



FINANCIAL OVERVIEW and FINANCIAL STATEMENTS

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FINANCIAL OVERVIEW

INCOME FROM GUARANTEES

MIGA's income from guarantees, comprised of earned net premium income, fees and commissions, for FY02 was US\$40.4 million, compared with US\$36.5 million in FY01. This reflected the level of Net Exposure and reinsurance at the end of FY01, as opposed to growth during FY02.

PREMIUM INCOME ANALYSIS FY99-FY02

US\$ millions	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Actual
Total Guarantees issued	1,425	1,863	2,153	1,357
Net Exposure	2,608	2,816	3,157	3,202
Premium income	30.7	37.4	46.3	57.1
Premium ceded	(8.0)	(13.0)	(18.0)	(24.4)
Fees and commissions	2.2	5.1	8.2	7.7
Net premium income	24.9	29.5	36.5	40.4

INVESTMENT INCOME

MIGA's investment income for FY02 was US\$28.7 million compared with US\$30.4 million in FY01. On the one hand, the portfolio grew in size from \$553.1 million to US\$691.6 million during the course of FY02—as a result of the implementation of the GCI. On the other hand, the investment return decreased from 7.5% in FY01 to 4.7% in FY02—or 4.8% excluding an unrealized loss of US\$5.6 million in FY02. The average maturity of the portfolio was 10.6 months at June 30, 2002.

INVESTMENT INCOME FY99-FY02

US\$ millions	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Actual
Investment portfolio	404	464	553	692
Total return on investments %	5.0	5.3	7.5	4.8
Investment income	20.4	23.5	30.4	28.7

RESERVE FOR CLAIMS

The provision for claims amounted to US\$43.9 million after foreign currency translation of US\$1.5 million and recovery of US\$1.7 million. The provision reflected the establishment of a Specific Reserve for MIGA's exposure in Argentina and a modest increase in the General Reserve. By June 30, 2002, MIGA's Reserve for Claims comprised Specific Claims Reserves of US\$44.9 million (US\$0.5 million in FY01) and General Claims Reserves of US\$297.3 million (US\$294.6 million in FY01) ¹

RESERVE FOR CLAIMS FY99-FY02

US\$ millions	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Actual
Systemic Losses	166	187	207	224
Attritional Losses	60	62	76	76
Contract Level Adjustments	12	15	26	0
	238	264	309	300
Reinsurer Credit Risk	35	54	80	81
Administrative & Salvage Expense	98	100	110	115
Future Net Premium Income	(133)	(155)	(205)	(199)
General Claims Reserve	238	263	294	297
Specific Claims Reserve	5	1	1	45
Reserve for Claims	243	264	295	342

ADMINISTRATIVE EXPENSES

Total administrative expenses for the fiscal year ending June 30, 2002 amounted to US\$21.9 million, compared with an administrative budget of US\$25.3 million. The variance of US\$3.4 million comprised an unutilized contingency of US\$0.6 million, benefit savings of US\$1 million, and an operational budget under-run of US\$1.8 million. MIGA plans to use carryover funds in the amount of US\$0.3 million in FY03, in order to fund ongoing programs (in particular in systems development).

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

ADMINISTRATIVE EXPENSES FY01-FY02

US\$ thousands	FY01 Actual	FY02 Approved Budget	FY02 Reallocated Budget	FY02 Actual
Underwriting Department	6,807	7,400	6,160	5,905
Human resources	5,368	6,018	5,282	5,022
Other discretionary expenditures	1,439	1,382	878	883
Policy and Environment Department	1,022	1,441	1,441	1,122
Human resources	915	1,145	1,144	1,022
Other discretionary expenditures	107	296	297	100
Investment Marketing Services Department	3,526	3,717	3,717	3,620
Human resources	2,529	2,693	2,693	2,684
Other discretionary expenditures	997	1,024	1,024	936
Legal Department	1,644	2,126	2,126	1,908
Human resources	1,475	1,810	1,810	1,659
Other discretionary expenditures	169	316	316	249
Finance and Risk Management Department	984	1,283	1,806	1,535
Human resources	857	1,074	1,467	1,400
Other discretionary expenditures	127	209	339	135
Corporate Relations Unit	0	0	704	643
Human resources	0	0	389	384
Other discretionary expenditures	0	0	315	259
Central Administration and Human Resources Department	2,664	3,024	3,035	2,965
Human resources	1,203	1,620	1,573	1,273
Other discretionary expenditures	1,461	1,404	1,462	1,692
Field Offices	0	1,388	1,298	845
Human resources	0	824	824	602
Other discretionary expenditures	0	564	474	243
Executive Office	1,316	1,364	1,364	1,273
Human resources	990	1,074	1,074	847
Other discretionary expenditures	326	290	290	426
Discretionary Expenditure	17,963	21,743	21,651	19,816
Non-Discretionary Expenditure	2,592	3,024	3,116	3,126
Benefit Savings	(773)	0	0	(980)
Contingency	0	600	600	0
Reimbursables	(10)	(15)	(15)	(23)
Total	19,772	25,352	25,352	21,939

NET INCOME/(LOSS)

MIGA's net income amounted to US\$4.5 million in FY02, compared with US\$19.6 million in FY01. This reflected the higher level of provisioning that was required to establish a Special Reserve for Argentina within the Specific Claims Reserves.

