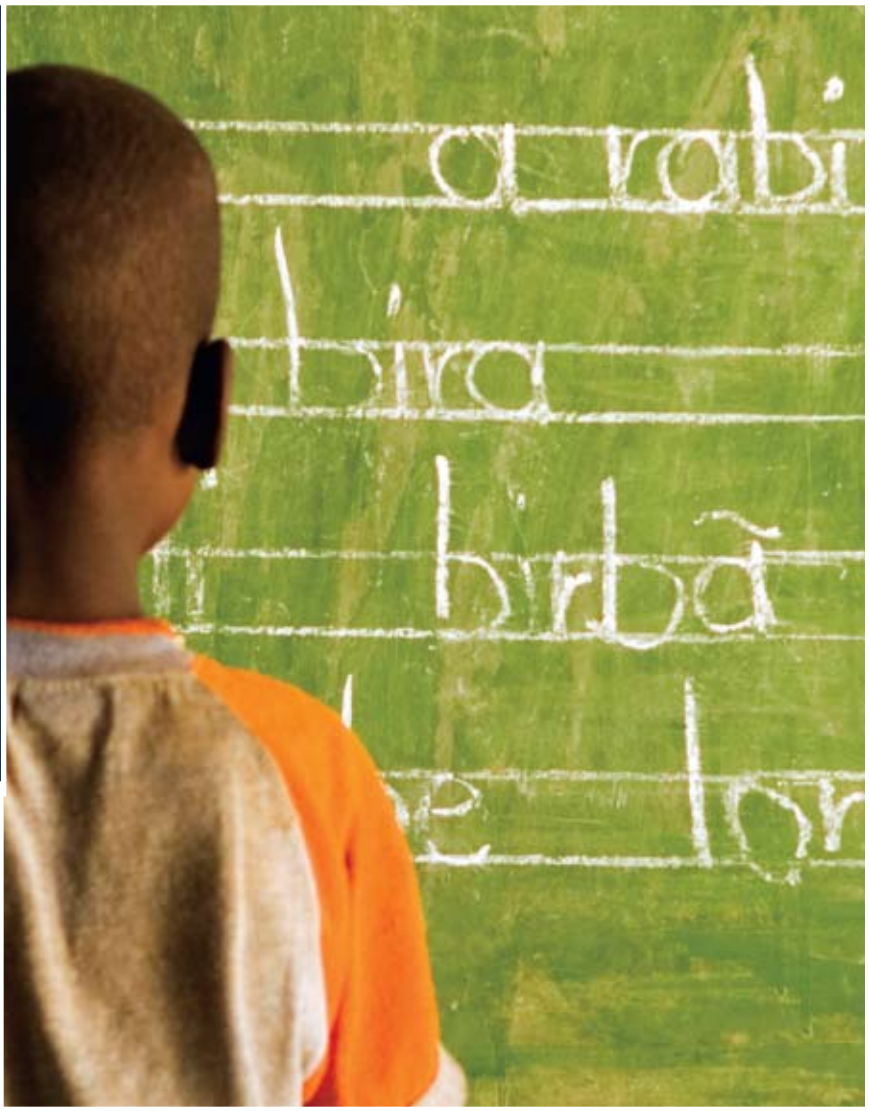
OPERATIONAL OVERVIEW

Guarantees

Technical Assistance

Online Investment Information and Knowledge Services



Guarantees

MIGA saw a slight upswing in the level of guarantees issued in fiscal year 2007, with coverage reaching $1.4 billion and the overall outstanding portfolio remaining strong at $5.3 billion. The increase in coverage represents the third consecutive year of growth in the amount of guarantees issued by the agency. The coverage reflected MIGA's focus on supporting projects in countries that carry a higher perception of risk—including in Africa, frontier markets, and IDA-eligible countries—facilitating complex infrastructure transactions, and working with investors and client countries to help them resolve disputes and keep investments on track.

FDI flows to developing countries keep pace with growth

At the same time, a robust global economy drove record levels of foreign direct investment into developing countries, with net flows reaching $324.7 billion in 2006. Investment in 2006 was characterized by high levels of liquidity and improved investor confidence, as well as a boom in FDI coming from a growing number of developing and transition economies. In fact, many low-income countries now rely mainly on other developing countries for inward FDI.

But even in markets flush with liquidity, the poorest countries continue to lose out due to market perceptions of higher risk. As a result, FDI performance varied greatly among regions and countries in 2006, with Eastern Europe and Central Asia accounting for virtually all gains. Net FDI flows to Africa also rose, by $2 billion, although more than two-thirds of the flows were directed towards natural resources in a handful of countries. Most other regions saw a small fall-off in FDI flows. The FDI picture also varied significantly across sectors.

Political risk insurance market slows down

Along with this growth in foreign investment came an overall increase in investment coverage against political (or noncommercial) risks, but at a slower rate and at lower premiums than in previous years. This "softening" of the highly cyclical political risk insurance (PRI) market was due to a number of factors, including an increase in the supply of PRI, competing products, a decreased perception of risk among investors and rating agencies, as well as a growing propensity to "self-insure."

Current market consensus is that, barring a major downturn in global economic growth or a geopolitical catastrophe, the supply of insurance capacity and alternative products will continue to be abundant, even if demand continues to increase. Consequently, premium rates are expected to remain under pressure.

In this environment, MIGA's strategy is to continue to focus on its market strengths.

MIGA plays to strengths

MIGA aims to achieve its mandate of promoting developmentally sustainable FDI into developing economies by mitigating the non-commercial investment risks faced by foreign investors from all of its member countries. In the face of the softening PRI market, MIGA has been able to maintain its relevance for a number of reasons, including its ability to encourage investment in underserved emerging markets by taking on the risk that others shy away from (see Figure 3); to deter harmful actions that might negatively affect a project; to go the extra mile to keep an investment going (often cited by investors); to provide coverage for longer periods than the private market; to pull together financing for complex

A robust global economy drove record levels of foreign direct investment into developing countries in 2006, but the poorest countries continue to lose out due to market perceptions of higher risk.

BOX 3

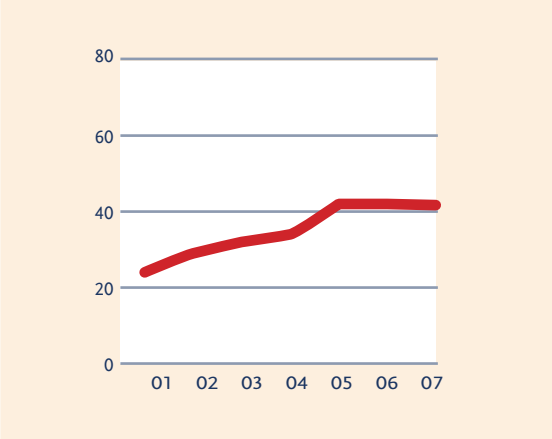
MIGA's Niche: Encouraging FDI into the poorest countries

The development needs today are stark. Almost a quarter of the world's population—1.5 billion people—lives on less than $2 a day. Billions of people live without access to safe drinking water or sewage treatment. Children cannot attend school because there is no electricity to light classrooms in some countries, and no roads to get to school in others. The list goes on. Developing country governments cannot shoulder the burden—financially or technically—of addressing these needs alone. Private sector investment is critical in these countries where the need for infrastructure, jobs, and reliable services is vast and unmet.

According to the 2007 *Global Development Finance* report, the poorest 51 countries received just 8 percent of total private capital flows. MIGA specializes in facilitating investments in the world's overlooked, poorest markets, encouraging investors and lenders to enter markets where they would not ordinarily venture alone. In fiscal year 2007, for example, 14 out of the 29 projects supported by MIGA were in IDA-eligible countries.[1] Today, the agency's gross guarantee exposure in IDA countries stands at $2.2 billion—41 percent of the agency's outstanding portfolio.

MIGA has backed investments large and small and across economic sectors in these challenging environments. In Afghanistan, for example, MIGA is supporting an investment that will bring state-of-the-art telecommunications services into the country. The MIGA-backed project, totaling $85 million in equity and reinvested earnings, alone represents a third of total flows of foreign direct investment (FDI) into the country from March 2006- 2007 (the Afghan calendar year), according to IMF estimates. In addition to providing reliable and affordable services to the people of Afghanistan, this groundbreaking investment is expected to help reduce the barriers to doing business in the country, while signaling to others that the country is open for business. (See Table 3, www.miga.org, and www.worldbank.org/ida for more on MIGA in IDA countries.)

MIGA's Guarantees Exposure in IDA-Eligible Countries, FY01-07, in percent



IDA, MIGA, and the IFC play complementary roles in facilitating growth and attracting private capital to the world's poorest countries. IDA works with governments to establish the sound institutional frameworks needed to help governments attract private investment. Through direct investment and lending to the private sector, and by providing investment guarantees to third-party foreign investors, IFC and MIGA catalyze projects that turn the promise of development into the reality of growth and opportunity. MIGA's technical assistance work also complements IDA support by helping countries further enhance their capacity to attract private capital.

[1] *Eligibility for interest-free credits and grants from IDA depends first and foremost on a country's relative poverty, defined as GNI per capita below an established threshold and updated annually (in fiscal year 2007: $1,025). IDA also supports some countries, including several small island economies, which are above the operational cutoff but lack the creditworthiness needed to borrow from IBRD. Countries that meet the IDA poverty threshold but are considered creditworthy for some World Bank borrowing are considered "blend" countries.*

projects; to provide country and sectoral knowledge and expertise on environmental and social issues; and to lower risk ratings, and therefore the cost of financing.

Now in its second year of a three-year pilot, MIGA's Small Investment Program (SIP), which provides a maximum coverage of $5 million, continues to be in demand among smaller investors who find the streamlined underwriting process more user-friendly and appropriate to their needs. The faster process also makes the underwriting of very

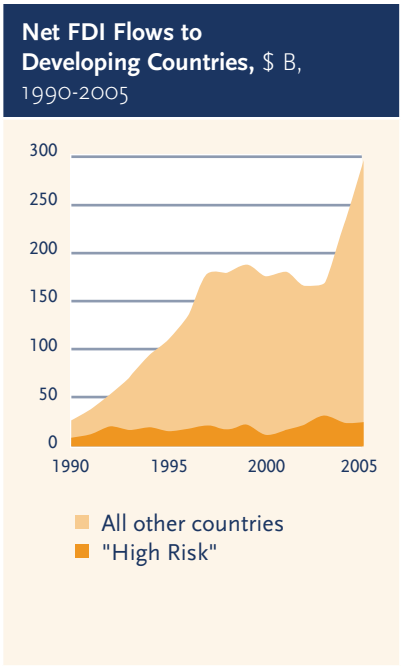
Guarantees portfolio grows

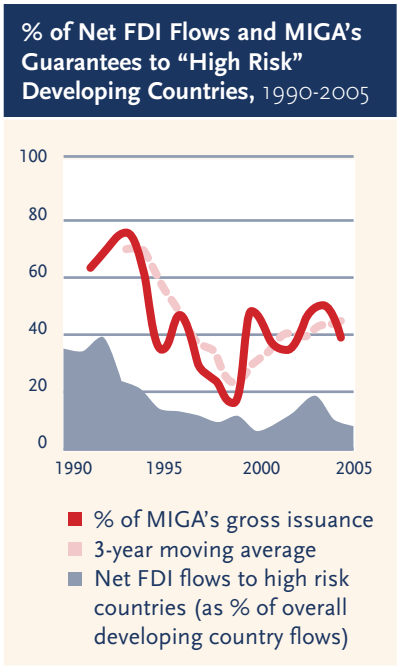
As a result of these efforts, fiscal year 2007 saw MIGA's guarantee business increase to $1.4 billion, representing a steady increase from the $1.1 billion issued in 2004. Total commitments approved by the Board reached $1.9 billion. Gross and net portfolio exposure levels stabilized, at $5.3 billion and $3.2 billion respectively. (See Figure 4 for gross exposure.)

In general, increases in gross exposure due to new business are offset by contract reductions, replacements, cancellations, and expiries. In fiscal 2007, 54 contracts were cancelled. The majority of cancellations took place when the investment was successful from a financial standpoint, and in most cases, the investor's perception of political risk had improved. Such cancellations illustrate that MIGA is achieving its mandate of encouraging foreign investors and lenders into markets they perceive as risky and supporting them until they feel comfortable enough to bear the risks on their own.

MIGA's fiscal year coverage was for 45 contracts in support of 29 projects (see Table 2). Of these, 14, representing $387 million or 28 percent, were in IDA-eligible countries, and 11, representing $311 million or 23 percent, were in sub-Saharan Africa, both areas of special focus for the agency. FY07 saw MIGA issue $494 million in coverage for 12 infrastructure projects across all regions. Infrastructure guarantees accounted for 36 percent of the fiscal year's coverage. MIGA also provided $387 million in coverage for 14 projects in frontier markets. In addition, $302 million in coverage was in support of eight projects in conflict-affected countries.

FIGURE 3 FDI Flows and MIGA Guarantees to Countries Seen as "High Risk"





Notes: "High risk" countries defined as having an Institutional Investor credit score of 30 or lower. All data are in calendar years. MIGA data involving multiple host countries have been revised to avoid double-counting. Data do not include amounts mobilized through the Cooperative Underwriting Program. Flows and issuance to Afghanistan, Bahrain, Czech Republic, Kuwait, and Saudi Arabia not included in the data set.

FIGURE 4 Guarantees Portfolio, Gross Outstanding Exposure, $ M

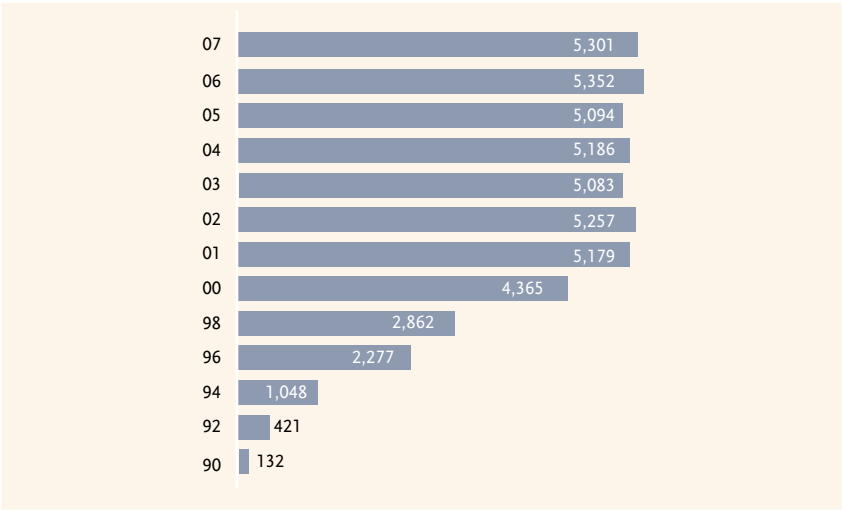


TABLE 2 Projects Supported in Fiscal 2007					
Host Country	**Guarantee Holder**	**Investor Country**	**Sector**	**Amount $ M**	**Priority/Area of Interest**[7]
Asia					
Afghanistan	Business Humanitarian Forum Association (BHF)	Switzerland	Services	0.37	IDA, F, CA, SIP
Afghanistan	ShoreCap International Ltd.	United Kingdom	Financial	1.5	IDA, F, CA, SIP
Afghanistan	MTN Group	South Africa	Infrastructure	74.5	INF, IDA, F, CA, S-S
China	Mahindra Overseas Investment Company	Mauritius	Manufacturing	7.2	S-S
China	Darco Environmental Pte. Ltd.	Singapore	Infrastructure	7.56	INF, S-S
China	Golden State Waste Management Corporation	Cayman Islands	Infrastructure	25.0	INF
China	Golden State Water Group Corporation	Cayman Islands	Infrastructure	2.33	INF
China	Golden State Waste Management (Beijing) Corporation	Cayman Islands	Infrastructure	6.93	INF
Europe and Central Asia					
Kazakhstan	First Kazakh Securitization Company, B.V., ABN AMRO Bank N.V.	Netherlands	Financial	10.3	
Russian Federation	Raiffeisen Zentralbank Österreich AG	Austria	Financial	101.7	
Russian Federation	Raiffeisen Zentralbank Österreich AG	Austria	Financial	33.3	
Russian Federation	Société Générale S.A.	France	Financial	285.0	
Latin America and the Caribbean					
Brazil	Cobra Instalaciones y Servicios (Cobra)	Spain	Infrastructure	35.4	INF
Brazil	Cobra Instalaciones y Servicios (Cobra)	Spain	Infrastructure	20.6	INF
Brazil	Cobra Instalaciones y Servicios (Cobra)	Spain	Infrastructure	5.4	INF

