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Dinner/Speaking Engagement: MIGA Retreat
(JDW Remarks)

Friday, November 7, 1997
6:45 - 9:00 p.m.
Baltimore & Ohio Railway Museum
Baltimore, MD

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President Wolfensohn - Briefing Book for President's Meetings - Meeting Material
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A. CLASSIFICATION

- ☒ Meeting Material
- ☐ Trips
- ☐ Speeches

- ☐ Annual Meetings
- ☐ Corporate Management
- ☐ Communications with Staff

- ☐ Phone Logs
- ☐ Calendar
- ☐ Press Clippings/Photos

- ☐ JDW Transcripts
- ☐ Social Events
- ☐ Other

B. SUBJECT: DINNER/SPEAKING ENGAGEMENT: MIGA RETREAT <JDW REMARKS> JDW DID NOT ATTEND - VENUE: BALTIMORE & OHIO RAILWAY MUSEEUM/ BALTIMORE, MD

brief includes:

- MIGA Annual Report 1997
- Talking Points
- Background
- Program
- Agenda
- Mr. Iida's Bio

DATE: 11/07/97

C. VPU

Corporate

- ☐ CTR
- ☐ EXT
- ☐ LEG
- ☐ MPS
- ☐ OED
- ☐ SEC/Board
- ☐ TRE

Regional

- ☐ AFR
- ☐ EAP
- ☐ ECA
- ☐ LAC
- ☐ MNA
- ☐ SAS

Central

- ☐ CFS
- ☐ DEC
- ☐ ESD
- ☐ FPD
- ☐ FPR
- ☐ HRO

Affiliates

- ☐ GEF
- ☐ ICSID
- ☐ IFC
- ☐ Inspection Panel
- ☐ Kennedy Center
- ☒ MIGA

D. EXTERNAL PARTNER

- ☐ IMF
- ☐ UN
- ☐ MDB/Other IO
- ☐ NGO
- ☐ Private Sector

- ☐ Part I
- ☐ Part II
- ☐ Other

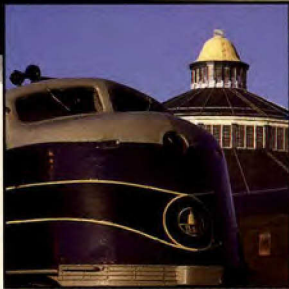
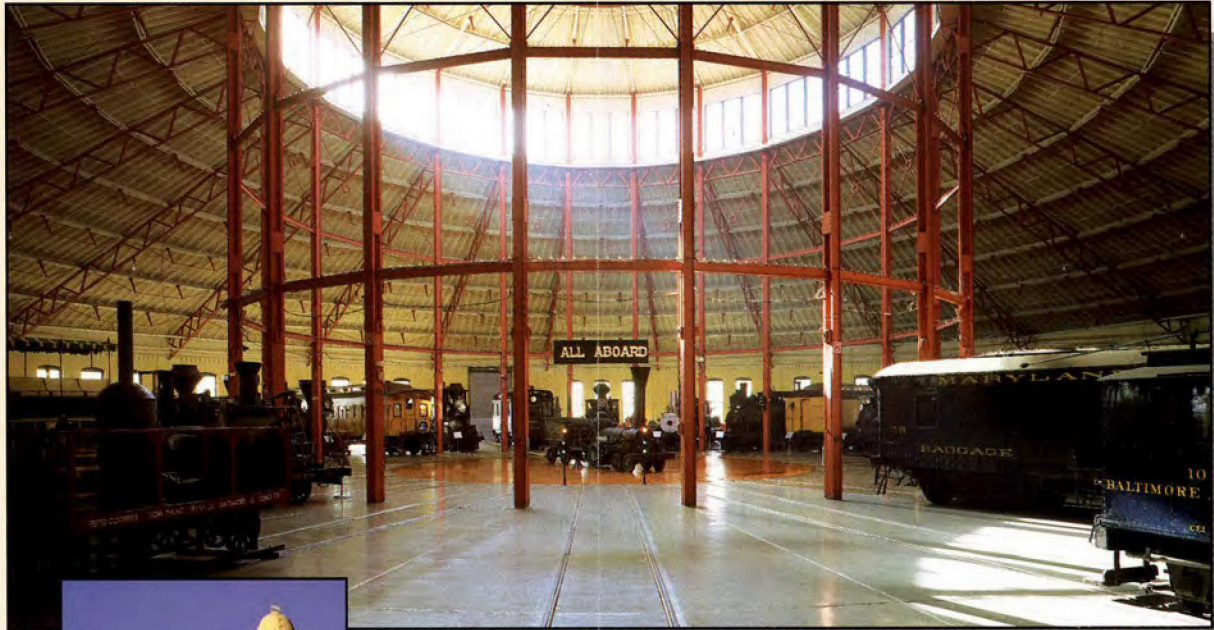
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*The
Birthplace
of
American
Railroading.*



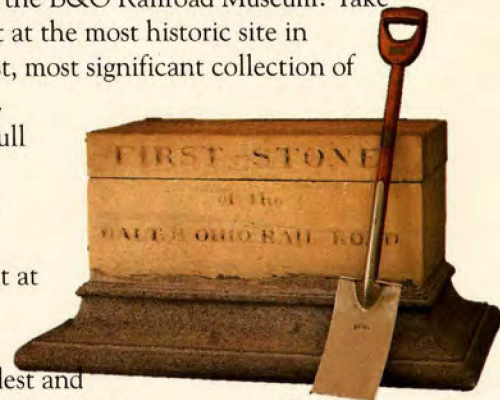
Discover America's Railroad Heritage

It began here at Mt. Clare... Home of the B&O Railroad Museum! Take the nostalgic journey into America's past at the most historic site in American railroading. Discover the finest, most significant collection of railroadiana in the Western Hemisphere.

Comprised of a 37 acre site, 5 historic buildings, over 120 pieces of full size equipment, a large collection of railroad artifacts and the Hays T. Watkins Research Library, the B&O Railroad Museum is a great place to visit!

Built in 1884, the Roundhouse is the most spectacular single sight at the museum. It measures nearly 240 feet across and 123 feet high and was used until 1953 to repair the B&O's fleet of passenger cars. Today the wooden turntable is surrounded by the Museum's oldest and finest historic steam, diesel and electric locomotives as well as rare 19th century passenger and freight equipment.

You can enjoy a leisurely stroll through the Museum's yards, where many locomotives, passenger and freight cars and special purpose equipment await your inspection. And no visit is complete without a stop at our 12' X 40' HO model layout. Built in 1956, the layout is one of the oldest of its kind, having been enjoyed by hundreds of thousands of visitors.





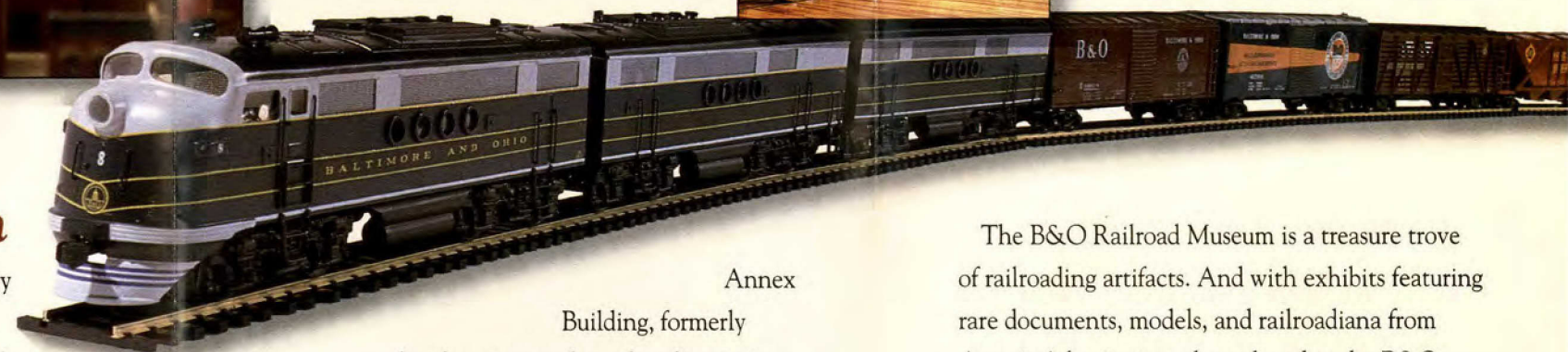
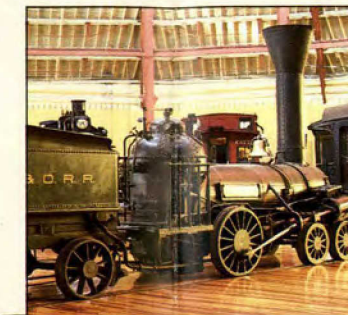
At the B&O Railroad Museum

As a nation taught itself railroading, history was made daily at the Mt. Clare shops.

The first passenger trains in the new world headed west to Ellicott's Mills from here in 1830. Peter Cooper operated the steam engine –the first ever made in America –that would later become known as the “Tom Thumb” at Mt. Clare. History was made again when Samuel F.B. Morse sent his famous telegraph message—“What hath God wrought?”—from Washington D.C. along the B&O's right of way to Mt. Clare back in 1844.



Visitors enter the Museum at historic Mt. Clare Station. Connected to Mt. Clare Station is the



Annex Building, formerly headquarters to the railroad's printing department and currently home to several displays of railroad artifacts, models and exhibits.

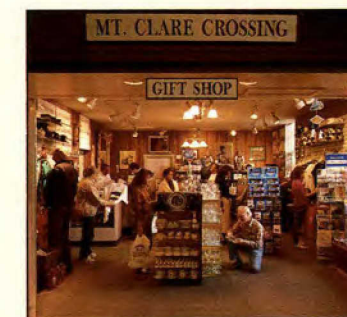
First assembled in 1892, the B&O collection now includes a vast array of original equipment.

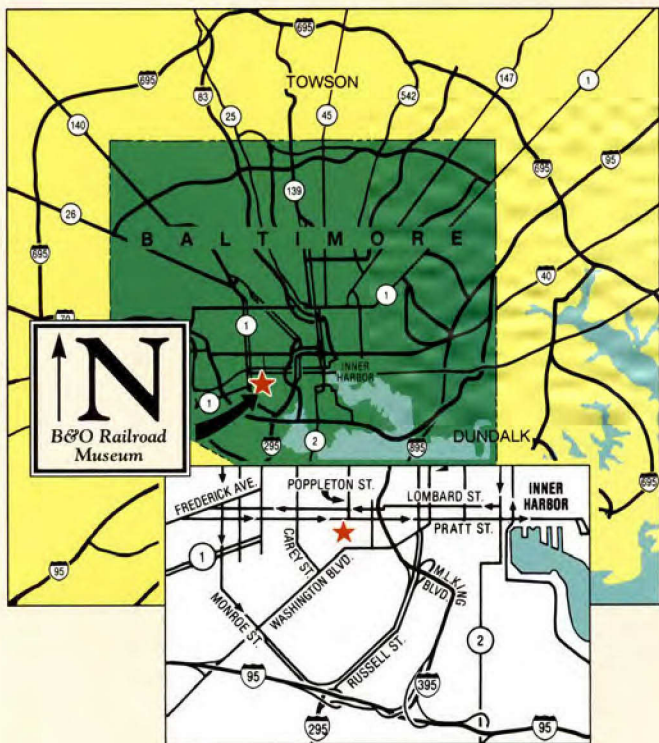
And even our replicas are historic, dating from the famous “Fair of the Iron Horse” in 1927. At the B&O Railroad Museum you can trace the growth of railroad equipment from tiny “grasshopper” locomotives to the 320 ton Allegheny (a monster steam engine capable of producing 7,500 horsepower) and beyond to the diesel era.

The B&O Railroad Museum is a treasure trove of railroading artifacts. And with exhibits featuring rare documents, models, and railroadiana from America's beginnings through today, the B&O Railroad Museum is a place where learning history is fun!

A visit to the best railroad store anywhere is right here at the Mt. Clare Crossing Gift Shop.

Everything from toy trains to t-shirts, caps to cups, books to bandanas...the gift shop has something for every taste and budget.





And All This History is just 10 Blocks from Baltimore's Inner Harbor

Open daily 10 a.m. to 5 p.m./ Closed Thanksgiving,
Christmas and Easter. Ample free parking at Museum.
Admission charges & directions:410-752-2490
Excursions & group tours:410-752-2393
Catered events:410-752-2463
FAX:410-752-2499



901 W. Pratt Street Baltimore, Maryland 21223-2699

Member:



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MIGA

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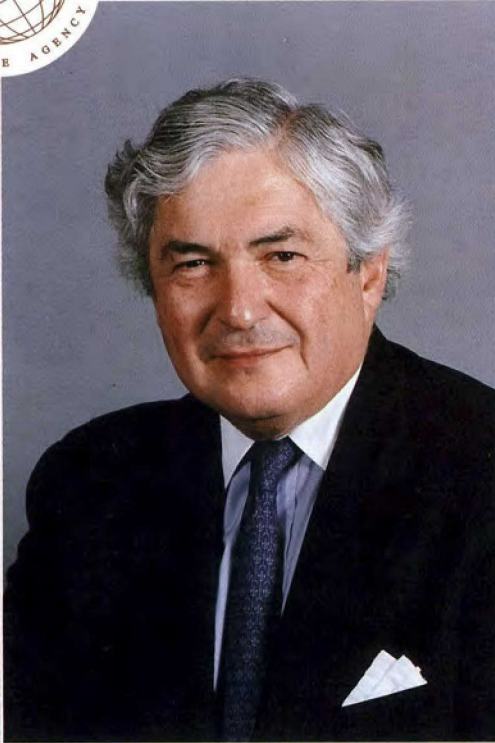
◆ MULTILATERAL INVESTMENT GUARANTEE AGENCY ◆

MIGA

ANNUAL REPORT

1 9 9 7

◆ MULTILATERAL INVESTMENT GUARANTEE AGENCY ◆



*James D. Wolfensohn,
President of MIGA and
Chairman of its Board
of Directors*

LETTER TO THE COUNCIL OF GOVERNORS

June 30, 1997

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, 1997.

The Board of Directors is pleased to report that MIGA has had another successful year during which MIGA's membership continued to increase; projects were guaranteed in 11 developing member countries where MIGA had not previously been active; and investment promotion activities expanded, with an important initiative in Africa to support the further development of national investment promotion agencies.

During the fiscal year, the Board of Directors took note of the fact that MIGA is approaching the limits of its financial capacity and began an examination of how best to provide MIGA with adequate additional resources to allow it to meet the continuing demand for its services. Consideration of this important matter will continue in the coming fiscal year.

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BOARD OF DIRECTORS

As of June 30, 1997

Directors

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 KHALID H. ALYAHYA
 JUANITA D. AMATONG
 MARC-ANTOINE AUTHEMAN
 ALI BOURHANE
 KACIM BRACHEMI
 ANDREI BUGROV
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 JOAQUIM R. CARVALHO
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 JANNES HUTAGALUNG
 RUTH JACOBY
 YOUNG-HOI LEE
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 SURENDRA SINGH
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 IBRAHIM M. AL-MOFLEH
 MURILO PORTUGAL
 OLIVIER BOURGES
 LUC-ABDI ADEN
 ABDUL KARIM LODHI
 EUGENE MIAGKOV
 JULIO NOGUES
 GODFREY GAOSEB
 INIGO FERNANDEZ DE MESA
 JAN SULMICKI
 WINSTON COX
 NAMIK DAGALP
 SUN VITHESPONGSE
 JORGEN VARDER
 CHRISTOPHER Y. LEGG
 ZHAO XIAOYU
 SHIN YASUNOBE
 DAVID STANTON
 HELENA CORDEIRO
 MICHAEL MAREK
 ERIKA WAGENHÖFER
 SYED AHMED
 MIOARA IONESCU



MESSAGE FROM THE EXECUTIVE VICE PRESIDENT

I am pleased to report on MIGA's achievements during fiscal 1997. On the Guarantee side, MIGA continued its claims-free record into its eighth year of operations and further diversified its portfolio by adding 11 countries, bringing to 52 the number of countries in which the Agency has insured investments. Fiscal 1997 was a year of firsts for MIGA. The Agency issued its first report to shareholders on the developmental effectiveness of some of the projects it has insured. In addition, MIGA signed its first quota share reinsurance agreement with a private insurance company. The agreement, which took effect in January 1997, will make MIGA's underwriting strategy more effective by giving the Agency additional guarantee capacity across its portfolio while keeping its own risk exposure within existing project and country limits. As a result of this agreement, the growth in MIGA's exposure was significantly offset by reinsurance, and therefore MIGA's exposure at the end of fiscal 1997 recorded only a relatively modest increase over the level at the end of fiscal 1996, an especially welcome development in light of the financial constraints under which MIGA is operating.

In the annual report for fiscal 1996, I noted that MIGA had begun to address the need for a future enhancement of its capital base. Substantial progress was made this fiscal year: there was full support from shareholders for the need to increase MIGA's guarantee capacity and recognition that the twin issues of capacity headroom and liquidity cushion must be addressed to support future business expansion. There was broad support for the technical assessment of the size of the required increase in operating capital (paid-in capital plus reserves and retained earnings) and subscribed capital. Shareholders are currently giving consideration to the most appropriate sources of funding.

I am also pleased to report that as a result of the efforts of its Investment Marketing Services Department (IMS), MIGA has developed a more user-friendly version of IPAnet that is gaining substantial support from users, including investment promotion agencies (IPAs) and others who wish to disseminate investment-related information. MIGA's capacity-building activities for IPAs and conferences for the mining and tourism sectors were also very successful. Because three years have elapsed since the major restructuring and reorientation of MIGA's technical assistance activities that led to the creation of IMS, it is now time to evaluate the changes that have taken place and the results that have been achieved. I am committed to undertaking such a review in the coming fiscal year.

Akira Iida
June 30, 1997





OFFICERS OF THE AGENCY



(Left to right)

*Leigh P. Hollywood, Vice President, Guarantees
Karin Millett, Manager, Investment Marketing Services
Luis Doderó, Vice President and General Counsel
Daniel E. Conway, Manager, Office of Central Administration
Angus Scrimgeour, Vice President and Chief Financial Officer
Shengman Zhang, Vice President and Secretary
Akira Iida, Executive Vice President*

HIGHLIGHTS OF FISCAL 1997

Country Membership

- Five new countries signed the MIGA Convention; the number of signatory countries now totals 160.
- Seven countries completed membership requirements; the number of member countries now totals 141.

Guarantee Operations

- Seventy guarantee contracts were issued, involving gross maximum contingent liabilities assumed of \$614 million.
- First projects were assisted in Algeria, Azerbaijan, Bahrain, Colombia, Egypt, Georgia, Guatemala, Guinea, Paraguay, Romania, and Sri Lanka.
- MIGA signed a long-term treaty reinsurance agreement with a private reinsurer.
- The first contract was issued under MIGA's Cooperative Underwriting Program, for a power project in Indonesia.
- The total number of guarantee contracts issued is now 293.
- Contingent liabilities outstanding now total \$2.5 billion.
- Foreign direct investment facilitated is estimated at \$20 billion.
- MIGA continued its claims-free record.

Financial

- Gross income reached \$34.7 million.
- Net income was \$24.0 million before provisioning and \$2.2 million after provisioning.

Technical Assistance Services

- MIGA launched a new version of *IPAnet*, its marketplace on the Internet that carries information on investment opportunities and business operating conditions in more than 150 countries, and the number of *IPAnet* registrants reached almost 4,000.
- Funding was secured for the AFRI-IPA Support Program, an effort to build the capacity of investment promotion agencies in Africa.
- The fourth annual African Mining Investment and Business Opportunities Conference attracted record attendance.
- An Andean Region Investors Forum for Tourism attracted key investors.
- MIGA released a second version of its Investor Tracking System software.
- New training programs were developed in the use of information technology to promote foreign direct investment.

