 1994, completed its membership requirements on March 26, 2003; and Afghanistan became a member on June 16, 2003.



MIGA's Policy and Environment department provides analytical and strategic work for the Agency, that includes research on potential new products and contributions to strategy-related documents. The department is also responsible for the environmental review of guarantees-related projects.

Policy The department tracked the estimated development impacts of new projects guaranteed by MIGA. Analysis of these development impacts provided the foundation for the formulation of MIGA's strategy for the future. The department also supported the development of Agency presentations to the Board and participated in various World Bank Group task forces. The department coordinated MIGA's inputs into more than 50 country assistance strategies that were under preparation during the period.

The department also contributed to wider public understanding of MIGA's role through representations at various fora. The most notable of these was a major symposium in October 2002 on political risk management jointly organized with Georgetown University's School of Foreign Service. The event drew together 130 of the world's foremost practitioners from

the public and private political risk insurance markets, investors, consultants and academics. The symposium considered the current and prospective state of the political risk insurance industry in the aftermath of September 11th, 2001, the Argentine crisis, and other events. Wide-ranging issues were discussed, including changes in insurance capacity, tenor and contract language, various claims experiences, subsovereign coverage, devaluation coverage, and waiting periods. Other topics included the role of reinsurance, the gap between investors' PRI needs and what is offered by insurers and alternative risk mitigating tools. The 13 papers given at the symposium are being revised by the authors and are expected to be published in 2003.

Environment During fiscal year 2003, the Environment unit carried out environmental reviews and due diligence during underwriting, and monitored compliance of insured projects with environmental requirements incorporated into contracts of guarantee. The unit also sought to play a key role in discussions on the harmonization of environmental standards among other financial institutions. Staff participated in workshops with representatives of Export Development Canada (EDC) and other member institutions of the

Berne Union. They held meetings with a major European bank to discuss the bank's efforts to develop environmental policies and procedures. In doing so, MIGA has been able to encourage other investment insurers and export credit agencies to consider implementing or upgrading the environmental and social aspects of their underwriting practices.

Since its establishment, MIGA's Environment unit has carried out selected project monitoring activities with a

focus on compliance with environmental and social policies. During the year, six projects have been monitored by MIGA's Environment unit: a sugar cane plantation and an aluminum smelter in Mozambique, major mines in Tanzania and Peru, and two geothermal power projects in Central America. All were found to be operating in a manner consistent with, or better than, MIGA's original expectations.



Operations Evaluations

MIGA's Operations Evaluation unit was established on July 1, 2002. The Unit is responsible for evaluating MIGA's developmental and operational effectiveness. Its functions and staff are organizationally independent from MIGA's operational departments and decision-making. The unit reports directly to the Board's Committee on Development Effectiveness through the Director-General, Operations Evaluation.

The Operations Evaluation unit's mandate encompasses the evaluation of MIGA activities, as well as MIGA's institutional efficiency, efficacy and strategy. Additionally, the unit participates in joint country, sectoral, and thematic evaluations with the Operations Evaluation Department of the World Bank and the Operations Evaluation Group of the

International Finance Corporation. In its first year of operation, the unit worked primarily on implementing a new evaluation methodology, evaluating a sample of MIGA's guarantee projects, participating in joint evaluations of World Bank Group's activities in extractive industries and in private sector development in electric power, and on the unit's annual report. The unit's objectives are to formulate and share lessons and recommendations, and contribute to improved operational performance, accountability, and transparency.

Compliance Advisor/Ombudsman

The IFC/MIGA Office of Compliance Advisor/Ombudsman (CAO) was established in fiscal year 2000. The CAO promotes better accountability to people affected by IFC and MIGA projects. It is an independent office, reporting directly to the President. The CAO has three roles: an ombudsman role that responds to complaints from people who are affected by projects and attempts to resolve environmental and social issues using a flexible problem solving approach; a compliance role that audits sensitive projects for compliance with safeguard policies and guidelines; and an advisory role, that stems from the ombudsman and compliance role to provide an independent source of advice to the president and senior management of IFC and MIGA.

During the first half of fiscal year 2003, the CAO reviewed MIGA's implementation of its Environmental and Social Review Procedures, covering all projects cleared during the first three years (fiscal years 2000 to 2002) of MIGA's implementation of its environmental policies and procedures. The CAO reported its conclusions to the President of the World Bank Group in December 2002, finding that MIGA had consistently adhered to its procedural requirements with respect to environmental issues, and that

the Agency had shown a highly consistent and competent categorization of projects. The report (which is available at www.cao-ombudsman.org) noted that MIGA needed to strengthen its capacity for dealing with social issues, and in response the Agency will address this through recruitment in fiscal year 2004. MIGA's management also intends to strengthen its monitoring procedures.

In January 2002, the CAO received a complaint from a Tanzanian non-governmental organization, on behalf of a group of Tanzanian artisanal miners, alleging that MIGA had violated its policies in issuing a guarantee to Barrick Gold, the operator of the Bulyanhulu mine in Tanzania. Following an assessment of the complaint, the CAO issued a summary report, on October 21st, 2002, which found that the mine was performing in accordance with environmental and social standards that are in line with those expected of an investment of the World Bank Group. The report (which is also available through the CAO's website) emphasizes that the performance of the mine reflects the commitment of the insured client—Barrick Gold—working in partnership with other organizations. The CAO did not find that the project merits a compliance audit, nor that an independent inquiry was merited, and concluded that it could not play any further useful role in the case.

Regional Activities

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Asia and the Pacific

REGIONAL
ACTIVITIES



Guarantees Activities

During the course of fiscal year 2003, MIGA supported two projects in Asia through its guarantee program, and undertook nine technical assistance activities in the region. At year-end, MIGA's total gross guarantees exposure in the region stood at \$611.1 million, some 12 percent of the Agency's outstanding portfolio.

INDONESIA

Priority Areas—IDA, S-S, SME

MIGA has provided guarantees to **MTU Asia Pte. Ltd.** (MTU Asia) of Singapore of \$540,000 and \$1,860,000 to cover its \$0.6 million equity investment in, and \$1.8 million shareholder loan, plus interest, to, **PT MTU Detroit Diesel Indonesia** (MDDI), in Indonesia. The guarantees are for a period of up to five years against the risks of expropriation and war and civil disturbance.

The project involves the establishment of a distributorship in Jakarta for the distribution, sale, and maintenance of MTU diesel engines and spare parts for use in construction, power generation, and other industries including the commercial marine sector. The project will meet an increasing demand for diesel engines and improve the levels of customer satisfaction by providing extensive after sales service. In addition, the

supply of high-technology, high-performance, electronically controlled diesel engines will improve the quality and efficiency of facilities to which they are installed and improve the quality of life for Indonesian residential and business users by supplying well maintained engines that reduce environmental and noise pollution.

The project will employ about 50 local people and provide a special training program for qualified service technicians. The project is also expected to generate approximately \$490,000 in tax revenues for the government of Indonesia during the first 5 years of operation. The MDDI project meets two of MIGA's priority concerns: it is a South-South investment and provides support for SMEs. Furthermore, the ECICS Credit Insurance Ltd. of Singapore, with whom MIGA shares a Memorandum of Understanding (signed in November 1998), played an instrumental role in MIGA's involvement in the project.

VIETNAM

Priority Areas—IDA, S-S

MIGA has issued \$43.2 million in guarantees to **SembCorp Utilities Pte. Ltd.**, (SembCorp) of Singapore to cover its \$38 million equity investment in the **Phu My 3 BOT Power Company Ltd.** (PM3) in Vietnam.

MIGA has also issued \$75 million in coverage to **Crédit Lyonnais** of France to cover a \$43 million non-shareholder loan to the project. Crédit Lyonnais is the guarantee holder acting as Agent for itself and four other commercial banks who are jointly providing a total commercial loan of \$170 million. The coverage provided to SembCorp is for up to 15 years, and is against the risks of transfer restriction, expropriation and breach of contract. The coverage provided to Crédit Lyonnais is for up to 15 years, and is against the risks of transfer restriction, expropriation, breach of contract and war and civil disturbance.

The investment, which is part of an upstream-midstream power initiative in Vietnam, involves the construction, operation and maintenance of a 716.8 megawatt (MW) combined cycle, gas-fired electric generating plant. The project is located in the province of Ba Ria some 70 kilometers south-east of Ho Chi Minh city, and is structured as a build-operate-transfer (BOT) operation. PM3 will consist of one combined cycle power block equipped with two 230 MW combustion turbines, two heat recovery steam generators, and one 260 MW steam turbine. The advanced turbines have been selected due to their high thermal efficiency and low environmental impact. The plant will produce up to 4,700 gigawatt hours of power per year, which will be made available to Electricity of Vietnam (EVN), the public electricity utility, under a 20 year power purchase agreement (PPA). At the conclusion of the 20 year PPA period, the plant will be transferred to the government.

With demand for electricity in Vietnam growing at an annual average of 13-15 percent over the past five years, PM3 will help meet the increased demand in a cost-effective and reliable manner. It will also serve to reduce Vietnam's dependence on hydroelectric generation. PM3 will also bring many other developmental benefits to the country. The construction phase has provided employment to large numbers of Vietnamese workers, with about 2,000 people on site at the peak of construction. For the operations phase, Phu My 3 has recruited and trained about 50 Vietnamese engineers who will be responsible for running the plant. In addition, the project has significant upstream effects as the majority of the materials required for the building of PM3 will be sourced from within Vietnam.

Furthermore, there will be multiple downstream effects, as Vietnam's industries, as well as trade and tourism, will benefit from the enhanced reliability of electricity supply.

The project represents one of the largest foreign direct investments ever into Vietnam and is expected to help attract additional private capital investment flows for further infrastructure development in the country. It also addresses two of MIGA's priority areas, being a South-South investment into an IDA country.

Technical Assistance Activities

MIGA's technical assistance arm is becoming more active in the South Asia region. In India, MIGA supported a broader Agency effort to familiarize state level investment promotion intermediaries with the Agency's technical assistance and guarantee products. In Bangladesh, the department undertook a preliminary needs assessment. Following successful models of collaboration with the World Bank Group in Latin America and the Caribbean and Africa, staff met with the World Bank's South Asia private sector development managers to explore how MIGA can contribute to existing and planned programs. It is expected that this will lead to more effective contributions to the development of the private sector in the region in fiscal year 2004.

BANGLADESH

Priority Areas—IDA

In cooperation with a FIAS-organized Strategy Development Workshop, MIGA conducted an informal assessment of the Bangladesh **Board of Investment (BOI)**. Assessment results will be incorporated as an integral part of the strategic planning process. The assessment also provides a means to better understand the BOI's needs for potential future MIGA technical assistance. The Bangladesh assessment marked the first time that MIGA conducted an assessment in the South Asia region.

REGIONAL ACTIVITIES: EAST ASIA and the PACIFIC

In fiscal year 2002, MIGA brought to a close the capacity-building support that had been provided to Korea, the Philippines and Thailand under the Miyazawa Initiative¹⁰ as the execution period for the MIGA's program ended. However, early in fiscal year 2003, MIGA was given the opportunity to use the remaining funds from the Policy and Human Resources Development Fund (PHRD) to conduct a regional competitive benchmarking study of China, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. The purpose of the study was twofold: to generate useful industry-specific comparative information on operating costs and conditions for use by client countries; and to train participating investment promotion intermediaries in the methodology, implementation and analysis entailed. The study was undertaken with the assistance of local consultants and compared

operating costs and conditions for select FDI industries. In March 2003, MIGA staff traveled to the six participating countries to present the study results, describe methodologies, outline data sources and gaps and discuss overall study findings in a customized fashion with each country.

In an era where so much of the short-listing process in a site selection exercise is conducted online, helping investment promotion intermediaries learn how to collect, standardize and present information on cost and conditions to investors becomes critical to their investor outreach and targeting efforts. The study has contributed to the development of a standard methodology and format for reporting information on cost and conditions. It also served as an instrument for training the participating investment promotion intermediaries on data collection, analysis and presentation processes.

¹⁰ *The Miyazawa Initiative is a special element of the Japanese PHRD program to promote economic recovery in the countries most affected by the 1998 Asian financial crisis.*



Europe and Central Asia

REGIONAL
ACTIVITIES



Guarantees Activities

During the course of fiscal year 2003, MIGA supported 19 projects in Europe and Central Asia through its guarantee program, and undertook 14 technical assistance activities in the region. At year-end, MIGA's total gross guarantees exposure in the region stood at \$1.3 billion, some 26 percent of the Agency's outstanding portfolio.

AZERBAIJAN

Priority Areas—IDA, S-S, SMEs

MIGA has provided **Fatoglu Gida Sanayi Ve Ticaret Anonim Sirketi** (Fatoglu Food Industry and Trade Corporation or "Fatoglu") of Turkey with a guarantee for \$529,920 to cover its \$588,800 equity investment in **Fatoglu Istehsal Azerbaijan Ltd. Sirketi** (Fatoglu Production Azerbaijan Co. Ltd. or "Fatoglu-Azerbaijan"), for a period of up to five years, against the risks of transfer restriction, expropriation, and war and civil disturbance. The investment is for the expansion and modernization of a flour mill, which produces flour that is distributed and sold in Azerbaijan and Georgia. Following the expansion, it is estimated that the mill's increased production will account for approximately 10 percent of Azerbaijan's flour supply.

Since its inception in 1999, the project has provided a steady source of local employment. It currently employs over 90 nationals and expects to generate more jobs during the next five years while providing onsite technical and managerial training. In addition, the mill's activities indirectly support approximately 150 jobs through transportation and other related sectors. The project also has upstream benefits for local businesses in the packing and domestic and international shipping industries; approximately 15 percent of the goods and services needed by the project are purchased locally.

The project will not only develop the emerging agricultural sector, it will also diversify the Azeri economy, which is concentrated in the oil and gas industry. Moreover, it will have a net impact of \$1.6 million per year in new taxes and duties, while replacing \$6.5 million in imports per year. This is expected to create a positive effect of \$500,000 on foreign exchange per year. Fatoglu-Azerbaijan meets three of MIGA's priority concerns: it provides support for SMEs, is a South-South investment and is located in an IDA-eligible country.

BOSNIA and HERZEGOVINA

Priority Areas—IDA

MIGA has provided a \$4.6 million guarantee to **Bank Austria Creditanstalt AG** of Austria for its \$4.9 million

shareholder loan to **HVB-Bank Bosnia and Herzegovina d.d.** (HVB-BH). The guarantee is for a three-year period and provides coverage against the risk of transfer restriction.

The project's core business includes loans and guarantees, treasury and foreign exchange services, deposit and term account maintenance, and payment transfers for the corporate and retail private sector. In line with the World Bank and IFC's efforts to promote growth through private sector development, the project will focus on small and medium-sized enterprises (SMEs) and on-lend to industries such as metal working, wood-processing, construction and food processing.

HVB-BH expects to bolster the country's financial sector by providing medium-term financing with longer tenors. The strengthening of the financial sector will yield numerous development impacts for Bosnia and Herzegovina. Although the project will not directly contribute to export earnings, it will on-lend to companies which are expected to generate more than \$2 million annually in foreign exchange earnings.

Priority Areas—IDA

MIGA issued a €13.8 million (\$14.3 million)¹⁷ guarantee to **Hypo Alpe-Adria-Bank AG** of Austria for its \$15.9 equity investment in **Kristal Banka AD Banja Luka** in Bosnia and Herzegovina. The guarantee is for a period of ten years and provides coverage against the risks of expropriation and war and civil disturbance.

The project involves the recapitalization of Kristal Banka and further expansion of its lending activities. In addition to increasing the capacity of the financial sector, the project is expected to benefit the local economy by on-lending to a variety of businesses in the food, wood, construction, and transportation sectors.

The Kristal Banka project has numerous direct and indirect development impacts for Bosnia and

Herzegovina. In addition to increasing its lending activities with longer tenors, the Bank will facilitate the foregoing process of privatization in Bosnia, generate competitive pricing and terms, and provide expertise, technical solutions, and new products to the Bosnia market. The project is expected to indirectly create an estimated 5,000 jobs and protect a significant number of jobs that would have been at risk given Kristal Banka's financial situation before the acquisition. Moreover, the project will provide extensive training for bank employees. While the project will not directly contribute to export earnings, the expansion of funds to local businesses is expected to facilitate up to \$50 million in exports annually.

Although the project is not an SME project, the bank will provide loans to SMEs in need of financing and addresses one of MIGA's priority areas, an investment in an IDA country.

Priority Areas—IDA

MIGA has issued a €9.5 million (\$11.1 million) guarantee to **Raiffeisen Zentralbank Österreich AG** (RZB) for its €10 million shareholder loan to **Raiffeisen Bank d.d. Bosnia I Herzegovina** (RBBH) in Bosnia and Herzegovina. The guarantee is for a period of 10 years and provides coverage against the risks of transfer restriction and expropriation.

The project involves the further expansion of RBBH and strengthening of its capital base. This is MIGA's second financial project with RZB in Bosnia and Herzegovina, which offers a wide range of products and services, including payment services, retail banking and credit facilities, trade finance services, and corporate finance including long-term lending, treasury finances, and investment banking services.

MIGA's guarantee to RBBH will not only bolster the Bosnian financial sector through the provision of medium and long-term financing, but also help create a more efficient, sound, and healthy financial sector, which can be competitive in quality and performance. Furthermore, RBBH expects to play an important role in the on-going process of privatization in Bosnia, providing technical solutions and new products to the

¹⁷ Implicit exchange rates throughout this report may vary, according to fluctuations in official rates over the course of the fiscal year.

Bosnian market. The project is expected to contribute to the creation of new jobs in the bank, as well as to generate further employment through local companies benefiting from financing from RBBH. Although not a SME project, RBBH will on-lend up to 30 percent of its portfolio to local SMEs.

BULGARIA

MIGA recently provided **Bank Austria Creditanstalt AG** with a €23.8 million guarantee for its €25 million shareholder loan to **HVB Bank Bulgaria EAD**. The loan will allow HVB Bulgaria to further expand the financing it provides to Bulgarian companies. MIGA's coverage is for a period of up to eight years and provides protection against the risk of transfer restriction.

The project is consistent with Bulgaria's broader development strategy, supported by the World Bank Group, which focuses on the promotion of competitive private sector-led growth. MIGA's support will help HVB Bulgaria provide additional medium-term financing to businesses, especially small and medium-sized enterprises (SMEs). The increased availability of funds with longer tenors is expected to have a positive impact on the financial sector as well, and will generate competitive loan pricing and terms for Bulgarian companies in addition to improving SMEs' access to financing.

At year end, HVB Bulgaria will merge with Biochim, Bulgaria's fourth largest bank, which was acquired by Bank Austria Creditanstalt in October 2002. As a subsidiary of the leading Austrian bank, the bank expects to play a leading role in the ongoing process of privatization in Bulgaria, providing know-how, technical solutions, and new products to the market.

MIGA has issued a €50 million (\$51.1 million) guarantee to **Entergy Power Development Corporation (EPDC)** of the United States for its €111.5 million equity investment in **Maritza East III Power Company (MEIII)**. In addition, MIGA has issued a €233 million (\$238.2 million) guarantee to **Société Générale S.A.** of France, in its capacity as Agent for a syndicate of lenders for a €145 million non-shareholder loan and a

€25.4 million standby facility, plus interest to the project enterprise. €142.50 million of this exposure was syndicated through MIGA's Facultative Reinsurance Program. The guarantees are for a period of up to 13 years and provide coverage against the risks of transfer restriction, expropriation and war and civil disturbance.

The MEIII project consists of the environmental rehabilitation, capacity restoration, and operation of an 840 megawatt mine-mouth, lignite-fired power plant located near Stara Zagora in south-central Bulgaria, 250 km south-east of Sophia, and 60 km from the Turkish border. The power plant is a key component of the Bulgarian generating system, providing both base load and middle order capacity. The plant has been in operation for 20 years, and the existing cumulative generation ability is only 50 percent of installed capacity. In addition to restoring the facility to design capacity, the project has a substantial investment component devoted to environmental improvements, upgrading the facility to meet stringent European Union (EU) environmental standards, as required by Bulgaria's application to join the EU by 2007. Moreover, the project will allow for the replacement of old, inefficient and environmentally risky generation facilities with new, environmentally sound facilities and improve air quality.

MEIII is the first privatization in the energy sector in Bulgaria and, as such, a flagship project for the government and will be the largest foreign investment that forms part of the long-term reform of the energy sector. The project will not only create 100 local jobs, but also ensure ongoing employment for 12,000 miners, and invest up to €6 million over three years in staff training. MIGA's involvement will facilitate the transfer of modern operating skills and technology. The project will also contribute to the socio-economic development of residents located near the site through an annual community program of €250,000 during the construction phase. The project has also received support from the European Bank for Reconstruction and Development and the Black Sea Trade and Development Bank.

MIGA has provided €21.5 million (\$21 million) in reinsurance coverage to the **Export Credit Insurance Organization (ECIO)**, the Greek export credit agency, for its €30.75 million coverage provided to **Sidenor Iron Processing Industry S.A.** (Sidenor), for its €41 million equity investment in **Stomana Industry S.A.** (Stomana) in Pernik, Bulgaria. The reinsurance period is for five years and the coverage is against the risks of transfer restriction, expropriation, war and civil disturbance.

Sidenor is a member of the Viohalko Group, the largest metals complex in Greece and one of its leading industrial groups. The Stomana project is an acquisition, accompanied by modernization and financial restructuring, and represents an important step in restructuring and modernizing a vital component of the Bulgarian steel industry.

Stomana, the second largest steel company in Bulgaria, was a highly indebted state-owned enterprise that was declared bankrupt in 1999. This project will allow for productive manufacturing assets to be modernized and returned to efficient usage.

Although the project will not directly create additional employment, it will save a significant number of jobs in a sector that suffers from high unemployment. Furthermore, the project should contribute to the regional integration process by helping Bulgaria to fulfill one of the EU accession criteria, which requires the restructuring of the steel industry. This will be MIGA's first reinsurance project with ECIO with whom MIGA signed a Memorandum of Understanding in 2001.

CROATIA

MIGA has provided **Bank Austria Creditanstalt AG** with a guarantee covering its €65 million shareholder loan to **HVB Bank Croatia d.d.** The guarantee, for €61.8 million, covers against the risk of transfer restriction for a period of up to ten years. The project will allow HVB Croatia to further expand its in-country operations, focusing mainly on financing small and medium-sized enterprises (SMEs) and on-lending for projects in the energy and food industry sectors, among others. Through its upcoming merger with Splitska Banka, the bank is expected to play an even more important role in the financial sector as the country's third largest bank.

The project complements the World Bank Group's country assistance strategy, which is to help Croatia achieve economic growth by improving the environment and incentives for attracting financial flows, particularly private and foreign direct investment. To do so, the Bank's efforts are focused on SMEs, improving access to housing finance, encouraging contractual savings, and promoting infrastructure investments. This follows a number of years of lending for infrastructure and related sector reforms, focused on addressing the country's post-war reconstruction needs.

MIGA has provided a \$61.8 million guarantee to **Bank Austria Creditanstalt AG** (Bank Austria) of Austria to cover its \$65 million shareholder loan to **Splitska banka d.d.** (Splitska) in Croatia. The coverage is for a period of 10 years, against the risk of transfer restriction.

Bank Austria's shareholder loan will allow Splitska to increase its lending in Croatia, thereby bolstering the country's financial sector through the provision of medium-term financing. Splitska will continue to play a leading role in providing expertise, technical solutions and new products to the Croatian financial sector. In addition, the project will increase the availability of capital with longer tenors to Croatian companies. Splitska has numerous downstream benefits as it expects to on-lend to companies in sectors such as tourism, construction and manufacturing. Splitska also expects to provide loans to SMEs in need of financing and thus improve their access to financial services.

While Splitska will not directly contribute to export earnings, it will on-lend to Croatian companies involved in exporting and indirectly contribute to Croatia's foreign exchange earnings.

