2004 ANNUAL REPORT

WORLD BANK GROUP
Multilateral Investment Guarantee Agency

Our Mission

To promote foreign direct investment into developing countries, in order to support economic growth, reduce poverty and improve people's lives

Guarantees

Through its investment guarantees, MIGA offers protection for new cross-border investments, as well as expansions and privatizations of existing projects, against the following types of non-commercial risks:

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

Technical Assistance and Information Services

MIGA helps countries attract and retain foreign direct investment through:

- Advice and tailored assistance to investment promotion intermediaries
- A suite of online services—FDI Xchange, IPA*net* and PrivatizationLink—about investment opportunities, business operating conditions and business partners

Investment Dispute Mediation

MIGA provides advice to encourage the settlement of disputes between investors and developing member countries

Cover illustration
Detail of *Call My Name,* 1999
Pacita Abad, The Philippines

Contents

Fiscal 2004 Highlights

Table 1 Guarantees Issued

	2000	2001	2002	2003	2004	Total FY90-04
Number of Guarantees Issued	53	66	58	59	55	711
Number of Projects Supported	37	46	33	37	35	453
Amount of New Issuance, Gross ($ B)	1.6	2.0	1.2	1.4	1.1	12.8
Amount of New Issuance, Total ($ B)[1]	1.9	2.2	1.4	1.4	1.1	13.5
Gross Exposure ($ B)[2]	4.4	5.2	5.3	5.1	5.2	-
Net Exposure ($ B)[2]	2.8	3.2	3.2	3.2	3.3	-

[1] *Includes amounts leveraged through the Cooperative Underwriting Program (CUP).*
[2] *Gross exposure is the maximum aggregate liability. Net exposure is the gross exposure less reinsurance.*

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

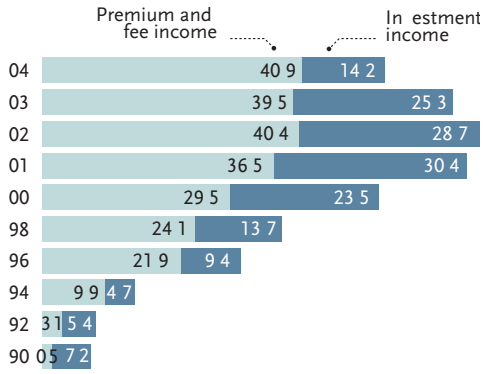
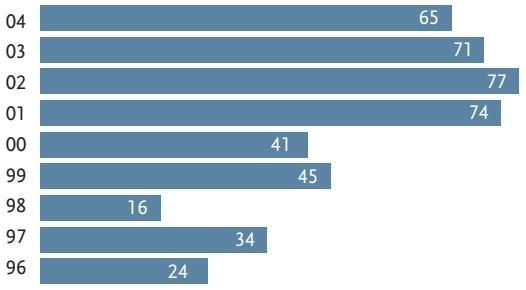


Figure 2 Number of Technical Assistance Activities



* *Excludes other income*

Membership

In fiscal 2004, the Islamic Republic of Iran and Suriname joined MIGA, bringing the number of member countries to 164.

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

Coverage for Priority Areas[1]

- 20 projects and 35 technical assistance activities in IDA-eligible countries[2]
- 14 projects for small and medium enterprises (SMEs)[3]
- 8 "South–South" projects[4]
- 4 projects and 28 technical assistance activities in sub-Saharan Africa

Highlights

- First guarantee coverage for investors from the Czech Republic and Poland
- Three water projects supported—two in China and one in Russia
- 16 projects supported in conflict-affected countries
- 65 technical assistance activities conducted in 29 countries, along with regional and global initiatives
- New technical assistance work initiated in Afghanistan, China, Mali, Paraguay, South Africa and Tajikistan
- The European Investor Outreach Program launched with co-funding from the Austrian government
- FDI Promotion Center launched

Partnerships

- Five new cooperation agreements signed with: the African Trade Insurance Agency (ATI), Banque de Développement des États de l'Afrique Centrale (BDEAC), Export Guarantee Fund of Iran (EGFI), Jordan Loan Guarantee Corporation (JLGC) and Servizi Assicurativi del Commercio Estero of Italy (SACE)
- Facultative reinsurance provided: to MIGA—$238 million for seven projects; and by MIGA—$4.0 million for one project
- Training programs held for MIGA's partners from Europe and Canada. Regional training program held in Iran

Cooperation with World Bank Group

- Worked with the Foreign Investment Advisory Service in China, Fiji, the Pacific Islands and Tajikistan
- Conducted investment promotion activities in Armenia, Honduras, Iraq and Mozambique with the World Bank
- Worked with the World Bank to promote private sector business opportunities in Afghanistan
- Board approval for joint MIGA-IDA Guarantee Facility, co-guaranteed by the Agence Française de Développement, to support investments in West Africa
- Collaborated with the International Finance Corporation (IFC) and the World Bank on the Sasol oil and gas project in Mozambique
- Worked with IFC on technical assistance projects in China and Panama

Claims

- Resolved six disputes involving investors insured by MIGA to the satisfaction of all parties

---

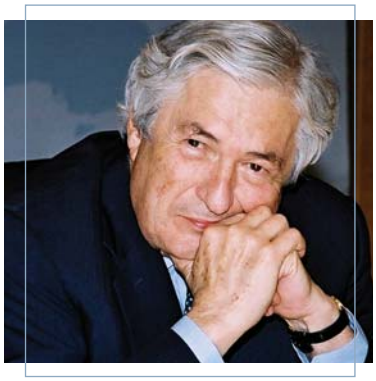
[1] *Some projects address more than one priority area.*

[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—and grants.*

[3] *A small and medium enterprise meets two of the following three conditions: up to 300 employees; total assets of up to $15 million; and total annual sales of up to $15 million.*

[4] *Investments made from one developing country to another developing country.*

Letter from the President to the Council of Governors



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, 2004.

Foreign direct investment (FDI) into developing countries fell for the second consecutive year in 2003, as war, terrorism and economic crises dissuaded many foreign investors from venturing into difficult or uncertain markets. The decline comes at a time when the need for private investment in developing countries has never been more urgent. While some progress has been made in the global fight against poverty, many countries in Africa, Latin America and the Caribbean and Europe and Central Asia have seen the proportion of poor people growing or falling only slightly in recent years. As two billion more people, mainly in developing countries, are added to the global population in the next 25 years, there is a great risk that the world's poor will be left further behind.

The institutions of the World Bank Group have identified two strategic pillars that are key to reducing poverty: building the climate for investment, jobs and sustainable growth, and empowering people to participate in development. By providing political risk insurance for foreign investments and technical assistance to developing countries, MIGA plays a critical role in supporting this strategy.

Against the backdrop of falling FDI flows, MIGA was able to support a greater proportion of projects in the poorer countries eligible for financing from the International Development Association (IDA) and the small and medium enterprise sector in fiscal 2004. In addition, MIGA provided guarantees for 16 new projects in conflict-affected countries. Recognizing the importance of safe drinking water, the Agency also substantially grew its exposure in the water sub-sector.

MIGA's technical assistance program remained in high demand in fiscal 2004, as governments sought to compete fiercely in attracting and retaining scarce FDI inflows. Half of the 29 countries assisted in fiscal 2004 are IDA-eligible, and 28 activities took place in sub-Saharan Africa. To help investment promotion intermediaries—especially in remote areas—access state-of-the-art tools for attracting FDI, MIGA launched the web-based FDI Promotion Center.

Fiscal 2004 has also been notable for a change of leadership at MIGA. I would like to thank Mr. Motomichi Ikawa for his dedicated service as executive vice president of the Agency for six years. Much of MIGA's growth and evolution happened during his tenure, with member countries increasing from 145 to 164 and gross exposure increasing from $2.9 billion to $5.2 billion. In addition, Mr. Ikawa led the successful effort to double MIGA's capital base.

I would also like to warmly welcome Ms. Yukiko Omura, who joined MIGA as the new executive vice president in May of this year. Ms. Omura brings to her new position a unique combination of many years of investment banking experience and a commitment to development issues, including the global fight against HIV/AIDS. Her dynamic leadership will be crucial in repositioning the Agency to more effectively promote FDI, especially into difficult places such as conflict-affected countries, and to fully utilize the network of partnerships that MIGA has—within the World Bank Group and outside.

Ms. Omura's appointment comes at a time when the fight against poverty demands that the institutions of the World Bank Group scale up their development impact. I have full confidence that MIGA, under her guidance, will make a positive difference in the lives of poor people by broadening and deepening the flow of productive investments into developing countries.

James D. Wolfensohn
June 30, 2004

Board Activities Highlights

The Multilateral Investment Guarantee Agency's 164 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's 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. 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 World Bank Group'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 Governance and Executive Directors' Administrative Matters (COGAM).

During fiscal 2004, MIGA's Board of Directors concurred with or approved 39 individual investment guarantee operations. It also oversaw and reviewed MIGA's budget and planning process. In addition, the Board took note of a report establishing MIGA's Small Investment Program (SIP) and approved a waiver of the requirement to circulate to the Board reports of guarantees issued under the SIP prior to their approval by the President. The Board approved MIGA's contribution to the creation of a joint guarantee facility—involving IDA, the Agence Française de Développement and MIGA. The facility supports investments in West African states that are members of the Banque Ouest-Africaine de Développement (BOAD). In addition, the Board approved a waiver of the requirement to circulate to the Board reports of guarantees issued by the facility prior to their approval by the President. The Board approved and submitted to the Council of Governors a proposal to achieve voting power parity between MIGA's Category One (developed) and Category Two (developing) member countries.

MIGA's Board of Executive Directors, as of June 30, 2004

Standing, left to right: Per Kurowski, Terry O'Brien*, Otaviano Canuto, Paulo F. Gomes, Nuno Mota Pinto*, Pierre Duquesne, Thorsteinn Ingolfsson, Tanwir Ali Agha, Tom Scholar, Gino Pierre Alzetta*, Eckhard Karl Deutscher, Alexey G. Kvasov, Louis A. Kasekende, Abdulrahman M. Almofadhi*, Rapee Asumpinpong
Seated, left to right: Guangyao Zhu, Pietro Veglio, Carole Brookins, Mahdy Ismail Aljazzaf, Gobind Nauth Ganga*, Tamara Solyanyk*, Alieto A. Guadagni
Absent: Chander Mohan Vasudev, Masakazu Ichikawa*
* Alternate

Message from the Executive Vice President

I am honored to have been appointed as executive vice president of MIGA in May of this year and to work with an organization that supports the World Bank Group's mission of reducing poverty by catalyzing foreign direct investment into the developing world.

As president Wolfensohn frequently emphasizes, the scale of the development challenge is indeed daunting—but not nearly as steep as the price of failure. About 1.2 billion people still live on less than $1 a day, between 2 and 2.5 billion people do not have access to sanitation, 1.5 billion people have no access to clean water, and as many do not have access to electricity. Success can only be achieved through a concerted and increased commitment by multilateral organizations and the governments of developing and developed countries alike.

Although a small agency, MIGA has a broad mandate—to promote productive foreign direct investment (FDI) flows into developing countries. As we have seen in many of these countries, economic growth through the development of a thriving private sector is one of the most important ways out of poverty. Foreign direct investment plays an important role in providing private capital, creating jobs, bringing technical expertise and managerial know-how, and connecting developing countries to global markets.

In recent years, FDI into developing countries has been declining markedly. From an all-time high of $180 billion in 1999, FDI flows into developing countries have fallen by more than 25 percent. This comes at a time when developing country investment needs—especially in basic infrastructure—are growing. The problem is even more acute than these broad statistics indicate, because more than 60 percent of FDI into developing countries goes to just five countries. While East Asia, the EU accession countries, and a few Latin American states have attracted the lion's share of investment, the vast majority of countries—especially in Africa and in conflict-affected areas—have not been able to attract and retain significant amounts of FDI.

This difficult operating environment has led to mixed results for the Agency in fiscal 2004. While the total amount of guarantees issued fell slightly, to $1.1 billion, a greater proportion of projects supported were in the poorer countries eligible for financing from the International Development Association (IDA). Indeed, MIGA's effectiveness as a development agency lies in the fact that it can play a role in supporting sound private investments in environments which would otherwise be considered by investors to be excessively risky. In such situations, MIGA can manage the risks better, particularly in relation to the private insurance sector, and hence be able to provide coverage where others cannot. This role is particularly relevant when FDI flows are declining or flat.

MIGA can also provide added value in complex transactions, particularly in infrastructure. We have seen continued investor interest and concern about water projects in particular. MIGA's ability to cover sub-sovereign risk can mitigate political concerns and encourage investment in this sub-sector. We have

been building our base of experience, insuring three water projects in the past year, two in China and one in Russia. We also see opportunities to work with investors in small infrastructure projects. Specifically, we have worked with the World Bank, the Agence Française de Développement, and Banque Ouest-Africaine de Développement (BOAD) to establish a joint guarantee facility in West Africa that will support smaller infrastructure projects in the sub-region.

MIGA increased its support for the small and medium enterprise sector by supporting 14 new projects in fiscal 2004. Although this sector accounts for most private sector activity in developing economies, smaller foreign companies have particular problems in identifying cross-border risks and opportunities, and in finding adequate risk mitigation instruments. MIGA's activities in fiscal 2004 reflect the continuing efforts that the Agency has made, and will continue to make, in supporting this underserved sector.

MIGA also plays an important role in encouraging FDI into conflict-affected countries—this is where we are most needed, since the perception of political risk is usually very high, and risk mitigation capacity is quite limited. Bosnia and Herzegovina and Serbia and Montenegro now rank among our top ten beneficiary countries. In fiscal 2004, MIGA supported 16 new projects in conflict-affected countries.

Going forward, I am committed to improving our regional distribution, particularly in sub-Saharan Africa and the Middle East and North Africa, the two regions that have received the least FDI, and where the Agency's performance has remained below expectations, despite extensive outreach efforts.

We are operating in a changing environment, where the demands from both host countries and the private sector are evolving. If MIGA is to continue to play a leading role in promoting and catalyzing foreign direct investment, the Agency must both adapt to these changes and ensure that the projects it supports contribute to sustainable development even more effectively. To this end, I have undertaken a number of changes in MIGA's organization, structure and priorities that will allow the Agency to be more nimble, efficient and innovative.

The merging of MIGA's technical assistance and guarantees units into one operational department, based in Washington, D.C., will allow more proactive outreach to our diverse but interrelated clients—host countries and foreign investors. With both activities now in one unit, MIGA will be better able to serve member countries through unparalleled insight into what investors look for when considering an investment and who those investors might be. At the same time, MIGA will be able to provide potential investors with the additional comfort that MIGA's staff are working in continuous and close coordination with the relevant host country to ensure that the right conditions exist, not just to attract, but also to retain foreign investment.

In addition, a comprehensive risk management framework will support MIGA's underwriting activities by holistically assessing project risks, actively managing the risk exposure of the Agency's portfolio and proactively working to resolve potential claims before they arise. We will also be working even more closely with our development partners, both within the World Bank Group and outside.

MIGA's technical assistance work is a valuable resource that can benefit the Agency's guarantees business. This is especially relevant for difficult or frontier markets, where the Agency has been particularly active. In fiscal 2004, MIGA undertook 35 technical assistance activities in IDA-eligible countries. The Agency also launched the European Investor Outreach Program, based in Vienna, which aims to increase investor awareness of the Western Balkans, a region whose image suffers from past conflicts. MIGA's online activities support the Agency's operations by linking investors with host countries through providing a single reference point for investment opportunities. Also, the launch of the FDI Promotion Center, an online portal that builds

on MIGA's well-known Investment Promotion Toolkit, extends the reach of MIGA's training capabilities and knowledge sharing.

The best way to serve our shareholders is to focus even more closely on our clients and partners. Our goals must be to leverage MIGA's unique strengths in opening up difficult or frontier markets; to ensure that MIGA supports projects which contribute to sustainable development; and to ensure that the products we offer our host countries and investor clients are relevant to the changing market environment.

Yukiko Omura
June 30, 2004

MIGA's Management Team

(*Left to right*)

Luis Dodero
General Counsel and
Vice President,
Legal Affairs and Claims

Frank Lysy
Chief Economist and Director,
Economics and Policy

Moina Varkie
Chief, External Outreach and
Partners

Yukiko Omura
Executive Vice President

Tessie San Martin
Director,
Operations

Amédée Prouvost
Chief Financial Officer and
Director,
Finance and Risk Management

Marcus Williams
Special Assistant to the EVP

Partnerships

Partnerships continued to play an important role in helping MIGA extend its outreach and leverage its resources during fiscal 2004. The Agency engages in partnerships with other insurers, government agencies and international organizations with several goals in mind: to ensure complementary services and approach; to strengthen its technical assistance activities and online information services; to increase the capacity of the political risk insurance industry; and to encourage insurers into frontier markets where they may not feel comfortable venturing on their own.

In fiscal 2004, MIGA signed Memoranda of Understanding (MOUs) with five partners, bringing the total number of MOUs to 37. Most of these partners are export credit agencies or development finance institutions. The partnerships encourage joint marketing initiatives and cooperation in coinsurance and reinsurance activities. MIGA regularly provides training for its partners in an effort to build their institutional capacity and capability to provide political risk insurance. In fiscal 2004, MIGA held training programs for partners from Europe and Canada and participated in a regional training program held in Iran.

MIGA also works closely with public and private insurance partners through reinsurance and coinsurance arrangements. The Agency has collaborated with several of these insurers and other partners to stimulate discussion and share knowledge about the challenges and best practices of the political risk insurance industry. In fiscal 2004, the results of a major symposium, co-sponsored by MIGA and Georgetown University in Washington, D.C., were published in a book, *International Political Risk Management: The Brave New World.*

MIGA's online information services depend on partnerships with content providers. In fiscal 2004, MIGA signed 17 content provider agreements, bringing the total number of such providers to 88. The Agency also concluded agreements to work on technical assistance activities with several partners, including the European Agency for Reconstruction in the Balkans, the Commonwealth Secretariat for the Pacific Islands, and the European Community for its investment programs in Africa, Latin America and the Caribbean, and the Pacific Islands. In addition, MIGA worked closely with the Austrian and Swiss governments in designing and implementing donor-funded investor outreach programs for Africa and Europe and Central Asia, and with the Japanese government, under the Development Gateway Foundation, for an online information service about FDI.

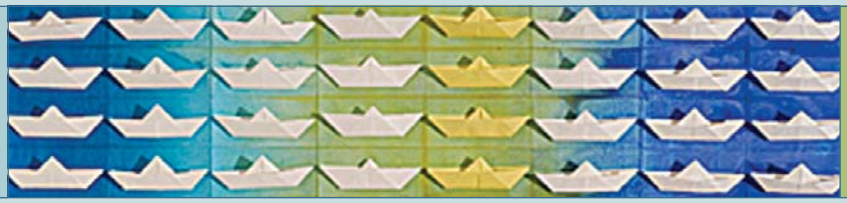
PHOTO | Training program, Kish Island, Iran

Table 2 Memoranda of Understanding Partners

Partner Organization	Date Signed
Banque de Développement des États de l'Afrique Centrale (BDEAC)*	April 2004
Jordan Loan Guarantee Corporation (JLGC)	March 2004
Export Guarantee Fund of Iran (EGFI)	February 2004
SACE S.p.A., Servizi Assicurativi del Commercio Estero, Italy	October 2003
African Trade Insurance Agency (ATI)*	August 2003
Agence Nationale Chargée de la Promotion des Investissements et des Grands Travaux (APIX), Senegal	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), Spain	June 2002
Export Credit Insurance Corporation of South Africa Ltd. (ECIC)	June 2002
Seguradora Brasileira de Crédito à Exportação S/A (SBCE), Brazil	March 2002
Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Brazil	March 2002
Trade and Investment Development Corporation of the Philippines (TIDCORP)	February 2002
Export Credit Guarantee Corporation of India, Ltd. (ECGC)	February 2002
Österreichische Kontrollbank Aktiengesellschaft (OeKB), Austria	January 2002
Slovene Export Corporation (SEC), Slovenia	December 2001
African Development Bank (AfDB)*	November 2001
Export-Import Bank of Thailand (EXIM)	November 2001
Fundación ProBarranquilla, Colombia	October 2001
PROPARCO, France	July 2001
Export Credit Insurance Organization (ECIO), Greece	June 2001
Korea Export Insurance Corporation (KEIC)	May 2001
PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Germany	December 2000
People's Insurance Company of China (PICC-SINOSURE)	November 2000
Finnvera plc, Finland	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), Denmark	May 2000
Malaysia Export Credit Insurance Berhad (MECIB)	May 2000
Società Italiana per le Imprese all'Estero (SIMEST), Italy	November 1999
Export Credit Bank of Turkey	October 1999
Export Finance and Insurance Corporation (EFIC), Australia	May 1999
Nippon Export and Investment Insurance (NEXI), Japan	April 1999
ECICS Credit Insurance Ltd. of Singapore	November 1998
Inter-Arab Investment Guarantee Corporation (IAIGC)*	February 1997
Export-Import Bank of India	March 1996
Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE), France	December 1994

* *Denotes a regional multilateral organization*

DEVELOPMENT IMPACT



Reaching out to Small and Medium Enterprises

Benchmarking Country Competitiveness

MAKING A DIFFERENCE

For most developing countries, official development assistance and local private resources are not sufficient to stimulate economic growth and provide the opportunities needed for improved quality of life. With the right regulatory and policy climate, foreign investment is vital for bringing access to what is needed—capital, technology and managerial and environmental best practices—to spur development.

MIGA's mission is to enable developing countries build up their local economies, reduce poverty and improve people's lives through promoting foreign direct investment. MIGA does this in two ways: its political risk insurance makes a difference between a productive foreign investment going ahead or not; and its technical assistance activities help equip countries with the tools necessary to attract and retain foreign investments.

MIGA-sponsored projects cover a range of sectors that convey many direct benefits to host countries, including local job creation, skills transfer and a general positive impact on the economy through fiscal revenues and export earnings.

A significant portion of the Agency's portfolio is in support of financial services and infrastructure, fundamental building blocks of economic development. Within the infrastructure sector, MIGA has been increasingly in demand for water projects, because the Agency is able to provide guarantees at the sub-sovereign level—the level at which the vast majority of water concessions are handled. In fiscal 2004, MIGA supported two water projects in China and one in Russia. These projects ensure the supply of safe and reliable drinking water—a Millennium Development Goal—helping reduce child mortality and the risk of disease. Without this basic service, economic activity cannot thrive.

MIGA's increasing efforts to integrate its activities with the Country Assistance Strategies (CASs) of the World Bank Group will further enhance the Agency's development impact. As each CAS is prepared in consultation with government officials, civil society organizations, development partners and other stakeholders, MIGA is better able to ensure that its technical assistance activities and guarantee projects are consistent with country priorities and supportive of partner initiatives. During fiscal 2004, MIGA collaborated closely with World Bank Group country teams to develop innovative approaches to facilitate FDI in Indonesia, Kenya, Mozambique and Tanzania.

The development themes discussed in this year's annual report focus on two important areas where MIGA has been active in promoting foreign direct investment. The first describes MIGA's support for small and medium enterprises. Smaller companies constitute most of the private business sector in developing countries and a thriving SME sector is therefore critical to creating long-term employment and alleviating poverty. The second theme highlights MIGA's efforts to help countries assess their competitiveness and develop improved strategies to attract and retain appropriate FDI.

Reaching out to Small and Medium Enterprises

Small and medium enterprises (SMEs) can jump-start economic growth in even the poorest of countries. Indeed, they offer what is often the only hope of a better livelihood for millions of entrepreneurs and workers in developing countries. In Africa, according to the United Nations Industrial Development Organization, SMEs constitute some 90 percent of all private commercial enterprises currently in operation. But SMEs face enormous obstacles, particularly in developing countries where lack of access to finance, insufficient internal resources and management capabilities, and legal and regulatory barriers pose significant challenges.

Foreign direct investment (FDI) can play an important role in SME development, either through joint ventures with local partners or through the establishment of wholly foreign-owned enterprises. FDI brings access to finance, new technologies, modern business practices and market links for smaller companies. To date, the bulk of MIGA's support for SMEs—more than 70 percent—has been through the provision of guarantees to financial institutions that lend to SMEs. FDI into the financial sector of developing countries has not only helped improve access to capital by SMEs, but has introduced new technologies, better services and new products in the banking systems of these countries.

Raiffeisen Bank S.A. Romania (RBRO), whose lending operations are supported by long-term loans from its Austrian parent, Raiffeisen Zentralbank Österreich AG (RZB), has been a beneficiary of MIGA's SME focus. Cumulatively, MIGA has provided guarantees worth around €80 million against the risks of currency transfer restrictions and expropriation of funds for RZB's loans and interest repayments to its Romanian subsidiary. A site visit and review of RBRO's operations in fiscal 2004 confirmed that the bank is having a positive development impact. Its operations have helped improve the access of the Romanian SME sector to term financing and has provided a wide range of financial products and services to clients throughout the country through an extensive branch network. The bank has also introduced new products—such as leasing—along with modern methods of cash management to the Romanian financial sector. SMEs currently account for more than 70 percent of RBRO's total lending portfolio.

One of RBRO's SME clients is Altipo Construction Ltd. (Altipo), a company involved in importing, assembling and installing windows. Altipo started operations in 1997 with three employees. Today the company employs some 80 workers and in 2003 had an annual turnover of €1.6 million. The company needed fast access to financing in order to maintain its growth and turned to RBRO for a loan in 2003. "With RBRO we found the flexibility and willingness to offer solutions that would help our company grow," says Sorin Boureanu, Altipo's General Manager.

PHOTO | Altipo Construction Ltd., Romania

PHOTO | Banja Luka Dialysis Center, Bosnia and Herzegovinia

Box 1
SME Support in Conflict-Affected Countries

There are unique challenges involved in investing in SMEs in conflict-affected countries, and MIGA's experience demonstrates that insurance can play a critical role in easing investors' concerns about the threat of renewed violence, lack of foreign exchange and the potential that laws will not be enforced.

To date, MIGA has promoted FDI into several conflict-affected countries, including Azerbaijan, Bosnia and Herzegovina, Nigeria and Serbia and Montenegro. In fiscal 2004, the Agency supported 16 new projects in conflict-affected countries. One of these involves a €1.3 million guarantee to the International Dialysis Centers B.V. (IDC) of the Netherlands for its investment in a new renal dialysis facility in the Republika Srpska area of Bosnia and Herzegovina. This was the third guarantee to IDC. The previous two, totaling $1.3 million, were provided in fiscal 2001 for the creation and management of a renal dialysis facility in the city of Banja Luka.