INCOME STATEMENT FY99-FY02

US\$ millions	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Actual
Premium income	30.7	37.4	46.3	57.1
Premium ceded	(8.0)	(13.0)	(18.0)	(24.4)
Fees and commissions	2.2	5.1	8.2	7.7
	24.9	29.5	36.5	40.4
Income from investments	20.4	23.5	30.4	28.7
Income from the SRP and other Staff benefits plans	3.8	2.7	3.0	2.2
	49.1	55.7	69.9	71.3
Administrative expenses	(15.3)	(18.0)	(19.8)	(21.9)
Other expenses	(0.2)	(0.2)	(0.8)	(1.0)
Provision for claims	(23.2)	(26.6)	(29.7)	(43.9)
Net Income	10.4	10.9	19.6	4.5

CAPITAL INCREASE

On March 29, 1999, MIGA's Council of Governors approved a General Capital Increase 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. As of June 30, 2002, 67 countries had subscribed a total of US\$601.2 million, of which US\$106.1 million was in cash and the balance was in the form of callable capital.

ANALYSIS OF CAPITAL INCREASE

	Category One		Category Two		All Countries	
	Number	US\$M	Number	US\$M	Number	US\$M
Fully subscribed	19	284.5	43	176.0	62	460.5
Partly subscribed	2	104.9	3	13.2	5	140.7
Total	21	389.4	46	189.2	67	601.2
Allocated	21	493.8	140	356.2	161	850.0
Subscribed %		78.9		53.1		70.7

LIQUIDITY

MIGA measures liquidity by reference to: (1) the resources which are available to pay claims (“Sources of Cash”), and (2) the capital and reserves that are available to sustain losses and support the on-going business (“Operating Capital”). As of June 30, 2002, Sources of Cash amounted to US\$990.1 million, including MIGA's cash and investment portfolio of US\$702.1 million, credit facilities of US\$185 million², and promissory notes of US\$103 million. Operating Capital of US\$702 million comprised General Claims Reserve of US\$297 million, Retained Earnings of US\$77 million, and Paid-in Capital of US\$328 million. In addition, MIGA was supported by US\$1,385 million of callable capital.

LIQUIDITY FY99-FY02

US\$ millions	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Actual
Cash and investments	404	464	556	702
Credit facilities	-	75	110	185
Promissory notes	102	102	101	103
Sources of Cash	506	641	767	990
General claims reserves *	238	263	294	297
Retained earnings & other income	36	45	68	77
Paid-in capital	224	253	291	328
Operating Capital	498	561	653	702

* Specific claims reserves are not included in Operating Capital.

RISK BEARING CAPACITY

MIGA's risk bearing capacity continues to be satisfactory, with the ratios of Operating Capital and Operating Income to claims reserves at 2.4 times and 23.3 percent respectively. (See Table). Both ratios measure the capacity to absorb losses, the former by reference to capital and reserves, and the latter by reference to earnings generation. Another measure is the ratio of claims reserves to net exposure, which provides a measure of the relative risk that is latent in the portfolio from year to year. This ratio remains stable at 9.3 percent.

RISK BEARING CAPACITY FY99-FY02

US\$ millions	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Actual
Net Exposure	2,608	2,816	3,157	3,202
Claims reserves	238	263	294	297
Operating Capital	498	561	653	702
Operating income *	45.3	53.0	66.8	69.1
Operating Capital/Claims reserves	2.09	2.13	2.22	2.36
Op. income/Claims reserves (%)	19.0	20.2	22.7	23.3
Claims reserves/Net Exposure (%)	9.1	9.3	9.3	9.3

* Operating income is the sum of net premium income fees and investment income.

² MIGA has credit facilities of US\$25 million with UBS, US\$85 million with Royal Bank of Canada and US\$75 million with Lloyds TSB.



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

The Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, maintains a system of internal control over external financial reporting, which is designed to provide reasonable assurance to management and the board of directors regarding the preparation of reliable published financial statements. The system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective internal control system, no matter how well designed, has inherent limitations - including the possibility of the circumvention or overriding of controls - and therefore can provide only reasonable assurance with respect to external financial statement preparation. Further, because of changes in conditions, internal control system effectiveness may vary over time.

MIGA assessed its internal control system in relation to 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 on this assessment, MIGA believes that, as of June 30, 2002, its system of internal control over external financial reporting met those criteria.


James D. Wolfensohn
President


Motomichi Ikawa
Executive Vice President


Tony Wan
Director, Central Administration


Amedee Prouvost
Director and Chief Financial Officer

1818 H Street, NW, Washington, DC 20036, USA
www.miga.org

COSO ASSERTION OF INDEPENDENT ACCOUNTANTS

Deloitte Touche Tohmatsu International Firm
Suite 500
100 12th Street, NE
Washington, DC 20003-2027
Tel: (202) 878-4000
Fax: (202) 878-4289
www.us.deloitte.com

**Deloitte
Touche
Tohmatsu
(International Firm)**

President and Audit Committee of the Board of Executive Directors
Multilateral Investment Guarantee Agency

We have examined management's assertion, included in the accompanying "Management's Assertion Regarding Effectiveness of Internal Control Over External Financial Reporting", that, as of June 30, 2002, the Multilateral Investment Guarantee Agency met the criteria for effective internal control over external financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management is responsible for maintaining effective control over external financial reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

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

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

In our opinion, management's assertion that, as of June 30, 2002, the Multilateral Investment Guarantee Agency met the criteria for effective internal control over external financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission is fairly stated, in all material respects.