MIGA MEMBER AND SIGNATORY COUNTRIES

141 MEMBER COUNTRIES

INDUSTRIAL—19

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

DEVELOPING—122

AFRICA	South Africa	Bosnia and Herzegovina	Dominica
Algeria	Sudan	Bulgaria	Dominican Republic
Angola	Swaziland	Croatia	Ecuador
Benin	Tanzania	Cyprus	El Salvador
Botswana	Togo	Czech Republic	Grenada
Burkina Faso	Tunisia	Estonia	Guatemala
Cameroon	Uganda	Georgia	Guyana
Cape Verde	Zambia	Hungary	Haiti
Congo, Democratic Republic of	Zimbabwe	Kazakhstan	Honduras
Congo, Republic of	ASIA/PACIFIC	Kyrgyz Republic	Jamaica
Côte d'Ivoire	Bangladesh	Lithuania	Nicaragua
Egypt, Arab Republic of	China	Macedonia, former Yugoslav Republic of	Panama
Equatorial Guinea	Fiji	Moldova	Paraguay
Eritrea	India	Poland	Peru
Ethiopia	Indonesia	Romania	St. Lucia
Gambia, The	Korea, Republic of	Russian Federation	St. Vincent and the Grenadines
Ghana	Malaysia	Slovak Republic	Trinidad and Tobago
Guinea	Micronesia, Federated States of	Slovenia	Uruguay
Kenya	Nepal	Turkey	Venezuela
Lesotho	Pakistan	Turkmenistan	
Libya	Papua New Guinea	Ukraine	MIDDLE EAST
Madagascar	Philippines	Uzbekistan	Bahrain
Malawi	Sri Lanka	LATIN AMERICA/ CARIBBEAN	Israel
Mali	Vanuatu	Argentina	Jordan
Mauritania	Vietnam	Bahamas, The	Kuwait
Mauritius	Western Samoa	Barbados	Lebanon
Morocco	EUROPE/ CENTRAL ASIA	Belize	Malta
Mozambique	Albania	Bolivia	Oman
Namibia	Armenia	Brazil	Qatar
Nigeria	Azerbaijan	Chile	Saudi Arabia
Senegal	Belarus	Colombia	United Arab Emirates
Seychelles		Costa Rica	Yemen, Republic of
Sierra Leone			

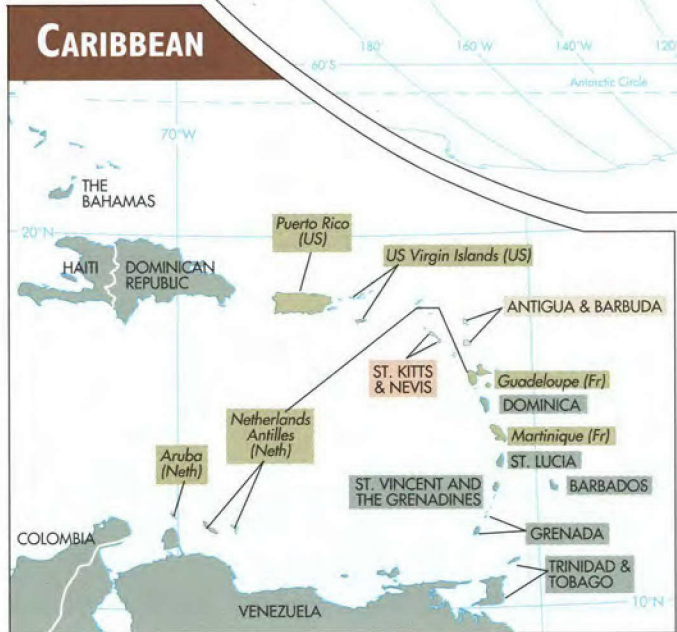
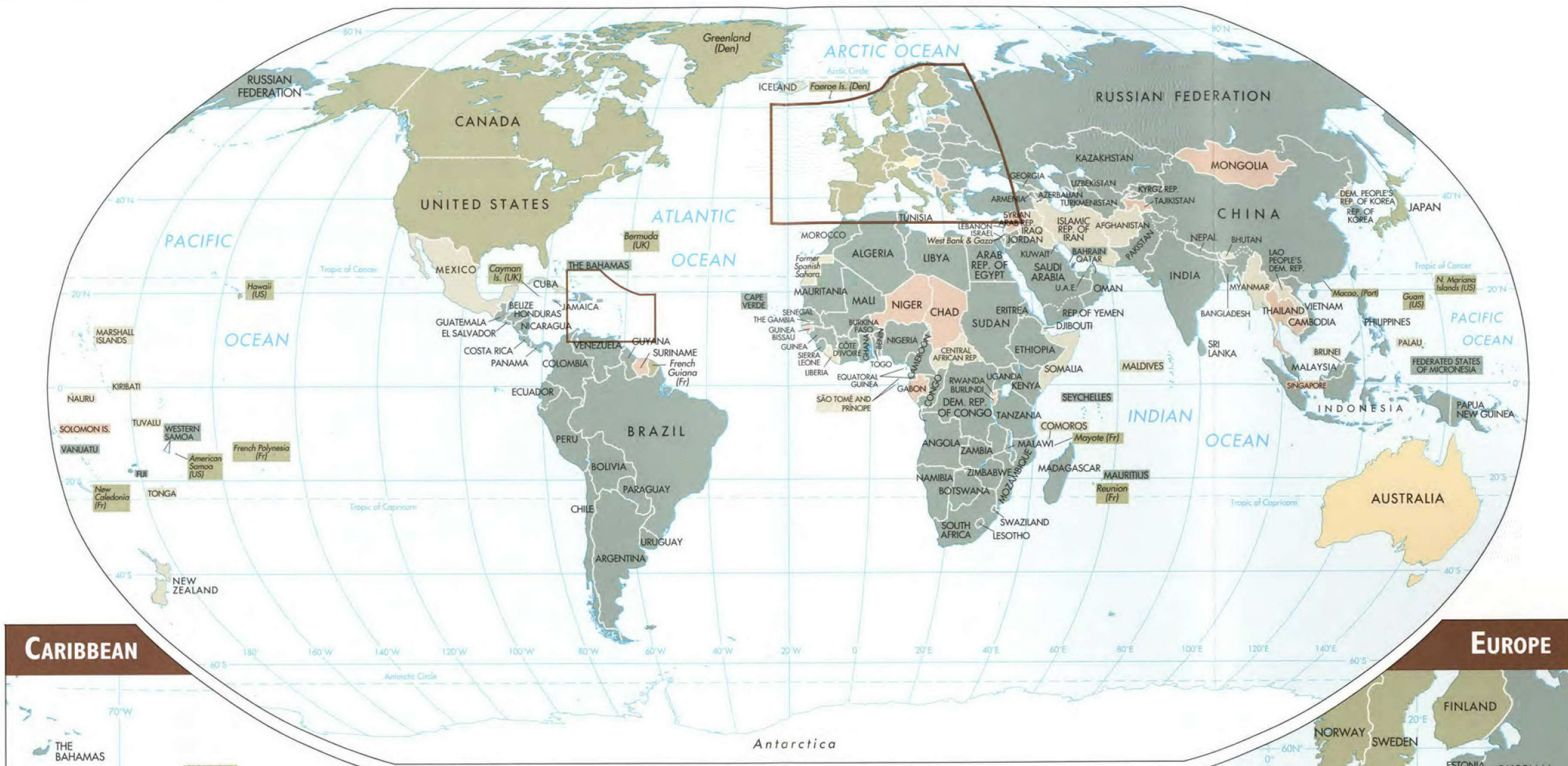
19 COUNTRIES IN THE PROCESS OF FULFILLING MEMBERSHIP REQUIREMENTS

INDUSTRIAL—2

Australia	Austria
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DEVELOPING—17

AFRICA	ASIA/PACIFIC	EUROPE/ CENTRAL ASIA	LATIN AMERICA/ CARIBBEAN
Burundi	Cambodia	Latvia	St. Kitts and Nevis
Chad	Mongolia	Tajikistan	Suriname
Gabon	Singapore	Yugoslavia, Federal Republic of (Serbia/Montenegro)	MIDDLE EAST
Guinea-Bissau	Solomon Islands		Syrian Arab Republic
Niger	Thailand		
Rwanda			



LEGEND

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

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MIGA

A Member of the World Bank Group



MIGA

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The **Multilateral Investment Guarantee Agency (MIGA)** was established on April 12, 1988, as the newest member organization of the World Bank Group. Its purpose is to encourage the flow of foreign direct investment to its developing member countries for economic development. Its primary means of facilitating investment is through the provision of investment guarantees against the risks of currency transfer, expropriation, and war and civil disturbance ("political risks").

This site is best viewed with Netscape Navigator 2.0 or a later version.
You are invited to send e-mail comments and inquiries about technical aspects of this site to the site administrator.

Please address inquiries concerning MIGA's Guarantee Program to the respective guarantee officer and questions concerning MIGA's Investment Marketing Services to the respective investment marketing officer.

MIGA ♦ MULTILATERAL INVESTMENT GUARANTEE AGENCY

MIGA's home page, located at <http://www.miga.org>, provides detailed information on MIGA and its services.

MIGA AND ITS ROLE IN FOREIGN DIRECT INVESTMENT

History and Objectives

The Multilateral Investment Guarantee Agency (MIGA) was created in April 1988 as a member of the World Bank Group and began operations in fiscal year 1990. The Convention establishing MIGA states (Article 2):

The objective of the Agency shall be to encourage the flow of investments for productive purposes among member countries, and in particular to developing member countries.

To serve this objective MIGA issues guarantees against noncommercial risks for foreign direct investments (FDI) in its developing member countries that originate in any of its member countries, and provides technical assistance to governments of developing member countries to improve their ability to attract FDI.

MIGA's Convention requires the Agency to supplement the activities of the World Bank, the International Finance Corporation, and other international development finance institutions. MIGA is also required to complement the activities of national and regional investment insurance entities. MIGA promotes such complementarities through coinsurance and reinsurance with these institutions, bilateral exchanges of information, and its membership in the Berne Union.

The MIGA guarantee is designed to promote new investments and new contributions to expand, privatize, or financially restructure existing projects in developing member countries. MIGA's long-term (15- to 20-year), noncancelable guarantee serves

to mitigate investors' concerns about political risks and facilitates investments that otherwise might not be made.

MIGA offers guarantees to cover the following risks:

- **Currency transfer restrictions** that prevent investors or lenders from converting local currency into foreign exchange and/or transferring the proceeds abroad.
- **Expropriation** in the form of acts (direct or indirect) by a host government that reduce or eliminate ownership of, control over, or rights to the insured investment.
- **War and civil disturbance** (including politically motivated acts of sabotage or terrorism) resulting in damage to, or destruction or disappearance of, tangible assets or interference with the ability of the foreign enterprise to operate.
- **Breach of contract** by a host government, provided the investor obtains an arbitration award or judicial sentence for damages and is unable to enforce it after a specified period, or in certain cases when the investor is unable to obtain the award or sentence.

MIGA coverage can be adjusted to suit the particular investment. Potential investors can obtain coverage for one or more categories of risk, according to their individual requirements and in proportion to the perceived risk. MIGA covers several forms of investment, including equity, commercial bank loans, loans made or guaranteed by foreign equity holders, and technical assistance and management contracts. This flexibility is designed to encourage foreign investors to expand their activities in the developing world.

MIGA is mandated to assist investments that contribute to the host country's development. The equity-related direct investments that MIGA facilitates are more

stable than portfolio investments and are a necessary element of long-term sustainable development.

MIGA assesses its success in terms of the number of jobs created, foreign exchange earnings and savings produced, tax and other revenues generated for the host government, and advanced technology and management practices introduced. All MIGA-insured projects must be environmentally, financially, and technically sound.

MIGA's technical assistance work is designed to promote the flow of investment to and between its developing member countries and economies in transition. These activities focus primarily on sectoral ministries and national and local investment promotion agencies (IPAs). MIGA assists IPAs in capacity building and dissemination of information on investment opportunities in their countries. MIGA also supports the investment marketing efforts of IPAs by organizing multicountry, single-sector conferences that bring together potential investors, local partners, and host country investment promotion officers.

The fulfillment of MIGA's objectives contributes to the development of the private sector in host countries and increases the ability of these countries to achieve economic, social, and environmentally sustainable development. MIGA's success in promoting foreign direct investment in its developing member countries and economies in transition makes an important contribution to the attainment of the overall development objectives of the World Bank Group.

The Growth of Foreign Direct Investment

In the first half of the 1990s, funding from international and domestic financial mar-

kets for private sector investment surpassed public sources of capital in the financing of economic development. From 1990 to 1996, private capital flows to developing countries and economies in transition increased fivefold, to an estimated \$244 billion in 1996. Private sources now account for more than four-fifths of the total capital flows to developing countries and economies in transition. The share of FDI in these flows more than quadrupled over the same period, increasing from \$25 billion in 1990 to \$110 billion in 1996. In contrast, official development assistance held steady at \$40 to \$50 billion per year.

The second half of the 1990s opened with a continuation of the economic trends in developing countries and economies in transition that had started early in the decade:

- Emerging democracies oriented toward market economies
- Improved macroeconomic management
- Strengthened banking systems
- Liberalized investment regimes.

These factors continued to enhance the environment for FDI. In turn, FDI contributed to better global integration among industrial and developing countries. Capital and labor markets were more closely linked, and the productivity and economic growth of beneficiary countries increased. MIGA's mandate to promote the flow of foreign direct investment to its developing member countries and economies in transition positions the Agency to be a strong contributor to the most significant development trend in recent years.

The decade of the 1990s has seen MIGA become a standard setter in the promotion of investment flows to its developing member countries and economies in transition. MIGA's Convention (Article 21) calls on the Agency to cooperate with private insurers and reinsurers to "encourage such

insurers to provide coverage of noncommercial risks in developing member countries on conditions similar to those applied by the Agency." MIGA's claims-free record has played a role in encouraging private insurers to offer political risk insurance and reinsurance for longer durations. This has increased the availability of longer-term political risk insurance, to the benefit of potential investors and developing countries alike.

MIGA's capacity to promote the settlement of potential disputes has encouraged investors and governments to seek MIGA's good offices to assist in finding solutions that avoid claims. In addition, MIGA has, through its technical assistance and investment marketing activities, launched *IPAnet*, an investment marketing tool on the Internet, and organized sectoral investment promotion conferences that have been recognized internationally as making a significant contribution to the promotion of investments in developing member countries and economies in transition.

The growing demand for MIGA guarantees, and for technical assistance to help promote foreign investment, testifies to the important contribution that MIGA has made in facilitating the flow of FDI and is a clear indication of MIGA's potential for further support of the development objectives of its member countries in the future. However, MIGA's success in facilitating the rapid growth of FDI in developing countries has utilized a significant portion of its original capacity, and unless its capital base is increased, the Agency's future activities will be constrained.

MIGA's Continued Growth

MIGA has a subscribed capital base of slightly over \$1 billion and accumulated retained earnings and claims reserves of

\$70.8 million. With its risk-to-assets ratio currently set at 3.5 to 1.0, MIGA's underwriting capacity is approximately \$4 billion before reinsurance. The success of MIGA's guarantee program—the growth of its portfolio and active pipeline of applications—has created the need for an expansion of its underwriting capacity.

The Joint Ministerial Committee of the Boards of Governors of the Bank¹ and the Fund² on the Transfer of Real Resources to Developing Countries, known as the Development Committee, met on April 29, 1997, and adopted the following statement about MIGA:

Ministers noted the progress made by MIGA's Board and Management in addressing MIGA's resource constraints. The Committee expressed broad support for MIGA's continued growth in response to expanding demand for its services. As MIGA is rapidly approaching the limits of its financial capacity, ministers urged the MIGA Board, together with other parties involved, to resolve in an expeditious manner the remaining issues on how best to obtain adequate resources, and report to the Committee at its next meeting [scheduled to be held on September 22, 1997].

Anticipating approval of measures that will allow MIGA to overcome existing resource constraints, MIGA's guarantee operations will continue, using its remaining capacity and capacity made free through cancellations of existing contracts, reinsurance, and some rationing of guarantees on a country and project basis. Through these measures, MIGA will continue its operations to support the economic growth of its developing member countries and economies in transition. ■

1. International Bank for Reconstruction and Development, or the World Bank.

2. International Monetary Fund.



GUARANTEE PROGRAM

Fiscal 1997 was a challenging and successful year for the guarantee program. MIGA signed 70 guarantee contracts totaling \$614 million in coverage issued. These contracts facilitated investments in 25 developing countries and generated \$26.2 million in gross earnings from premiums and commitment fees. Infrastructure investments received significant amounts of coverage, reaching 17 percent of the Agency's portfolio. MIGA's portfolio outstanding at the end of the fiscal year was \$2.5 billion. In addition, MIGA signed five commitment letters for a total of \$68.9 million in potential coverage.

In fiscal 1997, MIGA signed its 293rd contract of guarantee. The Agency's total issued portfolio more than doubled in the past three years, reaching \$3.4 billion. The foreign private investment facilitated by these MIGA guarantees is an estimated \$20 billion.

MIGA marked a number of milestones in fiscal 1997:

- MIGA issued its first guarantees in 11 countries (Algeria, Azerbaijan, Bahrain, Colombia, Egypt, Georgia, Guatemala, Guinea, Paraguay, Romania, and Sri Lanka), bringing to 52 the number of developing countries that have benefited from MIGA-insured projects.
- MIGA signed its first long-term treaty reinsurance agreement with a private insurer.
- MIGA executed its first contract under its Cooperative Underwriting Program.

Increased Demand and Capacity for Political Risk Insurance

The demand by project sponsors for long-term political risk insurance strengthened further, paralleling the increase in foreign direct investment flows. The Investment Insurance Committee of the Berne Union — which comprises 24 investment insurers, including MIGA — reported that new coverage issued by its members in 1996 amounted to \$15.2 billion, an 80 percent increase over new coverage issued in 1995. The investment insurance portfolios of these insurers totaled \$43.5 billion in 1996, an increase of more than 25 percent over the previous year.

MIGA also experienced continued high demand for its guarantee services. At the end of fiscal 1997, the Agency had more than 1,000 active preliminary applications for coverage of prospective investments. This record demand for MIGA's guarantee services has put pressure on the Agency's capacity to issue new coverage and has led the Agency, in cooperation with other insurers, to develop mechanisms to maintain and enhance its guarantee capacity (see the following section).

In addition, cancellations and reductions in the coverage of outstanding guarantee contracts, by releasing capacity, enable the Agency to issue new contracts. Cancellations are usually an indication that investors are comfortable assuming the political risks in the host country themselves. While cancellations in fiscal 1997 were exceptionally high (\$303 million) because of the termination of a few large guarantees, it is reasonable to expect a certain level of cancellations and reductions considering the maturity of MIGA's portfolio and the experience of other investment insurers.

Innovative Mechanisms to Increase Insurance Capacity

During the year, MIGA management intensified efforts to develop innovative mechanisms to enhance the Agency's own guarantee capacity through cooperation with other insurers. The collaborative efforts described below supplement MIGA's capacity but do not eliminate the need for additional capital to provide for the future growth of MIGA's guarantee operations.

Cooperation with Other Insurers

The surging demand for political risk insurance that has accompanied the increase in foreign investment flows has fueled the expansion of existing insurance programs and spawned the creation of new ones. MIGA has cooperated extensively over the years with other investment insurers through coinsurance and reinsurance agreements. For example, MIGA has coinsured and/or reinsured national insurers from Australia, Canada, Italy, Japan, Norway, Spain, the United Kingdom, and the United States. Such cooperation benefits both investors and host developing countries by increasing the availability of political risk insurance.

Access to national insurers is often constrained by their eligibility criteria, and their programs usually serve only national investors. Because MIGA is the only global multilateral political risk insurer in the investment insurance marketplace, it has the unique capability to facilitate investments in a single project by several investors from different countries.

MIGA also works closely with private insurers, such as the American Insurance Group and Lloyd's of London, to encourage the provision of additional investment insurance capacity.

Cooperative Underwriting Program

In another collaborative effort with the private insurance market to generate additional investment insurance capacity, MIGA signed its first contract under the Cooperative Underwriting Program (CUP), with Enron Corporation of the United States for a power project in Indonesia (see details on page 26). The CUP is a form of coinsurance designed to encourage private insurers to cover projects in developing countries where they otherwise might not assume the risk. Under the CUP, MIGA is the insurer-of-record but retains only a portion of the risk for its own account; the remainder of the coverage is underwritten by one or more private insurers.

Treaty Reinsurance Agreement

In April 1997, in an unprecedented development in the investment insurance



Brian Duperreault, ACE Chairman, and Akira Iida, MIGA Executive Vice President, sign the MIGA-ACE treaty. Looking on are MIGA representatives Christina Westholm-Schröder, Syndications and Business Development Manager; Leigh P. Hollywood, Guarantees Vice President; and Luis Dodero, Vice President and General Counsel.

THE MIGA-ACE TREATY REINSURANCE AGREEMENT

Under the terms of the agreement, ACE will reinsure MIGA contracts of guarantee written for amounts exceeding \$5 million and issued on or after January 1, 1997. The agreement will not only enable MIGA to offer additional guarantee capacity across its entire portfolio but will also expand MIGA's gross guarantee capacity at the project and country level. While MIGA's underwriting limits (net of reinsurance) are currently \$225 million per country and \$50 million per project, the ACE agreement will facilitate significantly larger guarantee capacities. This increased capacity will be of particular benefit in supporting major projects in the infrastructure, energy, and mining sectors.