Priority Areas—S-S

MIGA has provided €7.6 million (\$8.7 million) in reinsurance coverage to the **Slovene Export Corporation (SEC)**, the official Slovene Export Credit Agency, for its guarantee to **Poslovni Sistem Mercator d.d.** (Mercator) of Slovenia for its €28.2 million equity investment in **Mercator-H d.o.o.** (Mercator Croatia) in Croatia. MIGA's reinsurance is for up to ten years and covers against the risks of transfer restriction, expropriation, and war and civil disturbance.

Mercator Croatia operates three shopping centers/hypermarkets in Pula, Zagreb, and Split, as well as approximately 80 smaller stores. Mercator Croatia is one of the largest foreign retail companies active in the Croatian market and has become an important component of that market. MIGA's reinsurance comes in the form of a debt-to-equity swap, which is aimed at improving the financial structure and performance of Mercator's subsidiary.

The project has positive macro-economic development impacts for Croatia including payment of an estimated €13.6 million in taxes and import duties through 2005. Moreover, Mercator Croatia will have significant upstream benefits for both Slovenia and Croatia through a local procurement policy. The three hypermarkets have created 629 local jobs with on- and off-site training. The project will also play an important role in the community by conducting humanitarian and charitable campaigns such as donations to several hospitals in Croatia and Bosnia and Herzegovina.

A priority objective of the reinsurance is to free up SEC's capacity to facilitate future Slovenian investments into Croatia and allow SEC to diversify its portfolio.

CZECH REPUBLIC

Priority Areas—SME

MIGA issued a \$4.96 million guarantee to **Raiffeisen-Leasing Gmbh** of Austria for €5.4 million non shareholder loan to **Raiffeisen Leasing BOT s.r.o.** in the Czech Republic. The coverage is for a period of twenty years and is against the risks of transfer restriction and breach of contract.

The project involves the improvement of street lighting to reduce energy consumption. It will also improve public safety in the municipality and enhance the townscape to promote tourism and industrial development. The build-lease-operate-transfer structure will include the modernization of the entire public street lighting system over a period of six years and operation for a period of twenty years.

In addition to savings in energy consumption, the project has positive economic development effects for the host country. Forty people will be employed in design and construction, create 16 direct jobs, and generate 50 additional jobs through local suppliers of goods and services.

KYRGYZ REPUBLIC

Priority Areas—IDA, SME

MIGA has issued a \$0.12 million and \$4.75 million guarantee to **Finrep Handels Ges.m.b.H.** (Finrep) of Austria to cover its \$0.14 equity investment in, and \$5.3 million shareholder loan to, **Kyrgyz Air Ltd.** (Kyrgyz Air) in the Kyrgyz Republic. The coverage is for ten years for the equity and for up to four years for the shareholder loan, and is against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project entails the start-up and operation of a new private airline, Kyrgyz Air, at Manas Airport, in the Kyrgyz Republic. By supporting this project, MIGA will assist the expansion of the limited existing air transportation capacity and enhance the transportation of passengers and the cross-border trade of goods and services, making the country more accessible to foreign investors.

The airline will generate direct jobs, including for crew members, pilots and administrative personnel. The upstream benefits of the project will also generate indirect employment through outsourcing of trainers and engineers, and catering and cargo services. Furthermore, the airline estimates that it will procure goods locally, and generate taxes to the government. This project addresses two of MIGA's priority areas: an investment in a small and medium-sized enterprise (SME) and in an IDA-eligible country.

ROMANIA

MIGA issued a €14.2 million (\$13.9 million) guarantee to **Bank Austria Creditanstalt AG** for its €15 million shareholder loan to **HVB Bank Romania S.A.**, designed to help the Romanian bank expand its in-country operations. The coverage protects the investor against the risk of transfer restriction for a period of up to five years.

The undertaking is part of a broader World Bank Group effort that focuses on targeted poverty interventions, the promotion of growth through private sector development, and governance and institutional reform. The project will bolster the Romanian financial sector through the provision of medium-term financing and will aid the process of privatization in Romania. In addition, HVB Romania will improve the availability of funds with longer tenors and generate competitive pricing and terms in the country's financial sector.

HVB Romania, a wholly-owned subsidiary of Bank Austria Creditanstalt, serves more than 10,000 clients and employs about 160 people. The guaranteed shareholder loan will place a special focus on assisting small and medium-sized enterprises (SMEs), which play a key role in generating export earnings and additional employment for the country.

Priority Areas—SME

MIGA has issued a guarantee for \$38 million to **Raiffeisen Zentralbank Österreich AG** (RZB) of Austria, covering its \$40 million shareholder loan to **Raiffeisen Bank S.A.** (RB), in Romania. The guarantee is for a

period of up to six years, and provides coverage against the risks of transfer restriction and expropriation of funds.

The shareholder loan from RZB supports RB's efforts to meet the increasing demand for its services. The shareholder loan will allow RB to increase its lending in Romania, thereby bolstering the financial sector through the provision of medium-term financing. With this project, there will be increased availability of funds with longer tenors that should generate competitive pricing and terms for loans for Romanian companies. This will not only derive from the increase of supply of funds, but from the improvements in credit analysis and borrower selection.

RB expects to provide more than 50 percent of the loans to SMEs, which are in need of financing, thus improving their access to loans and helping them to grow and succeed. SMEs have proved to be successful in generating export earnings in Romania.

RB will continue to invest heavily in its human resources during the upcoming years via further training programs and retention schemes for key personnel. The bank will also be investing in its technical infrastructure, including a new operations center and the update of key IT capabilities. RB plans to spend \$2 million annually on training, including external training from international training companies as well as seminars and hands-on training at RZB's headquarters in Austria.

RUSSIAN FEDERATION

MIGA issued a \$23.75 million guarantee to **Raiffeisen Steiermark (RZBS)** of Austria for its \$25 million shareholder loan to **OOO Raiffeisen Leasing**, Moscow, in the Russian Federation. The guarantee is for a period of five years and provides coverage against the risks of expropriation and transfer restriction.

The project involves the further expansion of the company's leasing operations in the Russian Federation. The expansion project is an increase of \$15 million from the RZBS's \$10 million guaranteed investment in 2002. In addition to increasing the availability of funds in the Russian financial sector, the project will continue to have significant development impacts by providing medium-term lease financing and encouraging other financial institutions to improve their standards through increased competition.

The expansion of OOO Raiffeisen Leasing will create an estimated 21 jobs and provide significant training both on and off-site, thus promoting significant knowledge transfer to Russia's financial sector. Although the project will not directly contribute to export earnings, it will on-lend to small and medium-sized enterprises (SMEs), which are expected to generate an estimated \$6 million annually in foreign exchange earnings.

MIGA issued a \$5.7 million guarantee to **Raiffeisenverband Salzburg (RZVS)** of Austria for its \$6 million shareholder loan to **OOO Raiffeisen Leasing**, Moscow (RLRU) in the Russian Federation. The guarantee is for a period of five years and provides coverage against the risks of expropriation and transfer restriction.

The project will finance the further expansion of RLRUs operations in the Russian Federation. This is MIGA's second project for RLRU following coverage of a \$25 million shareholder loan in 2002. In addition to increasing the availability of medium term-lease financing, it will focus on small and medium-sized enterprises (SMEs). The project will also promote further competition in the financial sector and encourage Russian financial institutions to improve their standards.

The project expects to increase employment with 21 new jobs with significant on- and off-site training. Staff will also receive wages and benefits that are on average 20 percent higher than comparable Russian financial institutions. Furthermore, RLRU will indirectly create additional jobs through new or expanding companies benefiting from the project's leasing operations. Although the project will not directly contribute to export earnings, the leasing activities are expected to generate \$5 million of clients' exports.

SERBIA and MONTENEGRO

Priority Areas—IDA

MIGA issued a €13.2 million (\$15.6 million) guarantee to **Hypo Alpe-Adria-Bank AG (HAAB)** of Austria for its €14.6 million (\$17.3 million) equity investment in **Hypo Alpe-Adria-Bank AD, Beograd (HAAB-SAM)** in Serbia and Montenegro. The project is for a period of ten years and provides coverage against the risks of expropriation and war and civil disturbance.

The equity investment will allow HAAB-SAM to provide financing to both local companies and individuals. Approximately 65 percent of its portfolio is for corporate lending, while the remaining 35 percent will be for retail banking activities. An estimated 60 percent of its corporate portfolio is expected to be lent to local SMEs. HAAB's investment will bring modern lending techniques and services, as well as asset/liability management experience to its subsidiary, thus enhancing the development of the financial sector. It is also expected to create approximately 40 jobs by the fifth year of operation. Serbia and Montenegro is a IDA-eligible country, and thus this project addresses a priority area for MIGA.

Priority Areas—IDA, SME

MIGA has provided a guarantee to **Hypo-Leasing Karnten GmbH (Hypo)** of Austria to cover its \$2 million equity investment in **Hypo-Leasing d.o.o. Beograd (Hypo-Belgrade)** in Serbia and Montenegro. MIGA's guarantee is for \$1.8 million, and extends for up to ten years. Coverage is provided against the risks of expropriation and war and civil disturbance.

The project involves the setting up of a fully-owned leasing subsidiary of Hypo in Belgrade. Hypo-Belgrade will offer medium- to long-term leases of industrial, transport and trade equipment to local companies. Until a planned leasing law is introduced in Serbia and Montenegro, the financing will be done in the form of secured lending. The investment is expected to benefit small and medium-sized enterprises (SMEs), and export-oriented companies.

In a region that is still recovering from military conflict, this project will help overcome the lack of funds in the banking system by improving local companies' access to medium-term financing. Hypo-Belgrade will be the first local leasing company in Serbia and Montenegro, and will introduce modern leasing techniques, essential for the country's nascent leasing sector. The project expects to directly generate up to 60 new jobs by the fifth year of operation. In addition, Hypo-Belgrade will indirectly create employment through other related companies that will benefit from finance leases.

Priority Areas—IDA

MIGA issued €18 million guarantee to **Bank Austria Creditanstalt AG** of Austria for its non-shareholder loan to **Meršulam Levinstein d.o.o.** of Serbia and Montenegro (SAM). The coverage is for a period of twenty years and is against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves the construction and operation of an office building in New Belgrade, the city's commercial area. The project will help fill the need for quality office space in Belgrade and facilitate private sector development. The project is MIGA's first real estate project in the country and it is expected to house approximately 700 people. Up to 300 people will be hired during the construction phase and the benefits to local sub-contractors is estimated to be \$1.1 million. The completion of the project will have a significant demonstrative effect as one of the first international real estate projects in Belgrade.

TURKEY

In fiscal year 2002, MIGA issued guarantees of \$35 million and \$80.5 million to **Tractebel S.A.** of Belgium, and **BNP Paribas** of France, covering respectively their \$39 million loan guaranty and \$84.7 non-shareholder loan to **Baymina Enerji A.S.** in Turkey. The coverages were offered for up to 15 years, and against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. The complex multisource limited recourse financing for this project was nominated Power Deal of the Year for the Europe, Middle East and Africa region by Project Finance International, the industry reference magazine.

This past fiscal year, MIGA provided an additional \$19.5 million in coverage to BNP Paribas, to cover an increase in the amount of the non-shareholder loan. This increase was required by the lenders of the non-shareholder loan portion to cover an increased portion of interest exposure, therefore enhancing the MIGA cover.

The project, which is located approximately 40 kilometers to the southwest of Ankara, consists of the construction and operation of a combined cycle power plant, comprising two gas turbines and one steam turbine, delivering a total net capacity of 763 megawatts. Further details of the project appear in MIGA's 2002 Annual Report.

Technical Assistance Activities

MIGA is collaborating with World Bank Group partners in projects throughout Europe and Central Asia and has been involved in investment promotion in several post-conflict economies. In fiscal year 2003, the Investment Marketing Services department was instrumental in guiding the LIL work program in Armenia, providing support to the investment promotion program of the **Armenia Development Agency (ADA)**. In Russia, MIGA is coordinating with the World Bank and Foreign Investment Advisory Service in exploring the need for sub-national promotion efforts in the oblasts of Perm and Tomsk. MIGA has also been active with the development community in defining investment promotion efforts in southeastern Europe, specifically Serbia and Montenegro.

ALBANIA

Priority Areas—IDA

Albania continues to struggle with onerous economic and political difficulties that have impeded its ability to attract FDI. The Albanian government has recently established a new investment promotion agency, the **ANIH Foreign Investment Promotion Agency**, for which MIGA has agreed to provide capacity building support. The work program began this fiscal year with a mission to Albania to deliver training to the new agency on investment promotion skills, to assist the agency with mapping out a program for implementing its mandate over the coming years, and to explore the opportunities for sourcing donor funding in support of the agency.

ARMENIA

Priority Areas—IDA

MIGA continued to play a central role with the World Bank in implementing a LIL for Armenia, which finances a \$1 million capacity-building program for the government's FDI and trade arm—the ADA. This fiscal year, MIGA assisted the ADA in its investment promotion strategy development, capacity-building, and promotional outreach activities. A key concern was to

ensure close coordination and cooperation with the extensive work program that USAID has underway with the ADA. A joint workshop was held to agree where to initially concentrate LIL investor outreach mechanisms. Work in assisting the ADA to efficiently use information technology in support of its promotional efforts continued. Specifically, MIGA staff assisted the ADA, the World Bank task manager and USAID to define and implement a client management system within the agency and to train employees in its use and to move forward with the design and implementation of the ADA's web site using MIGA's IPAworks web template.

BOSNIA and HERZEGOVINA

Priority Areas—IDA

The country's **Foreign Investment Promotion Agency (FIPA)** successfully put forward a proposal to receive technical assistance under the FDI Xchange Investment Information Development Program (FDIX IIDP). This fiscal year, MIGA staff visited the agency to meet the FIPA team overseeing the proposed activities to be funded under the FDIX IIDP grant, to firm up and agree on the specific work program for the project, and to discuss consultant profiles and meet potential candidates to carry out FDIX IIDP-funded activities. The work program will be carried out in fiscal year 2004.

ROMANIA

As a result of MIGA's work, the World Bank country office has agreed to support the **Romanian Agency for Foreign Investment (ARIS)** in its bid to acquire information technology set-up and Internet connectivity, using funding from a World Bank loan and the Romanian Development Gateway project. MIGA staff assisted the newly established ARIS during its start-up phase, conducting a needs assessment and helping the agency prepare a start-up strategy and a short-term action plan. The needs assessment report outlines various elements for a proposed investment promotion capacity-building program and will serve as an input document for discussions between ARIS and potential donor agencies.

RUSSIAN FEDERATION

MIGA undertook an exploratory mission to Russia's Tomsk and Perm oblasts, a visit initiated to complement administrative barriers studies conducted by FIAS. Thereafter, MIGA worked with FIAS and the World Bank Country Office to determine next steps in the area of sub-national investment promotion efforts. A joint MIGA-PSD trip was then conducted to key regions to identify opportunities where WBG involvement might stimulate FDI and increase local economic benefits by supporting commercialization, industrial restructuring, and other strategies to revitalize existing industry. For its part, MIGA assessed the capacity of sub-national investment promotion institutions, frameworks, and strategies for FDI; surveyed existing and potential donor funding programs in this area; and explored sectoral opportunities that can be implemented at the sub-national level. During the mission, MIGA held preliminary discussions with oblast officials, foreign consultants, the donor community, as well as, local and foreign investors of Nizhni-Novgorod, Samara, Perm and Tomsk oblasts.

MIGA staff also traveled to Moscow to finalize discussions of a potential collaborative arrangement for PrivatizationLink Russia with the Russia Country Gateway team. MIGA reached an agreement with the Institute of the Information Society, the Russia Country Gateway implementing agency, to take over the management of the PrivatizationLink Russia web site, including the development of a customized version that will be part of the Russia Gateway portal. This will allow MIGA to transfer responsibility for maintaining and managing the site and focus its resources on providing operational assistance to promotion intermediaries in the development and marketing of investment-related information for the Russian market. A Memorandum of Understanding was concluded, detailing the framework of this collaboration between the Ministry of State Property, the Institute of Information Society, and MIGA.

SERBIA and MONTENEGRO

Priority Areas—IDA

MIGA began implementation of its capacity-building program for the **Serbian Investment and Export Promotion Agency (SIEPA)**. The program, aimed at strengthening the promotional capacity of the agency, is co-funded by the World Bank. Initial activities carried out included a stock-taking of the latest developments in Serbia and within SIEPA, a review and update of the program's implementation plan, preparation of a detailed work plan for the project's resident consultant, and the launch of work on upcoming program elements such as the preparation of Terms of Reference for strategy development and skills training. Follow-up work included the delivery of a major IT strategy development component, jointly prepared by agency and MIGA staff, as well as the launch of several sector targeting studies that will be prepared by a local consulting company. The results of these studies are crucial for the next steps of the SIEPA program insofar as they will provide the substantive foundation for planned outreach and marketing activities. MIGA also discussed with SIEPA and the Ministry for International Economic Relations the design of the remaining program modules and met with the European Agency for Reconstruction and a number of bilateral agencies to discuss a follow-on support program for SIEPA. In addition, MIGA organized a two-day MIGA/IFC/World Bank familiarization program in Washington, D.C. for the incoming chief executive of SIEPA.



Guarantees Activities

During the course of fiscal year 2003, MIGA supported six projects in Latin America and the Caribbean through its guarantee program, and undertook 21 technical assistance activities in the region. At year-end, MIGA's total gross guarantees exposure in the region stood at \$2,197.3 million, some 43 percent of the Agency's outstanding portfolio.

BRAZIL

MIGA has issued \$95 million guarantee to **Rabobank Curaçao N.V.** (Rabo-Curaçao) of the Netherlands Antilles to cover its \$100 million shareholder loan through other subsidiaries and/or branches of the Rabobank Group to **Banco Rabobank International Brasil S.A.** (Rabo-Brazil). The coverage is for a period of up to five years and protects against the risks of transfer restriction and expropriation.

Rabo-Curaçao's shareholder loan will allow Rabo-Brazil to increase its lending program, thereby bolstering the Brazilian financial sector through the provision of medium-term financing. Rabo-Brazil's innovative use of forfaiting in the Brazilian financial market will allow enterprises to obtain financing at lower costs. The shareholder loan will also facilitate longer tenor

financing for food and agribusiness SMEs. The loans will allow local companies to expand their activities in the food and agriculture sectors and thus indirectly create local employment opportunities.

MIGA has provided guarantees to **SLAP Cabo, LLC.** of the United States of America of \$1.2 million and \$31.4 million to cover respectively its \$247,418 equity investment and retained earnings in, and \$25.2 million in shareholder loan and interest to, **TermoCabo Ltda** of Brazil. The guarantees are for a period of three and a half years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves the construction, operation and maintenance of a 48 megawatt medium-speed diesel power plant located in the drought prone state of Pernambuco, in north-east Brazil. Pernambuco has a population of approximately eight million people, is one of the country's poorest areas, and was one of the most affected by the country's severe droughts that took place in 2001/02. With more than 90 percent of the country's installed generating capacity in the form of hydroelectric power, the sustained lack of rainfall combined with the lack of investment in the transmission and generation sectors resulted in acute power shortages and electricity rationing during 2001/02.

In addition to diversifying the sources of power supply and helping to meet short-term electricity demand in Pernambuco, the project will provide additional development benefits through job creation, training, technology transfer, and tax revenues. The initial engineering, procurement and construction phase of the project generated approximately 70 local jobs, and 40 additional local staff will be employed for ongoing plant operational and equipment maintenance. Employees will receive intensive training in all elements of diesel power plant operations and maintenance throughout the duration of the project so that the local staff can take ownership of operations and maintenance activities. The project will also generate approximately \$15 million in tax revenues for Brazil over the life of the project.

The plant is based on a well-established engine design, which uses low sulfur fuel oil and is designed to ensure compliance with both MIGA and Brazilian environmental requirements. Moreover, regular air quality checks will be conducted to monitor the noise levels and sulfur dioxide emissions to comply with MIGA's environmental policies and guidelines.

COSTA RICA

In fiscal years 2001 and 2002, MIGA issued a total of \$38.3 million in guarantees to **Wings of Papagayo, LLC** (WP) for its \$27.6 million equity investment in, and \$15.0 million shareholder loan to, **Grupo del Istmo de Papagayo, S.A.**, a Costa Rican development project. The coverage was offered for a period up to 13 years against the risks of expropriation.

In 2003, WP increased its equity investment in the project with an additional \$10 million. MIGA re-wrote its existing equity coverage to include this additional amount, providing a guarantee of \$33.3 million. The 2003 guarantee is for a period of 13 years and provides coverage against the risk of expropriation. In addition, MIGA provided \$47.7 million in guarantees to **Scotiabank (Cayman Islands) Ltd.** (BNS), a branch of the Bank of Nova Scotia of Canada, for its non-shareholder loan to the project. MIGA's coverage to BNS is also for up to 13 years and provides coverage against

the risks of transfer restriction, expropriation and war and civil disturbance.

The project involves the development of a 210-room resort set on approximately 120 acres of the Papagayo Peninsula in the country's Pacific northwest province of Guanacaste. The eco-sensitive project is dedicated to high environmental standards and was designed to preserve ecological and cultural resources in the project area.

The development impacts from the project do not differ from those reported in 2001. As a result of the project, 340 jobs will have been created with significant training both on-site and abroad. Furthermore, the project has numerous upstream benefits for local companies as 70 percent of all products are procured locally.

DOMINICAN REPUBLIC

Priority Areas—S-S, SME

MIGA has provided guarantees of \$1 million and \$6.4 million to **Caribe Hospitality S.A.** of Panama and **Scotiabank (Cayman Islands) Ltd.** of the Cayman Islands, a territory of the United Kingdom, for their respective \$5 million and \$7.1 million equity investment in, and non-shareholder loan to, **Caribe Hospitality de la Republica Dominicana, S.A.** in the Dominican Republic. The guarantees are for a period of 15 years and against the risks of transfer restriction, expropriation and war and civil disturbance.

The project involves the development of a 146-room hotel in downtown Santo Domingo to primarily serve business clientele. It will provide a much needed supply of hotel rooms in the mid-tier category and help develop the country's business infrastructure. The project will generate direct and indirect employment with an estimated 40 people being employed during the construction phase and an estimated 65 direct employees by the fifth year of operation. Employees will benefit from on-site training will focus on communications, marketing, and technical functions. The project contains numerous upstream benefits as an estimated 70 percent of materials and services will be procured locally during the construction phase and

locally sourced goods and services are estimated to be \$800,000 annually. The project will indirectly facilitate related industries such as transportation, food processing, hospitality services, infrastructure and financial services. The majority of the local procurement will benefit utilities and suppliers of agricultural goods and souvenirs, most of which are expected to be SMEs.

ECUADOR

MIGA issued three guarantees of \$32.7 million, \$16.3 million, and \$16.3 million to the **Aecon Group Inc.** of Canada, the **HAS Development Corporation** of the United States, and **ADC Management Ltd.** of the United Kingdom for their respective shareholder loans to **Corporación Quiport S.A.** of Ecuador. In addition, MIGA also issued guarantees of \$450,000, \$225,000, and \$225,000 for the investors' respective equity investments in the project enterprise. The Aecon Group and HAS Development Corporation have coverage for a period of fourteen years for their shareholder loans while the remaining four guarantees are for a period for fifteen years. Each guarantee provides coverage against the risks of transfer restriction, war and civil disturbance, and breach of contract.

The project involves the construction of a new airport near Puenbo, 24 km outside the capital city of Quito. The project will be a key economic driver for sustainable economic development of the metropolitan region of Quito. The airport is expected to be operational by early 2008 and will replace the existing airport in the city of Quito, which suffers from safety deficiencies as well as capacity constraints. The current airport has a short runway, restrictions on airspace, and restrictions on the range of direct flights. The new airport will include a longer runway and will be located away from the city center improving public safety and reducing noise pollution.