Deloitte Touche Tohmatsu (International Firm)

July 31, 2002

FINANCIAL STATEMENTS
REPORT OF INDEPENDENT ACCOUNTANTS

Deloitte Touche Tohmatsu International Firm
Suite 500
370 37th Street, NW
Washington, DC 20004, USA

Tel: (202) 412-1400
Fax: (202) 412-1400
www.deloitte.com



President and Board of Governors
Multilateral Investment Guarantee Agency

We have audited the accompanying balance sheets of the Multilateral Investment Guarantee Agency, as of June 30, 2002 and 2001, including the statement of subscription to capital stock and voting power and the statement of guarantees outstanding as of June 30, 2002, 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, 2002 and 2001 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 Accounting Standards.

Deloitte Touche Tohmatsu (International Firm)

July 31, 2002

BALANCE SHEET

June 30, 2002 and June 30, 2001

Expressed in thousands of US dollars

	2002	2001
Assets		
CASH	\$10,517	\$4,062
INVESTMENTS—Note B		
Available-for-sale	691,615	553,098
NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS—Note C	103,007	100,921
OTHER ASSETS		
Estimated reinsurance recoverables	255,800	192,300
Other assets	39,580	52,703
	295,380	245,003
TOTAL ASSETS	\$1,100,519	\$903,084
Liabilities and Shareholders' Equity		
LIABILITIES		
Accounts payable and accrued expenses	\$75,846	\$31,699
Unearned premiums and commitments fees	21,656	25,694
Reserve for claims—Note F		
Reserve for claims net of estimated reinsurance recoverables	297,300	294,600
Specific Reserve for Claims	44,900	500
Estimated reinsurance recoverables	255,800	192,300
Reserve for claims—gross	598,000	487,400
	695,502	544,793
SHAREHOLDERS' EQUITY		
Capital stock—Note C		
Authorized capital (181,342 shares-June 30, 2002; 180,883 shares-June 30, 2001)		
Subscribed capital (158,349 shares-June 30, 2002; 132,869 shares-June 30, 2001)	1,713,336	1,437,643
Less uncalled portion of subscriptions	1,384,798	1,157,881
Less amounts due on called subscriptions	731	731
	327,807	279,031
Payments on account of pending subscriptions	216	11,586
	328,023	290,617
Retained earnings	79,428	74,939
Accumulated other comprehensive income	(2,434)	(7,265)
	405,017	358,291
CONTINGENT LIABILITIES—Notes D and E		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,100,519	\$903,084

STATEMENT OF INCOME

June 30, 2002 and June 30, 2001

Expressed in thousands of US dollars

	2002	2001
INCOME		
Income from guarantees		
Premium income	\$57,043	\$46,341
Premium ceded	(24,376)	(18,078)
Fees and commissions	7,700	8,203
Total	<u>40,367</u>	<u>36,466</u>
Income from investments		
Available-for-sale	28,708	30,356
Income from staff retirement plan—Note G	2,150	2,858
Miscellaneous income	37	141
Total income	<u>71,262</u>	<u>69,821</u>
EXPENSES		
Provision for claims—Note F	43,891	29,734
Administrative expenses—Notes G, H and I	21,939	19,772
Other expenses	943	745
Total expenses	<u>66,773</u>	<u>50,251</u>
NET INCOME	<u>\$4,489</u>	<u>\$19,570</u>

STATEMENT OF COMPREHENSIVE INCOME

June 30, 2002 and June 30, 2001

Expressed in thousands of US dollars

	2002	2001
NET INCOME	\$4,489	\$19,570
OTHER COMPREHENSIVE INCOME		
Translation adjustment	5,516	(4,541)
Unrealized (Loss) Gain on available-for-sale investments	(685)	7,716
Total	4,831	3,175
TOTAL COMPREHENSIVE INCOME	\$9,320	\$22,745

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

June 30, 2002 and June 30, 2001

Expressed in thousands of US dollars

	2002	2001
CAPITAL STOCK		
Balance at beginning of the fiscal year	\$290,617	\$253,515
New subscriptions	48,776	29,103
Payments on account of pending subscriptions	(11,370)	7,999
Ending Balance	328,023	290,617
RETAINED EARNINGS		
Balance at beginning of the fiscal year	74,939	55,369
Net income	4,489	19,570
Ending Balance	79,428	74,939
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at beginning of the fiscal year	(7,265)	(10,440)
Other comprehensive income	4,831	3,175
Ending Balance	(2,434)	(7,265)
TOTAL SHAREHOLDERS' EQUITY	\$405,017	\$358,291

