

MESSAGE FROM THE PRESIDENT OF THE WORLD BANK AND CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS

This Annual Report covers a year that saw a revitalized global commitment to fighting poverty.

The 2005 “Year of Development” was an opportunity for stocktaking five years after 189 UN Member States agreed to a set of specific targets for reducing poverty, hunger, disease, gender inequality, illiteracy, and environmental degradation—the Millennium Development Goals.

The G-8 Summit in Gleneagles, UK, in July 2005 saw significant commitments by donors to double aid and cancel the debts of the poorest countries to multilateral organizations in order to accelerate progress toward these goals. G-8 leaders called on the World Bank, specifically, to help ensure results in Africa on poverty reduction and to create a new framework for mobilizing investment in clean energy and development.

At the Annual Meetings last September, this G-8 initiative became what Development Committee Chairman Trevor Manuel called “a G-184 initiative.” In March of 2006, the Bank’s Governors agreed to a financing package for the Multilateral Debt Relief Initiative (MDRI), cancelling \$37 billion in IDA debt of some of the world’s poorest countries over 40 years. This is in addition to some \$17 billion of debt relief already committed by IDA under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

In September, an Africa Action Plan was presented to the Board of Directors of the World Bank, setting specific targets on everything from closing the infrastructure gap and rolling back malaria to cutting through regulations that stifle business. Africa continues to present a serious development challenge. Despite global growth and declining poverty rates, between 1981 and 2002, the number of people living in

extreme poverty in Sub-Saharan Africa nearly doubled from 164 million to 303 million—almost half the total population. By 2015, the number of poor is projected to rise still further to 336 million.

But there is reason for optimism. Since 1995, 15 non-oil producing African countries—representing 35 percent of Africa’s population—had growth rates of 4 percent or better, with the median growth rate of 15 countries reaching 5.3 percent. Enrollment rates in primary education shot up from 73 percent in 1990 to 93 percent in 2004. Improvements in governance—public financial management, administrative, and transparency reforms in a number of countries—also promise to bring hope and opportunity to the people of Africa.

We now know that aid will not deliver sustainable results in the absence of strong governance. Good governance is essentially the combination of transparent and accountable institutions, strong skills and competence, and a fundamental willingness to do the right thing—the things that enable a government to deliver services to its people efficiently. Over the last year, the Bank stepped up governance and anticorruption efforts along three different fronts: at the country level; minimizing the risk of corruption in World Bank-funded projects; and expanding global partnerships with groups that have a stake in improving governance—including the private sector.

Good governance is also critical for the investment that creates jobs and thus opportunities for poor people to escape poverty. Here too, important progress is being made. According to the World Bank Group’s 2006 *Doing Business* report, 10 African countries introduced reforms to make it easier to do business in 2004. More importantly, the *Doing Business* index itself has become a catalyst for reform in



more than 20 countries, contributing to policy debates and legislative reform.

During fiscal 2006, total IBRD lending reached \$14.1 billion. We provided \$9.5 billion in IDA credit and grants, of which half—or \$4.8 billion—went to Africa. IDA currently represents 13 percent of all external aid to Africa. IFC marked its 50th anniversary with a record year of commitments totaling \$6.7 billion. And guarantees provided by MIGA increased to \$1.3 billion, of which \$180 million went to projects in Africa.

While Sub-Saharan Africa is the most important priority for the World Bank—it is not the only priority. Middle-income countries are home to 25 percent of the world's poor people: more people live in extreme poverty in Brazil, China, and India combined than in all of Sub-Saharan Africa. And, looking ahead, the Bank will continue to play a large role in the provision of global public goods, whether addressing the challenge of avian flu and other diseases or helping developing countries expand access to clean energy.

As the fiscal year came to a close, I announced structural changes designed to make the organization more effective: the former Environmentally and Socially Sustainable Development and Infrastructure networks have become a single network called "Sustainable Development"; and the Financial Sector and Private Sector Development networks have been consolidated.

The integration of environmental and infrastructure projects represents an important outcome of lessons learned over the last decade. During the 1990s the World Bank significantly reduced infrastructure investments. But with 1.6 billion people in the world without access to even basic

energy services, we needed to reverse that trend, and we are. In doing so, the World Bank will take the lead in developing responsible and sustainable infrastructure—infrastructure that promotes human development.