Quiport will have significant development impacts including job creation, infrastructure development, and trade and investment facilitation. The operations and management contractors have already employed 180 local employees for the management of the new

airport. Up to 600 local staff are expected to be hired for construction; contractors are expected to directly hire an additional 2,000 local staff for other operations. Employees will be trained both on-site and in the U.S. and Canada. The new airport will also have numerous downstream benefits for Ecuadorian companies. The improved freight capacity will generate foreign exchange earnings from export revenues of perishable goods such as floriculture products. The tourism sector is also expected to grow as result of the investment.

NICARAGUA

Priority Areas—IDA, S-S, SME

MIGA has issued guarantees of \$0.69 million and \$0.71 million to **Corporación Interfin, S.A.** of Costa Rica for its \$0.77 million equity investment in, and \$0.75 million shareholder loan to, **Financiera Arrendadora Centramericana, S.A.** (Finarca) of Nicaragua. The equity investment is guaranteed for a period of fifteen years and the loan guarantee for a period of ten years, and both provide coverage against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project consists of the expansion of Finarca's lease financing program, which will be for the most part devoted to SMEs. Founded in 1996, the project enterprise was the first financial leasing company to operate in the industrial sector of Nicaragua, and has since specialized in the leasing of agricultural, industrial, transportation and construction equipment to local enterprises. Along with its leasing program, Finarca also offers short-term loans, making its financial services more attractive to clients.

Numerous development impacts should result from the project. Finarca's leasing program will create direct and indirect local employment. The increase of financial services will facilitate the use of modern equipment in the agricultural and industrial sectors, which are key to the economic development of Nicaragua. The project addresses three of MIGA's priority areas: a South–South investment and an investment in a SME, and in an IDA-eligible country.

Technical Assistance Activities

The hallmark of MIGA's technical assistance program in Latin America and the Caribbean region has been the effective advance collaboration with the World Bank, much of it in the context of competitiveness initiatives. MIGA is playing an active role in defining and supporting the investment promotion component of the World Bank's Competitiveness Program in Honduras. It is supporting the World Bank's LIL in Nicaragua and it is working closely with the IFC and FIAS in a number of countries in Central and South America. The close collaboration has enabled the Agency to deliver tangible results for its clients. For example, effective coordination with IFC's efforts in Panama have led to a major anchor investment in the country. Similarly, in Honduras, timely leveraging of the World Bank program has enabled MIGA to deliver useful market intelligence to support the national investment promotion intermediary's investor targeting initiative that is already yielding concrete investor leads. Finally, MIGA has been working actively to improve how investment promotion intermediaries use Internet technologies to reach prospective investors. These efforts have had tangible results on the investment promotion intermediaries' bottom line, improving the efficiency and cost effectiveness of national outreach efforts.

BOLIVIA

Priority Areas—IDA

MIGA is working with the government of Bolivia and the World Bank to support foreign direct investment in Bolivia. Building on technical assistance activities carried out in past years, MIGA responded to a request from the **Center for Promotion and Exports of Bolivia** (CEPROBOL) and visited Bolivia to further refine an investor tracking system installed earlier and to train CEPROBOL staff and key partners in investment promotion tools and techniques. This activity was part of MIGA's larger technical assistance program in Bolivia, providing assistance that comprises consultant services, project supervision and advice on strategic direction. MIGA also met with the President and Cabinet for discussions on FDI policy and its economic impact.

COLOMBIA

Over the past two years, MIGA has received and responded to several requests for assistance from **COINVERTIR**, the national investment promotion agency of Colombia. MIGA assistance has included conducting an informal strategic assessment of the agency's institutional capability, and holding a roundtable with the board of directors to discuss the future of the agency. After recent national elections, COINVERTIR is realigning its role and mandate to actively promote FDI and has asked MIGA to provide investment promotion training to its staff, as well as the personnel of the regional investment promotion agencies, key members of the government, and private sector representatives in the country's promotional network such as the free zones and industrial parks. A MIGA team delivered the training and subsequently received a request from COINVERTIR to provide assistance in the development of a three-year business plan and funding proposal to present to the government. Under MIGA's guidance, COINVERTIR drafted, in a participatory process, a focused, proactive business plan, incorporating measurable results for the coming three years.

EL SALVADOR

As part of MIGA's ongoing capacity-building program for **PRO.ESA**, El Salvador's national investment promotion agency, MIGA staff met with management and staff of PRO.ESA to discuss a guided proactive investment promotion campaign. After extensive preparatory discussions, MIGA is now leading the agency through each step of the campaign—researching, qualifying and targeting investor leads; setting up a structure for new investment services' functions; looking at the electronic, services, and light manufacturing sectors; defining sales strategies and determining priorities for the remainder of the assistance program such as targeted promotion and policy advocacy. MIGA also initiated a Gateway pilot project in El Salvador, undertaking a mission to first, carry out a diagnostic assessment of PRO.ESA's capabilities in gathering, packaging, and disseminating investment related

data; and second, to test the strategic assumptions and FDI data requirements, as defined during the project design phase.

GUATEMALA

MIGA continued its cooperation with the World Bank under the Guatemala Competitiveness Project. After joining a World Bank supervision mission to lead the project's investment promotion component last year, this year MIGA assisted **Invest in Guatemala (IIG)**, the country's investment promotion agency, in developing and tracking implementation progress of a detailed business plan. The plan elaborates on the recent work program prepared for upcoming loan disbursement. MIGA also helped prepare IIG for a review that will accompany a World Bank supervision mission. Finally—based on a request from the World Bank resident representative—MIGA helped identify areas within IIG's work plan that would complement preparatory work for a possible investment climate review in Guatemala. Guatemala is the second country in which MIGA initiated a Gateway pilot project this year. As in the case of PRO.ESA in El Salvador, MIGA worked with senior management and IIG staff to analyze and assess the agency's existing investor information infrastructure as the first step toward implementing a Development Gateway Grant work program.

HONDURAS

Priority Areas—IDA

A MIGA team participated in a World Bank mission to Honduras as part of the preparatory process for an upcoming Competitiveness Project in the country. MIGA provided input regarding Honduras' investment and institutional structures, as well as recommendations as to the design of the investment-promotion component of the project. MIGA also launched its own technical assistance project for the **Foundation for Investment and the Development of Exports (FIDE)**, the Honduran national investment promotion agency, by conducting an in-depth needs assessment focusing on the strategic direction and pro-active promotion efforts of the agency and the strength of its external

partnership network. Assessment results are being used as the foundation for capacity-building work in the country and, MIGA is now laying the groundwork for a longer-term assistance program for FIDE. The first step in this process is to agree on program components. Towards this end, MIGA held a workshop with FIDE board members and senior management, where discussions focused on the short- and medium-term strategic goals of the agency and how to meet them, how MIGA assistance would fit in, and what changes are needed to increase efficiencies.

NICARAGUA

Priority Areas—IDA

Implementation of further elements of the ongoing private sector development and FDI LIL and MIGA's long-term technical assistance project continued in Nicaragua. MIGA worked with members of the Nicaraguan Cabinet on a proposal to improve the national investment promotion network by separating the export and investment functions that are currently housed together within the national investment promotion agency. Together with the World Bank, MIGA carried out an evaluation of progress achieved so far under the LIL, and assisted in gathering information for the design of an upcoming competitiveness program loan. MIGA's involvement in the LIL program has been successful and is likely to be expanded into other areas, as the Nicaraguan government has been very supportive of MIGA initiatives, and MIGA has built a strong relationship with the new administration. **Pro-Nicaragua**, the country's new independent investment promotion agency, has begun operations (its new Chief Operating Officer spent three weeks with MIGA working through an executive training program and familiarizing himself with the key characteristics of successful investment promotion agencies), and MIGA met with staff and management to assess progress and provide advice on designing upcoming technical assistance components.

PANAMA

In cooperation with the IFC, MIGA has been providing technical assistance to the Howard Project—the conversion of the former Howard Air Force Base to the Panama Pacific Special Economic Zone. In the previous stages of the project, MIGA took a lead role in supervising and evaluating the market, legal, and regulatory studies carried out by the project technical assistance team. One of the main outputs of the work has been the development of a legal and regulatory framework for the Zone. In addition to technical assistance, MIGA headed the public relations effort to promote and defend the project to a wide spectrum of stakeholders including the main governmental entities, chambers and relevant private sector groups. This year, MIGA played the lead role in the team's presentation to the president and the cabinet of ministers of the proposed special economic zone legislation. The outcome of this cabinet meeting will determine the way forward for presentation to the legislature for their ratification.

PERU

The government of Peru recently launched a National Competitiveness Program, and the World Bank supports this initiative via a competitiveness loan with a special focus on export competitiveness and trade facilitation. MIGA staff participated in a FIAS technical assistance mission to Peru to develop an assessment of the institutional framework for investment promotion in the country, an institutional strategy and an evaluation of priority sectors for promotion. Specifically, the MIGA team provided technical expertise in free zones and industrial park development, priority sector inputs such as textiles, apparel, services and manufacturing, guidance on investment promotion best practices, capacity-building and promotion strategy development. MIGA is currently in discussions to determine if any additional work is warranted.



Guarantees Activities

During the course of fiscal year 2003, MIGA supported two projects in Middle East and North Africa through its guarantee program, and undertook three technical assistance activities in the region. At year-end, MIGA's total gross guarantees exposure in the region stood at \$167.0 million, some 3 percent of the Agency's outstanding portfolio.

ALGERIA

MIGA has provided \$50 million in reinsurance to the **Compañía Española de Seguros de Crédito a la Exportación (CESCE)**, the Spanish export credit agency, for its \$144 million guarantee to the **Compañía Española de Petróleos S.A. (CEPSA)** of Spain. CESCE's insurance covers CEPSA's \$240 million investment in a Production Sharing Contract (PSC) with **Sonatrach** of Algeria in Rhourde Yacoub Block 406A Oil fields. MIGA's reinsurance provides coverage against the risks of expropriation, breach of contract, and war and civil disturbance.

In 1997, MIGA provided \$10 million in reinsurance to CESCE for a portion of its coverage of an investment made by CEPSA in the Rhourde el Khrouf oil field, which will continue production through 2004. The

current investment includes the expansion of CEPSA's activities into a new oilfield (the Ourhoud field), as well as existing activities. The project is located in the Algerian interior in the Sahara desert, some 80 miles from the border with Tunisia. The surface facilities of the field will consist mainly of a Central Processing Facility where the crude gathered from the different satellite stations will be treated and stored for export. Under the PSC, an organization integrated by CEPSA, Sonatrach and other companies with interests in the fields, provides exploration services, production equipment for petroleum extraction in existing wells, and overall technical and managerial assistance.

The project involved one of the first PSCs signed by the state and a foreign firm in Algeria, and at the time provided an important demonstration effect for other potential foreign investors. While the demonstration effect of the project is no longer a key issue (given the important number of other foreign parties that have since invested in the country), the project continues to provide other important benefits for Algeria. During the period of maximum output of the new oil field, which is expected to be from 2004 to 2009, royalty payments to the Algerian government will average \$315 million per year, a figure equivalent to 16 percent of the 2000 national budget. Thus, the PSC agreement has allowed the Algerian government to fund its investment programs in other economic sectors, including health

and education. The project will continue to bring to the country managerial and technical knowledge, which will permit an efficient and environmentally-sound exploitation of the country's natural resources. The project will support human resources initiatives with two US oil firms operating in neighboring exploration blocks, by constructing permanent housing and health facilities for workers at a combined cost of approximately \$53 million.

SYRIAN ARAB REPUBLIC

Priority Areas—S-S

In its first project in the Syrian Arab Republic (Syria), MIGA provided a guarantee totaling \$22.8 million to **Kingdom 5 KR 71 Ltd.** of the Cayman Islands, to cover its \$24.0 million capital contribution (quasi-equity) in **Syrian-Saudi Company for Touristic Investment (SSTI)**. The guarantee is for a period of up to seven years, against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves the development of a 297-room hotel located in Damascus, Syrian Arab Republic. With Syria's rich historical and cultural background, the government views the tourism industry as a significant source of foreign-exchange and growth. The hotel will also contribute to the diversification of the Syrian economy, which is heavily concentrated in the oil and gas industry. This project will provide needed foreign exchange and create additional government revenues through various taxes and fees applicable to the industry. The hotel will also have numerous upstream benefits for industries such as transportation, food processing, furniture making, hospitality services, tour operations and other related service industries.

The construction of the hotel will be carried out by Syrian construction companies using primarily locally available materials. Once operational, the hotel expects that 70 percent of all goods and services will be purchased locally. Upon completion, the hotel expects to employ over 400 host nationals and create over 500 jobs during the two-year construction period. Staff will receive significant training both on site and within the region.

Technical Assistance Activities

Activities in fiscal year 2003 concentrated on Egypt. The department's work this year with the **General Authority for Investment and Free Zones (GAFI)** culminated in the design of a project to establish a new and independent Egyptian investment promotion program, to be funded by the EU. The assistance comes at a critical time in the region and will help to serve as a model and re-energize investment promotion efforts—not just in Egypt but elsewhere in the region.

EGYPT

MIGA visited Egypt following a request for technical assistance from GAFI. The primary objective of the mission was to conduct an institutional assessment of GAFI and to evaluate the investment environment for FDI, including the free zone and industrial park infrastructure in the country. MIGA staff met with decision-makers from both the public and the private sectors, as well as with GAFI staff to assess the institutional capacity of the agency and its partners to effectively promote investment. Specifically, MIGA reviewed GAFI's promotion strategy and made recommendations to improve its effectiveness. MIGA followed up on the assessment by meeting with government representatives and GAFI personnel, as well as officials of the government and the EU's Industrial Modernization Program (IMP) to discuss assessment findings and to agree with GAFI and other major stakeholders on a future action plan. Subsequently, MIGA submitted to Egypt's **Industrial Modernisation Centre (IMC)** a strategic and implementation plan for the IMC's national investment promotion program and the organizations involved are in the process of defining contracting arrangements between IMC and MIGA to move forward with the work program. and agreeing on a program implementation schedule.

Sub-Saharan Africa

REGIONAL
ACTIVITIES



Guarantees Activities

During the course of fiscal year 2003, MIGA supported eight projects in sub-Saharan Africa through its guarantee program, and undertook 16 technical assistance activities in the region. At year-end, MIGA's total gross guarantees exposure in the region stood at \$952.9 million, some 19 percent of the Agency's outstanding portfolio.

BURUNDI

Priority Areas—IDA, SSA, S-S, SME

MIGA has provided **Mauritius Telecom Ltd.** of Mauritius with a guarantee for \$910,612 to provide coverage for its equity investment of \$1.01 million in **Africell S.A.** (Africell) in the Republic of Burundi. The guarantee is for a period of ten years and provide coverage against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project consists of the development, operation, and maintenance of a nationwide mobile telephone network using the GSM 900 standard. It will help alleviate the acute shortage of telephone services in Burundi. The country has a teledensity of less than 1 percent, among the lowest in the world.

The Africell project has numerous direct and indirect development impacts for Burundi. The addition of a new competitor in the cellular telephone business will contribute to lower prices, broader geographic penetration, and higher quality of service. In addition to increasing teledensity levels to both urban and rural areas without previous service, the improvement in reliability should lead to higher efficiency and productivity of other economic activities. The project will also have a positive demonstration effect on other foreign investors as the improvement in the telecommunications infrastructure will help make the country more appealing to investors in other sectors of the economy.

The project is expected to generate 60 local permanent jobs and an additional 30 jobs during the construction phase. Additional employment will be generated for support activities and training will be provided both on site and in Mauritius. The project is expected to generate over \$2.3 million in income tax revenues for the government during the first five years of operations.

In addition to being MIGA's first project in Burundi, Africell S.A. addresses four of MIGA's priority areas being an investment in Africa, an IDA host country, a South-South investment, and an SME investment.

MALI

Priority Areas—IDA, SSA, S-S

MIGA issued \$16.2 million of guarantee coverage to **Société Nationale de Télécommunications du Sénégal** (Sonatel), a Senegalese company, for its \$18 million equity investment in **Ikatel SA** of Mali. The 15-year coverage provides protection against the risks of expropriation, war and civil disturbance, and breach of contract. MIGA is also providing \$23.4 million of coverage for an eight-month bridge loan of \$26 million.

Mali is one of the world's poorest countries, ranked 153 out of 162 countries in the 2001 Human Development Index. A landlocked country, more than half of which is desert, Mali has limited natural resources and tends to rely on two volatile commodities, cotton and gold, for export income. The country's low rate of teledensity has adversely affected economic growth.

The project will help provide various telecommunications services, including fixed lines, wireless, Internet, and satellite communication services, as well as public pay phones. It will also establish the country's first fully digital GSM cellular network, which is expected to improve the quality and efficiency of mobile phones. Ikatel aims to reach 250,000 subscribers through the project over the next nine years. The undertaking is consonant with Mali's development goals, as well as the World Bank Group's Country Assistance Strategy, which advocates increased private sector participation in key sectors, such as telecommunications.

The project represents one of the largest foreign investments in Mali and is expected to offer many development benefits. It will spur the growth of several industries, including small businesses and microenterprises, many of which will provide phone services to those who cannot afford a phone. Consumers will benefit from the diversity of service offerings and lower costs. The project will also generate government revenues in the form of taxes and fees, including a \$44 million license fee, which has already been paid. Ikatel plans to directly employ some 200 local staff and should indirectly generate thousands of additional jobs. Other benefits include staff training and a program that involves building affordable housing for employees.

The project will also provide new technology to schools, in addition to contributing to local charities and sponsoring regional cultural and sports events.

MOZAMBIQUE

Priority Areas—IDA, SSA, S-S

MIGA has provided the **Sasol Limited Group of South Africa** (Sasol) with guarantees for \$27 million to cover \$30 million of its investment in **Sasol Petroleum Temane Limitada** (SPT), Mozambique and \$45 million to cover \$50 million of its investment in the Mozambican branch of the **Republic of Mozambique Pipeline Investment Company (Pty) Ltd** (ROMPCO), South Africa. Both SPT and ROMPCO will initially be wholly-owned subsidiaries of Sasol. The guarantees are for a period of up to 15 years against the risks of: transfer restriction, expropriation, war and civil disturbance, and breach of contract. MIGA's participation was a necessary component for the completion of the deal.

The project involves the development of the Temane and Pande gas fields, the construction of a central processing facility (CPF), to clean and compress the gas, and the construction of a 865 km cross-border gas pipeline from Temane in Mozambique to Secunda in South Africa. Sasol will also be converting an existing petrochemical plant in South Africa from coal as feedstock to gas.

The project will contribute to developing the Mozambican economy through monetizing its gas reserves—the country will receive significant royalty payments as well as dividends, production bonuses, and corporate taxes in excess of \$2 billion over the 25-year lifetime of the project.

Environmentally, the project will contribute to the reduction of harmful emissions by replacing sulphur-rich coal and heavy oils with clean burning natural gas. The project will provide contracting opportunities for both Mozambican and South African companies during the construction phase. The upstream benefits for local enterprises are estimated to be in excess of \$1 million per year. The project is expected to create more than 720 job opportunities for local employees during con-

struction. After completion, it is estimated that the CPF and the pipeline will require staff of 25 and 85, respectively. The project will be a substantial addition to Mozambique's infrastructure through the development of roads, water supplies and the removal of land mines. The Sasol project meets two of MIGA's priority concerns: it is a South-South investment and in an IDA-eligible country. Furthermore, it represents the first cross border initiative in sub-Saharan Africa in developing regional natural gas markets.

Priority Areas—IDA, SSA

In fiscal year 2002, MIGA provided guarantees to **Portus Indico-Sociedade de Serviços Portuarios S.A.** (PI-SSP) of Portugal, of \$459,000 to cover its \$510,000 equity investment in, and \$6.1 million to cover \$6.8 million of shareholder loans plus interest to, the **Maputo Port Development Company S.A.R.L.** The guarantees were provided for fifteen years, against the risks of transfer restriction, expropriation, and war and civil disturbance.

This past fiscal year, MIGA increased the amount of coverage for the shareholder loan to \$13.31 million, to reflect an increase in the amount being lent to the project enterprise. MIGA also expanded its coverage of \$459,000 provided on PI-SSP's original equity investment of \$510,000 to include breach of contract coverage.

The Maputo project involves the rehabilitation, development, financing and operation of the Maputo Port under a Build, Operate, and Transfer scheme. Further details of the project appear in MIGA's 2002 Annual Report.

Priority Areas—IDA, SSA

MIGA has issued guarantees of \$1.8 million and \$19 million to **Kenmare Resources P.L.C.** of Ireland and **Kreditanstalt für Wiederaufbau (KfW)** of Germany for their respective \$2 million equity investment in, and \$20 million non shareholder loan to, the Mozambican branches of **Kenmare Moma Mining Limited (KMML)** and **Kenmare Moma Processing Limited (KMPL)**. Kenmare's guarantee is for a period of fifteen years and

is against the risk of transfer restriction and KfW's is for a period of fourteen years and provides coverage against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

The project involves the dredge mining development of a large heavy mineral sands deposit located in the Nampula province in north-east Mozambique. The province is one of the poorest in the country and in an area that has not yet benefited from the recent FDI flows into Mozambique. The Moma project is one of two titanium mineral projects under active consideration, which if fully developed, establish the country as one of the world's foremost producer of titanium minerals. The project will have significant development impacts providing export and tax revenues, know-how and technology transfer, and infrastructure development. The latter will include improved access to roads, air strips, electricity, water supply, and telecommunications. The Moma project will create an estimated 1,200 local jobs in the construction phase and an estimated 450 local jobs while in operation. Furthermore, the procurement of local goods and services is expected to create an additional 1,500 indirect jobs. The project expects to generate \$70 million in export earnings annually and \$1.5 billion over its life. The project will also contribute more than significant taxes over the life of the mine.

At the community level, 160 unskilled local residents will be employed and have their first opportunity for employment outside the informal sector. Accommodations will be built for miners and include service buildings, medical and recreation facilities, and modern amenities. Moreover, KMML will collaborate with local NGOs to ensure that the project will maintain regular consultations with the community and benefit the local area. The project addresses two of MIGA's priority areas: an investment in an IDA country and in Africa.

NIGERIA

Priority Areas—IDA, SSA

MIGA has issued guarantees of \$20 million and \$10 million to **Cotecna S.A.** of Switzerland for its \$12.5

million equity investment in, and \$8.0 million shareholder loan to, **Cotecna Inspection Ltd Nigeria** (CILN) of Nigeria. The coverage is for a period of ten years and against the risks of expropriation, war and civil disturbance, transfer restriction, and breach of contract.

The project involves the establishment of container X-ray scanning centers in six ports, four airports and four land-border sites in Nigeria. The project is contracted under a build-operate-transfer (BOT) agreement with the government of Nigeria and assets will be transferred after ten years. CILN will provide import verification services to ensure compliance with technical specifications and Nigerian laws. The X-ray scanning system will ensure that containerized goods landed in Nigeria are in compliance with importers' declarations. It is also expected that the project will reduce port congestion.

The project will contribute to the promotion of trade by assisting Nigeria in becoming a more efficient trading partner by developing investment in the non-oil sector. It is expected that the increased transparency of trade activities will limit capital flight and loss of foreign exchange (from short-shipment, over-invoicing and the shipment of sub-standard and counterfeit goods) and enhance customs revenues.

CILN expects to create an estimated 400 local jobs, 214 of which will be managerial and professional positions, and a significant portion of the staff will be female. CILN staff will receive a compensation package higher than comparable jobs in Nigeria, including housing, transportation, and insurance. Heimann Systems S.A., a world leader in X-ray equipment, will provide the project equipment and comprehensive training programs. The project addresses two of MIGA's priority areas: an investment in an IDA country and in Africa.

Priority Areas—IDA, SSA, S-S

MIGA has issued guarantees of \$5 million and \$45 million to **MTN International**, the Mauritian subsidiary of the MTN Group of South Africa, and **Ericsson Credit AB** of Sweden, for their respective \$285 million and \$47.3 million non-shareholder loans to **Mobile Telephone Networks Nigeria Communications Limited** (MTTN) of Nigeria. The two guarantees replaced a

former MTN shareholder loan, where under the MIGA contract, coverage could be re-allocated to lenders. This option was exercised and MIGA is now covering an investment from Ericsson Credit AB. MTN's new guarantee is for a period of nine years and against the risk of war and civil disturbance and Ericsson's guarantee is for a period of five years and against the risks of transfer restriction, expropriation, and war and civil disturbance.