STATEMENT OF CASH FLOWS

June 30, 2002 and June 30, 2001

Expressed in thousands of US dollars

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$4,489	\$19,570
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for claims	43,891	29,734
Decrease (increase) in other assets	13,166	(13,022)
(Decrease) increase in unearned premiums and commitment fees	(4,210)	8,095
Increase in accounts payable	43,981	188
	101,317	44,565
Claim recovery—net of payments	1,658	1,748
	102,975	46,313
CASH FLOWS FROM INVESTING ACTIVITIES		
Available-for-sale portfolio:		
Sales and maturities	24,019,077	24,784,163
Purchases	(24,152,764)	(24,870,466)
	(133,687)	(86,303)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital subscription payments	37,030	36,450
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
	137	(302)
Net increase (decrease) in cash	6,455	(3,842)
Cash at beginning of the fiscal year	4,062	7,904
	\$10,517	\$4,062
CASH AT END OF THE FISCAL YEAR		

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

As of June 30, 2002

Expressed in thousands of US dollars

Members	Subscriptions (Note C)				Voting power		
	Shares	Total Subscribed	Amount Paid-in	Amount Due	Amount Subject to Call	Number of Votes	% of Total
Albania	58	\$628	\$126	0	\$502	235	0.13
Algeria	1,144	12,378	2,350	0	10,028	1,321	0.71
Angola	187	2,023	405	0	1,618	364	0.20
Argentina	1,254	13,568	2,714	0	10,854	1,431	0.77
Armenia	80	866	173	0	693	257	0.14
Australia	3,019	32,666	6,201	0	26,465	3,196	1.72
Austria	1,366	14,780	2,806	0	11,974	1,543	0.83
Azerbaijan	115	1,244	249	0	995	292	0.16
Bahamas, The	176	1,904	362	0	1,542	353	0.19
Bahrain	136	1,472	279	0	1,193	313	0.17
Bangladesh	340	3,679	736	0	2,943	517	0.28
Barbados	120	1,298	246	0	1,052	297	0.16
Belarus	233	2,521	504	0	2,017	410	0.22
Belgium	3,577	38,703	7,347	0	31,356	3,754	2.02
Belize	88	952	181	0	771	265	0.14
Benin	61	660	132	0	528	238	0.13
Bolivia	125	1,353	271	0	1,082	302	0.16
Bosnia and Herzegovina	80	866	173	0	693	257	0.14
Botswana	50	541	108	0	433	227	0.12
Brazil	2,546	27,548	5,238	0	22,310	2,723	1.46
Bulgaria	643	6,957	1,321	0	5,636	820	0.44
Burkina Faso	61	660	132	0	528	238	0.13
Burundi	74	801	160	0	641	251	0.13
Cambodia	93	1,006	201	0	805	270	0.15
Cameroon	107	1,158	232	0	926	284	0.15
Canada	5,225	56,535	10,732	0	45,803	5,402	2.90
Cape Verde	50	541	108	0	433	227	0.12
Central African Rep	60	649	130	0	519	237	0.13
Chad	60	649	130	0	519	237	0.13
Chile	485	5,248	1,050	0	4,198	662	0.36
China	5,530	59,835	11,359	0	48,476	5,707	3.07
Colombia	770	8,331	1,582	0	6,749	947	0.51
Congo, Democratic Republic of	338	3,658	0	731	2,927	515	0.28
Congo, Republic of	65	703	141	0	562	242	0.13
Costa Rica	117	1,266	253	0	1,013	294	0.16
Côte d'Ivoire	176	1,904	381	0	1,523	353	0.19
Croatia	330	3,571	678	0	2,893	507	0.27
Cyprus	183	1,980	376	0	1,604	360	0.19
Czech Republic	784	8,483	1,610	0	6,873	961	0.52
Denmark	1,265	13,687	2,598	0	11,089	1,442	0.77
Dominica	50	541	108	0	433	227	0.12
Dominican Republic	147	1,591	318	0	1,273	324	0.17
Ecuador	182	1,969	394	0	1,575	359	0.19
Egypt, Arab Republic of	809	8,753	1,662	0	7,091	986	0.53
El Salvador	122	1,320	264	0	1,056	299	0.16
Equatorial Guinea	50	541	108	0	433	227	0.12
Eritrea	50	541	108	0	433	227	0.12
Estonia	65	703	141	0	562	242	0.13
Ethiopia	70	757	151	0	606	247	0.13
Fiji	71	768	154	0	614	248	0.13

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER (cont.)