The new facility will provide high-quality dialysis services for up to a quarter of all dialysis patients living in the Republika Srpska area. Using state-of-the-art medical equipment, the facility will help to improve patients' life expectancy and quality of life. The hospital that houses the new treatment center is also expected to benefit from refurbishments associated with the new facility. In addition, the project will supply a medical waste and water treatment unit and is already providing extensive technical, medical and managerial training to facility staff.

IDC's experience in Bosnia and Herzegovina is compelling—both for the impact the project has already made on a country ravaged by war and poverty, and for the power of a small investor to make a significant difference to a community. The new clinic replaced an existing dilapidated facility, where services were poor and dangerous for patients. Today, the quality of treatment has undergone a complete turnaround.

As the first private investor in the health care sector in the Balkans, IDC is paving the way for others, developing successful models that can be replicated elsewhere. "This is a story about change," says Dr. Vlastimir Vlatkovic, the clinic's medial director. "We have a rush here, not just to cure patients but also to educate them and change their way of thinking. This is very important in a post-war country, where many people have the impression that no one cares about them."

To date, MIGA has supported 117 projects that directly benefit SMEs—14 projects in fiscal 2004 alone. One such project is in Uganda, where the SME sector has played a key role in the country's remarkable turnaround. In fiscal 1999, MIGA issued two guarantees worth $6.5 million in coverage, for an investment by Afriproduce Ltd. (a UK-based company) in Ugacof Ltd., a Ugandan coffee processing facility. The insurance covers the company against the risks of transfer restriction, expropriation, and war and civil disturbance. This support was critical at a time when Uganda was still facing economic difficulties. A site visit to the country in fiscal 2004 showed the project's significant impact on the local economy. The company has introduced cost-effective processing techniques to produce coffee for export, and buys the bulk of its coffee beans from small-scale farmers, paying cash on delivery. The company has made regular contributions to local schools and installed a facility to give the local community better access to water. With more than 200 employees on its payroll, the enterprise has been successful in encouraging knowledge transfer, training and a merit-based system of employment. A significant number of management and supervisory positions are held by women.

PHOTO | Ugacof Ltd., Uganda

The development of SMEs requires more than just investment in the form of FDI or local financial support. Technical assistance is critically needed, not just for small businesses, but for the intermediaries that serve them, and the government authorities that have the power to remove bureaucratic hurdles and enact laws to create small business-friendly environments.

MIGA's capacity building activities help strengthen the facilitation, servicing and policy advocacy functions of investment intermediaries. As a result, SMEs benefit from more relevant and effective services and from improvements in the investment climate. In addition, MIGA's online information dissemination services, such as FDI Xchange and IPA*net*, provide a cost-effective mechanism to channel up-to-date information to and from SMEs.

Scaling up to Support Small and Medium-Sized Investors (SMIs)

Recent experience shows that smaller companies with an eye toward expansion overseas can power the economic development of a region through their support of SMEs. The economic success of the southern provinces of China came about largely because of the highly efficient cross-border SMI alliances and joint ventures involving mainland Chinese businesses and Hong Kong-based SMIs. In Europe, a large number of cross-border partnerships have emerged involving German and Austrian SMIs that outsource to SMEs in eastern European nations such as the Czech Republic, Hungary and Poland. And in Africa, smaller South African businesses are beginning to invest in attractive SME opportunities in neighboring countries. But evidence suggests that many SMIs are unable to invest in developing countries because they are unable to access the right types of financial products from financial institutions and are underserved by insurers. Many are also simply unaware that political risk insurance products exist.

To support a potentially growing source of FDI, MIGA developed a Small Investment Program (SIP) in fiscal 2004. The SIP offers a simplified guarantees product, involving a standardized package of risk coverages and a quicker and more efficient underwriting process. It addresses many of the problems relating to underwriting processes and information requests that SMIs have encountered in working with MIGA in the past. The pilot program will be implemented in close cooperation with external partner institutions such as commercial banks and export credit agencies. The program aims to encourage more South-South investments, as well as increase SMI investments in countries and regions that have not yet benefited significantly from FDI flows.

Benchmarking Country Competitiveness

As companies emerge from the belt-tightening and downsizing trends of the past few years, new investments in developing countries will be cautious and carefully considered. A company will seek to mitigate risks by gathering as much quality information as possible on a country's business climate and government policies, specific industry factors, investment promotion services, infrastructure and labor.

Site selection teams typically consider hundreds of factors as part of an increasingly rigorous due diligence process designed to secure new locations that offer the optimal mix of least cost and best value. As they evaluate and compare investment options, some factors will be easily quantifiable, such as expenses that fall directly to the bottom line, including labor costs, taxes and build-out or leasing costs. Others require more qualitative judgment, such as an assessment of the condition of roads and the efficiency of government services.

With competition for FDI as intense as ever, investment promotion agencies in developing countries must have a firm grasp on what investors are seeking. They must work harder to understand what sets them apart, what they can offer and what might make them the location of choice for firms evaluating a variety of investment options.

MIGA's study enables fine-tuned, targeted marketing programs that position a country's strategic advantages from the perspective of the investor.

MIGA has launched a series of regional analyses to benefit both investors and host countries by benchmarking the critical factors foreign investors evaluate when considering locations for their offshore projects.

The benchmarking studies provide investors with a "snapshot" of the business operating environment that they would have difficulty finding elsewhere. The studies will help them make more informed decisions about their investments and how to mitigate any associated risks. MIGA developed a new methodology for the studies, incorporating factors that companies consider when they conduct their own location comparative analyses. Benchmarks were established against which quantitative comparisons can be made across a range of critical factors, such as political and social stability, labor costs and availability, and regulatory environment. The analyses are designed to supplement the vast amount of diagnostic work already undertaken by the World Bank Group and to offer insight into investor priorities, such as which infrastructure improvement and reforms are most important.

A business that relies on its interface with customers in another country, for instance, will value information regarding availability of an ample pool of trained local managers, reliable electricity for phone and computer systems, a labor supply with strong language skills and safe commuter transportation for night shift workers.

The studies provide a benefit to government officials in host countries as well with insight into where their countries lag behind in the competition for foreign investment and will help build better-targeted national marketing campaigns.

The first in the series, Benchmarking FDI Competitiveness in Asia, looks at the electronics and shared services industries in six Asian countries—China, Indonesia, Malaysia, the Philippines, Thailand and Vietnam—and offers recommendations to help these countries attract more foreign investment in these sectors.

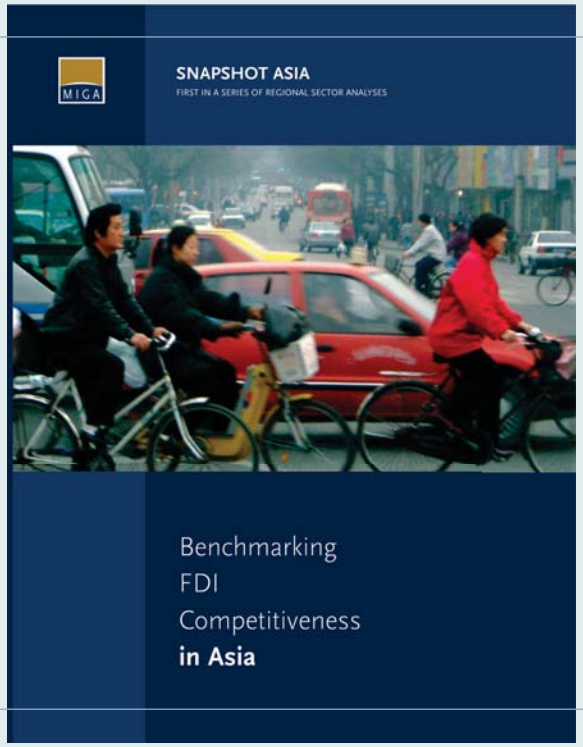
For the study, researchers drew from multiple data sources, including publicly available sources of information about labor and real estate costs, utilities, market access, taxes, transportation and shipping infrastructure, as well as business and living conditions. They also interviewed 64 companies operating in the participating countries and asked respondents to rate various aspects of these factors based on their own experiences.

Benchmarking analysis captures the dynamics of the competitve environment, and brings insight into the complex site selection decision of investors

The study reveals a competitive landscape in which the six countries can differentiate their locations as distinctive "products" for potential investors. No one country emerged as the clear leader in all factors and both sectors, nor did any country appear to be in a position not to be able to compete for FDI. The study suggests, however, that there is ample opportunity for individual countries to focus on their comparative strengths in both sectors and develop niche markets. Strengths commonly identified were large pools of available skilled or unskilled workers, relatively low labor costs, and a proficiency in the English language—all important factors for "back office" trades. Weaknesses included challenges relating to power and transportation infrastructure, government transparency and procedures, lack of language or technical skills, and underdeveloped supplier networks.

China, for example, boasts the best-developed supply base among the countries surveyed, offering low-cost labor and low real estate and construction costs. There are challenges, however, including onerous labor regulations that burden employers with heavy costs, and perceived differences in business culture. Meanwhile, Vietnam's relatively well-educated workforce and ample supply of low-cost unskilled labor have helped attract a base of major Japanese and Korean electronics manufacturers. However, underdeveloped infrastructure, a shortage of management-level employees, and an inadequate base of supporting industries were identified as challenges.

Benchmarking FDI Competitiveness in Asia was funded by the Miyazawa Initiative, a special program under the Japanese foreign assistance program intended to promote economic recovery in the countries most affected by the Asian financial crisis of the late 1990s. The study serves as the pilot for a broader competitive benchmarking program which will include analyses of industry sectors in Africa, Southeast Europe and the Middle East. Already, demand for the studies is strong. At the request of provincial officials in China's Sichuan province, MIGA will undertake a comparative study of 12 municipalities using the benchmarking methodology. The work will involve close collaboration with International Finance Corporation (IFC) and its China Project Development Facility, which builds the capacity of local small businesses through technical assistance and training.



Foreign Direct Investment Costs and Conditions for the Electronics and Shared Services Industries in Six Countries

This study of foreign direct investment costs and conditions in China, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam was funded under the Miyazawa Initiative, a special component of the Japanese foreign assistance program intended to promote economic recovery in the countries most affected by 1997 Asian financial crisis. The efforts of the Multilateral Investment Guarantee Agency (MIGA) under this initiative also supported capacity building in the national investment promotion intermediaries of Korea, Thailand and the Philippines, and raised awareness of the importance of non-commercial risk insurance in fostering the flow of foreign direct investment.

A copy of this publication is available at www.ipanet.net/snapshotasia.

Benchmarking Methodology

MIGA's benchmarking process is comprised of three phases: desktop research, field interviews and interpretation of results.

Desktop Level Research – Phase I
etermine osts
etermine onditions
Identif o rces
om ile ata
Enter ata into Model

↓

Fieldwork Interviews – Phase II
Inter iews with Foreign In estors
Fine-tune osts and onditions
om ile Results
Enter ata into Model

↓

Interpretation of Results – Findings
Normalize ata
Benchmarking Analysis
om etiti e Analysis
Re ort Results

OPERATIONAL OVERVIEW

Guarantees

Legal and Claims

Investment Marketing Services

Operations Evaluation

Guarantees

Although the global economy started to recover in fiscal 2004, the operating environment for the political risk insurance industry remained challenging. FDI into developing countries declined in 2003 for the second consecutive year, dropping to an estimated $135 billion from $175 billion in 2001, a fall of 23 percent. While some countries, such as China, experienced record inflows, most others encountered sharp declines. In many countries, ongoing political and economic uncertainties limited the appetite of large foreign investors. Overall, investors were more reluctant to make new investments in developing countries and to finance further expansions of their existing operations.

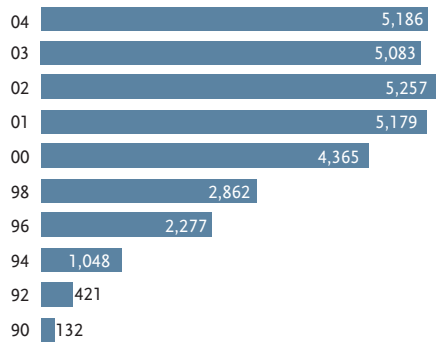
Fiscal 2004 saw very little financing available to undertake projects on a limited recourse basis. Infrastructure companies, particularly in telecommunications and power, scaled back their investment plans considerably. Their investments in developing countries realized lower profits than initially expected and many investors underestimated the complexities of operating in a sector that is politically sensitive. Financial constraints, after recent years of sharply declining share prices, also limited many companies' ability to make new investments in developing countries. In addition, commercial banks, especially those based in North America, continued their retreat from project finance in developing countries.

The private political risk insurance market reflected the uncertainties of the global environment in the first half of the fiscal year, being characterized by higher premiums, shorter tenors and reduced capacity. However, conditions started to improve in the second half of the fiscal year. MIGA was able to contribute to industry capacity by issuing $1.1 billion in guarantee coverage for 55 contracts in support of 35 new projects in fiscal 2004. The Agency recorded a number of projects in its priority areas (see Table 3). Furthermore, MIGA supported three water projects—two in China and one in Russia—reflecting the Agency's ongoing commitment to facilitate investments in this important sub-sector.

The results of this year bring total cumulative coverage issued (including amounts leveraged through the Cooperative Underwriting Program) in the course of MIGA's history to $13.5 billion. As shown in Figure 3, MIGA experienced an increase in gross exposure, amounting to $5.2 billion in the year, compared to $5.1 billion in fiscal 2003. Net exposure also increased slightly to $3.3 billion, compared to $3.2 billion last fiscal year.

Increases in gross exposure due to new business are offset by reductions, replacements, cancellations and expiries during the year. Reductions are normal run-offs of the portfolio, while replacements reflect contracts that are reissued due to new underwriting following a change either in the investment parameters or in the guaranteed amount. In fiscal 2004, about 39 percent of the cancellations were related to projects being sold to other investors who decided not to keep MIGA's coverage. In several other instances, investors indicated an improved business environment and a better risk profile as reasons to cancel the insurance.

Figure 3 Gross Exposure ($ M), as of June 30, 2004



During the fiscal year, MIGA supported 20 projects in IDA-eligible countries, 14 SME projects, eight South-South investments and four projects in sub-Saharan Africa (see Table 3). IDA-eligible countries accounted for 33.7 percent of MIGA's gross exposure as at 2004 fiscal year end (see Table 7). Examples of projects in priority areas include the second phase of the Sasol oil and gas project in Mozambique (see Box 3) and reinsurance provided to the Slovene Export Corporation for its coverage of an investment by Mercator (a Slovenian supermarket chain) in Bosnia and Herzegovina. For the first time, MIGA provided a guarantee to a Polish investor (Can-Pack) for a manufacturing project in Ukraine, a South-South project.

During the year, MIGA developed a Small Investment Program (SIP), which offers a standardized political risk insurance package and streamlined underwriting process to small- and medium-sized investors, further increasing the Agency's support for SMEs in developing countries (see Reaching out to Small and Medium Enterprises, page 3).

Table 3 Number of Projects in Priority Areas

	FY01	FY02	FY03	FY04
IDA-eligible projects	18	14	19	20
SME projects	18	11	10	14
South-South projects	8	11	12	8
Sub-Saharan Africa	8	9	8	4

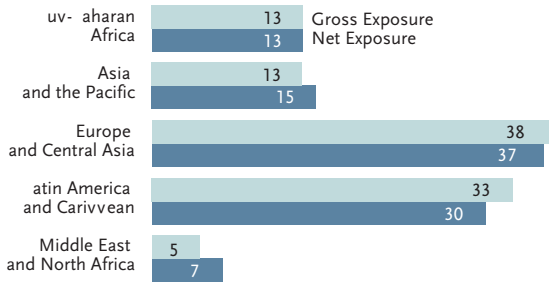
Note: Numbers reflect only new projects in each fiscal year. Some projects address more than one priority area.

Portfolio Diversification

Regional Diversification

MIGA continued to show positive results in diversifying its portfolio in fiscal 2004, as shown in Figure 4. While gross exposure in the Latin America and the Caribbean region declined to 33 percent in fiscal 2004 from 43 percent in fiscal 2003, Europe and Central Asia's share of the portfolio increased for the second consecutive year, from 26 percent in fiscal 2003 to 38 percent in fiscal 2004. This increase was due largely to buoyant investment activity by Austrian banks, although investors also showed interest in the health services, manufacturing and water sectors. MIGA's portfolio share in the Middle East and North Africa region almost doubled, increasing to 5 percent from 3 percent in fiscal 2003 as a result of a large project supported in the telecommunications sector. Sub-Saharan Africa's share of the portfolio decreased to 13 percent in fiscal 2004, down from 19 percent the previous year, mainly due to subdued investment flows and a high level of guarantee cancellations in the region; while the Asian share of the portfolio increased slightly, reaching 13 percent up from 12 percent the previous year.

Figure 4 Outstanding Portfolio Distribution, By Host Region, in Percent, as of June 30, 2004



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

With respect to the 10 largest country exposures (see Table 5) in MIGA's portfolio, two post-conflict countries—Bosnia and Herzegovina and Serbia and Montenegro—entered the list for the first time, as did Ukraine. Brazil remains MIGA's largest exposure, although its share in MIGA's portfolio decreased on a gross (net) basis to 12.1 (7.3) percent in fiscal 2004, from 16.3 (8.3) percent in fiscal 2003.

Table 4 Projects Supported, Fiscal 2004

Host Country	Guarantee Holder	Investor Country	Sector	Amount $ M
Asia and the Pacific				
China	Compagnie Générale des Eaux	France	Infrastructure	70.0
China	Darco Enviromental Pte. Ltd	Singapore	Infrastructure	7.1
Vietnam*	Crédit Lyonnais, S.A.	France	Infrastructure	15.0
Europe and Central Asia				
Azerbaijan	Fatoglu Gida Sanayi Ve Ticaret A.S.	Turkey	Manufacturing	0.3
Bosnia and Herzegovina	Bank Austria Creditanstalt AG	Austria	Financial	20.4
Bosnia and Herzegovina	Bank Austria Creditanstalt AG	Austria	Financial	20.4
Bosnia and Herzegovina*	Hypo Alpe-Adria-Bank AG	Austria	Financial	4.7
Bosnia and Herzegovina	International Dialysis Centers B. V.	The Netherlands	Services	1.4
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Financial	22.0
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Financial	21.8
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Financial	29.0
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Financial	5.7
Bosnia and Herzegovina	Slovene Export Corporation (Mercator)	Slovenia	Services	4.0
FYR Macedonia	Norway Registers Development AS	Norway	Services	0.3
Kyrgyz Republic*	FINREP HANDELS GmbH, Italian Tech. and Innovations SRL	Austria, Italy	Services	0.9
Moldova	Leon Construction International B.V.	The Netherlands (Turkey)	Services	0.9
Romania	Bank Austria Creditanstalt AG	Austria	Financial	69.8
Romania	Euromedic Diagnostic B.V.	The Netherlands	Services	11.3
Romania	Raiffeisen Zentralbank Österreich AG	Austria	Financial	50.6
Russian Federation*	Raiffeisenverband Salzburg	Austria	Financial	18.1
Russian Federation	Raiffeisenverband Salzburg	Austria	Financial	56.0
Russian Federation	Raiffeisen Zentralbank Österreich AG	Austria	Financial	28.5
Russian Federation	WTE Wassertechnik GmbH	Germany	Infrastructure	51.7
Serbia and Montenegro	Bank Austria Creditanstalt AG	Austria	Financial	9.0
Serbia and Montenegro	Hypo Alpe-Adria-Bank AG	Austria	Financial	10.6
Serbia and Montenegro	Raiffeisen Zentralbank Österreich AG, Raiffeisen A.S.	Austria, Czech Republic	Financial (Leasing)	24.5
Serbia and Montenegro	Raiffeisenbank A.S.	Czech Republic	Financial (Leasing)	46.5
Serbia and Montenegro	Raiffeisen Zentralbank Österreich AG, Raiffeisenbank A.S.	Austria, Czech Republic	Financial (General Banking)	23.9
Serbia and Montenegro	Raiffeisenbank A.S.	Czech Republic	Financial (General Banking)	46.4
Ukraine	Can Pack S.A.	Poland	Manufacturing	48.8
Ukraine	Raiffeisen Zentralbank Österreich AG	Austria	Financial	95.0
Latin America and the Caribbean				
Brazil *	ABN Amro Bank, N.V.	The Netherlands	Infrastructure	26.8
Brazil	Cefla Capital Services, S.p.A.	Italy	Manufacturing	2.0
Brazil	Elecnor S.A.	Spain	Infrastructure	11.0
Brazil	Elecnor S.A.	Spain	Infrastructure	17.9
Middle East and North Africa				
Syrian Arab Republic	Teleinvest Limited, Investcom Holding, S.A.	Cayman Islands (Saudi Arabia), Luxembourg (Lebanon)	Infrastructure	75.0
Sub-Saharan Africa				
Kenya	Geosurvey International, LLC	United States	Services	1.4
Mozambique	Mozambique Rice Growers Pty. Ltd.	Australia	Agribusiness	0.5
Mozambique	Standard Bank of South Africa Ltd.	South Africa	Oil and Gas	113.5
Nigeria	Accelon (Pty.) Ltd.	South Africa	Services	11.4
Nigeria *	Ewekoro Power Plant Sales Ltd.	United Kingdom	Infrastructure	1.9

* *Additional coverage provided to projects underwritten in previous fiscal years and counted towards projects supported in previous fiscal years*

Sectoral Diversification

As shown in Table 6, the changes in relative sector shares in MIGA's portfolio were influenced mainly by an increase in the financial sector. This increase came as a result of a steady flow of business from Austrian banks investing in Eastern Europe and Central Asia region and stagnating global investment flows in infrastructure. However, MIGA grew its exposure substantially in the water sub-sector, from 0.7 percent of total infrastructure exposure in fiscal 2003 to seven percent in fiscal 2004. Exposure in the oil, gas and mining sector increased, due to MIGA's guarantees to the Sasol oil and gas project in Mozambique.

Investor Country Diversification

The diversification of investor countries remains an important objective for the Agency as it manages its portfolio and seeks to provide value for all its member countries. Notable changes in the outstanding portfolio distribution by investor country have occurred since the last fiscal year, when the greatest amount of MIGA-guaranteed investments originated from the United States and the Netherlands. While these countries remain among MIGA's largest investors, in fiscal 2004, Austria became the largest investor country in the Agency's outstanding portfolio (see Figure 6). As explained above, much of the Austrian activity related to the banking sector, with investments in several countries in Eastern Europe and the Russian Federation. In addition, for the first time, investors from the Czech Republic and Poland obtained guarantees from MIGA.

Environment and Social Issues

MIGA continues to work closely with IFC on environment and social policy developments and project reviews, and has contributed to IFC's response to the Compliance Advisor Ombudsman's Review of IFC's Safeguard Policies. IFC's updated Safeguard Policies will have direct implications for MIGA's subsequent review and update of its own interim Safeguard Policies. In addition, the Agency participated in the extensive research and discussion surrounding the World Bank Group's Extractive Industry Review. In fiscal 2004, MIGA also participated in an International Steering Committee on Deep Sea Tailings Placement, a research effort being carried out and funded by mining companies and public sector research groups from Australia and Canada.

MIGA participated in discussions on the harmonization of environmental standards with other financial institutions during the year, sharing its experiences on environmental and social reviews and monitoring with Berne Union members and banks that adhere to the

Table 5 Ten Largest Outstanding Country Exposures in MIGA Portfolio, as of June 30, 2004

Host Country	Gross Exposure $ M	% of Gross Outstanding Portfolio	Net Exposure $ M	% of Net Outstanding Portfolio
Brazil	626	12.1	237	7.3
Bulgaria	353	6.8	132	4.0
Romania	331	6.4	179	5.5
Mozambique	311	6.0	168	5.2
Russian Federation	269	5.2	179	5.5
Bosnia and Herzegovina	203	3.9	159	4.9
Serbia and Montenegro	197	3.8	122	3.7
Argentina	193	3.7	91	2.8
Turkey	173	3.3	98	3.0
Ukraine	163	3.1	101	3.1
Total	2,819	54.3	1,466	45.0

Equator Principles[5]. In doing so, MIGA has been able to encourage some export credit agencies, investment insurers and other financial institutions to consider implementing or upgrading their environmental and social reviews of projects.

World Bank Group Cooperation

MIGA continued to increase its cooperation with other parts of the World Bank Group in fiscal 2004. The Agency concluded its first project involving both the IDA as well as IFC, for the Sasol oil and gas project, which develops and exports natural gas from Mozambique to South Africa in an environmentally sustainable manner (see Box 3)[6]. In addition, the joint MIGA and IDA Boards approved a MIGA-IDA guarantee facility in support of small and medium infrastructure projects in the countries of the West Africa Economic and Monetary Union. Banque Ouest Africaine de Développement (BOAD) acts as an intermediary for the new facility. The Agence Française de Développement is a co-guarantor in the project and has provided funding for the secondment of a MIGA staff member to BOAD to assist the institution with the implementation of this program and the development of BOAD capacity. In its efforts to enhance its support to conflict-affected countries, MIGA also worked to establish a guarantee facility for Afghanistan, with funding provided by IDA and the Asian Development Bank. The facility is expected to be launched in early fiscal 2005.

Reinsurance

Reinsurance arrangements with other insurers remain an important aspect of MIGA's risk exposure management. MIGA's involvement encourages other insurers to participate in projects and venture into frontier markets and permits them to provide longer tenors. These insurers also benefit from MIGA's expertise in risk analysis, and claims and recovery procedures. At the end of fiscal 2004, $1.9 billion of MIGA's total gross exposure of $5.2 billion was reinsured. MIGA placed a total of $238 million during fiscal 2004 through facultative reinsurance (see Figure 5).

Private Partners

Through its facultative reinsurance program, MIGA supported seven projects in six countries, complementing its own capacity with that sourced from private insurance partners. MIGA's treaty reinsurance partners, ACE Bermuda Insurance Co. Ltd. and XL Re (Bermuda) Ltd., actively continue to provide reinsurance for MIGA-guaranteed projects. Under its quota share treaty reinsurance program, MIGA cedes a portion of the contingent liability related to each contract it writes to its treaty reinsurers.