As noted in our 2002 Annual Report, the project involves the installation, operation, and maintenance of a country-wide mobile telephone network, based on the GSM technology. This project supports the governments ongoing efforts to address the acute shortage of reliable telephone services in the country, and, as such, is expected to have a positive impact on the economy in general. By the end of 2004, the network is expected to cover about 60 percent of the geographic area of Nigeria, and have sufficient capacity for about two million subscribers. MTNN is also helping to establish telephony infrastructure in the country, which is essential to attract foreign direct investment. The project is expected to generate numerous employment opportunities, with about 1,000 Nigerian staff expected to be hired and trained for mobile operations, and additional local staff outsourced for the provision of security, catering and maintenance. In line with international practice, the project will provide the government with an up-front license fee (of \$285 million), as well as an additional annual fee equal to 2.5 percent of net revenue. The project is expected to facilitate additional tax revenues by accelerating economic development and improving the efficiency of local business enterprises. The project addresses two of MIGA's priority areas—an investment in Africa and IDA-eligible country. The former contract was a South–South project.

Priority Areas—IDA, SSA, SME

MIGA has issued guarantees of \$540,000 and \$19.0 million to two Rolls-Royce Power Ventures (RRPV) wholly-owned UK subsidiaries, **Rolls-Royce Power Ventures (Ekiti) Limited** and **Ewekoro Power Plant Sales Limited** for their respective \$0.6 million investment in, and \$13.3 million loan, plus interest, to **Ewekoro Power Limited** (EPL), a Nigerian registered company. The guarantees are for a

period of 15 years for the investment and eight years for the loan, and both provide coverage against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project consists of the establishment of EPL, which will supply electrical power to West African Portland Cement Plc's cement facility, located at Ewekoro, in Ogun State near Lagos. EPL will install four new gas engines with a total capacity of 12.5 megawatts under a Build-Own-Operate concept. RRPV's investment will supply reliable power to the cement facility, thereby helping to meet the construction needs of Nigeria's fast-growing population. MIGA's involvement in the project will help create 42 local jobs, 34 of which are skilled technical positions. Fifty additional jobs will be created during the construction phase and EPL will provide ongoing training throughout the duration of the project. EPL will facilitate growth in local economic spending and an estimated \$4.5 million on local construction costs. The project will also have a positive impact on the local environment, replacing 30-year old electrical generating sets with modern, clean and efficient gas engine technology. The project addresses two of MIGA's priority areas—an investment in an IDA country and in Africa.

ZAMBIA

Priority Areas—IDA, SSA, S-S

MIGA has issued a \$3.6 million guarantee to the **Industrial Development Corporation of South Africa Limited (IDC)**, of South Africa, to cover its \$4 million equity investment in **Agriflora Limited (Agriflora)** in Zambia. The coverage is for a period of up to ten years, against the risks of transfer restriction, expropriation and war and civil disturbance.

Agriflora is the second largest agricultural company in Zambia and employs over 5,000 people. Its principal activities are the production and sale of specialty vegetables and flowers, primarily for export markets. MIGA's guarantee is for the expansion of existing horticultural production facilities and investment in supporting infrastructure to meet the increased international demand. The project involves constructing additional crop protection shelters and upgrading irrigation

equipment and packing facilities. The expansion will generate an estimated 2,400 additional jobs, many of which are mid-management positions. In addition, the project has an internal training department for its staff and is affiliated with a local training school to provide special training for managers and assistant managers. The project is also projected to generate over \$20 million in foreign exchange earnings during the five-year expansion period. The expansion will strengthen the already positive upstream and downstream economic impacts on local industries, including transportation, distribution and agricultural supply companies.

The Agriflora project meets three of MIGA's priority concerns—it is a South-South Investment and in an IDA-eligible country. Furthermore, it enhances trade between two African countries.

Technical Assistance Activities

Work continued under the MIGA-Swiss Partnership, a multi-year initiative launched in fiscal year 2002 to encourage investors to take advantage of increased Africa trade access under the US African Growth and Opportunities Act and the EU's Cotonou agreement. The Swiss government is providing \$1.7 million in funding to complement MIGA's advisory and capacity-building services in the pilot countries of Senegal, Ghana, Tanzania, and Mozambique. An assessment of international trade opportunities was undertaken, identifying target industries in each country. The export of apparel was shown to hold potential for each, and a survey of local capacity in the sector was conducted in preparation for an investor outreach mission to China slated for early fiscal year 2004. Tourism has been identified as another key sector for countries in the program. In Tanzania, MIGA arranged a tourism investment forum in Arusha in October 2002. Nearly 300 persons attended the forum's opening session, registered attendance was about 180 delegates, and approximately 30 foreign companies were represented. Investor interest was high for several larger investments, and a concrete proposal to redevelop a hotel and convention center in Dar es Salaam resulted, which is expected to anchor the "Southern Tourism Circuit" for Tanzania.

In February 2003, MIGA was one of the first organizations on the ground in Kenya after the inauguration of the new government. Responding to a request from the Office of the Vice President and the Ministry for National Reconstruction, MIGA proposed an approach for packaging and promoting online critical projects left undeveloped by the previous administration. First-time work was also undertaken in the Democratic Republic of Congo, with an investment promotion needs assessment.

CAPE VERDE

Priority Areas—IDA, SSA

MIGA participated in a joint pre-appraisal mission to Cape Verde, together with the World Bank's Africa Financial and Private Sector Development unit. The mission focused on the preparation of a Growth and Competitiveness Project. The project includes major institutional capacity-building components benefiting **PROMEX**, the investment promotion institution of the country. MIGA was asked to act in an advisory capacity to the World Bank, to ensure that the capacity-building components under the project build upon MIGA's previous work and integrate MIGA's expertise in investment promotion. As in past MIGA efforts in Cape Verde, MIGA will work closely with the World Bank and FIAS during the preparation and implementation phase of the new project.

DEMOCRATIC REPUBLIC OF THE CONGO

Priority Areas—IDA, SSA

Following consultations with the World Bank, MIGA conducted an institutional needs assessment of the DRC's recently established investment promotion agency, **ANAPI**, and prepared a proposal for the programming of an investment promotion component as part of an upcoming World Bank private sector development and competitiveness project for the DRC. Under the investment promotion component, ANAPI will receive \$2.5 million in World Bank support for institutional and strategic development and the implementation of a multi-year investment promotion program, focusing primarily on investor servicing and investment climate improvement.

GHANA

Priority Areas—IDA, SSA

MIGA is undertaking an investment facilitation program, co-funded by the Swiss government, in four African countries (Ghana, Mozambique, Senegal and Tanzania). MIGA is assisting these countries to identify opportunities to integrate better into the international economy, with particular attention paid to opportunities generated by the privileged trade access agreements with the EU and the US. This information is used to select investment target sectors. This year, MIGA carried out assessments of the apparel sectors in the four countries and preparations were made for an apparel industry outreach program for all four countries.

KENYA

Priority Areas—IDA, SSA

MIGA held discussions with the office of the Vice President and Ministry for National Reconstruction on how the Agency might provide immediate support to the government in packaging and promoting private sector participation in projects left uncompleted by the previous administration. Following up on the meetings, MIGA prepared draft terms of reference for the effort and will serve as advisor to a government task force that is being formed to undertake the project. MIGA will endeavor to mobilize funding from the World Bank and other donors for its near-term implementation. MIGA has also undertaken a broad-based review of the institutional framework for investment promotion. The review is intended to establish the foundation for MIGA's future activities in the country.

MOZAMBIQUE

Priority Areas—IDA, SSA

MIGA continued its work with the **Mozambique Investment Promotion Centre (CPI)** to support its efforts to attract foreign direct investment and strengthen linkages with the local business community. This year, MIGA's work in the country focused on the completion of a baseline evaluation of Mozambique as a beneficiary under the MIGA-Swiss Partnership; providing advice and

assistance to the CPI to advance the free zone work program under the Business Development project (PODE) of the World Bank; and, working with the CPI in formulating a near-term corporate action plan. MIGA completed the investigations required to define a targeted technical assistance program under the MSP and, also under the MSP, carried out an assessment of the country's apparel sector and made preparations for an apparel industry outreach program for Mozambique to take place in China in early fiscal year 2004.

SENEGAL

Priority Areas—IDA, SSA

MIGA participated in a pre-appraisal mission in the context of a new World Bank Private Sector Development project. This project for Senegal comprises institutional capacity-building components to assist **APIX**, the national investment promotion agency. MIGA has been working with APIX since its establishment in June 2000, helping the agency during its start-up phase through support for strategy development, preparation of an initial business plan and targeting strategies, and the development of a Web site. MIGA is assisting APIX in updating its business plan and in optimizing its Web presence and investor tracking system. MIGA served as an advisor in the mission, ensuring that the capacity-building elements of the project complement and build upon MIGA's own initiatives. Senegal is also a participant in the MIGA-Switzerland Partnership.

TANZANIA

Priority Areas—IDA, SSA

MIGA's Technical Assistance program is supported by the MIGA-Swiss Partnership. In collaboration with the government of Tanzania, MIGA arranged a tourism investment forum in Arusha in October 2002. The forum built on considerable progress realized by the country in the tourism sector in recent years and was part of MIGA's ongoing efforts to support tourism investment in Tanzania. The forum brought together local and international investors to focus on opportunities in Tanzania. It included the Development Bank of

Southern Africa and the EC among its sponsors, and enjoyed the support of the World Bank and the IFC. The forum was organized as part of a broader effort to highlight investment opportunities in Tanzania and to keep investors informed of developments in the country-governmental efforts to improve the investment climate, and new investments in the sector—as they evolve. Nearly 300 persons attended the forum's opening session, registered attendance was about 180 delegates, and approximately 30 foreign companies were represented. Investor interest was high for a couple of larger investments, including a hotel and convention center, greenfield tourism investment, and for smaller projects, such as tented camps and safari lodges. Follow-up work is being undertaken on the tourism program which MIGA implemented in Tanzania last year. The tourism program has yielded its first investment, with the government's accepting an offer to purchase and upgrade the Kilimanjaro Hotel, a previously, failed privatization project. This re-opening of Tanzania's largest hotel will have a particularly beneficial impact on the tourism economy as it is seen as the anchor to the "Southern Tourism Circuit" which the government is promoting to provide for expansion and to reduce pressure on the ecologically fragile northern circuit.

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Financial Overview

Income from Guarantees

MIGA's income from guarantees, comprised of earned net premium income, fees and commissions, amounted to US\$39.5 million in FY03, compared with US\$40.4 million in FY02. This reflected a slight decrease in gross exposure from US\$5,257 million in FY02 to US\$5,083 million in FY03.

Premium Income Analysis FY00-FY03

US\$ millions

| | FY00 Actual | FY01 Actual | FY02 Actual | FY03 Actual |
|---------------------------|----------------|----------------|----------------|----------------|
| Total Guarantees issued | 1,863 | 2,153 | 1,357 | 1,372 |
| Gross Exposure | 4,365 | 5,180 | 5,257 | 5,083 |
| Net Exposure | 2,816 | 3,157 | 3,202 | 3,204 |
| Premium income | 37.4 | 46.3 | 57.1 | 53.9 |
| Premium ceded | (13.0) | (18.0) | (24.4) | (21.4) |
| Fees and commissions | 5.1 | 8.2 | 7.7 | 7.0 |
| Net premium income | 29.5 | 36.5 | 40.4 | 39.5 |

Investment Income

MIGA's investment income for FY03 was US\$25.3 million, compared with US\$28.7 million in FY02. The investment return declined from 4.7% in FY02 to 3.5% in FY03—or 3.8% excluding an unrealized loss of US\$1.7 million in FY03. The average maturity of the investment portfolio was 13 months at June 30, 2003.

Investment Income FY00-FY03

US\$ millions

| | FY00 Actual | FY01 Actual | FY02 Actual | FY03 Actual |
|-------------------------------|----------------|----------------|----------------|----------------|
| Investment portfolio | 464 | 553 | 692 | 689 |
| Total return on investments % | 5.3 | 7.5 | 4.8 | 3.5 |
| Investment income | 23.5 | 30.4 | 28.7 | 25.3 |

Reserve for Claims

MIGA's provision for claims was reduced by US\$20.7 million. By June 30, 2003, MIGA's Reserve for Claims comprised Specific Claims Reserves of US\$39.2 million (US\$44.9 million in FY02) and General Claims Reserves of US\$285.7 million (US\$297.3 million in FY02).¹

Reserve for Claims FY00-FY03

US\$ millions

| | FY00 Actual | FY01 Actual | FY02 Actual | FY03 Actual |
|------------------------------------|----------------|----------------|----------------|----------------|
| Systemic Losses | 187 | 207 | 224 | 210 |
| Attritional Losses | 62 | 76 | 76 | 83 |
| Project/Contract Level Adjustments | 15 | 26 | 0 | 14 |
| | 264 | 309 | 300 | 307 |
| Reinsurer Credit Risk | 54 | 80 | 81 | 69 |
| Administrative & Salvage Expense | 100 | 110 | 115 | 128 |
| Future Net Premium Income | (155) | (205) | (199) | (218) |
| General Claims Reserve | 263 | 294 | 297 | 286 |
| Specific Claims Reserve | 1 | 1 | 45 | 39 |
| Reserve for Claims | 264 | 295 | 342 | 325 |

¹ General Claims Reserves are intended to cover the present value of the estimated losses, net of related premium income, arising from the existing guarantee portfolio based on current events and developments.

Administrative Expenses

Total administrative expenses for the fiscal year ending June 30, 2003 amounted to US\$25.5 million compared with an administrative budget of US\$27.8 million. The variance of \$2.3 million comprised an unutilized contingency of \$0.6 million and an operational budget under-run of US\$1.7 million.

Administrative Expenses FY02-FY03

US\$ thousands

| | FY02 | FY03 | FY03 | FY03 |
|----------------------------------|---------------|---------------------------------|------------------------------------|---------------|
| | Actual | Approved ¹ Budget | Reallocated ¹ Budget | Actual |
| Guarantees | 5,905 | 5,652 | 5,446 | 5,027 |
| Human resources | 5,022 | 4,638 | 4,432 | 4,264 |
| Other discretionary expenditures | 883 | 1,014 | 1,014 | 763 |
| Operation Evaluation department | - | 612 | 615 | 631 |
| Human resources | - | 537 | 540 | 555 |
| Other discretionary expenditures | - | 75 | 75 | 76 |
| Policy Evaluation Department | 1,122 | 1,096 | 1,040 | 903 |
| Human resources | 1,022 | 922 | 880 | 826 |
| Other discretionary expenditures | 100 | 174 | 160 | 77 |
| Investment Marketing Services | 3,620 | 3,525 | 3,702 | 3,512 |
| Human resources | 2,684 | 2,603 | 2,780 | 2,691 |
| Other discretionary expenditures | 936 | 922 | 922 | 821 |
| Legal Department | 1,908 | 2,277 | 2,282 | 2,126 |
| Human resources | 1,659 | 1,950 | 1,955 | 1,846 |
| Other discretionary expenditures | 249 | 327 | 327 | 280 |
| Finance Department | 1,535 | 2,342 | 2,265 | 2,069 |
| Human resources | 1,400 | 1,970 | 1,970 | 1,869 |
| Other discretionary expenditures | 135 | 372 | 295 | 200 |
| Corporate Relations | 643 | 1,218 | 1,274 | 1,189 |
| Human resources | 384 | 815 | 871 | 825 |
| Other discretionary expenditures | 259 | 403 | 403 | 364 |
| Central Administration | 2,965 | 3,130 | 3,178 | 2,946 |
| Human resources | 1,273 | 1,657 | 1,660 | 1,410 |
| Other discretionary expenditures | 1,692 | 1,473 | 1,518 | 1,536 |
| Field Offices | 845 | 1,733 | 1,754 | 1,689 |
| Human resources | 602 | 1,226 | 1,213 | 1,165 |
| Other discretionary expenditures | 243 | 507 | 541 | 524 |
| Executive Office | 1,273 | 1,543 | 1,546 | 1,288 |
| Human resources | 847 | 1,302 | 1,029 | 823 |
| Other discretionary expenditures | 426 | 241 | 518 | 465 |
| Discretionary Expenditure | 19,816 | 23,128 | 23,102 | 21,380 |
| Non-Discretionary Expenditure | 3,126 | 4,130 | 4,156 | 4,123 |
| Benefit Savings | (980) | | | |
| SRP/RSBP expenses | | | | 94 |
| Contingency | | 600 | 600 | |
| Reimbursables | (23) | (12) | (12) | (74) |
| Total | 21,939 | 27,846 | 27,846 | 25,523 |

¹ The approved and reallocated budget includes carry over funds of US\$350,000 that are allocated to Executive Office US\$75,000; Central Administration US\$225,000; Guarantees US\$20,000; and Operations & Evaluation US\$30,000.

Net Income

MIGA's net income before provisioning amounted to US\$38.1 million in FY03 compared with US\$48.4 million in FY02. Given a release of provision for claims of US\$20.7 million, MIGA's net income after provisioning amounted to US\$58.8 million in FY03, compared with US\$4.5 million in FY02.

Income Statement FY00-FY03

| US\$ millions | | | | |
|---|----------------|----------------|----------------|----------------|
| | FY00 Actual | FY01 Actual | FY02 Actual | FY03 Actual |
| Premium income | 37.4 | 46.3 | 57.1 | 53.9 |
| Premium ceded | (13.0) | (18.0) | (24.4) | (21.4) |
| Fees and commissions | 5.1 | 8.2 | 7.7 | 7.0 |
| | 29.5 | 36.5 | 40.4 | 39.5 |
| Income from investments | 23.5 | 30.4 | 28.7 | 25.3 |
| Income from the SRP and other Staff benefits plans | 2.7 | 3.0 | 2.2 | 0.0 |
| | 55.7 | 69.9 | 71.3 | 64.8 |
| Administrative expenses | (18.0) | (19.8) | (21.9) | (25.5) |
| Other expenses | (0.2) | (0.8) | (1.0) | (1.1) |
| Provision for claims | (26.6) | (29.7) | (43.9) | 20.7 |
| Net Income | 10.9 | 19.6 | 4.5 | 58.8 |

Capital Increase

On March 29, 1999, MIGA's Council of Governors approved a General Capital Increase (GCI) of US\$850 million, to be subscribed over three years. On May 6, 2002 the Board of Governors approved the extension of the subscription period by one year to March 28, 2003. On March 17, 2003, the Council of Governors approved an amendment to the GCI resolution allowing eligible countries to subscribe to the GCI shares allocated to them by submitting an Instrument of Contribution before the GCI deadline of March 28, 2003, and requesting such countries to pay for their GCI shares as soon as possible. The reserved shares will be issued and corresponding voting power will accrue when the subscription process has been completed, that is, when the required payment has been received. As of June 30, 2003, 97 countries had subscribed a total of US\$655.1 million, of which US\$115.6 million was in cash and the balance was in the form of callable capital.

Analysis of Capital Increase

| | Category One | | Category Two | | All Countries | |
|-------------------|--------------|-------|--------------|-------|---------------|-------|
| | Number | US\$M | Number | US\$M | Number | US\$M |
| Fully subscribed | 19 | 284.5 | 75 | 232.8 | 94 | 517.3 |
| Partly subscribed | 2 | 136.7 | 1 | 1.1 | 3 | 137.8 |
| Total | 21 | 421.2 | 76 | 233.9 | 97 | 655.1 |
| Allocated | 21 | 493.8 | 140 | 356.2 | 161 | 850.0 |
| Subscribed % | | 85.3 | | 65.6 | | 77.1 |

Liquidity

MIGA measures liquidity by reference to: (1) the resources which are available to pay claims ("Sources of Cash"), and (2) the capital and reserves which are available to sustain losses and support the on-going business ("Operating Capital"). As of June 30, 2003, Sources of Cash totaled US\$955.4 million including MIGA's cash and investment portfolio of US\$699.9 million, credit facilities of US\$150 million, and promissory notes of US\$105.5 million. Operating Capital of US\$766 million comprised General Claims Reserves of US\$285.7 million, Retained Earnings of US\$141.1 million, and Paid-in Capital of US\$339.2 million. In addition, MIGA was supported by US\$1,432.8 million of callable capital.

Liquidity FY00-FY03

| US\$ millions | FY00 Actual | FY01 Actual | FY02 Actual | FY03 Actual |
|----------------------------------|----------------|----------------|----------------|----------------|
| Cash and investments | 464 | 556 | 702 | 700 |
| Credit facilities * | 75 | 110 | 185 | 150 |
| Promissory notes | 102 | 101 | 103 | 105 |
| Sources of Cash | 641 | 767 | 990 | 955 |
| General claims reserves | 263 | 294 | 297 | 286 |
| Retained earnings & other income | 45 | 68 | 77 | 141 |
| Paid-in capital | 253 | 291 | 328 | 339 |
| Operating Capital | 561 | 653 | 702 | 766 |

* MIGA has credit facilities of US\$25 million with UBS, US\$50 million with Royal Bank of Canada and US\$75 million with Lloyds TSB.

Risk Bearing Capacity

For the purpose of measuring its risk-bearing capacity, MIGA uses the ratio of operating capital (which includes paid-in capital, retained earnings and general reserves) over net exposure. This ratio which increased from 21.9 in FY02 to 23.9 in FY03 remains satisfactory.

Risk Bearing Capacity FY00-FY03

| US\$ millions | FY00 Actual | FY01 Actual | FY02 Actual | FY03 Actual |
|----------------------------------|----------------|----------------|----------------|----------------|
| Net Exposure | 2,816 | 3,157 | 3,202 | 3,204 |
| General Claims reserves | 263 | 294 | 297 | 286 |
| Retained Earnings & other Income | 45 | 68 | 77 | 141 |
| Paid-in-Capital | 253 | 291 | 328 | 339 |
| Operating Capital * | 561 | 653 | 702 | 766 |
| Op. Capital/Net Exposure (%) | 19.9 | 20.7 | 21.9 | 23.9 |

* Specific claims reserves are not included in Operating Capital.

Management's Assertion Regarding COSO



Multilateral Investment Guarantee Agency
World Bank Group

Management's Report Regarding Effectiveness of Internal Controls Over External Financial Reporting

July 31, 2003

The management of the Multilateral Investment Guarantee Agency (MIGA) is responsible for the preparation, integrity, and fair presentation of its published financial statements and all other information presented in this annual report. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and International Financial Reporting Standards and, as such, include amounts based on informed judgments and estimates made by management.

Management is responsible for establishing and maintaining effective internal control over external financial reporting for financial presentations in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The system of internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal controls for external financial reporting, which are subject to scrutiny by management and the internal auditors, and are revised as considered necessary, support the integrity and reliability of the external financial statements.

The financial statements have been audited by an independent accounting firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees of the Board. Management believes that all representations made to the independent auditors during their audit were valid and appropriate. The independent auditors' report is presented herein in the Annual Report.

The Board of Directors of MIGA has appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of MIGA. The Audit Committee is comprised entirely of Directors who are independent of MIGA's management. The Audit Committee is responsible for recommending to the Board of Directors the selection of independent auditors. It meets periodically with management, the independent auditors, and the internal auditors to ensure that they are carrying out their responsibilities. The Audit Committee is responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of MIGA in addition to reviewing MIGA's reports. The independent auditors and the internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the adequacy of internal control over external financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

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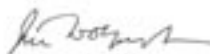
Management's Assertion Regarding COSO (cont.)

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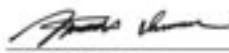
July 31, 2003

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

MIGA assessed its internal control over external financial reporting for financial presentations in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards as of June 30, 2003. This assessment was based on the criteria for effective internal control over external financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that MIGA maintained effective internal control over external financial reporting presented in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards.