MIGA retains total independence and flexibility in its underwriting decisions. The terms and conditions of MIGA coverage, as well as other criteria such as sector and country eligibility, remain unchanged. All the projects MIGA insures, as mandated by its Convention, must:

- Contribute to fulfilling the developmental needs of the host country, including job creation, export generation, market access, and the transfer of technology.
- Meet the World Bank's environmental standards and be financially and technically sound.

It is expected that this treaty reinsurance agreement will also encourage the expanded provision of long-term investment insurance.

market, MIGA signed a quota share treaty (or whole portfolio) reinsurance agreement with ACE Insurance Company, Ltd. of Bermuda (ACE). ACE is a wholly owned subsidiary of ACE Limited, one of the world's largest excess liability insurers. The MIGA-ACE agreement is the first of its kind between a private insurer and a multilateral agency to provide long-term (up to 20 years) political risk insurance for investments in developing countries. In addition to reducing MIGA's exposure to specific projects, the agreement also provides additional capacity for MIGA's clients without increasing the Agency's retained liability (see box above for details on the terms of the reinsurance agreement).

Investment Guarantee Trust Funds

During the year, MIGA approved the establishment of two Investment Guarantee Trust Funds to facilitate foreign investment in Bosnia and Herzegovina and in the West Bank and Gaza. Under the terms negotiated by MIGA's Legal Department, the Trust Funds will broadly follow the parameters of MIGA's guarantee program and will provide long-term (up to 15 years) insurance for eligible small and medium-size investments. MIGA will issue guarantees on behalf of, and pay compensation from, the Trust Funds. New investments—including contributions associated with the expansion, modernization, or financial restructuring of existing projects—and acqui-

sitions that involve the privatization of state enterprises are eligible.

In accordance with MIGA's mandate to promote economic growth and development, eligible investments covered by the Trust Funds will have to contribute to the host country's developmental needs and be financially and economically viable and environmentally sound. The Trust Funds will utilize MIGA's underwriting, claims, and recovery expertise and will supplement the Agency's available insurance capacity for foreign investments in these regions.

Investment Guarantee Trust Fund for Bosnia and Herzegovina. The European Union plans to sponsor the Investment Guarantee Trust Fund for Bosnia and Herzegovina with a credit line of ECU 10.5 million. The Trust Fund will encourage the inflow of much-needed capital from eligible investors of member countries of the European Union and from certain East European countries.

Investment Guarantee Trust Fund for West Bank and Gaza. MIGA created the West Bank and Gaza Investment Guarantee Trust Fund in cooperation with the Palestinian Authority. The Trust Fund will stimulate private investment flows to West Bank and Gaza and will contribute to the reintegration of these territories into the world economy.

The governments of several countries have expressed their willingness to contribute to the Trust Fund. The Palestinian Authority has made a contribution to the Fund through a loan from the International Development Association. MIGA continues to seek additional commitments from governments and multilateral institutions to support this initiative.



Luis Doderó, MIGA's Vice President and General Counsel, met with Yasser Arafat, Chairman of the Palestinian Authority, and Rajai Khouri, an adviser to Mr. Arafat, to discuss the West Bank and Gaza Investment Guarantee Trust Fund.

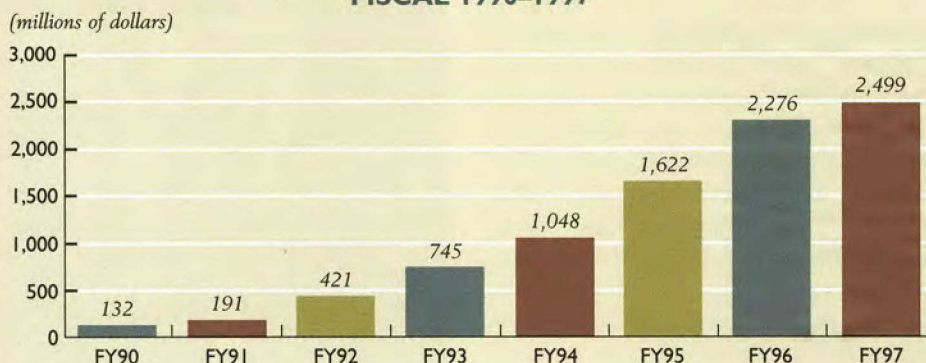
MIGA's Performance and Developmental Impact

MIGA's maximum contingent liability outstanding continued its rise, increasing from \$1.0 billion at the end of fiscal 1994 to \$2.5 billion at the end of fiscal 1997 (*figure 1*).

The projects that MIGA insured during the year will have significant developmental benefits for the 25 host countries in which they are located. The projects will facilitate an estimated \$4.7 billion in total foreign direct investment (*table 1*), seven times the amount of coverage issued. They also will generate an estimated 4,000 local jobs involving substantial training programs for employees.

During the year, the Agency launched the first phase of an effort to evaluate the actual developmental impact of the projects it insures. An external consultant assisted in evaluating 10 MIGA-insured

FIGURE 1. MAXIMUM CONTINGENT LIABILITY OUTSTANDING, FISCAL 1990–1997



Note: Includes amounts reinsured.

TABLE 1. DEVELOPMENTAL IMPACT OF GUARANTEE ACTIVITIES, FISCAL 1990–1997

	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97
Number of guarantees	4	11	21	27	38	54	68	70
Estimated foreign direct investment facilitated (\$ billion)	1.0	0.9	1.0	1.9	1.3	2.5	6.6	4.7
Estimated number of jobs created in host countries	2,700	3,680	2,920	1,720	7,800	8,800	7,200	4,000

projects by comparing the developmental effects estimated at the time of issuance of MIGA coverage with the actual developmental impact after about five years of project operation. All of the projects assessed achieved the development objectives outlined when MIGA coverage was issued, and a number of them significantly exceeded initial expectations (see boxes on pages 19 and 20). Additional assessments will be conducted as more projects reach an appropriate stage of maturity.

Portfolio Distribution

MIGA continued its efforts to build a sound, diversified guarantee portfolio, paying special attention to country and sector distributions as well as capacity constraints. MIGA's issued and outstanding portfolio increased in size and diversity in fiscal 1997 (figure 2). The infrastructure sector continued to grow, rising from 4 percent of the Agency's portfolio in fiscal 1994 to 17 percent in fiscal 1997.

KAFCO PROJECT IN BANGLADESH PROVES A SHOWCASE FOR FOREIGN INVESTMENT

In fiscal 1991 and 1992, MIGA issued four guarantee contracts covering portions of investments by Marubeni and Chiyoda Corporation in Karnaphuli Fertilizer Company Limited (KAFCO). The \$516 million project involved the construction and operation of a major ammonia and granular urea processing plant near Chittagong City. MIGA—together with four other investment insurers, eight export credit agencies, two development assistance agencies, and a consortium of private equity and debt investors—helped facilitate the creation of the largest single private investment ever made in Bangladesh. It was the first time that many of the investors and agencies had seriously considered a major project in Bangladesh.

MIGA reviewed the project in September 1996 and found that it has had a very positive impact on the country. In fact, KAFCO is viewed as a showcase for foreign investment in Bangladesh. The project has also served as an example to domestic firms for its advanced technology, product quality, human resources management, and investment in social infrastructure. The positive developmental effects of the project include:

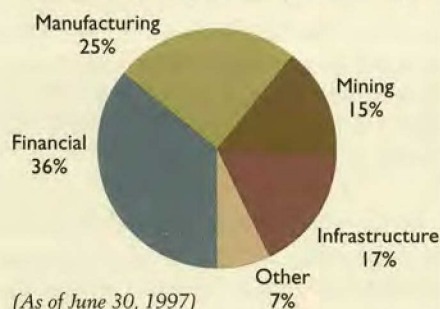
- An aggressive training program that demonstrates a strong commitment to human capital development and has more than 1,000 participants.
- Creation of more than 600 permanent jobs for local nationals and another 300 jobs through contractors (the project employs only five expatriates).
- Utilization of modern fertilizer technology that allowed Bangladeshi ammonia to be introduced as an export product.
- Provision of a complete social infrastructure for project employees, including housing, transportation, medical services, a school, a mosque, and recreation facilities.
- Stimulation of many local businesses.
- Generation of significant export earnings.

In terms of country diversification, Brazil accounted for the highest share of MIGA's portfolio, with 8.0 percent as of the end of fiscal 1997 (*table 2*). MIGA further broadened its portfolio in fiscal 1997 by issuing its first guarantees in 11 countries. The Agency has now issued contracts in 52 developing member countries and economies in transition.

In general, FDI flows have tended to focus on a limited number of countries.

FIGURE 2.
DISTRIBUTION OF PORTFOLIO
BY INDUSTRY

(maximum contingent liability outstanding)



BANK OF BOSTON PROJECT IN ARGENTINA EXPANDS AVAILABILITY OF LOW-INTEREST MORTGAGES

In fiscal 1992, MIGA issued a guarantee to cover a \$50 million loan by the Bank of Boston to enable its Argentine branch to expand operations by initiating a financing program for residential mortgages. Based on the expectation that rampant inflation had been successfully curbed, the Bank of Boston believed that a substantial pent-up demand for long-term, lower-interest mortgages existed in Argentina and positioned itself as the first major institution to address this need.

MIGA reviewed the project in April 1997 and found that the mortgage program has been extremely successful. Five-year, 24 percent interest rate mortgages have been replaced by 13- and 20-year loans with interest rates of 12 to 15 percent, although significant fees remain in force. Residential mortgages now constitute close to 50 percent of the branch's retail business, and the bank plans to expand throughout the nation to meet increased demand. Private housing has become an increasingly important component of the construction sector, which the Argentine government has designated as one of the crucial sectors to help reduce the country's unemployment rate. The multiplier effects in the brick, cement, wood, steel, and home furnishing industries are considerable. Finally, other banks have followed the Bank of Boston's lead, resulting in a vigorous competitive situation and increased employment in the banking sector.

**TABLE 2. MIGA EXPOSURE: TOP THREE COUNTRIES,
FISCAL 1995-1997**

FY95			FY96			FY97		
Country	\$M	Percentage of portfolio	Country	\$M	Percentage of portfolio	Country	\$M	Percentage of portfolio
Pakistan	159	9.7	Brazil	164	7.2	Brazil	201	8.0
Argentina	150	9.2	Peru	157	6.9	Peru	182	7.3
Peru	138	8.5	Pakistan	137	6.0	Argentina	169	6.8

Ten developing countries accounted for 72 percent of the net FDI flows in 1996. However, MIGA guarantees for investments in these countries represented only 25 percent of the Agency's portfolio in fiscal 1997 (*table 3*).

MIGA plays a major role in diffusing the flow of foreign direct investment by guaranteeing projects in many countries that

do not rank among the major recipients of FDI (*table 4*). About 23 percent of MIGA's portfolio consists of projects in IDA member countries³ with low per capita income and limited financial resources.

3. The International Development Association (IDA), the World Bank Group's concessional lending facility, concentrates its activities on very poor countries.

**TABLE 3. TOP 10 DEVELOPING COUNTRIES
RECEIVING FDI**

Ranking in 1996	Country	MIGA guarantees outstanding*	
		Millions of dollars	Percentage of portfolio
1	China	98.8	4.0
2	Mexico	0.0	0.0
3	Malaysia	0.0	0.0
4	Indonesia	80.4	3.2
5	Brazil	201.0	8.0
6	Poland	44.8	1.8
7	Thailand	0.0	0.0
8	Chile	0.0	0.0
9	Argentina	169.2	6.8
10	Hungary	37.6	1.5
TOTAL		\$631.8	25.3

* As of June 30, 1997.

Source: World Bank, *Global Development Finance*, 1997.

**TABLE 4. MIGA GUARANTEES OUTSTANDING
IN 17 IDA-ELIGIBLE COUNTRIES**

Country	MIGA guarantees outstanding*	
	Millions of dollars	Percentage of portfolio
Pakistan	158.1	6.3
China	98.8	4.0
Kyrgyz Republic	63.8	2.6
Bangladesh	61.8	2.5
Mali	50.0	2.0
Nepal	32.8	1.3
Guyana	30.6	1.2
Honduras	29.5	1.2
Tanzania	0.4	0.1
Azerbaijan [†]	16.5	0.7
Uganda	7.6	0.3
Guinea [†]	8.3	0.3
Sri Lanka	5.4	0.2
Georgia	3.4	0.1
Egypt [†]	2.2	0.1
Vietnam	1.9	0.1
Madagascar	1.7	0.1
TOTAL	\$572.8	23.1

* As of June 30, 1997.

[†] Hosted a MIGA-guaranteed investment for the first time in fiscal 1997.

Future Business Prospects

The number of preliminary applications⁴ that MIGA receives from investors is a good indicator of demand as well as a way for MIGA to gauge the success of its marketing efforts and the possible dimensions of its future portfolio. More than 35 percent of the 1,000 active applications at the end of fiscal 1997 were in the infrastructure sector, an indication of the increasing importance of this sector. Active registered projects involve investors from 50 countries and prospective investments in about 120 developing countries. This pipeline of potential future business, together with rising country membership, augurs well for the future growth of MIGA's guarantee business and the maintenance of a balanced portfolio.

Guarantees Issued

The projects that MIGA insured in fiscal 1997 are described below.

AFRICA

An indicator of renewed private investor interest in Africa is an increase of almost 30 percent in the number of active applications for MIGA guarantees in fiscal 1997 over the previous year. MIGA broadened its outreach in Africa by issuing its first guarantees for investments in Algeria, Egypt, and Guinea. Most countries in the continent now are members of MIGA: Eritrea joined during the year, increasing to 36 the number of African member

countries (another six countries are in the process of fulfilling membership requirements).

MIGA guarantees staff traveled to Côte d'Ivoire, Egypt, South Africa, Sierra Leone, and Zimbabwe during the year to explain how the guarantee program could support investments in the region. MIGA staff are also cooperating closely with colleagues at the World Bank and IFC on the Group-wide private sector development initiative to promote investments in Africa.

✦ GUINEA

Société de Promotion Financière et d'Investissement, S.A.

Agro-Industrial Investment and Development, S.A.

Promofin Outremer, S.A.

Faisal Finance, S.A.

Banque Belgoise, S.A.

Crédit Lyonnais Belgium, S.A.

MIGA issued its first guarantees for a project in Guinea to Société de Promotion Financière et d'Investissement, S.A. of



Workers load sacks of flour for shipment to local distributors.

4. The preliminary application is a one-page form that provides MIGA with basic information needed to make a provisional determination of the eligibility of an investment before the investment is committed or made.

Luxembourg, Agro-Industrial Investment and Development, S.A. of Switzerland, and Promofin Outremer, S.A. of Luxembourg to cover their equity and shareholder loan investments in the construction and operation of a modern flour mill in Dubreka. In addition, MIGA guarantees cover loans

by Faisal Finance, S.A. of Switzerland and two Belgian banks, Banque Belgoise, S.A. and Crédit Lyonnais Belgium, S.A., against the risks of expropriation and war and civil disturbance. The Agency issued \$8.3 million in total coverage for this project (see box below for details).

MIGA GUARANTEES FACILITATE EQUITY AND LOAN INVESTMENTS IN GUINEAN FLOUR MILL

Société des Grands Moulins de Guinée, S.A., the project enterprise, is 21 percent owned by local private interests. It will initially have the capacity to mill 170 tons of wheat flour and bran per day. Bran will be available for export immediately, but flour will initially be sold only on the local market with a view to later increasing capacity and exporting to neighboring countries. The flour produced will be fresher, of higher quality, and significantly less expensive than imported flour. Local flour distributors and users will benefit from a local source of high-quality flour.

The project is expected to generate \$1.4 million in net foreign exchange per year for the country as a result of import substitution and export revenues. Additional benefits will accrue from the diversification of economic activities in the country, which is still heavily dependent on mining revenues. Guinea will further benefit from the transfer of modern technology and superior quality-control techniques in flour processing and treatment. The project will create about 70 jobs for Guineans, who will receive administrative and technical training. In addition, the project will sponsor university training programs and events for the local community.



❖ ALGERIA

Compañía Española de Petroleos, S.A. (CEPSA)

MIGA reinsured Compañía Española de Seguros de Crédito a la Exportación for a portion of its coverage of the \$240 million investment to be made by CEPSA of Spain in an oil and gas project. MIGA reinsurance of \$10 million covers the risks of expropriation and war and civil disturbance.

The project enterprise, located in Rhourde Yacoub, is a production-sharing agreement with Sonatrach, an Algerian public company. About 50 employees will be hired and will receive language training and technical training in research, exploration, and development of oil and gas fields. Staff will also receive housing, transportation, and medical services. Local businesses providing rental equipment, transportation, food, fuel, and construction services will also benefit. The project will generate an estimated \$65 million in annual foreign exchange for the country.



❖ EGYPT

Heckett MultiServ Investment Corporation

MIGA issued a guarantee contract to Heckett MultiServ Investment Corporation of the United States for its investment in Heckett MultiServ Bahna, S.A.E., a steel slag processing plant near Alexandria. MIGA's guarantee for \$2.2 million covers Heckett's investment against the risk of war and civil disturbance.

The plant will recover metal from slag produced by the national steel company, and the reclaimed metal will replace costly metal imports. Other products, such as steel slag aggregates, will be sold for road construction and asphalt paving projects in Egypt. The plant will recruit and train local staff and will purchase most equipment, spare parts, fuel, and construction materials from local suppliers.

MIGA has reinsured this oil and gas project in Rhourde Yacoub, Algeria, for \$10 million.

ASIA

Australia, the Solomon Islands, and Thailand signed the MIGA Convention during the Annual Meetings of the World Bank and IMF, in October 1996. The largest number of applications for guarantee in MIGA's business pipeline—some 320—are for investments in Asia. A large portion of these are in the infrastructure sector, particularly for power projects, reflecting the high unmet demand for additional infrastructure in the region.

❖ CHINA

Coastal Wuxi Power, Ltd.

Coastal Wuxi Power, Ltd. (Cayman Islands), a wholly owned subsidiary of the Coastal Corporation of the United States, has invested in the construction and operation of a 40-megawatt gas turbine power plant in Jiangsu Province. MIGA issued two guarantee contracts totaling \$13.5 million to cover Coastal Wuxi's equity and debt investments against the risks of expropriation, transfer restriction, and war and civil disturbance.

The project enterprise, Wuxi Huada Gas Turbine Electric Power Company, is a joint

venture with two state-owned power companies. The facility is designed to alleviate a shortage of peak-hour electricity for Wuxi City's commercial users. Coastal Wuxi will train local staff in plant operation and maintenance and provide technical and managerial expertise to the project.

❖ CHINA

Purolite International Limited

MIGA issued \$14.1 million in guarantees to Purolite International Limited of the United Kingdom for its \$15.7 million equity investment in the modernization and expansion of an ion exchange resin manufacturing facility in Hangzhou Province. MIGA insurance covers the investment against the risks of expropriation, transfer restriction, and war and civil disturbance.

The project enterprise, Purolite (China) Company Limited, produces ion exchange resin, chloromethyl ether, formaldehyde, and dye materials to treat water and process foodstuffs. The power industry uses ion exchange resins to soften and demineralize water. Seventy percent of the output will be sold in China, satisfying about a quarter of the annual local demand for ion



Wuxi Huada Gas Turbine Electric Power Company is providing electricity to commercial users in Wuxi City, Jiangsu Province, China.

exchange products. The remainder will be exported to other Asian countries and is expected to generate more than \$10 million in annual export earnings for China. Approximately 300 local employees will be hired to operate the facility.

❖ CHINA

Kimberly-Clark Corporation

MIGA issued an \$8.5 million guarantee to Kimberly-Clark Corporation (KCC) of the United States for its \$9.5 million equity investment in the manufacture and sale of personal care products in Beijing. MIGA guarantees cover KCC's investment against the risks of expropriation, transfer restriction, and war and civil disturbance.

KCC owns 95 percent of the joint venture, Kimberly-Clark Personal Hygienic Products Company Limited, and the state-owned Beijing Economic Technological Investment and Development Corporation holds the remaining 5 percent. The facility will employ more than 100 local workers and provide training in sales, management, and the use of new technology for the production of high-quality personal care products. Local suppliers will provide approximately 60 percent of the project's inputs. Supplier businesses, such as packaging, distribution, and advertising companies, will also benefit.