As of June 30, 2002

Expressed in thousands of US dollars

Members	Subscriptions (Note C)				Voting power		
	Shares	Total Subscribed	Amount Paid-in	Amount Due	Amount Subject to Call	Number of Votes	% of Total
Finland	1,057	11,437	2,171	0	9,266	1,234	0.66
France	6,712	72,624	14,054	0	58,570	6,889	3.70
Gambia, The	50	541	108	0	433	227	0.12
Georgia	111	1,201	240	0	961	288	0.15
Germany	8,936	96,688	18,355	0	78,333	9,113	4.90
Ghana	245	2,651	530	0	2,121	422	0.23
Greece	493	5,334	1,013	0	4,321	670	0.36
Grenada	50	541	108	0	433	227	0.12
Guatemala	140	1,515	303	0	1,212	317	0.17
Guinea	91	985	197	0	788	268	0.14
Guyana	84	909	182	0	727	261	0.14
Haiti	75	812	162	0	650	252	0.14
Honduras	178	1,926	366	0	1,560	355	0.19
Hungary	994	10,755	2,042	0	8,713	1,171	0.63
Iceland	90	974	195	0	779	267	0.14
India	3,048	32,979	6,596	0	26,383	3,225	1.73
Indonesia	1,849	20,006	3,798	0	16,208	2,026	1.09
Ireland	650	7,033	1,335	0	5,698	827	0.44
Israel	835	9,035	1,715	0	7,320	1,012	0.54
Italy	4,970	53,775	10,208	0	43,567	5,147	2.77
Jamaica	181	1,958	392	0	1,566	358	0.19
Japan	8,979	97,153	18,443	0	78,710	9,156	4.92
Jordan	171	1,850	351	0	1,499	348	0.19
Kazakhstan	368	3,982	756	0	3,226	545	0.29
Kenya	303	3,278	622	0	2,656	480	0.26
Korea, Republic of	791	8,559	1,625	0	6,934	968	0.52
Kuwait	930	10,063	2,013	0	8,050	1,107	0.59
Kyrgyz Republic	77	833	167	0	666	254	0.14
Lao People's Democratic Republic	60	649	130	0	519	237	0.13
Latvia	171	1,850	351	0	1,499	348	0.19
Lebanon	250	2,705	514	0	2,191	427	0.23
Lesotho	50	541	108	0	433	227	0.12
Libya	549	5,940	1,188	0	4,752	726	0.39
Lithuania	187	2,023	384	0	1,639	364	0.20
Luxembourg	204	2,207	419	0	1,788	381	0.20
Macedonia, FYR of	88	952	181	0	771	265	0.14
Madagascar	100	1,082	216	0	866	277	0.15
Malawi	77	833	167	0	666	254	0.14
Malaysia	1,020	11,036	2,095	0	8,941	1,197	0.64
Mali	81	876	175	0	701	258	0.14
Malta	132	1,428	271	0	1,157	309	0.17
Mauritania	63	682	136	0	546	240	0.13
Mauritius	153	1,655	314	0	1,341	330	0.18
Micronesia, Federal States of	50	541	108	0	433	227	0.12
Moldova	96	1,039	208	0	831	273	0.15
Mongolia	58	628	126	0	502	235	0.13
Morocco	613	6,633	1,259	0	5,374	790	0.42
Mozambique	97	1,050	210	0	840	274	0.15
Namibia	107	1,158	232	0	926	284	0.15
Nepal	122	1,320	251	0	1,069	299	0.16

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER (cont.)

As of June 30, 2002

Expressed in thousands of US dollars

Members	Subscriptions (Note C)				Voting power		
	Shares	Total Subscribed	Amount Paid-in	Amount Due	Amount Subject to Call	Number of Votes	% of Total
Netherlands	3,822	41,354	7,850	0	33,504	3,999	2.15
Nicaragua	102	1,104	221	0	883	279	0.15
Nigeria	1,487	16,089	3,054	0	13,035	1,664	0.89
Norway	1,232	13,330	2,531	0	10,799	1,409	0.76
Oman	166	1,797	341	0	1,456	343	0.18
Pakistan	1,163	12,584	2,389	0	10,195	1,340	0.72
Palau	50	541	108	0	433	227	0.12
Panama	181	1,958	379	0	1,579	358	0.19
Papua New Guinea	96	1,039	208	0	831	273	0.15
Paraguay	80	866	173	0	693	257	0.14
Peru	657	7,109	1,350	0	5,759	834	0.45
Philippines	484	5,237	1,047	0	4,190	661	0.36
Poland	764	8,266	1,653	0	6,613	941	0.51
Portugal	673	7,282	1,382	0	5,900	850	0.46
Qatar	137	1,482	296	0	1,186	314	0.17
Romania	978	10,582	2,009	0	8,573	1,155	0.62
Russian Federation	5,528	59,813	11,355	0	48,458	5,705	3.06
St. Kitts and Nevis	50	541	108	0	433	227	0.12
St. Lucia	88	952	181	0	771	265	0.14
St. Vincent and the Grenadines	88	952	181	0	771	265	0.14
Samoa	50	541	108	0	433	227	0.12
Saudi Arabia	5,528	59,813	11,355	0	48,458	5,705	3.06
Senegal	145	1,569	314	0	1,255	322	0.17
Seychelles	50	541	108	0	433	227	0.12
Sierra Leone	75	812	162	0	650	252	0.14
Singapore	154	1,666	333	0	1,333	331	0.18
Slovak Republic	391	4,231	803	0	3,428	568	0.31
Slovenia	180	1,948	370	0	1,578	357	0.19
South Africa	1,662	17,983	3,414	0	14,569	1,839	0.99
Spain	2,265	24,507	4,652	0	19,855	2,442	1.31
Sri Lanka	374	4,047	783	0	3,264	551	0.30
Sudan	206	2,229	446	0	1,783	383	0.21
Swaziland	58	628	126	0	502	235	0.13
Sweden	1,849	20,006	3,798	0	16,208	2,026	1.09
Switzerland	2,643	28,597	5,429	0	23,168	2,820	1.52
Syrian Arab Republic	168	1,818	364	0	1,454	345	0.19
Tanzania	141	1,526	305	0	1,221	318	0.17
Thailand	421	4,555	911	0	3,644	598	0.32
Togo	77	833	167	0	666	254	0.14
Trinidad and Tobago	358	3,874	735	0	3,139	535	0.29
Tunisia	156	1,688	338	0	1,350	333	0.18
Turkey	462	4,999	1,000	0	3,999	639	0.34
Turkmenistan	66	714	143	0	571	243	0.13
Uganda	132	1,428	286	0	1,142	309	0.17
Ukraine	764	8,266	1,653	0	6,613	941	0.51
United Arab Emirates	372	4,025	805	0	3,220	549	0.29
United Kingdom	8,565	92,673	17,593	0	75,080	8,742	4.70
United States	30,456	329,534	63,380	0	266,154	30,633	16.46
Uruguay	202	2,186	437	0	1,749	379	0.20
Uzbekistan	175	1,894	379	0	1,515	352	0.19