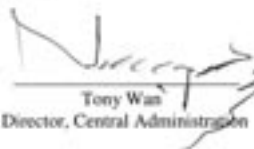
James D. Wolfensohn
President



Motemichi Ikawa
Executive Vice President



Amédée Prouvost
Director and Chief Financial Officer



Tony Wan
Director, Central Administration

COSO Assertion of Independent Accountants

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President and Board of Governors
Multilateral Investment Guarantee Agency

We have examined management's assertion, included in the accompanying "Management's Assertion Regarding Effectiveness of Internal Control Over External Financial Reporting", that, as of June 30, 2003, the Multilateral Investment Guarantee Agency met the criteria for effective internal control over external financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management is responsible for maintaining effective control over external financial reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of internal control over external financial reporting, testing, and evaluating the design and operating effectiveness of internal control over external financial reporting, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control structure, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control over external financial reporting to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies may deteriorate.

In our opinion, management's assertion that, as of June 30, 2003, the Multilateral Investment Guarantee Agency met the criteria for effective internal control over external financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission is fairly stated, in all material respects.

Deloitte Touche Tohmatsu (International Firm)

July 31, 2003

Report of Independent Accountants

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President and Board of Governors
Multilateral Investment Guarantee Agency

We have audited the accompanying balance sheets of the Multilateral Investment Guarantee Agency, as of June 30, 2003 and 2002, including the statement of subscription to capital stock and voting power and the statement of guarantees outstanding as of June 30, 2003, and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Multilateral Investment Guarantee Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Multilateral Investment Guarantee Agency as of June 30, 2003 and 2002 and the results of operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America and International Financial Reporting Standards.

Deloitte Touche Tohmatsu (International Firm)

July 31, 2003

Balance Sheet

June 30, 2003 and June 30, 2002

Expressed in thousands of US dollars

| | 2003 | 2002 |
|---|--------------------|--------------------|
| Assets | | |
| CASH | \$11,190 | \$10,517 |
| INVESTMENTS—Note B | | |
| Available-for-sale | 688,733 | 691,615 |
| NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS—Note C | 105,509 | 103,007 |
| OTHER ASSETS | | |
| Estimated reinsurance recoverables | 194,700 | 255,800 |
| Other assets | 70,005 | 39,580 |
| | 264,705 | 295,380 |
| TOTAL ASSETS | \$1,070,137 | \$1,100,519 |

Liabilities and Shareholders' Equity

| | | |
|--|--------------------|--------------------|
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$50,948 | \$75,846 |
| Unearned premiums and commitments fees | 19,304 | 21,656 |
| Reserve for claims—Note F | | |
| Reserve for claims net of estimated reinsurance recoverables | 285,700 | 297,300 |
| Specific reserve for claims | 39,200 | 44,900 |
| Estimated reinsurance recoverables | 194,700 | 255,800 |
| Reserve for claims—gross | 519,600 | 598,000 |
| | | |
| Total liabilities | 589,852 | 695,502 |
| SHAREHOLDERS' EQUITY | | |
| Capital stock—Note C | | |
| Authorized capital (181,755 shares - June 30, 2003; 181,342 shares - June 30, 2002) | | |
| Subscribed capital (163,745 shares - June 30, 2003; 158,349 shares - June 30, 2002) | 1,771,721 | 1,713,336 |
| Less uncalled portion of subscriptions | 1,432,773 | 1,384,798 |
| Less amounts due on called subscriptions | — | 731 |
| | 338,948 | 327,807 |
| Payments on account of pending subscriptions | 222 | 216 |
| | 339,170 | 328,023 |
| Retained earnings | 138,244 | 79,428 |
| Accumulated other comprehensive income | 2,871 | (2,434) |
| Total shareholders' equity | 480,285 | 405,017 |
| CONTINGENT LIABILITIES—Notes D and E | | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$1,070,137 | \$1,100,519 |

Statement of Income

For the fiscal years ended June 30, 2003 and June 30, 2002
Expressed in thousands of US dollars

| | 2003 | 2002 |
|--|-----------------|----------------|
| INCOME | | |
| Income from guarantees | | |
| Premium income | \$53,878 | \$57,043 |
| Premium ceded | (21,371) | (24,376) |
| Fees and commissions | 6,990 | 7,700 |
| Total | 39,497 | 40,367 |
| Income from investments | | |
| Available-for-sale | 25,298 | 28,708 |
| Income from staff retirement plan—Note G | — | 2,150 |
| Miscellaneous income | 16 | 37 |
| Total income | 64,811 | 71,262 |
| EXPENSES | | |
| (Release of) Provision for claims—Note F | (20,672) | 43,891 |
| Administrative expenses—Notes G, H and I | 25,523 | 21,939 |
| Other expenses | 1,144 | 943 |
| Total expenses | 5,995 | 66,773 |
| NET INCOME | \$58,816 | \$4,489 |

Statement of Comprehensive IncomeFor the fiscal years ended June 30, 2003 and June 30, 2002
Expressed in thousands of US dollars

| | 2003 | 2002 |
|---|-----------------|----------------|
| NET INCOME | \$58,816 | \$4,489 |
| OTHER COMPREHENSIVE INCOME | | |
| Translation adjustment | 7,035 | 5,516 |
| Unrealized loss on available-for-sale investments | (1,730) | (685) |
| Total | 5,305 | 4,831 |
| TOTAL COMPREHENSIVE INCOME | \$64,121 | \$9,320 |

Statement of Changes in Shareholders' EquityFor the fiscal years ended June 30, 2003 and June 30, 2002
Expressed in thousands of US dollars

| | 2003 | 2002 |
|--|------------------|------------------|
| CAPITAL STOCK | | |
| Balance at beginning of the fiscal year | \$328,023 | \$290,617 |
| New subscriptions | 11,141 | 48,776 |
| Payments on account of pending subscriptions | 6 | (11,370) |
| Ending Balance | 339,170 | 328,023 |
| RETAINED EARNINGS | | |
| Balance at beginning of the fiscal year | 79,428 | 74,939 |
| Net income | 58,816 | 4,489 |
| Ending Balance | 138,244 | 79,428 |
| ACCUMULATED OTHER COMPREHENSIVE INCOME | | |
| Balance at beginning of the fiscal year | (2,434) | (7,265) |
| Other comprehensive income | 5,305 | 4,831 |
| Ending Balance | 2,871 | (2,434) |
| TOTAL SHAREHOLDERS' EQUITY | \$480,285 | \$405,017 |

Statement of Cash Flows

For the fiscal years ended June 30, 2003 and June 30, 2002

Expressed in thousands of US dollars

| | 2003 | 2002 |
|--|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$58,816 | \$4,489 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| (Release of) Provision for claims | (20,672) | 43,891 |
| (Increase) Decrease in other assets | (30,316) | 13,166 |
| Decrease in unearned premiums and commitment fees | (2,606) | (4,210) |
| (Decrease) Increase in accounts payable | (24,970) | 43,981 |
| | (19,748) | 101,317 |
| Claim recovery—net of payments | 1,568 | 1,658 |
| Net cash (used in) provided by operating activities | (18,180) | 102,975 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Available-for-sale portfolio: | | |
| Sales and maturities | 20,914,333 | 24,019,077 |
| Purchases | (20,905,665) | (24,152,764) |
| Net cash provided by (used in) investing activities | 8,668 | (133,687) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Capital subscription payments | 10,257 | 37,030 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | | |
| | (72) | 137 |
| Net Increase in cash | 673 | 6,455 |
| Cash at beginning of the fiscal year | 10,517 | 4,062 |
| CASH AT END OF THE FISCAL YEAR | \$11,190 | \$10,517 |

Statement of Subscriptions to Capital Stock and Voting Power

As of June 30, 2003, expressed in thousands of US dollars

| Members | Shares ^a | Subscriptions (Note C) | | | | Voting power | |
|-------------------------------|---------------------|------------------------|-------------------|---------------|---------------------------|--------------------|---------------|
| | | Total Subscribed | Amount Paid-in | Amount Due | Amount Subject to Call | Number of Votes | % of Total |
| Afghanistan | 118 | \$1,277 | \$255 | 0 | \$1,022 | 295 | 0.15 |
| Albania | 102 | 1,104 | 210 | 0 | 894 | 279 | 0.14 |
| Algeria | 1,144 | 12,378 | 2,350 | 0 | 10,028 | 1,321 | 0.69 |
| Angola | 187 | 2,023 | 405 | 0 | 1,618 | 364 | 0.19 |
| Argentina | 1,254 | 13,568 | 2,714 | 0 | 10,854 | 1,431 | 0.74 |
| Armenia | 80 | 866 | 173 | 0 | 693 | 257 | 0.13 |
| Australia | 3,019 | 32,666 | 6,201 | 0 | 26,465 | 3,196 | 1.66 |
| Austria | 1,366 | 14,780 | 2,806 | 0 | 11,974 | 1,543 | 0.80 |
| Azerbaijan | 115 | 1,244 | 249 | 0 | 995 | 292 | 0.15 |
| Bahamas, The | 176 | 1,904 | 362 | 0 | 1,542 | 353 | 0.18 |
| Bahrain | 136 | 1,472 | 279 | 0 | 1,193 | 313 | 0.16 |
| Bangladesh | 599 | 6,481 | 1,230 | 0 | 5,251 | 776 | 0.40 |
| Barbados | 120 | 1,298 | 246 | 0 | 1,052 | 297 | 0.15 |
| Belarus | 233 | 2,521 | 504 | 0 | 2,017 | 410 | 0.21 |
| Belgium | 3,577 | 38,703 | 7,347 | 0 | 31,356 | 3,754 | 1.95 |
| Belize | 88 | 952 | 181 | 0 | 771 | 265 | 0.14 |
| Benin | 108 | 1,169 | 222 | 0 | 947 | 285 | 0.15 |
| Bolivia | 220 | 2,380 | 452 | 0 | 1,928 | 397 | 0.21 |
| Bosnia and Herzegovina | 80 | 866 | 173 | 0 | 693 | 257 | 0.13 |
| Botswana | 88 | 952 | 181 | 0 | 771 | 265 | 0.14 |
| Brazil | 2,606 | 28,197 | 5,353 | 0 | 22,844 | 2,783 | 1.45 |
| Bulgaria | 643 | 6,957 | 1,321 | 0 | 5,636 | 820 | 0.43 |
| Burkina Faso | 61 | 660 | 132 | 0 | 528 | 238 | 0.12 |
| Burundi | 74 | 801 | 160 | 0 | 641 | 251 | 0.13 |
| Cambodia | 164 | 1,774 | 337 | 0 | 1,437 | 341 | 0.18 |
| Cameroon | 107 | 1,158 | 232 | 0 | 926 | 284 | 0.15 |
| Canada | 5,225 | 56,535 | 10,732 | 0 | 45,803 | 5,402 | 2.81 |
| Cape Verde | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| Central African Republic | 60 | 649 | 130 | 0 | 519 | 237 | 0.12 |
| Chad | 60 | 649 | 130 | 0 | 519 | 237 | 0.12 |
| Chile | 485 | 5,248 | 1,050 | 0 | 4,198 | 662 | 0.34 |
| China | 5,530 | 59,835 | 11,359 | 0 | 48,476 | 5,707 | 2.97 |
| Colombia | 770 | 8,331 | 1,582 | 0 | 6,749 | 947 | 0.49 |
| Congo, Democratic Republic of | 596 | 6,449 | 1,224 | 0 | 5,225 | 773 | 0.40 |
| Congo, Republic of | 115 | 1,244 | 236 | 0 | 1,008 | 292 | 0.15 |
| Costa Rica | 206 | 2,229 | 423 | 0 | 1,806 | 383 | 0.20 |
| Cote d'Ivoire | 310 | 3,354 | 637 | 0 | 2,717 | 487 | 0.25 |
| Croatia | 330 | 3,571 | 678 | 0 | 2,893 | 507 | 0.26 |
| Cyprus | 183 | 1,980 | 376 | 0 | 1,604 | 360 | 0.19 |
| Czech Republic | 784 | 8,483 | 1,610 | 0 | 6,873 | 961 | 0.50 |
| Denmark | 1,265 | 13,687 | 2,598 | 0 | 11,089 | 1,442 | 0.75 |
| Dominica | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| Dominican Republic | 147 | 1,591 | 318 | 0 | 1,273 | 324 | 0.17 |
| Ecuador | 321 | 3,473 | 659 | 0 | 2,814 | 498 | 0.26 |
| Egypt, Arab Republic of | 809 | 8,753 | 1,662 | 0 | 7,091 | 986 | 0.51 |
| El Salvador | 122 | 1,320 | 264 | 0 | 1,056 | 299 | 0.16 |

Statement of Subscriptions to Capital Stock and Voting Power (cont.)

As of June 30, 2003, expressed in thousands of US dollars

| Members | Shares ^a | Subscriptions (Note C) | | | | Voting power | |
|--|---------------------|------------------------|-------------------|---------------|---------------------------|--------------------|---------------|
| | | Total Subscribed | Amount Paid-in | Amount Due | Amount Subject to Call | Number of Votes | % of Total |
| Equatorial Guinea | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| Eritrea | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| Estonia | 115 | 1,244 | 236 | 0 | 1,008 | 292 | 0.15 |
| Ethiopia | 123 | 1,331 | 253 | 0 | 1,078 | 300 | 0.16 |
| Fiji | 71 | 768 | 154 | 0 | 614 | 248 | 0.13 |
| Finland | 1,057 | 11,437 | 2,171 | 0 | 9,266 | 1,234 | 0.64 |
| France | 6,712 | 72,624 | 14,054 | 0 | 58,570 | 6,889 | 3.58 |
| Gabon | 96 | 1,039 | 208 | 0 | 831 | 273 | 0.14 |
| Gambia, The | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| Georgia | 111 | 1,201 | 240 | 0 | 961 | 288 | 0.15 |
| Germany | 8,936 | 96,688 | 18,355 | 0 | 78,333 | 9,113 | 4.74 |
| Ghana | 432 | 4,674 | 887 | 0 | 3,787 | 609 | 0.32 |
| Greece | 493 | 5,334 | 1,013 | 0 | 4,321 | 670 | 0.35 |
| Grenada | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| Guatemala | 140 | 1,515 | 303 | 0 | 1,212 | 317 | 0.16 |
| Guinea | 91 | 985 | 197 | 0 | 788 | 268 | 0.14 |
| Guyana | 84 | 909 | 182 | 0 | 727 | 261 | 0.14 |
| Haiti | 75 | 812 | 162 | 0 | 650 | 252 | 0.13 |
| Honduras | 178 | 1,926 | 366 | 0 | 1,560 | 355 | 0.18 |
| Hungary | 994 | 10,755 | 2,042 | 0 | 8,713 | 1,171 | 0.61 |
| Iceland | 90 | 974 | 195 | 0 | 779 | 267 | 0.14 |
| India | 3,048 | 32,979 | 6,596 | 0 | 26,383 | 3,225 | 1.68 |
| Indonesia | 1,849 | 20,006 | 3,798 | 0 | 16,208 | 2,026 | 1.05 |
| Ireland | 650 | 7,033 | 1,335 | 0 | 5,698 | 827 | 0.43 |
| Israel | 835 | 9,035 | 1,715 | 0 | 7,320 | 1,012 | 0.53 |
| Italy | 4,970 | 53,775 | 10,208 | 0 | 43,567 | 5,147 | 2.67 |
| Jamaica | 181 | 1,958 | 392 | 0 | 1,566 | 358 | 0.19 |
| Japan | 8,979 | 97,153 | 18,443 | 0 | 78,710 | 9,156 | 4.76 |
| Jordan | 171 | 1,850 | 351 | 0 | 1,499 | 348 | 0.18 |
| Kazakhstan | 368 | 3,982 | 756 | 0 | 3,226 | 545 | 0.28 |
| Kenya | 303 | 3,278 | 622 | 0 | 2,656 | 480 | 0.25 |
| Korea, Republic of | 791 | 8,559 | 1,625 | 0 | 6,934 | 968 | 0.50 |
| Kuwait | 1,639 | 17,734 | 3,367 | 0 | 14,367 | 1,816 | 0.94 |
| Kyrgyz Republic | 77 | 833 | 167 | 0 | 666 | 254 | 0.13 |
| Lao People's Democratic Republic | 60 | 649 | 130 | 0 | 519 | 237 | 0.12 |
| Latvia | 171 | 1,850 | 351 | 0 | 1,499 | 348 | 0.18 |
| Lebanon | 250 | 2,705 | 514 | 0 | 2,191 | 427 | 0.22 |
| Lesotho | 88 | 952 | 181 | 0 | 771 | 265 | 0.14 |
| Libya | 549 | 5,940 | 1,188 | 0 | 4,752 | 726 | 0.38 |
| Lithuania | 187 | 2,023 | 384 | 0 | 1,639 | 364 | 0.19 |
| Luxembourg | 204 | 2,207 | 419 | 0 | 1,788 | 381 | 0.20 |
| Macedonia, former Yugoslav Republic of | 88 | 952 | 181 | 0 | 771 | 265 | 0.14 |
| Madagascar | 176 | 1,904 | 362 | 0 | 1,542 | 353 | 0.18 |
| Malawi | 77 | 833 | 167 | 0 | 666 | 254 | 0.13 |
| Malaysia | 1,020 | 11,036 | 2,095 | 0 | 8,941 | 1,197 | 0.62 |
| Mali | 143 | 1,547 | 294 | 0 | 1,253 | 320 | 0.17 |

Statement of Subscriptions to Capital Stock and Voting Power (cont.)

As of June 30, 2003, expressed in thousands of US dollars

| Members | Shares ^a | Subscriptions (Note C) | | | | Voting power | |
|---------------------------------|---------------------|------------------------|-------------------|---------------|---------------------------|--------------------|---------------|
| | | Total Subscribed | Amount Paid-in | Amount Due | Amount Subject to Call | Number of Votes | % of Total |
| Malta | 132 | 1,428 | 271 | 0 | 1,157 | 309 | 0.16 |
| Mauritania | 111 | 1,201 | 228 | 0 | 973 | 288 | 0.15 |
| Mauritius | 153 | 1,655 | 314 | 0 | 1,341 | 330 | 0.17 |
| Micronesia, Federated States of | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| Moldova | 96 | 1,039 | 208 | 0 | 831 | 273 | 0.14 |
| Mongolia | 58 | 628 | 126 | 0 | 502 | 235 | 0.12 |
| Morocco | 613 | 6,633 | 1,259 | 0 | 5,374 | 790 | 0.41 |
| Mozambique | 171 | 1,850 | 351 | 0 | 1,499 | 348 | 0.18 |
| Namibia | 107 | 1,158 | 232 | 0 | 926 | 284 | 0.15 |
| Nepal | 122 | 1,320 | 251 | 0 | 1,069 | 299 | 0.16 |
| Netherlands | 3,822 | 41,354 | 7,850 | 0 | 33,504 | 3,999 | 2.08 |
| Nicaragua | 102 | 1,104 | 221 | 0 | 883 | 279 | 0.14 |
| Nigeria | 1,487 | 16,089 | 3,054 | 0 | 13,035 | 1,664 | 0.86 |
| Norway | 1,232 | 13,330 | 2,531 | 0 | 10,799 | 1,409 | 0.73 |
| Oman | 166 | 1,796 | 341 | 0 | 1,455 | 343 | 0.18 |
| Pakistan | 1,163 | 12,584 | 2,389 | 0 | 10,195 | 1,340 | 0.70 |
| Palau | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| Panama | 231 | 2,499 | 474 | 0 | 2,025 | 408 | 0.21 |
| Papua New Guinea | 96 | 1,039 | 208 | 0 | 831 | 273 | 0.14 |
| Paraguay | 80 | 866 | 173 | 0 | 693 | 257 | 0.13 |
| Peru | 657 | 7,109 | 1,350 | 0 | 5,759 | 834 | 0.43 |
| Philippines | 484 | 5,237 | 1,047 | 0 | 4,190 | 661 | 0.34 |
| Poland | 764 | 8,266 | 1,653 | 0 | 6,613 | 941 | 0.49 |
| Portugal | 673 | 7,282 | 1,382 | 0 | 5,900 | 850 | 0.44 |
| Qatar | 241 | 2,608 | 495 | 0 | 2,113 | 418 | 0.22 |
| Romania | 978 | 10,582 | 2,009 | 0 | 8,573 | 1,155 | 0.60 |
| Russian Federation | 5,528 | 59,813 | 11,355 | 0 | 48,458 | 5,705 | 2.96 |
| Rwanda | 132 | 1,428 | 271 | 0 | 1,157 | 309 | 0.16 |
| St. Kitts and Nevis | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| St. Lucia | 88 | 952 | 181 | 0 | 771 | 265 | 0.14 |
| St. Vincent and the Grenadines | 88 | 952 | 181 | 0 | 771 | 265 | 0.14 |
| Samoa | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| Saudi Arabia | 5,528 | 59,813 | 11,355 | 0 | 48,458 | 5,705 | 2.96 |
| Senegal | 256 | 2,770 | 526 | 0 | 2,244 | 433 | 0.23 |
| Serbia and Montenegro | 407 | 4,404 | 836 | 0 | 3,568 | 584 | 0.30 |
| Seychelles | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| Sierra Leone | 132 | 1,428 | 271 | 0 | 1,157 | 309 | 0.16 |
| Singapore | 272 | 2,943 | 559 | 0 | 2,384 | 449 | 0.23 |
| Slovak Republic | 391 | 4,231 | 803 | 0 | 3,428 | 568 | 0.30 |
| Slovenia | 180 | 1,948 | 370 | 0 | 1,578 | 357 | 0.19 |
| South Africa | 1,662 | 17,983 | 3,414 | 0 | 14,569 | 1,839 | 0.96 |
| Spain | 2,265 | 24,507 | 4,652 | 0 | 19,855 | 2,442 | 1.27 |
| Sri Lanka | 374 | 4,047 | 783 | 0 | 3,264 | 551 | 0.29 |
| Sudan | 206 | 2,229 | 446 | 0 | 1,783 | 383 | 0.20 |
| Swaziland | 58 | 628 | 126 | 0 | 502 | 235 | 0.12 |
| Sweden | 1,849 | 20,006 | 3,798 | 0 | 16,208 | 2,026 | 1.05 |

Statement of Subscriptions to Capital Stock and Voting Power (cont.)

As of June 30, 2003, expressed in thousands of US dollars

| Members | Shares ^a | Subscriptions (Note C) | | | | Voting power | |
|-------------------------------------|---------------------|------------------------|-------------------|---------------|---------------------------|--------------------|---------------|
| | | Total Subscribed | Amount Paid-in | Amount Due | Amount Subject to Call | Number of Votes | % of Total |
| Switzerland | 2,643 | 28,597 | 5,429 | 0 | 23,168 | 2,820 | 1.47 |
| Syrian Arab Republic | 168 | 1,818 | 364 | 0 | 1,454 | 345 | 0.18 |
| Tajikistan | 74 | 801 | 160 | 0 | 641 | 251 | 0.13 |
| Tanzania | 248 | 2,683 | 509 | 0 | 2,174 | 425 | 0.22 |
| Thailand | 742 | 8,028 | 1,524 | 0 | 6,504 | 919 | 0.48 |
| Timor-Leste | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| Togo | 77 | 833 | 167 | 0 | 666 | 254 | 0.13 |
| Trinidad and Tobago | 358 | 3,874 | 735 | 0 | 3,139 | 535 | 0.28 |
| Tunisia | 156 | 1,688 | 338 | 0 | 1,350 | 333 | 0.17 |
| Turkey | 814 | 8,807 | 1,672 | 0 | 7,135 | 991 | 0.52 |
| Turkmenistan | 66 | 714 | 143 | 0 | 571 | 243 | 0.13 |
| Uganda | 233 | 2,521 | 479 | 0 | 2,042 | 410 | 0.21 |
| Ukraine | 764 | 8,266 | 1,653 | 0 | 6,613 | 941 | 0.49 |
| United Arab Emirates | 372 | 4,025 | 805 | 0 | 3,220 | 549 | 0.29 |
| United Kingdom | 8,565 | 92,673 | 17,593 | 0 | 75,080 | 8,742 | 4.54 |
| United States | 31,304 | 338,709 | 65,000 | 0 | 273,709 | 31,481 | 16.36 |
| Uruguay | 202 | 2,186 | 437 | 0 | 1,749 | 379 | 0.20 |
| Uzbekistan | 175 | 1,894 | 379 | 0 | 1,515 | 352 | 0.18 |
| Vanuatu | 50 | 541 | 108 | 0 | 433 | 227 | 0.12 |
| Venezuela, Republica Bolivariana de | 1,427 | 15,440 | 3,088 | 0 | 12,352 | 1,604 | 0.83 |
| Vietnam | 388 | 4,198 | 797 | 0 | 3,401 | 565 | 0.29 |
| Yemen, Republic of | 155 | 1,677 | 335 | 0 | 1,342 | 332 | 0.17 |
| Zambia | 318 | 3,441 | 688 | 0 | 2,753 | 495 | 0.26 |
| Zimbabwe | 236 | 2,554 | 511 | 0 | 2,043 | 413 | 0.21 |
| Total - June 30, 2003 ^b | 163,745 | \$ 1,771,721 | \$ 338,948 | \$ - | \$ 1,432,773 | 192,419 | 100.00 |
| Total - June 30, 2002 | 158,349 | \$ 1,713,336 | \$ 327,807 | \$ 731 | \$ 1,384,798 | 186,138 | |

Note: Amounts aggregating the equivalent of \$222,000 have been received from countries in the process of completing its membership requirements: Niger \$67,000, and Suriname \$155,000.