Table 6 Outstanding Portfolio Distribution by Sector, Gross Exposure, in Percent, as of June 30, 2004

	FY99	FY00	FY01	FY02	FY03	FY04
Infrastructure	19	29	29	36	41	38
Financial	42	34	36	35	29	35
Oil, Gas and Mining	16	14	14	12	12	11
Agribusiness and Manufacturing	16	13	13	11	11	9
Tourism and Services	7	10	8	6	7	7
	100	100	100	100	100	100

[5] *The Equator Principles are a voluntary set of guidelines that have been adopted by 25 international banks. These banks have agreed to use clear, responsible and consistent rules for environmental and social risk management in project finance lending.*

[6] *MIGA supported phase one of the investment for the Sasol oil and gas project in fiscal 2003.*

Public Partners

In fiscal 2004, MIGA concluded its first facultative reinsurance agreements with two partners for the Sasol oil and gas project in Mozambique (see Box 3). In addition, the Ministry of Finance of the Netherlands agreed to a facultative reinsurance facility with MIGA for investment projects involving Dutch investors. The facility became effective in January 2004 and can support up to $150 million in reinsurance each year. MIGA also provided reinsurance to the Slovene Export Corporation for one project in fiscal 2004 and started discussions with its partner in India, the Export Credit Guarantee Corporation of India, Ltd., with a view to providing it with reinsurance for a project in Sri Lanka.

Figure 5 Cumulative Amounts of Facultative Reinsurance and CUP, $ M

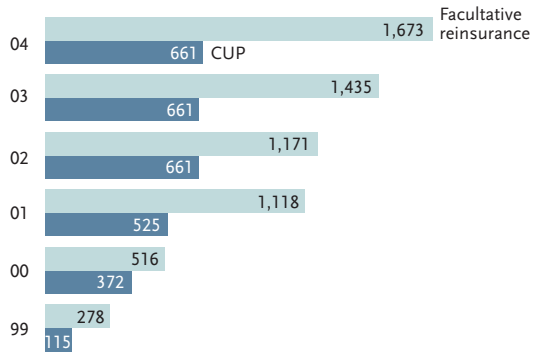
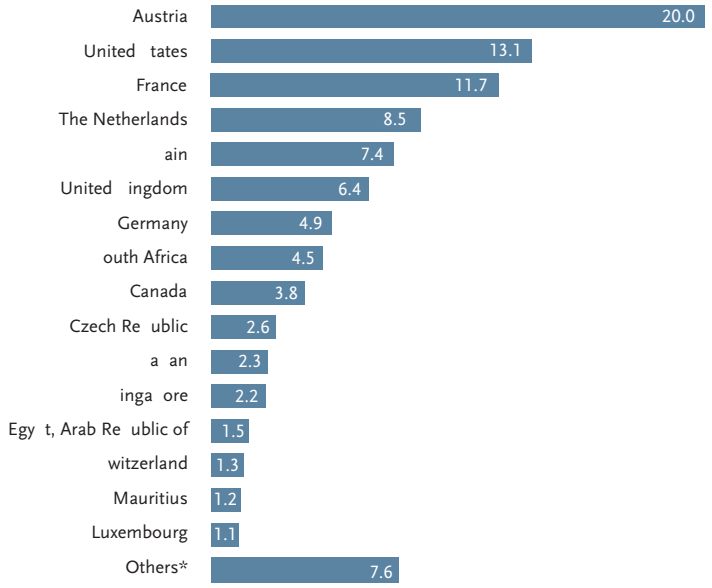


Figure 6 Outstanding Portfolio Distribution by Investor Country, Gross Exposure, in Percent, as of June 30, 2004



* *Australia, Belgium, Costa Rica, Denmark, Greece, Ireland, Israel, Italy, Norway, Panama, Poland, Portugal, Senegal, Slovenia, Sweden, Tunisia and Turkey*

Box 2
Compliance Advisor/ Ombudsman

The IFC/MIGA Office of Compliance Advisor/Ombudsman (CAO) was established in fiscal 2000. The CAO promotes better accountability to people affected by IFC and MIGA projects. It is an independent office, reporting directly to the President of the World Bank Group. The CAO has three roles: as ombudsman to respond to complaints from people who are affected by projects and to attempt to resolve environmental and social issues; as compliance officer who audits sensitive projects for compliance with safeguard policies and guidelines; and as advisor to provide an independent source of advice to the President and senior management of IFC and MIGA.

During fiscal 2004, the CAO began implementing the recommendations of the CAO's External Review, which was completed in 2003. The review process involved an external team of consultants who looked at the CAO's work and the manner in which the office has sought to fufill its mandate in the three years since the office was created. Recommendations addressed the CAO's operating structure, the nature of the advisory role, and the CAO's communications capability and effectiveness. As a result of the external review's findings, in fiscal 2004 the CAO revised and released new Operational Guidelines. Revisions include how a compliance audit may be triggered, and clarification of circumstances in which, and in what manner, the CAO will give advice, as well as revisions and updates to its website for improved user friendliness.

Table 7 MIGA Guarantee Portfolio in IDA-Eligible Countries, as of June 30, 2004

	Gross Exposure ($ M)	% of Gross	Net Exposure ($ M)	% of Net
Mozambique	311.4	6.0	168.3	5.2
Bosnia and Herzegovina	203.3	3.9	158.9	4.9
Serbia and Montenegro	196.9	3.8	121.8	3.7
Vietnam	143.2	2.8	56.6	1.7
Pakistan	138.5	2.7	108.0	3.3
Nicaragua	114.4	2.2	57.7	1.8
Nigeria	112.8	2.2	90.9	2.8
Tanzania	83.5	1.6	19.4	0.6
Moldova	62.0	1.2	31.4	1.0
Indonesia	52.4	1.0	52.0	1.6
Kenya	49.3	1.0	27.5	0.8
Bangladesh	45.7	0.9	40.2	1.2
Kyrgyz Republic	42.1	0.8	38.0	1.2
Mauritania	33.8	0.7	30.4	0.9
Nepal	30.1	0.6	14.1	0.4
Mali	25.2	0.5	22.7	0.7
Cote d'Ivoire	18.2	0.4	18.2	0.6
Guinea	15.7	0.3	15.7	0.5
Bolivia	14.6	0.3	14.6	0.4
Albania	8.6	0.2	8.6	0.3
Togo	7.5	0.1	7.5	0.2
Zambia	6.3	0.1	5.9	0.2
Honduras	6.0	0.1	6.0	0.2
Uganda	5.1	0.1	5.1	0.2
Benin	4.4	0.1	4.0	0.1
Azerbaijan	3.6	0.1	3.5	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	1.0	0.0	.5	0.0
Angola	1.0	0.0	1.0	0.0
Burundi	0.9	0.0	0.8	0.0
Cape Verde	0.5	0.0	0.5	0.0
Total	1,747.2	33.7	1,138.8	34.9

PHOTO | Sasol oil and gas project, Mozambique

Box 3
Sasol Oil and Gas Project in Mozambique

The Sasol oil and gas project is the first cross-border initiative to develop regional gas markets in the sub-Saharan region. The project involves the development of Mozambique's natural gas fields, the construction of an 865 km cross-border gas pipeline from Mozambique to South Africa and the construction of a central processing facility. It will contribute to environmental sustainability through the reduction of harmful emissions by replacing coal and heavy oils with clean-burning natural gas.

Over the past two fiscal years, MIGA has provided a total of $186 million worth of guarantees for the equity investments and debt financing for the project. MIGA's involvement was needed to unlock the transaction's financing. It is the first project that involves both MIGA guarantees and an IDA partial-risk guarantee. The Agency also collaborated with insurance partners, who provided reinsurance for the project.

The Sasol oil and gas project is expected to have a significant impact on regional development. It will enhance regional trade and stability, improve infrastructure such as roads and water supplies, and result in the removal of landmines in the project area. In addition, the project will provide significant revenues to the Mozambican government—estimated to exceed $2 billion over the project's life—and create employment, contracting and training opportunities for local Mozambican and South African residents.

Legal and Claims

Disputes and Claims

MIGA makes an active effort to resolve disputes that may adversely impact investments guaranteed by the Agency. Both investors and governments generally welcome claims avoidance activities, since the successful resolution of disputes not only allows MIGA-guaranteed investments to progress as planned, but also helps improve the foreign direct investment climate in the host country. MIGA relies heavily on the cooperation and willingness of the concerned governments, shareholders of MIGA, in these efforts.

MIGA monitored more than a dozen investment disputes involving its insured clients during fiscal 2004. Although the bulk of the disputes arose in Latin America, MIGA was also active in avoiding claims in Eastern Europe, Central Asia and Africa. Six of these disputes, mostly in the power and telecommunications sectors, appear to have been resolved to the satisfaction of the parties concerned. Successful negotiations have substantially reduced the number of problems that MIGA has been monitoring in Argentina since the financial crisis started there two years ago. MIGA has excellent cooperation with the Argentinean government in these efforts.

In Venezuela, MIGA worked closely with the government when it enacted financial regulations that adversely impacted a number of foreign investments. As a result, investors guaranteed by MIGA were able to benefit from executive decrees and regulations issued by the Venezuelan Central Bank, which granted an exemption to the restrictions on foreign currency transfers. In order to secure the exemption, the projects had to be registered with the Comisión de Administración de Divisas. MIGA was instrumental in securing such registration for its projects.

MIGA paid no claims during the fiscal year. However, MIGA is currently reviewing a minor claim filed in relation to a hydroelectric power plant in Nepal that was the target of an attack by Maoist guerillas in 2002. The claim has been filed under its war and civil disturbance coverage. MIGA is also working on a dispute between investors and the host country for a MIGA-insured project in the Kyrgyz Republic. The project relates to an air cargo complex and catering center at Manas International Airport in Bishkek.

MIGA's only previous claim was paid in fiscal 2000 in the context of the economic crisis in Indonesia. The government of Indonesia has subsequently provided full and timely repayment to MIGA. Two claims filed by investors in Argentina remain under review.

Mediation Services

In certain circumstances, MIGA uses its good offices to encourage the settlement of disputes between investors and member countries even when the Agency is not involved as a guarantor. MIGA's expertise in resolving conflicts related to a foreign investment can provide guidance to parties that seek creative approaches to the resolution of their investment disputes. MIGA's objective in these cases is to resolve the disputes before they require formal arbitration and, just as importantly, to improve international perceptions of the foreign investment climate in the countries concerned.

MIGA's mediation facilities fill a gap in the international law remedies currently available to foreign investors in their disputes with host countries. Diplomatic solutions are not practical for some, and formal arbitration may be too costly for others. Mediation, which is voluntary, informal and inexpensive, is increasingly recognized as an attractive alternative for the resolution of investment disputes.

At any given time, the Agency may be consulting on numerous investment disputes around the world. This work advances slowly, often taking two to three years to find an acceptable solution. Since 1997, MIGA has been working to resolve the considerable number of claims brought by foreign investors against the government of Ethiopia as a consequence of actions taken by the Mengistu government more than 25 years ago. To date, a number of these claims have been resolved, some during fiscal 2004. Outstanding claims remain the subject of on-going negotiations. In part as a result of these mediation efforts, the government of Ethiopia was able to conclude bilateral investment treaties with France and Germany in fiscal 2004, thereby encouraging the flow of FDI into Ethiopia.

Investment Marketing Services

In fiscal 2004, demand for MIGA's technical assistance services continued to increase, as client countries sought to promote themselves to investors amid a difficult international market for FDI. In response, MIGA focused on developing new tools and approaches to serve its diverse group of client countries and investment promotion intermediaries (IPIs).

For each of its IPI clients, MIGA develops a customized plan based on an initial needs-assessment. Implementation of the plan can range from strategic advice to hands-on coaching, from distance learning to online outreach, depending on client capabilities and the critical needs identified. In fiscal 2004, MIGA undertook 65 projects in 29 countries, as well as global and regional initiatives. These initiatives included the launches of the European Investor Outreach Program (EIOP) and the FDI Promotion Center, as well as the implementation of the Investor Information Development Program (IIDP). During the year, several new partnerships were also established to enhance MIGA's online services.

Developing and strengthening partnerships with the development community and collaborating with the World Bank Group were key elements of MIGA's technical assistance strategy in fiscal 2004. These partnerships and collaborations enable MIGA to build capacity more effectively. During the year, MIGA continued to work with partners in the public and private sectors to deliver the investment promotion components of private sector development programs.

The European Investor Outreach Program (EIOP)

Despite significant political, legal and macroeconomic reforms over the past decade in the Western Balkans, levels of FDI have remained low, especially relative to Central Europe. Investor perceptions still seem to be adversely affected by past conflicts in the region. To address the issue, MIGA and the government of Austria signed a grant agreement in October 2003 to launch the EIOP, which is designed to strengthen the capacity of Western Balkan countries to attract investment from Europe. The goal is to increase investor awareness of the region's potential, encourage investors to undertake site visits to explore investment opportunities and ultimately to support actual investments in the region. Through the EIOP, improvements in national investment climates will be communicated to investors, who will receive the support they need to make and implement investment decisions.

The EIOP is a two-and-a-half year pilot program that focuses exclusively on the non-tier one accession countries of Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia and Serbia and Montenegro. The facility, based in Vienna, collaborates with leading investment intermediaries in the region, including investment promotion agencies, chambers of commerce, and business associations, on the design and execution of outreach activities. It aims to develop a close network of relevant contacts that can help investors identify and realize investment opportunities. The Vienna facility operates under MIGA's supervision, with guidance from a steering committee comprised of represen-

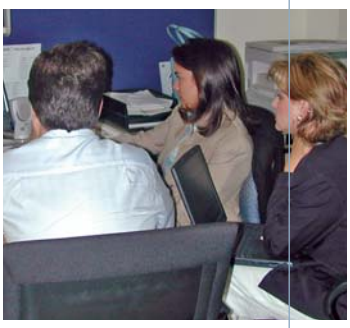


PHOTO | Training at ProNicaragua, Nicaragua

tatives of the participating Western Balkan countries, as well as donors and European Union-based collaborators. It is expected that over time, additional donors will join the initiative and that it will expand to cover more countries.

Invest-In-Development Facility In fiscal 2004, MIGA created a trust fund to enhance the role of FDI in attaining the Millennium Development Goals. The trust fund will be used to enhance the capabilities of investment promotion intermediaries to attract, service and retain FDI at a time of declining investment flows to developing countries. It will provide assistance to investment promotion intermediaries in 30-35 countries and disseminate best practice knowledge through online services. Programs already benefiting from the trust fund's support include MIGA's global benchmarking effort, the investment outreach trust fund in Southeast Europe and activities in Serbia and Montenegro. European donors have expressed a particular interest in MIGA's outreach activities in Southeast Europe. The fund will be implemented by MIGA, in close collaboration with FIAS, other World Bank Group units and participating donors.

Investor Information Development Program (IIDP) The IIDP is a pilot program designed to help member countries leverage technology to develop, mobilize and disseminate critical investment information about factor costs, project opportunities, and market information to investors. The Development Gateway Foundation, through a grant from the government of Japan, is funding this client-driven initiative. MIGA has received 26 proposals from organizations in 23 developing countries seeking to participate in the IIDP. Organizations from Bosnia and Herzegovina, Guatemala, Kenya, Malta, Mongolia and Turkey have been selected to participate in the program. The work programs in Guatemala, Kenya and Mongolia started in fiscal 2004, while the programs in Bosnia and Herzegovina, Malta and Turkey are expected to commence in early fiscal 2005.

FDI Promotion Center MIGA launched the online FDI Promotion Center at the annual meeting of the World Association of Investment Promotion Agencies (WAIPA) in Switzerland in fiscal 2004. The FDI Promotion Center is an online knowledge-sharing and learning portal designed to serve the growing community of investment promotion professionals, particularly those in developing countries. The website provides resources to help practitioners update their knowledge and skills. It builds on the Investment Promotion Toolkit, first released by MIGA in 2001, which provides practical advice on key aspects of investment promotion: understanding FDI, developing an investment promotion agency, creating a promotional strategy, building part-

MIGA's Online Information Services

	Delivery	Clients	Resources Provided
IPA*net* www.ipanet.net	Online portal	Corporate investors, advisors, researchers	Investment environment and business opportunities in emerging markets
FDI Xchange www.fdixchange.com	Customized e-mail	Investors, advisors, financial institutions	New investment opportunities, business environment analysis
PrivatizationLink www.privatizationlink.com	Online portal	Investors, advisors, financial institutions	Detailed profiles of state-owned enterprises currently being divested in emerging economies

Online Tools for Investment Promotion Practitioners

	Delivery	Clients	Resources Provided
IPAworks www.ipaworks.com	Open source software	Investment promotion agencies	Website template for investment promotion
FDI Promotion Center www.fdipromotion.com	Online portal	Investment promotion professionals	Knowledge sharing and learning portal that builds on the Investment Promotion Toolkit

nerships, strengthening the location's image, targeting and generating investment opportunities, providing post-investment client service, monitoring and evaluating activities, and utilizing information technology.

Expansion of Online Services MIGA's online investor information services were used extensively during fiscal 2004, with increases registered across all measures, including number of users, hits and page views. At fiscal year end 2004, the number of registered users worldwide stood at over 20,000, comprised primarily of private firms, financial institutions, investment promotion professionals and advisors. Latin America and the Caribbean and Europe and Central Asia are the top regions in terms of number of registrants, followed by Asia. Developing country clients are active users of MIGA's online services.

MIGA continues to pursue partnerships that increase the information resources carried by its online services. MIGA signed an additional 17 content provider agreements in fiscal 2004, bringing the total number of content partners to 88. Through its partnering with the World Bank's Edinvest—an information service provider focused on promoting global private investment in education—MIGA aims to increase resources available on the education sector in developing countries. Other new content partners include: Eurochambres, a European network of 2,000 regional and local Chambers of Commerce; the Corporate Council on Africa; the U.S. Council for International Business; Business Monitor International and OCO Consulting of the United Kingdom; and several ministries and investment promotion intermediaries from developing countries.

Benchmarking Country Competitiveness In fiscal 2004, MIGA published a study that determines and compares operating costs and conditions in six Asian countries (China, Indonesia, Malaysia, the Philippines, Thailand and Vietnam) for two industry sectors (electronics manufacturing and shared services). This study, the pilot for a broader benchmarking program, yielded findings on a number of critical factors, which helped the countries involved assess their FDI competitiveness and identified sector-specific issues for government policy action (for further details, see Benchmarking Country Competitiveness, page 6).

Table 8 Regional Breakdown of Technical Assistance Activities, as of June 30, 2004

Asia and the Pacific	12
Afghanistan	1
China	5
Fiji	3
Mongolia	1
Philippines	1
Regional (Pacific Islands)	1
Europe and Central Asia	11
Albania	1
Armenia	2
Croatia	2
FYR Macedonia	1
Serbia and Montenegro	4
Tajikistan	1
Latin America and the Carribean	11
Colombia	1
El Salvador	2
Guatemala	3
Honduras	1
Nicargua	2
Panama	1
Paraguay	1
Middle East and North Africa	3
Iraq	1
Morocco	2
Sub-Saharan Africa	28
Ghana	2
Kenya	3
Mali	2
Mozambique	5
Senegal	3
South Africa	6
Tanzania	5
Uganda	1
Zambia	1

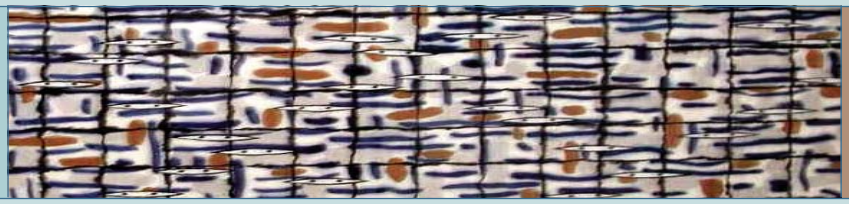
Operations Evaluation

Fiscal 2004 was the second year of operation for MIGA's Operations Evaluation Unit (OEU). The unit is responsible for evaluating MIGA's developmental and operational effectiveness and is 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 for the World Bank Group.

The Operations Evaluation Unit's mandate encompasses the evaluation of MIGA's activities, as well as the Agency's institutional efficiency, efficacy and strategy. The unit also participates in joint country, sectoral, and thematic evaluations with the Operations Evaluation Department of the World Bank and the Operations Evaluation Group of IFC. Among the unit's objectives: to formulate and share lessons and recommendations and to contribute to improved operational performance, accountability and transparency.

During fiscal 2004, the OEU evaluated a sample of MIGA-guaranteed projects, extracting lessons and recommendations for prospective new MIGA-insured projects. The unit began the evaluation of MIGA's Investment Marketing Services, focusing on capacity building for investment promotion intermediaries. The OEU also participated in a joint evaluation of World Bank Group activities in investment climate and prepared an annual report focusing on the development effectiveness of MIGA's products and services.

REGIONAL ACTIVITIES



Asia and the Pacific

Europe and Central Asia

Latin America and the Caribbean

Middle East and North Africa

Sub-Saharan Africa

Asia and the Pacific

Economic growth in Asia, particularly in East Asia, remained strong in fiscal 2004. China received a large portion of the foreign direct investment into the region, although investors also showed renewed interest in countries, such as Indonesia, that have recently emerged from the financial crisis of the late 1990s. Interest in MIGA's participation in projects in the region increased as investors focused on the political risks associated with new opportunities in these markets.

In fiscal 2004, MIGA supported two new projects through its guarantee program and undertook 12 technical assistance activities in the region. At year-end, MIGA's total gross guarantees exposure stood at $672 million, some 13 percent of the Agency's outstanding portfolio.

HIGHLIGHTS

Innovating

MIGA developed a tailor-made solution to cover an interest rate swap for the Phu My III power project in Vietnam. The guarantee issued by MIGA demonstrates how the Agency is able to find creative solutions to meet client needs.

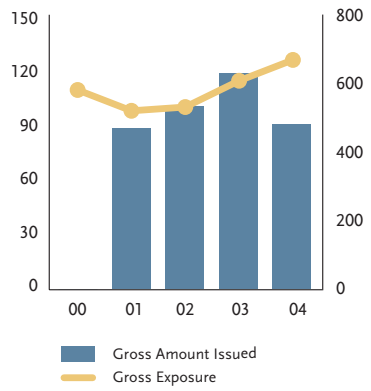
Partnering

MIGA's approach to providing technical assistance in the region focused on developing partnerships with the World Bank Group and the donor community. Examples of such collaborations include MIGA's work with IFC's China Project Development Facility in Sichuan province, with the World Bank Group in Afghanistan, with FIAS in Fiji and with the Canadian International Development Agency in the Philippines.

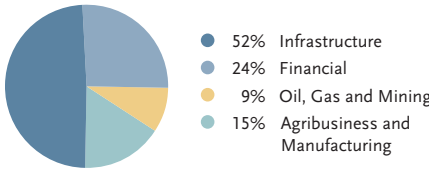
Supporting SMEs

Darco, a Singapore-based SME, needed political risk insurance in order to obtain funding from commercial banks in Singapore for a small water project in Deqing County, China. MIGA's insurance allowed this SME to expand its operations in a growing Asian market.

Gross Amount of Guarantees Issued and Gross Exposure, $ M



Sector Breakdown of Total Guarantees Issued Since Inception, in Percent



GUARANTEES

Country	Activities
CHINA	**Compagnie Générale des Eaux** Shanghai Pudong–Veolia Water Corporation, Ltd. MIGA issued a guarantee of $70 million to **Compagnie Générale des Eaux** of France for its $245 million equity investment in **Shanghai Pudong–Veolia Water Corporation, Ltd.** of China. The guarantee is for a period of 15 years and provides coverage against the risk of expropriation. Compagnie Générale des Eaux, a wholly-owned subsidiary of Veolia Environnement, purchased a 50 percent equity interest in Shanghai Municipal Waterworks Pudong Co., Ltd. from the state-owned Shanghai Water Asset Management and Development Co., Ltd., creating the joint-venture Shanghai Pudong-Veolia Water Corporation, Ltd. The joint-venture will be responsible for the treatment, distribution and sale of potable water, and for the maintenance of service facilities. The project currently has distribution rights for a 1,700 km network capable of supplying 1.3 million cubic meters of water daily to more that 1.7 million people living in the Pudong district. The project seeks to improve the supply and quality of drinkable water to the rapidly growing 1.7 million population living in the Pudong district of Shanghai. The investor will bring managerial and technical expertise to the existing operations. Compagnie Générale des Eaux will be updating the information systems, which will allow online management of the whole network, establish a water control quality system, improve water purification techniques, and install instruments to monitor potential leakage and damage.
	Darco Environmental Pte. Ltd. Deqing Huanzhong Producing Water Co., Ltd. Priority Areas: S-S MIGA issued a guarantee of $7.1 million to **Darco Environmental Pte. Ltd.** of Singapore for its $7.95 million equity investment in **Deqing Huanzhong Producing Water Co., Ltd.** of China. The guarantee is for a period of 15 years and provides coverage against the risks of transfer restriction, expropriation, war and civil disturbance. It consists of building a water treatment plant and supplying 60,000 cubic meters per day of potable water to the residents and the manufacturing plants in Deqing County, Zhejiang Province, China. It is a joint venture involving private investors and the Dequing County Water Co., which owns 27 percent of the project and will provide the necessary land, pipeline and water resources. The project will create jobs, contribute to tax revenue and will pay dividends to the Deqing County Water Co. It also supports one of the priorities of the World Bank Group's strategy in China, which is to encourage private sector participation in infrastructure, particularly in water services.

Country	Activities
VIETNAM	**Crédit Lyonnais, S.A.** Phu My 3 BOT Power Company Ltd. MIGA issued a guarantee of $15 million to **Crédit Lyonnais, S.A.** of France for its swap agreements related to the financing of **Phu My 3 BOT Power Company Ltd.** (PM3) of Vietnam—a project involved in the construction, operation and maintenance of a 716.8 MW combined cycle, gas-fired electric generating plant. The swap agreements permit the project to pay a fixed rate of interest on loans rather than a floating rate, which presents financial risk. The guarantee covers a period of 15 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. MIGA's coverage of the swap agreements complements its initial support of PM3 in FY03, when it provided $43.2 million in equity coverage and $75 million for a non-shareholder loan. A portion of the guarantees issued by MIGA has been reinsured under the Agency's facultative reinsurance program. 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. PM3 will also bring many other developmental benefits to the country. Further details about the project—and its development impact—appear in MIGA's 2003 Annual Report.