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER (cont.)

As of June 30, 2002

Expressed in thousands of US dollars

Members	Subscriptions (Note C)					Voting power	
	Shares	Total Subscribed	Amount Paid-in	Amount Due	Amount Subject to Call	Number of Votes	% of Total
Vanuatu	50	541	108	0	433	227	0.12
Venezuela, Rep. Bolivariana de	1,427	15,440	3,088	0	12,352	1,604	0.86
Vietnam	388	4,198	797	0	3,401	565	0.30
Yemen, Republic of	155	1,677	335	0	1,342	332	0.18
Yugoslavia, Federal Rep. of	231	2,499	500	0	1,999	408	0.22
Zambia	318	3,441	688	0	2,753	495	0.27
Zimbabwe	236	2,553	511	0	2,042	413	0.22
Total—June 30, 2002	158,349	\$1,713,336	\$327,807	\$731	\$1,384,798	186,138	100.00
Total—June 30, 2001	132,869	\$1,437,643	\$279,031	\$731	\$1,157,881	160,127	

Notes: Amounts aggregating the equivalent of \$216,000 have been received from countries in the process of completing membership requirements: Rwanda \$61,000, Suriname \$155,000.

Totals may differ from the sum of individual figures shown because of rounding

STATEMENT OF GUARANTEES OUTSTANDING

As of June 30, 2002

Expressed in thousands of US dollars

Gross Exposure by Guarantee Currency (Note D)

Host Country	US		Japanese		Reinsurance (Note D)	Net Exposure
	Dollars	Euro	Yen	Total		
Albania	8,585			8,585		8,585
Algeria		5,447		5,447		5,447
Angola	19,508			19,508		19,508
Argentina	590,997			590,997	382,757	208,240
Armenia	2,700			2,700		2,700
Azerbaijan	38,057			38,057		38,057
Bangladesh	79,542			79,542	14,670	64,872
Benin	8,056			8,056	806	7,250
Bolivia	14,594			14,594		14,594
Bosnia and Herzegovina		45,250		45,250	1,366	43,884
Brazil	869,525	39,065		908,591	601,261	307,330
Bulgaria	21,220			21,220	10,000	11,220
Cape Verde	1,140			1,140		1,140
Chile	22,216			22,216		22,216
China	84,812	2,436		87,248	29,323	57,925
Colombia	159,127			159,127	55,385	103,741
Costa Rica	108,422			108,422	17,442	90,980
Cote d'Ivoire		14,818		14,818		14,818
Croatia		32,256		32,256	2,233	30,023
Czech Republic		19,850		19,850		19,850
Dominican Republic	242,811			242,811	99,485	143,326
Ecuador	38,560			38,560	1,650	36,910
Georgia	2,134			2,134		2,134
Guatemala	112,928			112,928	55,699	57,229
Guinea	39,414			39,414		39,414
Guyana	18,360			18,360		18,360
Honduras	11,944			11,944		11,944
Indonesia	56,496			56,496	3,527	52,969
Jamaica	135,105			135,105	10,637	124,468
Jordan	24,300	17,240		41,540	12,462	29,078
Kazakhstan	30,696			30,696	720	29,976
Kenya	123,700			123,700	59,500	64,200
Kuwait	50,000			50,000		50,000
Kyrgyz Republic	50,715			50,715	4,983	45,732
Lesotho	10,000			10,000		10,000
Macedonia		9,925		9,925		9,925
Madagascar	2,063			2,063	1,032	1,032
Mauritania	27,019	15,586		42,605	4,260	38,344
Moldova	61,092			61,092	30,546	30,546
Mozambique	147,595		23,446	171,041	45,527	125,514
Nepal	30,146			30,146	16,025	14,122
Nicaragua	161,935			161,935	80,968	80,968
Nigeria	100,000			100,000	10,000	90,000
Pakistan	139,446	13,792	334	153,572	30,445	123,127
Panama	3,288			3,288		3,288
Peru	297,519			297,519	107,005	190,514
Philippines	124,875			124,875	8,988	115,888
Romania	29,756	164,748		194,504	59,721	134,783
Russian Federation	252,040			252,040	95,352	156,688
Senegal	3,126			3,126	313	2,813
Slovak Republic		788		788		788
South Africa	12,300			12,300		12,300
Sri Lanka	1,686			1,686		1,686

STATEMENT OF GUARANTEES OUTSTANDING (cont.)