Over the last year, I have had the privilege of visiting five continents and talking with policy makers, entrepreneurs, civil society leaders, farmers, and schoolchildren in almost 30 countries. These exchanges have convinced me that while we face a daunting challenge to eradicate poverty, we also face an unprecedented opportunity to make a difference. Over the last 25 years, the number of people worldwide living on less than a dollar a day fell by half a billion. If current trends continue, by the year 2015, another 400 million people, it is estimated, will escape poverty. Those numbers demonstrate that reducing poverty is not just a hope. It can become a reality with partnership, vision, good leadership, and investment from inside and outside developing countries.

Paul Wolfowitz

THE BOARD OF EXECUTIVE DIRECTORS

The Executive Directors are responsible for the conduct of the World Bank's general operations, performing duties under powers delegated by the Board of Governors. As provided in the Articles of Agreement, 5 of the 24 Executive Directors are appointed by the member countries having the largest number of shares; the rest are elected by the other member countries, which form constituencies in an election process conducted every two years.

Executive Directors consider and decide on IBRD loan and guarantee proposals and IDA credit, grant, and guarantee proposals made by the President. Directors exercise an important role in shaping Bank policy and its evolution. In this capacity, they represent the evolving perspectives of member countries on the World Bank Group and its operations. The Executive Directors are responsible for presenting to the Board of Governors, at the Annual Meetings, audited accounts, an administrative budget, and an annual report (this report) on the Bank's operations and policies as well as other matters that, in their judgment, require submission to the Board of Governors.

The Board of Executive Directors (the Board) meets regularly at Bank headquarters in Washington, DC. Directors serve on one or more standing committees: Audit, Budget, Development Effectiveness, Governance and Administrative Matters, and Personnel. With the committees' help, the Board discharges its oversight responsibilities through in-depth examinations of policies and practices. Committees are not empowered to make decisions for the entire Board. The Independent Evaluation Group, formerly the Operations Evaluation Department, provides independent assessments to the Board on the relevance, sustainability, efficiency, and effectiveness of operations. The group is directly accountable to the Board.

(See www.worldbank.org/boards and www.worldbank.org/ieg for more information.)

In fiscal 2006, the Board approved measures to improve its effectiveness and ensure earlier Board input into the Bank's decision making. Key measures include the introduction of a quarterly strategic review of the Board's work program, a scheduling process, and a tool to track policy issues. Steps to improve Board efficiency include changes to and clarification of procedures and guidelines for conducting meetings and for preparing and submitting documents for consideration. These measures are at different stages of implementation. The result has been an increased focus on outcomes and greater selectivity in issues discussed by Board committees. Additional steps being taken include developing a handbook on Board rules and procedures, defining a sanctions framework for violations of rules and procedures, and establishing a time frame for reviewing the implementation status of recommendations.

The Board works closely with the International Monetary Fund (IMF) through the Bank-Fund Development Committee. Directors play an active role in preparing agendas and issues papers for the Development Committee's semiannual meetings. Following the 2006 Spring Meetings, the Development Committee highlighted the need to promote good governance (including fighting corruption) and mutual accountability.

In fiscal 2006, the Board considered papers and reports on aid effectiveness, progress on the Doha Development Round of trade talks, the Bank's Africa Action Plan, implementation issues surrounding debt relief and implications for IDA, and implementation issues surrounding the status of the Heavily Indebted Poor Countries (HIPC) Initiative. The Board also noted the creation of the External Review Committee, which is tasked with reviewing Bank-Fund collaboration.



From left to right: (standing) Gino Alzetta, Zou Jiayi, Marcel Massé, Paulo F. Gomes, Jakub Karnowski, Jaime Quijandria, Mulu Ketsela, Dhanendra Kumar, Yoshio Okubo, Sid Ahmed Dib, Pierre Duquesne, Joong-Kyung Choi, Jennifer Dorn, Herwidayatmo, Mahdy Ismail Aljazzaf, Abdulrahman M. Almofadhi, Biagio Bossone; (seated) Otaviano Canuto, Thorsteinn Ingolfsson, Eckhard Deutscher, Alexey G. Kvasov, Jan Willem van der Kaaij, Tom Scholar. Not pictured: Luis Marti.

To assess project implementation firsthand, Directors traveled to Grenada, Guatemala, and Peru (November 2005); the Central African Republic, Gabon, and The Gambia (March 2006); and the Russian Federation (May 2006). They met with a wide range of stakeholders, including project managers, beneficiaries, government officials, representatives of civil society organizations and the private sector, other development partners, financial institutions, and resident mission Bank staff members.

STRATEGIC ISSUES

The major areas of Board emphasis during fiscal 2006 are highlighted below.