TABLE 2 Projects Supported in Fiscal 2007 *(cont'd)*					
Ecuador	Rodeo Power Pvte. Ltd., New Energy Industrial Ltd.	Singapore, British Virgin Islands	Infrastructure	102.6 [2]	INF, S-S
Jamaica	The Bank of Nova Scotia	Canada	Financial	37.4	
Uruguay	Oy Metsä-Botnia Ab	Finland	Manufacturing	300.0	
Sub-Saharan Africa					
Burkina Faso	Société Malienne de Promotion Hôtelière	Mali	Tourism	2.9	IDA, F, S-S, SIP, SSA
Cameroon	Loita Capital Partners International Limited	Mauritius	Financial	1.8	IDA, F, S-S, SIP, SSA
Ghana	Société de Promotion et de Participation pour la Coopération Economique (PROPARCO)	France	Financial	1.3	IDA, F, SSA
Guinea	Sonatel	Senegal	Infrastructure	59.4	INF, IDA, F, CA, S-S, SSA
Guinea-Bissau	Société Malienne de Promotion Hôtelière	Mali	Tourism	0.6	IDA, F, CA, S-S, SIP, SSA
Kenya	Industrial Development Corporation of South Africa Ltd.	South Africa	Agribusiness	7.0	IDA, F, S-S, SSA
Mozambique*	Mauritius Commercial Bank Limited	Mauritius	Agribusiness	22.1	IDA, F, S-S, SSA
Mozambique*	Standard Bank of South Africa Limited	South Africa	Oil and Gas	49.7	IDA, F, S-S, SSA
Nigeria	Rockland Steel Training (P) Limited of India, State Bank of India	India, United Kingdom	Manufacturing	11.4[3]	IDA, F, S-S, CA, SSA
Uganda*	Globeleq Holdings (ConCo) Limited	Bermuda	Infrastructure	39.6	INF, IDA, F, CA, SSA
Uganda	World Power Holdings Luxembourg S.a.r.l.	Luxembourg	Infrastructure	115.0	INF, IDA, F, CA, SSA

* *Additional coverage provided to projects underwritten in previous fiscal years and counted as a "new project" in previous fiscal years and as a "project supported" in FY07.*

[1] *Projects in priority areas and other areas of interest, as follows: CA: conflict-affected country; F: frontier country; IDA: IDA-eligible country; INF: infrastructure; SSA: sub-Saharan African country; S-S: support to a South-South investment between MIGA Category 2 countries; and SIP: project underwritten under MIGA's Small Investment Program.*

[2] *A portion of the guarantee coverage—$15.9 million to the Singaporean investor—is considered South-South.*

[3] *A portion of the guarantee coverage—$0.45 million to the Indian investor—is considered South-South.*

TABLE 3 MIGA's Outstanding Guarantee Portfolio in IDA-Eligible Countries

IDA-eligible Countries	Gross Exposure ($ M)	% of Gross	Net Exposure ($ M)	% of Net
Serbia	272.1	5.1	100.5	3.1
Mozambique	271.4	5.1	176.2	5.5
Bosnia and Herzegovina	202.8	3.8	131.6	4.1
Ghana	178.5	3.4	154.4	4.8
Uganda	157.6	3.0	80.0	2.5
Pakistan	133.7	2.5	111.2	3.5
Vietnam	113.7	2.1	40.8	1.3
Nigeria	102.9	1.9	87.4	2.7
Nicaragua	101.8	1.9	52.1	1.6
Lao PDR	88.9	1.7	44.4	1.4
Bangladesh	78.3	1.5	70.4	2.2
Afghanistan	77.4	1.5	36.1	1.1
Guinea	61.7	1.2	55.8	1.7
Moldova	61.1	1.2	30.5	1.0
Kenya	58.3	1.1	35.1	1.1
Indonesia	50.0	0.9	50.0	1.6
Burkina Faso	44.8	0.8	40.3	1.3
Nepal	30.0	0.6	14.1	0.4
Mali	16.2	0.3	14.6	0.5
Angola	14.7	0.3	13.2	0.4
Mauritania	14.4	0.3	13.0	0.4
Bolivia	14.3	0.3	12.8	0.4
Côte d'Ivoire	10.5	0.2	10.5	0.3
Kyrgyz Republic	9.2	0.2	8.4	0.3
Albania	8.6	0.2	8.6	0.3
Madagascar	6.4	0.1	5.5	0.2
Sierra Leone	5.0	0.1	4.5	0.1
Congo, Democratic Republic	3.3	0.1	3.0	0.1
Senegal	1.8	0.0	1.6	0.1
Cameroon	1.8	0.0	1.6	0.1
Benin	1.0	0.0	0.9	0.0
Burundi	0.9	0.0	0.8	0.0
Guinea-Bissau	0.6	0.0	0.6	0.0
Azerbaijan	0.5	0.0	0.5	0.0
Total	**2,194**	**41**	**1,411**	**44.0**

Note: Numbers may not agree due to rounding.

small projects—which tend to have a proportionately strong developmental impact—more viable for MIGA. During the fiscal year, MIGA issued seven contracts totaling $7 million under the SIP. All of the contracts are supporting projects in frontier markets, including five in Africa. Three are in post-conflict countries. (See Box 4 for more.)

MIGA's guarantee business grew in FY07 to $1.4 billion, representing a steady increase from the $1.1 billion issued in 2004. Total commitments approved by the Board reached $1.9 billion during the year.

The fiscal year 2007 results bring total coverage issued since MIGA's inception to $17.4 billion, including amounts leveraged through the Cooperative Underwriting Program. Also notable in terms of operational activities during the year, MIGA took steps to integrate its technical assistance program into that of FIAS—the Foreign Investment Advisory Service. (See section on Technical Assistance.)

Dispute resolution keeps investments—and benefits—on track

An additional strength of MIGA is its ability to work with member countries and investors to help resolve disputes and claims that may have an adverse impact on investments guaranteed by the agency. Guarantee holders are required to notify MIGA of disputes and other difficulties that might give rise to a claim under their contracts.

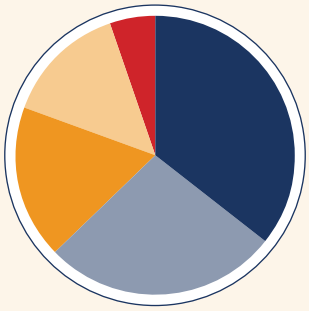
MIGA's management of claims serves two purposes: enabling guaranteed projects to continue operating in the host country and helping to avoid a claim that would negatively affect the investment reputation of the member country. MIGA's claims resolution efforts are generally welcomed by investors and member countries, since neither party wants matters to deteriorate to the point where a claim is made. In these efforts, MIGA relies heavily on the cooperation and willingness of investors and developing member countries. MIGA's claims management procedures are designed to avoid unnecessary payment of claims, as well as ensure thorough and well-informed decisions on claims.

MIGA did not pay any claims during fiscal year 2007. Three claims were filed during this fiscal year. One of the disputes giving rise to a claim was settled between the investor and the host government. In another case, MIGA determined that the claim was withdrawn. In addition, MIGA continued to seek a resolution on two pending claims—one of which was filed in fiscal 2006. In February 2005, MIGA partially paid a claim to an investor in Argentina. Notwithstanding MIGA's determination that the claim was valid, the investor withdrew the remaining claim for commercial reasons.

MIGA is monitoring situations in five countries that may lead to claims and is working to facilitate amicable resolutions. For example, MIGA worked hand-in-hand with an investor and local authorities to resolve a currency exchange problem in a Latin American country, which was close to resulting in a claim. As a result, the project—in the financial sector—is able to continue to provide financial resources to local investors.

Since MIGA's inception, proactive facilitation efforts such as these have been pivotal in the resolution of more than 50 disputes related to MIGA-guaranteed projects, ultimately keeping the projects—and their development impacts—on track.

FIGURE 5 Outstanding Portfolio Distribution by Host Region, Percent of Gross Exposure



Note: Percentages add up to more than 100 percent due to multi-country agreements. Refer to Financial Statements for more information.

MIGA makes progress on portfolio diversification

MIGA made good progress during the fiscal year in diversifying its new business, by region and sector.

Regional Diversification

The regional breakdown of guarantees issued by MIGA in fiscal 2007 can be viewed in terms of the number of projects supported and the value of the guarantees (see Figure 5). When considering number of projects, sub-

Box 4

MIGA targets small investors

In the world's poorest countries, encouraging the growth of small and medium-size enterprises (SMEs) is critical to the creation of jobs, economic growth, and poverty reduction.

Foreign direct investment can play an important role in SME development, both in joint local-foreign ventures and when investments are wholly foreign-owned. Foreign businesses provide a number of benefits, for example, by helping local companies overcome one of their key obstacles to growth: lack of access to financing.

SMEs, like all businesses, face commercial and non-commercial risks. Helping all investors—especially those that are small or medium in size—invest in SMEs in emerging economies is a priority for MIGA, underpinning the agency's commitment to frontier markets and South-South investments (see Box 5). MIGA helps the SME sector in emerging economies by providing political risk insurance to foreign businesses investing in SMEs, and to financial institutions that then lend to small and medium-size businesses through local affiliates.

During FY07, MIGA continued its focus on supporting SMEs through the issuance of seven contracts amounting to $7 million in gross exposure. The total portfolio supported through the Small Investment Program (SIP) consists of 11 projects representing $28 million in guarantees. All SIP transactions signed during the fiscal year were in frontier markets, including three projects in Africa and two in Afghanistan. Highlights include:

- Support for a pharmaceutical manufacturing plant in Afghanistan through $0.37 million in guarantees
- Two guarantees totaling $2.9 million to support the renovation and expansion of a hotel in Burkina Faso's capital city of Ouagadougou
- A $1.5 million guarantee to address the lack of microfinance available to small entrepreneurs in Afghanistan
- Guarantees totaling $1.8 million in support of a new commercial bank in Cameroon that will provide micro-credit and other financial services to clients, including small and medium-size enterprises
- A guarantee of $0.6 million to support the renovation of a hotel in Guinea-Bissau's capital. This is the first guarantee that MIGA has issued in support of an investment in Guinea-Bissau.

SIP Projects Supported in FY07

Host country	Guarantee Holder	Investor Country	Sector	Amount ($ M)
Afghanistan	Business Humanitarian Forum Association (BHF)	Switzerland	Services	0.37
Afghanistan	ShoreCap International Ltd.	United Kingdom	Financial	1.5
Burkina Faso	Société Malienne de Promotion Hôtelière	Mali	Tourism	2.9
Cameroon	Loita Capital Partners International Limited	Mauritius	Financial	1.8
Guinea-Bissau	Société Malienne de Promotion Hôtelière	Mali	Tourism	0.6

Saharan Africa garnered 18 contracts in support of 11 projects, totaling $311 million in coverage. Three projects—a telecommunications project in Guinea and two electricity projects in Uganda (one generation, one distribution)—accounted for about two-thirds of the guarantee amount. Small investments are often an important driver of growth and can have a significant impact in developing countries. The remainder of MIGA's new issuance in the region was comprised of smaller investments in the agribusiness, financial, infrastructure, manufacturing, oil and gas, and tourism sectors. (See project write-ups for more.)

Latin America and the Caribbean also accounted for six projects, supported by 12 contracts totaling $501 million in coverage. Among the projects were the landmark Botnia pulp mill project in Uruguay, expected to generate slightly more than 8 percent of the country's exports for each year of full-capacity production, and a series of electricity transmission lines in Brazil, which involved $61 million in MIGA coverage.

MIGA guaranteed eight projects, backed by ten contracts totaling $125 million in coverage, in Asia (including East Asia and the Pacific and South Asia). Among these were three projects in Afghanistan, including a telecommunications project involving a $75 million MIGA guarantee and an additional $2 million in coverage underwritten through the special Afghanistan Investment Guarantee Facility. The facility was created in 2005 to encourage foreign investment in the reconstruction and economic growth of this conflict-affected country.

Europe and Central Asia accounted for four projects guaranteed by MIGA, which issued five contracts totaling $430 million in coverage. One of these transactions involved the second tranche of a mortgage-backed securitization in Kazakhstan, widely considered to be an innovative instrument for encouraging capital flows into the region.

In fiscal 2007, MIGA worked on a number of proposed projects in the Middle East and North Africa region, though no projects were signed during the year. In particular, the agency conducted the analytical work required to begin guaranteeing projects backed by an Islamic financing structure. This work was carried out in close collaboration with The Islamic Corporation for the Insurance of Investments and Export Credit. MIGA also renewed its commitment to coordinate with the Inter-Arab Investment Guarantee Corporation in Kuwait on encouraging FDI into the MENA region.

Sectoral Diversification

MIGA focused much of its new business efforts in fiscal year 2007 on supporting infrastructure projects and diversifying its exposure in the financial services sector. As a result, infrastructure's share of the portfolio remained strong at 41 percent of the total gross outstanding portfolio and financial services decreased to 29 percent of the agency's overall portfolio. In the financial sector, MIGA provided coverage for projects in three frontier countries—Afghanistan, Cameroon, and Ghana. During the year, exposure in the manufacturing sector rose from 5 percent in fiscal 2006 to 10 percent in fiscal 2007. Exposure in the agribusiness, mining, oil and gas, tourism, and services sectors did not vary significantly from last year's levels. To see how the fiscal year's activities impacted the agency's outstanding sectoral

FIGURE 6 Guarantees Issued by Sector in FY07

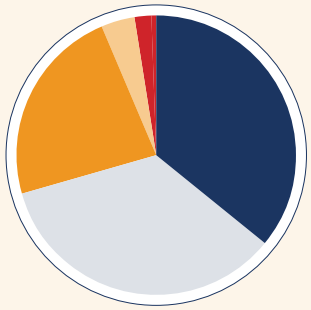


TABLE 4 Outstanding Portfolio Distribution by Sector, Percent of Gross Exposure

	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Infrastructure	29	36	41	38	39	41	41
Financial	36	35	29	35	39	33	29
Oil, gas, and mining	14	12	12	11	9	14	13
Agribusiness, manufacturing, tourism, and services	21	17	18	16	13	13	17
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Note: Figures in table might not add up to 100 due to rounding.

MIGA's proactive facilitation efforts have been pivotal in the resolution of more than 50 disputes related to MIGA-guaranteed projects, ultimately keeping the projects—and their development impacts—on track.

portfolio, see Table 4. See Figure 6 for the sectoral distribution of guarantees issued in 2007.

Investor and Host Country Diversification

Russia remained the agency's largest single country exposure with outstanding gross coverage representing 16 percent of the total portfolio (up from 12 percent in the previous year). Two African countries, Mozambique and Ghana, were among the top ten host countries, while Bulgaria and Romania, which joined the European Union in January 2007, dropped from their positions as second and fifth in FY06, to tenth and twelfth, respectively. Serbia and Bosnia and Herzegovina remained in the top ten. (See Table 5.)

Among investor countries, South Africa moved from seventh to fourth position in terms of guarantees received, reflecting the agency's focus on intra-regional and South-South investment in Africa. France overtook Austria as the second highest guarantee recipient, while Finland registered among MIGA's top five investor countries for the first time. (See Figure 7.)

Agency launches new Disclosure and Social and Environmental Safeguards Policies

Fulfilling MIGA's mandate and ensuring socially and environmentally friendly foreign direct investment requires periodic reassessment of the agency's policies and standards. So in FY07, with guidance from its Board, MIGA developed new draft policies on social and environmental sustainability and disclosure, which were made public for stakeholder comment. These policies were designed to achieve harmonization to the extent possible with the IFC's new policies, which were arrived at after an extensive review and consultation process.