❖ CHINA

BWF Unternehmensbeteiligungen GmbH

MIGA issued two separate guarantees, for \$1.7 million and \$302,000 in coverage, to BWF Unternehmensbeteiligungen GmbH of Germany for its equity and loan investments in the construction and operation of a filtration needle felt manufacturing facility. Filtration needle felts are used for

industrial dust extraction and waste gas purification to control air pollution. The MIGA guarantees were issued against the risks of expropriation and war and civil disturbance.

The project enterprise, Wuxi BWF Environmental Technology Limited, located in Jiangsu Province, is a joint venture with a local filtration needle felt manufacturer in the city of Xishan. The investment will enhance quality and availability by introducing new technology and know-how in the production and distribution of filtration needle felt. Domestic companies will benefit from the local procurement of all supplies and raw materials. The project also will create more than 130 jobs for Chinese nationals, who will be trained in production procedures, quality control, and maintenance. Annual exports in excess of \$600,000 and more than \$300,000 in annual tax and dividend revenues will be generated.

❖ INDONESIA

Enron Corporation

MIGA issued a \$60 million guarantee contract to Enron Corporation of the United States for its equity investment in a 500-megawatt gas-fired, combined cycle power plant near Surabaya, Indonesia. MIGA's guarantee covers the risks of expropriation, transfer restriction, and war and civil disturbance. The guarantee is issued under the Cooperative Underwriting Program (see page 15), and MIGA's exposure is \$15 million.

The project enterprise, P.T. East Java Power Corporation, will improve the availability and reliability of electric power in Indonesia and account for 3 to 5 percent of the country's total electricity production. Indonesia will benefit from the project's utilization of local natural gas

rather than oil, which will continue to be exported to earn foreign exchange.

The project will create about 800 jobs during the construction phase and 45 permanent jobs. An additional 90 people will be hired by contractors for maintenance and other services. Employees will receive substantial technical and managerial training, including training in power plant operation and maintenance and gas turbine and combined cycle technology. The local community will benefit from the installation of electricity transmission lines, the building of a new road, and the improvement of an existing road with drainage and lighting. Domestic businesses also will benefit from the local sourcing of goods and services.

❖ INDONESIA

US WEST International Holdings, Inc.

The Chase Manhattan Bank

MIGA issued guarantees totaling \$14 million to US WEST International Holdings, Inc. and The Chase Manhattan Bank of the United States (acting on behalf of a group of lenders) for their equity and loan investments, respectively, in the expansion and operation of a telephone network in Indonesia. MIGA guarantees provide protection against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project enterprise, P.T. ARIAWEST International, will operate in the western section of Java Island, where a telephone company employing 2,900 people and operating 420,000 lines has been acquired for expansion. An additional 500,000 lines will be added to the service area to provide dependable, state-of-the art telecommunications services to government, residential, and business customers in West Java. Local

vendors will benefit from the opportunity to supply equipment and services to the project. Employees will receive training locally and in Japan and the United States. The project will generate \$100 million in tax revenues over its lifetime.

❖ PAKISTAN

Cogen Technologies Saba Power, L.P.

MIGA issued coverage to Cogen Technologies Saba Power, L.P. of the United States for its investment in the construction and operation of a 115-megawatt power plant near Farouqabad. MIGA guarantees totaling \$5 million will cover a portion of Cogen's \$22 million equity investment against the risks of expropriation, transfer restriction, and war and civil disturbance.

The project enterprise, Saba Power Company Limited, will provide a much-needed increase in electricity in the region and reduce the dependence on hydropower. The project will employ 400 workers during construction and will create more than 90 permanent jobs. The enterprise will also contribute to the local infrastructure by building access roads and water and sanitation facilities.

❖ PAKISTAN

El Paso Energy International Company

MIGA issued a guarantee of \$16.1 million to El Paso Energy International Company (El Paso) of the United States for the construction and operation of a 151-megawatt gas-fired power plant in Pakistan. The project will receive debt financing from the Export Development Corporation of Canada and the Asian Development Bank. MIGA's guarantee covers the risks of transfer restriction, expropriation, and war and civil disturbance.

The project enterprise, Fauji Kabirwala Power Company, Ltd., will be located near Kabirwala in the Punjab Province and will be jointly managed by El Paso and the Fauji Foundation. The 400 local staff hired during construction and 110 permanent local staff hired for commercial operations will receive housing and extensive training. By reducing the need for imported fuels, the project will save the country an estimated \$21 million in annual foreign exchange. In addition, the project will generate approximately \$1.2 million in annual tax revenues.

❖ PAKISTAN

Wärtsilä Power Development, Inc.

MIGA issued a guarantee of \$2 million to Wärtsilä Power Development, Inc. of the United States for its equity investment in the construction and operation of a 126-megawatt power plant in Pakistan. MIGA's guarantee covers the risk of expropriation.

The power plant, Tapal Energy Limited, will be located in Sind Province, 28 kilometers northwest of Karachi. The local economy will benefit from the purchase of supplies averaging more than \$3 million annually. The project will provide on-site medical services and support for schools and community social programs and will develop access roads and water and sanitation facilities. The enterprise will employ more than 100 people, who will receive technical and managerial training locally and in the Netherlands, and will generate \$4 million in annual tax revenues.

❖ BANGLADESH

Société Générale, S.A.

MIGA issued a \$9 million guarantee to Société Générale, S.A. of France for its

investment in the establishment and operation of a branch bank in Dhaka. MIGA's guarantee covers the investment against the risks of expropriation, transfer restriction, and war and civil disturbance.

Société Générale (Bangladesh) will concentrate on commercial, merchant, and investment banking activities, and its clients will include private individuals, export companies, and multinational corporations. The bank will employ about 60 local staff and provide on-the-job training in technical and managerial skills, such as cash management, trade finance, management information systems, and foreign exchange transactions. Technology for a new financial management system, designed by Société Générale for its overseas operations, will improve banking operations.

❖ SRI LANKA

Société Générale, S.A.

MIGA issued guarantees of \$3.6 million and \$1.8 million to cover the equity and loan investments of Société Générale, S.A. of France in a new branch in Colombo. MIGA guarantees cover the risks of war and civil disturbance for the equity investment and transfer restriction for the loan.

The project enterprise, Société Générale (Sri Lanka), will provide commercial, merchant, and investment banking services. It will create some 30 jobs for local Sri Lankan nationals and provide intensive training locally and in France.

EUROPE

AND CENTRAL ASIA

With a view toward fulfilling its mandate to encourage investments between its developing member countries, MIGA guar-

anteed three Turkish investments in fiscal 1997, in Azerbaijan, Kazakhstan, and Russia. Demand for coverage in Russia continued to increase during the year. MIGA issued coverage for its first project in Azerbaijan, a soft drink bottling plant. MIGA also issued coverage for its first projects in Georgia and Romania and its first guarantees to a Greek investor.

The Republic of Bosnia and Herzegovina joined MIGA as a member during the year, and the Agency created a special Investment Guarantee Trust Fund, sponsored by the European Union, to further facilitate the flow of small and medium-size investments into the country (see page 16).

✦ AZERBAIJAN

Efes Sinai Yatirim Ve Ticaret A.S.

MIGA issued its first guarantee in Azerbaijan to Efes of Turkey for its \$18.3 mil-

lion equity investment to establish a soft drink bottling and distribution facility about five miles from Baku. MIGA guarantees of \$16.5 million cover the investment against the risks of expropriation and war and civil disturbance.

The project enterprise is a joint venture with Ilchin, a private company owned by two Azeri entrepreneurs, and IFC, which will make a loan and an equity investment in the project. The facility, Baku Coca-Cola Bottlers Limited, will be the first of its kind in Azerbaijan. It will adopt efficient distribution and modern inventory management systems to increase the availability and sales of soft drinks in the country. The project enterprise will create about 300 new jobs and initiate training programs in the polyethylene production process. It will benefit local distributors, manufacturers, and suppliers of input materials such as packing cases and pallets.



MIGA insured its first project in Azerbaijan, a Coca-Cola bottling plant.

❖ RUSSIA

Efes Sinai Yatirim Ve Ticaret A.S.

MIGA also issued \$23 million in coverage to Efes of Turkey for its equity investment in Coca-Cola Rostov Bottlers Closed Joint Stock Company. The project is a joint venture with TOO VOGAS, a privately held Russian company. MIGA's guarantee covers the investment against the risks of expropriation and war and civil disturbance.

The project will bottle and distribute Coca-Cola products in the region using modern production and distribution techniques. Downstream businesses, including local transporters and merchants, will benefit. The project enterprise will create about 300 new jobs and provide training in the polyurethane production process.

❖ RUSSIA

Enka Holding Yatirim A.S.

MIGA provided insurance coverage to Enka Holding Yatirim A.S., one of Turkey's largest construction companies, for its \$25 million equity investment in the construction and lease of an office building in Moscow. MIGA's \$17 million guarantee covers Enka against the risks of expropriation and war and civil disturbance.

The building is part of the Russian Cultural Center, a large, new complex on the banks of the Moscow River. In addition to the office building covered by MIGA, the complex includes a hotel, exposition centers, theaters and concert halls, and retail shops. The complex is majority-owned by Enka, in partnership with the Russian Ministry of Culture, the Moscow Government Construction Department, and two individual Russian shareholders.

A MIGA-insured office building is part of the Russian Cultural Center, on the banks of the Moscow River.



❖ **RUSSIA**
Remetal, S.A.

MIGA issued \$1.2 million in coverage to Remetal, S.A. of Spain for its equity investment in the construction and operation of a secondary aluminum alloy processing plant in Samara, in southwest Russia. MIGA's guarantee covers the risks of transfer restriction, expropriation, and war and civil disturbance.

The project enterprise, Resal, is a joint venture with two private Russian companies, Aluminz and Samara Metallurgical Company (Sameko). Remetal's patented technology will be utilized to extract aluminum metal from dross generated by local primary producers, which otherwise would have been wasted. The metal will be used to produce ingots for the local and export markets. Domestic suppliers will benefit from local procurement of 85 percent of the goods and services for the plant. The project will create more than 40 jobs for Russian nationals, who will be trained locally and in Spain. In addition, the project will generate about \$1.2 million in annual tax revenues and \$3.2 million in net annual foreign exchange for the country.

❖ **RUSSIA**
ABN AMRO Bank, N.V.
IBA, B.V.
Interfima, B.V.

MIGA issued a \$7.2 million guarantee to ABN AMRO Bank, N.V. of the Netherlands for its equity and debt investments in the establishment of a branch bank in Moscow. In separate contracts, MIGA also issued \$900,000 in guarantees each to IBA, B.V. and to Interfima, B.V., two of ABN AMRO's wholly owned subsidiaries, for their investments in the project. MIGA insured these investments against expropriation and transfer restriction risks.

❖ **BULGARIA**
Commercial Bank of Greece, S.A.

MIGA issued \$3.7 million in coverage to Commercial Bank of Greece, S.A. for its \$1.4 million equity investment in Bulgarian Investment Bank PLC (BIB), the only investment bank in Bulgaria. MIGA's guarantee covers the risks of transfer restriction, expropriation, and war and civil disturbance.

Established in 1994 by the European Bank for Reconstruction and Development and a group of Bulgarian and foreign banks, BIB provides medium- and long-term financing to private sector companies and companies undergoing privatization, financial advisory services, investment funds management, and arrangements for foreign funding for large projects. Employees will be trained in management systems and standard banking computer software packages. Most of the equipment requirements for the bank will be sourced locally.

❖ **GEORGIA**
Commercial Bank of Greece, S.A.

MIGA issued its first guarantee in Georgia, for \$3.4 million in coverage, to Commercial Bank of Greece, S.A. (CBG) for its \$1.3 million equity investment in International Commercial Black Sea Bank-Georgia, S.A. MIGA's guarantee covers the risks of transfer restriction, expropriation, and war and civil disturbance.

The project enterprise is a joint venture bank based in Tblisi. The bank provides multinationals and local companies with a wide range of commercial services, including trade finance, foreign exchange, money market operations, and services related to privatization. The project will create about 40 permanent jobs for Georgian nationals, who will benefit from various training programs provided by CBG.

❖ ROMANIA

Commercial Bank of Greece, S.A.

MIGA issued \$15.8 million in coverage to Commercial Bank of Greece, S.A. for its \$5.8 million equity investment in the establishment of International Commercial Black Sea Bank-Romania, S.A. in Bucharest. The MIGA guarantee covers the risks of transfer restriction, expropriation, and war and civil disturbance.

The bank will provide private Romanian and foreign companies a wide range of financial services, including short- and medium-term lending, corporate finance services, trade finance, foreign exchange trading and brokering, correspondent banking, and services related to privatization. The project will create 75 permanent local jobs for Romanians and is expected to generate more than \$1 million a year in tax revenues.

❖ KAZAKHSTAN

Global Menkul Degerler A.S.

MIGA issued \$3.2 million in coverage to Global Menkul Degerler A.S. of Turkey for its equity contribution to the establishment of an investment bank in Kazakhstan. The MIGA guarantee covers the risks of transfer restriction and expropriation.

Global Kazkommerts Investment Bank, the project enterprise, will offer a broad range of international investment banking services to customers, including corporate finance, mergers and acquisitions, brokerage and advisory services, and equity research. The project will create about 35 local jobs, and employees will be trained locally and abroad. In addition, the project is expected to generate \$1.2 million in annual tax revenues.

LATIN AMERICA AND THE CARIBBEAN

In Latin America and the Caribbean, MIGA's total outstanding exposure reached \$1 billion, accounting for 44 percent of the Agency's total liability. During the year, MIGA issued 26 guarantee contracts in nine countries in the region for investments in the financial, manufacturing, mining, telecommunications, and tourism sectors. Colombia, Guatemala, and Paraguay received MIGA guarantees for the first time, for investments in the banking and manufacturing sectors.

Four countries in the region completed MIGA membership requirements during the year: Dominican Republic, Guatemala, Haiti, and Panama. The region is well positioned to continue its high volume of business, given the fact that MIGA has more than 250 applications for guarantee of prospective investments into Latin America and the Caribbean.

Guarantees staff visited Bolivia, Chile, Dominican Republic, El Salvador, Grenada, Panama, Peru, and Suriname to meet with private investors interested in MIGA's guarantee program.

❖ ARGENTINA

Rio Algom Limited Citibank, N.A.

MIGA issued guarantees totaling \$14 million for investments in the construction and operation of a gold and copper mine in the Argentine province of Catamarca. MIGA entered into a coinsurance agreement with four other insurers—the Export Finance and Insurance Corporation of Australia, the Office National du Dueroire of Belgium, the Export Development Corporation of Canada, and the Export Credits



The Rio Algom gold and copper mine will employ more than 750 Argentine workers during operations.

Guarantee Department of the United Kingdom—to issue coverage to a group of commercial banks through their agent, Citibank, N.A. (MIGA retains \$12 million of liability against the risks of transfer restriction, expropriation, and war and civil disturbance for its own account.) In addition, MIGA issued \$2 million in coverage against the risk of transfer restriction to Rio Algom Limited of Canada for its equity investment.

The project enterprise, Minera Alumbra Limited, will develop the Bajo de la Alumbra deposit. More than 2,300 construction jobs and 750 permanent jobs will

be created. Employees will receive safety, on-site, and supervisory training. An annual \$40 million in goods and services will be purchased locally, stimulating local businesses and creating additional employment. The project is expected to generate \$43 million in annual tax revenues and to pay \$300 million in royalties to the local mining holding company, which is owned by the local government and the local university.

❖ BRAZIL **AES Corporation** **Houston Industries Energy, Inc.**

MIGA reinsured a guarantee issued by the Overseas Private Investment Corporation of the United States to AES Corporation and Houston Industries Energy, Inc., both of the United States. The two companies each received a \$7.5 million guarantee for their equity investments in the privatization of Light-Servicos de Electricidade, S.A. (Light) in Brazil. MIGA's guarantee covers the risks of transfer restriction and expropriation.

Light, the third-largest distributor of electric power in Brazil, supplies electricity to Rio de Janeiro. The project will improve the availability of electric power and the reliability of service. In addition, the successful privatization of Light is expected to encourage foreign and local investors to participate in the privatization of other sectors.

Employees will be trained in Brazil and the United States. Field technicians will be trained in operations and maintenance, and senior managers will receive advanced management training. Brazilian businesses will benefit from the local sourcing of most of the goods and services for the power project.



A MIGA guarantee will enable Philips do Brasil, Ltda. to help meet the growing demand for color televisions in Latin America.

✦ BRAZIL Philips Electronics, N.V.

Philips Electronics, N.V. of the Netherlands received a \$27 million MIGA guarantee against the risks of expropriation and transfer restriction for its \$30 million loan to Philips do Brasil, Ltda., its Brazilian subsidiary. A portion of MIGA's guarantee is reinsured.

Philips do Brasil, Ltda. will use the loan to improve production technologies and expand output at its plant in São José dos Campos, which is the only manufacturer of color picture tubes in Brazil. By raising the plant's annual production from 5 million to 6 million units, the expansion will help meet the increased demand for color televisions throughout Latin America. About 60 percent of the additional production will be sold in Brazil, and the rest will be exported. The project enterprise will purchase most goods and services locally. It will add some 300 local workers to its current workforce of about 2,700 employees.

✦ COLOMBIA Drummond Company, Inc.

MIGA issued a \$35 million guarantee to Drummond Company, Inc. of the United States for its equity investment to expand a coal mine near La Loma, in the Department of César. MIGA's guarantee covers the risk of expropriation.

The expansion will increase Drummond's coal-mining operations from 3 million tons to some 10 million tons annually. Almost 4,000 jobs will be generated during the construction period. The project also will create more than 850 permanent jobs and will provide substantial technical and managerial training to employees.



MIGA has insured Drummond Company, Inc. for its investment to expand coal operations near La Loma, Colombia.

The local community will benefit from Drummond's César Department Coal Foundation, whose aim is to improve living conditions for local residents and promote socioeconomic development by financing school classrooms, multifunctional sports fields and athletic courts, medical facilities, and agricultural extension programs. Once the expansion is complete, local businesses will benefit from the annual procurement of approximately \$10 million in additional services and materials. The mine will also generate about \$14 million in annual taxes and royalties for the government, including \$4 million from the expansion.

❖ COLOMBIA

Motorola, Inc.

ABN AMRO Bank, N.V.

Motorola, Inc. of the United States and ABN AMRO Bank, N.V. of the Netherlands received MIGA guarantees of \$5 million

and \$30 million, respectively, for their equity and loan investments in a wireless digital trunk communications system in Colombia. MIGA's coverage protects the investments against the risks of expropriation, transfer restriction, and war and civil disturbance.

The project enterprise, Avantel, S.A., will introduce a wireless communications system in Colombia. The system will include multiple features, such as dispatch radio, telephone interconnect, paging, and data transmission. The main switching office for the communications system will be in Bogotá, and radio base cell sites will be installed throughout the country to provide service to approximately 60,000 businesses.

The project will create about 200 technical, professional, and managerial jobs for Colombians. These employees will receive sales and management training in Colombia and the United States.

❖ **COSTA RICA**
Radisson Hotels International,
Latin America, Inc.
Caribbean Mercantile Bank

MIGA issued \$1.9 million in coverage to Radisson Hotels International, Latin America, Inc. (United States) for its \$750,000 equity investment in a hotel in San José. MIGA also issued \$7.6 million of coverage to the Caribbean Mercantile Bank of the Cayman Islands (CMB), a subsidiary of the Bank of Nova Scotia, for its \$8.5 million loan to the project. MIGA guarantees cover Radisson's investment against the risk of transfer restriction and the bank loan against expropriation, transfer restriction, and war and civil disturbance risks.

The hotel is Europa Zurqui, a 107-room, four-star hotel built in 1994. CMB's new loan, covered by MIGA, will refinance existing term debt and provide funds to cover capital improvements.

The hotel will have an important impact on local businesses. It will purchase about 80 percent of required goods and services locally, including food products and taxi, telephone, and dry cleaning services. In addition, the local economy will benefit from the increased number of tourists and business travelers.

❖ **COSTA RICA**
Bank of Nova Scotia
Marriott International, Inc.

MIGA issued guarantees totaling \$21.6 million to Marriott International, Inc. of the United States and the Bank of Nova Scotia of Canada (ScotiaBank) for their respective investments in the construction and operation of a 200-room hotel and golf club in Costa Rica. ScotiaBank received debt coverage of \$18 million against the risks of transfer restriction, expropriation, and war and civil disturbance. Marriott received guarantees totaling \$3.6 million to cover



MIGA has insured this hotel in Costa Rica, creating more than 200 permanent jobs.

its equity and management fees against the risk of transfer restriction.