TECHNICAL ASSISTANCE ACTIVITES

MIGA's approach to technical assistance in the region in fiscal 2004 focused on developing partnerships with the World Bank, IFC, FIAS and the donor community. MIGA collaborated with the World Bank in defining and implementing a program of support to the government of **Afghanistan**. At the request of the Afghanistan Investment Support Agency (AISA) and the Ministry of Commerce, MIGA conducted a needs assessment of the AISA as a first step towards identifying and designing key elements of a strategy to attract foreign investment. MIGA also investigated the policy and regulatory environment for industrial estate development—an important step in attracting much needed investment in industrial infrastructure and other areas. The development of a customized program of online technical assistance through the FDI Promotion Center is also under discussion with the AISA.

In addition, MIGA collaborated with the World Bank in promoting an international private sector meeting on Afghanistan, which informed international investors of business opportunities in the country. The forum was a run-up to the International Conference on Afghanistan in Berlin, whose organizers and sponsors included Deutsche Gesellschaft für Technische Zusammenarbeit, the Federation of German Industries and the US Agency for International Development (USAID). MIGA presented its online services and participated in a panel discussion on development opportunities.

MIGA's work in **China** included collaborating with IFC's China Project Development Facility (CPDF) in a technical assistance effort that includes a competitive benchmarking study of Sichuan province, capacity building in investment promotion skills and support for information dissemination efforts. Working sessions were held in Sichuan with the Sichuan Provincial Investment Promotion Bureau (SIPB)—the local partner of the CPDF—to define a multifaceted investment promotion program for the region. One of the elements of the program is capacity building through increasing investment promotion skills. MIGA held the first in a series of workshops in February 2004. Local and provincial government officials with a role in investment promotion attended.

Sichuan was chosen for this initiative because investment in China has been concentrated on the coast, and the government and the World Bank Group have agreed that development of the western and northeastern provinces is a priority. MIGA's efforts in Sichuan have generated considerable interest in the Agency's investment promotion activities at the national level in China. The Chinese national investment promotion agency—CIIPA—has requested MIGA's assistance in establishing its role and that of a newly created entity, the Federation of China Investment Promotion Agencies, in investment promotion. A program of assistance is now being drawn up by MIGA and FIAS with the Chinese Ministry of Commerce aimed at developing the skills of sub-national level investment promotion agencies in the southwest and northeast of the country. A "train-the-trainers" initiative and the development of a Chinese language online investment promotion resource center, drawing on the content, architecture and functions of MIGA's own online services, are included in the program.

MIGA's close relationship with FIAS resulted in a number of joint initiatives in fiscal 2004. In a region-wide project, the Commonwealth Secretariat, FIAS, the Pacific Island Forum Secretariat and MIGA collaborated on a joint capacity building initiative in the **Pacific Islands** to assist regional investment promotion agencies in developing a professional online presence and training staff in content development and web-based investor outreach techniques. The investment promotion intermediaries are building websites using MIGA's IPAworks tool. MIGA held two regional workshops focusing on the development of investment information resources typically required by foreign investors when evaluating investment opportunities or short-listing potential site locations. The workshops allowed participants to build their skills while enhancing the content resources of their websites and to compare experiences and adapt best practices to their local operating environment. The hands-on training has catalyzed interest in investment promotion efforts among the governments across the region, and furthered the development of a regional outlook on FDI.

In **Fiji,** MIGA is embarking on a phased program of assistance for the Fiji Trade and Investment Bureau (FTIB), working with FIAS in its design and implementation. MIGA conducted a needs assessment of the agency in late fiscal 2004, which formed the analytical basis for a strategy workshop that brought together agency management, investors and other stakeholders to discuss future directions and business strategy. The MIGA-FIAS effort laid the groundwork for Fiji to undertake further activities in fiscal 2005, and MIGA has been asked to provide advice and support to the FTIB as it moves to the implementation phase.

MIGA began work with the Canadian International Development Agency-funded Pearl 2 project in **the Philippines** in designing and implementing a capacity building effort in support of the investment promotion and business support organizations in the country. Pearl 2 clients are both national and sub-national entities and include the Board of Investment (BOI), which MIGA assisted under the Miyazawa Initiative. With Pearl 2, the opportunity exists for MIGA to engage new Philippine clients in its capacity building efforts and to reach out to a broader constituency. Pearl 2 staff are using MIGA's Investment Promotion Toolkit as a key element of their project curriculum, and Pearl 2 has signed a content partner agreement for the FDI Xchange.

Mongolia's investment promotion intermediary, the Foreign Investment and Foreign Trade Agency (FIFTA), is a recipient of a grant under MIGA's IIDP (For details, see page 20). In promoting the most sparsely populated country in the world, FIFTA is faced with unique challenges in efforts to train staff and to market to potential investors the advantages that Mongolia presents. Through the IIDP, MIGA has provided basic investment promotion skills training. Working through local and regional consultants, the Agency has helped FIFTA develop its website and begin to realize the potential of technology as a tool for market research, image building and investor outreach.

Europe and Central Asia

Despite robust economic growth in the region, foreign direct investment flows fell by an estimated 20 percent in 2003 as few major privatizations took place. Offsetting the decline in equity investments was the growth in net private debt flows, a trend that has been established for some years. MIGA's exposure to the region grew strongly in fiscal 2004, reflecting mainly investments and shareholder loans to banking institutions. These investments form an important contribution to building up the financial infrastructure and providing key financing to SMEs in the region.

In fiscal 2004, MIGA supported 25 new projects through its guarantee program and undertook 11 technical assistance activities in the region. At year-end, MIGA's total gross guarantees exposure stood at $1,973 million, or 38 percent of the Agency's outstanding portfolio.

HIGHLIGHTS

Supporting Post-Conflict Countries

MIGA played an important role in providing both risk mitigation and technical assistance in conflict-affected countries in the region. The Agency supported 15 new projects in Azerbaijan, Bosnia and Herzegovina and Serbia and Montenegro amounting to $275 million.

Improving Health Care

MIGA supported a private-public partnership with the national health care service of Romania, which involves setting up four diagnostic centers to aid in the early detection of diseases. Romania ranks among the lowest health care spenders in the region with significantly lower basic health status indicators than many of its neighbors. Funding from the private sector will be key to improving the health care service in the country.

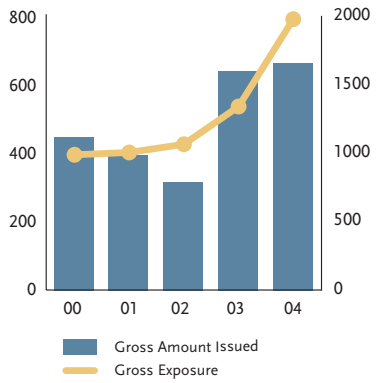
Pioneering

MIGA provided coverage for Russia's first privately-owned water treatment plant just outside Moscow, which will increase the potable water supply capacity in the city. Through training local management and employees, the project will transfer operating know-how to employees of the state-owned utility. The plant will improve local health, environmental and safety conditions.

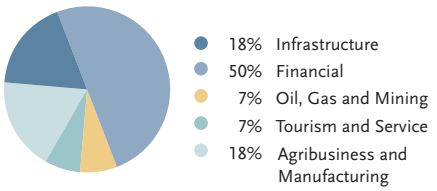
Collaborating

MIGA initiated the EIOP—co-funded with the government of Austria—to increase awareness and interest in FDI opportunities in the Western Balkans. The facility, based in Vienna, will collaborate with leading investment promotion agencies in the region on the design and execution of outreach facilities.

Gross Amount of Guarantees Issued and Gross Exposure, $ M



Sector Breakdown of Total Guarantees Issued Since Inception, in Percent



GUARANTEES

Country	Activities
AZERBAIJAN	**Fatoglu Gida Sanayi Ve Ticaret A.S.** Fatoglu Istehsal Azerbaycan, Ltd. Priority Areas: IDA, S-S, SME MIGA issued a guarantee of $333,000 to **Fatoglu Gida Sanayi Ve Ticaret A.S.** (Fatoglu Food Industry and Trade Corporation or "Fatoglu") of Turkey for its $370,000 investment of equipment and machinery in **Fatoglu Istehsal Azerbaycan, Ltd** (Fatoglu Production Azerbaijan Co. Ltd. or "Fatoglu-Azerbaijan") of Azerbaijan. The investment is guaranteed for a period of five years and coverage is provided against the risks of transfer restriction, expropriation, and war and civil disturbance. The machinery and equipment will be used for the expansion of the Fatoglu-Azerbaijan mill which currently produces flour that is distributed and sold in Azerbaijan and Georgia. The expansion will consist of the construction of a warehouse and three steel silos for wheat and flour storage, wheat classifications, and mixing. The investment will improve the enterprise's wheat and flour storage facilities, which will, in turn, contribute to a higher quality and greater variety of flour output. In FY03, MIGA issued Fatoglu a guarantee for $529,920 to cover its $588,800 equity investment in Fatoglu-Azerbaijan, for a period of up to 5 years, against the risks of transfer restriction, expropriation, and war and civil disturbance. This expansion project will contribute to the development of Azerbaijan's emerging agricultural sector, which helps diversify the economy, currently concentrated in the oil and gas industry. The project will also employ 150 people during the construction phase of the project.
BOSNIA AND HERZEGOVINIA	**Bank Austria Creditanstalt A.G.** HVB Bank Bosnia-Herzegovina d.d. and Central Profit Banca d.d. Priority Areas: IDA MIGA issued two €11.2 million ($13.6 million) guarantees and two €5.6 million ($6.8 million) guarantees to **Bank Austria Creditanstalt A.G.** (BACA) supporting loans to **HVB Bank Bosnia-Herzegovina d.d.** (HVB-BiH) and **Central Profit Banca d.d.** (CPB-BiH). The guarantees for both projects cover a period of seven years and provide coverage against the risks of transfer restriction, expropriation, and war and civil disturbance. The guarantees help BACA expand and strengthen its two subsidiaries in preparation for their merger. The loans will allow BACA to increase its lending in Bosnia and Herzegoninia, there by bolstering the country's financial sector through the provision of medium-term and long-term financing, and more competitive pricing to retail and corporate clients. BACA will continue to play a leading role in providing expertise, technical solutions and new products to the financial sector. HVB-BiH and CPB-BiH expect to provide loans to SMEs in need of financing and thus improve their access to financial services.

Country	Activities
BOSNIA AND HERZEGOVINIA (CONT'D)	**Raiffeisen Zentralbank Österreich AG** Raiffeisen Bank d.d. Bosnia I Herzegovina Priority Areas: IDA During fiscal year 2004, MIGA issued four guarantees totaling €66.55 million ($78.5 million) to **Raiffeisen Zentralbank Österreich AG** (RZB) for its shareholder loans to **Raiffeisen Bank d.d. Bosnia I Herzegovina** (RBBH). The guarantees issued were in the amounts of €19 million ($21.8 million), €23.8 million ($29.0 million), €19 million ($22.0 million) and €4.75 million ($5.7 million). The guarantees for the four projects cover periods of nine, three, seven and seven years, respectively, and provide coverage against the risks of transfer restriction and expropriation. In fiscal 2003, MIGA provided coverage to RZB for its EUR 10 million shareholder loan to RBBH. The new guarantees cover further expansion of the project enterprise's lending program in fiscal 2004. The additional shareholder loans provided by RZB will help RBBH strengthen its capital base and increase its lending in Bosnia and Herzegovina. RBBH 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. Further details about the projects appear in MIGA's 2003 Annual Report.
	Slovene Export Corporation Poslovni Sistem Mercator d.d. Priority Areas: IDA, S-S MIGA provided an additional €3.5 million ($4.0 million) in reinsurance to the **Slovene Export Corporation** for the political risk insurance it has provided to **Poslovni Sistem Mercator d.d.** (Mercator) of Slovenia for its €10 million additional equity investment in **Mercator Trzni Centar Sarajevo d.o.o.** (Mercator TCS), in Bosnia and Herzegovina. Coverage is being provided for a period of nine and a half years against the risks of transfer restriction, expropriation, and war and civil disturbance. The project involves operating a shopping mall in the center of Sarajevo. Since 2002, cash flows have been positive, and the new equity investment is aimed at positioning the investor for a possible expansion in the country. The shopping center creates positive externalities for customers and local suppliers. It increases the availability and the quality of goods in Sarajevo. In the first years of operation, Mercator developed partnerships with producers from Bosnia and Herzegovinia, and local goods represent over twenty-five percent of goods sold in the supermarket. In addition, approximately fifty percent of goods sold come from Slovenia. The project hosts a bank, a pharmacy, and other services and fosters private sector growth. It employs over 200 workers who received training from a staff exchange with Mercator shopping centers in Slovenia and Croatia.

Country	Activities
BOSNIA AND HERZEGOVINIA (CONT'D)	**International Dialysis Centers B.V.** International Dialysis Center Banja Luka Priority Areas: IDA, SME MIGA issued a guarantee of €1.26 million ($1.4 million) to the **International Dialysis Centers B.V.** of the Netherlands for its €2.0 million equity investment in **International Dialysis Center Banja Luka** of Bosnia and Herzegovina. The guarantee covers a period of seven years and provides coverage against the risk of breach of contract. The project—an expansion of an earlier MIGA-supported health care facility located in Banja Luka—is providing renal dialysis treatment services to the city of Bijeljina in the Republika Srpska region, where kidney disease is endemic. Using state-of-the-art medical equipment, the project is helping to improve life expectancy and the quality of life for dialysis patients. The project supports the World Bank Group's country assistance strategy, which promotes social services, such as high-quality and accessible health care, as a fundamental step in building social sustainability in the medium-term. (For more on this project, see Box 1, page 4).
	Hypo Alpe-Adria-Bank AG Hypo Alpe-Adria-Bank AD Banja Luka Priority Areas: IDA MIGA provided an additional €4.6 million of coverage to **Hypo Alpe-Adria-Bank AG** (HAAB) of Austria for its €5.1 million equity investment in **Hypo Alpe-Adria-Bank AD Banja Luka** (HAAB Banja Luka) in Bosnia and Herzegovina. The investment is guaranteed for a period of 10 years and coverage is provided against the risks of expropriation and war and civil disturbance In FY03, MIGA issued a €13.8 million guarantee to HAAB of Austria for a €15.4 million equity investment in HAAB Banja Luka in Bosnia and Herzegovina. This amount, combined with the new investment brings HAAB's total equity invested in HAAB Banja Luka to €20.5 million; MIGA's coverage of both investments amounts to €18.4 million. The project involves the recapitalization of HAAB Banja Luka and the 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. The latest equity investment will support the objectives of last year's expansion efforts, yielding direct and indirect development impacts for Bosnia and Herzegovina. The project will bolster the credit capacity of the local economy while bringing know-how, technical solutions, and new products to the local market. The project will also 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.

Country	Activities
FYR MACEDONIA	**Norway Registers Development AS** Manor Ltd. Priority Areas: SME MIGA issued a €299,160 ($337,467) guarantee to **Norway Registers Development AS** of Norway covering its shareholder loan of €250,000 to **Manor Ltd.** in FYR of Macedonia. The guarantee is for a period of five years and provides coverage against the risk of breach of contract. The project addresses the need for a fast, accurate and up-to-date data management system for the registration of annual accounts (financial statements and other relevant financial information of private companies and public entities) in FYR of Macedonia. It consists of the development of a comprehensive software solution compatible with the infrastructure already in place in regional offices that will allow the Central Register of FYR of Macedonia to collect, centralize, and distribute annual accounts information. At the end of the five-year license agreement, the sponsor will transfer, at no charge, the ownership of the project to the Central Register. The project is an instrumental part of a comprehensive effort of the Macedonian government to develop a regulatory framework and institutions for recording financial transactions and annual accounts. The project will make information readily available across all Central Register regional offices with accuracy and consistency, and enhance and upgrade the current registry system. The project will also contribute to the development of the infrastructure supporting business transactions, and improve the investment climate and account transparency in the country.
KYRGYZ REPUBLIC	**Italian Technology & Innovations S.r.l. and FINREP HANDELS GmbH** Manas Management Company Priority Areas: IDA, SME MIGA issued $0.443 million in guarantee coverage to **Italian Technology & Innovations S.r.l.** (ITI) of Italy and $0.443 to **FINREP HANDELS GmbH** (FHG) of Austria for their respective investments of $500,000 each in **Manas Management Company** (MMC) of the Kyrgyz Republic. The guarantees cover the respective investments against the risks of transfer restriction, expropriation, and war and civil disturbance. The coverage does not support new financial or capital investments, but rather reflects a partial transfer of equity from ITI to FHG relating to the project, which was originally supported by MIGA in fiscal 1998 and 1999. The project is currently the subject of a dispute between the investors and the host country.

Country	Activities
MOLDOVA	**Leon Construction International B.V.** Leogrant SRL Priority Areas: IDA, S-S, SME MIGA issued a guarantee of $900,000 to **Leon Construction International B.V.** of the Netherlands for its $1 million equity investment in **Leogrant SRL** of Moldova. The guarantee is for a period of 15 years and provides coverage against the risks of transfer restriction, expropriation, and war and civil disturbance. The SME project will finance the expansion of an existing hotel located in the center of Chisinau, which caters primarily to a business clientele. Upgraded business facilities and hotel accommodations are needed to attract potential investors. The project will also support the growth of upstream industries and services such as transportation, food processing, furniture-making and tour operators. The hotel construction will draw primarily on local supplies. The project will generate foreign exchange for the country, tax revenues to the government, and will create jobs.
ROMANIA	**Raiffeisen Zentralbank Österreich AG** Raiffeisen Bank S.A. MIGA issued two guarantees of €26.6 million ($30.5 million) and €16.2 million ($20.1 million) to **Raiffeisen Zentralbank Österreich AG** (RZB) for its €28 million and €17 million shareholder loans to **Raiffeisen Bank S.A.** (RBRO) of the Republic of Romania. The guarantees are for a period of seven years and provide coverage against the risks of transfer restriction and expropriation. In fiscal 2003, MIGA issued a $38 million guarantee to Raiffeisen Bank S.A. for a $40 million shareholder loan to the same project enterprise. The project's expansion efforts have broadened the range and quality of commercial banking services in Romania and have helped lower the costs of financing. The new investments in the bank are expected to help support economic development in Romania in a number of ways. First, the shareholder loans will bolster the bank's capital base, allowing RBRO to increase its medium-term lending, which will support investments in new equipment. Second, RBRO expects that much of its lending (more than 50%) will support local SMEs through a special SME-EBRD line of credit, helping improve their access to loans. Third, the project will continue to invest heavily in training and technology development. Finally, RBRO will bring state-of-the-art technical infrastructure to Romania, including a new operations center, and update key IT capabilities.

Country	Activities
ROMANIA (CONT'D)	**Bank Austria Creditanstalt AG** HVB Bank Romania SA MIGA issued a $69.8 million guarantee to **Bank Austria Creditanstalt AG** for its $70 million shareholder loan to **HVB Bank Romania SA** (HVB). The coverage protects the investor against the risks of transfer restriction and expropriation for a period of up to ten years. This is the second guarantee issued to HVB; in fiscal 2003, MIGA underwrote a €15 million shareholder loan to HVB to help it expand its in-country operations. It will contribute to the development of the country's banking system and corporate governance. The new shareholder loan will allow HVB to continue expanding its lending operations in Romania, thereby bolstering the Romanian financial sector through the provision of additional medium-term financing. In addition, the project allows HVB to provide term-financing, including to the SME sector. Finally, HVB estimates that the expansion of its activities will indirectly support the generation of an additional $23 million in annual export revenues by financing export-related enterprises.
	Euromedic Diagnostics BV SC Euromedic Romania s.r.l. Priority Areas: SME MIGA issued four guarantees totaling $11.34 million to **Euromedic Diagnostics BV** (Euromedic) of the Netherlands for its $12.6 million equity investment in **SC Euromedic Romania s.r.l.** of Romania. The guarantees are for a period of seven years and provide coverage against the risk of breach of contract. The project involves the establishment and operation of four diagnostic centers by SC Euromedic Romania s.r.l., based on a public-private partnership with the national health care service. The diagnostic centers will provide MRI, computer, tomography, bone densitometer, ultrasound, and stress tests diagnostic services. Euromedic's health care services should make a significant contribution to Romania's social services infrastructure by offering diagnostic services to a broad range of patients. In addition, the four clinics will hire about 240 permanent medical employees and managers. The local annual procurement for goods and services for the four clinics is expected to total $2.1 million. Government tax and fee revenue from Euromedic's operations is expected to total around to $1 million annually.

Country	Activities
RUSSIAN FEDERATION	**Raiffeisenverband Salzburg** OOO Raiffeisen Leasing Priority Areas: SME MIGA issued guarantees of $9.5 million and €7.5 million ($8.6 million) to **Raiffeisenverband Salzburg** (RZBS) of Austria for its $10 million and €7.9 million shareholder loans to **OOO Raiffeisen Leasing** (RLRU), Moscow, the Russian Federation. The guarantees are for a period of four years and provide coverage against the risks of expropriation and transfer restriction. They complement a $5.7 million guarantee that MIGA issued to RZBS in March 2003 and a further two guarantees that MIGA issued to Raiffeisen Steiermark in fiscal years 2002 and 2003 amounting to $33.25 million. The new shareholder loans guaranteed by MIGA will finance the expansion of Raiffeisen Leasing's operations in the Russian Federation, increasing the availability of medium-term lease financing, particularly for SMEs. The project will also contribute to employment creation through new or expanding companies benefiting from the project's leasing operations. RLRU plans to conduct significant on- and off-site training which will improve the skills base of professionals in the financial sector.
	Raiffeisenverband Salzburg OOO Raiffeisen Leasing Priority Areas: SME MIGA issued guarantees of $38 million and €14.25 million ($18 million), respectively, to **Raiffeisenverband Salzburg** (RZBS) of Austria for its $40 million and €15 million shareholder loans to **OOO Raiffeisen Leasing** (RLRU), Moscow, the Russian Federation. The guarantees are for a period of five years and provide coverage against the risks of currency transfer restriction and expropriation. RLRU is a licensed leasing company with branches in Moscow and in St. Petersburg. RLRU offers a wide range of products for leasing, including railway cars, agricultural equipment, utility vehicles, construction equipment, and packaging and industrial machinery. The guaranteed investments will be used to strengthen RLRU's leasing portfolio and expand its operations in Russia. This will allow RLRU to continue to fill a financing gap in Russia by providing SMEs with medium and long-term credit and access to modern equipment. Since the leasing sector in Russia is still developing, RLRU's market-leading position is also expected to introduce high industry standards in corporate governance, customer services, and product offerings. RBRU's leasing activities are expected to generate about $15 million in exports annually. The company expects to hire about 52 local employees over the next five years and train them on-and off-site.

Country	Activities

RUSSIAN FEDERATION (CONT'D)

Raiffeisen Zentralbank Österreich AG
ZAO Raiffeisenbank Austria

Priority Areas: SME

MIGA issued a guarantee of $28.5 million to **Raiffeisen Zentralbank Österreich AG** of Austria for its $30 million shareholder loan to **ZAO Raiffeisenbank Austria** (RBRU) of the Russian Federation. The guarantee is for a period of five years and provides coverage against the risks of currency transfer restriction and expropriation.

RBRU provides account and payment services for corporate clients, documentary business and guarantees, loans, treasury services, consumer banking and other services. The investment will finance the expansion of RBRU's operations in Russia and will strengthen the asset base of RBRU.

This investment will have several important developmental impacts for the Russian economy. It will support the development of the Russian financial sector through the provision of short, medium, and long-term lending, and the introduction of new financial products. It will also stimulate export growth and small and medium enterprise development through the on-lending of funds to local SMEs that are expected to generate export revenues. In addition, local skills will be developed by RBRU as it continues to hire managers locally and train them using RZB's network for on-and off-site staff training.

The project is consistent with the World Bank Group Country Assistance Strategy for the Russian Federation, which specifically seeks to promote the diversification of the economy to reduce the reliance on the natural resource sectors. ZAO Raiffeisenbank Austria's portfolio of banking products to SMEs will offer new and improved financial services to start-up, small, and entrepreneurial ventures.

WTE Wassertechnik GmbH
WTE Süd-West

MIGA issued guarantees of €45.1 million ($51.7 million) and €22,500 ($25,000) to **WTE Wassertechnik GmbH of Germany** (WTE), a member firm of the Austrian EVN Group, for its €47.4 million shareholder loan to, and its €25,000 equity investment in, **WTE Süd-West of the Russian Federation** (WTESW). Both guarantees cover a period of fifteen years and provide coverage against expropriation and breach of contract.

The project addresses the increase in demand for water supply faced by the growing city of Moscow. The project consists of the construction of a green-field water treatment plant that will increase the Moscow's potable water supply capacity by 4 percent. The project enterprise will be responsible for the construction (starting September 2003) of a 250,000 cubic meters per day water treatment plant under a thirteen and a half year build, own, operate and transfer (BOOT) concession scheme. Water will be channeled from the Moskva River to a processing plant where it will be filtrated using state-of-the-art technologies. The purified product will then be distributed through the municipal water system by Mosvodokanal, the city-owned utility.

In addition to tax revenues, employment and training local management and employees, the project enterprise expects to transfer operating know-how to Mosvodokanal employees before the transfer of ownership at the end of the concession period. Moreoever, the plant's clean water will improve local health, environmental, and safety conditions, and will help create positive business externalities.