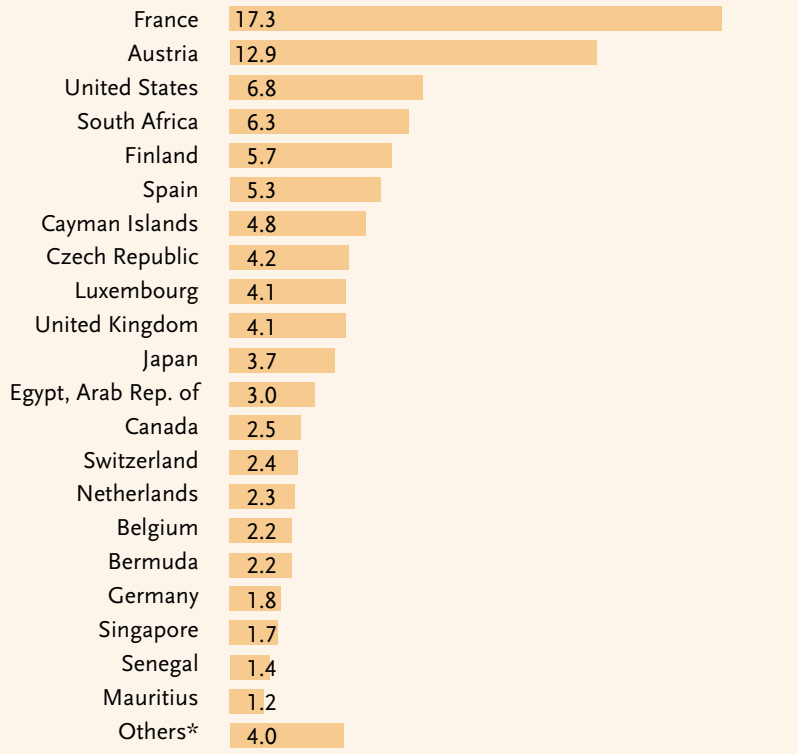
Part of the public review and comment process included a 60-day consultation period hosted on MIGA's website, which gave clients, investors and lenders, NGOs, and academics—all interested stakeholders—the opportunity to provide their comments. In addition to the online consultation, MIGA met with NGOs and other stakeholders in Washington, DC, and held client meetings around the world to discuss the proposed changes. The new policies will take effect in FY08. MIGA will monitor its experience with the new policies to see if any modifications may be warranted in the future.

The proposed new policies define MIGA's roles and responsibilities in supporting project performance in partnership with clients. MIGA expects to ensure positive development outcomes relating to social and environmental sustainability by supporting investments that meet a comprehensive set of performance standards. These address social and environmental assessment and management; labor and working conditions; pollution prevention and abatement; community, health, safety and security; land acquisition and involuntary resettlement; biodiversity conservation and sustainable natural resources management; indigenous peoples; and cultural heritage.

TABLE 5 Ten Largest Outstanding Country Exposures in MIGA Portfolio, as of June 30, 2007

Host Country	Gross Exposure ($ M)	% of Gross	Net Exposure ($ M)	% of Net
Russian Federation	845.7	16.0	315.5	9.8
Uruguay	300.9	5.7	108.8	3.4
Brazil	280.4	5.3	140.8	4.4
Serbia	272.1	5.1	100.5	3.1
Mozambique	271.4	5.1	176.2	5.5
Bosnia and Herzegovina	202.8	3.8	131.6	4.1
China	180.2	3.4	151.2	4.7
Ghana	178.5	3.4	154.4	4.8
Jamaica	169.2	3.2	148.9	4.6
Bulgaria	161.8	3.0	92.5	2.9
Total	**2,863.0**	**54.0%**	**1,520.4**	**47.3**

FIGURE 7 Outstanding Portfolio Distribution by Investor Country, Percent of Gross Exposure



** Others: Greece, Poland, Thailand, Turkey, Norway, Tunisia, Peru, Italy, Israel, Costa Rica, Lebanon, India, Mali, Australia, St. Kitts & Nevis, Panama, Denmark, Ireland, Virgin Islands (UK), Portugal, and Colombia.*

The new disclosure policy aims to enhance transparency and promote good governance, with a view to increasing MIGA's development effectiveness and strengthening public trust in the agency. The policy defines MIGA's obligations to disclose information about itself and its activities. The agency will disclose project summaries for all projects and make public summaries of the expected environmental and social impacts for projects where such impacts are expected to be significant. MIGA will also disclose institutional information relating to its budget, business plans, and quarterly financial statements.

MIGA's new policies may be found on MIGA's website at www.miga.org/policies.

Collaborating with the World Bank Group

The institutions of the World Bank Group provide a broad array of products and services to contribute to growth and poverty reduction in member countries, ranging from financing and credit enhancements, to policy and advisory support, to analytical and risk management tools. As one of the institutions working directly to mitigate risks relating to foreign investment in developing countries, MIGA's role within the group is distinct and vital.

During the fiscal year, MIGA continued to place a strategic focus on strengthening its working relationship with the World Bank and the IFC, actively collaborating on country assistance strategies, sector analyses, investment climate and promotion, and specific investment projects. Collaboration with the World Bank Group was especially fruitful in infrastructure in the context of the Umeme electricity distribution project and Bujagali hydropower project in Uganda, the Botnia pulp mill project in Uruguay, and the renovation and expansion of a hotel in Burkina Faso. Overall, these joint Bank Group projects represent a third of MIGA's FY07 portfolio.

Reinsuring the portfolio

MIGA uses reinsurance for three main reasons: (1) to increase the amount of coverage MIGA can provide; (2) to manage the risk profile of the portfolio; and (3) to cooperate with other insurers as required under the agency's Convention. The primary benefits of reinsurance accrue to MIGA's clients, both the investors who gain access to increased capacity to insure eligible projects in developing countries, and the recipient countries that benefit from higher levels of foreign direct investment.

Reinsurance arrangements with other insurers increase MIGA's capacity to support large projects. Because of its risk mitigation effect, MIGA's involvement encourages other insurers

Sub-Saharan Africa accounted for 38 percent of projects supported in FY07, while projects in IDA-eligible countries totalled nearly half of projects backed by MIGA.

Box 5

MIGA guarantees support rising South-South investment

Developing and transition economies are becoming an ever-increasing source of FDI, accounting for 17 percent of outward flows in 2005, according to UNCTAD. As recently as 1990, only six developing and transition economies had outgoing FDI flows of more than $5 billion; by 2005, this number had reached 25. Increasingly, for many low-income countries, the bulk of FDI is coming from other developing countries.

Driven by a surge in liquidity and limited growth opportunities at home, a growing number of South-South investors are looking toward nontraditional emerging markets, where more opportunities and higher yields may exist. They are inspired not just by the prospect of higher returns, but also by a growing recognition of the importance of accessing international markets and connecting with global production systems and knowledge networks. They may also have an "edge over the competition" that comes through their physical and cultural proximity to other developing countries when investing close to home.

Supporting South-South investment is a key element of MIGA's strategy. In 2007, the number of South-South investments supported by MIGA registered an important increase, rising from 14 percent of business underwritten in the previous year to 18 percent, for a total of $249 million. The majority of these investments are intra-regional, meaning that the development impact rests locally.

At a global level, the rise in South-South investment is being led by Asian investment, followed by Brazil and the Russian Federation. In Southeast Europe and the Commonwealth of Independent States, the Russian Federation accounted for 95 percent of the region's FDI outflows in 2005. South Africa continues to be a regional investment leader in sub-Saharan Africa.

MIGA's outreach targets investors in markets such as Brazil, the Russian Federation, India, and China (the so-called BRICs), as well as in other developing countries and regions. For example, during the fiscal year, MIGA launched an agency-wide marketing and communications campaign in the Middle East and North Africa, which resulted in an intra-regional investment summit held in Dubai, bringing together key business executives and financiers from throughout the region.

MIGA's support for South-South investors is not limited to the BRICs, however. In fact, during the fiscal year, nine of the 12 South-South projects supported by MIGA involved sub-Saharan investors. (See table.)

South-South Investments Supported in FY07

Investor country	Host Country	Sector	Gross Exposure ($ M)
South Africa	Afghanistan	Telecommunications	74.5
Mali	Burkina Faso	Tourism	2.9
Mauritius	Cameroon	Financial	1.8
Mauritius	China	Manufacturing	7.2
Singapore	China	Infrastructure	7.6
Singapore	Ecuador	Infrastructure	102.6
Senegal	Guinea	Telecommunications	59.4
Mali	Guinea-Bissau	Tourism	0.6
South Africa	Kenya	Agribusiness	7.0
Mauritius	Mozambique	Agribusiness	22.1
South Africa	Mozambique	Oil and Gas	49.7
India	Nigeria	Manufacturing	11.4

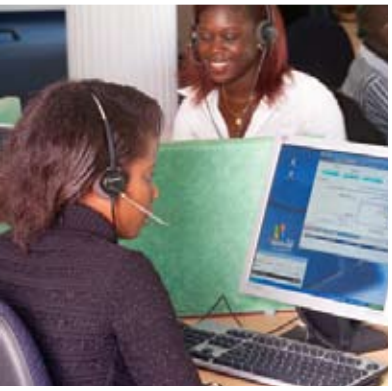
to participate in projects in frontier markets. It also enables other insurers to underwrite transactions with longer tenors than they would normally do. These insurers benefit from MIGA's expertise in risk analysis, dispute resolution, and claims handling and recovery procedures. As of June 30, 2007, $2.1 billion of MIGA's total gross exposure of $5.3 billion was reinsured.

As one of the World Bank Group institutions working to mitigate noncommercial risks in developing countries, MIGA's role is distinct and vital. Joint Bank Group projects represent a third of MIGA's FY07 portfolio.

Partners

During fiscal 2007, MIGA entered into facultative reinsurance agreements, and thus leveraged additional capacity for MIGA projects, with nine private insurance partners and two public reinsurers. Finnerva provided MIGA with $100 million in facultative reinsurance for the Botnia project in Uruguay, representing the second largest amount MIGA has ever insured with a public partner. Together with the facultative insurance amounts ceded to private partners on the same project ($80 million), this was also the second largest amount in absolute terms ever to be ceded by MIGA to insurance partners. Also, during the year, MIGA signed reinsurance agreements with Coface North America, Inc. and ONDD, the national export credit agency of Belgium. In Afghanistan, MIGA was supported by four private reinsurers on a facultative reinsurance agreement for the Areeba Afghanistan telecommunications project.

MIGA continues to work with its treaty reinsurance partners, ACE Bermuda Insurance Co. Ltd. and XL Re Ltd. MIGA cedes a portion of the contingent liability related to contracts of guarantee it underwrites to its treaty reinsurers through quota-share treaty reinsurance agreements.



Technical Assistance

MIGA provides technical assistance to help governments and other intermediaries involved in promoting investment improve their ability to respond effectively to investor needs. In fiscal 2007, the agency's active technical assistance (TA) portfolio contained 44 projects covering 29 countries, along with several regional and global initiatives.

Investment promotion intermediaries promote foreign direct investment into their countries through a combination of activities, with the goal of generating economic growth and creating jobs. They attract investors to specific locations using a host of promotion tools; serve existing investors, for example, by helping them solve potential problems encountered while operating within a country; conduct policy advocacy, encouraging governments to make changes to increase a country's attractiveness as an investment destination; and help to anchor investments to the domestic economy through supply and sourcing relationships.

MIGA helps investment promotion intermediaries develop their capacity to provide investors with information and advice, with the goal of reducing the transaction costs associated with site selection, as well as helping businesses get started. MIGA is one of the few organizations with the global experience to provide the broad-based package of assistance needed to build the institutional capacity of these agencies, in areas such as strategic planning, marketing, and sector targeting, and improving responsiveness to investor needs through information services.

Each country engagement typically commences with an institutional assessment that forms the basis for the development of a tailored technical assistance plan. The vast majority of MIGA's TA projects are based on partnerships, not just within the World Bank Group, but with the broader development community.

MIGA's TA services integrated into FIAS

This fiscal year, MIGA's technical assistance services were integrated into the Foreign Investment Advisory Service, a World Bank Group entity. Combining the investment climate reform work of FIAS with MIGA's investment promotion work allows the World Bank Group to help countries get the framework right for investment, and then market the improved environment, all from a single platform. It also creates a more coordinated, single interface for clients, donors and other partners.

During the year, MIGA's TA services were integrated into FIAS, creating a more coordinated World Bank Group interface on issues related to investment climate reform and promotion.

The decision to integrate these services emerged from a review of the Bank Group's technical assistance activities, which found that nearly half of MIGA's advisory services activities were already being conducted with FIAS. This integration of MIGA-FIAS activities was an intentional shift in MIGA's strategy—toward aligning operations more directly with other parts of the Bank Group.

Established 20 years ago, FIAS has helped more than 130 countries increase the level and impact of private investments. The FIAS strategy for fiscal years 2008 to 2011 centers around regulatory simplification to make investment less costly, less risky, and more attractive; and investment generation, including investment policy and promotion, and industry-specific approaches to investment. FIAS aims to develop new products and strategies to promote private investment in frontier countries and fragile states in particular—areas where MIGA has extensive experience.

Day-to-day operations of the integrated facility are run by FIAS, with financial contributions from IFC, MIGA, and the World Bank, as well as donors. Senior management from these three World Bank Group institutions comprise a supervisory committee to oversee the activities of FIAS.

Future technical assistance activities supported by MIGA will be described in the FIAS annual report.

Agency conducts new IPA performance review

During the year, MIGA conducted a global performance benchmarking study, which examined the effectiveness of 114 investment promotion agencies (IPAs) from developing and transition economies around the world. The *IPA Performance Review 2006* gauged how effectively IPAs made investor information available and how they handled investor inquiries, factors critical to investors deciding where to invest. The results of this study were tailored for each participating agency, presenting individual performance benchmarked against global and regional averages, as well as best-practice levels.

The performance review consisted of two components: First, each IPA's website was reviewed from the perspective of private investors' information requirements in screening locations as potential investment sites. Second, the study undertook a survey of each IPA's ability to handle specific investor enquiries. The study used a "mystery shopper" approach, in which simulated investor inquiries were submitted to each IPA, and the IPA was assessed on the basis of the quality of its responses. The agencies were then judged on how easy it was to contact them, their responsiveness to the inquiry, how well the inquiry was handled, the interim/holding response, the quality and content of the final response, and follow up. The study also reviewed 11 developed country IPAs selected as examples of best-practice benchmarks.

The study's results reflect a wide spectrum of performance. There were encouraging performances by some IPAs in nearly all developing regions, although all regions still lagged behind global best practices. The developing-economy IPAs scored considerably better in the website assessment than in the two inquiry-handling exercises. Overall, the results suggest that at least half of the surveyed developing-economy IPAs are not yet providing the levels of service and information that investors expect. Most would benefit from a focus on improving both the systems and skills used in interfacing with investors and the quantity and quality of information provided.

Snapshot series benchmarks FDI competitiveness in Africa and the Caribbean

MIGA conducted two regional studies and released the results in reports this year: *Snapshot Africa* and *Snapshot Caribbean*. The studies—designed to help investment promotion intermediaries in developing countries attract foreign direct investment—are part of a series of sector analyses under MIGA's global Enterprise Benchmarking Program. The studies identify the comparative advantages of selected countries by capturing a snapshot of an industry in one location at a point in time from the perspective of an investor.

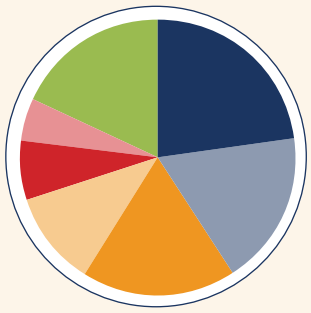
Snapshot Africa compares the operating costs and conditions for investors in six industries in nine sub-Saharan African countries: Ghana, Kenya, Lesotho, Madagascar, Mali, Mozambique, Senegal, Tanzania, and Uganda. It examines the attractiveness of six sectors—textile, apparel, food and beverage processing, horticulture, tourism, and call centers—which tend to attract the highest level of mobile FDI in sub-Saharan Africa. (Mobile investment refers to investment that can locate at multiple locations—such as car plants, clothing factories, etc.—leading locations to compete for it.)