As of June 30, 2002

Expressed in thousands of US dollars

Gross Exposure by Guarantee Currency (Note D)

Host Country	US Dollars	Euro	Japanese Yen	Total	Reinsurance (Note D)	Net Exposure
Swaziland	32,000		23,446	55,446	27,723	27,723
Tanzania	172,080			172,080	104,733	67,347
Togo		8,549		8,549		8,549
Turkey	256,884	2,736		259,620	116,961	142,659
Turkmenistan	8,000			8,000		8,000
Uganda	31,961			31,961	6,294	25,667
Ukraine	19,000			19,000	1,900	17,100
Uruguay	20,515			20,515	6,155	14,361
Venezuela, Rep.Bolivariana de	45,154			45,154	9,440	35,715
Vietnam	10,000			10,000		10,000
Zambia	30,400		2,440	32,840		32,840
	4,995,544	392,486	49,666	5,437,696	2,127,292	3,310,404
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)		(23,446)	(55,446)	(27,723)	(27,723)
	(68,809)		(23,446)	(92,255)	(27,723)	(64,532)
Adjustment for Master Agreement:						
Guatemala,Moldova,Nicaragua (88,842)				(88,842)	(44,421)	(44,421)
Total-June 30, 2002	4,837,893	392,486	26,220	5,256,599	2,055,148	3,201,451
Total-June 30, 2001	4,778,186	371,093	29,760	5,179,040	2,022,603	3,156,437

Note: Totals may differ from the sum of individual figures shown because of rounding

NOTES TO FINANCIAL STATEMENTS

PURPOSE

The Multilateral Investment Guarantee Agency (MIGA), established on April 12, 1988, is a member of The World Bank Group, which also includes the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the International Development Association (IDA). MIGA's activities are closely coordinated with and complement the overall development objectives of the other World Bank institutions. 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 Accounting Standards and with accounting principles generally accepted in the United States of America. The policy adopted is that considered most appropriate to the circumstances of MIGA having regard to its legal requirements and to the practices of other international insurance entities. On July 31, 2002, subsequent to their endorsement by the Audit Committee, the Executive Vice President of MIGA, duly authorized by the President, approved the financial statements for issue.

Use of Estimates The preparation of financial statements in conformity with International Accounting 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 the outstanding contingencies. 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 rate 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 accumulated 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.

Reclassification Certain amounts in the prior year have been reclassified to conform to the current year's presentation.

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, 2002 and June 30, 2001 is as follows (in thousands of US dollars):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At June 30, 2002				
Government obligations	\$362,468	\$5,740	\$136	\$368,072
Time deposits	323,543	0	0	323,543
Total	\$686,011	\$5,740	\$136	\$691,615
At June 30, 2001				
Government obligations	\$265,871	\$6,350	\$73	\$272,148
Time deposits	280,950	0	0	280,950
Total	\$546,821	\$6,350	\$73	\$553,098

The expected maturities of investment securities in the available-for-sale portfolio at June 30, 2002 were as follows (in thousands of US dollars):

	Amortized Cost	Fair Value
At June 30, 2002		
Due in one year or less	\$345,333	\$346,104
Due after one year through two years	249,583	254,024
Due after two years through three years	79,149	79,421
Due after three years through four years	11,946	12,066
Total	\$686,011	\$691,615

Investments were denominated primarily in United States dollars with instruments in non-dollar currencies representing 9.0 percent (8.1 percent–June 30, 2001) of the portfolio.

NOTE C: CAPITAL STOCK

The MIGA Convention established MIGA's authorized capital stock at 100,000 shares with a provision that the authorized capital stock shall automatically increase on the admission of a new member to the extent that the then authorized shares are insufficient to provide the shares to be subscribed by such member. At June 30, 2002, the initial authorized capital stock increased to 102,783 (102,324–June 30, 2001) 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 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. On May 6, 2002, the Council of Governors adopted the resolution to extend the General Capital Increase subscription period to March 28, 2003. 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.

At June 30, 2002, MIGA's authorized capital stock comprised 181,342 shares of which 158,349 (132,869–June 30, 2001) 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, \$327,807,000 (\$279,031,000–June 30, 2001) has been paid in; \$731,000 (\$731,000–June 30, 2001) is due and the remaining \$1,384,798,000 (\$1,157,881,000–June 30, 2001) is subject to call. Of the amounts paid in, at June 30, 2002, \$103,007,000 (\$100,921,000–June 30, 2001) is in the form of nonnegotiable, non interest bearing demand obligations (promissory notes). A summary of MIGA's capital stock at June 30, 2002 and June 30, 2001 is as follows:

	Initial Capital		Capital Increase		Total	
	Shares	(US\$000)	Shares	(US\$000)	Shares	(US\$000)
At June 30, 2002						
Authorized	102,783	\$1,112,112	78,559	\$850,008	181,342	\$1,962,120
Subscribed	102,783	\$1,112,112	55,566	\$601,224	158,349	\$1,713,336
At June 30, 2001						
Authorized	102,324	\$1,107,146	78,559	\$850,008	180,883	\$1,957,154
Subscribed	102,324	\$1,107,146	30,545	\$330,497	132,869	\$1,437,643

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 protects the investor from inconvertibility of local currency into foreign exchange for transfer outside the host country. Currency depreciation is not covered. Expropriation 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 protects the investor against losses from damage to, or the destruction or disappearance of, tangible 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 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 for any combination of the four types of coverage. MIGA guarantees, cannot be terminated unilaterally by the guarantee holder within the first three years from the date of issuance. Premium rates applicable to issued contracts are fixed for five years. Payments against all claims under a guarantee may not exceed the maximum amount of coverage issued under the guarantee.