Country	Activities
SERBIA AND MONTENEGRO	**Bank Austria Creditanstalt AG** HVB Banka Jugoslavija a.d. Priority Areas: IDA, SME MIGA issued €7.125 million ($8.47 million) and €0.475 million ($0.56 million) guarantees to **Bank Austria Creditanstalt AG** for its €7.5 million loan guarantee and €0.5 million shareholder loan made in support of **HVB Banka Jugoslavija a.d.** (HVB-SAM) in Serbia and Montenegro. The guarantees are for a period of 10 years and provides coverage against the risks of transfer restriction, expropriation, and war and civil disturbance. HVB-SAM was established in December 2001 and offers a wide range of products and services including payment services, deposits and term account maintenance, trade finance services, corporate finance including long-term lending and treasury services, and investment banking services. The project will provide for an expansion of HVB-SAM operations by allowing it to increase its lending portfolio, mainly to small and medium enterprises, including retailers, and general commerce and food related enterprises. HVB-SAM's additional loans will be provided predominantly to SMEs, which will increase both SMEs' access to financing, and support economically sound projects.
	Hypo Alpe-Adria-Bank A.G. Hypo Alpe-Adria-Bank A.D. Priority Areas: IDA MIGA issued a €22.2 million ($10.6 million) guarantee to **Hypo Alpe-Adria-Bank A.G.** (HAAB) of Austria for its €24.7 million equity investment in **Hypo Alpe-Adria-Bank A.D.** (HAAB-SAM) in Serbia and Montenegro. The guarantee is for a period of ten years and provides coverage against the risks of expropriation and war and civil disturbance. This contract represents an additional guarantee of €9 million over the original contract of guarantee which was issued in fiscal year 2003. It covers an increase in the investment of HAAB in HAAB-SAM to finance the expansion of the bank's lending capacity. In fiscal 2003, HAAB estimated that it would create thirty-seven local jobs with salaries and benefits slightly above the sector average. However, local job creation more than doubled compared to initial expectations, and the present project is expected to further support HAAB-SAM's organic growth. MIGA's additional guarantee to HAAB-SAM will increase capacity and service to the financial sector of Serbia and Montenegro and the local economy. HAAB-SAM expects to offer approximately sixty percent of its corporate loans to SMEs, and thirty percent to export-oriented companies.

Country	Activities
SERBIA AND MONTENEGRO (CONT'D)	**Raiffeisen A.S. and Raiffeisen Zentralbank Österreich AG** Raiffeisen Leasing Serbia and Montenegro Priority Areas: SME, IDA MIGA issued two contracts of €38 million ($46.5 million) and €19 million ($23.9 million) to **Raiffeisen A.S.** of the Czech Republic and one contract of €0.475 million ($0.6 million) to **Raiffeisen Zentralbank Österreich AG** of Austria for their respective €40 million, €20 million, and €0.5 million loans to **Raiffeisen Leasing Serbia and Montenegro** (RLSM). The guarantees are for a periods of five, four, and four years and provide coverage against the risks of a currency transfer and expropriation. The operations of RLSM will contribute to the development of the private sector in Serbia and Montenegro (SAM) through the establishment of a leasing subsidiary of the Raiffeisen Group. The financing package will be used to fund the project's leasing portfolio, with about 60% of the leases to be provided to small and medium-sized enterprises (SMEs) in order to support their capital investments and to replace outdated equipment. In addition to direct job creation the project is also expected to create jobs indirectly in the companies that will benefit from leases and expand their operations. RLSM employees will benefit from the RZB network for on-and off-site staff training, thus transferring knowledge of advanced leasing structures to SAM's financial market. The project supports the private sector development objectives of the World Bank Group strategy which aims to stimulate near-term growth and create the basis for a sustainable supply responses from the private sector.
	Raiffeisen Zentralbank Österreich AG and Raiffeisenbank A.S. Raiffeisenbank a.d. Priority Areas: IDA MIGA issued three contracts of $23.3 million, $46.4 million, and $0.583 million to **Raiffeisen Zentralbank Österreich AG** (RZB) of Austria and **Raiffeisenbank A.S.** (RBCZ) of the Czech Republic for their respective $24.5 million, $48.8 million, and $0.613 million loans to **Raiffeisenbank a.d.** (RBSM), based in Serbia and Montenegro. The guarantees are for periods of five, six, and six years respectively and provide coverage against the risk of a currency transfer and expropriation. The project involves the expansion of RBSM's banking services and is expected to contribute the development of the private sector in Serbia and Montenegro (SAM). The investment will strengthen and diversify RBSM's lending portfolio. Moreover the financing package will also increase the availability of funds with longer tenors available in the marketplace—generating competitive pricing and terms for loans to Serbian companies. RBSM will create jobs and employees will benefit from the RZB network for on- and off-site staff training (with the training budget amounting to 5% of the gross wages), thus transferring knowledge of modern banking practices and financing structures to the SAM's financial market.

Country	Activities
UKRAINE	**Raiffeisen Zentralbank Österreich AG** JSCB Raiffeisenbank Ukraine MIGA issued a guarantee of $95 million to **Raiffeisen Zentralbank Österreich AG** (RZB-Austria) of Austria for its $100 million shareholder loan to **JSCB Raiffeisenbank Ukraine** (Raiffeisenbank Ukraine). The guarantee is for a period of seven years and provides coverage against the risks of transfer restriction and expropriation. MIGA issued a guarantee to the investor covering a $20 million investment in the project enterprise in fiscal 2001. This investment of RZB supports an expansion of Raiffeisenbank Ukraine's capital base and lending operations. This will give access to term financing and contribute to the development of the country's banking system and its corporate governance.
	Can-Pack S.A. Can-Pack Ukraine Ltd. Priority Areas: S-S MIGA issued three guarantees totaling $48.8 million to **Can-Pack S.A.** (Can-Pack) of Poland for its investment in Ukrainian subsidiary, **Can-Pack Ukraine Ltd**. The guarantees cover the equity investment, a shareholder loan and a management and technical assistance contract. All three guarantees provide coverage against the risks of expropriation, war and civil disturbance and transfer restriction. The guarantees for the equity investment and the management contract cover a period of 15 years, and the guarantee for the shareholder loan covers a period of five years. The project involves the construction and operation of an aluminum beverage can production plant, the largest private Polish investment in Ukraine to date. It will increase Can-Pack's production capacity in order to meet the growing demand for canned beverages in Ukraine and will allow it to maintain market share in Ukraine, Russia, and other members of the Commonwealth of Independent States. The project will help create approximately 110 local jobs and about 145 additional jobs during the construction phase. Can-Pack will provide ongoing training throughout the duration of the project. The project is also expected to generate significant exports, reduce imports and provide upstream benefits for local suppliers.

The launch of the European Investor Outreach Program in fiscal 2004 represents a major initiative to increase investor awareness of the Western Balkans. Workshops held in **Albania** for the Albanian Investment Promotion Agency focused on how the country might attract new investors and how it might participate in the EIOP. Discussions were also held with Croatian authorities on ways the country can be involved.

During the year, MIGA continued to provide support to the **Armenian** Development Agency (ADA) as part of a World Bank program. In addition, work on a national FDI promotion strategy was concluded and several training and skills development activities were implemented. MIGA also participated in the First Armenia-Diaspora Economic Forum, an investment promotion conference co-organized by ADA and held in Yerevan.

MIGA supported the preparation of the investment promotion agency law of **FYR Macedonia** that was adopted by its parliament in early 2004. Further assistance included advice on preparing the launch of a new agency, as well as a donor coordination effort on behalf of the government and the new agency. MIGA also explored cooperation activities and synergies with the USAID-funded "Macedonia Competitiveness Activity" with a view to leveraging the activities of the new agency.

In **Serbia and Montenegro,** MIGA launched a new program in Montenegro, with donor funding from the European Agency for Reconstruction (EAR), aimed at assisting the country in establishing a new investment facilitation and servicing unit. The one-year program will support the establishment of the unit, the development of a start-up strategy and work plan, skills development and training, and information dissemination activities.

MIGA also completed a long-term capacity building program for the Serbian Investment and Export Promotion Agency. The hands-on institutional development program focused on the preparation of an appropriate FDI promotion strategy, skills training and the implementation of a series of pilot investor outreach programs in a number of priority sectors. The program was funded under an IDA grant to Serbia and benefited from strong cross-links with other economic development programs, such as USAID's competitiveness project and EAR's SME program in Serbia. Based on the initial results of the program, EAR has asked MIGA to help design and manage a follow-on assistance program.

In a joint initiative, MIGA and FIAS explored the possibility of developing a joint technical assistance program in **Tajikistan** and assessed the country's needs in the areas of investment climate improvement and investment promotion. A project proposal was presented in conjunction with the Tajikistan Consultative Group meeting in London in February 2004. MIGA is currently working with the Tajik government to finalize the project design and prepare the launch of the program, expected in fiscal 2005.

Latin America and The Caribbean

The overall investment environment in fiscal 2004 showed a slight and uneven improvement over the previous two years. Portfolio flows were stronger, but FDI was characterized by investor caution. While interest in FDI increased over the year, fewer projects materialized than in previous years.

In fiscal 2004, MIGA supported three new projects through its guarantee program and undertook 11 technical assistance activities in the region. At year-end, MIGA's total gross guarantees exposure stood at $1,736 million, or 33 percent of the Agency's outstanding portfolio.

HIGHLIGHTS

Responding to Energy Crisis

MIGA provided coverage for a shareholder loan to the TermoCabo power plant in Brazil. The plant will supply peak-time electricity to the people of Pernambuco, one of the poorest states of Brazil. As a result, power rationing, previously common during periods of drought, has substantially decreased. The project is part of the Emergency Energy Program enacted by the Brazilian government to respond to the country's severe energy shortage.

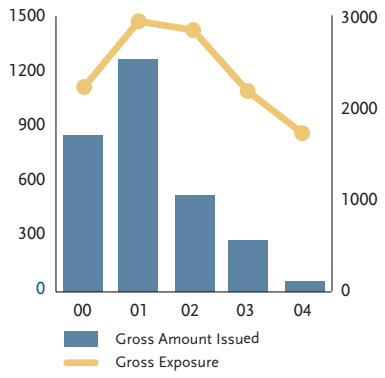
Focusing on Central America

MIGA has been active in providing technical assistance in Central America and is currently executing programs in four countries: El Salvador, Guatemala, Nicaragua and Honduras. The programs are aimed at FDI sector diversification and the attraction of higher value-added investments. A particularly important project in Panama, to convert the former Howard Air Force Base to the Panama Pacific Special Economic Zone, is nearing completion.

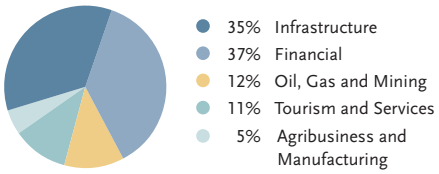
Mediating Disputes

In Argentina, MIGA has successfully resolved a number of pre-claim situations that resulted from the enactment of the Emergency Law imposed by the government in 2001. The Agency continues to maintain a close dialogue with the government in resolving two outstanding claims. In Venezuela, MIGA's close work with the government resulted in investors benefiting from executive decrees and regulations which granted an exemption to restrictions on foreign currency transfers, following registration with the Comisión de Administración de Divisas.

Gross Amount of Guarantees Issued and Gross Exposure, $ M



Sector Breakdown of Total Guarantees Issued Since Inception, in Percent



GUARANTEES

Country	Activities
BRAZIL	**Cefla Capital Services S.p.A.** Cefla Capital Services do Brasil Ltda. Priority Areas: SME MIGA issued a guarantee of €1.6 million ($2 million) to **Cefla Capital Services S.p.A.** of Italy for its €1.8 million ($2.2 million) equity investment in **Cefla Capital Services do Brasil Ltda.** of Brazil. The guarantee is for a period of 15 years and provides coverage against the risks of transfer restriction, expropriation, and war and civil disturbance. The project will support the acquisition of additional existing shares in, and the expansion of, two of Cefla Capital Services S.p.A. subsidiaries called IGM Maquinas e Equipamentos Ldta., and Ariam Metalurgica Ltda. These subsidiaries produce fixtures, such as shelves, lighting, and cabinets, for displaying merchandise, as well as machinery and finishing systems for wood-based, plastic, and non-ferrous products. The main objectives of the expansion are to increase Brazil's manufacturing capacity to satisfy growing domestic and South America markets, and to implement marketing and sales strategies in congruence with other international Cefla operations. The expansion of the project is expected to increase the procurement of local goods and services and will also create direct and indirect jobs.
	ABN Amro Bank N.V. TermoCabo, Ltda. MIGA issued a guarantee of $26.8 million to **ABN Amro Bank N.V.** of the Netherlands for its $26 million non-shareholder loan to **TermoCabo, Ltda.** of Brazil. The guarantee is for a period of two years and provides coverage against the risks of transfer restriction, expropriation, war and civil disturbance. The guarantee covers an increase in the investment of ABN Amro Bank in TermoCabo, for which MIGA had issued guarantees in fiscal 2003. The project consists of the operation and maintenance of a diesel power plant located in the drought-prone state of Pernambuco, in North-East Brazil. With ninety percent of the country's installed generating capacity in the form of hydro-electric power, the sustained lack of rainfall has resulted in power shortages and electricity rationing. The project diversifies the sources of power supply and helps to meet short-term electricity demand in Pernambuco. The project employs forty local staff for ongoing plant operational and equipment maintenance, and employees receive intensive training in all elements of diesel power plant operations and maintenance. The plant has been designed to ensure compliance with both MIGA and Brazilian environmental requirements. An upcoming air quality check will monitor the noise levels and sulfur dioxide emissions to ensure that with MIGA's environmental policies and guidelines are adhered to.

Country	Activities
BRAZIL (CONT'D)	**Elecnor S.A.** Expansion Transmissão Itumbiara Marimbondo Ltda. MIGA issued a guarantee of $11.0 million to **Elecnor S.A.** of Spain for its loan guarantee of $11.6 million in support of **Expansion Transmissão Itumbiara Marimbondo Ltda.** of Brazil. The guarantee is for a period of three years and provides coverage against the risks of breach of contract, and currency transfer restriction and inconvertibility. The project involves the construction of an $80 million power transmission line in the State of Minas Gerais which will increase transmission capacity as well as improve the reliability of electricity supply. MIGA's participation in the project is consistent with the World Bank's objectives of supporting Brazil's power sector. The project is considered crucial for the country's economic development because it bolsters transmission capacity which is considered a priority in Brazil's electricity development program for 1999-2008. A total of 1,300 workers will be hired during the construction phase of the project and about 30 people during the operation of the enterprise. The project will also pay taxes amounting to an estimated $62 million during the life of the concession, and in accordance with Brazilian law, roughly $400,000 of the cost of the infrastructure project will be set aside for the establishment or improvement of conservation areas, parks, and protected areas.
	Elecnor S.A. Cachoeira Paulista Transmissora de Energia Ltda. MIGA issued a guarantee of $17.9 million to **Elecnor S.A.** of Spain for its loan guarantee of $18.9 million in support of **Cachoeira Paulista Transmissora de Energia Ltda.** of Brazil. The guarantee is for a period of three years and provides coverage against the risks of breach of contract, and currency transfer restriction and inconvertibility. The project involves the construction of an $80 million power transmission line in the State of São Paulo which will increase transmission capacity as well as improve the reliability of electricity supply. MIGA's participation in the project is consistent with the World Bank's objectives of supporting Brazil's power sector. The project is considered crucial for the country's economic development because it bolsters transmission capacity which is considered a priority in Brazil's electricity development program for 1999-2008. A total of 1,200 workers will be hired during the construction phase and about 30 people during the operation of the project enterprise. The project will also pay taxes amounting to an estimated $64 million during the life of the concession, and in accordance with Brazilian law, roughly $400,000 of the cost of the infrastructure project will be set aside for the establishment or improvement of conservation areas, parks, and protected areas.

TECHNICAL ASSISTANCE ACTIVITIES

MIGA's focus on providing technical assistance in Central America continued in fiscal 2004. In **Guatemala**, MIGA supported the national investment promotion agency - Invest in Guatemala (IIG) - in its efforts to re-launch the investment promotion component of a loan provided by the IBRD to increase national competitiveness. The work includes planning the various elements of the FDI program, generating consensus within the new government regarding its goals and discussing the reorganization of the IIG. Guatemala's investment promotion agency is also a recipient of a grant under MIGA's FDI Xchange Investor Information Development Program.

In **El Salvador,** MIGA helped PRO.ESA, El Salvador's investment promotion agency, begin the transition from reactive to proactive campaign-based investment outreach. This transition was made possible because of PRO.ESA's institutional maturity and experience in sector promotion. MIGA has been involved with PRO. ESA since its inception, from the design of the initial institutional framework to the more sophisticated promotional systems that have generated important FDI flows for El Salvador. Recent investments from leading call center companies and pharmaceutical multinationals as well as one of Europe's largest fisheries enterprises are a testimony PRO.ESA's capacity building efforts.

ProNicaragua, the **Nicaraguan** investment promotion agency established with MIGA's assistance, has successfully attracted significant levels of FDI and generated a large pipeline of potential investment projects after only 14 months of operation. During the year, MIGA worked closely with the World Bank to evaluate, supervise and implement the investment promotion components of the country's Learning and Innovation Loan (LIL) program. ProNicaragua is emerging as one of the region's leading investment promotion agencies due to its strong management, close ties to the local private sector, ability to mobilize a high level government support for individual investment projects, and capacity to generate concrete returns on investment promotion activities.

MIGA launched an FDI technical assistance program in **Honduras** under an IDA-funded project that aims to improve the country's investment climate. MIGA will manage $2.1 million over the next three years to support the country's investment promotion agency, FIDE. In fiscal 2004, MIGA helped developed an execution plan for the program.

MIGA continued its work with IFC in **Panama** on a proposed project to convert the former Howard Air Force base and surrounding land to a large-scale multi-use special economic zone. MIGA provided free zone and investment promotion strategic guidance, as well as legal, marketing and promotional assistance. This was done in close cooperation with FIAS and external consulting groups brought together for this task by IFC for the Interoceanic Regional Authority of Panama. Legislation to start the project has passed its final legislative review.

Following a request from the government of **Paraguay**, MIGA conducted a detailed needs assessment of ProParaguay, the country's national investment promotion agency, that focused on ProParaguay's role in improving the country's investment environment and creating modest promotion programs for the next two years.

As part of an ongoing assistance program in **Colombia**, MIGA assisted the Invest in Colombia Corporation (COINVERTIR) in the design and development of a three-year business plan. The plan has been presented to the government and part of the required funding has been committed. In addition, MIGA finalized an agreement with the Chamber of Commerce of Bogota to provide technical assistance over a three-year period, which will assess institutional capacity to promote FDI, design an appropriate promotional framework, develop capacity and assist the Chamber of Commerce in conducting FDI promotion in priority sectors.

Middle East and North Africa

The war in Iraq, the ongoing Israeli-Palestinian conflict and concerns about spillover effects undermined investors' confidence and posed obstacles to FDI flows to the region. As a result, FDI declined from $3 billion in 2002 to an estimated $2 billion in 2003. Despite the unfavorable market conditions, MIGA undertook a number of outreach programs in the region aimed at facilitating foreign, particularly inter-regional, investments.

In fiscal 2004, MIGA supported one new project through its guarantee program and undertook three technical assistance activities in the region. At year end, MIGA's total gross guarantees exposure stood at $243 million, or 5 percent of the Agency's outstanding portfolio.

HIGHLIGHTS

Supporting Technology

MIGA provided guarantees to Investcom Holding of Lebanon and Teleinvest of Saudi Arabia, which are investing in Spacetel Syria, one of two cellular service providers in Syria using the advanced digital GSM technology. The introduction of reliable mobile telephone services is helping address the country's shortage of telephone lines.

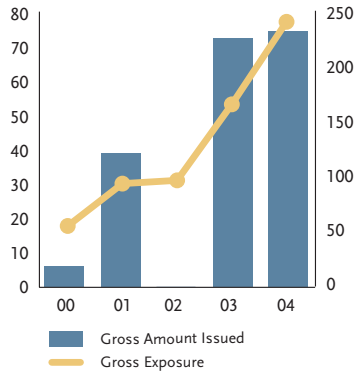
Partnering

MIGA signed cooperation agreements with the Export Guarantee Fund of Iran (EGFI) and the Jordanian Loan Guarantee Corporation. The partnerships aim to support the promotion of FDI in the region. MIGA also held a training program for a number of its partners in the region, including EGFI, the Inter-Arab Investment Guarantee Corporation and the Islamic Corporation for the Insurance of Investments and Export Credit, as well as other insurers and banks.

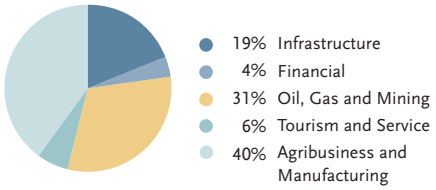
Reaching Out to Investors

MIGA redoubled its efforts to promote FDI flows into the region, conducting a number of trips to countries such as Algeria, Egypt, Iran, Kuwait, Jordan, Lebanon, Saudi Arabia and the United Arab Emirates. These trips have increased MIGA's exposure to investors and business groups in the region.

Gross Amount of Guarantees Issued and Gross Exposure, $ M



Sector Breakdown of Total Guarantees Issued Since Inception, in Percent



GUARANTEES

Country	Activities
SYRIAN ARAB REPUBLIC	**Investcom Holding S.A. and Teleinvest Ltd. (member of Dallah Al Baraka Holding)** Spacetel Syria S.A. Priority Areas: S-S MIGA issued guarantees of $55.96 million and $19.0 million to **Investcom Holding S.A.** of Luxembourg and **Teleinvest Ltd.** of the Cayman Islands for their respective $62.18 million and $21.15 million equity investments in **Spacetel Syria S.A.** Both guarantees cover a period of ten years and provide coverage against the risks of transfer restrictions, expropriation, war and civil disturbance, and breach of contract. The project addresses the increase in demand for telephone lines and the need for improved telecommunication infrastructures in Syria. It consists of the installation and operation by Spacetel of one of two mobile telephone networks based on GSM technology. Spacetel currently serves more then 500,000 subscribers with a network capable of handling more than 1.3 M subscribers and will gradually increase its network capacity to address the demand for 3 million additional telephone lines in the country. At the end of the 15-year build, operate, and transfer (BOT) concession scheme (July 2017), the sponsors will transfer, at no charge, ownership of the project to the Syrian Telecommunication Establishment, which operates the telecommunications sector in Syria. The project is expected to provide substantial revenues to the government of Syria. Spacetel will provide the government with an increasing percentage of the revenues from operations to reach 50 percent in the seventh year. Spacetel expects to increase the number of employees substantially over the next five years. Average workers' wages will be 90 percent higher than the domestic sector standard, and Spacetel will provide its employees with extensive training. Technical staff will be sent to engineering and training institutes abroad. In addition to bringing an efficient and reliable mobile telephone network to the Syrian Arab Republic, the project will rely on domestic companies for advertising, engineering, IT and software companies, cable installation and construction, and will foster local enterprise development. The project addresses two of MIGA's priority areas: supporting basic infrastructure and encouraging cross-border investment among developing countries (Investcom Holding S.A. is incorporated in Luxembourg, but operates out of Lebanon, and Teleinvest is incorporated in the Cayman Islands, but operates out of Saudi Arabia). It also represents an integrated complement to the World Bank and IFC's efforts to foster foreign direct investment in the country, as well as improving the performance of the telecommunications sector.

TECHNICAL ASSISTANCE ACTIVITIES

MIGA's extensive outreach to countries conducted in fiscal 2004 resulted in the initiation of a number of new technical assistance activities. In **Lebanon**, MIGA plans to provide technical assistance to the Industrial Development Agency, Lebanon's investment promotion agency.

In **Jordan**, MIGA is reviewing the possibility of training the staff of the Jordan Investment Board (JIB) in client relationship management, market intelligence, capacity development, promotional outreach and utilizing FDI Xchange.

Although **Iraq** is not currently a member of MIGA, the Agency is exploring various avenues to encourage the inflow of FDI into the country as this is an expressed priority of the interim Iraqi administration. MIGA participated in a World Bank Group Trade and Investment Conference held in Amman, Jordan in May 2004 and met with key Iraqi government and private sector representatives to discuss a strategy for trade and investment. In particular, MIGA plans to support Iraq's efforts to develop its investment promotion through the Agency's online resources, such as the FDI Center.

A joint MIGA-IFC project was launched in **Morocco** in fiscal 2004 to assess the viability of a program to develop a regional IPA promoting economic development of the Tangiers region. MIGA and IFC's North Africa Enterprise Development Facility (NAED), based in Rabat, engaged with stakeholders and the local business community to develop an investment plan—the Tangier Invest Initiative—which aims to promote and leverage the competitive and comparative advantages of the region. A comprehensive assessment, including a recommended institutional framework and business plan structure for Tangier Invest, was completed and shared with key stakeholders in Morocco in fiscal 2004. MIGA will provide technical assistance and capacity building to promote investment flows to the country and to the Tangiers region specifically.

Sub-Saharan Africa

Despite a boom in the energy sector in the region, sub-Saharan Africa's overall growth slowed over the course of the year. Adverse weather conditions reduced agricultural production, while export growth slowed due to sluggish economic conditions in Europe. FDI inflows increased slightly in 2003, although much of this was due to investments in the oil sector.

In fiscal 2004, MIGA supported four new projects through its guarantee program and undertook 28 technical assistance activities in the region. At year-end, MIGA's total gross guarantees exposure stood at $692 million, or 13 percent of the Agency's outstanding portfolio.

HIGHLIGHTS

Improving the Investment Climate

MIGA's mediation services have helped improve the investment climate in Ethiopia, enabling the country to conclude bilateral treaties with France and Germany. MIGA is helping to settle claims outstanding from the expropriation of foreign assets during the Mengistu regime. The resolution of these claims is expected to send a strong signal to the international business community and encourage FDI into the country.

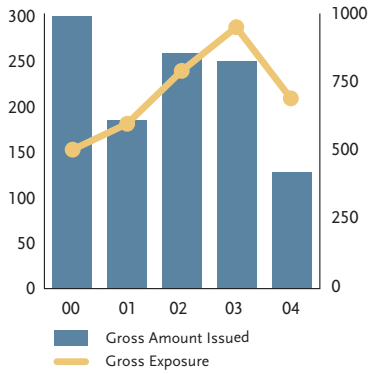
Building Capacity

MIGA supported and co-funded an investment outreach program under a partnership with the Swiss government, launched in 2001 and aimed at implementing a targeted investment facilitation initiative in four countries: Ghana, Mozambique, Senegal and Tanzania. In fiscal 2004, the program targeted the apparel, textile, call center and tourism industries. The outreach program has already resulted in concrete investments.

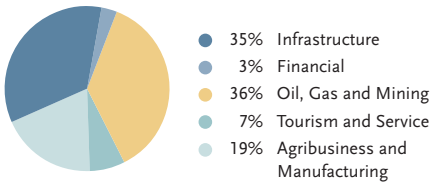
Introducing Technology

MIGA's coverage of a South African Internet service provider working in Nigeria met a number of the Agency's strategic priorities: the project enables technological innovation; it supports a small and medium enterprise; and promotes cross-border flows within the region.