Strategic Framework

The Board's work continued to follow closely the twin pillars of the Bank's strategic framework: supporting the creation of a favorable investment climate and empowering poor people. The range of interventions include support for sound governance, sustainable development, inclusive delivery of social services, improved infrastructure, private sector development, and job creation. The Executive Directors reaffirmed the need for selectivity in the Bank's work and called for greater collaboration with development partners. The Executive Directors endorsed the Africa Action Plan and its 25 specific initiatives to be undertaken by the Bank's Africa region during the implementation period for the 14th Replenishment of IDA. Other issues discussed by the Board focused on progress in harmonizing operational policies, procedures, and practices among donors; progress in implementing the Paris Declaration, which outlines enhanced aid effectiveness through mechanisms aimed at a stronger focus on results; meeting the needs of low-income countries, including HIPC

and fragile states; and strengthening partnerships with middle-income countries.

Poverty Reduction

The Board continued to monitor implementation of the Bank's poverty reduction mandate and its contributions toward attaining the Millennium Development Goals. The Board reviewed 10 Poverty Reduction Strategy (PRS) Papers and 20 PRS Progress Reports in fiscal 2006, and it identified areas for further refinement. The Board also discussed several other papers designed to strengthen the Bank's role in poverty reduction, including the efficacy of PRSs and the effectiveness of poverty reduction strategy credits, a Bank lending instrument that supports poverty reduction objectives.

Debt Relief

In March 2006, the Board approved the Multilateral Debt Relief Initiative (MDRI), which provides debt relief to countries that reach their completion points under the HIPC Initiative. The MDRI went into effect on July 1, 2006. The Board also discussed several joint Bank-Fund papers in support of debt relief, including one on the status of the implementation of the HIPC Initiative and another addressing IDA's implementation of the MDRI, including the so-called free-rider problem. In fiscal 2006, the Board also reviewed one HIPC completion point document. (See www.worldbank.org/debt and chapter 1.)

Country Programs

Country assistance strategies (CASs), country partnership strategies, and the Bank's policies with respect to low-income countries under stress, postconflict countries, and middle-income countries continued to guide the Bank Group's work. During the year, the Board reviewed 31 CASs

and other CAS products. Executive Directors commended the greater emphasis on poverty reduction as the overarching goal of the results agenda detailed in these strategy documents. To this end, Executive Directors welcomed the mainstreaming of the CAS completion report reviews, which for the first time provided systematic evaluation of CAS results. The Board supported the Bank's efforts to move toward assistance strategies developed by IBRD, IDA, IFC, and MIGA. It also supported increased partnerships with other development partners.

OVERSIGHT AND FIDUCIARY RESPONSIBILITY

The Board exercises oversight and fiduciary responsibilities, in part through its Audit Committee. The Audit Committee has a mandate to assist the Board in overseeing and making decisions regarding the World Bank Group's financial condition, its risk management and assessment processes, the adequacy of its governance and controls, and its reporting and accounting policies and procedures.

ADMINISTRATIVE BUDGET

The total administrative budget for fiscal 2006, reviewed by the Budget Committee and approved by the Executive Directors, was \$2,102.8 million, net of reimbursements, including \$171.9 million for the Development Grant Facility. The net administrative budget of \$1,543.3 million represented a zero percent real increase over the fiscal 2005 budget (a 3 percent nominal increase). In June 2006, the Executive Directors approved a total administrative budget, net of reimbursements, of \$2,118.6 million for fiscal 2007.

INSPECTION PANEL

The Inspection Panel received 4 requests for inspection involving Bank projects in Honduras (Land Management Project), Nigeria (West African Gas Pipeline Project), Romania (Mine Closure and Social Protection), and the Democratic Republic of Congo (Transitional Support for Economic Recovery Credit and Emergency Economic and Social Reunification Support Project). Since the panel's establishment, 40 requests for inspection have been received: 13 from Africa, 12 from Latin America, 10 from South Asia, 4 from East Asia and Pacific, and 1 from Eastern Europe. Of the 40 requests, 35 were registered and the panel has recommended investigations in 20 cases, 6 under the rules that applied before the April 1999 clarifications to the resolution that established the panel, and 14 since those clarifications were adopted. As of June 2006, the panel was conducting 2 investigations.

The Inspection Panel provides a vehicle for private citizens, especially poor people, to bring claims to the World Bank's Board of Executive Directors, who then decide, on the recommendation of the panel, whether an investigation will take place. The process for addressing claims has empowered and given voice to people who may have been affected adversely by Bank-financed projects.