The project will be located in Bahia Herradura, 65 miles west of San José, and will complement the government's efforts to promote tourism. The local economy will benefit from purchases of building materials during construction and agricultural and marine products once the hotel is in operation. More than 200 permanent jobs will be created. Employees will be trained at other Marriott hotels. The project will generate \$1 million in annual tax revenues.

❖ GUATEMALA

Ormat International, Inc.

MIGA issued separate guarantees of \$4.5 million and \$8.5 million, respectively, to Ormat International, Inc. of the United States, a subsidiary of Israel-based Ormat International, Inc., for its equity and loan

investments in the construction and operation of a 24-megawatt geothermal power plant in Guatemala. MIGA guarantees cover the risks of transfer restriction, expropriation, and war and civil disturbance. IFC will provide equity and debt financing to the project.

The first geothermal plant in Guatemala, Orzunil I., S.A. is also MIGA's first project in the country. The plant, to be located in the province of Quetzaltenango, 200 kilometers west of Guatemala City, will make an important contribution toward alleviating power shortages in that province. Employees will receive training in technology, design, operations, and maintenance.

❖ JAMAICA

McDonnell Douglas Finance Corporation

MIGA consolidated its involvement in the power sector in Jamaica by insuring



MIGA issued new coverage to this barge-mounted diesel power plant at Old Harbour, Jamaica.



MIGA provided guarantees to a group of equity and debt investors for this Jamaican power project in fiscal 1996.

McDonnell Douglas Finance Corporation of the United States for its \$9.6 million loan to Jamaica Energy Partners, L.P. (JEP), a 74-megawatt, barge-mounted diesel power plant at Old Harbour. The loan refinances a previous shareholder loan to the project by Metra Finance Oy AB of Finland. MIGA's \$14.3 million guarantee covers McDonnell Douglas's loan against the risks of expropriation, transfer restriction, and war and civil disturbance.

JEP is the second privately financed power plant to supply Jamaica's national grid. (MIGA previously issued guarantees to investors in JEP and in the first foreign private power facility, at Rockfort.) JEP was constructed in nine months and began producing power in the second half of 1995, eliminating the high costs of acute power shortages. IFC has provided debt financing to JEP.

❖ ARGENTINA ABN AMRO Bank, N.V.

MIGA issued a \$20 million guarantee to cover the subordinated loan of ABN AMRO Bank, N.V. of the Netherlands for the expansion of its branch banking operations in Argentina. MIGA's guarantee covers the investment against the risks of transfer restriction and expropriation.

The project investment will permit ABN AMRO to provide medium- and long-term financing to local companies and multinationals in the infrastructure, oil and gas, manufacturing, and commodity trading sectors. Employees will be trained in management, automated banking operations, and sales and marketing.

❖ ARGENTINA ING Bank, N.V.

MIGA issued a \$15 million guarantee to cover a loan from ING Bank, N.V. of the Netherlands for the expansion of its subsidiary, ING Bank, N.V., Buenos Aires (INGBA). The loan is covered against the risks of transfer restriction and expropriation. INGBA offers a wide range of wholesale banking activities, including import/export financing, capital market products, advisory services, and mergers and acquisitions. The project will increase the availability of medium- to long-term capital to a broad range of businesses. An estimated 40 new employees will be hired.

❖ COLOMBIA Citibank, N.A.

MIGA issued guarantees to Citibank, N.A. of the United States for its \$23 million loan to Leasing Citibank, S.A., Compañía

de Financiamiento Commercial, its Colombian subsidiary. The loan will fund the expansion of the subsidiary's asset-based lending capacity for equipment and machinery purchases. MIGA's \$23 million guarantee will cover the investment against the risks of expropriation and transfer restriction.

❖ **JAMAICA**
Bank of Nova Scotia

The Bank of Nova Scotia of Canada extended a \$26.6 million loan to its subsidiary in Jamaica to expand local operations. MIGA issued a \$24 million guarantee to cover the risks of expropriation and transfer restriction.

Incorporated in 1996, the subsidiary currently operates 45 branches in Jamaica, providing retail and corporate banking services. In addition, seven wholly owned subsidiaries provide specialized banking services such as mortgage finance and merchant banking. The lending activities of the subsidiary are expected to benefit companies in several sectors of the economy.

❖ **PARAGUAY**
Lloyds Bank, Plc.

In MIGA's first guarantee in Paraguay, the Agency issued a \$10 million guarantee against expropriation, transfer restriction, and war and civil disturbance risks to Lloyds Bank, Plc. of the United Kingdom for a loan to expand the lending operations of its subsidiary. The additional funding will enable Lloyds Paraguay to increase its medium-term U.S. dollar lending, mainly to companies in the automotive and textile industries.

❖ **PERU**
Banco Santander, S.A.

MIGA issued a \$19 million guarantee to Banco Santander, S.A. of Spain for its shareholder loan to expand its wholly owned subsidiary, Banco Santander-Perú, S.A. MIGA's guarantee covers the loan against the risks of expropriation and transfer restriction.

The loan will allow the subsidiary to expand its investment banking and retail services to Peruvian consumers and to corporations, particularly those in the agribusiness, infrastructure, manufacturing, and telecommunications sectors. About 30 jobs will be created, bringing the local workforce of the branch to 700 employees.

❖ **PERU**
BankBoston

MIGA issued a \$15 million guarantee against transfer restriction and expropriation risks to BankBoston of the United States to cover its loan to BankBoston, Peru Branch. The investment will enable the branch, established in late 1996, to expand its corporate banking services to multinational companies, large and medium-size Peruvian companies, institutional investors, and correspondent banks. It will serve clients in the agribusiness, mining, oil and gas, automobile parts manufacturing, and telecommunications sectors. New employees will receive operational and technical training in Peru and the United States.

❖ **PERU**
Citibank, N.A.

Citibank, N.A. of the United States extended a \$15 million shareholder loan to its Lima branch to expand operations.

MIGA issued a \$13.5 million guarantee to cover the risks of expropriation and transfer restriction. The branch provides a wide range of services, including corporate finance, trade finance, investment banking, real estate, and securities services. The loan will increase the availability of U.S. dollar-denominated medium-term capital for local companies in the construction, mining, transportation, and fishing sectors.

❖ **VENEZUELA**
ABN AMRO Bank, N.V.

MIGA issued a \$23.5 million guarantee to cover a loan from ABN AMRO Bank, N.V. of the Netherlands for the expansion of its branch, ABN AMRO Bank, N.V., Venezuela. MIGA is covering the loan against the risks of transfer restriction and expropriation.

The branch offers a wide range of banking services, including corporate finance, trade finance, foreign exchange transactions, and commercial lending. The project will increase the availability of medium- to long-term capital to a broad range of businesses.

❖ **VENEZUELA**
Citibank, N.A.

Citibank, N.A. of the United States received \$18 million in MIGA coverage for its shareholder loan to its branch bank in Venezuela. MIGA's guarantee covers the risks of expropriation and transfer restriction. The loan will allow Citibank, N.A. (Venezuela) to expand its services to local and multinational companies. The branch offers trade financing, short- and medium-term U.S.-dollar financing, foreign exchange transactions, and the development of capital market products.

MIDDLE EAST

Qatar completed MIGA membership requirements during the fiscal year. The Executive Vice President, Mr. Akira Iida, traveled to the region during fiscal 1997 to meet with government officials and representatives of the private business community. Guarantee officers also met with private investors in Dubai, Jordan, Lebanon, Mauritius, and Oman during the year. A noteworthy development was the creation by MIGA, in cooperation with the Palestinian Authority, of the West Bank and Gaza Investment Guarantee Trust Fund to stimulate the flow of foreign direct investment to the territories (see page 16).

❖ **BAHRAIN**
Harsco Corporation
Harsco Bermuda Limited

MIGA issued its first guarantees in Bahrain to Harsco Corporation of the United States (for \$3.0 million) and its wholly owned subsidiary, Harsco Bermuda Limited of the United Kingdom (for \$2.8 million), for their respective loan and equity investments in the construction and operation of an aluminum dross processing plant to be located in Manama. MIGA guarantees cover the risk of war and civil disturbance.

The project enterprise, AluServ Middle East L.L., is a joint venture with Trans-Gulf Consult, a privately owned limited liability company in Bahrain. The project enterprise will process aluminum dross from metal that would otherwise be wasted, replacing costly imported aluminum. A majority of the construction material, equipment, and spare parts will be sourced within the country, benefiting local businesses. The project will create more than 30 permanent jobs for Bahraini nationals. In addition, the investment will save the

country more than \$15 million in annual foreign exchange by reducing the need for imported raw aluminum.

❖ **SAUDI ARABIA**
Harsco Corporation
Harsco Bermuda Limited

MIGA insured Harsco Corporation and its wholly owned subsidiary, Harsco Bermuda Limited, for their investments in the construction and operation of a steel slag processing plant in Al-Jubail. The equity and shareholder loan investments of the Bermuda subsidiary are covered for \$2.5 million and the parent company's loan guaranty for \$2.0 million. The MIGA guarantees cover the risk of war and civil disturbance.

The project enterprise, Heckett Saudi Arabia Limited, will recover metal from slag produced by the Saudi Iron and Steel Company (Hadeed) at a plant near Al Khubar, in eastern Saudi Arabia. A portion of the reclaimed metal will substitute costlier imported scrap metal used by Hadeed, and other products such as steel slag aggregates will be sold for local construction projects. The project will purchase most construction supplies and spare parts locally. ■



MIGA's GUARANTEE CLIENTS

ABB Kraft A.S.
 ABN AMRO Bank, N.V.*
 AES Corporation
 Agro-Industrial Investment and
 Development, S.A.*
 Alimenta, S.p.A.*
 American Cyanamid Company
 André & Cie, S.A.*
 Anglo American Corporation of
 South Africa, Ltd.
 Arcadian Partners, L.P.*
 Atlantic Commercial Finance, B.V.
 AVX Corporation
 AVX Limited*
 Banco Español de Crédito
 Banco Exterior de España, S.A.
 Banco Santander, S.A.
 Banesto Banking Corporation
 Bank of America*
 Bank of America NT & SA
 BankBoston
 Bank of Boston
 Bank of Nova Scotia*
 Banque Belgolaise, S.A.
 Banque Indosuez*
 Banque Nationale de Paris
 Barclays Bank, Plc.
 Barclays Metals Limited
 Barge Energy, L.L.C.
 Barlows Tractor International Limited*
 Bering Netherlands, B.V.
 BOC Holdings
 British Gas, Plc.
 Bureau de Recherches Géologiques
 et Minières*
 BWF Unternehmensbeteiligungen
 GmbH*
 Cadbury Russia Limited
 Cadbury Schweppes plc.
 Cambior, Inc.
 Cameco Corporation
 Capital Indonesia Power I C.V.
 Caribbean Mercantile Bank
 C.A.S., S.p.A.
 Catalina Lighting, Inc.

The Chase Manhattan Bank
 China Capital Development Corporation
 Chiyoda Corporation*
 Ciments Français
 Citibank, N.A.*
 Citibank Overseas Investment
 Corporation
 Clovergem AG
 Coastal Wuxi Power, Ltd.*
 The Coca-Cola Export Corporation
 Cogen Technologies Saba Power, L.P.
 Commercial Bank of Greece, S.A.*
 Companhia Brasileira de Projetos e Obras
 Compañía Española de Seguros de
 Crédito a la Exportación S.A.
 Conservation Tourism, Ltd.
 Continental Grain Company*
 Crédit Lyonnais Belgium, S.A.
 Crédit Suisse
 Cyprus Climax Metals Company
 Drummond Company, Inc.
 Efes Sinai Yatirim Ve Ticaret A.S.*
 El Paso Energy International Company
 Energy Investors Fund II, L.P.
 Enka Holding Yatirim A.S.
 Enka Insaat ve Sanayi A.S.
 Enron Corporation
 Faisal Finance, S.A.
 The First National Bank of Boston*
 France Commodities, S.A.*
 Freeport-McMoran Copper Co., Inc.
 Gate Gourmet Holding, Ltd.
 General Electric Company
 Generale Bank, S.A.
 Global Menkul Degerler A.S.
 Greenwood Mills, Inc.*
 Gribal, S.A.
 GSM Gold Limited
 Guardian Glass Investments, S.A.
 Habib Bank A.G. Zurich*
 Harsco Bermuda Limited*
 Harsco Corporation*
 Heckett Multiserv Investment
 Corporation
 Holding Savana, S.A.*

Honeywell, Inc.
 Houston Industries Energy, Inc.
 Hydra-Co Enterprises, Inc.
 Hydro Aluminum, A.S.
 IBA, B.V.
 Illinova Generating Company*
 Imperial Chemical Industries, Plc.
 Impregilo, S.p.A.
 ING Bank, N.V.*
 Ingersoll-Rand China, Ltd.
 Interfima, B.V.
 International Energy Partners, L.P.
 International Mariculture Partners
 International Paper Investments
 Kimberly-Clark Corporation
 Komatsu, Ltd.
 Kværner Energy A.S.
 La Source*
 Lloyds Bank, Plc.*
 Magma Copper Company
 Magma Netherlands, B.V.
 Magma Power Company
 Marriott International, Inc.*
 Marubeni Corporation*
 McCullagh International, L.P.*
 McDonald's Corporation
 McDonnell Douglas Finance Corporation
 Mees Pierson, N.V.
 Metallgesellschaft AG
 Metra Finance Oy AB
 Middenbank Curaçao, N.V.
 Midland Bank, Plc.
 Midlands Generation (Overseas), Ltd.
 Millicom Cellular Holdings S.A.R.L.
 Millicom International Development Corporation
 Mine Or, S.A.
 Motorola, Inc.
 Motorola International Development Corporation*
 Multiserv International, N.V.*
 Multiserv Russia, S.A.
 National Grid Company, Plc.
 New World Power Corporation
 Newmont Gold Company*
 Newmont Second Capital Corporation
 Newmont Mining Corporation
 Non-Fluid Oil International
 Norsk Hydro A.S.
 Ormat International, Inc.*
 Parmalat, S.p.A.

PepsiCo, Inc.
 Philips Electronics, N.V.
 Philip Morris Holland, B.V.
 Placer Dome, Inc.
 Promofin Outremer, S.A.*
 Puerto Seco, S.A.
 Purolite International Limited
 Radisson Hotels International,
 Latin America Inc.
 Ratti Technologies S.r.L.
 Remetal, S.A.
 Ringnes A.S.*
 Rio Algom Limited
 Rockfort Power Associates, Inc.
 Rover Exports Limited
 Rover Overseas Holdings Limited
 R.T.Z. Overseas Holdings Limited
 SAS Service Partner
 Saudi American Bank
 Scudder Latin American Power I-C,
 L.D.C.
 Scudder Latin American Trust I-P,
 L.D.C.*
 Shinwha Textile Company, Ltd.
 Société de Promotion Financière et
 d'Investissement, S.A.*
 Société Générale, S.A.*
 Société Internationale de Plantations
 D'Hévéas, S.A.
 Standard Chartered Bank Africa, Plc.
 Starlight Telecommunications
 Limited, L.L.C.*
 Statkraft SF
 Sumitomo Corporation
 Sunnen Products Company
 Toyota Tsusho Corporation
 UBP Hungary, Inc.*
 Union Bank of Switzerland*
 Union Carbide Corporation
 USEC-Precursor, Inc.
 US West International Holdings, Inc.
 Volvo Truck Corporation
 Wärtsilä Diesel Development
 Corporation, Inc.*
 Wärtsilä Power Development, Inc.*
 Westvaco Corporation
 Wilken Group Limited*
 Zentraquip AG ■

* Client has multiple contracts with MIGA.



TECHNICAL ASSISTANCE SERVICES

MIGA's Investment Marketing Services and Legal Departments offer the Agency's developing member countries and economies in transition technical assistance and legal advisory services to help them mobilize increased flows of productive foreign investment. During fiscal 1997, the two departments carried out activities that directly benefited 92 countries.

Investment Marketing Services

The Investment Marketing Services Department (IMS) provides technical assistance focusing on three areas:

- **Dissemination of information** on investment opportunities and business operating conditions in developing member countries
- **Direct support** of investment promotion activities
- **Capacity building** for institutions involved in promoting and facilitating foreign investment.

IMS offers this assistance to investment promotion agencies (IPAs), including nationally mandated promotion institutions such as boards of investment and investment promotion authorities; sectoral ministries; business associations and chambers of commerce; and financial intermediaries. A central thrust of the department's efforts is to facilitate the work of IPAs by introducing their staffs to new management and marketing techniques, especially those using state-of-the-art information technology.

Information Dissemination

IPAnet, MIGA's Internet-based Investment Promotion Network, has become the Agency's principal vehicle for disseminating information on worldwide investment opportunities, business operating conditions, and potential business partners. IPAnet is an electronic shopping mall that provides desktop access to investment opportunities, sources of finance, investment laws and regulations, business news, market intelligence, and key players in international investment.

With almost 4,000 registrants representing more than 150 countries, IPAnet is rapidly becoming a global marketplace. As a result of efforts during fiscal 1997, IPAnet registrants now can access nearly 10,000 documents covering more than 100 countries. Efforts to add new information and assist users are ongoing. For example, IPAnet 1997—launched in February—features a simplified user interface, an on-line help function, and new and enhanced search capabilities.

During fiscal 1997, MIGA launched a marketing effort to increase international awareness and usage of the facility. As part of the campaign, MIGA established reciprocal links with Internet sites of other relevant public and private sector organizations involved in promoting or facilitating international trade and investment.

MIGA's African Mining CD-ROM, released in fiscal 1995, is another information technology-based vehicle with information on investment opportunities. The Agency continues to receive requests for this CD-ROM, which covers 20 African countries and offers mining laws, investment codes, information on mineral deposits and geological conditions, and hundreds of maps and charts. During fiscal 1997, MIGA continued to collect information on



IPAnet — promoting foreign investment in emerging markets and offering information sharing and marketing opportunities to the international business community. Sponsored by the **Multilateral Investment Guarantee Agency** of the World Bank Group.

REGISTER
First-time users

LOGIN
If you are already registered

ABOUT IPAnet
A Users' Guide

HOT TOPICS
Latest news and events

IPAnet is free to registrants.

The world investment community is sharing foreign investment-related information and forging new business partnerships via IPAnet. IPAnet carries information on more than 150 countries at <http://www.ipanet.net>

the mining sector in Africa, broadening coverage to include four additional countries. The new information was posted on IPAnet and will be included in a new edition of the CD-ROM.

In addition to refining its electronic tools for information dissemination in fiscal 1997, MIGA lent its support to several initiatives to facilitate collaboration and information sharing among African IPAs. MIGA continued to support development of a network of African IPAs, an initiative begun in fiscal 1994. MIGA also assisted with publication and distribution of *Locate Africa*, a newsletter on investment opportunities and conditions in Africa, and co-operated with the United Nations Industrial Development Organization (UNIDO) in organizing a roundtable meeting of African IPAs in Ghana. In addition, MIGA

secured international funding for a program to build the capacity of African IPAs—AFRI-IPA Support Program—that will be initiated in fiscal 1998. As part of this program, a MIGA officer will be seconded to work with a team of regional investment promotion advisors to support the investment promotion efforts of African member countries.

During fiscal 1997, the Agency also organized an Investor Services Workshop within the framework of the Third Annual Meeting of the Islamic Chamber of Commerce, held in Jakarta, Indonesia. Participants came from more than 50 countries to learn about the financing, guarantees, and information services that public and private institutions provide to investors in sectors such as tourism, mining, and agribusiness.

Direct Support of Investment Promotion Activities

MIGA supports member countries' efforts to identify and attract potential investors in sectors with strong potential for growth and development by sponsoring two types of fora. MIGA's regional investment promotion conferences bring investment promotion advisors, other government officials, and project sponsors together with prospective investors from across the globe. The Agency's executive training programs and strategy workshops prepare public sector officials and corporate executives in MIGA member countries for their dealings and negotiations with prospective foreign partners.

During fiscal 1997, MIGA continued to focus on the mining and tourism sectors, capitalizing on the strong network that has been established with international investors in these sectors.

■ Mining Program

MIGA's fourth annual African Mining Investment and Business Opportunities Conference was held in Denver, Colorado, in June 1997. This annual conference is now recognized as the preeminent international event focusing on the rich opportunities in African mining. Twenty-eight countries in Sub-Saharan Africa were represented, and more than 500 international mining companies from Asia, Europe, and North America participated.

This year new topics, including privatization and small-scale mining, were introduced into the panel discussions. At the suggestion of attendees at previous years' events, MIGA staff worked with participating African countries before the conference to help them sharpen their presentations to emphasize specific mines and exploration opportunities available for investment.