The study examines numerous thriving investments, underscoring the untapped potential of these sectors. For prospective investors, *Snapshot Africa* provides hard-to-find comparable information on investor costs and conditions in the above-mentioned sectors, and can help them develop their site selection options.

Among the study's main findings are that investors have yet to take full advantage of the region's mobile investment opportunities; a large proportion of foreign investments originate in neighboring countries, spurred by ongoing regional economic integration; most of the countries studied still find themselves in the pre-site selection stage; accurate, relevant, and timely investment information is still relatively hard to come by; and last, attractive investment opportunities do exist, offering a "first move" advantage to those looking to invest in these relatively untapped markets.

Snapshot Caribbean was conducted to help investment promotion intermediaries in Belize, the Dominican Republic, Jamaica, and St. Lucia understand their locations' comparative advantages for attracting investment in export services, food processing, and tourism operations. The countries were evaluated in each industry based on the costs and operating conditions experienced by existing investors with facilities in these countries.

FIGURE 8 Technical Assistance Portfolio Distribution by Region



- 23% Africa
- 18% East Asia and the Pacific
- 18% Europe and Central Asia
- 11% Latin America and the Caribbean
- 7% Middle East and North Africa
- 5% South Asia
- 18% Global

The findings of the report show that these Caribbean countries have experienced a steady inflow of FDI, and despite recent natural disasters that have affected the image of the region, countries have increasingly become internationally competitive in the sectors reviewed. The study also found that a largely English-speaking population and geographic proximity to the United States are among the region's main advantages.

To view the studies, visit www.fdi.net/snapshot_africa and www.fdi.net/snapshot_caribbean.

MIGA-Swiss Partnership Program wraps up

The MIGA-Swiss Partnership Program, a four and a half-year initiative to attract investment into African countries, wrapped up this year. The program was initially planned as a pilot to determine if the OECD countries' approach of attracting investors through industry-focused outreach programs would be successful in poorer African countries. The pilot also sought to determine whether the capacity of investment promotion intermediaries to carry out such programs could be built through a "learning by doing" model.

The $2.7 million program supported the design and implementation of outreach programs that led to 90 investments totaling over $299 million in Ghana, Mozambique, Senegal, and Tanzania. The Senegal program, which focused on attracting call centers to serve the French market, was particularly successful, as was the Tanzanian effort focused on expanding the tourist industry. By the end of the program, several investment intermediaries had adopted these approaches to launch other sector outreach programs.

The program's conclusions were that sector-focused outreach programs can be successful in Africa, particularly when combined with efforts to remove investment obstacles and improve the business environment; countries need a fair and/or improving investment climate and investment intermediaries that can work with governments to facilitate the investment process; and thorough industry competitive analysis is needed to identify and confirm target industries, define selling points, and identify obstacles in need of priority attention.

Other initiatives yield results

Ex-Post Evaluation

In recent years, MIGA has implemented two long-term TA work programs, one in Armenia (with the Armenian Development Agency) and one in Nicaragua (with ProNicaragua), within the framework of World Bank Learning and Innovation Loans. MIGA commissioned an independent evaluation of its effectiveness in these recently completed projects and of working with the World Bank. The evaluation concluded that significant capacity gains had been achieved by both agencies as a result of MIGA's intervention. Both projects were considered a success by a wide range of stakeholders. Nicaragua achieved good results in attracting foreign investment and creating jobs. In Armenia, although the volume of investor inquiries and visits increased, these achievements had not yet resulted in new foreign investment or jobs. Both projects were judged to be examples of good collaboration between MIGA and other parts of the World Bank Group.

Sector-focused FDI intelligence reports and E-Learning

A series of sector-focused reports was devised by MIGA and FIAS to help investment promotion agencies improve their understanding of the mechanics and trends of specific sectors and subsectors for which they have competitive advantages. The first two reports focused on agribusiness and the services sector. MIGA also piloted an e-Learning course for agencies on "Managing Effective Marketing Campaigns."

Online Investment Information and Knowledge Services

During the fiscal year, MIGA launched a new service on political risk management and insurance, the PRI-Center (www.pri-center.com). The move further aligned MIGA's online investment services with the agency's core business and strategic priorities. MIGA also consolidated existing investor-oriented websites into a single portal site, FDI.net (www.fdi.net). Through these initiatives, MIGA continues to contribute to its mandate of conducting research and extending knowledge about investment-related issues. These sites further position MIGA as a thought leader on PRI- and FDI-related issues.

PRI-Center serves niche audience

The PRI-Center serves a specialized audience interested in political risk management and insurance, comprised of investors, professionals in the political risk industry, and the general public. It offers country information and analysis, directories of major industry players, country and regional news, industry developments, an events directory, as well as basic information on political risk management for new investors. The PRI-Center's value rests not only in the quick and free availability of resources as a "one-stop" political risk information repository for the investor community and the PRI industry, but also as a forum for the exchange of views on issues of interest.

Filling a documented information gap, the site establishes MIGA as a knowledge center, which commissions written contributions on important issues relating to political risk and disseminates them globally via special features on the PRI-Center. During this fiscal year, MIGA rolled out three topical features that addressed political risk in the context of terrorism; resource nationalism in the extractive industries sector; and disputes and claims. The site has also highlighted three regional focuses, on the Middle East and North America, Latin America and the Caribbean, and sub-Saharan Africa.

In delivering the PRI-Center, MIGA collaborated with well-established organizations, such as the members of the Berne Union and Lloyd's, as well as private political risk analysis providers, such as ControlRisks and *Global Trade Review*. MIGA continues to collaborate closely with individual political risk insurance providers and intermediaries in delivering thought pieces, views, and content for dissemination through the PRI-Center.

FDI.net provides single entry point for all things FDI

The FDI.net portal is investor-focused, combining business-geared resources with World Bank Group analysis to provide users with a single entry point for accessing the full spectrum of information needed for FDI decision making. FDI.net features information on business opportunities, changes in business regulations, directories of investment promotion intermediaries, sources of investment finance, and more, all available by sector, region, and topic. Through the website, investment promotion intermediaries can undertake comparative analyses with other locations that vie for foreign investors. The site also continues to offer important services free of charge,

23 percent of respondents to a recent survey said MIGA's online services had directly impacted investment decisions, while nearly 40 percent reported that the services had led to a change in perception.

TABLE 6 MIGA's Online Services

Host country	Description	Audience	Services
FDI.net	Global portal on FDI information and opportunities	Investors, researchers, advisors, financial institutions, investment promotion practitioners	■ Sector and country research ■ Business environment & regulatory guides ■ Privatization and Investment opportunities ■ Directories ■ Newsletters and customized email alerts
PRI-Center	One-stop shop on political risk insurance	Investors, political risk practitioners, brokers, researchers	■ Information resources on political risk mitigation ■ Country research and ratings ■ In-depth features on political risk topics ■ Latest news and events ■ Directories
FDI Promotion Center	Capacity-building toolkit for livestment promotion	Investment promotion professionals	■ Information and resources on how to attract and retain FDI ■ Learning modules for capacity building of investment promotion agencies ■ Newsletters
MIGA.org	Corporate site	MIGA clients, general public (NGOs, media, etc.)	■ Information on products and services ■ Portfolio by country, sector, and region ■ News and events ■ Online guarantee application

including the monthly e-newsletter to some 15,000 registered subscribers. Subscribers to FDI.net email updates can also choose to receive real-time updates on the topics, sector, region, and country of their choice.

In addition to some 90 national investment promotion intermediaries and privatization agencies that are content partners, FDI.net relies on featured partnerships to bring timely and unique information to the investor community. Significant among these are Business Monitor International (BMI), providing specialist business information on global emerging markets; Business News Americas, providing news and information about investment opportunities in the infrastructure, energy, mining and financial services sectors in Latin America and the Caribbean; the Institute for Public Private Partnerships (IP3), which has provided case studies and reports on structuring public private partnerships; and PPIAF, a multi-donor technical assistance facility in the World Bank, which collaborates closely with MIGA on matching private investors with investment opportunities in Africa.

ASIA

AFGHANISTAN BANGLADESH CAMBODIA CHINA EAST TIMOR FIJI INDIA INDONESIA KOREA (REPUBLIC OF) LAO PEOPLE'S DEMOCRATIC REP. MALAYSIA MALDIVES MICRONESIA MONGOLIA NEPAL PAKISTAN PALAU PAPUA NEW GUINEA PHILIPPINES SAMOA SINGAPORE SOLOMON ISLANDS SRI LANKA THAILAND VANUATU VIETNAM

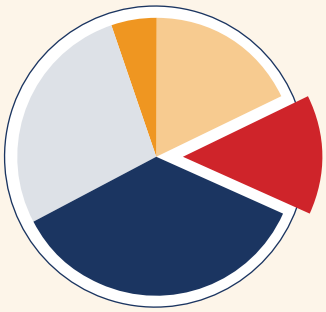
The economies of East Asia and the Pacific expanded by an estimated 9.5 percent in 2006, up from 9 percent in 2005. This robust performance was led by China, which grew by 10.7 percent. Indonesia and Thailand grew at a more moderate 5.5 percent and 5.3 percent, respectively.

Net FDI flows into East Asia and the Pacific remained strong in 2006, at $88.3 billion, although slightly lower than flows in 2005 ($96 billion). China continued to dominate these flows, taking in $76 billion of the region's total. China's net FDI flows accounted for almost a quarter of total flows to all developing countries, down from one-third in 2002.

GDP in the South Asia region grew by 8.6 percent in 2006. Net FDI flows to the region also increased, reaching $12.9 billion, up from nearly $10 billion in 2005. India was the largest destination country in the region, with net flows rising from $6.6 billion in 2005 to $8 billion in 2006.

During the fiscal year, MIGA guaranteed eight projects and undertook ten technical assistance projects in the region. At year-end, MIGA's gross guarantee exposure in the region stood at $757 million, equivalent to 14.3 percent of the agency's outstanding portfolio.

Regional Distribution of Outstanding Guarantees Portfolio



$757 M	Asia
$1,941 M	Europe and Central Asia
$1,483 M	Latin America and the Caribbean
$285 M	Middle East and North Africa
$964 M	Sub-Saharan Africa

Regional Development Indicators, Asia

	East Asia and Pacific	South Asia
External debt (% of GNI)	20.5	19.1
GDP (current US$) (billions)	3,040	1,016.3
GNI per capita, Atlas method (current US$)	1,630	692
Life expectancy at birth, total (years)	71	63
Population, total (millions)	1,885.5	1,469.8
Population growth (annual %)	0.9	1.6
School enrollment, primary (% net)	93.4	85.9
Surface area (sq. km) (thousands)	16,299.7	5,139.5

Source: World Development Indicators, 2005 data

Since its inception, MIGA has issued $1.8 billion in guarantees for more than 90 projects in Asia, with guarantees ranging from less than $200,000 for a project in China to $74 million for an investment in the Philippines.

Guarantees

Country	Activities
Afghanistan	**Project Name: Areeba Afghanistan LLC** Guarantee Holder: The MTN Group Limited MIGA has issued a guarantee of $74.5 million to the MTN Group of South Africa to help meet the increasing demand in Afghanistan's telecommunications sector. Another $2 million is being guaranteed by the MIGA-administered trust fund, Afghanistan Investment Guarantee Facility. The guarantees cover the MTN Group's $85 million investment in Areeba Afghanistan LLC. The coverage, for a period of up to five years, will protect the investment against the risks of transfer restriction and expropriation. The project enterprise, a 90 percent subsidiary of the MTN Group, has a 15-year license to provide state-of-the-art telecommunications services to clients throughout the country. The network launched in 2006 and covered 13 provinces at the end of 2006. The network currently covers 21 provinces and its subscriber base of 400,000 is growing rapidly. MTN's investment is supporting coverage into additional provinces. The project involves the installation, operation and maintenance of a 100 percent digital GSM technology network, wireless cell phone, Internet, and satellite services, as well as public pay phones. After more than two decades of conflict, Afghanistan began an enormous political, economic, and social transformation in 2002. Despite some early gains, tremendous challenges remain. Capacity remains uneven and weak overall, systems and procedures rudimentary, though improving, and many areas of the country are seriously affected by conflict. Reconstruction needs are enormous and underscore the need for private sector help in meeting the challenge. This project meets two of MIGA's priorities: encouraging investments in conflict-affected nations, and promoting "South-South" investments. MIGA's support for the project is in line with broader World Bank Group goals in Afghanistan, in particular with regard to supporting the growth of a competitive private sector. The lack of a functioning telecommunications network throughout the country is an important constraint to the development of private sector activity. The project is expected to help develop infrastructure and increase fiscal revenues, as well as complement the work being done by the World Bank to improve the telecommunications regulatory regime in Afghanistan. MIGA's participation in the project also complements the work of the IFC, which has an equity stake in this project and is also providing debt financing.
Afghanistan	**Project Name: Baz International Pharmaceutical Company (BIPC)** Guarantee Holder: Business Humanitarian Forum Association MIGA has issued a guarantee of $365,364 to Business Humanitarian Forum Association of Geneva, Switzerland, for the establishment of a pharmaceutical manufacturing plant in Afghanistan. Another $64,476 is being guaranteed by the MIGA-administered trust fund, Afghanistan Investment Guarantee Facility. The two guarantees cover Business Humanitarian Forum Association's $477,600 stake in Baz International Pharmaceutical Company (BIPC). The coverage, for up to three years, will protect the investment against the risks of transfer restriction, expropriation, and war and civil disturbance. The health sector in Afghanistan remains underdeveloped. Due to the shortage of essential medicines, diseases such as acute respiratory illnesses, diarrhea, pneumonia and typhoid continue to spread through the Afghan population. The project involves the establishment of a pharmaceutical company in Puli-E Charqui industrial area, approximately 8 kilometers from the Kabul city center. The company will produce essential generic medicine locally, which will help improve the availability, quality, and access to essential medicines in Afghanistan. The plant is expected to produce 300 to 400 million tablets per year. Initial production will consist of antibiotics and analgesics, but can be expanded to include other pharmaceutical products in the future. At start-up, the company is expected to employ 45-50 local staff, eventually going up to 100. The project is in line with the Afghan government's strategy to rehabilitate the infrastructure needed for the delivery of essential public services in the health sector, thereby fostering economic development and better quality of life in the country. In addition, the project is expected to contribute up to $500,000 annually to the Afghan government in the form of taxes and import duties. (*cont'd*)

Guarantees	
Country	**Activities**
Afghanistan	*(cont'd)* The plant is expected to have a strong demonstration effect on other investments in the country. It is the first initiative focused on producing basic medicines, adhering to international standards of production and quality control. One of BIPC's project partners—the European Generic Medicines Association—has designed the technical assistance, standard operating procedures, and quality assurance programs for the company. This will be one of the first concrete reconstruction projects led by the international community in partnership with local entrepreneurs to rehabilitate Afghanistan's manufacturing infrastructure. MIGA's participation in the project is aligned with the agency's priorities of encouraging investment in conflict-affected nations and improving access to financing options for small local businesses. The agency's support for the project is also in line with the broader World Bank Group goals in Afghanistan, particularly in promoting growth of the rural economy; improving rural livelihoods; and supporting the growth of a formal, modern, competitive private sector.
Afghanistan	**Project Name: BRAC Afghanistan Bank** Guarantee Holder: ShoreCap International Ltd. MIGA has issued a guarantee of $1.5 million to ShoreCap International Ltd. of the Cayman Islands to address the lack of microfinance available to small entrepreneurs in Afghanistan. Another $300,000 is being guaranteed by the MIGA-administered trust fund, Afghanistan Investment Guarantee Facility. The guarantee covers ShoreCap International Ltd.'s $2 million equity investment and retained earnings in BRAC Afghanistan Bank. The coverage, for up to seven years, will protect the investment against the risks of transfer restriction, expropriation, and war and civil disturbance (including terrorism). The project involves the creation of a newly licensed commercial bank, BRAC Afghanistan Bank, to provide credit and other financial services to the country's small and medium-size enterprises. BRAC NGO—the bank's sponsor and Afghanistan's primary microfinance provider, with 70 percent market share in terms of lenders—is one of the largest microfinance operators in the world. BRAC Afghanistan Bank will provide loans and savings products to micro entrepreneurs and small businesses across Afghanistan. The lack of employment opportunities in war-ravaged rural areas, the disappearance of jobs, and low pay in the public sector in urban areas have resulted in the growth of a large number of small, privately owned enterprises, representing a sizeable demand for credit. MIGA's participation in the project is aligned with the agency's priorities of encouraging investment in conflict-affected nations and improving access to financing options for small local businesses. The agency's support for the project is also in line with the broader World Bank Group goals in Afghanistan, particularly in promoting growth of the rural economy, improving rural livelihoods, and supporting the growth of a formal, modern, competitive private sector.
China	**Project Name: Beijing Rohrueck Mobile Garbage Bins Co. Ltd.** Guarantee Holder: Golden State Waste Management (Beijing) Corporation MIGA has issued a guarantee of $6.93 million to Golden State Waste Management (Beijing) Corporation for its equity investment in Beijing Rohrueck Mobile Garbage Bins Co. Ltd. The coverage, for a period of up to 20 years, is against the risk of expropriation. The project consists of the construction of a comprehensive solid waste treatment and transfer center in Beijing's Fengtai District on a 25-year build-operate-transfer (BOT) basis. The facility will have the capacity to handle solid waste treatment of 3,000 tonnes per day. The facility will include a garbage screening system to sort renewable resources, which it plans to sell or send to renewable resource markets. Remaining garbage will be used as compost and for other purposes. With rapid economic and urban development in China, solid waste treatment in large cities has become an increasingly important issue. The government's current five-year plan estimates that the country needs more than $38 billion in investment in the area of solid waste treatment. The Chinese government is encouraging municipalities to attract public and private investment from both domestic and foreign investors to meet this need. (*cont'd*)