Requests for inspection, management responses, panel recommendations, panel investigation reports, and management recommendations for projects reviewed this fiscal year can be found at www.worldbank.org/inspectionpanel.

EXECUTIVE DIRECTORS, ALTERNATES, AND COMMITTEE MEMBERSHIP | JUNE 30, 2006

EXECUTIVE DIRECTOR	ALTERNATE	CASTING VOTES OF
APPOINTED		
(vacant)	Jennifer Dorn	United States
(vacant)	Toshio Oya	Japan
Eckhard Deutscher ^{e (C)}	Walter Hermann ^h	Germany
Tom Scholar ^{b (VC)}	Caroline Sergeant	United Kingdom
Pierre Duquesne ^{a (C)}	Alexis Kohler	France
ELECTED		
Gino Alzetta ^{a, d (VC)} (Belgium)	Melih Nemli (Turkey)	Austria, Belarus,* Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey
Luis Marti ^{a, d} (Spain)	Jorge Familiar ^h (Mexico)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Venezuela (República Bolivariana de)*
Jan Willem van der Kaaij ^{c, e} (Netherlands)	Anca Ciobanu ^h (Romania)	Armenia, Bosnia and Herzegovina, Bulgaria,* Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Netherlands, Romania,* Ukraine
Marcel Massé ^{d, e} (Canada)	Gobind Ganga ^h (Guyana)	Antigua and Barbuda,* The Bahamas,* Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica,* St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines
Otaviano Canuto ^{b (C), i} (Brazil)	Jeremias N. Paul, Jr. (Philippines)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname,* Trinidad and Tobago
Biagio Bossone ^{a, b} (Italy)	Nuno Mota Pinto (Portugal)	Albania, Greece, Italy, Malta,* Portugal, San Marino,* Timor-Leste
Joong-Kyung Choi ^{b, e} (Republic of Korea)	Terry O'Brien ^{h (C)} (Australia)	Australia, Cambodia, Kiribati, Korea (Republic of), Marshall Islands, Micronesia (Federated States of), Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Vanuatu
Mathias Sinamenye ^{c, d} (Burundi)	Mulu Ketsela (Ethiopia)	Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia,* Nigeria, Seychelles,* Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe
Dhanendra Kumar ^{c, d} (India)	Zakir Ahmed Khan ^h (Bangladesh)	Bangladesh, Bhutan, India, Sri Lanka
Thorsteinn Ingolfsson ^{b, e} (Iceland)	Svein Aass ^h (Norway)	Denmark, Estonia,* Finland, Iceland, Latvia, Lithuania,* Norway, Sweden
Sid Ahmed Dib ^{c (VC), e} (Algeria)	Shuja Shah (Pakistan)	Afghanistan, Algeria, Ghana, Iran (Islamic Republic of), Iraq, Morocco, Pakistan, Tunisia
Pietro Veglio ^{c (C), d} (Switzerland)	Jakub Karnowski (Poland)	Azerbaijan, Kyrgyz Republic, Poland, Serbia and Montenegro, Switzerland, Tajikistan, Turkmenistan,* Uzbekistan
Mahdy Ismail Aljazzaf (Kuwait)	Mohamed Kamel Amr (Arab Republic of Egypt)	Bahrain,* Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar,* Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)
Zou Jiayi ^{a, b} (China)	Yang Jinlin ^h (China)	China
Abdulrahman M. Almofadhi ^b (Saudi Arabia)	Abdulhamid Alkhalifa (Saudi Arabia)	Saudi Arabia
Alexey G. Kvasov ^{d (C)} (Russian Federation)	Eugene Miagkov ^h (Russian Federation)	Russian Federation
Herwidayatmo ^{a, e} (Indonesia)	Nursiah Arshad ^h (Malaysia)	Brunei Darussalam,* Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, Vietnam
Jaime Quijandria ^{c, d} (Peru)	Alieto Guadagni (Argentina)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay*
Paulo F. Gomes ^{b, e (VC), f} (Guinea-Bissau)	Louis Philippe Ong Seng ^h (Mauritius)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (Democratic Republic of), Congo (Republic of), Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Príncipe, Senegal, Togo

*Member of IBRD only.