Twenty-eight African countries sent delegations to MIGA's fourth annual African mining symposium, which attracted interested investors from around the world.

Although Africa remains the main focus of MIGA's mining program, MIGA continued efforts it began in fiscal 1996 to expand its investment promotion efforts in the mining sector to other regions. MIGA organized a two-day workshop for mining sector officials from the Middle East and North Africa on How to Do Business with Foreign Companies, in December 1996. This event, which MIGA cosponsored with the Arab Industrial Development and Mining Organization, was attended by representatives from nine countries as well as regional representatives from the Arab Mining Company. MIGA invited as resource persons experts from the mining industry and from the World Bank's Industry and Mining Division. Topics addressed included international competition for exploration and mining capital, attracting private sector investment, economic aspects of mining projects, preparing feasibility studies, sources of financing, and negotiating business deals.

The mining sector in Central Asia was the focus of three similar workshops that MIGA organized in fiscal 1997 for public sector mining officials. The workshops were held in Istanbul in cooperation with the Turkish International Cooperation Agency and the Organization for Economic Cooperation and Development (OECD). The third workshop was devoted to preparing the Central Asian delegations for a regional investment promotion conference scheduled for fiscal 1998.

■ Tourism Program

During fiscal 1997, MIGA continued to build on previous years' work in the tourism sector in the Caribbean, Central America, and South America. In September 1996, MIGA sponsored the Andean Region Investors Forum for Hotel and Tourism Development in Lima, Peru. At

this event, attended by more than 200 participants from 12 countries, representatives of the six Andean Pact countries discussed investment conditions and made presentations on more than 90 projects. Panel discussions focused on topics such as infrastructure, sources of financing, ecotourism, limited service hotels, time sharing, and global and regional trends in tourism growth. Private meetings between potential investors and project sponsors were an important feature of the forum.

MIGA organized or participated in three tourism promotion events in April 1997. As part of the Organization of American States' XVII Inter-American Travel Congress, MIGA organized a strategy workshop on international "best practices" in developing tourism and attracting tourism-related foreign investment. Attendees included government officials and business executives from throughout Latin America and the Caribbean. MIGA also participated



Peruvian President Alberto Fujimori is greeted by Karin Millett, manager of MIGA's Investment Marketing Services Department, at the Andean Region Investors Forum for Hotel and Tourism Development. Looking on is Carlos Zúñiga, president of the Peruvian Hotel Association.

in the first Caribbean Hotel and Tourism Investment Conference, organized by the Caribbean Tourism Organization and the Caribbean Hotel Association. This conference, held in Nassau, the Bahamas, attracted more than 300 participants.

Finally, in cooperation with the OECD, MIGA organized a tourism sector strategy workshop for officials from Central Asia and Southeastern Europe. The discussion covered the economic importance of tourism, government roles in the tourism development process, and the public-private role in investment promotion. Speakers included representatives of private sector firms, IFC, the World Tourism Organization, and the World Travel and Tourism Council.

Capacity Building for IPAs

Strengthening the institutional capacity of member countries to attract and retain



Ken Kwaku, MIGA's program manager for Africa Regional Programs (left) talks with two participants at the MIGA/UNIDO Roundtable of African Investment Promotion Agencies.



MIGA and UNIDO cosponsored a roundtable in Accra, Ghana, for the heads of African IPAs.

foreign investment is a core objective of MIGA's technical assistance program. Two types of assistance are offered: (1) training programs and workshops focusing on investment promotion skills and "best practices" and (2) an Investor Tracking System to help IPAs manage their relationships with international investors.

At a country level, MIGA conducted investment promotion skills workshops for Croatia, Georgia, and Tunisia. A follow-on training program for the Tunisian IPA's technical staff focused on how to use the Internet for research and information dissemination. The two activities in Tunisia were financed through an International Development Fund grant supporting a broad program of investment promotion assistance to be implemented jointly by the World Bank, MIGA, and the Foreign Investment Advisory Service.

As in past years, MIGA also organized workshops for ambassadors and embassy staff involved in investment promotion, since many countries rely on their embassies to promote international investment and trade. MIGA's embassy workshops are designed to familiarize embassy officials

with basic investment promotion techniques and strategies and to foster collaboration between embassies and the IPAs in their capitals. In fiscal 1997, in collaboration with UNIDO, MIGA organized four such workshops in Vienna for embassy officials from Africa, Asia, Latin America, and transition economies.

Training Programs and Workshops

During fiscal 1997, MIGA began a program of cosponsored investment promotion training programs and workshops with the World Bank's Economic Development Institute (EDI). Whenever possible, MIGA attempts to use EDI's regional platforms to deliver its training and workshop programs. The collaboration is helping MIGA extend its capacity to deliver investment promotion training activities and broaden the audience for such activities.

As part of this initiative, MIGA conducted three workshops on Strategies and Techniques for Promotion of Foreign Investment, which drew more than 100 private and public sector representatives from a dozen transitional countries in Asia and Eastern Europe. The workshops, held in Washington, D.C., and at the Joint Vienna Institute, were conducted as integral parts of EDI programs focusing on privatization, enterprise restructuring, and private sector development.

Also under this collaborative umbrella, MIGA held a workshop on Investment and Trade Promotion in the Information Age during an EDI-sponsored Mediterranean Development Forum in Marrakech, Morocco. The workshop—which brought together representatives from investment and trade promotion agencies, chambers of commerce, and business associations from

the Middle East, North Africa, and Southern Europe—focused on the implications of the information revolution for businesses and organizations involved in promoting international trade and investment.

The strategy of piggybacking on other events also was followed for four other workshop activities focusing on IPA management issues or the use of modern information technology for investment promotion.

- MIGA joined with UNIDO in organizing a roundtable of the heads of African IPAs in conjunction with the Annual Conference of African Ministers of Industry.
- MIGA participated in a South Pacific regional meeting, in Fiji, of the heads of IPAs from 12 island countries in the region.
- MIGA collaborated with the OECD in conducting a four-day workshop in Istanbul, Turkey, on Information Technology for Investment Promotion for IPA officials from Eastern Europe and Central Asia. MIGA's IPAnet was among the technologies discussed at the workshop.

Investor Tracking System

MIGA's Investor Tracking System (ITS) is a specialized software package designed to help IPAs manage investor information. As in previous years, ITS continues to be a major tool that MIGA uses to strengthen the promotional capacity of individual IPAs. During fiscal 1997, MIGA installed the ITS software and provided training to system administrators and users at the Ghana Investment Promotion Center.

Legal Technical Assistance

Most of the technical assistance that MIGA offered during fiscal 1997, as in earlier years, revolved around the formulation of investment promotion strategies for member countries. However, increasing attention was paid during the year to the mediation of investment disputes.

MIGA is encouraged by its Convention to use its facilities to settle disputes between investors and its member countries. In keeping with this mandate, MIGA staff experienced in resolving conflicts relating to foreign direct investment provided guidance to parties from several member countries who sought creative ways to solve difficult situations. MIGA's goal in all cases was to resolve the dispute before it rose to a level that would require formal conciliation or arbitration. Several investment disputes around the world were resolved in this manner during the fiscal year, and several more are advancing toward resolution.

Another important initiative by the Legal Department this year was the negotiation of agreements to establish two Investment Guarantee Trust Funds to stimulate investment in regions with special needs. The first of these funds targets Bosnia and Herzegovina and is designed to encourage small and medium-size investors to participate in the reconstruction of Bosnia. The second Trust Fund, for West Bank and Gaza, enhances MIGA's ability to cover investment in towns under the administration of the Palestinian Authority (see details on page 16).

Finally, the Legal Department continues to provide member countries with assistance on investment-related matters, including help in negotiating bilateral treaties for the promotion and protection of investment and in conducting related technical training workshops. ■

FINANCIAL STATEMENTS OF THE MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Balance Sheet*June 30, 1997 and June 30, 1996*

	1997	1996
	<i>(thousands of U.S. dollars)</i>	
Assets		
CASH	\$ 7,334	\$ 7,767
INVESTMENTS – Notes A and B		
Obligations of governments and other official entities	59,306	56,423
Time deposits and other obligations of banks and financial institutions	131,727	107,458
	<u>191,033</u>	<u>163,881</u>
NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS – Note C	100,218	100,395
OTHER ASSETS	4,260	5,075
TOTAL ASSETS	<u>\$ 302,845</u>	<u>\$ 277,118</u>
Liabilities, Capital, and Retained Earnings		
LIABILITIES		
Accounts payable and accrued expenses	\$ 5,830	\$ 3,490
Unearned premiums and commitment fees – Note A	13,265	13,378
Reserve for claims – Notes A and F	55,192	33,523
Total liabilities	<u>74,287</u>	<u>50,391</u>
CAPITAL AND RETAINED EARNINGS		
Capital stock – Note C		
Authorized capital (100,000 shares - June 30, 1997 and June 30, 1996)		
Subscribed capital (98,629 shares - June 30, 1997; 97,869 shares - June 30, 1996)	1,067,166	1,058,943
Less uncalled portion of subscriptions	853,733	847,155
Less amounts due on called subscriptions	731	731
	<u>212,702</u>	<u>211,057</u>
Payments on account of pending subscriptions	266	485
	<u>212,968</u>	<u>211,542</u>
Retained Earnings		
Accumulated net income	19,234	17,010
Cumulative translation adjustments	(3,644)	(1,825)
	<u>15,590</u>	<u>15,185</u>
Total capital and retained earnings	<u>228,558</u>	<u>226,727</u>
CONTINGENT LIABILITIES – Notes D and E		
TOTAL LIABILITIES, CAPITAL, AND RETAINED EARNINGS	<u>\$ 302,845</u>	<u>\$ 277,118</u>

See Notes to Financial Statements

Statement of Income

For the fiscal years ended June 30, 1997
and June 30, 1996

	1997	1996
	<i>(thousands of U.S. dollars)</i>	
INCOME		
Premium and commitment fee income – Notes A and E	\$ 26,179	\$ 22,612
Premium ceded – Note E	(1,554)	(722)
Net premium and commitment fee earned	24,625	21,890
Income from investments – Notes A and B	9,981	9,391
Miscellaneous income	108	26
Total income	34,714	31,307
EXPENSES		
Provision for claims – Notes A and F	21,810	17,111
Administrative and other expenses – Notes G, H, and I	10,680	10,634
Total expenses	32,490	27,745
NET INCOME	<u>\$ 2,224</u>	<u>\$ 3,562</u>

Statement of Capital and Retained Earnings

For the fiscal years ended June 30, 1997
and June 30, 1996

	1997	1996
	<i>(thousands of U.S. dollars)</i>	
CAPITAL		
Balance at beginning of fiscal year	\$ 211,542	\$ 208,269
New subscriptions	1,645	3,218
Payments on account of pending subscriptions	(219)	55
TOTAL CAPITAL	<u>\$ 212,968</u>	<u>\$ 211,542</u>
RETAINED EARNINGS		
Accumulated net income		
Balance at beginning of fiscal year	\$ 17,010	\$ 13,448
Net income for the fiscal year	2,224	3,562
	19,234	17,010
Cumulative translation adjustments		
Balance at beginning of fiscal year	(1,825)	2,515
Translation adjustments for the fiscal year	(1,819)	(4,340)
	(3,644)	(1,825)
TOTAL RETAINED EARNINGS	<u>\$ 15,590</u>	<u>\$ 15,185</u>

See Notes to Financial Statements

Statement of Cash Flows

For the fiscal years ended June 30, 1997
and June 30, 1996

	1997	1996
	<i>(thousands of U.S. dollars)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,224	\$ 3,562
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for claims	21,810	17,111
Accretion of discounts, net	(43)	(74)
Decrease (Increase) in other assets	814	(4,324)
(Decrease) Increase in unearned premiums and commitment fees	(115)	4,535
Increase in accounts payable	2,359	1,221
Net cash provided by operating activities	27,049	22,031
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of investments	14,446,211	9,354,472
Purchases of investments	(14,474,071)	(9,375,980)
Net cash used in investing activities	(27,860)	(21,508)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital subscription payments	825	2,306
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(447)	(591)
Net (decrease) increase in cash	(433)	2,238
Cash at beginning of fiscal year	7,767	5,529
CASH AT END OF FISCAL YEAR	<u>\$ 7,334</u>	<u>\$ 7,767</u>

See Notes to Financial Statements

MULTILATERAL INVESTMENT GUARANTEE AGENCY

**Statement of Subscriptions to Capital Stock
and Voting Power**

June 30, 1997

Member	Shares	Subscriptions (Note C) (thousands of U.S. dollars)				Voting Power	
		Total Subscribed	Amount Paid In	Amount Due	Amount Subject to Call	Number of Votes	% of Total
Albania	58	\$ 628	\$ 126	\$ -	\$ 502	235	0.19
Algeria	649	7,022	1,403	-	5,619	826	0.67
Angola	187	2,023	405	-	1,618	364	0.29
Argentina	1,254	13,568	2,714	-	10,854	1,431	1.16
Armenia	80	866	173	-	693	257	0.21
Azerbaijan	115	1,244	249	-	995	292	0.24
Bahamas, The	100	1,082	216	-	866	277	0.22
Bahrain	77	833	167	-	666	254	0.21
Bangladesh	340	3,679	736	-	2,943	517	0.42
Barbados	68	736	147	-	589	245	0.20
Belarus	233	2,521	504	-	2,017	410	0.33
Belgium	2,030	21,965	4,393	-	17,572	2,207	1.79
Belize	50	541	108	-	433	227	0.18
Benin	61	660	132	-	528	238	0.19
Bolivia	125	1,353	271	-	1,082	302	0.24
Bosnia and Herzegovina	80	866	173	-	693	257	0.21
Botswana	50	541	108	-	433	227	0.18
Brazil	1,479	16,003	3,201	-	12,802	1,656	1.34
Bulgaria	365	3,949	790	-	3,159	542	0.44
Burkina Faso	61	660	132	-	528	238	0.19
Cameroon	107	1,158	232	-	926	284	0.23
Canada	2,965	32,081	6,416	-	25,665	3,142	2.54
Cape Verde	50	541	108	-	433	227	0.18
Chile	485	5,248	1,050	-	4,198	662	0.54
China	3,138	33,953	6,791	-	27,162	3,315	2.68
Colombia	437	4,728	946	-	3,782	614	0.50
Congo, Democratic Republic of ...	338	3,658	-	731	2,927	515	0.42
Congo, Republic of	65	703	141	-	562	242	0.20
Costa Rica	117	1,266	253	-	1,013	294	0.24
Côte d'Ivoire	176	1,904	381	-	1,523	353	0.29
Croatia	187	2,023	405	-	1,618	364	0.29
Cyprus	104	1,125	225	-	900	281	0.23
Czech Republic	445	4,815	963	-	3,852	622	0.50
Denmark	718	7,769	1,554	-	6,215	895	0.72
Dominica	50	541	108	-	433	227	0.18
Dominican Republic	147	1,591	318	-	1,273	324	0.26
Ecuador	182	1,969	394	-	1,575	359	0.29
Egypt, Arab Republic of	459	4,966	993	-	3,973	636	0.51
El Salvador	122	1,320	264	-	1,056	299	0.24
Equatorial Guinea	50	541	108	-	433	227	0.18
Eritrea	50	541	108	-	433	227	0.18
Estonia	65	703	141	-	562	242	0.20
Ethiopia	70	757	152	-	605	247	0.20
Fiji	71	768	154	-	614	248	0.20
Finland	600	6,492	1,299	-	5,193	777	0.63
France	4,860	52,585	10,517	-	42,068	5,037	4.08
Gambia, The	50	541	108	-	433	227	0.18
Georgia	111	1,201	239	-	962	288	0.23
Germany	5,071	54,868	10,973	-	43,895	5,248	4.25
Ghana	245	2,651	530	-	2,121	422	0.34

Statement of Subscriptions to Capital Stock and Voting Power

June 30, 1997

Member	Shares	Subscriptions (Note C) (thousands of U.S. dollars)				Voting Power	
		Total Subscribed	Amount Paid In	Amount Due	Amount Subject to Call	Number of Votes	% of Total
Greece	280	\$ 3,030	\$ 606	\$ -	\$ 2,424	457	0.37
Grenada	50	541	108	-	433	227	0.18
Guatemala	140	1,515	303	-	1,212	317	0.26
Guinea	91	985	197	-	788	268	0.22
Guyana	84	909	182	-	727	261	0.21
Haiti	75	811	162	-	649	252	0.20
Honduras	101	1,093	219	-	874	278	0.22
Hungary	564	6,102	1,220	-	4,882	741	0.60
India	3,048	32,979	6,596	-	26,383	3,225	2.61
Indonesia	1,049	11,350	2,270	-	9,080	1,226	0.99
Ireland	369	3,993	798	-	3,195	546	0.44
Israel	474	5,129	1,025	-	4,104	651	0.53
Italy	2,820	30,512	6,102	-	24,410	2,997	2.43
Jamaica	181	1,958	391	-	1,567	358	0.29
Japan	5,095	55,128	11,026	-	44,102	5,272	4.27
Jordan	97	1,050	210	-	840	274	0.22
Kazakhstan	209	2,261	452	-	1,809	386	0.31
Kenya	172	1,861	372	-	1,489	349	0.28
Korea, Republic of	449	4,858	971	-	3,887	626	0.51
Kuwait	930	10,063	2,013	-	8,050	1,107	0.90
Kyrgyz Republic	77	833	167	-	666	254	0.21
Lebanon	142	1,536	307	-	1,229	319	0.26
Lesotho	50	541	108	-	433	227	0.18
Libya	549	5,940	1,188	-	4,752	726	0.59
Lithuania	106	1,147	229	-	918	283	0.23
Luxembourg	116	1,255	251	-	1,004	293	0.24
Macedonia, former Yugoslav Republic of	50	541	108	-	433	227	0.18
Madagascar	100	1,082	216	-	866	277	0.22
Malawi	77	833	167	-	666	254	0.21
Malaysia	579	6,265	1,253	-	5,012	756	0.61
Mali	81	876	175	-	701	258	0.21
Malta	75	812	162	-	650	252	0.20
Mauritania	63	682	136	-	546	240	0.19
Mauritius	87	941	188	-	753	264	0.21
Micronesia, Fed. States of	50	541	108	-	433	227	0.18
Moldova	96	1,039	208	-	831	273	0.22
Morocco	348	3,765	753	-	3,012	525	0.42
Mozambique	97	1,050	210	-	840	274	0.22
Namibia	107	1,158	232	-	926	284	0.23
Nepal	69	747	149	-	598	246	0.20
Netherlands	2,169	23,469	4,694	-	18,775	2,346	1.90
Nicaragua	102	1,104	221	-	883	279	0.23
Nigeria	844	9,132	1,826	-	7,306	1,021	0.83
Norway	699	7,563	1,513	-	6,050	876	0.71
Oman	94	1,018	204	-	814	271	0.22
Pakistan	660	7,141	1,428	-	5,713	837	0.68
Panama	131	1,417	283	-	1,134	308	0.25
Papua New Guinea	96	1,039	208	-	831	273	0.22
Paraguay	80	866	173	-	693	257	0.21
Peru	373	4,036	807	-	3,229	550	0.45

MULTILATERAL INVESTMENT GUARANTEE AGENCY

**Statement of Subscriptions to Capital Stock
and Voting Power**

June 30, 1997

Member	Shares	Subscriptions (Note C) (thousands of U.S. dollars)				Voting Power	
		Total Subscribed	Amount Paid In	Amount Due	Amount Subject to Call	Number of Votes	% of Total
Philippines	484	\$ 5,237	\$ 1,047	\$ -	\$ 4,190	661	0.53
Poland	764	8,266	1,653	-	6,613	941	0.76
Portugal	382	4,133	827	-	3,306	559	0.45
Qatar	137	1,482	296	-	1,186	314	0.25
Romania	555	6,005	1,201	-	4,804	732	0.59
Russian Federation	3,137	33,942	6,788	-	27,154	3,314	2.68
St. Lucia	50	541	108	-	433	227	0.18
St. Vincent and the Grenadines ...	50	541	108	-	433	227	0.18
Saudi Arabia	3,137	33,942	6,788	-	27,154	3,314	2.68
Senegal	145	1,569	314	-	1,255	322	0.26
Seychelles	50	541	108	-	433	227	0.18
Sierra Leone	75	812	162	-	650	252	0.20
Slovak Republic	222	2,402	480	-	1,922	399	0.32
Slovenia	102	1,104	221	-	883	279	0.23
South Africa	943	10,203	2,041	-	8,162	1,120	0.91
Spain	1,285	13,904	2,781	-	11,123	1,462	1.18
Sri Lanka	271	2,932	586	-	2,346	448	0.36
Sudan	206	2,229	446	-	1,783	383	0.31
Swaziland	58	628	126	-	502	235	0.19
Sweden	1,049	11,350	2,270	-	9,080	1,226	0.99
Switzerland	1,500	16,230	3,246	-	12,984	1,677	1.36
Tanzania	141	1,526	305	-	1,221	318	0.26
Togo	77	833	167	-	666	254	0.21
Trinidad and Tobago	203	2,196	439	-	1,757	380	0.31
Tunisia	156	1,688	338	-	1,350	333	0.27
Turkey	462	4,999	1,000	-	3,999	639	0.52
Turkmenistan	66	714	143	-	571	243	0.20
Uganda	132	1,428	286	-	1,142	309	0.25
Ukraine	764	8,266	1,653	-	6,613	941	0.76
United Arab Emirates	372	4,025	805	-	3,220	549	0.44
United Kingdom	4,860	52,585	10,517	-	42,068	5,037	4.08
United States	20,519	222,016	44,404	-	177,612	20,696	16.75
Uruguay	202	2,186	438	-	1,748	379	0.31
Uzbekistan	175	1,894	380	-	1,514	352	0.28
Vanuatu	50	541	108	-	433	227	0.18
Venezuela	1,427	15,440	3,088	-	12,352	1,604	1.30
Vietnam	220	2,380	476	-	1,904	397	0.32
Western Samoa	50	541	108	-	433	227	0.18
Yemen, Republic of	155	1,677	335	-	1,342	332	0.27
Zambia	318	3,441	688	-	2,753	495	0.40
Zimbabwe	236	2,553	511	-	2,042	413	0.33
Total-June 30, 1997 ^a	<u>98,629</u>	<u>\$1,067,166</u>	<u>\$212,702</u>	<u>\$731</u>	<u>\$853,733</u>	<u>123,586</u>	<u>100.00</u>
Total-June 30, 1996	<u>97,869</u>	<u>\$1,058,943</u>	<u>\$211,057</u>	<u>\$731</u>	<u>\$847,155</u>	<u>121,587</u>	

Note: Amounts aggregating the equivalent of \$266,000 have been received from (i) a country that has signed and ratified the Convention and is in the process of completing its membership requirements: Latvia \$79,000; and (ii) a country in the process of succession to membership: Federal Republic of Yugoslavia (Serbia and Montenegro) \$187,000.