^a Subscribed shares pertaining to the General Capital Increase include only those shares for which the subscription process has been completed, that is, for which required payment has been received.

^b May differ from the sum of individual figures shown because of rounding.

Statement of Guarantees Outstanding

As of June 30, 2003, expressed in thousands of US dollars

Gross Exposure by Guarantee Currency (Note D)

| Host Country | US Dollars | Euro | Japanese Yen | Total | Reinsurance (Note D) | Net Exposure |
|------------------------|------------|---------|--------------|---------|----------------------|--------------|
| Albania | 8,585 | | | 8,585 | | 8,585 |
| Algeria | 50,000 | | | 50,000 | 5,000 | 45,000 |
| Angola | 19,508 | | | 19,508 | | 19,508 |
| Argentina | 292,982 | | | 292,982 | 153,799 | 139,182 |
| Armenia | 2,700 | | | 2,700 | | 2,700 |
| Azerbaijan | 3,230 | | | 3,230 | 53 | 3,177 |
| Bangladesh | 61,202 | | | 61,202 | 5,500 | 55,702 |
| Benin | 5,601 | | | 5,601 | 560 | 5,041 |
| Bolivia | 14,594 | | | 14,594 | | 14,594 |
| Bosnia and Herzegovina | | 80,913 | | 80,913 | 5,084 | 75,829 |
| Brazil | 826,189 | | | 826,189 | 560,599 | 265,591 |
| Bulgaria | 1,220 | 332,481 | | 333,700 | 208,584 | 125,117 |
| Burundi | 911 | | | 911 | 91 | 820 |
| Cape Verde | 540 | | | 540 | | 540 |
| Chile | 22,216 | | | 22,216 | | 22,216 |
| China | 76,658 | 2,811 | | 79,469 | 27,920 | 51,549 |
| Colombia | 62,415 | | | 62,415 | 31,208 | 31,208 |
| Costa Rica | 152,431 | | | 152,431 | 24,086 | 128,345 |
| Cote d'Ivoire | | 17,100 | | 17,100 | | 17,100 |
| Croatia | 61,750 | 105,224 | | 166,974 | 19,315 | 147,660 |
| Czech Republic | | 4,925 | | 4,925 | 493 | 4,433 |
| Dominican Republic | 183,704 | | | 183,704 | 74,119 | 109,585 |
| Ecuador | 102,910 | | | 102,910 | 7,845 | 95,065 |
| Georgia | 2,134 | | | 2,134 | | 2,134 |
| Guatemala | 111,076 | | | 111,076 | 54,817 | 56,259 |
| Guinea | 17,486 | | | 17,486 | | 17,486 |
| Honduras | 11,264 | | | 11,264 | | 11,264 |
| Indonesia | 52,400 | | | 52,400 | 360 | 52,040 |
| Jamaica | 130,642 | | | 130,642 | 9,972 | 120,670 |
| Jordan | 24,300 | 19,896 | | 44,196 | 13,259 | 30,937 |
| Kazakhstan | 9,036 | | | 9,036 | 720 | 8,316 |
| Kenya | 123,700 | | | 123,700 | 59,500 | 64,200 |
| Kuwait | 50,000 | | | 50,000 | | 50,000 |
| Kyrgyz Republic | 46,278 | | | 46,278 | 4,539 | 41,739 |
| Lesotho | 10,000 | | | 10,000 | | 10,000 |
| Madagascar | 1,444 | | | 1,444 | 722 | 722 |
| Mali | 35,762 | | | 35,762 | 3,576 | 32,186 |
| Mauritania | 25,036 | 16,381 | | 41,417 | 4,142 | 37,275 |
| Moldova | 61,092 | | | 61,092 | 30,546 | 30,546 |
| Mozambique | 242,094 | | 20,258 | 262,352 | 70,398 | 191,954 |
| Nepal | 30,146 | | | 30,146 | 16,025 | 14,122 |
| Nicaragua | 123,672 | | | 123,672 | 61,344 | 62,329 |
| Nigeria | 199,540 | | | 199,540 | 31,770 | 167,770 |
| Pakistan | 127,746 | 12,952 | 337 | 141,035 | 30,446 | 110,589 |
| Panama | 3,288 | | | 3,288 | | 3,288 |
| Peru | 154,094 | | | 154,094 | 42,434 | 111,660 |

Statement of Guarantees Outstanding (cont.)

As of June 30, 2003, expressed in thousands of US dollars

| Host Country | Gross Exposure by Guarantee Currency (Note D) | | | | Reinsurance (Note D) | Net Exposure |
|--|---|---------|-----------------|-----------|-------------------------|-----------------|
| | US Dollars | Euro | Japanese Yen | Total | | |
| Philippines | 117,000 | | | 117,000 | 8,200 | 108,800 |
| Romania | 58,256 | 155,257 | | 213,513 | 86,690 | 126,823 |
| Russian Federation | 125,420 | | | 125,420 | 37,832 | 87,588 |
| Senegal | 2,760 | | | 2,760 | 276 | 2,484 |
| Serbia and Montenegro | 1,800 | 35,760 | | 37,560 | 3,756 | 33,804 |
| Slovak Republic | | 910 | | 910 | | 910 |
| South Africa | 12,300 | | | 12,300 | | 12,300 |
| Sri Lanka | 1,686 | | | 1,686 | | 1,686 |
| Swaziland | 32,000 | | 20,258 | 52,258 | 26,129 | 26,129 |
| Syrian Arab Republic | 22,800 | | | 22,800 | 2,280 | 20,520 |
| Tanzania | 151,250 | | | 151,250 | 88,731 | 62,519 |
| Togo | | 9,866 | | 9,866 | | 9,866 |
| Turkey | 212,343 | 1,553 | | 213,896 | 96,579 | 117,318 |
| Turkmenistan | 3,386 | | | 3,386 | | 3,386 |
| Uganda | 5,339 | | | 5,339 | | 5,339 |
| Ukraine | 19,000 | | | 19,000 | 1,900 | 17,100 |
| Venezuela, Republica Bolivariana de | 42,631 | | | 42,631 | 8,682 | 33,948 |
| Vietnam | 128,200 | | | 128,200 | 74,100 | 54,100 |
| Zambia | 33,600 | | 2,459 | 36,059 | 360 | 35,699 |
| | 4,511,346 | 796,029 | 43,312 | 5,350,687 | 1,994,339 | 3,356,348 |
| Adjustment for Dual-Country Contracts: | | | | | | |
| Argentina/Chile | (22,216) | | | (22,216) | | (22,216) |
| Brazil/Bolivia | (14,594) | | | (14,594) | | (14,594) |
| Mozambique/Swaziland | (32,000) | | (20,258) | (52,258) | (26,129) | (26,129) |
| | (68,809) | | (20,258) | (89,067) | (26,129) | (62,938) |
| Adjustment for Master Agreement: | | | | | | |
| Dominican Republic, Guatemala, Moldova, and Nicaragua | (178,842) | | | (178,842) | (89,421) | (89,421) |
| Total - June 30, 2003 ^a | 4,263,695 | 796,029 | 23,054 | 5,082,778 | 1,878,789 | 3,203,989 |
| Total - June 30, 2002 | 4,837,893 | 392,486 | 26,220 | 5,256,599 | 2,055,148 | 3,201,451 |

^a May differ from the sum of individual figures shown because of rounding

NOTES TO FINANCIAL STATEMENTS

Purpose

The Multilateral Investment Guarantee Agency (MIGA), established on April 12, 1988, is a member of the World Bank Group which also includes the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the International Development Association (IDA). MIGA's activities are closely coordinated with and complement the overall development objectives of the other members of the World Bank Group. MIGA is designed to help developing countries attract productive foreign investment by both private investors and commercially operated public sector companies. Its facilities include guarantees or insurance against noncommercial risks and a program of advisory services and technical assistance to support member countries' efforts to attract and retain foreign direct investment.

NOTE A: Summary of Significant Accounting and Related Policies

MIGA's financial statements have been prepared in conformity with International Financial Reporting Standards and with accounting principles generally accepted in the United States of America. The policy adopted is that considered most appropriate to the circumstances of MIGA having regard to its legal requirements and to the practices of other international insurance entities. On July 31, 2003, MIGA's Board of Executive Directors approved the financial statements for issue.

Use of Estimates The preparation of financial statements in conformity with International Financial Reporting Standards and accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. The following summary of policies adopted by MIGA is provided to assist readers in the interpretation of these financial statements.

Translation of Currencies MIGA's financial statements are expressed in terms of United States dollars solely for the purpose of summarizing MIGA's financial position and the results of its operations for the convenience of its members and other interested parties.

MIGA is an international organization that may conduct its operations in the currencies of all its members. MIGA's resources are derived from its capital and retained earnings in its members' currencies. MIGA strives to minimize exchange rate risks in a multi currency environment. As such, MIGA attempts to match its contingent obligations in any one currency with assets in the same currency on a pro-rata basis.

MIGA may periodically undertake currency conversions on a pro-rata basis to match the currencies underlying its reserves with those of its contingent obligations. The purpose of these conversions will be to minimize currency exposure that may occur through operations. Otherwise, MIGA will not convert one currency into another except for small amounts required to meet certain operational needs.

Assets and liabilities are translated at market exchange rates in effect at the end of the period. Capital subscriptions are stated in accordance with the procedures described below. Income and expenses are translated at either the market exchange rates in effect on the dates on which they are recognized or at an average of the market exchange rates in effect during each month. Translation adjustments are charged or credited to other comprehensive income.

Valuation of Capital Stock Under the MIGA Convention, all payments from members subscribing to the capital stock of MIGA shall be settled on the basis of the average value of the Special Drawing Rights (SDR) in terms of United States dollars for the period January 1, 1981 to June 30, 1985, such value being equal to \$1.082 for one SDR.

Investments As part of its overall portfolio management strategy, to diversify its credit exposure to commercial banks and to obtain higher returns, MIGA invests in government and agency obligations and time deposits according to its credit risk and maturity policies. Government and agency obligations include highly rated fixed rate bonds, notes, bills and other obligations issued or unconditionally guaranteed by governments of countries or other official entities including government agencies or by multilateral organizations.

Investments classified as available-for-sale, which are those securities that may be sold prior to maturity as part of asset/liability management or in response to other factors, are carried at fair value with any changes in fair value reported in the Balance Sheet as a component of accumulated other comprehensive income.

Revenue Recognition Revenue from premium payments for direct insurance and reinsurance contracts assumed and ceded is recognized on a pro-rata basis over the contract period. Revenue from commitment fees, which are fees paid by investors to reserve for a limited period of time guarantee capacity for future use, is recognized on a pro-rata basis over the commitment period.

Reserve for Claims The reserve for claims provides for probable losses, net of future premiums, inherent in guarantee operations based upon an estimation of the net present value of future premium income as compared to the net present value of future losses related to guarantee operations. MIGA has incurred only one loss to date (see Note D). Accordingly, MIGA has computed expected future losses by reference to (i) the loss experiences of other insurers engaged in similar underwriting, (ii) the composition and volume of outstanding guarantee contracts, and (iii) the worldwide economic and political environment. This reserve is available to absorb probable losses inherent in outstanding guarantees and is increased by provisions charged to expense and decreased by claims settlements.

The level of provision is based upon management's evaluation of probable losses, net of future premiums, that may result from (i) risks that are inherent, but unidentifiable at the time of reporting, (ii) large concentrations of exposure to individual risks, countries or guarantee contracts, and (iii) an ongoing assessment of MIGA's expected recovery rates. Sufficient claims reserves are established at the end of each year to cover all of the inherent probable losses arising from contracts outstanding at that time on a net present value basis; future provisions are then established to reflect changes in MIGA's outstanding portfolio.

In the event of a formal filing of claim by an investor, and upon receipt of full evidence of the occurrence of the covered risk, MIGA normally has between two months and six months to determine its liability under the contract, depending upon the type of coverage and contract terms, and 60 days thereafter to pay the claim.

Accounting and Reporting Developments In November 2002, the Financial Accounting Standards Board (FASB), issued FASB Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others". FIN 45 requires that for guarantees issued or modified after December 31, 2002, an entity must recognize a liability for the fair value of the obligation it assumes under the guarantee. FIN 45 also elaborates on the disclosures to be made by a guarantor in its financial statements. However, FIN 45 has scope exceptions and one of them is that the guarantee/indemnification issued by insurance companies are exempt from accounting and disclosure requirements; thus, MIGA's operations were scoped out of FIN 45.

On January 17, 2003, FASB issued FASB Interpretation No. 46 Consolidation of Variable Interest Entities—an interpretation of ARB No. 51 (FIN 46). FIN 46 is applicable immediately to all entities with variable interests in variable interest entities created after January 31, 2003. For MIGA, FIN 46 is applicable beginning July 1, 2003 to any variable interest entity acquired before February 1, 2003. MIGA is currently in the process of evaluating the impact of FIN 46.

NOTE B: Investments

Available-for-sale portfolio: Investment securities in the available-for-sale portfolio are carried at fair value. A summary of the available-for-sale portfolio at June 30, 2003 and June 30, 2002 is as follows (in thousands of US dollars):

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|------------------------|-------------------|------------------------------|-------------------------------|------------------|
| At June 30, 2003 | | | | |
| Government obligations | \$362,336 | \$3,497 | \$263 | \$365,570 |
| Time deposits | 323,163 | 0 | 0 | 323,163 |
| Total | \$685,499 | \$3,497 | \$263 | \$688,733 |
| At June 30, 2002 | | | | |
| Government obligations | \$362,468 | \$5,740 | \$136 | \$368,072 |
| Time deposits | 323,543 | 0 | 0 | 323,543 |
| Total | \$686,011 | \$5,740 | \$136 | \$691,615 |

The expected maturities of investment securities in the available-for-sale portfolio at June 30, 2003 were as follows (in thousands of US dollars):

| | Amortized Cost | Fair Value |
|--|-------------------|------------------|
| At June 30, 2003 | | |
| Due in one year or less | \$331,844 | \$332,694 |
| Due after one year through two years | 217,694 | 218,805 |
| Due after two years through three years | 108,280 | 109,084 |
| Due after three years through four years | 21,150 | 21,700 |
| Due after four years or more | 6,531 | 6,450 |
| Total | \$685,499 | \$688,733 |

Investments were denominated primarily in United States dollars with instruments in non-dollar currencies representing 10.0 percent (9.0 percent - June 30, 2002) of the portfolio.

NOTE C: Capital Stock

The MIGA Convention established MIGA's authorized capital stock at 100,000 shares with a provision that the authorized capital stock shall automatically increase on the admission of a new member to the extent that the then authorized shares are insufficient to provide the shares to be subscribed by such member. At June 30, 2003, the initial authorized capital stock increased to 103,196 (102,783—June 30, 2002) shares. The Convention further states that 10 percent of the members' initial subscription be paid in cash, in freely convertible currencies, except that developing member countries may pay up to a quarter of the 10 percent in their own currencies. An additional 10 percent of the initial subscription shall be paid in the form of nonnegotiable, non interest bearing promissory notes. The notes are denominated in freely convertible currencies and are due on demand to meet MIGA's obligations. The remaining 80 percent is subject to call when required by MIGA to meet its obligations.

On March 29, 1999, the Council of Governors approved a General Capital Increase (GCI) resolution increasing the authorized capital stock of MIGA by 78,559 shares to be subscribed by members during the subscription period ending March 28, 2002. Of the additional capital, 17.65 percent is to be paid in cash, in freely usable currency. The remaining 82.35 percent is subject to call when required by MIGA to meet its obligations. On May 6, 2002, the Council of Governors adopted a resolution to extend the GCI subscription period to March 28, 2003. On March 17, 2003, the Council of Governors approved an amendment to the GCI resolution allowing eligible countries to subscribe to the GCI shares allocated to them by submitting an Instrument of Contribution before the GCI deadline of March 28, 2003, and requesting such countries to pay for their GCI shares as soon as possible.

At June 30, 2003, MIGA's authorized capital stock comprised 181,755 shares of which 163,745 (158,349—June 30, 2002) shares had been subscribed. Each share has a par value of SDR10,000, valued at the rate of \$1.082 per SDR. Of the subscribed capital, \$338,948,000 (\$327,807,000—June 30, 2002) has been paid in; \$nil (\$731,000—June 30, 2002) is due and the remaining \$1,432,772,000 (\$1,384,798,000 June 30, 2002) is subject to call. Of the amounts paid in, at June 30, 2003, \$105,509,000 (\$103,007,000 - June 30, 2002) is in the form of nonnegotiable, non interest bearing demand obligations (promissory notes). A summary of MIGA's capital stock at June 30, 2003 and June 30, 2002 is as follows:

| | Initial Capital | | Capital Increase | | Total | |
|------------------|-----------------|-------------|------------------|-----------|---------|-------------|
| | Shares | (US\$000) | Shares | (US\$000) | Shares | (US\$000) |
| At June 30, 2003 | | | | | | |
| Authorized | 103,196 | \$1,116,581 | 78,559 | \$850,008 | 181,755 | \$1,966,589 |
| Subscribed | 103,196 | \$1,116,581 | 60,549 | \$655,140 | 163,745 | \$1,771,721 |
| At June 30, 2002 | | | | | | |
| Authorized | 102,783 | \$1,112,112 | 78,559 | \$850,008 | 181,342 | \$1,962,120 |
| Subscribed | 102,783 | \$1,112,112 | 55,566 | \$601,224 | 158,349 | \$1,713,336 |

NOTE D: Guarantee Program and Contingent Liabilities

Guarantee Program MIGA offers guarantees or insurance against loss caused by noncommercial risks (political risk insurance) to eligible investors on qualified investments in developing member countries. MIGA insures investments for up to 20 years against four different categories of risk: currency inconvertibility and transfer restriction, expropriation, war and civil disturbance, and breach of contract. Currency inconvertibility and transfer restriction coverage protects the investor against inconvertibility of local currency into foreign exchange for transfer outside the host country. Currency depreciation is not covered. Expropriation coverage protects the investor against partial or total loss of the insured investment as a result of acts by the host government that may reduce or eliminate ownership of, control over, or rights to the insured investment. War and civil disturbance coverage protects the investor against losses from damage to, or the destruction or disappearance of, tangible coverage assets caused by politically motivated acts of war or civil disturbance in the host country including revolution, insurrection, coups d'etat, sabotage and terrorism. Breach of contract coverage protects the investor against the impossibility to obtain or to enforce an arbitral or judicial decision recognizing the breach of an obligation by the host government. Investors may insure projects by purchasing any combination of the four coverages. MIGA guarantees cannot be terminated unilaterally by the guarantee holder within the first three years from the date of issuance. Premium rates applicable to issued contracts are fixed for five years. Payments against all claims under a guarantee may not exceed the maximum amount of coverage issued under the guarantee.

As approved by the Board of Directors and the Council of Governors, the maximum aggregate amount of contingent liabilities that may be assumed by MIGA is 350 percent of the sum of MIGA's unimpaired subscribed capital and its reserves plus such portion of the insurance ceded by MIGA through contracts of reinsurance as the Board of Directors may determine. Accordingly, at June 30, 2003, the maximum level of guarantees outstanding may not exceed \$9,397,275,000.

Contingent Liability The maximum amount of contingent liability of MIGA under guarantees outstanding at June 30, 2003 totaled \$5,082,778,000 (\$5,256,599,000 - June 30, 2002). The maximum amount of contingent liability is MIGA's maximum exposure to insurance claims, which includes "standby" coverage for which MIGA is committed but not currently at risk. At June 30, 2003, MIGA's estimate of its actual exposure to insurance claims exclusive of standby coverage is \$2,386,500,000 (\$2,563,671,000 - June 30, 2002).

Additional guarantee capacity committed was \$nil at June 30, 2003 and 2002.

Claim Activity In June 2000, MIGA paid its first claim, an expropriation claim related to a power project in Indonesia, amounting to \$15,000,000, of which 70% was reinsured. The amount paid by MIGA, net of reinsurance was \$4,500,000. MIGA entered into a settlement agreement with Indonesia under which the loss should be repaid in six semi-annual payments of principal and interest on the outstanding balance. As at June 30, 2003, in accordance with the terms of the settlement agreement, the sixth and final installment was received. MIGA has received a total of \$16,575,000 of which it has retained \$4,972,500 (30%).

MIGA received a claim in July 2002 for a project insured in Argentina for which the guarantee holder elected cover of \$5 million. Two additional claims for losses in Argentina were received in March 2003 under contracts for which the guarantee holders elected cover of \$1.4 million and \$5.8 million respectively. All three claims are now under review for a determination of MIGA's liability. They have been taken into account in the determination of the reserve for claims. In addition, a claim was filed in October 2002 for an alleged loss in Indonesia. Liability in that case has been denied by MIGA.

MIGA continues to work with guarantee holders and host governments on other disputes around the world that, if not resolved amicably, could lead to the filing of claims in the future.

NOTE E: Reinsurance

Although MIGA obtains quota-share and facultative reinsurance to augment its underwriting capacity and to protect portions of its insurance portfolio, it remains responsible to the insured client for the entire amount of the insurance contract. Of the \$5,082,778,000 outstanding contingent liability (gross exposure) at June 30, 2003 (\$5,256,599,000 - June 30, 2002), \$1,878,789,000 was ceded through contracts of reinsurance (\$2,055,148,000 - June 30, 2002). Net exposure amounted to \$3,203,989,000 as at June 30, 2003 (\$3,201,451,000 - June 30, 2002).

MIGA can also provide both public (official) and private insurers with reinsurance. As of June 30, 2003, total insurance assumed by MIGA, primarily with official investment insurers, amounted to \$122,238,000 (\$94,217,000 - June 30, 2002).