Guarantees	
Country	**Activities**
China	(*cont'd*) Solid waste treatment will improve environmental conditions in Beijing. Disposing of 3,000 tonnes a day will substantially conserve the available landfill capacity, reduce land take for waste management purposes, and improve air quality. The project introduces advanced international waste treatment technology and is well tailored to the situation and needs of the Fengtai District. If successful, the project will have a powerful demonstration effect locally and nationally. This is also consistent with the World Bank Group's country partnership strategy for China, which has managing resource scarcity and environmental challenges as a key theme. This project will also advance the Bank's private sector development strategy of promoting private participation in infrastructure. MIGA's guarantee support was particularly important for the investor to help mitigate the risks associated with sub-sovereign investment.
China	**Project Name: Beijing Gaoantun Waste to Energy Co. Ltd.** Guarantee Holder: Golden State Waste Management Corporation MIGA has issued guarantees totaling $24.96 million to Golden State Waste Management Corporation for its equity investment and shareholder loan to the Beijing Gaoantun Waste to Energy Co. Ltd. The coverage, for a period of up to 20 years, is against the risk of expropriation. The project involves the restructuring and expansion of a solid waste treatment and power generation facility being constructed in Beijing's Chaoyang District on a 50-year build-operate-transfer basis. The facility will have the capacity to handle solid waste treatment of 1,600 tonnes day, and to generate 225 million kilowatt hours per year from the incinerator's waste heat. With an estimated total investment of $106.5 million, the project is expected to become the largest waste incineration and power generation plant in China. The project will apply advanced international grate incinerator technology to treat municipal solid waste and, at the same time, utilize residual heat and steam to generate electrical power. With rapid economic and urban development in China, solid waste treatment in large cities has become an increasingly important issue. The government's current five-year plan estimates that the country needs more than $38 billion in investment in the area of solid waste treatment. To meet this vast need and to benefit from cutting-edge technology, the Chinese government is encouraging municipalities to attract public and private investment from both domestic and foreign investors. The establishment of environmentally sound solid waste treatment facilities is a high priority for the Beijing municipal government and the Chaoyang District government. By disposing of 1,600 tonnes of solid waste per day, the project will conserve Beijing's limited landfill capacity and reduce the amount of land used for waste management purposes. If successful, the project will have a powerful demonstration effect locally and nationally. The project is also consistent with the World Bank Group's country partnership strategy for China, which identifies as a key theme the need to manage scarce resources and environmental challenges. This project will also advance the Bank's private sector development strategy of promoting private participation in infrastructure. MIGA's guarantee support was particularly important for the investor to help mitigate the risks associated with sub-sovereign investment.
China	**Project Name: Mahindra (China) Tractors Company Ltd.** Guarantee Holder: Mahindra Overseas Investment Company MIGA has issued a guarantee of $7.2 million to Mahindra Overseas Investment Company of Mauritius, covering its equity investment in Mahindra (China) Tractors Company Ltd. The guarantee covers Mahindra's investment in a tractor manufacturing and export project. Mahindra is investing $8 million out of an estimated total investment of $10 million in the project. The coverage is for a period of up to 15 years against the risk of expropriation. Mahindra Overseas Investment Company, Mauritius—a wholly-owned subsidiary of Mahindra & Mahindra of India—and Jiangling Motor Company Group of China entered into a joint-venture agreement in December 2004 to create the project enterprise. (*cont'd*)

Guarantees	
Country	**Activities**
China	(*cont'd*) The project involves the creation of the joint-venture company as well as the acquisition of the tractor manufacturing assets of a state-owned company in Nanchang, Jiangxi province, to manufacture small tractors and parts for domestic and export markets. The project will also import larger tractors from India and assemble them for sale in the Chinese market. The plant's initial capacity is for 6,000 tractor units per year. Production is expected to reach 11,000 in 2008, and 18,000 at full capacity in year 2012. Over the last few years, the government of China has implemented agricultural policies that have created incentives for the mechanization of farms and boosted the demand for more sophisticated products like belt tractors and geared tractors in the pursuit of productivity gains and development of contract farming. The domestic Chinese market for tractors is estimated to be growing at the rate of six percent annually. This project will cater to the domestic market with modern, fuel-efficient tractors of the 18 to 33 and 60 horse-power variety. The project meets several of MIGA's strategic priorities: it is a South-South investment (from one developing country into another), and supports the diversification of the agency's portfolio in China. It also supports the Chinese government's ongoing efforts to restructure state-owned enterprises. The project is therefore consonant with the World Bank Group's country participation strategy, which aims to support China's growing integration with the global economy.
China	**Project Name: Deqing Darco Producing Water Company** Guarantee Holder: Darco Environmental Pte. Ltd. MIGA has issued a guarantee of $7.56 million to Darco Environmental Pte. Ltd. of Singapore for its equity investment in the Deqing Darco Producing Water Company. The coverage is for a period of up to 20 years, against the risk of expropriation. The project consists of the construction of a water treatment plant, on a build-operate-transfer basis, that will supply 100,000 cubic meters per day of potable water to residents and industries in Deqing County. Raw water will be sourced from the Dui Hekou reservoir and piped to a water treatment facility, 20 kilometers away from the reservoir. Deqing is one of the fastest developing counties in Zhejiang province with an estimated population of 430,000. Due to its rapid growth, the county has been facing a serious shortage of potable water as well as degradation in the water quality. The project will address the water supply shortage and is expected to contribute to local economic development, urbanization, and public health. Managing resource scarcity and environmental challenges is one of the five themes of the World Bank Group's country partnership strategy for China. Construction of water supply and wastewater treatment plants is a key element of this theme. The investment will bring technological know-how to China's water sector and, if successfully implemented, should have a positive demonstration effect on other water companies in China.
China	**Project Name: Zhenjiang Golden State Water Co. Ltd.** Guarantee Holder: Golden State Water Group Corporation MIGA has issued guarantees totaling $2.32 million to Golden State Water Group Corporation for its equity investment and shareholder loan to the Zhenjiang Golden State Water Co. Ltd. The coverage, for a period of up to 15 years, is against the risk of expropriation. The project involves the restructuring and expansion of an existing water supply project in Zhenjiang, Jiangsu province of China by Zhenjiang Golden State Water Co. Ltd. on a transfer-own-operate basis. The plant provides water supply of 25,000 cubic meters per day to residents and industries in the town of Jianbi. The improvements include building a new water reserve tank, upgrading the plant's automation system, strengthening water quality examination techniques, and streamlining operational resources. The investor will also construct a new active carbon filtration pool (pre-treatment water tank) to improve water quality. (*cont'd*)

Guarantees	
Country	**Activities**
China	(*cont'd*) After restructuring and expansion, the water plant is expected to provide better service and higher quality water. It will also lay the groundwork for the company to construct phase two of the project, which will double the amount of water supplied. China's 11th five-year plan, for the period 2006-2010, estimates that the country needs more than $128.2 billion in investment in the areas of water supply, wastewater treatment, and solid waste treatment. One of the key themes of the World Bank Group's country partnership strategy for China is managing resource scarcity and environmental challenges. Within this theme, constructing water supply and wastewater treatment facilities is a World Bank Group priority in China. MIGA's guarantee support was particularly important for the investor to help mitigate the risks associated with sub-sovereign investment.

Technical Assistance	
Country	**Activities**
Bangladesh	MIGA is supporting the new Bangladesh Investment Climate Facility. The facility, funded by a number of donors and managed by FIAS, is designed to improve the overall investment climate in Bangladesh. MIGA also undertook an institutional assessment of the Bangladesh Export Processing Zones Authority (BEPZA), in support of a FIAS-South Asia Enterprise Development Facility pilot program that aims to reform the investment climate through the development and management of economic zones. The assessment was designed to identify and explore BEPZA's institutional development needs in the context of ongoing discussions on the development of economic zones in Bangladesh, and to identify the support that BEPZA would require to develop the capacity to adapt to its new roles.
Cambodia	MIGA and FIAS are working with the Council for the Development of Cambodia to support a program that has been incorporated into a World Bank private sector development project. The MIGA-FIAS effort involves the formulation and supervision of an investment promotion strategy and the development of an action plan to enhance investment generation, investor servicing, and aftercare services.
China	MIGA continued supporting China's efforts to attract new investment to lesser-developed regions of the country. MIGA and FIAS held a workshop with the Ministry of Commerce and China's Investment Promotion Agency to define a development framework for a national investment promotion strategy and to develop detailed plans for a National Investment Promotion Resource Center. The investment promotion strategy, which includes plans to upgrade sub-national investment promotion and climate reform capacity, will be piloted in six provinces in central China. In addition, building on a recent MIGA-Private Enterprise Partnership (PEP) China benchmarking study of five sectors in Sichuan Province, MIGA conducted a survey of industrial clusters in Sichuan to identify the scope for potential World Bank Group assistance.
Indonesia	In support of PEP-Indonesia and FIAS, MIGA provided advice and training to support a program designed to develop institutional capacity for investment promotion intermediaries in Aceh and other provinces of Indonesia. MIGA is now working with PEP-Indonesia and FIAS on the design of the second phase of this program.
Nepal	MIGA participated in a World Bank Group-sponsored mini-diagnostic on Nepal's investment climate. The diagnostic was designed to quickly understand the critical regulatory constraints to private investment in the country, to propose reform options, to gauge whether conditions exist for sustainable implementation of proposed solutions, and to assess the scope for investment promotion in Nepal. The diagnostic formed the basis for a strategic dialogue with the government on the reform agenda and on its technical assistance needs. FIAS and MIGA are now developing proposals with the government for a technical assistance program.
Philippines	In the Philippines, a joint World Bank-IFC-MIGA-FIAS advisory project was implemented to help improve the country's ability to attract and retain mobile foreign investment. MIGA led a review of investment promotion arrangements, which involved an assessment of the institutional framework and functional capabilities of the country's national and sub-national investment promotion entities, as well as initiating and supporting policy dialogue on investment promotion reform. *(cont'd)*

Technical Assistance	
Country	**Activities**
Philippines	*(cont'd)* MIGA is also providing technical assistance to help the Philippines Board of Investment (BOI) design and implement a Strategic Investor Aftercare Program. In response to some disinvestments in the Philippines in recent years, the BOI's soon-to-be-launched aftercare program seeks to build longer-term relationships with strategically important, existing foreign investors identified as having either further growth potential or as being at risk of contraction or disinvestment. At the request of the Philippine Department of Trade and Industry, MIGA undertook an institutional assessment of the Build-Operate-Transfer Center. The center coordinates build-operate-transfer projects on behalf of the government, including project development, promotion of project investment, and project monitoring.

EUROPE AND CENTRAL ASIA

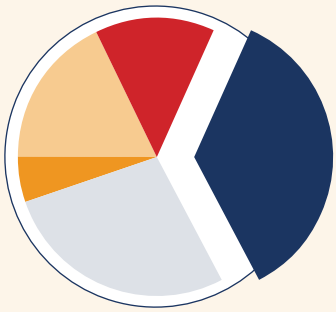
ALBANIA ARMENIA AZERBAIJAN BELARUS BULGARIA BOSNIA-HERZEGOVINA CROATIA (REPUBLIC OF) CYPRUS ESTONIA GEORGIA HUNGARY KAZAKHSTAN KYRGYZ REPUBLIC LATVIA LITHUANIA MACEDONIA MALTA MOLDOVA MONTENEGRO POLAND ROMANIA RUSSIAN FEDERATION SERBIA SLOVAK REPUBLIC TAJIKISTAN TURKEY TURKMENISTAN UKRAINE UZBEKISTAN

GDP in Europe and Central Asia is estimated to have grown by 6.8 percent in 2006, up from 6 percent in 2005. The very rapid expansion of oil-exporting economies, driven by high oil prices and strong domestic demand, and European Union integration continue to underpin rapid and broad-based growth in the region.

Net FDI flows to the region reached a record $116 billion in 2006, up from about $73 billion in 2005. Net FDI flows to Russia and Turkey, the two largest destination countries in the region, increased to $47 billion in 2006, up from $25 billion in 2005. Large privatizations and mergers and acquisitions in several countries contributed to the region's increase in FDI inflows. Private debt flows to the region increased from $127 billion in 2005 to $144 billion in 2006, accounting for almost two-thirds of the total to all developing countries.

During the fiscal year, MIGA guaranteed four projects and supported eight technical assistance projects in the region. At year-end, MIGA's gross guarantee exposure in the region stood at $1.9 billion, equivalent to 36.6 percent of the agency's outstanding portfolio.

Regional Distribution of Outstanding Guarantees Portfolio



$757 M	Asia
$1,941 M	Europe and Central Asia
$1,483 M	Latin America and the Caribbean
$285 M	Middle East and North Africa
$964 M	Sub-Saharan Africa

Regional Development Indicators, Europe and Central Asia

External debt (% of GNI)	41.2
GDP (current US$) (billions)	2,201.2
GNI per capita, Atlas method (current US$)	4,143
Life expectancy at birth, total (years)	69
Population, total (millions)	471.8
Population growth (annual %)	0.1
School enrollment, primary (% net)	91
Surface area (sq. km) (thousands)	24,238.2

Source: World Development Indicators, 2005 data

MIGA has supported more than 160 projects throughout the Europe and Central Asia region with $5.8 billion in guarantees, beginning with $30 million in coverage for a manufacturing project in Hungary in fiscal year 1990.