Gross Amount of Guarantees Issued and Gross Exposure, $ M



Sector Breakdown of Total Guarantees Issued Since Inception, in Percent



Country	Activities
KENYA	**Geosurvey International, LLC** East Africa Geosurvey Ltd. Priority Areas: IDA, SSA MIGA issued a guarantee of $1.4 million to **Geosurvey International, LLC** of the US for its $1.5 million equity investment in **East Africa Geosurvey Ltd.** of Kenya. The guarantee is for a period of 15 years and provides coverage against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. The project involves the development of a computerized database system for Kenyan local authority councils, which will link landbase mapping and land parcel data with property ownership and taxation records in a Land Information System. The project aims to strengthen municipal councils' property assessment procedures, as well as taxation and fees collection systems. The project will have several important developmental impacts for the Kenyan economy. Since property taxes in Kenya generally provide 20 percent of the total revenues of local governments and 1 percent of central government revenue, East Africa Geosurvey Limited's operations could potentially bolster state and community coffers. It is estimated that, with the help of the project, local governments will be able to double the collection of property-related taxes and fees within three years in the counties and towns participating in the project. The project will also permanently employ about 500 local workers. In addition, the project's operations will yield many peripheral benefits to local communities, including improving access to accurate property information, updating the local address system, improving consumer access to mortgages, and enabling municipal governments to issue bonds and access capital markets. The project is consistent with the World Bank Group strategy for Kenya, which focuses on supporting government efforts to improve economic governance and achieve fiscal adjustment. East African Geosurvey Limited will create an opportunity for better tax collection and possibly better municipal services.

Country	Activities
MOZAMBIQUE	**Standard Bank of South Africa Limited (formerly known as Standard Corporate and Merchant Bank of South Africa)** Republic of Mozambique Pipeline Investment Company (Pty.) Ltd. and Sasol Petroleum Temane Limitada Priority Areas: IDA, SSA, S-S MIGA issued to **Standard Bank of South Africa Limited** guarantees of $87.8 million and $25.7 million for its respective loans of $92.4 million to the **Republic of Mozambique Pipeline Investment Company (Pty.) Ltd.** (ROMPCO) of South Africa and $27 million to **Sasol Petroleum Temane Limitada** (SPT) of Mozambique. Both SPT and ROMPCO are wholly-owned subsidiaries of the Sasol Limited Group. The guarantees are for a period of up to 13 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. MIGA's coverage of the loans replaces two equity guarantees issued in fiscal 2003 to the Sasol Limited Group in support of its initial investments in ROMPCO and SPT. A portion of the guarantees issued by MIGA has been reinsured under the Agency's facultative reinsurance program. MIGA's guarantees support the development of Mozambique's Temane and Pande gas fields and the construction of a 865 km cross-border gas pipeline in Mozambique and South Africa. The project represents the first cross border initiative in sub-Saharan Africa in developing regional natural gas markets and will generate many benefits for the local economy, including government revenues estimated to be in excess of $2 billion over the project's 25-year lifetime. Contracts for local purchases of goods and services on an ongoing basis are estimated to be more than $1 million per year. The project will substantially add to Mozambique's infrastructure through the development of roads, water supplies and the removal of land mines. Environmentally, the project will contribute to the reduction of harmful emissions by replacing heavy oils and sulphur-rich coal with clean burning natural gas. (For more on this project, see Box 3, page 17).
	Mozambique Rice Growers Pty. Ltd. Auroz Limitada Priority Areas: IDA, SSA, SME MIGA issued a guarantee of $450,000 to **Mozambique Rice Growers Pty. Ltd.** of Australia for its $500,000 equity investment in **Auroz Limitada** of Mozambique for a project to develop land for rice production. The guarantee is for a period of ten years and provides coverage against the risks of expropriation, transfer restriction, and war and civil disturbance.

Country	Activities

NIGERIA

Accelon (Pty.) Ltd.
IP Satellite Services Ltd.

Priority Areas: IDA, SSA, S-S, SME

MIGA issued $11.4 million in guarantee coverage to **Accelon (Pty.) Ltd.** of South Africa for its $15.2 million equity investment in **IP Satellite Services Ltd.** of Nigeria. The guarantee is for a period of three years and provides coverage against the risks of expropriation and war and civil disturbance.

The project involves the establishment of an internet service provider facility to be operated via a satellite platform. The project enterprise will offer standardized shared Internet access services. Flexible service packages will be offered based on bandwidth attributes, providing email, web browsing, file downloads, teleconferencing, virtual private networks with committed information rates, broadband services, interactive TV services, and voice services, all from a common platform.

IP Satellite Services Ltd. will offer Nigerians the kind of internet services and tools typically available only to large enterprises or corporations. Consequently, high-quality, high-speed Internet services (including cutting-edge communication, business, learning, and entertainment services) will become more accessible and affordable for a broad range of business clients and consumers. Moreover, the project enterprise will further disseminate technological know-how in Nigeria by providing $1 million in technical training to its staff over a five-year period.

The project will contribute to the Nigerian economy by creating employment opportunities and generating tax revenues. In addition, peripheral business opportunities will be created for entrepreneurial Nigerians by developing a network of dealers with a broad geographic presence throughout the country.

Ewekoro Power Plant Sales Limited
Ewekoro Power Limited

Priority Areas: IDA, SSA, SME

MIGA provided **Ewekoro Power Plant Sales Limited** (Ewekoro) of the UK an amendment to a $19 million guarantee contract, which was underwritten in fiscal 2003. The amendment provides coverage for a $4.3 million increase in the original shareholder loan to Ewekoro's Nigerian subsidiary, **Ewekoro Power Limited** (Ewekoro Nigeria), from $13.3 million to $17.6 million. The additional amount guaranteed is $1.9 million. The guarantee is for a period of eight years and provides coverage against the risks of transfer restriction, expropriation, and war and civil disturbance.

Ewekoro Nigeria supplies electrical power to a cement plant located outside the city of Lagos owned by West African Portland Cement PLC. The project installation consists of four new gas engines with a total capacity of 12.5 megawatts under a Build-Own-Operate agreement with the customer, helping to meet the construction needs of Nigeria's fast-growing population.

MIGA's involvement in the project helps create local jobs and facilitates local economic growth. The project is also expected to have a positive impact on the local environment, as it is replacing old inefficient generating equipment with modern and efficient gas engines.

Box 4
MIGA-Swiss Partnership in Africa

In fiscal 2002, the Swiss State Secretariat for Economic Affairs and MIGA developed a partnership agreement to implement a targeted investment facilitation initiative in sub-Saharan Africa. The aim was to work with selected African investment promotion agencies to help them reach out to international investors and attract the FDI that would allow them to access global and regional markets. This multi-year initiative encourages investors to take advantage of increased African trade access under the United States African Growth and Opportunities Act (AGOA) and the European Union's Cotonou agreement, which are expected to encourage exports from Africa, particularly in the apparel, textiles and agribusiness sectors. Four countries —Ghana, Mozambique, Senegal and Tanzania— were selected to initially participate in the program.

Fiscal 2004 saw some tangible results emerging from the program. MIGA organized and led a delegation from the four countries to Hong Kong as part of an apparel industry outreach program. MIGA also co-funded an exhibition and outreach program for the four countries at a major AGOA-focused event in South Africa. These outreach efforts are starting to yield results: 20 companies paid return visits to Ghana to explore investment prospects; Mozambique held detailed discussions with a potential major investor in the aluminum industry; Senegal had several visits from Hong Kong apparel investors, and is undertaking a major IT-enabled services outreach program in Paris in fiscal 2004; and Tanzania has had some limited investor interest in the apparel industry and substantial investment inflows in tourism.

TECHNICAL ASSISTANCE ACTIVITIES

Partnerships have been particularly important in developing MIGA's technical assistance program in sub-Saharan Africa. In fiscal 2004, MIGA strengthened its relationship with the Corporate Council for Africa (CCA) to promote capital flows to Africa. MIGA also worked closely with the World Economic Forum's Africa Economic Summit—co-funding the Forum's Africa Competitiveness Report, which collates an array of competitiveness information on African investment environments and opportunities.

Under the MIGA-Swiss Partnership, a major effort is being undertaken to increase FDI into **Ghana**, **Mozambique**, **Senegal** and **Tanzania**. MIGA supported these countries in other ways in fiscal 2004: in Mozambique, MIGA supported the institutional component of the IDA's Mozambique Enterprise Development project; in Senegal, MIGA provided support to the national IPA, Agence Nationale Chargée de la Promotion de l'Investissement et des Grands Travaux, APIX, to develop a business plan that would enable the agency to secure substantial World Bank output-based funding; and in Tanzania, MIGA identified a work plan to encourage investment in the tourism industry, in consultation with the Ministry of Natural Resources and Tourism and members of the tourism industry.

In **Kenya**, the Export Processing Zones Authority and the Kenya Investment Promotion Center are recipients of a grant under MIGA's IIDP. Under the program, MIGA is helping these agencies gather, package and disseminate critical investment information. MIGA has also worked with the intermediaries to help them define their capacity building needs to interested donors.

MIGA gave presentations at the West Africa Regional Investment Promotion Forum held in Bamako, **Mali**, an event which is sponsored by USAID and organized with investment promotion intermediaries in the region. The forum was attended by representatives from eight regional countries.

At the request of the Eastern Cape Development Corporation of **South Africa**, MIGA carried out an institutional strategy and alignment study of the corporation and its dependent organizations, the Coega Industrial Development Zone and the East London Industrial Development Zone.

FINANCIAL OVERVIEW AND STATEMENTS

Income from Guarantees

As of June 30, 2004, total guarantees issued stood at US$1,076 million[1]. The gross and net exposures amounted to US$5,186 million and US$3,259 million compared to US$5,083 million and US$3,204 million at June 30, 2003. In FY04, income from guarantees, comprised of earned net premium income, fees and commissions, amounted to US$40.9 million, compared with US$39.5 million in FY03. MIGA's annual premium income is largely driven by its average net exposure during that year, which in turn is determined by two offsetting factors: new guarantees and contract cancellations, expiries, reductions and replacements. While the volume of MIGA's FY04 new guarantee business was smaller than that of FY03, a significant decrease in the volume of contract cancellations, expiries, reductions and replacements (net $578.8 million, compared with FY03's $826.6 million) contributed to a slight increase in the net exposure.

Premium Income Analysis FY00-FY04

US$ millions

	FY01	FY02	FY03	FY04
Total Guarantees issued	2,153	1,357	1,372	1,076
Gross Exposure	5,180	5,257	5,083	5,186
Net Exposure	3,157	3,202	3,204	3,259
Premium income	46.3	57.1	53.9	57.9
Premium ceded	(18.0)	(24.4)	(21.4)	(23.2)
Fees and commissions	8.2	7.7	7.0	6.2
Net premium income	36.5	40.4	39.5	40.9

Investment Income

MIGA's investment income in FY04 amounted to US$14.2 million compared with US$25.3 million in FY03. The investment return decreased from 3.7 percent in FY03 to 1.95 percent in FY04. The total return, including unrealized gains and losses, decreased from 3.5% in FY03 to 1.0% in FY04. The average maturity of the portfolio was 11.7 months at June 30, 2004.

Investment Income FY00-FY04

US$ millions

	FY01	FY02	FY03	FY04
Investment portfolio	552	692	689	739
Total return on investments %	7.5	4.8	3.5	1.0
Investment income	30.4	28.7	25.3	14.2

Reserve for Claims

As of June 30, 2004, MIGA's Reserve for Claims was comprised of the Specific Claims Reserve of US$27.7 million (US$39.2 million as of June 30, 2003) and the General Claims Reserves of US$235.5 million (US$285.7 million as of June 30, 2003) [2]. During the year, there was a US$62.4 million release of provision for claims.

Reserve for Claims FY00-FY04

US$ millions

	FY01	FY02	FY03	FY04
Systemic Losses	207	224	210	182
Attritional Losses	76	76	83	78
Project/Contract Level Adjustments	26	0	14	4
	309	300	307	264
Reinsurer Credit Risk	80	81	69	55
Administrative & Salvage Expense	110	115	128	118
Future Net Premium Income	(205)	(199)	(218)	(202)
General Claims Reserve	294	297	286	235
Specific Claims Reserve	1	45	39	28
Reserve for Claims	295	342	325	263

1 *There were no outstanding commitments as of June 30, 2004*

2 *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

In FY04, the administrative expenses amounted to $28.0 million compared with an administrative budget of $31.7 million. This represented 88% of the budgeted amount.

Net Income

In FY04, net income amounted to $88.0 million compared to $58.8 million in FY03. This was primarily due to a significant release of provision for claims which amounted to $62.4 million compared to the release of provision for claims of $20.7 million in FY03, and the provision for claims of $43.9 million in FY02 and $29.7 million in FY01.

Income Statement FY01-FY04

US$ millions

	FY01	FY02	FY03	FY04
Premium income	46.3	57.1	53.9	57.9
Premium ceded	(18.0)	(24.4)	(21.4)	(23.2)
Fees and commissions	8.2	7.7	7.0	6.2
	36.5	40.4	39.5	40.9
Income from investments	30.4	28.7	25.3	14.2
Income from the SRP and other Staff benefits plans	3.0	2.2		
	69.9	71.3	64.8	55.1
Administrative expenses	(19.8)	(21.9)	(25.5)	(28.0)
Other expenses	(0.8)	(1.0)	(1.1)	(1.6)
Provision for claims	(29.7)	(43.9)	20.7	62.4
Net Income	19.6	4.5	58.8	88.0

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 Council 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 reserve 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 subscribe to their GCI shares as soon as possible. The reserved shares are issued and corresponding voting power accrues when the subscription process reaches completion, i.e., when the required payment has been received. As of June 30, 2004, cumulative subscriptions to the GCI totaled 63,084 shares equivalent to US$682.6 million. This represents 80.3% of the total number of shares authorized under the GCI.

General Capital Increase

As of June 30, 2004

	Category One		Category Two		All Countries	
	Number	US$M	Number	US$M	Number	US$M
Fully Subscribed	19	284.5	80	237.8	99	522.3
Partly Subscribed	2	159.2	1	1.1	3	160.3
Total Subscribed	21	443.7	81	238.9	102	682.6
Reserved through Instrument of Contribution		50.1	32	92.5	32	142.6
Total Subscribed & Reserved	21	493.8	113	331.3	134	825.2
Allocated	21	493.8	140	356.2	161	850.0
Subscribed %		89.9		67.1		80.3
Subscribed & Reserved %		100.0		93.0		97.1

Liquidity

MIGA measures liquidity by reference to both (i) the resources that are available to pay claims ("Sources of Cash"), and (ii) the capital and reserves that are available to sustain losses and support the on-going business ("Operating Capital"). As of June 30, 2004, Sources of Cash amounted to US$1,007 million, including MIGA's cash and investment portfolio of US$748 million, credit facilities of US$150 million , and promissory notes of US$109 million. Operating Capital of US$811 million comprised a General Claims Reserve of US$235 million, Retained Earnings of US$228 million, and Paid-in Capital of US$348 million. In addition, MIGA was supported by US$1.5 billion of callable capital.

Liquidity FY00-FY04

US$ millions

	FY01	FY02	FY03	FY04
Cash and investments	556	702	700	748
Credit facilities *	110	185	150	150
Promissory notes	101	103	105	109
Sources of Cash	767	990	955	1,007
General claims reserves	294	297	286	235
Retained earnings & other income	68	77	141	228
Paid-in capital	291	328	339	348
Operating Capital	653	702	766	811

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 23.9 in FY03 to 24.9 in FY04 remains satisfactory.

Risk Bearing Capacity FY00-FY04

US$ millions

	FY01	FY02	FY03	FY04
Net Exposure	3,157	3,202	3,204	3,259
General Claims reserves	294	297	286	235
Retained Earnings & other Income	68	77	141	228
Paid-in-Capital	291	328	339	348
Operating Capital *	653	702	766	811
Operating Capital/Net Exposure (%)	20.7	21.9	23.9	24.9

** Specific claims reserves are not included in operating capital*

[3] *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.*

[4] *Specific claims reserves are not included in Operating Capital.*

World Bank Group
Multilateral Investment Guarantee Agency

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

8/3/2004

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.

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 accompanies the audited financial statements.

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.

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, 2004. 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

1818 H Street, NW Washington, DC 20433 www.miga.org

with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The independent accounting firm that audited the financial statements has issued an attestation report on Management's assessment of MIGA's internal control over external financial reporting.

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.

James D. Wolfensohn
President

Yukiko Omura
Executive Vice President

Amédée Prouvost
Director and Chief Financial Officer

Deloitte.

Deloitte Services LP
Suite 500
555 12th Street N.W.
Washington, DC 20004-1207
USA

Tel: +1 202 879 5600
Fax: +1 202 879 5309
www.deloitte.com

President and Board of Governors
Multilateral Investment Guarantee Agency

We have examined management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Controls Over External Financial Reporting*, that the Multilateral Investment Guarantee Agency 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 as of June 30, 2004, based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO report). Management is responsible for maintaining effective internal control over external financial reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of internal control over financial reporting, testing, and evaluating the design and operating effectiveness of the internal control over 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, 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 the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that the Multilateral Investment Guarantee Agency 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 as of June 30, 2004, is fairly stated, in all material respects, based on the criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Deloitte & Touche LLP

August 3, 2004

Member of
Deloitte Touche Tohmatsu

Report of Independent Accountants

Deloitte.

Deloitte Services LP
Suite 500
555 12th Street N.W.
Washington, DC 20004-1207
USA

Tel: +1 202 879 5600
Fax: +1 202 879 5309
www.deloitte.com

President and Board of Governors
Multilateral Investment Guarantee Agency

We have audited the accompanying balance sheet of the Multilateral Investment Guarantee Agency, as of June 30, 2004 and 2003, including the statement of subscription to capital stock and voting power and the statement of guarantees outstanding as of June 30, 2004, 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, 2004 and 2003 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 LLP

August 3, 2004

Member of
Deloitte Touche Tohmatsu

Balance Sheet

June 30, 2004 and June 30, 2003

Expressed in thousands of US dollars	2004	2003
Assets		
CASH	$9,101	$11,190
INVESTMENTS–Note B		
Available-for-sale	739,145	688,733
NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS–Note C	108,968	105,509
OTHER ASSETS		
Estimated reinsurance recoverables	144,700	194,700
Other assets	26,455	70,005
	171,155	264,705
TOTAL ASSETS	$1,028,369	$1,070,137
Liabilities and Shareholders' Equity		
LIABILITIES		
Accounts payable and accrued expenses	$26,719	$50,948
Unearned premiums and commitments fees	18,122	19,304
Reserve for claims–Note F		
Reserve for claims net of estimated reinsurance recoverables	235,500	285,700
Specific reserve for claims	27,700	39,200
Estimated reinsurance recoverables	144,700	194,700
Reserve for claims–gross	407,900	519,600
Total liabilities	452,741	589,852
SHAREHOLDERS' EQUITY		
Capital stock–Note C		
Authorized capital (183,496 shares-June 30, 2004; 181,755 shares-June 30, 2003)		
Subscribed capital (168,021 shares-June 30, 2004; 163,745 shares - June 30, 2003)	1,817,987	1,771,721
Less uncalled portion of subscriptions	1,470,430	1,432,773
	347,557	338,948
Payments on account of pending subscriptions	67	222
	347,624	339,170
Retained earnings	226,248	138,244
Accumulated other comprehensive income	1,756	2,871
Total shareholders' equity	575,628	480,285
CONTINGENT LIABILITIES–Notes D and E		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,028,369	$1,070,137

See Notes to Financial Statements

Statement of Income

For the fiscal years ended June 30, 2004 and June 30, 2003

Expressed in thousands of US dollars	2004	2003
INCOME		
Income from guarantees		
Premium income	$57,947	$53,878
Premium ceded	(23,225)	(21,371)
Fees and commissions	6,194	6,990
Total	40,916	39,497
Income from investments		
Available-for-sale	14,241	25,298
Miscellaneous income	4	16
Total income	55,161	64,811
EXPENSES		
(Release of) provision for claims–Note F	(62,440)	(20,672)
Administrative expenses–Notes G,H and I	27,985	25,523
Other expenses	1,612	1,144
Total expenses	(32,843)	5,995
NET INCOME	$88,004	$58,816

Statement of Comprehensive Income

For the fiscal years ended June 30, 2004 and June 30, 2003

Expressed in thousands of US dollars	2004	2003
NET INCOME	$88,004	$58,816
OTHER COMPREHENSIVE INCOME		
Translation adjustment	5,898	7,035
Unrealized loss on available-for-sale investments	(7,013)	(1,730)
Total	(1,115)	5,305
TOTAL COMPREHENSIVE INCOME	$86,889	$64,121

Statement of Changes in Shareholders' Equity

For the fiscal years ended June 30, 2004 and June 30, 2003

Expressed in thousands of US dollars	2004	2003
CAPITAL STOCK		
Balance at beginning of the fiscal year	$339,170	$328,023
New subscriptions	8,609	11,141
Payments on account of pending subscriptions	(155)	6
Ending Balance	347,624	339,170
RETAINED EARNINGS		
Balance at beginning of the fiscal year	138,244	79,428
Net income	88,004	58,816
Ending Balance	226,248	138,244
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at beginning of the fiscal year	2,871	(2,434)
Other comprehensive income	(1,115)	5,305
Ending Balance	1,756	2,871
TOTAL SHAREHOLDERS' EQUITY	$575,628	$480,285

See Notes to Financial Statements

Statement of Cash Flows

For the fiscal years ended June 30, 2004 and June 30, 2003

Expressed in thousands of US dollars	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$88,004	$58,816
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Release of provision for claims	(62,440)	(20,672)
Decrease (increase) in other assets	43,597	(30,316)
Decrease in unearned premiums and commitment fees	(1,355)	(2,606)
Decrease in accounts payable	(25,112)	(24,970)
	42,694	(19,748)
Claim recovery–net of payments	0	1,568
Net cash (used in) provided by operating activities	42,694	(18,180)
CASH FLOWS FROM INVESTING ACTIVITIES		
Available-for-sale portfolio:		
Sales and maturities	25,290,792	20,914,333
Purchases	(25,343,386)	(20,905,665)
Net cash (used in) provided by investing activities	(52,594)	8,668
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital subscription payments	7,287	10,257
EFFECT OF EXCHANGE RATE CHANGES ON CASH	524	(72)
Net (Decrease) increase in cash	(2,089)	673
Cash at beginning of the fiscal year	11,190	10,517
CASH AT END OF THE FISCAL YEAR	$9,101	$11,190

See Notes to Financial Statements

Statement of Subscriptions to Capital Stock and Voting Power

As of June 30, 2004

Expressed in thousands of US dollars

	Subscriptions (Note C)				Voting power	
Members	Shares [a]	Total Subscribed	Amount Paid-in	Amount Subject to Call	Number of Votes	% of Total
Afghanistan	118	$ 1,277	$ 255	$ 1,022	295	0.15
Albania	102	1,104	210	894	279	0.14
Algeria	1,144	12,378	2,350	10,028	1,321	0.67
Angola	187	2,023	405	1,618	364	0.18
Argentina	1,254	13,568	2,714	10,854	1,431	0.73
Armenia	80	866	173	693	257	0.13
Australia	3,019	32,666	6,201	26,465	3,196	1.62
Austria	1,366	14,780	2,806	11,974	1,543	0.78
Azerbaijan	115	1,244	249	995	292	0.15
Bahamas, The	176	1,904	362	1,542	353	0.18
Bahrain	136	1,472	279	1,193	313	0.16
Bangladesh	599	6,481	1,230	5,251	776	0.39
Barbados	120	1,298	246	1,052	297	0.15
Belarus	233	2,521	504	2,017	410	0.21
Belgium	3,577	38,703	7,347	31,356	3,754	1.91
Belize	88	952	181	771	265	0.13
Benin	108	1,169	222	947	285	0.14
Bolivia	220	2,380	452	1,928	397	0.20
Bosnia and Herzegovina	80	866	173	693	257	0.13
Botswana	88	952	181	771	265	0.13
Brazil	2,606	28,197	5,353	22,844	2,783	1.41
Bulgaria	643	6,957	1,321	5,636	820	0.42
Burkina Faso	61	660	132	528	238	0.12
Burundi	74	801	160	641	251	0.13
Cambodia	164	1,774	337	1,437	341	0.17
Cameroon	107	1,158	232	926	284	0.14
Canada	5,225	56,535	10,732	45,803	5,402	2.74
Cape Verde	50	541	108	433	227	0.12
Central African Republic	60	649	130	519	237	0.12
Chad	60	649	130	519	237	0.12
Chile	485	5,248	1,050	4,198	662	0.34
China	5,530	59,835	11,359	48,476	5,707	2.90
Colombia	770	8,331	1,582	6,749	947	0.48
Congo, Democratic Republic of	596	6,449	1,224	5,225	773	0.39
Congo, Republic of	115	1,244	236	1,008	292	0.15
Costa Rica	206	2,229	423	1,806	383	0.19
Cote d'Ivoire	310	3,354	637	2,717	487	0.25
Croatia	330	3,571	678	2,893	507	0.26
Cyprus	183	1,980	376	1,604	360	0.18
Czech Republic	784	8,483	1,610	6,873	961	0.49
Denmark	1,265	13,687	2,598	11,089	1,442	0.73
Dominica	50	541	108	433	227	0.12
Dominican Republic	147	1,591	318	1,273	324	0.16
Ecuador	321	3,473	659	2,814	498	0.25
Egypt, Arab Republic of	809	8,753	1,662	7,091	986	0.50
El Salvador	122	1,320	264	1,056	299	0.15
Equatorial Guinea	50	541	108	433	227	0.12
Eritrea	50	541	108	433	227	0.12
Estonia	115	1,244	236	1,008	292	0.15
Ethiopia	123	1,331	253	1,078	300	0.15
Fiji	71	768	154	614	248	0.13
Finland	1,057	11,437	2,171	9,266	1,234	0.63
France	8,203	88,756	16,901	71,855	8,380	4.25

See Notes to Financial Statements

Statement of Subscriptions to Capital Stock and Voting Power (Cont'd)
As of June 30, 2004
Expressed in thousands of US dollar