Premiums relating to direct, assumed, and ceded contracts for the fiscal years ended June 30, 2003 and June 30, 2002 were as follows:

| In thousands | 2003 | 2002 |
|------------------|----------|----------|
| Premiums written | | |
| Direct | \$50,473 | \$51,736 |
| Assumed | 941 | 1,132 |
| Ceded | (20,336) | (22,091) |
| Premiums earned | | |
| Direct | 53,288 | 55,373 |
| Assumed | 590 | 1,670 |
| Ceded | (21,371) | (24,376) |

NOTE F: Reserve for Claims

MIGA's gross reserve for claims as of June 30, 2003 amounted to \$519,600,000 (\$598,000,000-June 30, 2002). Changes to the gross reserve for claims for the fiscal years ended June 30, 2003 and June 30, 2002 were as follows:

| In thousands | 2003 | 2002 |
|--|-----------|-----------|
| Balance, beginning of the fiscal year | \$598,000 | \$487,400 |
| (Release of) provision for claims-net | (20,672) | 43,891 |
| Estimated reinsurance recoverables | (61,100) | 63,500 |
| Claims recovered | 1,567 | 1,657 |
| Translation adjustment | 1,805 | 1,552 |
| Balance, end of the fiscal year | \$519,600 | \$598,000 |

At June 30, 2003, the specific reserve amounted to \$39,200,000 million (\$44,900,000 - June 30, 2002). This includes a special reserve for countries experiencing heightened risk and for which MIGA management believes that a claim notification may be imminent, an IBNR reserve which includes contracts where a claimable event has taken place but no claim has been filed and a reserve for notified claims.

Reinsurance recoverables have been estimated in proportion to the reserve for claims and on the basis of a review of the selected contracts in force and other available information.

NOTE G: Staff Retirement Plan and Other Postretirement Benefits

IBRD has a defined benefit Staff Retirement Plan (SRP), a Retired Staff Benefits Plan (RSBP) and a Post-Employment Benefits plan (PEBP) that cover substantially all of its staff members as well as the staff of IFC and of MIGA.

The SRP provides regular pension benefits and includes a cash balance plan. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides pension benefits administered outside the SRP. All costs associated with these plans are allocated between IBRD, IFC, and MIGA based upon their employees' respective participation in the plans. In addition, IFC and MIGA reimburse IBRD for their share of any contributions made to these plans by IBRD.

Net income from the SRP that has been allocated to MIGA for the fiscal year ended June 30, 2003 was \$nil (\$2,150,098–June 30, 2002). The portion of the cost for RSBP and the PEBP for the fiscal year ended June 30, 2003 was \$506,000 (\$269,000–June 30, 2002). In addition, at June 30, 2003, MIGA had a receivable from IBRD in the amount of \$14,966,419 (\$15,674,213–June 30, 2002) representing the accumulated excess of its contributions to pension assets over its allocated net periodic pension cost.

There are differences between the receivable amount calculated under the accounting standards generally accepted in United States and the relevant International Accounting Standards. However, these differences are not significant.

NOTE H: Service and Support Fee

MIGA contributes its share of the World Bank group's corporate costs which include the Boards of Governors and Directors, the President's office, the Corporate Secretariat, the Internal Auditing Department, the Department of Institutional Integrity, and the Conflict Resolution System. In addition, MIGA obtains certain administrative and support services from IBRD in those areas where services can be efficiently provided by IBRD. These include human resources, information systems, and administrative services as well as investment management and treasury operations. Payments for these services are made by MIGA to IBRD based on negotiated fees, charge backs and allocated charges where charge back is not feasible. Expenses allocated to MIGA for the fiscal year ended June 30, 2003, were \$1,725,914 (\$1,170,476 - June 30, 2002).

NOTE I: Administrative Expenses

The expenses for the SRP, RSBP and PEBP are included in Administrative Expenses. The income from the SRP and RSBP for prior fiscal years is included as a separate line item on the Statement of Income. During the fiscal year ended June 30, 2003, MIGA recorded pension expense of \$281,488. This has been included in Administrative Expenses on the statement of income. During the fiscal year ended June 30, 2002, MIGA recorded pension income of \$2,150,000 which was included in Income from Staff Retirement Plan on the statement of income. The change from pension income to pension expense is primarily due to the change in the actuarial assumptions underlying the calculation of MIGA's pension expense during fiscal year 2002, as well as the change in the fair value of the Staff Retirement Plan assets.

NOTE J: Estimated Fair Values

The estimated fair values of MIGA's cash and non-negotiable, noninterest-bearing demand obligations approximate their carrying values. The estimated fair value of MIGA's investments shown in Note B is based on market quotations. The estimated fair values are only indicative of individual financial instruments' values and should not be considered an indication of MIGA's fair value.

NOTE K: Subsequent Event

On July 14, 2003, MIGA received a notice from a guarantee holder informing the Agency that its licenses to operate the project enterprise have been revoked by the host government. MIGA is investigating this situation. The maximum aggregate liability under the contracts is approximately \$4.0 million which includes coverages for both equity and debt investments.

Appendices

Governors and Alternates

As of June 30, 2003

| Member | Governor | Alternate |
|-------------------------------|-----------------------------|------------------------------|
| Afghanistan | (vacant) | (vacant) |
| Albania | Shkelqim Cani | Fatos Ibrahim |
| Algeria | Abdellatif Benachenhou | Abdelhak Bedjaoui |
| Angola | Ana Dias Lourenco | Job Graca |
| Argentina | Roberto Lavagna | Alfonso de Prat-Gay |
| Armenia | Vahram Nercissiantz | Karen Chshmarityan |
| Australia | Peter Costello | Chris Gallus |
| Austria | Karl-Heinz Grasser | Thomas Wieser |
| Azerbaijan | Elman Siradjogly Rustamov | Farhad Aliyev |
| Bahamas, The | James H. Smith | Ruth R. Millar |
| Bahrain | Abdulla Hassan Saif | Zakaria Ahmed Hejres |
| Bangladesh | M. Saifur Rahman | Syed Golam Kibria |
| Barbados | Owen S. Arthur | Grantley W. Smith |
| Belarus | Andrei V. Kobayakov | Anatoly I. Sverzh |
| Belgium | Didier Reynders | Gregoire Brouhns |
| Belize | Said W. Musa | Sydney J. Campbell |
| Benin | Bruno Amoussou | Lazare Sehoueto |
| Bolivia | Javier Comboni Salinas | Roberto Camacho |
| Bosnia and Herzegovina | Adnan Terzic | Mila Gadzic |
| Botswana | Baledzi Gaolathe | Wilfred Jiwa Mandlebe |
| Brazil | Antonio Palocci Filho | Henrique de Campos Meirelles |
| Bulgaria | Milen Veltchev | Bojidar Lubenov Kabaktchiev |
| Burkina Faso | Benoit Ouattara | Etienne Yameogo |
| Burundi | Athanase Gahungu | Dieudonne Nintunze |
| Cambodia | Keat Chhon | Aun Porn Moniroth |
| Cameroon | Martin Okouda | Daniel Njankouo Lamere |
| Canada | John Manley | Leonard M. Good |
| Cape Verde | Carlos Augusto Duarte Burgo | Victor A.G. Fidalgo |
| Central African Republic | Alexis Ngomba | Clement Eregani |
| Chad | Djimrangar Dadnadji | Mahamat Ali Hassan |
| Chile | Nicolas Eyzaguirre | Mario Marcel |
| China | Jin Renqing | Jin Liqun |
| Colombia | Alberto Carrasquilla | Santiago Montenegro Trujillo |
| Congo, Democratic Republic of | Andre-Philippe Futa | Jean-Claude Masangu Mulongo |
| Congo, Republic of | Rigobert Roger Andely | Pierre Moussa |
| Costa Rica | Alberto Dent Zeledon | Francisco de Paula Gutierrez |
| Cote d'Ivoire | Bohoun Bouabre | Boniface Britto |
| Croatia | Ljubo Jurcic | Josip Kulisic |
| Cyprus | Markos Kyprianou | Christos Patsalides |
| Czech Republic | Bohuslav Sobotka | Oldrich Dedek |
| Denmark | Per Stig Moller | Carsten Staur |

Governors and Alternates (cont.)

As of June 30, 2003

| Member | Governor | Alternate |
|----------------------------------|--------------------------------|----------------------------------|
| Dominica | Swinburne Lestrade | Ambrose M.J. Sylvester |
| Dominican Republic | Jose Lois Malkun | Felix Calvo |
| Ecuador | Mauricio Pozo Crespo | Gilberto Pazmino Arias |
| Egypt, Arab Republic of | Medhat Hassanein | Faiza Abulnaga |
| El Salvador | Juan Jose Daboub | Luz Maria Serpas de Portillo |
| Equatorial Guinea | Antonio Nve Nseng | Miguel Edjang Angue |
| Eritrea | Berhane Abrehe | Martha Woldegiorghis |
| Estonia | Tonis Palts | Renaldo Mandmets |
| Ethiopia | Sufian Ahmed | Abi Woldemeskel |
| Fiji | Jone Yavala Kubuabola | Tevita Banuve |
| Finland | Antti Kalliomaki | Peter Nyberg |
| France | Francis Mer | Jean-Pierre Jouyet |
| Gabon | Casimir Oye-Mba | Christian Bongo |
| Gambia, The | Famara L. Jatta | Dodou B. Jagne |
| Georgia | Mirian Gogiasvili | Giorgi Gachechiladze |
| Germany | Heidemarie Wiczorek-Zeul | Caio K. Koch-Weser |
| Ghana | Yaw Osafo-Mafo | Grace Coleman |
| Greece | Nikolaos Christodoulakis | Vasilis Rapanos |
| Grenada | Anthony Boatswain | Timothy Antoine |
| Guatemala | Patricia Ramirez Ceberg | Eduardo Humberto Weymann Fuentes |
| Guinea | Cheick Ahmadou Camara | Cellou Dalein Diallo |
| Guyana | Bharrat Jagdeo | Saisnarine Kowlessar |
| Haiti | Faubert Gustave | Venel Joseph |
| Honduras | Arturo Alvarado | Maria Elena Mondragon de Villar |
| Hungary | Jozsef Thuma | Laszlo Lengyel |
| Iceland | Halldor Asgrimsson | Geir Hilmar Haarde |
| India | Jaswant Singh | Subbaraman Narayan |
| Indonesia | Boediono | Burhanuddin Abdullah |
| Ireland | Charlie McCreavy | Tom Considine |
| Israel | David Klein | Nir Gilad |
| Italy | Antonio Fazio | Lorenzo Bini Smaghi |
| Jamaica | Omar Lloyd Davies | Wesley George Hughes |
| Japan | Masajuro Shiokawa | Ichiro Fujisaki |
| Jordan | Bassem I. Awadallah | Hala Bsaïso Lattouf |
| Kazakhstan | Alexander S. Pavlov | Kayrat N. Kelimbetov |
| Kenya | David Mwiraria | Joseph Mbui Magari |
| Korea, Republic of | Jin-Pyo Kim | Seung Park |
| Kuwait | Mohammad Sabah AlSalem AlSabah | Saleh Mubarak Al-Falah |
| Kyrgyz Republic | Bolot Abildaev | Kubat Abduldaevich Kanimetov |
| Lao People's Democratic Republic | Chansy Phosikham | Phouphet Khamphounvong |
| Latvia | Valdis Dombrovskis | Aigars Kalvitis |

Governors and Alternates (cont.)*As of June 30, 2003*

| Member | Governor | Alternate |
|--|-------------------------------|--------------------------------|
| Lebanon | Marwan Hemadeh | Fuad A.B. Siniora |
| Lesotho | M.C. Mphutlane | T.J. Ramotsoari |
| Libya | Alojeli Abdel Salam Breeni | Ali Ramadan Shnebsh |
| Lithuania | Dalia Grybauskaitė | Arvydas Kregzde |
| Luxembourg | Luc Frieden | Jean Guill |
| Macedonia, former Yugoslav Republic of | Petar Gosev | Dimko Kokaroski |
| Madagascar | Zaza Manitranga Ramandimbison | David Rajaon |
| Malawi | Friday Jumbe | Bingu wa Mutharika |
| Malaysia | Mahathir Mohamad | Samsudin Hitam |
| Mali | Bassary Toure | Mahamadou Zibo Maiga |
| Malta | John Dalli | Joseph Scicluna |
| Mauritania | Bodiel Ould Houmeid | Sidi Mohamed Ould Bakha |
| Mauritius | Khushhal Chand Khushiram | Ayub Hussein Nakhuda |
| Micronesia, Federated States of | John Ehsa | Sebastian L. Anefal |
| Moldova | Stefan Odagiu | Dumitru Ursu |
| Mongolia | Chulterem Ulaan | Ochirbat Chuluunbat |
| Morocco | Fathallah Oualalou | Abderrazak El Mossadeq |
| Mozambique | Luisa Dias Diogo | Adriano Afonso Maleiane |
| Namibia | Andrew Ndishishi | S.E. Ndjaba |
| Nepal | Prakash Chandra Lohani | Bhanu Prasad Acharya |
| Netherlands, The | Hans Hoogervorst | Agnes van Ardenne |
| Nicaragua | Eduardo Montealegre Rivas | Mario Alonso Icabalceta |
| Nigeria | Adamu Ciroma | Thelma Amata Iremiren |
| Norway | Hilde Frafjord Johnson | Olav Kjørven |
| Oman | Ahmed Bin Abdunabi Macki | Mohammed bin Nasser Al-Khasibi |
| Pakistan | Nawid Ahsan | Muhammad Ismail Qureshi |
| Palau | Casmir Remengesau | Lawrence Alan Goddard |
| Panama | Norberto Delgado Duran | Domingo Latorraca |
| Papua New Guinea | Bart Philemon | Koiari Tarata |
| Paraguay | Alcides Jimenez Q. | Jose Ernesto Buttner |
| Peru | Javier Silva Ruete | Richard Webb |
| Philippines | Jose Isidro N. Camacho | Manuel A. Roxas II |
| Poland | Jacek Tomorowicz | Agnieszka B. Rudniak-Jancewicz |
| Portugal | Manuela Ferreira Leite | Francisco Esteves de Carvalho |
| Qatar | Yusef Hussain Kamal | Abdullah Bin Khalid Al-Attiyah |
| Romania | Mihai Nicolae Tanasescu | Emil Iota Ghizari |
| Russian Federation | Victor B. Khristenko | German O. Gref |
| Rwanda | Donald Kaberuka | Celestin Kabanda |
| St. Kitts and Nevis | Denzil Douglas | Wendell E. Lawrence |
| St. Lucia | Kenny D. Anthony | Trevor Brathwaite |
| St. Vincent and the Grenadines | Ralph E. Gonsalves | Christian Martin |

Governors and Alternates (cont.)

As of June 30, 2003

| Member | Governor | Alternate |
|-------------------------------------|---------------------------------------|-----------------------------|
| Samoa | Misa Telefoni Retzlaff | Hinauri Petana |
| Saudi Arabia | Ibrahim A. Al-Assaf | Hamad Al-Sayari |
| Senegal | Abdoulaye Diop | Cheikh Hadjibou Soumare |
| Serbia and Montenegro | Miroslav Ivanisevic | Bozidar Djelic |
| Seychelles | Jeremie Bonnelame | Francis Chang Leng |
| Sierra Leone | Joseph B. Dauda | Samura Kamara |
| Singapore | Lee Hsien Loong | Heng Swee Keat |
| Slovak Republic | Ivan Miklos | Elena Kohutikova |
| Slovenia | Dusan Mramor | Irena Sodin |
| South Africa | Trevor Andrew Manuel | Mandisi Bongani Mpahlwa |
| Spain | Rodrigo de Rato Figaredo | Juan Costa Climent |
| Sri Lanka | Kairshasp Nariman Choksy | Charitha Ratwatte |
| Sudan | El Zubair Ahmed El Hassan | Sabana Ibrahim Jambo |
| Swaziland | Meshack M.L. Shongwe | Ephraim Mandla Hlophe |
| Sweden | Gunnar Lund | Jan O. Karlsson |
| Switzerland | Oscar Knapp | Walter Hofer |
| Syrian Arab Republic | Ghassan El-Rifai | (vacant) |
| Tajikistan | Negmatdzhon Khikmatullayevich Buriyev | Maruf Nazhmiyevich Saifiyev |
| Tanzania | Abdallah Omar Kigoda | Gray S. Mgonja |
| Thailand | Suchart Jaovisidha | Somchainuk Engtrakul |
| Timor-Leste | Maria Madalena Brites Boavida | Aicha Bassarewan |
| Togo | M'Ba Legzim | Mewunesso Baliki Pini |
| Trinidad and Tobago | Conrad Enill | Leroy Mayers |
| Tunisia | Mohamed Nouri Jouini | Abdelhamid Triki |
| Turkey | Ibrahim H. Canakci | Aydin Karaoz |
| Turkmenistan | Ymamdurdy Gandymov | (vacant) |
| Uganda | Gerald M. Ssendaula | C. M. Kassami |
| Ukraine | Mykola Azarov | Valeriy Khoroshkovskiy |
| United Arab Emirates | Mohammed Khalfan Bin Khirbash | Jamal Nasser Lootah |
| United Kingdom | Valerie Amos | Gordon Brown |
| United States | John W. Snow | Alan P. Larson |
| Uruguay | Ariel Davrieux | Isaac Alfie |
| Uzbekistan | Makhmudjon A. Askarov | Saidakbar Abdurakhimov |
| Vanuatu | Sela Molisa | Andrew Kausiama |
| Venezuela, Republica Bolivariana de | Ramon Rosales | Jorge Giordani |
| Vietnam | Le Duc Thuy | Phung Khac Ke |
| Yemen, Republic of | Ahmed Mohamed Sofan | Anwar Rizq Al-Harazi |
| Zambia | David S. Diangamo | Mukuka L.N. Zimba |
| Zimbabwe | Herbert M. Murerwa | Charles Tawonerera Kuwaza |

Directors and Alternates: Voting Power

As of June 30, 2003

| Director | Alternate | Casting votes of | Total votes | % of total |
|----------|-----------|------------------|-------------|------------|
|----------|-----------|------------------|-------------|------------|

Elected by the votes of the six largest shareholders

| | | | | |
|-------------------|------------------------------|----------------|--------|-------|
| Carole Brookins | Robert B. Holland, III | United States | 31,481 | 16.43 |
| Yuzo Harada | Masakazu Ichikawa | Japan | 9,156 | 4.78 |
| Eckhard Deutscher | Eckhardt Biskup | Germany | 9,113 | 4.76 |
| Tom Scholar | Rosemary B. Stevenson | United Kingdom | 8,742 | 4.56 |
| Pierre Duquesne | Emmanuel Moulin ^a | France | 6,889 | 3.60 |
| Zhu Guangyao | Wu Jinkang | China | 5,707 | 2.98 |

Elected by the votes of other shareholders

| | | | | |
|--|--|--|--------|------|
| Gino Alzetta (Belgium) | Kurt Bayer (Austria) | Austria, Belarus, Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey | 10,681 | 5.57 |
| Ad Melkert (Netherlands) | Tamara Solianyik (Ukraine) | Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Netherlands, Romania, Ukraine | 10,134 | 5.29 |
| Louis K. Kasekende (Uganda) | J. Mills Jones (Liberia) | Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe | 9,665 | 5.04 |
| Marcel Massé (Canada) | Sharon Weber (Jamaica) | The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines | 8,974 | 4.68 |
| Franco Passacantando (Italy) | Helena Cordeiro (Portugal) | Albania, Greece, Italy, Malta, Portugal, Timor-Leste | 7,482 | 3.91 |
| Finn Jønck (Denmark) | Inkeri Hirvensalo (Finland) | Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden | 7,382 | 3.85 |
| Mahdy Ismail Aljazzaf (Kuwait) | Mohamed Kamel Amr (Arab Republic of Egypt) | Bahrain, Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, Yemen (Republic of) | 6,603 | 3.45 |
| Amaury Bier (Brazil) | Gil S. Beltran (Philippines) | Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Trinidad and Tobago | 6,408 | 3.34 |
| Rapee Asumpinpong (Thailand) | Hadiyanto (Indonesia) | Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Nepal, Singapore, Thailand, Vietnam | 5,940 | 3.10 |
| Neil F. Hyden ^b (Australia) | Dong-Soo Chin ^c (Rep. of Korea) | Australia, Cambodia, Korea (Republic of), Micronesia (Federated States of), Mongolia, Palau, Papua New Guinea, Samoa, Vanuatu | 5,921 | 3.09 |
| Paulo F. Gomes (Guinea-Bissau) | Louis Philippe Ong Seng (Mauritius) | Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Congo (Democratic Republic of), Congo (Republic of), Cote d'Ivoire, Equatorial Guinea, Guinea, Madagascar, Mali, Mauritania, Mauritius, Rwanda, Senegal, Togo | 5,842 | 3.05 |

Directors and Alternates: Voting Power (cont.)*As of June 30, 2003*

| Director | Alternate | Casting votes of | Total votes | % of total |
|---|---|---|-------------|------------|
| Yahya Abdulla M. Alyahya (Saudi Arabia) | Abdulrahman M. Almofadhi (Saudi Arabia) | Saudi Arabia | 5,705 | 2.98 |
| Alexey G. Kvasov (Russian Federation) | Eugene Miagkov (Russian Federation) | Russian Federation | 5,705 | 2.98 |
| Per Kurowski (Rep. Bol. de Venezuela) | Maria Jesus Fernandez (Spain) | Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Spain, Venezuela (Republica Bolivariana de) | 5,679 | 2.96 |
| Pietro Veglio (Switzerland) | Jakub Karnowski (Poland) | Azerbaijan, Kyrgyz Republic, Poland, Serbia and Montenegro, Switzerland, Turkmenistan, Uzbekistan | 5,486 | 2.86 |
| Chander Mohan Vasudev (India) | Akbar Ali Khan (Bangladesh) | Bangladesh, India, Sri Lanka | 4,552 | 2.38 |
| Tanwir Ali Agha (Pakistan) | Sid Ahmed Dib (Algeria) | Algeria, Ghana, Morocco, Pakistan, Tunisia | 4,393 | 2.29 |
| Alieto Guadagni (Argentina) | Alfonso C. Revollo (Bolivia) | Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay | 3,960 | 2.07 |

In addition to the directors and alternates shown in the foregoing list, the following also served after October 31, 2002:

| Director | End of period of service | Alternate director | End of period of service |
|----------|--------------------------|--|--------------------------|
| | | Maria Teresa S. Habitan (Philippines) | January 30, 2003 |
| | | Nguyen Doan Hung (Vietnam) | February 14, 2003 |
| | | Jerzy Hylewski (Poland) | May 14, 2003 |
| | | Atsushi Inoue (Japan) | January 15, 2003 |
| | | Ahmed Sadoudi (Algeria) | January 24, 2003 |

Note: *Afghanistan (295 votes), Gabon (273 votes) and Tajikistan (251 votes) became members after the 2002 Regular Election of Directors, and their votes are not included in the above report.*

- a To be succeeded by Anthony Requin (France) effective July 8, 2003.*
b To be succeeded by John Austin (New Zealand) effective August 1, 2003.
c To be succeeded by Terry O'Brien (Australia) effective July 23, 2003.