As approved by the Board of Directors and the Council of Governors, the maximum aggregate amount of contingent liabilities that may be assumed by MIGA is 350 percent of the sum of MIGA's unimpaired subscribed capital and its reserves plus such portion of the insurance ceded by MIGA through contracts of reinsurance as the Board of Directors may determine. Accordingly, at June 30, 2002, the maximum level of guarantees outstanding may not exceed \$9,156,960,000.

Contingent Liability The maximum amount of contingent liability of MIGA under guarantees outstanding at June 30, 2002 totaled \$5,256,599,000 (\$5,179,040,000-June 30, 2001). 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, 2002, MIGA's estimate of its actual exposure to insurance claims exclusive of standby coverage is \$2,563,671,000 (\$2,628,939,000-June 30, 2001).

As of June 30, 2002, additional guarantee capacity committed was nil (\$0-June 30, 2001).

Claim Activity In June 2000, MIGA paid its first claim, an expropriation claim related to a power project in Indonesia, amounting to \$15,000,000, of which 70% was reinsured. The net amount paid by MIGA was \$4,500,000. MIGA has entered into a settlement agreement with Indonesia under which the loss should be repaid in six semi-annual payments of principal and interest on the outstanding balance. As at June 30, 2002, in accordance with the terms of the settlement agreement, four installments totaling \$11,350,000 have been received. MIGA has retained \$3,405,000 (30%).

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 \$5,256,599,000 outstanding contingent liability (gross exposure) at June 30, 2002 (\$5,179,040,000-June 30, 2001), \$2,055,148,000 was ceded through contracts of reinsurance (\$2,022,603,000-June 30, 2001). Net exposure amounted to \$3,201,451,000 as at June 30, 2002 (\$3,156,437,000-June 30, 2001).

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of June 30, 2002, total insurance assumed by MIGA, primarily with official investment insurers, amounted to \$94,217,000 (\$99,882,000-June 30, 2001).

Premiums relating to direct, assumed, and ceded contracts for the fiscal years ended June 30, 2002 and June 30, 2001 were as follows:

In thousands	2002	2001
Premiums written		
Direct	\$51,736	\$ 56,491
Assumed	1,132	1,697
Ceded	(22,091)	(23,344)
Premiums earned		
Direct	55,373	44,300
Assumed	1,670	2,041
Ceded	(24,376)	(18,078)

NOTE F: RESERVE FOR CLAIMS

MIGA's gross reserve for claims as of June 30, 2002 amounted to \$598,000,000 (\$487,400,000–June 30, 2001).

An analysis of the changes to the gross reserve for claims for the fiscal years ended June 30, 2002 and June 30, 2001 were as follows:

In thousands

	2002	2001
Balance, beginning of the fiscal year	\$487,400	\$375,700
Provision for claims–net	43,891	29,734
Estimated reinsurance recoverables	63,500	81,000
Claim recovered	1,657	1,748
Translation adjustment	1,552	(782)
Balance, end of the fiscal year	\$598,000	\$487,400

MIGA has accounted for potential problems in its Argentinean portfolio resulting from the economic crisis that unfolded during fiscal year 2002. At June 30, 2002, total provisioning under the Specific Reserve for Argentinean contracts amounted to \$44.4 million. This amount was established to address potential problems in MIGA's Argentina portfolio resulting from the economic crisis that started to unfold in December 2001. In addition, MIGA provided \$0.5 million which was established to cover credit risk associated with the recovery of a claim paid in Indonesia in fiscal year 2000.

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, 2002 was \$2,150,098 (\$2,858,000–June 30, 2001). The portion of the cost for RSBP and the PEBP for the fiscal year ended June 30, 2002 was \$269,000 (\$162,600–June 30, 2001). In addition, at June 30, 2002, MIGA had a receivable from IBRD in the amount of \$15,674,213 (\$13,644,847–June 30, 2001) representing the accumulated excess of its contributions to pension assets over its allocated net periodic pension cost.

NOTE H: SERVICE AND SUPPORT FEE

MIGA obtains certain administrative and overhead services from IBRD in those areas where common services can be efficiently provided by IBRD. This includes shared costs of the Boards of Governors and Directors, and other services such as communications, internal auditing, administrative support, supplies and insurance. 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, 2002, were \$1,170,476 (\$1,008,306-June 30, 2001).

NOTE I: ESTIMATED FAIR VALUES

The estimated fair values of MIGA's cash and nonnegotiable, non interest-bearing demand obligations are assumed to 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 18, 2002, MIGA received notification of a claim for a project in Argentina with a maximum liability of \$5 million. Such risks of this nature have been taken into consideration when establishing Specific Reserves at June 30, 2002.