	Subscriptions (Note C)					Voting power	
Members	Shares [a]	Total Subscribed	Amount Paid-in	Amount Due	Amount Subject to Call	Number of Votes	% of Total
Gabon	169	1,829	347		1,482	346	0.18
Gambia, The	50	541	108		433	227	0.12
Georgia	111	1,201	240		961	288	0.15
Germany	8,936	96,688	18,355		78,333	9,113	4.62
Ghana	432	4,674	887		3,787	609	0.31
Greece	493	5,334	1,013		4,321	670	0.34
Grenada	50	541	108		433	227	0.12
Guatemala	140	1,515	303		1,212	317	0.16
Guinea	91	985	197		788	268	0.14
Guyana	84	909	182		727	261	0.13
Haití	75	812	162		650	252	0.13
Honduras	178	1,926	366		1,560	355	0.18
Hungary	994	10,755	2,042		8,713	1,171	0.59
Iceland	90	974	195		779	267	0.14
India	3,048	32,979	6,596		26,383	3,225	1.64
Indonesia	1,849	20,006	3,798		16,208	2,026	1.03
Iran, Islamic Republic	1,659	17,950	3,590		14,360	1,836	0.93
Ireland	650	7,033	1,335		5,698	827	0.42
Israel	835	9,035	1,715		7,320	1,012	0.51
Italy	4,970	53,775	10,208		43,567	5,147	2.61
Jamaica	181	1,958	392		1,566	358	0.18
Japan	8,979	97,153	18,443		78,710	9,156	4.65
Jordan	171	1,850	351		1,499	348	0.18
Kazakhstan	368	3,982	756		3,226	545	0.28
Kenya	303	3,278	622		2,656	480	0.24
Korea, Republic of	791	8,559	1,625		6,934	968	0.49
Kuwait	1,639	17,734	3,367		14,367	1,816	0.92
Kyrgyz Republic	77	833	167		666	254	0.13
Lao People's Democratic Republic	60	649	130		519	237	0.12
Latvia	171	1,850	351		1,499	348	0.18
Lebanon	250	2,705	514		2,191	427	0.22
Lesotho	88	952	181		771	265	0.13
Libya	549	5,940	1,188		4,752	726	0.37
Lithuania	187	2,023	384		1,639	364	0.18
Luxembourg	204	2,207	419		1,788	381	0.19
Macedonia, frm Yugoslav Rep. of	88	952	181		771	265	0.13
Madagascar	176	1,904	362		1,542	353	0.18
Malawi	77	833	167		666	254	0.13
Malaysia	1,020	11,036	2,095		8,941	1,197	0.61
Mali	143	1,547	294		1,253	320	0.16
Malta	132	1,428	271		1,157	309	0.16
Mauritania	111	1,201	228		973	288	0.15
Mauritius	153	1,655	314		1,341	330	0.17
Micronesia, Federated States of	50	541	108		433	227	0.12
Moldova	96	1,039	208		831	273	0.14
Mongolia	58	628	126		502	235	0.12
Morocco	613	6,633	1,259		5,374	790	0.40
Mozambique	171	1,850	351		1,499	348	0.18
Namibia	107	1,158	232		926	284	0.14
Nepal	122	1,320	251		1,069	299	0.15
Netherlands	3,822	41,354	7,850		33,504	3,999	2.03
Nicaragua	180	1,948	370		1,578	357	0.18
Nigeria	1,487	16,089	3,054		13,035	1,664	0.84

See Notes to Financial Statements

Statement of Subscriptions to Capital Stock and Voting Power (Cont'd)
As of June 30, 2004
Expressed in thousands of US dollar

		Subscriptions (Note C)				Voting power	
Members	Shares [a]	Total Subscribed	Amount Paid-in	Amount Due	Amount Subject to Call	Number of Votes	% of Total
Norway	1,232	13,330	2,531		10,799	1,409	0.72
Oman	166	1,796	341		1,455	343	0.17
Pakistan	1,163	12,584	2,389		10,195	1,340	0.68
Palau	50	541	108		433	227	0.12
Panama	231	2,499	474		2,025	408	0.21
Papua New Guinea	96	1,039	208		831	273	0.14
Paraguay	141	1,526	290		1,236	318	0.16
Peru	657	7,109	1,350		5,759	834	0.42
Philippines	484	5,237	1,047		4,190	661	0.34
Poland	764	8,266	1,653		6,613	941	0.48
Portugal	673	7,282	1,382		5,900	850	0.43
Qatar	241	2,608	495		2,113	418	0.21
Romania	978	10,582	2,009		8,573	1,155	0.59
Russian Federation	5,528	59,813	11,355		48,458	5,705	2.90
Rwanda	132	1,428	271		1,157	309	0.16
St. Kitts and Nevis	50	541	108		433	227	0.12
St. Lucia	88	952	181		771	265	0.13
St. Vincent and the Grenadines	88	952	181		771	265	0.13
Samoa	50	541	108		433	227	0.12
Saudi Arabia	5,528	59,813	11,355		48,458	5,705	2.90
Senegal	256	2,770	526		2,244	433	0.22
Serbia and Montenegro	407	4,404	836		3,568	584	0.30
Seychelles	50	541	108		433	227	0.12
Sierra Leone	132	1,428	271		1,157	309	0.16
Singapore	272	2,943	559		2,384	449	0.23
Slovak Republic	391	4,231	803		3,428	568	0.29
Slovenia	180	1,948	370		1,578	357	0.18
South Africa	1,662	17,983	3,414		14,569	1,839	0.93
Spain	2,265	24,507	4,652		19,855	2,442	1.24
Sri Lanka	374	4,047	783		3,264	551	0.28
Sudan	206	2,229	446		1,783	383	0.19
Suriname	82	887	177		710	259	0.13
Swaziland	58	628	126		502	235	0.12
Sweden	1,849	20,006	3,798		16,208	2,026	1.03
Switzerland	2,643	28,597	5,429		23,168	2,820	1.43
Syrian Arab Republic	296	3,203	608		2,595	473	0.24
Tajikistan	74	801	160		641	251	0.13
Tanzania	248	2,683	509		2,174	425	0.22
Thailand	742	8,028	1,524		6,504	919	0.47
Timor-Leste	50	541	108		433	227	0.12
Togo	77	833	167		666	254	0.13
Trinidad and Tobago	358	3,874	735		3,139	535	0.27
Tunisia	275	2,976	565		2,411	452	0.23
Turkey	814	8,807	1,672		7,135	991	0.50
Turkmenistan	66	714	143		571	243	0.12
Uganda	233	2,521	479		2,042	410	0.21
Ukraine	764	8,266	1,653		6,613	941	0.48
United Arab Emirates	372	4,025	805		3,220	549	0.28
United Kingdom	8,565	92,673	17,593		75,080	8,742	4.44
United States	31,889	345,039	66,117		278,922	32,066	16.27
Uruguay	202	2,186	437		1,749	379	0.19
Uzbekistan	175	1,894	379		1,515	352	0.18
Vanuatu	50	541	108		433	227	0.12

See Notes to Financial Statements

Statement of Subscriptions to Capital Stock and Voting Power (Cont'd)

As of June 30, 2004

Expressed in thousands of US dollar

	Subscriptions (Note C)					Voting power	
Members	Shares [a]	Total Subscribed	Amount Paid-in	Amount Due	Amount Subject to Call	Number of Votes	% of Total
Venezuela, Rep. Bolivariana de	1,427	15,440	3,088		12,352	1,604	0.81
Vietnam	388	4,198	797		3,401	565	0.29
Yemen, Republic of	155	1,677	335		1,342	332	0.17
Zambia	318	3,441	688		2,753	495	0.25
Zimbabwe	236	2,554	511		2,043	413	0.21
Total - June 30, 2004 [b]	168,021	$1,817,987	$347,557		$1,470,430	197,049	100.00
Total - June 30, 2003	163,745	$1,771,721	$338,948		$1,432,773	192,419	

Note: Amounts aggregating the equivalent of $67,000 has been received from Niger who is in the process of completing its membership

[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.*

See Notes to Financial Statements

Statement of Guarantees Outstanding
As of June 30, 2004
Expressed in thousands of US dollars

Host Country	Gross Exposure (Note D) 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	1,013			1,013		1,013
Argentina	192,916			192,916	101,562	91,354
Armenia	2,700			2,700		2,700
Azerbaijan	3,563			3,563	86	3,477
Bangladesh	45,650			45,650	5,500	40,150
Benin	4,406			4,406	441	3,965
Bolivia	14,594			14,594		14,594
Bosnia and Herzegovina		203,262		203,262	44,374	158,888
Brazil	623,720	1,985		625,705	389,042	236,664
Bulgaria		353,105		353,105	221,522	131,583
Burundi	911			911	91	820
Cape Verde	540			540		540
Chile	22,216			22,216		22,216
China	145,758	2,985		148,743	39,340	109,403
Colombia	62,415			62,415	31,208	31,208
Costa Rica	144,117			144,117	22,656	121,461
Cote d'Ivoire		18,161		18,161		18,161
Croatia	61,750	84,381		146,131	17,393	128,739
Czech Republic		5,231		5,231	523	4,708
Dominican Republic	91,257			91,257	27,965	63,292
Ecuador	98,910			98,910	6,645	92,265
Georgia	2,134			2,134		2,134
Guatemala	109,258			109,258	54,075	55,183
Guinea	15,707			15,707		15,707
Honduras	5,975			5,975		5,975
Indonesia	52,400			52,400	360	52,040
Jamaica	117,311			117,311	9,198	108,113
Jordan	24,300	21,130		45,430	13,629	31,801
Kazakhstan	9,036			9,036	720	8,316
Kenya	49,335			49,335	21,855	27,480
Kuwait	50,000			50,000		50,000
Kyrgyz Republic	42,138			42,138	4,125	38,013
Macedonia, FYR		364		364	36	328
Madagascar	1,035			1,035	518	518
Mali	25,224			25,224	2,522	22,701
Mauritania	21,410	12,401		33,811	3,381	30,430
Moldova	61,992			61,992	30,636	31,356
Mozambique	289,135		22,268	311,403	143,114	168,289
Nepal	30,146			30,146	16,025	14,122
Nicaragua	114,357			114,357	56,686	57,671
Nigeria	112,840			112,840	21,930	90,910
Pakistan	124,371	13,756	370	138,497	30,451	108,046
Panama	3,288			3,288		3,288
Peru	148,091			148,091	41,251	106,840
Philippines	112,000			112,000	8,200	103,800
Romania	119,165	211,697		330,862	151,428	179,434
Russian Federation	188,336	80,177		268,513	89,302	179,212
Senegal	2,760			2,760	276	2,484
Serbia and Montenegro	1,800	195,055		196,855	75,013	121,842
South Africa	12,300			12,300		12,300

See Notes to Financial Statements

Statement of Guarantees Outstanding
As of June 30, 2004
Expressed in thousands of US dollars

Host Country	Gross Exposure (Note D) US Dollars	Euro	Japanese Yen	Total	Reinsurance (Note D)	Net Exposure
Sri Lanka	1,686			1,686		1,68
Swaziland	32,000		22,268	54,268	27,134	27,134
Syrian Arab Republic	97,800			97,800	9,780	88,020
Tanzania	83,500			83,500	64,147	19,353
Togo		7,510		7,510		7,510
Turkey	172,848			172,848	75,222	97,626
Turkmenistan	2,826			2,826		2,826
Uganda	5,055			5,055		5,055
Ukraine	162,750			162,750	61,400	101,350
Venezuela, R.B. de	22,050			22,050	6,615	15,435
Vietnam	143,200			143,200	86,600	56,600
Zambia	3,600		2,703	6,303	360	5,943
	4,148,178	1,211,202	47,610	5,406,989	2,019,337	3,387,652
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		-22,268	-54,268	-27,134	-27,134
	-68,809		-22,268	-91,077	-27,134	-63,943
Adjustment for Master Agreement:	-129,895			-129,895	-64,948	-64,948
Total - June 30, 2004[a]	3,949,474	1,211,202	25,341	5,186,017	1,927,255	3,258,762
Total - June 30, 2003	4,263,695	796,029	23,054	5,082,778	1,878,789	3,203,989

[a] *May differ from the sum of individual figures shown because of rounding*

See Notes to Financial Statements

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 August 3, 2004, MIGA's Board of 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 On January 17, 2003, FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities – an interpretation of ARB No. 51 (FIN 46). During December, 2003, FASB replaced FIN 46 with FASB Interpretation No. 46, Consolidation of Variable Interest Entities – an interpretation of ARB No. 51 (FIN 46R). FIN 46 and FIN 46R defines certain "variable interest entities" (VIEs) and require parties to such entities to assess and measure variable interests in the VIEs for the purpose of determining possible consolidation of the VIEs. Enterprises are required to apply the provisions of either FIN 46 or FIN 46R to financial statements issued for periods ending after December 15, 2003. Enterprises are required to apply the full provisions of FIN 46R to financial statements issued for periods ending after March 15, 2004. MIGA analyzed various investments under the provisions of FIN 46R as of June 30, 2004, and as a result, did not identify any material variable interests in VIEs as of that date.

At its March 31, 2004 meeting, the FASB ratified the consensuses reached by the Emerging Issues Task Force (EITF) on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." EITF 03-1 provides clarity on the manner in which a company should evaluate and measure other-than temporary impairment on securities including available for sale securities. As noted in Note B, as part of its ongoing investment monitoring process, and based on the quality of MIGA's investment portfolio, MIGA has concluded that, as of June 30, 2004, there was no other than temporary impairments that had not been recognized. MIGA management believes that MIGA's process for assessing other than temporary impairment on its investments is effective and in accordance with EITF 03-1.

In December 2003, as part of its improvements to International Accounting Standards (IAS) project, IASB issued fifteen revised International Accounting Standards to eliminate redundancies and conflicts between exiting standards. The revised standards are to be applied for fiscal year beginning on or after January 1, 2005. MIGA is currently examining what impact these standards may have on MIGA's's financial statements.

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, 2004 and June 30, 2003 is as follows (in thousands of US dollars):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At June 30, 2004				
Government obligations	$405,125	$359	$3,509	$401,975
Time deposits	337,170	-	-	337,170
Total	$742,295	$359	$3,509	$739,145
At June 30, 2003				
Government obligations	$362,336	$3,497	$263	$365,570
Time deposits	323,163	-	0	323,163
Total	$685,499	$3,497	$263	$688,733

The expected maturities of investment securities in the available-for-sale portfolio at June 30, 2004 were as follows (in thousands of US dollars):

	Amortized Cost	Fair Value
At June 30, 2004		
Due in one year or less	$378,186	$377,405
Due after one year through two years	241,187	240,263
Due after two years through three years	122,922	121,477
Total	$742,295	$739,145

Investments were denominated primarily in United States dollars with instruments in non-dollar currencies representing 10.8 percent (10.0 percent - June 30, 2003) of the portfolio.

The following table shows the gross unrealized losses and fair value of the securities in MIGA's available-for-sale portfolio at a loss position, aggregated by the length of time that individual securities have been in a continuous unrealized loss position at June 30, 2004 and 2003.

Government Obligations

In thousands

	June 30, 2004			June 30, 2003		
	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses
Less than 12 months	$298,269	$295,804	$2,466	$56,855	$56,591	$263
12 months or more	51,803	50,759	1,043	-	-	-
Total	$350,072	$346,563	$3,509	$56,855	$56,591	$263

As part of its ongoing investment monitoring process, and based on the quality of MIGA's investment portfolio, MIGA has concluded that, as of June 30, 2004, there was no other than temporary impairments that had not been recognized. MIGA management believes that MIGA's process for assessing other than temporary impairment on its investments is effective and in accordance with EITF 03-1.

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, 2004, the initial authorized capital stock increased to 104,937 (103,196 – June 30, 2003) 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. The reserved shares will be issued and corresponding voting power will accrue when the subscription process has been received.

At June 30, 2004, MIGA's authorized capital stock comprised 183,496 shares of which 168,021 (163,745 – June 30, 2003) 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, $347,557,000 ($338,948,000 – June 30, 2003) has been paid in; and the remaining $1,470,430,000 ($1,432,773,000 – June 30, 2003) is subject to call. Of the amounts paid in, at June 30, 2004, $108,968,000 ($105,509,000 – June 30, 2003) is in the form of nonnegotiable, noninterest bearing demand obligations (promissory notes). A summary of MIGA's capital stock at June 30, 2004 and June 30, 2003 is as follows:

	Initial Capital		Capital Increase		Total	
	Shares	(US$000)	Shares	(US$000)	Shares	(US$000)
At June 30, 2004						
Authorized	104,937	$1,135,418	78,559	$850,008	183,496	$1,985,426
Subscribed	104,937	$1,135,418	63,084	$682,569	168,021	$1,817,987
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

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.

MIGA also acts as administrator of some investment guarantee trust funds. MIGA, on behalf of the trust funds, issues guarantees against loss caused by non-commercial risks to eligible investors on qualified investments in the countries specified in the trust fund agreements. Under the guarantee trust fund agreements, MIGA, as administrator of the guarantee trust funds, is not liable on its own account for payment of any claims under contracts of guarantees issued by MIGA, on behalf of such trust funds.

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, 2004, the maximum level of guarantees outstanding may not exceed $9,723,176,000.

Contingent Liability The maximum amount of contingent liability of MIGA under guarantees outstanding at June 30, 2004 totaled $5,186,017,000 ($5,082,778,000 - June 30, 2003). 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, 2004, MIGA's estimate of its actual exposure to insurance claims exclusive of standby coverage is $2,393,563,000 ($2,386,500,000 - June 30, 2003).

Additional guarantee capacity committed was $nil at June 30, 2004 and 2003.

Claim As of June 30, 2004, MIGA had three pending claims for which specific liability has not yet been determined. Two of the pending claims were expropriation claims for losses related to projects in Argentina. On the first claim, received in July 2002, the amount of loss was not specified. However, the maximum aggregate liability under the contract amounts to $5 million. The claim determination period is scheduled to end in July 2004. The second claim, received on January 13, 2004 was for losses amounting to $1.5 million. The waiting period before claim recognition is scheduled to end on December 12, 2004. The third claim, involving two contracts, were for claims under war and civil disturbance coverage resulting from an attack by guerillas on a project in Nepal. The claim, received on April 6, 2004, amounted to US$144,660 of which approximately 60% is reinsured. The claim was recognized as valid, but the amount of compensation is yet to be ascertained in light of further documentation to be provided by the investor. Final claim determination will occur in July 2004.

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 $5,186,017,000 outstanding contingent liability (gross exposure) at June 30, 2004 ($5,082,778,000 - June 30, 2003), $1,927,255,000 was ceded through contracts of reinsurance ($1,878,789,000 - June 30, 2003). Net exposure amounted to $3,258,762,000 as at June 30, 2004 ($3,203,989,000 - June 30, 2003).

MIGA can also provide both public (official) and private insurers with reinsurance. As of June 30, 2004, total insurance assumed by MIGA, primarily with official investment insurers, amounted to $121,838,000 ($122,238,000 - June 30, 2003).

Premiums relating to direct, assumed, and ceded contracts for the fiscal years ended June 30, 2004 and June 30, 2003 were as follows:

In thousands	2004	2003
Premiums written		
Direct	$55,564	$50,473
Assumed	854	941
Ceded	(22,665)	(20,336)
Premiums earned		
Direct	56,724	53,288
Assumed	1,223	590
Ceded	(23,225)	(21,371)

NOTE F: Reserve for Claims

MIGA's gross reserve for claims as of June 30, 2004 amounted to $407,900,000 ($519,600,000 – June 30, 2003)

Changes to the gross reserve for claims for the fiscal years ended June 30, 2004 and June 30, 2003 were as follows:

In thousands	2004	2003
Balance, beginning of the fiscal year	$519,600	$598,000
Release of provision for claims-net	(62,440)	(20,672)
Estimated reinsurance recoverables	(50,000)	(61,100)
Claims recovered		1,567
Translation adjustment	740	1,805
Balance, end of the fiscal year	$407,900	$519,600

At June 30, 2004, the specific reserve amounted to $27,700,000 ($39,200,000 - June 30, 2003). This includes 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. As of June 30, 2003, the specific claims reserves also included a special reserve which was previously established to reflect MIGA management's assessment of a significant increase in risk in certain countries and for which MIGA management believed that a claim notification may have been imminent. As of June 30, 2004, this special reserve was eliminated.

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, 2004 and June 30, 2003 was $nil. The portion of the cost for RSBP and the PEBP for the fiscal year ended June 30, 2004 was $419,600 ($506,000 – June 30, 2003). In addition, at June 30, 2004, MIGA had a receivable from IBRD in the amount of $15,820,776 ($14,966,419 – June 30, 2003) representing the accumulated excess of its contributions to pension assets over its allocated net periodic pension cost.

During the fiscal year ended June 30, 2004, MIGA recorded Staff Retirement expense of $805,284 which has been included in Administrative Expenses on the statement of income.

NOTE H: Service and Support Fee

MIGA contributes its share of the World Bank Group's corporate costs which include the Council of Governors and the Board of Directors, the President's office, the Corporate Secretariat, the Internal Auditing Department, the Department of Institutional Integrity, and the Conflict Resolution Services. In addition, MIGA obtains certain administrative and support services from IBRD in those areas where services can be most 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, 2004, were $3,478,296 ($1,725,914 - June 30, 2003).

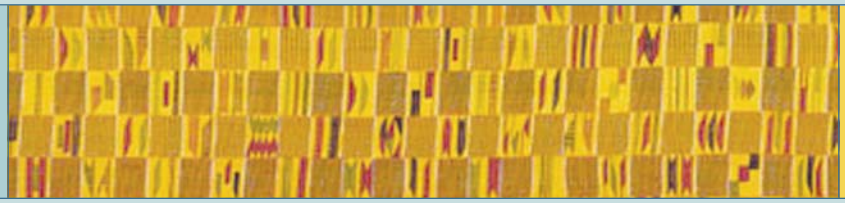
NOTE I: Estimated Fair Values

The estimated fair values of MIGA's cash and non-negotiable, non interest-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 J: Subsequent Event

On July 13, 2004, MIGA received notice from a guarantee holder that a claimable event under expropriation coverage had occurred with respect to a project in the Kyrgyz Republic. The waiting period is scheduled to end on June 28, 2005. The maximum aggregate liability under the guarantee contracts is approximately $11.4 million. Provisions had been established for these contracts under specific reserves at June 30, 2004.

APPENDICES



Governors and Alternates
As of June 30, 2004

Member	Governor	Alternate
Afghanistan	Ashraf Ghani	(vacant)
Albania	Shkelqim Cani	Fatos Ibrahimi
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 S. 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. Kobyakov	Anatoly I. Sverzh
Belgium	Didier Reynders	Gregoire Brouhns
Belize	Said W. Musa	Hugh McSweaney
Benin	Bruno Amoussou	Fatiou Akplogan
Bolivia	Horst Grebe Lopez	Javier Cuevas Argote
Bosnia and Herzegovina	Adnan Terzic	Dragan Doko
Botswana	Baledzi Gaolathe	Wilfred Jiwa Mandlebe
Brazil	Antonio Palocci Filho	Henrique de Campos Meirelles
Bulgaria	Milen Veltchev	Bojidar Lubenov Kabaktchiev
Burkina Faso	Hamade Ouedraogo	Lene Sobgo
Burundi	Athanase Gahungu	Leon Nimbona
Cambodia	Keat Chhon	Aun Porn Moniroth
Cameroon	Martin Okouda	Daniel Njankouo Lamere
Canada	Ralph Goodale	Paul Thibault
Cape Verde	Joao Pinto Serra	Victor A.G. Fidalgo
Central African Republic	Daniel Nditifei-Boysembe	Sonny Mpokomandji
Chad	Mahamat Ali Hassan	Mahamat Bahradine Oumar
Chile	Nicolas Eyzaguirre	Mario Marcel
China	Jin Renqing	Li Yong
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	Branko Vukelic	Martina Dalic
Cyprus	Makis Keravnos	Christos Patsalides
Czech Republic	Bohuslav Sobotka	Oldrich Dedek
Denmark	Per Stig Moller	Carsten Staur
Dominica	Swinburne Lestrade	Ambrose M.J. Sylvester
Dominican Republic	Jose Lois Malkun	Carlos Despradel
Ecuador	Mauricio Yepez Najas	Ramiro Galarza
Egypt, Arab Republic of	Medhat Hassanein	Fayza Abulnaga
El Salvador	Eduardo Zablah-Touche	Guillermo Lopez-Suarez
Equatorial Guinea	Antonio Nve Nseng	Miguel Edjang Angue
Eritrea	Berhane Abrehe	Martha Woldegiorghis
Estonia	Taavi Veskimagi	Renaldo Mandmets
Ethiopia	Ahmed Sufian	Abi Woldemeskel
Fiji	Jone Yavala Kubuabola	Tevita Banuve
Finland	Antti Kalliomaki	Peter Nyberg
France	Nicolas Sarkozy	Jean-Pierre Jouyet
Gabon	Casimir Oye-Mba	Christian Bongo
Gambia, The	Mousa G. Bala Gaye	Karamo K. Bojang
Georgia	Zurab Nogaideli	Irakli Rekhviashvili
Germany	Heidemarie Wieczorek-Zeul	Caio K. Koch-Weser
Ghana	Yaw Osafo-Maafo	Anthony Akoto Osei
Greece	George Alogoskoufis	Plutarchos Sakellaris