Committees

- a. Audit Committee
- b. Budget Committee
- c. Committee on Development Effectiveness (CODE)
- d. Personnel Committee
- e. Committee on Governance and Executive Directors' Administrative Matters

- f. Pension Benefits and Administration Committee
- g. Pension Finance
- h. Code Subcommittee (formed 1/12/05)
- i. Ethics Committee

- C = Chairman
- VC = Vice Chairman

THE WORLD BANK GROUP

The World Bank Group comprises five closely associated institutions that collaborate to support development projects worldwide. Examples of Bank Group cooperation include joint country assistance strategies; investment promotion initiatives; the Foreign Investment Advisory Service; guarantee programs for major infrastructure projects; joint programs for developing micro, small, and medium enterprises; and awareness and prevention of HIV/AIDS (human immunodeficiency virus/acquired immune deficiency syndrome).



THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Established 1944 | 184 Members
 Cumulative lending: \$420.2 billion*
 Fiscal 2006 lending: \$14.1 billion
 for 112 new operations in 33 countries

*Includes guarantees from fiscal 2005.

IBRD, the oldest of the World Bank Group institutions, aims to reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development through loans, guarantees, risk management products, and (nonlending) analytic and advisory services. The income that IBRD has generated over

the years has allowed it to fund developmental activities and ensure its financial strength, enabling it to borrow in capital markets at low cost and offer clients good borrowing terms. IBRD's 24-member Board is made up of 5 appointed and 19 elected Executive Directors who represent the institution's 184 member countries.

IBRD KEY FINANCIAL INDICATORS | FISCAL 2002–2006

MILLIONS OF DOLLARS

	2002	2003	2004	2005	2006
Operating Income ^a	1,924	3,021	1,696	1,320	1,740
Loans outstanding	121,589	116,240	109,610	104,401	103,004
Total assets	227,454	230,062	228,910	222,008	212,326
Total equity	32,313	37,918	35,463	38,588	36,474

a. Reported in IBRD's financial statements as net income before Board of Governors-approved transfers and net unrealized (losses) gains on nontrading derivative instruments, as required by Statement of Financial Accounting Standard No. 133.



THE INTERNATIONAL DEVELOPMENT ASSOCIATION

Established 1960 | 165 Members
 Cumulative commitments: \$170 billion*
 Fiscal 2006 commitments: \$9.5 billion for
 167 new operations in 59 countries

*Includes guarantees from fiscal 2005.

IDA provides highly concessional financing to the world's 81 poorest countries. IDA's interest-free credits and grants, financed by contributions to IDA from donor countries and IBRD's net income transfers, are vital because these countries have little or no capacity to borrow on market terms. IDA's resources

help support country-led poverty reduction strategies in key policy areas, including raising productivity, providing accountable governance, building a healthy investment climate, and improving access to basic services, including education and health care. (See www.worldbank.org/ida.)

IDA KEY FINANCIAL INDICATORS | FISCAL 2002–2006

MILLIONS OF DOLLARS

	2002	2003	2004	2005	2006
Operating income (loss)	692	108	(1,684)	(986)	(2,043)
Development credits outstanding	96,372	106,877	115,743	120,907	127,028
Total sources of development resources	109,495	119,454	127,930	130,378	102,871



THE INTERNATIONAL FINANCE CORPORATION

Established 1956 | 178 Members
 Committed portfolio: \$21.6 billion
 (includes \$5.1 billion in syndicated loans)
 Fiscal 2006 commitments: \$6.7 billion
 in 284 projects in 66 countries

IFC is the private sector investment entity of the World Bank Group. It invests in sustainable private enterprises in developing and transition countries without accepting government guarantees, thereby helping to reduce poverty and improve people's lives. It provides equity, long-term loans, structured finance and risk management products, and technical assistance and advisory services to its clients. IFC seeks to reach businesses in

regions and countries that have limited access to capital. It provides financing in markets deemed too risky by commercial investors in the absence of IFC participation and adds value to the projects it finances through its corporate governance, environmental, and social expertise. IFC partners with IBRD, IDA, MIGA, and ICSID on private sector initiatives. Additional information can be found in IFC's annual report. (See www.ifc.org.)

IFC KEY FINANCIAL INDICATORS | FISCAL 2002–2006

MILLIONS OF DOLLARS (unless otherwise indicated)

	2002	2003	2004	2005	2006
Operating income ^a	161	528	982	1,953	1,409
Net income	215	487	993	2,015	1,278
Liquid assets, net of associated derivatives	14,532	12,952	13,055	13,325	12,730
Loan and equity investments, net	7,963	9,377	10,279	11,489	12,731
Borrowings withdrawn and outstanding	16,581	17,315	16,254	15,359	14,967
Total capital	6,304	6,789	7,782	9,798	11,076
Return on average assets (%)	0.6	1.8	3.1	5.4	3.6
Return on average net worth (%)	2.7	8.2	13.7	22.6	13.7
Cash and liquid investments as a percentage of next 3 years' estimated net cash requirements (%)	109	107	116	142	112
Debt-to-equity ratio	2.8:1	2.6:1	2.3:1	1.8:1	1.5:1
Capital adequacy ratio (%)	49	45	48	50	54
Total reserve against losses to total disbursed portfolio (%)	21.9	18.2	14.0	9.9	8.3

a. Effective 2005, income after expenditures for technical assistance and advisory services and for performance-based grants.