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

See Notes to Financial Statements

STATEMENT OF AGENCY PURPOSE

The Multilateral Investment Guarantee Agency (MIGA), established on April 12, 1988, is a member of the World Bank Group. The Agency 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 consultative and advisory services to promote improvements in member countries' environments for foreign investment.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

MIGA's financial statements have been prepared in conformity with International Accounting Standards. In the absence of such standards and subject to relevant legal requirements, the policy adopted is that considered most appropriate to the circumstances of MIGA having regard to the accounting principles used in the United States and the practices of other international insurance entities. The accounting policies followed are consistent in all material respects with generally accepted accounting principles in the United States.

The preparation of financial statements in conformity with International Accounting Standards and generally accepted accounting principles 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 multicurrency 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.

Accordingly, 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 rates of exchange at the end of the period. Capital subscriptions are stated in accordance with the procedures described below. Income and expenses are generally translated at an average of the market rates of exchange in effect during each month. Translation adjustments are charged or credited to retained earnings.

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 Right (SDR)

MULTILATERAL INVESTMENT GUARANTEE AGENCY
Notes to Financial Statements

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. The Convention further states that ten percent of the members' shares be paid in cash, in freely convertible currencies, except that developing member countries may pay up to a quarter of the ten percent in their own currencies. In addition, another ten percent of the members' shares shall be paid in the form of nonnegotiable, noninterest-bearing promissory notes. The notes are denominated in freely convertible currencies and are due on demand to meet the Agency's obligations. The policies relating to translation of currencies as described above also apply to the cash and the promissory notes paid in.

Investments

Management has both the ability and intent to hold all investments to maturity. Accordingly, MIGA's investment holdings are carried at cost or amortized cost.

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 losses inherent in guarantee operations based upon claim submissions, consideration of loss experiences by insurers engaged in similar underwritings, and other factors including changes in the composition and volume of the insurance and outstanding guarantees and worldwide economic and political conditions. This reserve is available to absorb losses related to insurance amounts outstanding, which are off-balance sheet commitments. The reserve is increased by provisions charged to expense and decreased for claims settlements.

The periodic provision for claims is usually based on management's evaluation of potential claim payments (net of expected recoveries) that may result from (i) risks that are inherent, but unidentifiable at the time of writing; (ii) unusually large concentrations of exposure in individual risks, countries or guarantee contracts; and (iii) an ongoing assessment of MIGA's expected recovery rates on its total portfolio. However, given the lack of historical claims experience in MIGA, there is no actuarial or historical basis upon which to determine the Agency's expected claims experience. Accordingly, management, with the approval of the Board, relies on a premium-based methodology for establishing the reserve for claims (see Note F).

Recognizing the fact that during the early years of the Agency's operations when its cash reserves are small in relation to its obligations assumed under its insurance activities and when there is limited history for estimation of losses, it is understood, in accordance with the provisions of the Convention, that the promissory note portion of the subscribed capital would be utilized to pay any claims in excess of the cash reserve. In this context, member capital remains subject to direct risk. Considering the absence of historical claims experience, this risk is difficult to assess. However, it should be noted that under an extreme hypothetical claims scenario, this risk could be considerable.

MULTILATERAL INVESTMENT GUARANTEE AGENCY
Notes to Financial Statements

Acquisition Costs

Costs of acquiring investment insurance business are expensed in the year incurred, as such amounts are not material.

NOTE B: INVESTMENTS

The investment portfolio was denominated primarily in United States dollars with instruments in nondollar currencies representing 15.3 percent (16.5 percent - June 30, 1996) of the portfolio. Held-to-maturity securities at June 30, 1997 and June 30, 1996 were as follows (in thousands of US dollars):

	<i>Amortized Cost</i>	<i>Gross Unrealized Gains</i>	<i>Gross Unrealized Losses</i>	<i>Estimated Fair Value</i>
At June 30, 1997				
Government Obligations	\$ 59,306	\$ 94	\$ 40	\$ 59,360
Time Deposits	<u>131,727</u>	<u>-</u>	<u>-</u>	<u>131,727</u>
Total	<u>\$ 191,033</u>	<u>\$ 94</u>	<u>\$ 40</u>	<u>\$ 191,087</u>
At June 30, 1996				
Government Obligations	\$ 56,423	\$ 175	\$ 126	\$ 56,472
Time Deposits	<u>107,458</u>	<u>-</u>	<u>-</u>	<u>107,458</u>
Total	<u>\$ 163,881</u>	<u>\$ 175</u>	<u>\$ 126</u>	<u>\$ 163,930</u>

The expected maturities of investments at June 30, 1997 were as follows (in thousands of US dollars):

	<i>Amortized Cost</i>	<i>Estimated Fair Value</i>
Due in one year or less	\$ 161,056	\$ 161,072
Due after one year through two years	<u>29,977</u>	<u>30,015</u>
Total	<u>\$ 191,033</u>	<u>\$ 191,087</u>

NOTE C: CAPITAL STOCK

At June 30, 1997, MIGA's authorized capital stock comprised 100,000 shares, of which 98,629 (97,869 - June 30, 1996) 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, \$212,702,000

MULTILATERAL INVESTMENT GUARANTEE AGENCY
Notes to Financial Statements

(\$211,057,000 - June 30, 1996) has been paid in; \$731,000 (\$731,000 - June 30, 1996) is due and the remaining, \$853,733,000 (\$847,155,000 - June 30, 1996) is subject to call by the Agency when required to meet its obligations. Of the amounts paid in, at June 30, 1997, \$100,218,000 (\$100,395,000 - June 30, 1996) is in the form of nonnegotiable, noninterest-bearing demand obligations (promissory notes).

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 transfer, expropriation, war and civil disturbance, and breach of contract. Currency transfer protects the investor from inconvertibility of local currency returns and proceeds from the liquidation of the investment project into foreign exchange for transfer outside the host country. Expropriation protects the investor against partial or total loss of the insured investment as a result of acts by the host government which 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. 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, other than those issued as reinsurance, 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 the Agency is 350 percent of the sum of the Agency's unimpaired subscribed capital and its reserves plus such portion of the insurance ceded by the Agency through contracts of reinsurance as the Board of Directors may determine. Accordingly, at June 30, 1997, the maximum level of guarantees outstanding may not exceed \$4,234,722,000.

Contingent Liability. The maximum amount of contingent liability of MIGA under guarantees issued and outstanding at June 30, 1997 totaled \$2,498,863,000 (\$2,276,953,000 - June 30, 1996). 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, 1997, MIGA's estimate of its actual exposure to insurance claims exclusive of standby coverage is \$1,634,664,000 (\$1,547,221,000 - June 30, 1996). At June 30, 1997, approximately 69 percent of the contingent liability represents guarantees issued which will expire in or after fiscal year 2007.

The composition of the contingent liability including "current" and "standby" coverage under guarantees issued and outstanding by host country and by guarantee currency is summarized on the following page:

MULTILATERAL INVESTMENT GUARANTEE AGENCY
Notes to Financial Statements

Host Country	Guarantee Currency (thousands of U.S. dollars)					Total
	U.S. Dollars	Deutsche Marks	French Francs	Japanese Yen	Pounds Sterling	
Brazil	\$ 201,022	\$	\$	\$	\$	\$ 201,022
Peru	182,024					182,024
Argentina	169,160					169,160
Russian Federation	166,048					166,048
Pakistan	122,300	24,711		1,104	9,954	158,069
Jamaica	104,000					104,000
China	96,744	2,040				98,784
Venezuela	98,500					98,500
Colombia	93,000					93,000
Indonesia	80,401					80,401
Papua New Guinea	76,600					76,600
Turkey	72,500					72,500
Tunisia	64,800					64,800
Kyrgyz Republic	63,750					63,750
Costa Rica	62,509					62,509
Bangladesh	28,800			33,006		61,806
Philippines	60,000					60,000
Kuwait	50,000					50,000
Mali	50,000					50,000
Trinidad and Tobago	50,000					50,000
Poland	36,825	7,970				44,795
Slovak Republic	19,786	24,661				44,447
Czech Republic					42,174	42,174
Ecuador	42,000					42,000
Hungary	11,064	26,496				37,560
Bulgaria	31,007				3,291	34,298
Nepal	32,827					32,827
Guyana	30,600					30,600
Uzbekistan	30,194					30,194
Honduras	29,465					29,465
Kazakhstan	21,173					21,173
South Africa	19,800					19,800
Azerbaijan	16,524					16,524
Romania	15,768					15,768
Saudi Arabia	14,474					14,474
Guatemala	12,939					12,939
Algeria	10,000					10,000
Paraguay	10,000					10,000
El Salvador	9,900					9,900
Guinea	8,349					8,349
Uganda	7,648					7,648
Bahrain	5,851					5,851
Sri Lanka	5,400					5,400
Georgia	3,402					3,402
Egypt, Arab Republic of	2,236					2,236
Vietnam	1,915					1,915
Madagascar			1,722			1,722
Tanzania	430					430
Total ^a	<u>\$2,321,735</u>	<u>\$85,878</u>	<u>\$1,722</u>	<u>\$34,110</u>	<u>\$55,419</u>	<u>\$2,498,863</u>

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

MULTILATERAL INVESTMENT GUARANTEE AGENCY
Notes to Financial Statements

As of June 30, 1997, additional guarantee capacity amounting to \$10,000,000 has been committed (\$44,000,000 - June 30, 1996).

Claim Activity. As of June 30, 1997, there have been no claims lodged with the Agency. Two disputes were reported during the previous fiscal year between insured investors and their host governments. Both disputes were resolved.

NOTE E: REINSURANCE

MIGA obtains quota-share and facultative reinsurance to augment its underwriting capacity and to protect portions of its insurance portfolio. Although MIGA obtains reinsurance, it remains responsible to the insured client for the entire amount of the insurance contract. Of the \$2,498,863,000 total contingent liability at June 30, 1997, \$279,897,000 was ceded through contracts of reinsurance (\$75,469,000 - June 30, 1996).

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of June 30, 1997, total insurance assumed by MIGA, primarily with official investment insurers, amounted to \$136,204,000 (\$148,532,000 - June 30, 1996).

Premiums relating to direct, assumed and ceded contracts for the fiscal years ended June 30, 1997 and June 30, 1996 are as follows (in thousands of US dollars):

	1997	1996
Premiums written		
Direct	\$ 25,354	\$ 23,482
Assumed	2,555	3,435
Ceded	(2,635)	(1,122)
	1997	1996
Premiums earned		
Direct	\$ 23,434	\$ 19,563
Assumed	2,580	2,611
Ceded	(1,554)	(722)

NOTE F: RESERVE FOR CLAIMS

At June 30, 1997, MIGA's reserve for claims totaled \$55,192,000 (\$33,523,000 - June 30, 1996). Management is developing a new process for evaluating and measuring the required level of claims reserves. The objective will be to relate the level of provisioning more directly to an evaluation of past loss experience, the composition and volume of the guarantees outstanding and to worldwide economic and political conditions as described in Note A. Implementation of such a process could significantly increase the level of reserves for claims and provision for losses. No estimate of the possible impact has been made as of June 30, 1997 and, accordingly, the accompanying financial statements do not reflect the new estimation process.

NOTE G: STAFF RETIREMENT PLAN

The World Bank Group has a defined benefit retirement plan (Plan) covering substantially all of the staff of the Agency, the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC). Under the Plan, benefits are based on the years of contributory service and the highest three-year average of pensionable remuneration as defined in the Plan, with the staff contributing a fixed percentage of pensionable remuneration, and the World Bank Group contributing the remainder of the actuarially determined cost of future Plan benefits. The actuarial present values of Plan obligations throughout the fiscal year are determined at the beginning of the fiscal year by the Plan's actuary. The total contribution of the Agency is based upon the aggregate funding method. All contributions to the Plan and all other assets and income held for the purposes of the Plan are held separately from the other assets and income of the World Bank Group and can be used only for the benefit of the participants in the Plan and their beneficiaries, until all liabilities to them have been paid or provided for. Plan assets consist primarily of equity and fixed income securities, with small holdings of cash, real estate and other investments.

During the fiscal year ended June 30, 1997, the World Bank Group reevaluated its pension expense estimate. Pursuant to this reevaluation, the Agency recorded pension income of \$940,000 for the fiscal year ended June 30, 1997 (\$750,000 pension expense - June 30, 1996) in administrative and other expenses relating to its allocation of the pension income (pension expense).

Management fees paid to IBRD in respect of the Plan for the fiscal year ended June 30, 1997 were \$271,000 (\$221,000 - June 30, 1996).

NOTE H: RETIRED STAFF BENEFITS PLAN

The World Bank Group has a Retired Staff Benefits Plan (RSBP) that provides certain health care and life insurance benefits to retirees of the Agency, the IBRD and IFC. All staff who are enrolled in the insurance programs while in active service and who meet certain requirements are eligible for benefits when they reach early or normal retirement age while working for the World Bank Group.

Retirees contribute a level amount toward life insurance based on the amount of coverage. Retiree contributions toward health care are based on length of service and age at retirement. The World Bank Group annually contributes the remainder of the actuarially determined cost of future benefits. The actuarial present values of RSBP obligations throughout the fiscal year are determined at the beginning of the fiscal year by the RSBP's actuary. All contributions to the RSBP and all other assets and income held for purposes of the RSBP are held separately from the other assets and income of the World Bank Group and can be used only for the benefit of the participants in the RSBP and their beneficiaries until all liabilities to them have been paid or provided for. RSBP assets consist primarily of fixed income and equity securities.

The total expense allocated to the Agency and included in administrative and other expenses for the fiscal year ended June 30, 1997 is \$301,000 (\$263,000 - June 30, 1996).

Notes to Financial Statements

NOTE I: SERVICE AND SUPPORT FEE

The IBRD charges the Agency an annual Service and Support Fee, which for the fiscal year ended June 30, 1997, amounted to \$717,000 (\$719,000 - June 30, 1996).

NOTE J: ESTIMATED FAIR VALUES

The estimated fair values of the Agency's cash and nonnegotiable, noninterest-bearing demand obligations are assumed to approximate their carrying values. The estimated fair value of the Agency'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 the fair value of the Agency.

Report of Independent Accountants

Price Waterhouse
(International Firm)

The Hague
Beijing
Hong Kong
London

New York
Tokyo
Washington

Price Waterhouse



July 28, 1997

President and Board of Governors
Multilateral Investment Guarantee Agency

In our opinion, the financial statements appearing on pages 52 through 65 of this Report present fairly, in all material respects, in terms of United States dollars, the financial position of the Multilateral Investment Guarantee Agency (MIGA) at June 30, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with International Accounting Standards and with generally accepted accounting principles in the United States. These financial statements are the responsibility of management of MIGA; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, including International Standards on Auditing, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Notes A and F, Reserve for Claims, MIGA relies on a premium-based methodology for establishing the reserve for claims due to the lack of historical claims experience. Management is developing a new process for determining the required level of claims reserves more directly linked to the evaluation of guarantees outstanding and other factors; this could significantly increase the level of such reserves. No estimate of the impact has been made and, accordingly, the accompanying financial statements do not reflect the new estimation process. In accordance with the MIGA Convention, the promissory demand note portion of the subscribed capital would be utilized to pay any claims in excess of the reserve for claims plus retained earnings subjecting member capital to direct risk which, under an extreme adverse claims scenario, could be considerable.