Guarantees

Country	Activities
Kazakhstan	**Project Name: BTA Ipoteka Mortgage Securitization** Guarantee Holder: First Kazakh Securitization Company, B.V., ABN AMRO Bank N.V. MIGA has issued $10.2 million in guarantee coverage to the First Kazakh Securitization Company, B.V., and $90,000 to ABN AMRO Bank N.V., for a securitization of residential mortgage loans in Kazakhstan. MIGA is providing political risk coverage for a portion of interest payments on the mortgage portfolio in the event of government-imposed transfer and convertibility restrictions, as well as for expropriation. The transaction, valued at $141.4 million, is Kazakhstan's first long-term capital markets issue for a true-sale securitization of mortgages. First Kazakh Securitization Company B.V. will use the proceeds of the issue to refinance the original warehousing arrangements put in place in February 2006 to fund the purchase of receivables arising from Kazakhstani mortgage loans originated by BTA Ipoteka, the consumer lending subsidiary of Bank Turan Alem. The loans are secured on properties located in the Republic of Kazakhstan. MIGA insured the first stage of this securitization in 2006. Kazakhstan has experienced remarkable growth in its residential mortgage market in recent years. The MIGA guarantee will help further Kazakhstan's efforts to support the growth of financial instruments for leasing, mortgages and other assets. This is MIGA's fourth capital markets transaction. MIGA's coverage was instrumental in increasing the transaction's rating by Fitch to A- (above the country ceiling of BBB+).
Russian Federation	**Project Name: Commercial Bank DeltaCredit Closed Joint Stock Company** Guarantee Holder: Société Générale S.A. MIGA has issued a guarantee of $285 million to Société Générale S.A. of France for its $300 million shareholder loan to its subsidiary in the Russian Federation, Commercial Bank DeltaCredit Closed Joint Stock Company (DCB). The guarantee is for a period of 10 years against the risks of transfer restriction and expropriation of funds. This is MIGA's first guarantee in support of a specialized mortgage bank in the Russian Federation. MIGA will play a catalytic role in this transaction, as political risk mitigation is a requirement for the shareholder loan. Mortgage penetration in Russia is among the lowest in European emerging markets. The shareholder loan will finance a portion of DCB's expansion plan to meet the rapidly growing demand for residential mortgages, which is driven by increasing incomes, low mortgage penetration, and inadequate housing stock. DCB, Russia's largest private provider of mortgages, plans to fund this expansion by using various financing sources, which may include corporate bonds, syndicated loans, additional shareholder loans from Société Générale, and securitizations. MIGA's support for this project is in line with the World Bank Group's country partnership strategy for the Russian Federation. The strategy recognizes the rapid development of the banking sector, but acknowledges that the level of financial intermediation is small relative to the needs of the economy. This investment will support the development of private financial intermediation and contribute to the increased provision of specialized banking projects, such as mortgage financing, thus broadening the range of financial services available to the population.
Russian Federation	**Project: Joint Stock Company Import-Export Bank (Impexbank)** Guarantee Holder: Raiffeisen Zentralbank Österreich AG MIGA has issued a guarantee of $33.3 million to Raiffeisen Zentralbank Österreich AG (RZB) of Austria, covering a $35 million subordinated loan to its banking subsidiary, Joint Stock Company Impexbank of the Russian Federation. The coverage is for a period of up to seven years against the risks of expropriation and transfer restriction. RZB's loan is to be used to increase Impexbank's Tier II capital, support private sector operations, and finance anticipated loan growth in the country. The project is expected to contribute to better industry standards and the further development of the Russian banking sector. Foreign banks can introduce international best practices, advanced risk management systems, operational know-how, and training in countries with relatively weak and fragmented financial sectors. Impexbank's expanded services are expected to benefit consumers and have a demonstration effect on Russian banks. (*cont'd*)

Guarantees

Country	Activities
Russian Federation	(*cont'd*) The project is in line with the World Bank's country partnership strategy for the Russian Federation, one of the key objectives of which is to increase effective financial intermediation and opportunities for the entry and growth of new enterprises.
Russian Federation	**Project Name: ZAO Raiffeisenbank Austria** Guarantee Holder: Raiffeisen Zentralbank Österreich AG MIGA has issued a guarantee of $102 million to Raiffeisen Zentralbank Österreich AG (RZB) for a subordinated shareholder loan to its subsidiary ZAO Raiffeisenbank Austria (Raiffeisenbank) in the Russian Federation. The coverage is for a period of up to seven years against the risks of expropriation and transfer restriction. RZB has lent $107 million under a subordinated loan agreement to its Russian subsidiary, Raiffeisenbank, a fully licensed commercial bank offering its clients a complete range of domestic and cross-border operations. The loan will be used by Raiffeisenbank to increase its Tier II capital, support private sector operations, and finance anticipated loan growth in the country. This project supports a leading foreign bank in Russia and is expected to contribute to the strengthening of the country's financial sector, which has a low level of foreign investment. Foreign banks, such as Raiffeisenbank, can introduce international best practices, advanced risk management systems, operational know-how and training in countries with relatively weak and fragmented financial sectors. By supporting the expansion of Raiffeisenbank's high-quality services, this project will benefit consumers and have a demonstration effect on Russian banks.

Technical Assistance

Country	Activities
Croatia	MIGA's Croatia Investment Promotion Outreach Alliance project concluded in 2006. The alliance was supported through a formal partnership between MIGA, USAID, and the Istrian Development Agency. The project's goals were to increase investor awareness of Croatia's investment potential, encourage investors to undertake site visits, and ultimately to support actual investment in the country. As a result of the project, three companies have confirmed their intention to invest in Croatia. The investments are expected to total €20 million and create 350 new jobs over the next three years.
Macedonia	MIGA's support to Macedonia's new investment promotion intermediary, MACinvest, was completed this fiscal year. This technical assistance project was launched in 2005 and was funded by the Austrian Development Agency. The project included capacity building for the new agency, installation of information technology systems, and a contribution to MIGA's Southeastern Europe enterprise benchmarking study. The new government has requested further MIGA/FIAS assistance in implementing targeted investor outreach activities.
Montenegro	A joint project between MIGA and the European Agency for Reconstruction was carried out this fiscal year. Under the eight-month program, MIGA provided technical assistance to the government of Montenegro to support the establishment of the Montenegrin Investment Promotion Agency (MIPA). MIGA helped equip MIPA with the requisite skills, tools, resources, and strategic direction to raise the profile of Montenegro as a competitive investment location and to stimulate and sustain a sufficient flow of FDI to catalyze economic growth. A follow-on technical assistance project is being considered.
Russia	At the request of the government of the Rostov Region, MIGA conducted an institutional needs assessment of the region's investment promotion agency and proposed a program to strengthen the agency's institutional capacity. A training plan has been prepared and discussed with the agency and the administration of the Rostov Region.
Serbia	MIGA is implementing the Serbia Investment Promotion Program (SIPP), an initiative funded by the European Agency for Reconstruction. Under the two-and-a-half year project, MIGA is implementing a range of capacity-building and investment promotion activities. The program's overall objective is to increase FDI flows into Serbia, thereby accelerating the country's transition to a market economy, underpinning the European Union accession process, and creating long-term sustainable private-sector development. A status review of SIPP was recently carried out, revealing several challenges that need to be addressed with the new government.

Technical Assistance	
Country	**Activities**
Tajikistan	MIGA complemented the work of FIAS and the World Bank Group's private sector development team in improving the country's business environment. The results of a joint MIGA-FIAS study focusing on investment climate were addressed in Tajikistan's private sector development strategy.
Regional	Work commenced under MIGA's Invest in the Western Balkans (IIWB) program this year. IIWB is an independent, pan-regional program based in Vienna. The program is an extension of MIGA's European Investor Outreach Program, established in 2004. The main objective of the IIWB is to promote FDI in the Western Balkans, a region comprising Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, and Serbia. The IIWB supports potential investors through all stages of the investment process. MIGA's investment promotion specialists at the IIWB offer customized services to help investors consider their options in the Western Balkans. The program is delivering concrete results, having facilitated 32 site visits by potential investors to the region, as well as six investments, which are expected to generate a total of 500 jobs at full production and an aggregate investment of €30 million. The program also provides feedback to policy makers in the region from potential investors regarding investment climate issues, and plays a role in strengthening the capacity of the region's investment promotion agencies to compete effectively for FDI.
Ukraine	MIGA assessed the existing institutional framework for investment promotion in the country and reviewed the operations of Ukraine's recently established IPA, InvestUkraine. The assessment noted continuing issues with institutional arrangements for investment promotion and the need to develop a national FDI strategy. MIGA-FIAS agreed to provide short-term assistance on strategy development and the design of sectoral marketing initiatives.

LATIN AMERICA AND THE CARIBBEAN

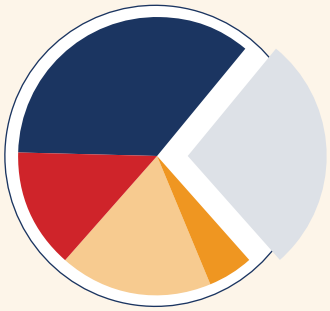
ANTIGUA AND BARBUDA ARGENTINA BAHAMAS BARBADOS BELIZE BOLIVIA BRAZIL CHILE COLOMBIA COSTA RICA DOMINICA DOMINICAN REPUBLIC ECUADOR EL SALVADOR GRENADA GUATEMALA GUYANA HAITI HONDURAS JAMAICA NICARAGUA PARAGUAY PANAMA PERU ST. KITTS & NEVIS ST. LUCIA ST. VINCENT SURINAME TRINIDAD & TOBAGO URUGUAY VENEZUELA

GDP in Latin America and the Caribbean is estimated to have grown by 5.6 percent in 2006, up from 4.7 percent in 2005. This marks the third year of robust growth for the region. Growth has been widespread, with most countries in the region expanding at 3 percent or more in 2006.

Net FDI flows to the region fell slightly in 2006 to $69.4 billion from $70 billion in 2005. The drop in flows was concentrated in Venezuela, due to the country's worsening investment climate, and Colombia, where FDI returned to normal levels after several large privatizations and merger and acquisitions in 2005.

During the fiscal year, MIGA provided guarantees for six projects and undertook five technical assistance projects in the region. At year-end, MIGA's gross guarantee exposure in the region stood at $1.5 billion, equivalent to 28 percent of the agency's outstanding portfolio.

Regional Distribution of Outstanding Guarantees Portfolio



$757 M	Asia
$1,941 M	Europe and Central Asia
$1,483 M	Latin America and the Caribbean
$285 M	Middle East and North Africa
$964 M	Sub-Saharan Africa

Regional Development Indicators, Latin America and the Caribbean

External debt (% of GNI)	30.8
GDP (current US$) (billions)	2,461
GNI per capita, Atlas method (current US$)	4,045
Life expectancy at birth, total (years)	72
Population, total (millions)	550.8
Population growth (annual %)	1.3
School enrollment, primary (% net)	94.9
Surface area (sq. km) (thousands)	20,420.4

Source: World Development Indicators, 2005 data

Overall, MIGA has issued $6.9 billion in guarantees for more than 160 projects in Latin America and the Caribbean, covering all sectors and spanning 20 countries.

Guarantees

Country	Activities
Brazil	**Project Names: Itumbiara Transmissora de Energia Ltda., Porto Primavera Transmissora de Energia Ltda., Vila do Conde Transmissora de Energia** Guarantee Holder: Cobra Instalaciones y Servicios S.A. MIGA has issued guarantees totaling $61.4 million for investments in three Brazilian transmission line projects by Cobra Instalaciones y Servicios S.A. (Cobra) of Spain. The projects are being developed on the basis of three identical concessions awarded in March 2005 through a competitive bidding process. The first project involves guarantees of $35.4 million for Cobra's investment in the Itumbiara Transmissora de Energia Ltda. (ITE) transmission line. The coverage is for 15 years against the risk of breach of contract, and up to ten years against the risk of transfer restriction. The ITE project consists of the construction and operation of a 500-kV transmission line from the existing Itumbiara substation in the Municipality of Araporã (State of Minas Gerais) to the existing Cuiabá substation in the Municipality of Cuiabá (State of Mato Grosso). The project will be an interconnector between the North-Northeast, North Central West, and the Southeast regions' grids. The second project involves guarantees of $20.6 million for the Porto Primavera Transmissora de Energia Ltda. (PPTE) transmission line. The coverage is against the risk of breach of contract and transfer restriction for up to 15 and ten years, respectively. The PPTE project consists of the construction and operation of two 230-kV transmission lines, both originating from a new substation in the Municipality of Rosana (State of São Paulo) but ending at two different existing substations: one near Dourados and the other near Campo Grande, both in the State of Mato Grosso do Sul. The new substation (Porto Primavera) is being built on Ilha do Bananal, near the left (southeast) bank of Rio Paraná on 8 hectares within the existing Porto Primavera (also known as Engenheiro Sérgio Motta) hydroelectric complex on the Rio Paraná, located just upstream of the confluence with the Rio Paranapanema, in the Municipality of Rosana. The project will be an interconnector between the Central West and the Southeast Regional grids. The third project involves a $5.4 million guarantee covering an investment in the Vila do Conde Transmissora de Energia (VCTE) transmission line project. The coverage is against the risks of transfer restriction and breach of contract for up to 15 years. The project consists of the construction and operation of a 500-kV transmission line from the existing Tucuruí substation in the Municipality of Tucuruí to the existing Vila do Conde substation in the Municipality of Barcarena, all in the State of Pará. The project is a third circuit that will deliver power from the Tucuruí hydropower project on the Rio Tocantins to meet the growing demand of, and improve the reliability of the primary power supply to, the city of Belem and the industrial zone of Barcarena. Transmission lines in Brazil tend to cover large distances, because most energy is produced in hydroelectric dams located far from major energy consumption centers. The interconnected transmission line system allows for more consistent generation of energy, as it permits regions of the country to continue receiving energy even if there is a dry spell. For nearly two decades, investment in Brazil's electricity sector remained low, a result of austerity programs begun in the early 1980s. But in an effort to spur economic growth, the Cardoso administration instituted reforms allowing private participation in the infrastructure sector. Today, most of the resources for expansion of transmission lines result from public-private partnerships, with 13,700 additional kilometers of lines having been constructed since the late 1990s, resulting in the direct employment of some 25,000 people. The projects are part of this overall effort and are expected to further facilitate Brazil's electricity distribution, providing a consistent energy source needed to fuel the country's economic growth. The projects are in line with the World Bank's country assistance strategy for Brazil, one of the key objectives of which is to help the country become more competitive through improved infrastructure.

Guarantees

Country	Activities
Ecuador	**Project Name: Termoguayas Generation S.A.** Guarantee Holders: Rodeo Power Pte. Ltd., New Energy Industrial Ltd. MIGA has provided $102.6 million in investment insurance to Rodeo Power Pte. Ltd. (Rodeo) of Singapore and New Energy Industrial Ltd. (New Energy) of the British Virgin Islands, wholly owned subsidiaries of Keppel Energy Pte. Ltd. Rodeo and New Energy have respectively provided a shareholder loan for five years and equipment leases of seven years to Termoguayas Generation S.A. (TGSA), another wholly owned subsidiary of Keppel Energy. TGSA, the project enterprise, has entered into a 15-year concession contract with the National Electricity Council of Ecuador. MIGA's insurance is providing coverage against the risks of transfer restriction, expropriation, and breach of contract over the period of the loan and leases. Keppel Energy, through TGSA, has installed and is operating a 150 MW barge power project in Guayaquil, Ecuador. TGSA leases the project assets from New Energy, which consist of five barges mounted with engines and generator sets and shore-based support facilities, including fuel storage tanks, an electrical switchyard, and a 230-kV transmission line connecting the project to the national grid. Ecuador has experienced severe power shortages, particularly in the dry season, as hydro-generation makes up more than 50 percent of the country's total installed capacity. The majority of installed thermal capacity in Ecuador consists of older and less efficient plants, resulting in high generation costs. TGSA's power barges will be able to provide reliable and competitive energy to alleviate electricity shortages and to prevent brownouts that would have a serious negative impact on the economy. The project is also expected to result in significant cost savings to the energy sector of Ecuador due to its ability to dispatch electricity at a lower cost than most of the existing thermal plants. MIGA's participation in this project is aligned with its commitment to support infrastructure projects and promote South-South investments.
Jamaica	**Project Name: The Bank of Nova Scotia Jamaica Limited** Guarantee Holder: The Bank of Nova Scotia MIGA has issued a guarantee for $37.4 million to The Bank of Nova Scotia of Canada, covering a $39.4 million on-lending loan to its subsidiary, The Bank of Nova Scotia Jamaica Limited. The coverage is for a period of up to 15 years against the risks of transfer restriction, expropriation of funds, and breach of contract. The project will support the Kingston Port Container Terminal in Jamaica. The loan to The Bank of Nova Scotia Jamaica Limited is earmarked to support the Port Authority of Jamaica in the fifth phase of its main container terminal expansion. MIGA issued a guarantee in fiscal year 2006 to support the fourth phase of the expansion. The fifth phase is designed to bring a capacity increase of 1.58 million additional 20-foot containers (equivalent units) per year. This expansion, expected to be completed in 2008-09, would more than double the capacity of the Kingston Container Terminal. The project fits into the government's overall strategy of fostering and maintaining economic growth, which has suffered from infrastructure constraints. The fifth phase of the expansion is anticipated to generate average incremental earnings of foreign exchange of $28 million per year for the next 15 years.
Uruguay	**Project Name: Botnia South America S.A.** Guarantee Holder: Oy Metsä-Botnia Ab MIGA has issued a guarantee of $300 million to Oy Metsä-Botnia Ab of Finland for its equity investments in a greenfield pulp mill, a free trade zone, and plantations in Uruguay. The coverage, for a period of up to 15 years, will protect the investments against the risks of expropriation, war and civil disturbance, and breach of contract. The project represents the largest foreign investment in Uruguay's history, and is considered very important for the country's economic development. (*cont'd*)