SME DEVELOPMENT IN AFRICA: IDA-IFC COOPERATION

Development of small and medium enterprises (SMEs) in Africa is one of the World Bank Group's strategic goals: it is seen as one of the best hopes for building economies and reducing poverty. But SMEs are often limited in their access to financial resources. To bridge this gap, IFC and IDA are partnering to improve access to financing by strengthening the local environment for financial markets, enhancing the ability of local financial institutions to lend profitably to SMEs, and developing

innovative vehicles to supply risk capital. Structured financial instruments, such as partial credit guarantees to help local banks refinance their lending to SMEs, are also used. The IDA-IFC program is being piloted in 10 African countries: Burkina Faso, Ghana, Kenya, Madagascar, Mali, Mozambique, Nigeria, Rwanda, Tanzania, and Uganda. Interventions include technical assistance, capacity building, output-based grants, and regulatory assistance.



THE MULTILATERAL INVESTMENT GUARANTEE AGENCY

Established 1988 | 167 Members
 Cumulative guarantees issued: \$16 billion*
 Fiscal 2006 guarantees issued: \$1.3 billion

*Amounts include funds leveraged through the Cooperative Underwriting Program.

MIGA provides noncommercial guarantees (insurance) for foreign direct investment in developing countries. It addresses concerns about investment environments and perceptions of risk, which often inhibit investment, by providing political risk insurance. MIGA's guarantees offer investors protection against noncommercial risks such as expropriation, currency inconvertibility, breach of contract, war, and civil

disturbance. MIGA also provides advisory services to help countries attract and retain foreign investment, mediates investment disputes to keep current investments intact and to remove possible obstacles to future investment, and disseminates information on investment opportunities to the international business community. Additional information can be found in MIGA's annual report. (See www.miga.org.)

MIGA KEY FINANCIAL INDICATORS | FISCAL 2002–2006

MILLIONS OF DOLLARS

	2002	2003	2004	2005	2006
Operating income	48	38	26	24	17
Operating capital ^a	702	766	811	830	863
Operating income/operating capital (%)	7	5	3	3	2
Net exposure	3,202	3,204	3,259	3,138	3,310
Operating capital/net exposure (%)	22	24	25	26	26
Five largest exposures ^b	1,006	912	923	834	827
Five largest exposures/net exposure (%)	31	29	28	27	25
Net exposure in IDA-eligible countries	1,113	1,255	1,139	1,341	1,435
Net exposure in IDA-eligible countries/net exposure (%)	35	39	35	43	43

a. Shareholders' equity plus insurance liability and prudential reserves.

b. Aggregate of five largest country net exposures.



THE INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES

Established 1966 | 143 Members
 Total cases registered: 210
 Fiscal 2006 cases registered: 26

ICSID, founded in 1966, was designed to facilitate the settlement of investment disputes between foreign investors and host states. It encourages foreign investment by providing neutral international facilities for conciliation and arbitration of investment disputes, thereby helping foster an atmosphere of mutual confidence between states and

foreign investors. Many international agreements concerning investment refer to ICSID's arbitration facilities. ICSID also conducts research and publishing activities in the areas of arbitration law and foreign investment law. Additional information can be found in ICSID's annual report. (See www.worldbank.org/icsid.)

WORLD BANK GROUP AT WORK

An investment project in which the Bank, IFC, and MIGA all played a role during the past year was the Kupol Mining Project in the Russian Federation. The Bank's 2002–06 country assistance strategy for Russia laid the foundation for understanding the need for economic development and growth in this remote region of northeastern Russia. IFC provided a \$35 million loan to the Bema Gold Corporation to open and operate a gold mine that

could generate up to 750 jobs. MIGA issued \$305 million in guarantees to cover equity investments, which, according to project lenders, made their financing possible. In line with the Bank's policy on extractive industries, this involvement will bring expertise and guidance to help ensure that the mine's social and environmental performance meets international standards.