Price Waterhouse
(International Firm)

APPENDIXES

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Governors and Alternates

June 30, 1997

Member	Governor	Alternate
Albania	Elisabeta Gjoni	Edmond Leka
Algeria	Abdelkrim Harchaoui	Ali Hamdi
Angola	Emmanuel Moreira Carneiro	Sebastiao Bastos Lavrador
Argentina	Roque Benjamin Fernandez	Pedro Pou
Armenia	Vahram Avanesian	Armen Darbinian
Azerbaijan	Elman Siradjogly Rustamov	Fuad Akhundov
Bahamas, The	William C. Allen	Ruth Millar
Bahrain	Ibrahim Abdul Karim	Zakaria Ahmed Hejres
Bangladesh	Shah A.M.S. Kibria	Mahbub Kabir
Barbados	Owen S. Arthur	Erskine R. Griffith
Belarus	Pyotr P. Prokopovich	Vladimir N. Shimov
Belgium	Philippe Maystadt	Gregoire Brouhns
Belize	Manuel Esquivel	Keith A. Arnold
Benin	Albert Tevoedjre	Felix Adimi
Bolivia	Juan Fernando Candia Castillo	Gonzalo Afcha
Bosnia and Herzegovina	Hasan Muratovic	Drago Bilandzija
Botswana	Jameson L.T. Mothibamele	Modise Davies Modise
Brazil	Pedro Sampaio Malan	Gustavo J. Laboissiere Loyola
Bulgaria	Muravei Radev	Plamen S. Ilchev
Burkina Faso	Joseph Sirima	Patrice Nikiema
Cameroon	Edouard Akame Mfoumou	Isaac Njiemoun
Canada	Paul Martin	Huguette Labelle
Cape Verde	Antonio Gualberto do Rosario	Jose Ulisses Silva
Chile	Eduardo Aninat	Joaquin Vial
China	Liu Zhongli	Liu Jibin
Colombia	Jose Antonio Ocampo	Cecilia Lopez
Congo, Democratic Republic of	(vacant)	(vacant)
Congo, Republic of	Nguila MOUNGOUNGA-NKOMBO	George Tsiba
Costa Rica	Francisco de Paula Gutierrez	Rodrigo Bolanos Zamora
Côte d'Ivoire	Daniel Kablan Duncan	N'Goran Niamien
Croatia	Zlatko Matesa	Josip Kulisic
Cyprus	Christodoulos Christodoulou	George V. Hadjianastassiou
Czech Republic	Ivan Kocarnik	Jan Vit
Denmark	Poul Nielson	Ellen Margrethe Loj
Dominica	Julius C. Timothy	Gilbert Williams
Dominican Republic	Hector Manuel Valdez Albizu	Luis Manuel Piantini M.
Ecuador	Carlos Davalos-Rodas	Ernesto Perez-Cajiao
Egypt, Arab Republic of	Nawal Abdel Moneim El Tatawy	Mahmoud Mohamed Mahmoud
El Salvador	Manuel Enrique Hinds	Jose Roberto Orellana Milla
Equatorial Guinea	Baltasar Engonga Edjo	Antonio Nve Ngu
Eritrea	Haile Woldense	Gebreselassie Yosief
Estonia	Mart Opmann	Agu Lellep
Ethiopia	Sufian Ahmed	Ezra Worku
Fiji	Berenado Vunibobo	Tevita K. Banuve
Finland	Sauli Niinisto	Inga-Maria Grohn
France	Jean Arthuis	Jean Lemierre
Gambia, The	Dominic Mendy	Sako M. Mboge
Georgia	David Iakobidze	Vladimer Papava
Germany	Carl-Dieter Spranger	Juergen Stark

MULTILATERAL INVESTMENT GUARANTEE AGENCY
Governors and Alternates

June 30, 1997

Member	Governor	Alternate
Ghana	Richard Kwame Peprah	Kwesi Amissah-Arthur
Greece	Yannos Papantoniou	Christos Pachtas
Grenada	Keith Mitchell	Linus Spencer Thomas
Guatemala	Jose Alejandro Arevalo Alburez	Willy W. Zapata Sagastume
Guinea	Ousmane Kaba	Cellou Dalein Diallo
Guyana	Bharrat Jagdeo	Michael Sheer Chan
Haiti	Fred Joseph	Jean Erick Deryce
Honduras	Guillermo Bueso	Juan Ferrera
Hungary	Peter Medgyessy	Gusztav Bager
India	P. Chidambaram	Montek Singh Ahluwalia
Indonesia	Mar'ie Muhammad	J. Soedradjad Djiwandono
Ireland	Charlie McCreevy	Paddy Mullarkey
Israel	Jacob A. Frenkel	Shmuel Slavin
Italy	Antonio Fazio	Mario Draghi
Jamaica	Omar Lloyd Davies	Wesley Hughes
Japan	Hiroshi Mitsuzuka	Kazuo Ogura
Jordan	Rima Khalaf Hunaidi	Mohammad Smadi
Kazakhstan	Uraz Dzhandosov	Serik A. Akhanov
Kenya	W. Musalia Mudavadi	Simeon S. Lesrima
Korea, Republic of	Kyong Shik Kang	Kyung Shik Lee
Kuwait	Nasser Abdullah Al-Roudhan	Ali Abdulrehman Rashaid Al-Bader
Kyrgyz Republic	Talaybek J. Koichumanov	Askar I. Sarygulov
Lebanon	Yassine Jaber	Youssef Choucair
Lesotho	Leketekete Victor Ketso	Esselen Motiatsi Matekane
Libya	Mohamed A. Bait El Mal	Bashir Ali Khallat
Lithuania	Algirdas G. Semeta	Jonas Niaura
Luxembourg	Marc Fischbach	Yves Mersch
Macedonia, former Yugoslav Republic of	Taki Fiti	Zlatka Popovska
Madagascar	Pierrot J. Rajaonarivelo	Constant Horace
Malawi	Aleke K. Banda	Kalonga Stambuli
Malaysia	Anwar bin Ibrahim	Clifford Francis Herbert
Mali	Soumaila Cisse	Aboubacar Alhousseyni Toure
Malta	Leo Brincat	Joseph P. Portelli
Mauritania	Aly Gueladio Kamara	Sidi Mohamed Ould Bakha
Mauritius	Rundheersing Bheenick	Jagnaden P. Coopamah
Micronesia, Fed. States of	John Ehsa	Sebastian L. Anefal
Moldova	Valeriu Sergiu Kitsan	Andrei Cheptine
Morocco	Mohamed Kabbaj	Abdelfettah Benmansour
Mozambique	Tomaz Augusto Salomao	Adriano Afonso Maleiane
Namibia	Hanno Rumpf	Paul Walter Hartmann
Nepal	Rabindra Nath Sharma	Ram Binod Bhattarai
Netherlands	Gerrit Zalm	Johannes Pieter Pronk
Nicaragua	Esteban Duque Estrada	Mario De Franco
Nigeria	Anthony A. Ani	Umaru A. Alkaleri
Norway	Jens Stoltenberg	Kari Nordheim-Larsen
Oman	Ahmed Bin Abdulnabi Macki	Mohammed Bin Musa Al Yousef
Pakistan	Qazi M. Alimullah	Mueen Afzal
Panama	Guillermo O. Chapman, Jr.	Miguel Heras
Papua New Guinea	Christopher Haiveta	Isaac Lupari

MULTILATERAL INVESTMENT GUARANTEE AGENCY
Governors and Alternates

June 30, 1997

Member	Governor	Alternate
Paraguay	Miguel Angel Maidana Zayas	Jose Ernesto Buttner Limprich
Peru	Jorge Camet	Alfredo Jalilie Awapara
Philippines	Roberto F. de Ocampo	Rizalino S. Navarro
Poland	Wieslaw Szczuka	Andrzej Chmiel
Portugal	Antonio de Sousa Franco	Fernando Teixeira dos Santos
Qatar	(vacant)	(vacant)
Romania	Mircea Ciumara	Vladimir Soare
Russian Federation	Anatoly Chubais	Yevgeni Yasin
St. Lucia	Kenny D. Anthony	Cletus Springer
St. Vincent and the Grenadines	James F. Mitchell	Maurice Edwards
Saudi Arabia	Ibrahim A. Al-Assaf	Jobarah Al-Suraisry
Senegal	Papa Ousmane Sakho	Papa Salla Mboup
Seychelles	Bertrand Rassool	Vilner Calixte
Sierra Leone	Thaimu Bangura	Samura Kamara
Slovak Republic	Sergej Kozlik	Vladimir Masar
Slovenia	Mitja Gaspari	Stanislava Zadavec Capriolo
South Africa	Trevor Andrew Manuel	Christian Lodewyk Stals
Spain	Rodrigo de Rato Figaredo	Jose Manuel Fernandez Norniella
Sri Lanka	Chandrika Bandaranaike Kamaratunga	B.C. Perera
Sudan	Abdel Wahab Osman	Izzedin Ibrahim Hassan
Swaziland	Noreen N. Maphalala	Ephraim Mandla Hlophe
Sweden	Erik Asbrink	Pierre Schori
Switzerland	Nicolas Imboden	Luciano Lavizzari
Tanzania	Nassoro Malochi	Raphael O. Mollel
Togo	Kwassi Klutse	Kossi Assimaidou
Trinidad and Tobago	Brian Kuei Tung	Randolph Kong
Tunisia	Mohamed Ghannouchi	Taoufik Baccar
Turkey	Mehmet Kaytaz	Cuneyt Sel
Turkmenistan	Hudaiberdy A. Orazov	Ovez Agaev
Uganda	Jehoash Mayanja-Nkangi	Richard H. Kaijuka
Ukraine	Roman Shpek	Vasiliy Gureyev
United Arab Emirates	Mohamed Khalfan bin Kharbash	Nariman A. Kamber
United Kingdom	Clare Short	Gordon Brown
United States	Robert E. Rubin	Joan E. Spero
Uruguay	Luis Mosca	Ariel Davrieux
Uzbekistan	Makhmudjon A. Askarov	Saidakbar Abdurakhimov
Vanuatu	Willie Jimmy	Sampson Ngwele
Venezuela	Freddy Rojas Parra	Teodoro Petkoff
Vietnam	Cao Sy Kiem	Le Duc Thuy
Western Samoa	Tuilaepa S. Malielegaoui	Epa Tuioti
Yemen, Republic of	Abdul Kader Bajamal	(vacant)
Zambia	Ronald Damson Siame Penza	Benjamin Mweene
Zimbabwe	Herbert M. Murerwa	Charles Tawonerera Kuwaza

MULTILATERAL INVESTMENT GUARANTEE AGENCY
Directors and Alternates: Voting Power

June 30, 1997

Director	Alternate	Casting votes of	Total Votes	% of Total
ELECTED BY THE VOTES OF THE FIVE LARGEST SHAREHOLDERS:				
Jan Piercy	Michael Marek	United States	20,696	16.91
Atsuo Nishihara	Shin Yasunobe ^a	Japan	5,272	4.31
Helmut Schaffer	Erika Wagenhöfer	Germany	5,248	4.29
Marc-Antoine Autheman	Olivier Bourges	France	5,037	4.12
Gus O'Donnell	David Stanton	United Kingdom	5,037	4.12
Li Yong	Zhao Xiaoyu	China	3,315	2.71

ELECTED BY THE VOTES OF OTHER SHAREHOLDERS:

Joaquim R. Carvalho (Mozambique)	Godfrey Gaoseb (Namibia)	Angola, Botswana, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	7,453	6.09
Pieter Stek (Netherlands)	Mioara Ionescu (Romania)	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Netherlands, Romania, Ukraine	7,159	5.85
Luc Hubloue (Belgium)	Namik Dagalp (Turkey)	Belarus, Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey	5,976	4.88
Leonard Good (Canada)	Winston Cox (Barbados)	The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Lucia, St. Vincent and the Grenadines	5,964	4.87
Enzo Del Bufalo (Venezuela)	Inigo Fernandez de Mesa (Spain)	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Spain, Venezuela	4,533	3.70
Franco Passacantando (Italy)	Helena Cordeiro (Portugal)	Albania, Greece, Italy, Malta, Portugal	4,500	3.68
Khalid M. Al-Saad (Kuwait)	Mohamed W. Hosny (Arab Republic of Egypt)	Bahrain, Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Oman, United Arab Emirates, Yemen (Republic of)	4,468	3.65
Ruth Jacoby ^b (Sweden)	Jorgen Varder (Denmark)	Denmark, Estonia, Finland, Lithuania, Norway, Sweden	4,299	3.51
Ali Bourhane (Comoros)	Luc-Abdi Aden (Djibouti)	Benin, Burkina Faso, Cameroon, Cape Verde, Congo (Democratic Republic of), Congo (Republic of), Côte d'Ivoire, Equatorial Guinea, Guinea, Madagascar, Mali, Mauritania, Mauritius, Senegal, Togo	4,207	3.44
Surendra Singh (India)	Syed Ahmed (Bangladesh)	Bangladesh, India, Sri Lanka	4,190	3.42

MULTILATERAL INVESTMENT GUARANTEE AGENCY
Directors and Alternates: Voting Power

June 30, 1997

Director	Alternate	Casting votes of	Total Votes	% of Total
Jean-Daniel Gerber (Switzerland)	Jan Sulmicki (Poland)	Azerbaijan, Kyrgyz Republic, Poland, Switzerland, Turkmenistan, Uzbekistan	3,759	3.07
Juanita D. Amatong (Philippines)	Murilo Portugal (Brazil)	Brazil, Colombia, Ecuador, Philippines, Trinidad and Tobago	3,670	3.00
Juan Cariaga (Bolivia)	Julio Nogues (Argentina)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay	3,581	2.93
Khalid H. Alyahya (Saudi Arabia)	Ibrahim M. Al-Mofleh (Saudi Arabia)	Saudi Arabia	3,314	2.71
Andrei Bugrov (Russian Federation)	Eugene Miagkov (Russian Federation)	Russian Federation	3,314	2.71
Kacim Brachemi (Algeria)	Abdul Karim Lodhi (Pakistan)	Algeria, Ghana, Morocco, Pakistan, Tunisia	2,943	2.40
Jannes Hutagalung (Indonesia)	Sun Vithespongse (Thailand)	Fiji, Indonesia, Malaysia, Nepal, Vietnam	2,873	2.35
Young-Hoi Lee (Republic of Korea)	Christopher Y. Legg (Australia)	Korea (Republic of), Micronesia (Federated States of), Papua New Guinea, Vanuatu, Western Samoa	1,580	1.29

In addition to the Directors and Alternates shown in the foregoing list, the following also served after October 31, 1996.

Director	End of period of service	Alternate	End of period of service
Huw Evans (United Kingdom)	March 14, 1997	Jorge Cock-Londono (Colombia)	February 28, 1997
Peter W.E. Nicholl (New Zealand)	May 31, 1997	Sergiy Kulyk (Ukraine)	May 31, 1997
		Mustafiqur Rahman (Bangladesh)	December 17, 1996
		Zhu Guangyao (China)	December 31, 1996

Note: Dominican Republic (324 votes), Haiti (252 votes), Panama (308 votes) and Qatar (314 votes) became members after the 1996 Regular Election of Directors.

a. To be succeeded by Kiwamu Inoue (Japan) effective July 1, 1997.

b. To be succeeded by Ilkka Niemi (Finland) effective August 5, 1997.

MULTILATERAL INVESTMENT GUARANTEE AGENCY
Signatories to MIGA's Convention

June 30, 1997

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

* Member country.

** Country that has ratified the Convention but not yet completed membership requirements.

MULTILATERAL INVESTMENT GUARANTEE AGENCY
Fiscal 1998 Budget

(thousands of U.S. dollars)

Income:

Net premium and commitment fee earned	\$ 30,100
Investment income	10,700
Miscellaneous income	150
Total income	<u>40,950</u>

Expenditure by organizational unit:

Office of Central Administration	3,772
Guarantees	5,409
Investment Marketing Services	2,729
Legal and claims	1,607
Total expenditures	<u>13,517</u>

Net income before provisioning \$ 27,433

Expenditure by category:

Discretionary costs:

Staff costs	\$ 4,863
Operational travel	862
Representation	66
Consultant fees	1,045
Contractual services	710
IFC services	230
Marketing and publications	207
Direct communications	129
Internal computing	16
Furniture and equipment	399
Miscellaneous	96
Subtotal	<u>8,623</u>

Other direct costs:

Staff benefits	\$ 2,618
Office occupancy	908
IBRD service and support fee	742
Overhead	126
Subtotal	<u>4,394</u>

General contingency 500

Total budget \$ 13,517

Note: The Fiscal 1998 Budget was approved by the Directors in accordance with MIGA's bylaws.

HOW TO CONTACT MIGA

Telephone/Facsimile:

Guarantees Department	(202) 473-6167 (202) 522-2630 (fax)
Investment Marketing Services Department	(202) 473-0394 (202) 522-2650 (fax)

Address:

For Mailing

MIGA
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

For Visits

MIGA
1800 G Street, N.W., Suite 1200
Washington, D.C. 20433
U.S.A.

For information via the Internet:

MIGA Home Page:	http://www.miga.org
IPAnet Home Page:	http://www.ipanet.net
World Bank Home Page:	http://www.worldbank.org

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Mr. Wolfensohn's Participation
in
MIGA All-Staff Retreat

November 6, 1997

1. The MIGA All-Staff Retreat is held annually. This year (as last), it is taking place at the Renaissance Harborplace Hotel in Baltimore. The Retreat starts Thursday morning, November 6, and concludes Friday afternoon, November 7. The Draft schedule of the Retreat is attached.
2. A feature of MIGA's annual Retreats is a dinner on the evening of the first day.
3. This year, the dinner is being held in the Baltimore and Ohio Railroad Museum in Baltimore, which is located a short distance from the hotel (staff will be transported in two buses).
4. The railroad museum is a unique setting. Dinner tables will be set out on the circular floor in the center of a round building housing many antique locomotives and railroad cars.
5. Staff will arrive at 6:15 for cocktails in the museum. They will be able to walk around the locomotives and cars on exhibit. To allow time for socializing and viewing the museum, the cocktail period will run from 6:15 to 7:15.
6. Mr. Wolfensohn will be expected around 6:45 - 6:50 pm to join the cocktail party and to have a brief chance to look at some of the museum exhibits before dinner. Photos with staff may be taken, if Mr. Wolfensohn agrees.
7. At 7:10, lights will dim in the surrounding exhibit area, and staff will be seated at the tables in the lighted center of the museum. Dinner service will begin at 7:15 pm.
8. By 8:15 (approximately - at the latest), coffee should be being served.
9. As coffee is served, Mr. Iida will welcome Mr. Wolfensohn and will present MIGA clocks to three staff members who have completed 5 years of service to MIGA. He will then give the floor to Mr. Wolfensohn. [5 to 10 minutes, to approximately 8:25 pm]
10. Mr. Wolfensohn is invited to start by presenting a clock for 5 years of MIGA service to Mr. Iida.
11. Mr. Wolfensohn may then speak for 15 to 20 minutes. Some Talking Points are provided. He may then take questions for 10 to 15 minutes. [25 to 35 minutes, to approximately 9:00 pm latest]
12. The dinner will end at 9:00 pm. Buses for MIGA staff will leave at about that time.

Administrative Matters

13. Driving directions to the Baltimore and Ohio Railroad Museum are attached.
14. At the dinner, there will be a head table, with reserved seating for Mr. Wolfensohn and Ms. Anstey.
15. A microphone with a long cord will be available, to allow Mr. Wolfensohn to walk around while speaking. As an alternative, an elevated platform of an old railroad passenger car can be used, but this is rather formal and it is about 15 feet from the dining area.
16. All MIGA staff will be given a B & O Railroad Museum hat, and hats will be available for Mr. Wolfensohn and Ms. Anstey as well on their arrival.
17. A photographer will be present.
18. The dinner will have an informal atmosphere, and staff are invited to wear "office informal" dress; i. e., as on a "dress-down Friday" in the office. Women are being advised to wear flat shoes, because of the rails in the floor of the museum.
19. A brochure on the B & O Museum is attached.
20. Dinner Menu:
 - Wild Mushroom Soup
 - Chicken with Spinich and Cheese
 - Apple Tart
 - Coffee
 - Red and White wines

November 6 and 7, 1997

Thursday, November 6

8:30 am Bus leaves MIGA offices

10:00 Bus arrives at Renaissance Harborplace Hotel, Baltimore
Coffee service - Baltimore Ballroom Foyer

10:30 Plenary - Baltimore Ballroom (Facilitator: Dan Conway)

10:30 - 10:35 Introduction to Retreat: Dan Conway

10:35 - 11:05 Welcome and Update on MIGA Capital Increase: Mr. Iida

11:05 - 11:20 Questions/Discussion

11:20 - 11:40 MIGGU Report: Christophe Bellinger - Reinsurance, Selection Criteria, Development Effectiveness, Environmental Policy

11:40 - 11:55 MIGIM Report: Karin Millett - New IPAnet Developments, Afri-IPA Support Program

11:55 - 12:10 Questions/Discussion

12:10 - 12:20 Report on MIGGU/MIGLC Retreat: Alev Bilgen, Stine Andresen

12:20 - 12:25 Report on Diversity Issues: Patricia Veevers-Carter

12:25 - 12:45 Questions/Discussion

12:45 pm Lunch – Baltimore Ballroom Foyer

1:45 Plenary (Facilitator: Dan Conway)

1:45 - 2:20 Presentation: Role of Information and Insurance in Investment
Promotion: Gerry West and Phil Karp

2:20 - 2:35 Questions/Discussion

2:35 - 2:45 Outline of Working Group Tasks: Gerry West

2:45 - 3:30 **Coffee Service and Check into Rooms**

3:30 Start of Working Groups

3:30 - 3:40 Group Orientation by Managers

5:15 End of Working Group Sessions

6:00 Buses Leave for Baltimore and Ohio Railroad Museum

6:15 - 7:15 Cocktails/Visit Museum Exhibits

6:45 Mr. Wolfensohn expected

7:15 Dinner

9:00 Bus Leaves for Hotel

9:10 Bus Arrives at Hotel

9:00 Bus Leaves for Fells Point

9:20 Bus Arrives Fells Point

11:30 Bus Leaves Fells Point

11:45 Bus Arrives at Hotel

Friday, November 7

- 7:30 am **Breakfast** – Baltimore Ballroom Foyer
Check out of rooms (video checkout available in room)
- 8:30 **Meet in Working Groups**
- 10:30 **Coffee Service, Move to Plenary**
Deadline for checkout of rooms
- 11:00 **Plenary (Facilitator: Angus Scrimgeour)**
11:00 - 12:45 **Presentation of Working Group Results (15 minutes per Group)**
- 12:45 pm **End of Plenary**
- 12:45 **Lunch** – Baltimore Ballroom Foyer
- 1:45 **Plenary (Facilitators: Karin Millett and Gerry West)**
1:45 - 2:30 **Questions/Discussion on Working Group Results**
 Wrap-Up
- 2:30 - 2:45 **Closing Remarks: Mr. Iida**
- 2:45 **End of Retreat**
 Collect Luggage
- 3:00 **Bus Leaves Hotel**
- 4:45 **Bus arrives MIGA Office**



Record Removal Notice

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Driving Instructions

Washington, DC
to
Baltimore and Ohio Railroad Museum
Baltimore, Maryland

1. I-95 to Baltimore
2. Exit on I-395 for "Downtown"
3. Exit on Martin Luther King Blvd.

get in left lane

4. Left onto Lombard Street
5. 3 blocks to traffic light

Left onto Poppleton St.

Museum is one block, directly ahead

6. Enter museum through gate

Door to museum is at the far corner of the building on the right