Guarantees

Country	Activities
Uruguay	(*cont'd*) The project involves the construction of a new pulp mill in Fray Bentos, Uruguay, to produce bleached eucalyptus kraft pulp, which will be exported to paper manufacturers in Europe, Asia and North America. The project is expected to produce one million tons of pulp per year and consume 3.5 million cubic meters of wood annually. Approximately 140,000 ha of eucalyptus plantations will be used to supply this wood. For the most part, these plantations are developed on soils that are not suitable for agriculture and are used primarily for cattle grazing. The mill is designed to implement best available techniques as identified by the European Union (EU) in a 2002 directive. The techniques and control measures used will ensure that emissions and effluents comply fully with EU and US Environmental Protection Agency standards, and are therefore acceptable under MIGA's environmental guidelines. The mill is located on a site on the east bank of the River Uruguay about 5 km upstream of the town of Fray Bentos. Established in 1859, the town's economy was closely associated with a well-known meat processing plant until the plant closed in 1979. As a result of the closure, the local economy became depressed; families were forced to rely on public sector employment and pensions; and unemployment rates jumped substantially higher than the national average. The project will help the country move further up the value chain beyond the export of raw materials. The plant will generate value added equivalent to 1.6 percent of Uruguay's entire GDP (based on 2005 figures) and slightly more than 8 percent of the country's exports for each year of full-capacity production. The direct and indirect employment is especially significant for the region's unemployed and low-income residents. During the peak construction phase the plant will employ 4,500 workers, of which 80 percent are Uruguayan. In the operational stage, direct and indirect employment is estimated to exceed 6,000 new jobs. Expected regional environmental improvements related to the mill include treating wastewater from the nearby town of Fray Bentos; generating electricity from mill operations that will offset 68,000 tons a year of carbon dioxide and reduce acid rain by replacing oil burned in public generating plants; treating the untreated effluent of an older, unrelated pulp mill in the nearby town of Mercedes; and producing sufficient sodium chlorate to allow local mills in Argentina and Uruguay to move to elemental chlorine-free pulp production. MIGA's participation in the project complements the World Bank Group's long-term strategy in Uruguay, which supports the expansion of the private sector in areas where the country is internationally competitive. MIGA's participation in the project also complements the work of the IFC, which is providing $170 million in debt financing.

Technical Assistance

Country	Activities
Colombia	MIGA's assistance to the Chamber of Commerce of Bogotá in the creation of an investment promotion agency for the Bogotá/Cundinamarca region reached a turning point this year. Invest in Bogota, the new investment promotion agency, was formally inaugurated in September 2006. This initiative represents MIGA's first sub-national promotion effort in Latin America. During the past year, the focus has been on establishing the institutional structure, building capacity among staff, completing studies aimed at defining sectors to be targeted over the next three years, and initiating outreach operations. MIGA also completed a short-term project with ProBarranquilla that began in fiscal year 2006. This included an assessment of the agency's operations, improving its tracking and management of investors, facilitation and site visit capacity, and links with partners.
Guatemala	MIGA's support to Guatemala's national investment promotion agency has been closely coordinated with the World Bank's lending operations. MIGA's technical assistance to Invest in Guatemala (IIG) involves staff training, strategic planning, partner development, and guidance on executing proactive investment promotion campaigns. These campaigns emphasize the attraction of employment-generating FDI and export-oriented operations. MIGA has worked with IIG to develop sector promotion programs in light manufacturing, agribusiness and forestry, tourism, and services. During calendar year 2006, IIG was responsible for facilitating over $425 million in new FDI in the above sectors, far surpassing their target of $100 million. MIGA's support to the agency concluded in June 2007.

Technical Assistance	
Country	**Activities**
Honduras	MIGA continued its work with the Foundation of Investment and Development of Exports (FIDE) Honduras, the country's national investment promotion agency, in cooperation with a World Bank trade and competitiveness loan. The focus during the year was on continuing the proactive campaigns launched by FIDE Honduras. This included initiatives in light manufacturing and tourism. Staff worked with the agency on lead generation, mission planning, logistics, selling propositions, market intelligence, and the work program for the upcoming year.
Nicaragua	For a number of years, MIGA has provided technical assistance to ProNicaragua, the national investment promotion agency, with support from a World Bank Competitiveness Learning and Innovation Loan. Among ProNicaragua's achievements are the generation of close to $240 million in new FDI and more than 22,000 direct jobs in a host of sectors. In the MIGA 2006 IPA Performance Review, ProNicaragua was given special recognition for its professional treatment of potential investors and the quality of information on its website.
Regional	With financial support from the Commonwealth Secretariat, MIGA conducted a four-country benchmarking evaluation in the Caribbean, covering Jamaica, the Dominican Republic, St. Lucia, and Belize. See above.

MIDDLE EAST AND NORTH AFRICA

ALGERIA BAHRAIN EGYPT IRAN (ISLAMIC REPUBLIC OF) ISRAEL JORDAN KUWAIT LEBANON LIBYA MOROCCO OMAN QATAR SAUDI ARABIA SYRIAN ARAB REPUBLIC TUNISIA UNITED ARAB EMIRATES YEMEN

Average GDP growth in the region for 2006 is estimated at 5 percent, up from 4.3 percent in 2005. Key drivers of growth have been high oil prices and strong domestic demand in the oil-exporting countries. Many oil-importing economies in the region benefited from spillover effects of high oil prices, including increased exports, tourism receipts, and remittance flows.

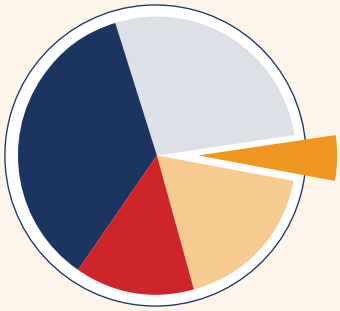
Booming oil revenues have fueled strong intra-regional financial flows. Net FDI flows to the region increased from $13.8 billion in 2005 to $19.2 billion in 2006, driven mainly by foreign investments from oil-exporting Gulf countries in the energy, infrastructure, real estate, and tourism sectors.

Although MIGA did not guarantee any projects in the region during the fiscal year, important groundwork was laid, enabling the agency to begin guaranteeing projects backed by an Islamic financing structure. At year-end, MIGA's gross guarantee exposure in the region stood at $285 million, equivalent to 5.4 percent of the agency's outstanding portfolio.

One of MIGA's flagship events during the fiscal year was an intra-regional investment summit held in Dubai in February 2007. The two-day "Broader MENA Investment Summit" brought together key business executives and financiers from across the region. The effort was coordinated with, and supported by, external partners including The Islamic Corporation for the Insurance of Investments and Export Credit and the Dubai International Financial Center.

During the fiscal year, MIGA undertook three technical assistance projects in the region.

Regional Distribution of Outstanding Guarantees Portfolio



$757 M	Asia
$1,941 M	Europe and Central Asia
$1,483 M	Latin America and the Caribbean
$285 M	Middle East and North Africa
$964 M	Sub-Saharan Africa

Regional Development Indicators, Middle East and North Africa

External debt (% of GNI)	27.6
GDP (current US$) (billions)	625.3
GNI per capita, Atlas method (current US$)	2,198
Life expectancy at birth, total (years)	70
Population, total (millions)	306
Population growth (annual %)	1.8
School enrollment, primary (% net)	90.3
Surface area (sq. km) (thousands)	8,990.5

Source: World Development Indicators, 2005 data

MIGA has issued $0.5 billion in guarantees for 18 projects in ten countries in the Middle East and North Africa, covering investments in general banking, manufacturing, sanitation services, sewerage systems, oil and gas, telecommunications, and tourism.

Technical Assistance	
Country	**Activities**
Egypt	MIGA is implementing a technical assistance project to help develop institutional capacity within the General Authority for Free Zones and Investment (GAFI). MIGA has been helping GAFI establish an investor information system, providing recommendations on the appropriate institutional structure, facilitating incoming investment, and providing training for GAFI staff and partners. Future work will focus on FDI competitiveness, outbound campaigns in specific sectors, and the establishment of a contact management system.
Oman	MIGA carried out an institutional assessment of The Omani Center for Investment Promotion and Export Development and in the process, helped ICIEC develop its ability to use MIGA's assessment methodology to evaluate promotion intermediaries in its member countries. MIGA provided strategic advice to The Omani Center on its development as the country's lead promotion agency.
Yemen	At the request of Yemen's government, MIGA undertook a rapid diagnostic assessment of the country's overall investment promotion institutional arrangements. The purpose of the assessment was to assist the government in reviewing relevant legislation, regulations, and institutional arrangements concerning organizational mandates and capabilities to deliver investment promotion in Yemen.

SUB-SAHARAN AFRICA

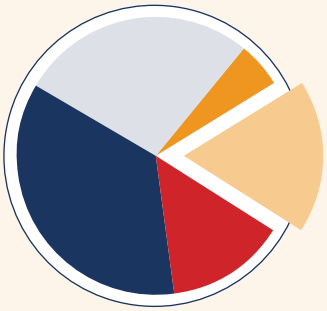
ANGOLA BENIN BOTSWANA BURKINA FASO BURUNDI CAMEROON CAPE VERDE CENTRAL AFRICAN REPUBLIC CHAD CONGO (DEMOCRATIC REPUBLIC OF) CONGO (REPUBLIC OF) CÔTE D'IVOIRE DJIBOUTI EQUATORIAL GUINEA ETHIOPIA ERITREA GABON GAMBIA GHANA GUINEA GUINEA-BISSAU KENYA LESOTHO LIBERIA MADAGASCAR MALAWI MALI MAURITANIA MAURITIUS MOZAMBIQUE NAMIBIA NIGERIA RWANDA SENEGAL SIERRA LEONE SEYCHELLES SOUTH AFRICA SUDAN SWAZILAND TANZANIA TOGO UGANDA ZAMBIA ZIMBABWE

GDP in sub-Saharan Africa is estimated to have grown by 5.6 percent in 2006, down marginally from 5.8 percent in 2005. This robust performance has been broadly based, with about half the countries in the region growing by 5 percent or more and only seven growing by less than 2 percent. High commodity prices, a fall in the incidence of conflicts, strong global growth, improved macroeconomic performance, and the cumulative effect of several years of microeconomic policy reform have been key contributing factors to the region's expansion.

Net FDI flows to the region rose by about $2 billion to $18.5 billion in 2006. As in the past, FDI has flowed mostly into resource-rich countries.

During the fiscal year, MIGA provided guarantees in support of 11 projects and undertook ten technical assistance projects in the region. At year-end, MIGA's gross guarantee exposure in the region stood at $964 million, equivalent to 18.2 percent of the agency's outstanding portfolio.

Regional Distribution of Outstanding Guarantees Portfolio



$757 M	Asia
$1,941 M	Europe and Central Asia
$1,483 M	Latin America and the Caribbean
$285 M	Middle East and North Africa
$964 M	Sub-Saharan Africa

Regional Development Indicators, Sub-Saharan Africa	
External debt (% of GNI)	37
GDP (current US$) (billions)	621.9
GNI per capita, Atlas method (current US$)	746
Life expectancy at birth, total (years)	47
Population, total (millions)	743.1
Population growth (annual %)	2.3
School enrollment, primary (% net)	65.7
Surface area (sq. km) (thousands)	24,265.1

Source: World Development Indicators, 2005 data

MIGA has issued $2.3 billion in guarantees for investments in Africa since fiscal year 1991, supporting 90 projects ranging in size from less than $1 million to more than $1 billion, and spanning 27 countries across the region.

Guarantees	
Country	**Activities**
Burkina Faso	**Project Name: Société Burkinabé de Promotion Hôtelière** Guarantee Holder: Société Malienne de Promotion Hôtelière MIGA has issued two guarantees totaling $2.9 million to Société Malienne de Promotion Hôtelière of Mali to cover its equity investment in Société Burkinabé de Promotion Hôtelière of Burkina Faso, as well as its loan guarantee to IFC. The guarantees are for a period of eight years against the risks of transfer restriction, expropriation, and war and civil disturbance. The project involves leasing the existing Hôtel Indépendance in the capital city of Ouagadougou from the government, as well as renovating, equipping and expanding it into a three-star international business hotel. In September 2004, the government called for a tender to lease the hotel for a 15-year term as part of a gradual process to transfer ownership of the building to the private sector. Société Malienne de Promotion Hôtelière won the bid jointly with local Burkinabé investors. The project is expected to enhance the capital city's hospitality infrastructure in support of Burkina Faso's efforts to establish itself as a regional center for business tourism. The project will also generate local jobs, and support the growth of small and medium-size businesses such as shops, food and beverage suppliers, and bus operators. The project is also expected to transfer management expertise and training to local staff. The government will also benefit from an increase in taxes and foreign exchange. The project addresses three of MIGA's priority areas: an investment in an IDA-eligible country, which is among the world's poorest; an investment in an African country; and a South-South investment. This is a joint MIGA-IFC project. Through this joint intervention, the World Bank Group is supporting a South-South investment that promises to pave the way for additional investments from the same sponsor, as well as from other investors in the region. The project is also in line with the Bank Group's country assistance strategy for Burkina Faso, which identifies the development of the private sector as one of its pillars. In particular, it supports the IDA-financed Competitiveness and Enterprise Development project. The project was underwritten through MIGA's Small Investment Program.
Cameroon	**Project Name: National Financial Credit Bank S.A.** Guarantee Holder: Loita Capital Partners International Limited MIGA has issued $1.8 million in guarantee coverage to Loita Capital Partners International Limited of Mauritius, covering its equity investment in the National Financial Credit Bank S.A. of Cameroon, as well as a portion of its management fees. The guarantee is for a period of five years against the risks of transfer restriction, expropriation, and war and civil disturbance. The project involves the creation of a newly licensed commercial bank, National Financial Credit Bank S.A., to provide micro-credit and other financial services to clients, including small and medium-size enterprises. The creation of this new bank will infuse critically needed funds into the local financial market, and transfer skills and services from the investor to the local institution. The National Finance Credit Company (NFCC) has been operating as a savings and credit institution in Cameroon since 1989. With seven branches across the country, the NFCC is one of the most diversified savings institutions in Cameroon. The investor, Loita Capital Partners International Limited, is providing the technical and managerial expertise needed to upgrade NFCC from a savings institution to a full-fledged bank, per the requirements of the Banking Commission of the Central African States. As a result, NFCC received a banking license in 2006 under the new name of National Financial Credit Bank S.A. MIGA's participation in the project will support critically needed investments in the financial sector in Cameroon and strengthen the government's capacity to manage reform, privatization, and development in the sector. The project addresses two of MIGA's priority areas: an investment in an IDA-eligible country, which is among one of the world's poorest; and a South-South investment. MIGA's participation in the project also complements the World Bank's country assistance strategy for Cameroon, which is based on strengthening the institutional framework for pro-poor economic management, service delivery, and reduction of constraints to private sector development.

