

LETTER

from the President to the Council of Governors

James D. Wolfensohn, president of the Multilateral Investment Guarantee Agency 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, 2002.



The past fiscal year has not been an easy one. From the September 11th tragedy to the ongoing economic turmoil in Argentina, from the health crises engulfing Africa to political upheaval in Afghanistan and the Middle East, we have not seen a period in recent history marked by such global uncertainty. And we know from experience that the poor will suffer disproportionately from the current state of world affairs.

Against this backdrop, The World Bank Group institutions continue to stand as agents that support economic growth and alleviate poverty in the developing world. The private sector-focused arms of the Bank Group play a vital role in catalyzing private investment, which is so critical for financing sustained economic growth over the long-term. MIGA's mandate directly addresses this development imperative, helping developing countries attract and enhance inflows of productive capital.

The immediate impact of the past year's events on MIGA's guarantee program was a reduction in coverage issued compared with the previous year's levels, as foreign investment into developing countries has decreased. Despite this, the Agency has produced solid results in its priority areas of supporting investment: into sub-Saharan Africa, in particular; into the world's poorest countries, in general; between developing countries; and in support of complex infrastructure projects. The events of the past fiscal year have also underscored MIGA's unique role as a counter-cyclical provider of investment insurance, by stepping in at times when other insurers are being much more selective about the projects and countries for which they will provide coverage, and by providing investors and lenders with the confidence they need to make long-term commitments in developing countries.

The technical assistance services MIGA provides have taken on increased importance as well. As countries compete to attract FDI and work to establish and maintain a transparent and stable investment climate, strengthening institutional capacity is key. So, too, is the global dissemination of information about investment climate and opportunities in emerging markets.

Over the past 12 months, developing countries overall have seen a substantial reduction of global financial flows. Foreign investment, however, remains a critical component in achieving economic development and poverty reduction. Increasing investment flows is a complex task, which involves governmental measures to strengthen investment climates through a broad variety of actions, including focusing on corporate governance to emphasize transparency. The World Bank Group as a whole stands ready to support these efforts, and MIGA is well prepared to play a unique role catalyzing investment, by publicizing investment opportunities and helping investors mitigate risk.

In closing, I take this opportunity to encourage MIGA's member countries to use the 12 month extension to the General Capital Increase subscription period, which will end on March 31, 2003, to finalize their subscriptions. The strengthened capital base will play a vital role in enabling MIGA to enhance the important contribution it makes to development.

James D. Wolfensohn
June 30, 2002