Signatories to MIGA Convention

As of June 30, 2003

| | | | |
|-------------------------------|-----------------------------|---------------------------------|-----------------------|
| Afghanistan | Ecuador | Liberia * | Saudi Arabia |
| Albania | Egypt, Arab Republic of | Libya | Senegal |
| Algeria | El Salvador | Lithuania | Seychelles |
| Angola | Equatorial Guinea | Luxembourg | Sierra Leone |
| Antigua and Barbuda * | Eritrea | Macedonia, former Yugoslav | Singapore |
| Argentina | Estonia | Republic of | Slovak Republic |
| Armenia | Ethiopia | Madagascar | Slovenia |
| Australia | Fiji | Malawi | Solomon Islands * |
| Austria | Finland | Malaysia | South Africa |
| Azerbaijan | France | Maldives ** | Spain |
| Bahamas, The | Gabon | Mali | Sri Lanka |
| Bahrain | Gambia, The | Malta | Sudan |
| Bangladesh | Georgia | Mauritania | Suriname* |
| Barbados | Germany | Mauritius | Swaziland |
| Belarus | Ghana | Micronesia, Federated States of | Sweden |
| Belgium | Greece | Moldova | Switzerland |
| Belize | Grenada | Mongolia | Syrian Arab Republic |
| Benin | Guatemala | Morocco | Tajikistan |
| Bolivia | Guinea | Mozambique | Tanzania |
| Bosnia and Herzegovina | Guinea-Bissau * | Namibia | Thailand |
| Botswana | Guyana | Nepal | Timor-Leste |
| Brazil | Haiti | Netherlands | Togo |
| Bulgaria | Honduras | Nicaragua | Trinidad and Tobago |
| Burkina Faso | Hungary | Niger * | Tunisia |
| Burundi | Iceland | Nigeria | Turkey |
| Cambodia | India | Norway | Turkmenistan |
| Cameroon | Indonesia | Oman | Uganda |
| Canada | Iran, Islamic Republic of * | Pakistan | Ukraine |
| Cape Verde | Ireland | Palau | United Arab Emirates |
| Central African Republic | Israel | Panama | United Kingdom |
| Chad | Italy | Papua New Guinea | United States |
| Chile | Jamaica | Paraguay | Uruguay |
| China | Japan | Peru | Uzbekistan |
| Colombia | Jordan | Philippines | Vanuatu |
| Congo, Democratic Republic of | Kazakhstan | Poland | Venezuela, Republica |
| Congo, Republic of | Kenya | Portugal | Bolivariana de |
| Costa Rica | Korea, Republic of | Qatar | Vietnam |
| Cote d'Ivoire | Kuwait | Romania | Yemen, Republic of |
| Croatia | Kyrgyz Republic | Russian Federation | Serbia and Montenegro |
| Cyprus | Lao People's Democratic | Rwanda | Zambia |
| Czech Republic | Republic | St. Kitts and Nevis | Zimbabwe |
| Denmark | Latvia | St. Lucia | |
| Dominica | Lebanon | St. Vincent and the Grenadines | |
| Dominican Republic | Lesotho | Samoa | |

Note: All member countries unless noted otherwise

* Non-member country

** Country that has deposited its Instrument of Ratification of the Convention but not yet completed membership requirements

Budget FY04

Expressed in thousands of US dollars

| | |
|--|---------------|
| INCOME | |
| Net premium and commitment fees earned | 44,000 |
| Investment income | 18,600 |
| Total income | 62,600 |
| EXPENDITURE BY ORGANIZATIONAL UNIT | |
| Executive Office | 2,399 |
| Office of Central Administration | 3,800 |
| Corporate Relations | 1,632 |
| Finance and Risk Management | 3,227 |
| Underwriting | 7,765 |
| Investment Marketing Services | 5,131 |
| Legal and Claims | 3,064 |
| Policy and Environment | 1,439 |
| Operations Evaluation Unit | 853 |
| Field Offices | 2,419 |
| Total MIGA Budget | 31,729 |
| EXPENDITURE BY CATEGORY | |
| Discretionary costs | |
| Staff costs | 11,465 |
| Operational travel | 1,892 |
| Representation and hospitality | 163 |
| Consultant fees | 1,262 |
| Contractual services | 675 |
| IFC services | 38 |
| Training | 158 |
| Marketing and publications | 364 |
| Communications and IT | 316 |
| Information Technology | 1,087 |
| Office Equipment and Furniture | 25 |
| Depreciation | 40 |
| Miscellaneous | 152 |
| Subtotal | 17,637 |
| OTHER DIRECT COSTS | |
| Staff benefits, SRP and RSBP Contributions | 7,608 |
| Office Occupancy | 1,879 |
| IBRD service and support fee | 4,040 |
| Subtotal | 13,527 |
| REIMBURSABLES | |
| General Contingency | (35) |
| TOTAL MIGA BUDGET | 31,729 |

Note: The fiscal 2004 budget was approved by the Board of Directors in accordance with MIGA's by laws.

Subscriptions to the General Capital Increase, as of June 30, 2003

| Category One | Shares Subscribed | Amount US\$ | Shares Subscribed | Amount US\$ | |
|--------------|-------------------|-------------|-------------------|-------------|-------------|
| Australia | 1,306 | 14,130,920 | Italy | 2,150 | 23,263,000 |
| Austria | 591 | 6,394,620 | Japan | 3,884 | 42,024,880 |
| Belgium | 1,547 | 16,738,540 | Luxembourg | 88 | 952,160 |
| Canada | 2,260 | 24,453,200 | Netherlands | 1,653 | 17,885,460 |
| Denmark | 547 | 5,918,540 | Norway | 533 | 5,767,060 |
| Finland | 457 | 4,944,740 | Portugal | 291 | 3,148,620 |
| France | 1,852 | 20,038,640 | Spain | 980 | 10,603,600 |
| Germany | 3,865 | 41,819,300 | Sweden | 800 | 8,656,000 |
| Greece | 213 | 2,304,660 | Switzerland | 1,143 | 12,367,260 |
| Ireland | 281 | 3,040,420 | United Kingdom | 3,705 | 40,088,100 |
| | | | United States | 10,785 | 116,693,700 |
| | | | | 38,931 | 421,233,420 |

| Category Two | Shares Subscribed | Amount US\$ | Shares Subscribed | Amount US\$ | |
|-------------------------------|-------------------|-------------|--------------------------------|---------------|--------------------|
| Albania | 44 | 476,080 | Lesotho | 38 | 411,160 |
| Algeria | 495 | 5,355,900 | Lithuania | 81 | 876,420 |
| Bahamas, The | 76 | 822,320 | Macedonia, FYR of | 38 | 411,160 |
| Bahrain | 59 | 638,380 | Madagascar | 76 | 822,320 |
| Bangladesh | 259 | 2,802,380 | Malaysia | 441 | 4,771,620 |
| Barbados | 52 | 562,640 | Mali | 62 | 670,840 |
| Belize | 38 | 411,160 | Malta | 57 | 616,740 |
| Benin | 47 | 508,540 | Mauritania | 48 | 519,360 |
| Bolivia | 95 | 1,027,900 | Mauritius | 66 | 714,120 |
| Botswana | 38 | 411,160 | Morocco | 265 | 2,867,300 |
| Brazil | 1,127 | 12,194,140 | Mozambique | 74 | 800,680 |
| Bulgaria | 278 | 3,007,960 | Nepal | 53 | 573,460 |
| Cambodia | 71 | 768,220 | Nigeria | 643 | 6,957,260 |
| China | 2,392 | 25,881,440 | Oman | 72 | 779,040 |
| Colombia | 333 | 3,603,060 | Pakistan | 503 | 5,442,460 |
| Congo, Democratic Republic of | 258 | 2,791,560 | Panama | 100 | 1,082,000 |
| Congo, Republic of | 50 | 541,000 | Peru | 284 | 3,072,880 |
| Costa Rica | 89 | 962,980 | Qatar | 104 | 1,125,280 |
| Côte d'Ivoire | 134 | 1,449,880 | Romania | 423 | 4,576,860 |
| Croatia | 143 | 1,547,260 | Russian Federation | 2,391 | 25,870,620 |
| Cyprus | 79 | 854,780 | Rwanda | 57 | 616,740 |
| Czech Republic | 339 | 3,667,980 | St. Lucia | 38 | 411,160 |
| Ecuador | 139 | 1,503,980 | St. Vincent and the Grenadines | 38 | 411,160 |
| Egypt, Arab Republic of | 350 | 3,787,000 | Saudi Arabia | 2,391 | 25,870,620 |
| Estonia | 50 | 541,000 | Senegal | 111 | 1,201,020 |
| Ethiopia | 53 | 573,460 | Serbia and Montenegro | 176 | 1,904,320 |
| Ghana | 187 | 2,023,340 | Sierra Leone | 57 | 616,740 |
| Honduras | 77 | 833,140 | Singapore | 118 | 1,276,760 |
| Hungary | 430 | 4,652,600 | Slovak Republic | 169 | 1,828,580 |
| Indonesia | 800 | 8,656,000 | Slovenia | 78 | 843,960 |
| Israel | 361 | 3,906,020 | South Africa | 719 | 7,779,580 |
| Jordan | 74 | 800,680 | Sri Lanka | 103 | 1,114,460 |
| Kazakhstan | 159 | 1,720,380 | Tanzania | 107 | 1,157,740 |
| Kenya | 131 | 1,417,420 | Thailand | 321 | 3,473,220 |
| Korea, Republic of | 342 | 3,700,440 | Trinidad and Tobago | 155 | 1,677,100 |
| Kuwait | 709 | 7,671,380 | Turkey | 352 | 3,808,640 |
| Latvia | 74 | 800,680 | Uganda | 101 | 1,092,820 |
| Lebanon | 108 | 1,168,560 | Vietnam | 168 | 1,817,760 |
| | | | | 21,618 | 233,906,760 |
| | | | TOTAL | 60,549 | 655,140,180 |

Summary

| | | | | | |
|-----------------|--------|----------------|----------------|---------------|--------------------|
| % of Total GCI | 77.07% | Partial-Part 1 | 12,637 | 136,732,340 | |
| Completed-Part1 | 26,294 | 284,501,080 | Partial-Part 2 | 103 | 1,114,460 |
| Completed-Part2 | 21,515 | 232,792,300 | Partial | 12,740 | 137,846,800 |
| Completed | 47,809 | 517,293,380 | Total - Part 1 | 38,931 | 421,233,420 |
| | | | Total Part 2 | 21,618 | 233,906,760 |
| | | | Total | 60,549 | 655,140,180 |

Facultative Reinsurance Partners, Reinsurance Provided to MIGA

| Investment Insurer | Country |
|--|----------------|
| ACE Global Markets, Lloyd's Syndicate 2488 | United Kingdom |
| Alleghany Consortium, Lloyd's Syndicate 376 | United Kingdom |
| C.N.R. Atkin Esq., and Others, Lloyd's Syndicate 1183 | United Kingdom |
| Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE) | France |
| Cox Insurance Holding PLC., Lloyd's Syndicate 2591 | United Kingdom |
| Export Credits Guarantee Department (ECGD) | United Kingdom |
| Export Development Corporation (EDC) | Canada |
| Finnvera Plc | Finland |
| Garanti-Institute for Eksportkreditt (GIEK) | Norway |
| Global Re, B.V., captive insurer of Philips Electronics N.V. | Netherlands |
| Great Northern Insurance Company (Chubb and Sons) | United States |
| Israel Foreign Trade Risks Insurance Corporation (IFTRIC) | Israel |
| Münchener Rückversicherungs-Gesellschaft | Germany |
| National Union First Insurance Co. of Pittsburgh (AIG) | United States |
| Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) | Netherlands |
| Österreichische Kontrollbank A.G. (OeKB) | Austria |
| S.J.Catlin, Esq., and Others, Lloyd's Syndicates 1003 and 2003 | United Kingdom |
| Sovereign Risk Insurance Ltd. | Bermuda |
| Steadfast Insurance Company (Zurich) | United States |
| The Goshawk War and Political Risks Consortium, Lloyd's Syndicate 9132 | United Kingdom |
| XL London Market Ltd., Lloyd's Syndicate 1209 | United Kingdom |

Facultative Reinsurance Partners, Reinsurance Provided by MIGA

| Investment Insurer | Country |
|--|---------------|
| Compañía Española de Seguros de Crédito a la Exportación (CESCE) | Spain |
| Export Credit Insurance Organization (ECIO) | Greece |
| Export Development Corporation (EDC) | Canada |
| Ministry of International Trade and Investment (MITI) | Japan |
| Nordia Insurance Company (Pan Financial, Inc.) | United States |
| Österreichische Kontrollbank A.G. (OeKB) | Austria |
| Overseas Private Investment Corporation (OPIC) | United States |
| Slovene Export Corporation (SEC)* | Slovenia |

* *New Partner in fiscal year 2003*

Cooperative Underwriting Program Participants

| Investment Insurer | Country |
|---|------------------------------|
| ACE Global Markets, Lloyd's Syndicate 2488 | United Kingdom |
| A.D. Hicks, Esq. And M.H.Wheeler, Esq. And Others, Lloyd's Syndicate 1007 | United Kingdom |
| A.F.Beazley, Esq. And Others, Lloyd's Syndicate 623 | United Kingdom |
| AXIS Specialty Limited | Bermuda |
| Compagnie Tunisienne pour l'Assurance du Commerce Extérieur (COTUNACE) | Tunisia |
| Cox Insurance Holdings PLC., Lloyd's Syndicate 2591 | United Kingdom |
| General Security Insurance Company (Unistrat) | United States |
| Great Northern Insurance Company (Chubb and Son) | United States |
| Gulf Insurance Company U.K. Limited (Citicorp/Travellers) | United Kingdom/United States |
| H.H. Hayward, Esq., and Others, Lloyd's Syndicate 1084 | United Kingdom |
| Hiscox Syndicates Limited, Lloyd's Syndicate 33 | United Kingdom |
| Kiln 510 Combined, Lloyd's Syndicate 510 | United Kingdom |
| Liberty Syndicate Management, Lloyd's Syndicate 282 | United Kingdom |
| M.D. Reith and Others, Syndicate 1414 at Lloyd's (Ascot) | United Kingdom |
| S.J.Catlin, Esq., and Others, Lloyd's Syndicates 1003 and 2003 | United Kingdom |
| Steadfast Insurance Company (Zurich) | United States |
| The Goshawk War and Political Risks Consortium, Lloyd's Syndicate 9132 | United Kingdom |
| XL London Market Ltd., Lloyd's Syndicate 1209 | United Kingdom |

Guarantee Clients

| | |
|---|---|
| ABB Kraft AS | Construcciones y Auxiliar de Ferrocarriles, S.A. |
| ABN AMRO Bank | Cotecna S.A. * |
| Aecon Group, Inc * | Corporación Interfin, S.A. * |
| ADC Management, Ltd., * | Crédit Lyonnais, S.A. |
| Aegean Free Zone, L.L.C. | Cyprus Climax Metals Co. |
| AES Corporation | Desco A.B. |
| Afriproduce Ltd. | Deutsche Bank AG |
| Agro-Industrial Investment and Development, S.A. | Dimetronic S.A. |
| Alain Tagini | Dole Food Company Inc. |
| Alimenta, S.p.A. | Dresdner Bank AG |
| American Cyanamid Co. | Drummond Co., Inc. |
| Anglo American Corp. of South Africa | Dunriding Company, N.V. |
| Anmercosa Mining (West Africa) Ltd. | ECI Telecom Ltd. |
| Anglogold Ltd | EAC/Turkey International Enterprise Inc. |
| Anglovaal Mining Ltd. | Econet Wireless, Ltd. |
| Atlantic Commerical Finance, B.V. | Efes International B.V. |
| Avon Cycles Ltd. | EGIS Projects S.A. |
| Azertel Telekomunikasyon Ve Dis Ticaret A.S. | El Paso Energy International Co. |
| Balkcem Ltd. | Empresas Comegua, S.A. |
| Banco Santander Central Hispano S.A. | Endesa International, S.A. |
| Banff Resources Ltd. | Energy Investors Fund II, L.P. |
| Bank Austria Creditanstalt Leasing GmbH | Entergy Power Development Corporation * |
| Bank Hapoalim B.M. | Enka Holding Yatirim A.S. |
| Bank Kreiss A.G. | Enron Corp. |
| Bank of America, N.A. | EPED Holding Co. |
| Banque Belgoise, S.A. Banque de Commerce et de Placements S.A. | ERI Holdings II |
| Banque Européenne pour l'Amérique Latine (BEAL) S.A. | Ericsson Credit AB |
| Banque Indosuez | Erste Bank der Österreichischen Sparkassen AG |
| Banque Sudameris | Eskom |
| BNP Paribas | Ewekoro Power Plant Sales Ltd. * |
| Barge Energy, L.L.C. | Faisal Finance, S.A. |
| Barlows Tractor International Ltd. | Fatouglu Gida Sanayi ve Ticaret Anonim Sirketi * |
| Barrick Gold Corp. | FleetBoston Financial Co. |
| BCH International Puerto Rico, Inc. | Finrep Handels Ges.m.b.H. * |
| Beekay Engineering & Castings Ltd. | Fintur Holdings B.V. |
| Bell Atlantic Investments, Inc. | France Cables et Radio Vietnam Pte Ltd. |
| Bergenshalvoens Kommunale Kraftselskap AS | Fraport AG |
| BHP Copper, Inc. | Freeport McMoran Copper Co. |
| Boeing Capital Corp. | Ge.Por.Tur. sas |
| BWF Unternehmensbeteiligungen GmbH | Greenwood Mills, Inc. |
| Cadbury Schweppes plc | Gribal S.A. |
| Capital Indonesia Power I C.V. | Guinea Investment Co. Ltd. |
| C.A.S., S.p.A. | Habib Bank A.G. Zurich |
| Caribe Hospitality * | Hamburger Hafen-und Lagerhaus AG |
| Catalina Lighting, Inc. | Harris Advanced Technology Sdn. Bhd. |
| CCB Management Services | Holding Savana, S.A. |
| Chase Manhattan Bank | Honeywell, Inc. |
| China Capital Development Corp. | Hydelec |
| Chiyoda Corp. | Hydra-Co Enterprise, Inc. |
| Citigroup Inc. | Hydro-Quebec International, Inc. |
| Coastal Corp. | Hypo Alpe-Adria-Bank AG |
| Coca-Cola Co. | Hypo-Leasing Karnten GMBH * |
| Cogen Technologies Inc. | IBA, B.V. |
| Comercio Internacional, Consultoria e Servicos, S.A. | Illinova Generating Co. |
| Commercial Bank of Greece, S.A. | Imperial Group Ltd. |
| Companhia Brasileira de Projetos e Obras | Impregilo, S.p.A. |
| Compañía Española de Financiación del Desarrollo | Industrial Development Corp. of South Africa Ltd. |
| Compañía Española de Seguros de Crédito a la Exportación, S.A. * | ING Bank, N.V. |
| Conservation Tourism Ltd. | Ingersoll-Rand Co. |
| Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) | Interface Asia Pacific, Inc. |
| Construtora Norberto Odebrecht S.A. | Interfima, B.V. |
| | International Dialysis Centers, B.V. |
| | International Energy Partners, L.P. |
| | International Paper Co. |

Guarantee Clients (cont.)

| | |
|--|---|
| International Water Services, B.V. | Raiffeisenverband Salzburg * |
| International Wireless Communications Pakistan Ltd. | Rand Merchant Bank |
| Internationale Nederlanden Bank, N.V. | Remetal, S.A. |
| Inversiones en Concesiones Ferroviarias | Rio Algom Ltd. |
| Investcom Global Ltd. | Rio Tinto Overseas Holdings Ltd. |
| Italian Technology & Innovations S.r.l. | Rockfort Power Associates Inc. |
| Itochu Corp. | Rolls Royce-Power Ventures * |
| Jari Peltokangas | Rolls Royce-Power Ventures (Ekiti) Ltd. * |
| Joseph Fermon | Rover Overseas Holdings Ltd. |
| Kemira Danmark A/S | S.A. White Martins |
| Kenmare Resources P.L.C. * | Salvintur-Sociedade de Investimentos |
| Keppel FELS Energy Pte. Ltd. | Turisticos, S.A. |
| Kimberly-Clark Corp. | Santander Brazil Risk Insured Trust |
| Kingdom 5 KR 71 Ltd. * | Sasol Gas Holdings (Pty) Ltd., * |
| Kintbury Investments Ltd. | Sasol Petroleum International (Pty) Ltd. * |
| Kjaer Group A.S. | Schmalbach-Lubeca AG |
| Koçbank A.S. | Scotiabank (Cayman Islands) Ltd. * |
| Komatsu Ltd. | Scudder Latin American |
| Kreditanstalt für Wiederaufbau | SembCorp Utilities Pte. * |
| Kvaerner Energy A.S. | Secil-Companhia Geral de Cal e Cimento, S.A. |
| L'Office National des Télécommunications | Sena Holdings Ltd. |
| Lloyds TSB Bank, Plc | SF-Bau Projektentwicklung GmbH |
| Louis Dreyfus Négoce, S.A. | Sidenor * |
| Magma Netherlands, B.V. | Siemens AG |
| MarioBoselli Yarns S.p.A. | Sithe International, Inc. |
| Marriott International, Inc. | SLAP CABO, LLC * |
| Marubeni Corp. | Sociedade de Empreitadas Adriano, S.A. |
| Mauritius Telecom Ltd. * | Société de Promotion Financière et d'Investissement, S.A. |
| Mediaone International Holdings, Inc. | Société Générale, S.A. |
| MCC S.p.A. (formerly Mediocredito Centrale S.p.A.) | Société Nationale de Télécommunications du Sénégal * |
| Meeco International Co. Ltd. | Société Marromeu Ltd. |
| Mees Pierson N.V. | Slovene Export Corporation |
| Mercurat Beteiligungs GmbH | Standard Bank London Ltd. |
| Mersey Docks and Harbour Co. | Starlight Telecommunications Ltd., L.L.C. |
| Middenbank Curaçao, N.V. | Statkraft SF |
| Midland Bank, plc | Sumitomo Corp. |
| Minorco, S.A. | Sungrain SA |
| Mitsubishi Corp. | Sunnen Products Co. |
| Mitsui & Co. Ltd. | Teck Corp. |
| Motorola, Inc. | The Bank of Nova Scotia |
| MSF Holding Ltd. | The Fuji Bank Ltd. |
| MTN International Ltd. | Tilda Holdings Ltd. |
| MTU Asia Pte. Ltd. * | Touton S.A. |
| Natexis Banque | Tractebel S.A. |
| New Arian Resources Corp. | Ukrainian Investment Fund Ltd. |
| Newmont Gold Co. | UMC Equatorial Guinea Corp. |
| Nissho Iwai Corp. | Unatrac International Co.-S.A.E. |
| Noranda Inc. | Union Bank of Switzerland |
| Nordic Power Invest A.B. | Union Carbide Corp. |
| Österreichische Volksbanken AG | Unión Fenosa Internacional S.A. |
| Orascom Telecom Holding | US WEST International Holdings, Inc. |
| Ormat International Inc. | USEC-Precursor, Inc. |
| Pamukbank T.A.S | Vaasan Saippua Oy-Vasa Tval Ab |
| Parmalat, S.p.A. | VBC Energy Corp. |
| Philips Electronics, N.V. | Victory Oil B.V. |
| Portus Indico-Sociedad de Servicios Portuarios, S.A. | Volvo Truck Corp. |
| Promofin Outremer, S.A. | Wärtsilä Development, Inc. |
| Puerto Seco, S.A. | Westdeutsche Landesbank |
| Purolite International Ltd. | Wilken Group Ltd. |
| Rabobank Curaçao N.V. * | Wings of Papagayo LLC |
| Radisson Hotels International Inc. | |
| Raiffeissen Leasing GmbH * | |
| Raiffeissen Zentralbank Österreich AG | |

* New client in fiscal year 2003

Abbreviations

| | |
|-----------|--|
| AGOA | US African Growth and Opportunities Act |
| BOI | Board of Investment (Bangladesh) |
| CAO | Compliance Advisor/Ombudsman |
| CMA | Compañía Minera Antamina S.A. |
| COSO | Committee of Sponsoring Organizations |
| CRM | Client Relationship Management |
| CUP | Cooperative Underwriting Program |
| EDC | Export Development Canada |
| EU | European Union |
| FIDE | Foundation for Investment and the Development of Exports (Honduras) |
| FIAS | Foreign Investment Advisory Service |
| FDI | Foreign Direct Investment |
| FDIX IIDP | FDI Xchange Investment Information Development Program |
| GAFI | General Authority for Investment and Free Zones (Egypt) |
| GCI | General Capital Increase |
| IBRD | International Bank of Reconstruction and Development |
| IDA | International Development Association |
| IFC | International Finance Corporation |
| IPI | Investment Promotion Intermediaries |
| KMCL | Kahama Mining Corporation Limited |
| LIL | Learning and Innovation Loan |
| MDGs | Millennium Development Goals—the framework for measuring development progress, adopted by the international development community in September 2000. |
| MIGA | Multilateral Investment Guarantee Agency |
| NEPAD | New Partnership for Africa's Development |
| MOU | Memorandum of Understanding |
| PSD | Private Sector Development |
| SARS | Severe Acute Respiratory Syndrome |
| SME | Small and Medium-Sized Enterprise |
| S/S | South-South |
| SSA | Sub-Saharan Africa |

| | |
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www.miga.org

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ISBN 0-8213-5655-0
SN 15655