Guarantees	
Country	**Activities**
Ghana	**Project Name: Barclays Bank of Ghana Ltd.** Guarantee Holder: Société de Promotion et de Participation pour la Coopération Economique MIGA has issued $1.33 million (including principal and interest) in guarantees to Société de Promotion et de Participation pour la Coopération Economique of France, covering its $1.2 million nonshareholder loan to Barclays Bank of Ghana Ltd. The loan will enable the bank to provide long-term financing to a local business that manufactures water storage tanks. The guarantee is for a period of four years and covers against the risk of currency transfer restriction (excluding inconvertibility). The guarantee will allow the project enterprise to extend a loan to Polytank Ghana Limited, a plastic container and roto-molded water tank manufacturing business based in Ghana. The loan will be used by the company to purchase machinery to improve its molding business and to diversify into other products like bottle crates. To ensure a continuous and sustainable growth in sales, Polytank sells its products in bulk to customers. Polytank's turnover grew by 62 percent and 69 percent in 2004 and 2005, respectively. The company's sales levels are expected to grow by about 20 percent with the help of improvements made possible by the loan extended by Barclays Bank. Ghana is an IDA-eligible country. MIGA's participation in this project is aligned with several agency priorities, including supporting the poorest in Africa. MIGA's guarantee also complements the World Bank Group's country assistance strategy for Ghana, which aims to eliminate poverty by stimulating private sector development.
Guinea	**Project Name: Orange Guinée S.A.** Guarantee Holder: Société Nationale des Télécommunications du Sénégal MIGA has issued a guarantee of $59.4 million to Société Nationale des Télécommunications du Sénégal (Sonatel), covering its $112.25 million equity investment in Orange Guinée S.A. The ten-year coverage provides protection against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. The project involves the operations and maintenance of a GSM cellular network in Guinea. The license and concession agreement provided by the government of Guinea require Orange Guinée to roll out coverage to all of Guinea's geographic zones within two years. This is one of the largest foreign investments made in Guinea, and is expected to offer a number of benefits. The project will generate government revenues in the form of taxes and fees, including an $18.75 million license fee. Orange Guinée will provide direct employment and training to 400 Guineans. Subscribers will benefit from reduced costs due to increased competition and the diverse product offerings. The nationwide coverage that Orange Guinée will provide within two years will open up access to populations who are underserved or have no access to telephone services, particularly in rural areas. This project is aligned with the World Bank Group's support to improving Guinea's investment climate. Overall growth and economic diversification in the country have been hampered by a weak investment climate, including weaknesses in the telecommunications sector. Without the MIGA coverage, Sonatel would not have committed to the investment. MIGA's participation in this project supports several agency priorities including South-South investment, investment in Africa, and investment in the infrastructure sector.
Guinea-Bissau	**Project Name: Société Guinéenne de Promotion Hôtelière** Guarantee Holder: Société Malienne de Promotion Hôtelière MIGA has issued a guarantee of $0.6 million to Société Malienne de Promotion Hôtelière (SMPH) for its equity investment in Société Guinéenne de Promotion Hôtelière. The guarantee is for a period of up to ten years, against the risks of transfer restriction, expropriation, and war and civil disturbance. SMPH has acquired the Hotel 24 Setempro in Bissau, the capital of Guinea-Bissau, following a competitively bid privatization. The hotel will be renovated into a four-star business hotel of international standing. The renovation of this centrally-located hotel in the capital city will support Guinea-Bissau's efforts to attract foreign direct investment and to develop its potential as a "nature and adventure" destination for tourists. (*cont'd*)

Guarantees	
Country	**Activities**
Guinea-Bissau	(*cont'd*) The World Bank has supported the privatization of the Hotel 24 Setempro and other state-owned assets under the Private Sector Rehabilitation and Development Project. The sponsor considers MIGA's role as crucial to the smooth implementation of its investment in Guinea-Bissau and their overall development strategy in a time of rapid expansion. SMPH is also renovating a hotel in Burkina Faso with the support of a MIGA guarantee. The project addresses three of MIGA's priority areas: an investment in an IDA-eligible country; an investment in an African country; and a South-South investment. This is the first guarantee that MIGA has issued in support of an investment in Guinea-Bissau. The project was underwritten through MIGA's Small Investment Program.
Kenya	**Project Name: Kibos Sugar and Allied Industries Limited** Guarantee Holder: Industrial Development Corporation of South Africa Ltd. MIGA has issued additional coverage of $7 million to the Industrial Development Corporation of South Africa Ltd. (IDC) to reflect an increase in the amount of its non-shareholder loan to Kibos Sugar and Allied Industries Limited. In 2006, MIGA issued a $6.2 million guarantee to IDC covering its $6.5 million non-shareholder loan to the project enterprise. The guarantee coverage will continue to be against the risks of expropriation, transfer restriction, and war and civil disturbance for a period of up to eight years. IDC's increased loan amount will fund an expansion of the greenfield sugar plant's production capacity. The crushing capacity will be expanded from 375,000 to 495,000 tons per year, resulting in a 25 percent increase in the amount of sugar produced. The sponsors will also expand the areas under cultivation from 2,000 to 3,000 hectares (ha) of irrigated sugar cane estate. The amount cultivated by small growers in the vicinity of the factory will also be increased from 2,000 to 3,000 ha. For more information on this project, visit www.miga.org/kibos1.
Mozambique	**Project Name: Companhia de Sena S.a.r.l.** Guarantee Holder: Mauritius Commercial Bank Limited MIGA has issued two guarantees totaling $22.1 million to Mauritius Commercial Bank Limited, covering senior and mezzanine loans that it has taken over from the original guarantee holder, Sena Development Limited. The loans are for a sugar plantation project in Mozambique. The guarantees are for a period of ten years and cover against the risks of currency transfer restriction, expropriation, and war and civil disturbance. The amended contracts replace contracts signed between MIGA and Sena Development Limited for loans extended to Companhia de Sena S.a.r.l. in 2001. The modification of the earlier contracts reflects the assignment to Mauritius Commercial Bank Limited of the loans granted by Sena Development Limited to Companhia de Sena S.a.r.l. The project involves the rehabilitation of Mozambique's largest sugar estate. It employs 6,000 people on a permanent basis, as well as 2,000 seasonal workers. It injects $7 million in annual salaries and wages into the local Marromeu economy, and contributes an estimated $33 million annually to the Mozambican economy via import substitution and export earnings. The project addresses two of MIGA's priority areas: an investment in an IDA-eligible country and in sub-Saharan Africa. MIGA's participation in the project also complements the World Bank's country assistance strategy for Mozambique, which supports the government's poverty reduction strategy, and focuses on three areas: spurring broad-based economic growth by improving the business environment; improving the provision of services, particularly to the poor; and strengthening governance.
Mozambique	**Project Name: Sasol Pipeline Project** Guarantee Holder: The Standard Bank of South Africa Ltd, Corporate and Investment Banking Division MIGA has issued additional coverage of $49.7 million to Standard Corporate and Merchant Bank of South Africa through its Corporate and Investment Banking Division. MIGA originally issued coverage in support of the Sasol Pipeline project in fiscal year 2003 and an additional increase in 2004. MIGA's total coverage for the project is now $171.6 million. (*cont'd*)

Guarantees	
Country	**Activities**
Mozambique	(*cont'd*) The additional coverage of $49.7 million is for SCMB's $27 million loan to the project enterprise, Companhia Mozambique de Gasuduto S.a.r.l. (CMG) and a $13 million loan guarantee on behalf of CMG. The risks covered are transfer restriction, expropriation, and war and civil disturbance for a period of 15 years. The guaranteed loan will be used by the CMG to acquire an equity stake in the investment project. The project consists of an 865 km gas pipeline for the central processing facility in Mozambique to South Africa. The pipeline is owned and operated by the Republic of Mozambique Pipeline Investment Company. For project details, please refer to www.miga.org/sasol1 and www.miga.org/sasol2.
Nigeria	**Project Name: Aarti Steel Nigeria Ltd.** Guarantee Holders: Rockland Steel Trading (P) Ltd.; State Bank of India MIGA has issued guarantee coverage in the amount of $11.4 million to Rockland Steel Trading (P) Limited of India and to the State Bank of India. The guarantees cover $0.45 million of Rockland Steel's equity investment in Aarti Steel (Nigeria) Limited (ASNL), and $10.9 million of non-shareholder loans made by the State Bank India to ASNL. The MIGA guarantees provide coverage against the risks of transfer restriction, expropriation, and war and civil disturbance. Aarti Steel Nigeria Limited has constructed a greenfield manufacturing plant for steel galvanizing in Ogun State. The new facility has a manufacturing capacity of 50,000 tons a year, with a provision to expand this capacity, and produces galvanized steel coils, galvanized plain steel sheets, and galvanized corrugated (roofing) steel sheets. When the facility is fully online, it is expected to be the largest local manufacturer, employing about 200 individuals onsite, with an additional 1,000 individuals expected to be employed indirectly in the provision of support and ancillary services. The plant uses piped compressed natural gas as its main energy source. Natural gas will be used to produce electric power for captive consumption through a gas generator, as well as for all heating and melting furnaces. This approach will avoid the emission of CO_2 and also supports the government's policy of using gas for productive purposes instead of flaring. Flaring and venting of natural gas in oil wells is a significant source of greenhouse gas emissions. Nigeria's increasing wealth and population is driving market demand for galvanized plain and galvanized corrugated steel sheets. Galvanized corrugated sheets are used as roofing material on nearly all houses in Nigeria and the surrounding region. The plain metal sheeting will also be used in a variety of industries including agricultural implements, consumer durable goods, hardware for domestic and industrial construction, railways, and machinery manufacturing. The project will also bring modernized and efficient processes to Nigeria's relatively weak manufacturing sector. This project meets MIGA's priorities of supporting South-South investments and investments in frontier markets. It is also consistent with the World Bank Group's country partnership strategy for Nigeria, which builds on the government's strategy of promoting private sector-led growth, particularly in the non-oil sector.
Uganda	**Project Name: Umeme Limited** Guarantee Holder: Globeleq Holdings (ConCo) Limited MIGA has issued a guarantee of $39.6 million to Globeleq Holdings (ConCo) Limited of Bermuda, covering its equity investments in and shareholder loan to Umeme Limited of Uganda. This is a modification of a previous contract signed in fiscal year 2005. The modification of the previous contract reflects the restructuring of this project due to current power sector problems in Uganda. The guaranteed percentage is 90 percent for both the equity and shareholder loans. The modification is for a period of 18 years and two months against the risks of transfer restriction, breach of contract, and war and civil disturbance. The project involves the operation of the electricity distribution system in Uganda. The government of Uganda leases the electricity grid to the joint venture partners (Globeleq and Eskom) in exchange for periodic lease payments. In turn, Umeme buys bulk electricity from the government-owned transmission company, UETCL, under an agreed tariff arrangement. (*cont'd*)

Guarantees

Country	Activities
Uganda	(*cont'd*) Umeme and the government of Uganda have negotiated a new agreement on required energy supply levels for 2007-2013, as well as an agreement on how to share the risk (and benefits) related to losses and collections. MIGA's participation in the project will support critically needed investments in the power sector in Uganda and strengthen the government's capacity to manage reform, privatization, and development in the sector. The project addresses two of MIGA's priority areas: an investment in an IDA-eligible country and in sub-Saharan Africa. MIGA's participation in the project also complements the World Bank's country assistance strategy for Uganda, which focuses on directly increasing the ability of the poor to raise their incomes; improving the quality of life of the poor; creating an enabling environment for economic growth; and ensuring good governance and security.
Uganda	**Project Name: Bujagali Energy Ltd.** Guarantee Holder: World Power Holdings Luxembourg S.à.r.l. As part of its ongoing support for Uganda's power sector, MIGA has issued $115 million in guarantee coverage for the Bujagali hydropower project. The guarantee is insuring an investment by World Power Holdings Luxembourg S.à.r.l., a subsidiary of Sithe Global (USA), against the risk of breach of contract. The insurance is for up to 20 years. The project consists of the construction and operation of a 250 megawatt, run-of-the-river hydropower plant on the Victoria Nile by Bujagali Energy Ltd. (BEL), of which Sithe Global is a partner. The project will be developed on a build-own-operate-transfer basis. Once commissioned in 2011, the plant will re-use water flowing from two existing upstream facilities to generate electricity. The project also includes an associated Interconnection Project, which consists of a series of transmission lines to be owned and operated by the Uganda Electricity Transmission Company. Reliable and accessible electricity is critical for Uganda's social and economic development. Yet today, only five percent of Ugandan's have access to electricity. Daily power shortages have stunted economic growth by an estimated one percent of the country's gross domestic product. The Bujagali project is expected to increase supply to the national power grid at the lowest cost compared to other power generation expansion options under Uganda's energy strategy, thereby reducing outages and costs. Total project cost is estimated at $799 million. In addition to MIGA's guarantee, the World Bank Group is supporting the project with $130 million in loans from the IFC and a partial risk guarantee of up to $115 million from the International Development Association. MIGA's guarantee was considered essential to securing Sithe Global's investment. This is the second electricity project supported by MIGA in Uganda in two years.

Technical Assistance

Country	Activities
Ghana	Ghana participated in the MIGA-Swiss Partnership, an investment facilitation program co-funded by the Swiss government. Under the initiative, MIGA helped Ghana identify opportunities to integrate better into the international economy, for example, by leveraging opportunities generated by preferential trade access agreements. Follow-up being provided includes technical assistance to the country's investment promotion agency, as well as co-sponsorship of a major study of the country's information and communication technology sector. Ghana participated in MIGA's Enterprise Benchmarking Program (see details above).
Lesotho	MIGA provided capacity-building assistance to the Lesotho National Development Corporation, with the goal of diversifying incoming investment. Lesotho also participated in MIGA's Enterprise Benchmarking Program.
Liberia	MIGA recently carried out an institutional needs assessment of the National Investment Commission of Liberia. The assessment is part of a multi-year joint MIGA-FIAS-PEP program to enhance the country's investment climate. The program includes components such as facilitation of a public-private dialog mechanism and development of an investment promotion strategy and a business plan for the commission.

Technical Assistance	
Country	**Activities**
Mali	MIGA is implementing a multi-year program to advise the government of Mali on the establishment of an investment promotion agency. In addition, MIGA conducted an assessment of Mali's existing investment facilitation entity. This work, which will be carried out together with the World Bank's PSD unit for Africa, is expected to contribute to the improvement of Mali's business and investment climate. Mali also participated in MIGA's Enterprise Benchmarking Program.
Namibia	MIGA has worked with the Namibian authorities to undertake a review of the country's institutional environment for investment and trade. MIGA has provided a report that is presently being discussed with the authorities.
Mozambique	MIGA recently completed its cooperation with the World Bank Group on the Enterprise Development Project in Mozambique, providing assistance to and monitoring progress of the country's Investment Promotion Center. Under the project, MIGA helped design and manage work related to the institutional reform and capacity building of CPI, a central element of which was the installation of industrial infrastructure in the Beluluane Industrial Park. Other noteworthy achievements under the CPI program included the implementation of an institutional restructuring and staff re-assignment exercise, preparation and implementation of a multi-year Corporate Plan, and organization of targeted investor outreach activities. Mozambique also took part in the investment facilitation program co-funded by the Swiss government. (See above for details on the MIGA-Swiss Partnership.)
Sierra Leone	MIGA agreed last year to undertake an integrated technical assistance program with FIAS and the International Trade Center (ITC, WTO/UNCTAD), to help restructure and build the capacity of the Sierra Leone Export Development and Investment Corporation. This is one component of a multi-year program funded by FIAS and the Department for International Development of the United Kingdom. The program aims to improve the business climate and facilitate private sector development in Sierra Leone; build capacity in the public and private sectors to maximize the impact of private sector reform and to improve productivity; and promote growth via private sector development. MIGA's role is to help build a dynamic institution with two properly constituted and functioning trade and investment promotion functions. Work so far has focused on helping the government to develop a clear roadmap for this effort and facilitating intra-government discussion. This program represents an innovative approach to addressing the needs of conflict-affected countries. Sierra Leone expects to launch the agency later in the year.
South Africa	MIGA completed a joint project with FIAS to help the South African Department of Trade and Industry develop a strategy and structure to promote inward investment into the country. MIGA's role focused on delivering an investment promotion strategy and work program to the department to guide the restructuring of the country's national investment promotion program. This report helped shape the South African government's own report on restructuring its investment promotion function.
Uganda	MIGA is providing technical assistance to the Uganda Investment Authority (UIA) focused on the design and implementation of effective outreach programs to attract international investment and to provide assistance to potential investors. The program is funded by a grant from the Austrian Development Agency. This year's work included a needs assessment of the investment authority, support for the investment authority's facilitation and servicing of investors, development of a corporate plan to match income and expenditure, and production of materials to market opportunities in Uganda in general, as well as the launch of the new Kampala Industrial Business Park. Uganda participated in MIGA's Enterprise Benchmarking Program.