Governors and Alternates (cont'd)
As of June 30, 2004

Member	Governor	Alternate
Grenada	Anthony Boatswain	Timothy Antoine
Guatemala	Marcio Rolando Cuevas Quezada	Maria Antonieta de Bonilla
Guinea	Madikaba Camara	Eugene Camara
Guyana	Bharrat Jagdeo	Saisnarine Kowlessar
Haiti	Henri Bazin	Raymond Magloire
Honduras	Arturo Alvarado	Maria Elena Mondragon de Villar
Hungary	Elemer Tertak	Zsuzsanna Varga
Iceland	Halldor Asgrimsson	Geir Hilmar Haarde
India	P. Chidambaram	D. C. Gupta
Indonesia	Boediono	Burhanuddin Abdullah
Iran, Islamic Republic of	Safdar Hosseini	Mohammad Khazaee Torshizi
Ireland	Charlie McCreevy	Tom Considine
Israel	David Klein	Yaron Zelekha
Italy	Antonio Fazio	Lorenzo Bini Smaghi
Jamaica	Omar Lloyd Davies	Wesley George Hughes
Japan	Sadakazu Tanigaki	Ichiro Fujisaki
Jordan	Bassem I. Awadallah	Tayseer Al-Smadi
Kazakhstan	Grigoriy Aleksandrovich Marchenko	Kayrat Nematovich Kelimbetov
Kenya	David Mwiraria	Joseph Mbui Magari
Korea, Republic of	Hun-Jai Lee	Seung Park
Kuwait	Mahmoud Al-Nouri	Bader Mohamed Al-Saad
Kyrgyz Republic	Bolot E. Abildaev	Kubat A. Kanimetov
Lao People's Democratic Republic	Chansy Phosikham	Phouphet Khamphounvong
Latvia	Oskars Spurdzins	Juris Lujans
Lebanon	Marwan Hemadeh	Fuad A.B. Siniora
Lesotho	M.C. Mphutlane	Moliehi Matabane
Libya	Mohamed Ali Elhuwej	Ali Ramadan Shnebsh
Lithuania	Algirdas Butkevicius	Arvydas Kregzde
Luxembourg	Luc Frieden	Jean Guill
Macedonia, former Yugoslav Republic of	Nikola Popovski	Dimko Kokaroski
Madagascar	Zaza Manitranja Ramandimbiarison	Davida Rajaon
Malawi	Goodall E. Gondwe	David Faiti
Malaysia	Abdullah Ahmad Badawi	Samsudin Hitam
Mali	Abou-Bakar Traore	Mahamadou Zibo Maiga
Malta	Tonio Fenech	Paul Zahra
Mauritania	Bodiel Ould Houmeid	Sidi Mohamed Ould Bakha
Mauritius	Pravind Kumar Jugnauth	Krishnanand Guptar
Micronesia, Federated States of	Nick L. Andon	Lorin Robert
Moldova	Marian Lupu	Dumitru Ursu
Mongolia	Chultem Ulaan	Ochirbat Chuluunbat
Morocco	Fathallah Oualalou	Abderazzak El Mossadeq
Mozambique	Luisa Dias Diogo	Adriano Afonso Maleiane
Namibia	Andrew Ndishishi	S.E. Ndjaba
Nepal	Prakash Chandra Lohani	Bhanu Prasad Acharya
Netherlands	Gerrit Zalm	Agnes van Ardenne
Nicaragua	Luis Eduardo Montiel	Mario Alonso Icabalceta
Nigeria	Ngozi N. Okonjo-Iweala	Haruna Usman Sanusi
Norway	Hilde Frafjord Johnson	Olav Kjorven
Oman	Ahmed Bin Abdulnabi 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	Dionisio Borda	Jose Ernesto Buttner Limprich
Peru	Pedro Pablo Kuczynski	Javier Silva Ruete
Philippines	Juanita D. Amatong	Manuel A. Roxas II
Poland	Jacek Tomorowicz	Agnieszka B. Rudniak-Jancewicz
Portugal	Manuela Ferreira Leite	Francisco Esteves de Carvalho
Qatar	Yousef Hussain Kamal	Abdullah Bin Khalid Al-Attiyah

Governors and Alternates (cont'd)
As of June 30, 2004

Member	Governor	Alternate
Romania	Mihai Nicolae Tanasescu	Emil Iota Ghizari
Russian Federation	Aleksei Kudrin	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
Samoa	Misa Telefoni Retzlaff	Hinauri Petana
Saudi Arabia	Ibrahim A. Al-Assaf	Hamad Al-Sayari
Senegal	Abdoulaye Diop	Cheikh Hadjibou Soumare
Serbia and Montenegro	Igor Luksic	Mladjan Dinkic
Seychelles	Jeremie Bonnelame	Francis Chang Leng
Sierra Leone	Joseph Bandabla Dauda	Samura Kamara
Singapore	Lim Hng Kiang	Heng Swee Keat
Slovak Republic	Ivan Miklos	Elena Kohutikova
Slovenia	Dusan Mramor	Irena Sodin
South Africa	Trevor Andrew Manuel	Mandisi Bongani Mpahlwa
Spain	Pedro Solbes Mira	David Vegara Figueras
Sri Lanka	Sarath Leelananda Bandara Amunugama	P. B. Jayasundera
Sudan	El Zubair Ahmed El Hassan	Abda Y. El Mahdi
Suriname	(vacant)	(vacant)
Swaziland	Meshack M.L. Shongwe	Ephraim Mandla Hlophe
Sweden	Gunnar Lund	Carin Jamtin
Switzerland	Oscar Knapp	Walter Hofer
Syrian Arab Republic	Ghassan El-Rifai	(vacant)
Tajikistan	Negmatdzhon K. Buriyev	Maruf N. Saifiyev
Tanzania	Abdallah Omar Kigoda	Gray S. Mgonja
Thailand	Somkid Jatusripitak	Somchainuk Engtrakul
Timor-Leste	Maria Madalena Brites Boavida	Aicha Bassarewan
Togo	M'Ba Legzim	Mewunesso Baliki Pini
Trinidad and Tobago	Conrad Enill	Alison Lewis
Tunisia	Mohamed Nouri Jouini	Abdelhamid Triki
Turkey	Ibrahim H. Canakci	Aydin Karaoz
Turkmenistan	Shekersoltan Muhammedova	(vacant)
Uganda	Gerald M. Ssendaula	C. M. Kassami
Ukraine	Mykola Azarov	Mykola Derkatch
United Arab Emirates	Mohammed Khalfan Bin Khirbash	Jamal Nasser Lootah
United Kingdom	Hilary Benn	Gordon Brown
United States	John W. Snow	Alan P. Larson
Uruguay	Isaac Alfie	Ariel Davrieux
Uzbekistan	Makhmudjon A. Askarov	Saidakbar Abdurakhimov
Vanuatu	Jimmy Nicklam	Simeon Athy
Venezuela, Republica Bolivariana de	Ramon Rosales	Jorge Giordani
Vietnam	Le Duc Thuy	Phung Khac Ke
Yemen, Republic of	Ahmed Mohammed Sofan	Mohammed Al-Sabbry
Zambia	Ng'andu Peter Magande	Situmbeko Musokotwane
Zimbabwe	Christopher T. Kuruneri	Nicholas Ncube

Directors and Alternates: Voting Power
As of June 30, 2004

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	32,066	16.52
(vacant) [a]	Masakazu Ichikawa	Japan	9,156	4.72
Eckhard Deutscher	Walter Hermann	Germany	9,113	4.70
Tom Scholar	(vacant) [b]	United Kingdom	8,742	4.50
Pierre Duquesne	Anthony Requin	France	8,380	4.32
Zhu Guangyao	Wu Jinkang	China	5,707	2.94
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	5.50
Ad Melkert (Netherlands)	Tamara Solyanyk (Ukraine)	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Netherlands, Romania, Ukraine	10,134	5.22
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	4.98
Marcel Massé (Canada)	Gobind Ganga (Guyana)	The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines	8,974	4.62
Biagio Bossone (Italy)	Nuno Mota Pinto (Portugal)	Albania, Greece, Italy, Malta, Portugal, Timor-Leste	7,482	3.86
Thorsteinn Ingolfsson (Iceland)	Inkeri Hirvensalo (Finland)	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden	7,382	3.80
Mahdy Ismail Aljazzaf (Kuwait)	Mohamed Kamel Amr (Egypt, Arab Republic of)	Bahrain, Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)	6,731	3.47
Otaviano Canuto (Brazil)	Gil S. Beltran (Philippines)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Trinidad and Tobago	6,408	3.30
Rapee Asumpinpong (Thailand)	Hadiyanto (Indonesia)	Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Nepal, Singapore, Thailand, Vietnam	5,940	3.06
John Austin (New Zealand)	Terry O'Brien (Australia)	Australia, Cambodia, Korea (Republic of), Micronesia (Federated States of), Mongolia, Palau, Papua New Guinea, Samoa, Vanuatu	5,921	3.05
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	3.01
Per Kurowski (Venezuela, R. B. de)	Maria Jesus Fernandez (Spain)	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Spain, Venezuela (Republica Bolivariana de)	5,757	2.97

Directors and Alternates: Voting Power (cont'd)
As of June 30, 2004

Director	Alternate	Casting votes of	Total Votes	% of Total
Yahya Abdulla M. Alyahya (Saudi Arabia)	Abdulrahman M. Almofadhi (Saudi Arabia)	Saudi Arabia	5,705	2.94
Alexey G. Kvasov (Russian Federation)	Eugene Miagkov (Russian Federation)	Russian Federation	5,705	2.94
Pietro Veglio (Switzerland)	Jakub Karnowski (Poland)	Azerbaijan, Kyrgyz Republic, Poland, Serbia and Montenegro, Switzerland, Turkmenistan, Uzbekistan	5,486	2.83
Chander Mohan Vasudev (India)	Akbar Ali Khan (Bangladesh)	Bangladesh, India, Sri Lanka	4,552	2.35
Tanwir Ali Agha (Pakistan)	Sid Ahmed Dib (Algeria)	Algeria, Ghana, Morocco, Pakistan, Tunisia	4,512	2.33
Alieto Guadagni (Argentina)	C. Veronica Querejazu Vidovic (Bolivia)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay	4,021	2.07

In addition to the directors and alternates shown in the foregoing list, the following also served after June 30, 2003:

Director	End of period of service	Alternate director	End of period of service
Amaury Bier (Brazil)	January 9, 2004	Eckhardt Biskup (Germany)	August 31, 2003
Yuzo Harada (Japan)	June 15, 2004	Dong-Soo Chin (Korea, Republic of)	July 22, 2003
Neil F. Hyden (Australia)	August 14, 2003	Helena Cordeiro (Portugal)	September 11, 2003
Finn Jonck (Denmark)	October 7, 2003	Emmanuel Moulin (France)	July 22, 2003
Franco Passacantando (Italy)	September 25, 2003	Alfonso C. Revollo (Bolivia)	May 14, 2004
		Rosemary B. Stevenson (United Kingdom)	May 14, 2004
		Sharon Weber (Jamaica)	November 14, 2003

Note: Afghanistan (295 votes), Gabon (273 votes), Islamic Republic of Iran (1,836 votes), Suriname (259 votes) and Tajikistan (251 votes) became members after the 2002 Regular Election of Directors.

a. To be succeeded by Yoshio Okubo (Japan) effective July 6, 2004.
b. To be succeeded by Caroline Sergeant (United Kingdom) effective July 29, 2004.

Signatories to MIGA Convention
As of June 30, 2004

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

* Non-member country
** Country that has deposited its Instrument of Ratification but not yet completed membership requirements

Subscriptions to the General Capital Increase

as of June 30, 2004

Category One

	Shares Subscribed	Amount US$
Australia	1,306	14,130,920
Austria	591	6,394,620
Belgium	1,547	16,738,540
Canada	2,260	24,453,200
Denmark	547	5,918,540
Finland	457	4,944,740
France	3,343	36,171,260
Germany	3,865	41,819,300
Greece	213	2,304,660
Ireland	281	3,040,420
Italy	2,150	23,263,000
Japan	3,884	42,024,880
Luxembourg	88	952,160
Netherlands	1,653	17,885,460
Norway	533	5,767,060
Portugal	291	3,148,620
Spain	980	10,603,600
Sweden	800	8,656,000
Switzerland	1,143	12,367,260
United Kingdom	3,705	40,088,100
United States	11,370	123,023,400
	41,007	443,695,740

Category Two

	Shares Subscribed	Amount US$
Albania	44	476,080
Algeria	495	5,355,900
Bahamas, The	76	822,320
Bahrain	59	638,380
Bangladesh	259	2,802,380
Barbados	52	562,640
Belize	38	411,160
Benin	47	508,540
Bolivia	95	1,027,900
Botswana	38	411,160
Brazil	1,127	12,194,140
Bulgaria	278	3,007,960
Cambodia	71	768,220
China	2,392	25,881,440
Colombia	333	3,603,060
Congo, Democratic Republic of	258	2,791,560
Congo, Republic of	50	541,000
Costa Rica	89	962,980
Cote d'Ivoire	134	1,449,880
Croatia	143	1,547,260
Cyprus	79	854,780
Czech Republic	339	3,667,980
Ecuador	139	1,503,980
Egypt, Arab Republic of	350	3,787,000
Estonia	50	541,000
Ethiopia	53	573,460
Gabon	73	789,860
Ghana	187	2,023,340
Honduras	77	833,140
Hungary	430	4,652,600
Indonesia	800	8,656,000
Israel	361	3,906,020
Jordan	74	800,680
Kazakhstan	159	1,720,380
Kenya	131	1,417,420
Korea, Republic of	342	3,700,440
Kuwait	709	7,671,380
Latvia	74	800,680
Lebanon	108	1,168,560
Lesotho	38	411,160
Lithuania	81	876,420
Macedonia, FYR of	38	411,160
Madagascar	76	822,320
Malaysia	441	4,771,620
Mali	62	670,840
Malta	57	616,740
Mauritania	48	519,360
Mauritius	66	714,120
Morocco	265	2,867,300
Mozambique	74	800,680
Nepal	53	573,460
Nicaragua	78	843,960
Nigeria	643	6,957,260
Oman	72	779,040
Pakistan	503	5,442,460
Panama	100	1,082,000
Paraguay	61	660,020
Peru	284	3,072,880
Qatar	104	1,125,280
Romania	423	4,576,860
Russian Federation	2,391	25,870,620
Rwanda	57	616,740
St. Lucia	38	411,160
St. Vincent and the Grenadines	38	411,160
Saudi Arabia	2,391	25,870,620
Senegal	111	1,201,020
Serbia and Montenegro	176	1,904,320
Sierra Leone	57	616,740
Singapore	118	1,276,760
Slovak Republic	169	1,828,580
Slovenia	78	843,960

Subscriptions to the General Capital Increase (Cont'd)
as of June 30, 2004

Category Two (Cont'd)

	Shares Subscribed	Amount US$
South Africa	719	7,779,580
Sri Lanka	103	1,114,460
Syrian Arab Republic	128	1,384,960
Tanzania	107	1,157,740
Thailand	321	3,473,220
Trinidad and Tobago	155	1,677,100
Tunisia	119	1,287,580
Turkey	352	3,808,640
Uganda	101	1,092,820
Vietnam	168	1,817,760
	22,077	238,873,140
TOTAL	63,084	682,568,880

Summary

	Shares Subscribed	Amount US$
% of Total GCI	80.30%	
Completed-Part1	26,294	284,501,080
Completed-Part2	21,974	237,758,680
Completed	48,268	522,259,760
Partial-Part 1	14,713	159,194,660
Partial-Part 2	103	1,114,460
Partial	14,816	160,309,120
Total - Part 1	41,007	443,695,740
Total Part 2	22,077	238,873,140
Total	63,084	682,568,880

MIGA Member Countries

Industrialized Countries (22)

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

Developing Countries (142)

ASIA AND THE PACIFIC
Afghanistan, Bangladesh, Cambodia, China, East Timor, Fiji, India, Indonesia, Korea, Lao People's Democratic Rep., Malaysia, Micronesia, Mongolia, Nepal, Pakistan, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Sri Lanka, Thailand, Vanuatu, Vietnam

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

LATIN AMERICA AND THE CARIBBEAN
Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Paraguay, Panama, Peru, St. Kitts & Nevis, St. Lucia, St. Vincent, Suriname, Trinidad & Tobago, Uruguay, Venezuela

MIDDLE EAST AND NORTH AFRICA
Algeria, Bahrain, Egypt, Iran (Islamic Republic of), Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Quatar, Saudi Arabia, Syrian Arab Republic, Tunisia, United Arab Emirates, Yemen

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

Countries in the Process of Fulfilling Membership Requirements (6)

ASIA AND THE PACIFIC
Maldives, Solomon Islands

LATIN AMERICA AND THE CARIBBEAN
Antigua and Barbuda

SUB-SAHARAN AFRICA
Guinea-Bissau, Liberia, Niger

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
AXIS Specialty Limited	Bermuda
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 Holdings PLC., Lloyd's Syndicate 2591	United Kingdom
Export Credits Guarantee Department (ECGD)	United Kingdom
Export Development Corporation (EDC)	Canada
Export Finance and Insurance Corporation (EFIC)*	Australia
Finnvera Plc	Finland
Garanti-Institutte for Eksportkreditt (GIEK)	Norway
Global Re, BV, captive insurer of Philips Electronics N.V.	Netherlands
Great Northern Insurance Company (Chubb & Sons)	United States
Israel Foreign Trade Risks Insurance Corporation (IFTRIC)	Israel
M.D. Reith and Others, Syndicate 1414 at Lloyd's (Ascot)	United Kingdom
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 Syndicate 2003	United Kingdom
Servizi Assicurativi del Commercio Estero (SACE)*	Italy
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

* *New partners in fiscal 2004*

Facultative Reinsurance Partners, Reinsurance Provided by MIGA

Investment Insurer	Country
Compañía Española de Seguros de Crédito a la Exportación (CESCE)	Spain
Export Development Corporation (EDC)	Canada
Export Credit Insurance Organization (ECIO) of Greece	Greece
Nippon Export Investment Insurance (NEXI)	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

* *MIGA's facultative reinsurance was from the EU trust fund for Bosnia and Herzegovina*

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 Exterieur (Cotunace)	Tunisia
Cox Insurance Holdings PLC., Lloyd's Syndicate 2591	United Kingdom
General Security Insurance Company (Unistrat)	United States
Great Northern Insurance Company (Chubb & 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., Lloyds Syndicate 1209	United Kingdom

Guarantee Clients

ABN AMRO
Accelon (Pty.) Ltd.
ADC Management Ltd.
Aecon Group Inc.
Afriproduce Ltd.
Agro-Industrial Investment and Development, SA
Alain Tagini
Alstom Power Norway AS
Banco Santander Central Hispano, SA
Bank Austria Aktiengesellschaft
Bank Austria Creditanstalt Leasing GmbH
Bank Boston, N.A.
Bank Hapoalim B.M.
Bank of Nova Scotia
Banque Belgolaise, SA
BCH International Puerto Rico, Inc.
Bergenshalvoens Kommunale Kraftselskap AS
BNP Paribas
Boeing Capital Corporation
BWF Unternehmensbeteiligungen GmbH
Canada Pampas Ltd.
CAN-PACK S.A.
Capital Indonesia Power I C.V.
Caribe Hospitality
Catalina Lighting, Inc.
CEFLA Capital Services S.p.A.
China Capital Development Corporation
Chiyoda Corporation
Citbibank N.A.
Coastal Aruba Investor N.V.
Compagnie Générale des Eaux
Compañía Española de Seguros de Crédito a la Exportacíon, SA
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.
(Rabobank Nederland)
Corporación Interfin, SA
Cotecna Inspection SA
Crédit Lyonnais, SA
Darco Environmental Pte.Ltd.
DB Capital Partners
Desco AB
Deutsche Bank AG
Dole Food Company, Inc.
Dresdner Bank Lateinamerika Aktiengesellschaft
DVI, Inc.
Econet Wireless, Ltd.
EDC
EFES International B.V.
Elecnor, SA
Emporia Bank of Greece SA
Empresas Comegua, SA
Energy Investors Fund II, L.P.
Entergy Power Development Corporation
ERI Holdings II
Ericsson Credit AB
Eskom
Euromedic Diagnostics BV
Ewekoro Power Plant Sales Limited
Export Credit Insurance Organization (ECIO)
Fatoglu Gida Sanayi Ve Ticaret AS
FINREP HANDELS GmbH
Fintur Holdings B.V.
France Cables et Radio Vietnam Pte. Ltd.
Fraport AG
GE Energy (Norway) AS
Ge.Por.Tur. s.a.s.
Geosurvey International, L.L.C.
Guinea Investing Company Ltd. (GICL)
Habib Bank AG Zurich
HAS Development Corporation
Hydelec
Hydra-Co Enterprise, Inc.
Hypo Alpe-Adria-Bank AG
Hypo-Leasing Karnten GmbH
Italian Technology & Innovations S.r.l.
Impregilo S.p.A.
Industrial Development Corporation of South Africa, Ltd.
ING Bank, N.V.
Ingersoll-Rand China Ltd.
International Dialysis Centers B.V.
International Energy Partners, L.P.
International Water Services (Guayaquil) B.V.
International Wireless Communications, Inc.
Investcom Global Ltd.
Itochu Corporation
Joseph Fermom
Kemira Danmark A/S
Kenmare Resources PLC
Keppel FELS Energy Pte. Ltd.
Kimberly-Clark Corporation
Kingdom 5 KR 71 Ltd.
Kjaer Group A/S
Koçbank AS
Komatsu Ltd.
Koninklijke Philips Electronics N.V.
Kreditanstalt für Wiederaufbau
Leon Construction International B.V.
Lloyds TSB Bank PLC
Marriott International, Inc.
Marubeni Corporation
Mauritius Telecom Ltd.
MCC S.p.A.
Mersey Docks and Harbour Company
Mitsubishi Corporation
Mitsui & Co., Ltd.
Mizuho Corporate Bank, Ltd.
Mozambique Rice Growers Pty Ltd.
MTU Asia Pte. Ltd.
New Arian Resources Corporation
Nissho Iwai Corporation
Noranda Inc.
Norway Registers Development AS
Office National de Telecommunications

Guarantee Clients (cont'd)

Orascom Telecom Holding
Ormat Holding Corporation
Österreichische Volksbanken AG
Portus Indico-Sociedade de Servicos Portuarios, SA
Poslovni Sistem Mercator d.d.
Promofin Outremer SA
Radisson Hotels International, Inc.
Raiffeisen Zentralbank Österreich AG
Rio Algom Ltd.
Rockfort Power Associates, Inc.
Rolls-Royce (RR) Power Ventures
Salvintur-Sociedade de Investimentos Turísticos, SA
Sasol Gas Holdings (Pty) Ltd.
Scotiabank & Trust (Cayman) Ltd.
Scudder Latin America Power II
Secil - Companhia Geral de Cal e Cimento, SA
SembCorp Utilities Pte Ltd.
Sena Holdings Ltd.
Sithe International, Inc.
SLAP Cabo, LLC
Slovene Export Corporation, Inc.
Société Générale, SA
Société Marromeu, Ltd.
Sonatel
Standard Bank London Ltd.
Standard Bank of South Africa, Ltd.
Statkraft
Société de Promotion Financière & Investissement
Sungrain SA
Sunnen Products Company
Teck Corporation
Teleinvest Ltd.
The Marvin M. Schwan Charitable Foundation
Touton SA
Tractebel SA
Union Carbide Corporation
Unión Fenosa Internacional SA
Victory Oil B.V.
Wärtsila Development, Inc.
Wesdeutsche Landesbank Girozentrale

Contacts

Executive Vice President
Yukiko Omura
yomura@worldbank.org

Director, Operations
Tessie San Martin
tsanmartin@worldbank.org

General Counsel and Vice President, Legal Affairs and Claims
Luis Dodero
ldodero@worldbank.org

Chief Financial Officer and Director, Finance and Risk Management
Amédée S. Prouvost
aprouvost@worldbank.org

Chief Economist and Director, Economics and Policy
Frank J. Lysy
flysy@worldbank.org

Chief, External Outreach and Partners
Moina Varkie
mvarkie@worldbank.org

Investor Outreach and Trust Funds
John Wille
jwille@worldbank.org

Insurance Operations Support/Reinsurance
Peter M. Jones
pjones1@worldbank.org

Marketing Operations Support
Cecilia Sager
csager@worldbank.org

New Initiatives and Products
Monique Koning
mkoning@worldbank.org

Sectors

Agribusiness / Manufacturing / Services
Nabil Fawaz
nfawaz@worldbank.org

Financial
Ileana Boza
iboza@worldbank.org

Infrastructure
Philippe Valahu
pvalahu@worldbank.org

Oil and Gas/Mining and Chemicals
Nick Halkas
nhalkas1@worldbank.org

Regions

Sub-Saharan Africa
David Bridgman
dbridgman@worldbank.org

Asia and the Pacific
Cecilia Sager
csager@worldbank.org

Europe and Central Asia
Beat Heggli
bheggli@worldbank.org

Middle East and North Africa/ Latin America and the Caribbean
Rodrigo Ortiz
rortiz@worldbank.org

Abbreviations

AGOA	US African Growth and Opportunities Act
AISA	Afghanistan Investment Support Agency
BOAD	Banque Ouest-Africaine de Développement
CAO	Compliance Advisor/Ombudsman
CAS	Country Assistance Strategy
CIIPA	China Investment Promotion Forum
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPDF	China Project Development Facility
CRM	Client Relationship Management
CUP	Cooperative Underwriting Program
EDC	Export Development Canada
EIOP	European Investment Outreach Program
EU	European Union
FIAS	Foreign Investment Advisory Service
FDI	Foreign Direct Investment
FDIX	FDI Xchange
FTIB	Fiji Trade and Investment Bureau
FIFTA	Foreign Investment and Foreign Trade Agency
FYR	Former Yugoslav Republic
GSM	Global System for Mobile Communication
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDC	International Dialysis Centers B.V.
IFC	International Finance Corporation
IIDP	Investor Information Development Program
IPI	Investment Promotion Intermediary
MIGA	Multilateral Investment Guarantee Agency
MOU	Memorandum of Understanding
OEU	Operations Evaluation Unit
PSD	Private Sector Development
SIP	Small Investment Program
SME	Small and Medium Enterprise
SMI	Small and Medium-Sized Investors
S-S	South-South
SSA	Sub-Saharan Africa
USAID	United States Agency for International Development

The Philippines
Pacita Abad
Call My Name
1999

Colombia
Gonzalo Ariza
Caminos de Bojaca
1984

Slovak Republic
Vladimir Popovic
untitled
2000

South Africa
Nokutula Biyela
Natal Pigeon and Floral

Vietnam
Tran Luong
Flowing
1999

Lebanon
Helen Zughaib
The Dabke
1997

Ghana
Anonymous
Kente Cloth

Photo Credits

p. iv	Deborah Campos, World Bank Group
p. v	Michele Iannaci, World Bank Group
p. vi	Suzanne Pelland, MIGA
p. viii	Michele Iannaci, World Bank Group
p. ix	Keith Martin, MIGA
p. 3	Federica Dal Bono, MIGA
p. 4	Angela Gentile, MIGA
p. 5	Judith Pearce, MIGA
p. 17	SASOL oil and gas project, *Mozambique*
p. 19	Suzanne Pelland, MIGA
p. 27	William Luttrell, MIGA
p. 40	Keith Martin, MIGA
p. 44	Suzanne Pelland, MIGA
p. 47	Stock photo (upper right) and Rodrigo Ortiz, MIGA (lower left)
p. 52	Mary-Jean Lindle, MIGA

Printed on recycled paper with soy-based ink.

World Bank Group
Multilateral Investment
Guarantee Agency
1818 H Street, NW
Washington, DC 20433
USA

t. 202.458.4798
f. 202.522.0316

www.miga.org

ISBN 0-8213-5655-0
SN 16025