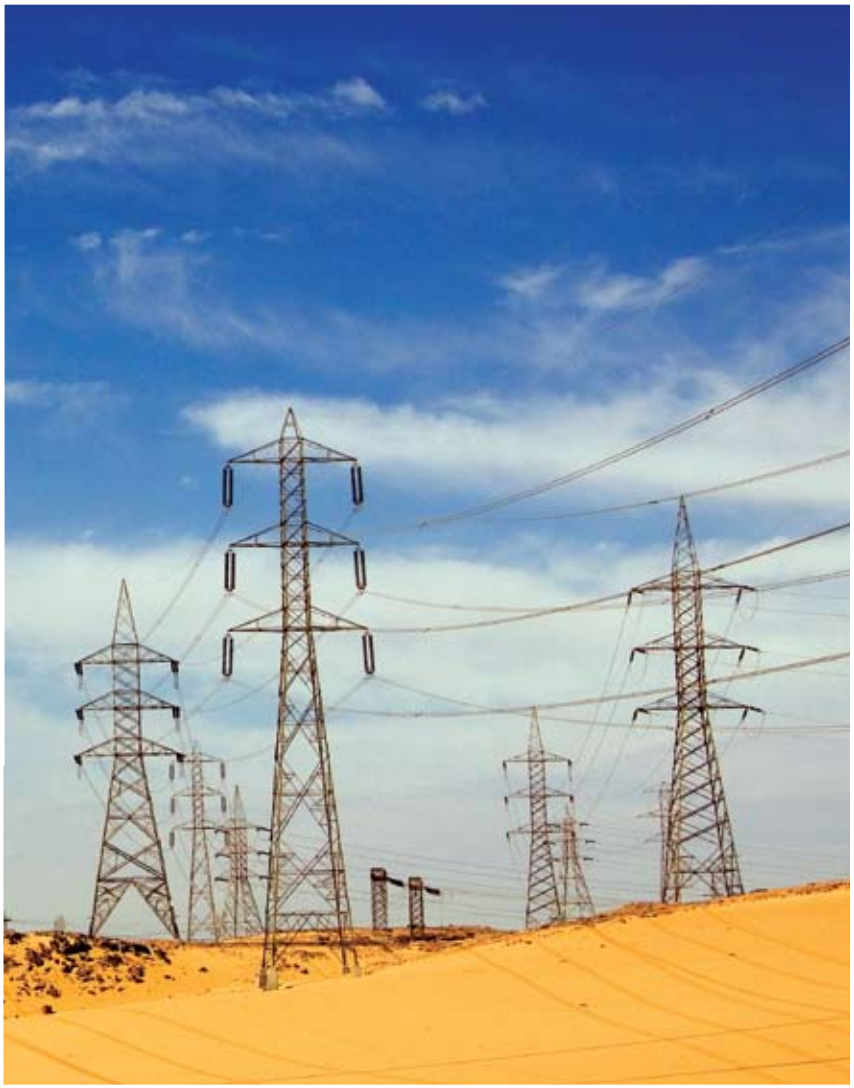
OPERATIONAL OVERVIEW

Guarantees

Technical Assistance

Online Investment Information and Knowledge Services



Guarantees

Fiscal year 2008 was a very good year for MIGA, with new guarantee issuance reaching $2.1 billion. This is the largest amount of new gross exposure in MIGA's history. The increase in coverage represents the fourth consecutive year of growth in the amount of guarantees issued by the agency. The coverage reflects MIGA's focus on supporting projects in countries that carry a higher perception of risk—including in Africa, IDA-eligible and conflict-affected countries—facilitating complex infrastructure transactions, and working with investors and client countries to help them resolve disputes and keep guaranteed investments on track.

Risk Perception Increases with Uncertainty in Global Financial Markets

After four years of robust GDP and trade growth, supported by strong financial markets, fiscal year 2008 witnessed a growing liquidity crunch in credit markets triggered by subprime losses in the mortgage industry in the United States. Despite strong production growth at the aggregate level, higher food and energy prices caused real incomes to decline, significantly increasing the hardships faced by the very poor, particularly in urban centers. Although conditions in global financial markets turned from exceptionally favorable to less stable and less predictable, growth for developing countries as a group is expected to moderate from 7.8 percent in 2007 to a still strong 6.5 percent in 2008. Net foreign direct investment (FDI) flows to developing and high-income countries continued to surge in 2007, with global inflows reaching an estimated $1.7 trillion, just over a quarter of which went to developing countries. Net FDI inflows to developing countries as a whole increased to an estimated $471 billion. Despite the resilience demonstrated by some countries, increased volatility made many developing countries more vulnerable, resulting in increased risk perception and underscoring the need for MIGA's support to attract profitable and developmentally beneficial foreign direct investment.

MIGA Keeps Pace with Changing Political Risk Insurance (PRI) Market

The PRI market in which MIGA operates has been changing rapidly over the last few years. Since 2002, there has been a marked increase in FDI into emerging markets, coupled with a decrease in perceptions of political risk. At the same time, the PRI market has witnessed the entry of new private sector players and the growth of operations of existing players. This has altered the competition dynamic by strengthening the bargaining power of customers. Together, these factors have resulted in significant downward pressure on premium rates in the PRI market. In this environment, MIGA has been able to maintain its relevance by providing coverage for "riskier" post-conflict countries and frontier markets, and for longer tenors; tailoring its instruments to meet the needs of diverse investor groups; and deepening collaboration with other public and private insurers.

Operational Activities Illustrate Agency's Added Value

MIGA's operational activities in fiscal year 2008 were mainly guided by the development needs of member countries, the demands of a changing FDI environment and PRI market, and the desire to complement other insurers and institutions that provide similar services. The agency remained focused on its mandate of promoting sustainable FDI into developing economies, particularly in the areas where it has a comparative advantage and offers maximum value: the world's poorest (IDA-eligible countries); conflict-affected countries; complex infrastructure projects; and South-South investment.

Given the agency's strong performance in achieving its priorities, MIGA's operational directions for the next three years—approved by the Board this fiscal year—will remain focused on the same priority areas. At the same time, the agency will continue to strengthen business development, streamline internal processes, and continue to develop market intelligence. These priority areas and operational guidelines will help the agency support underserved markets and clients, while remaining financially sustainable.

Guarantees Portfolio Reaches New Heights

Against a backdrop of turmoil in financial markets, MIGA scaled up its support for FDI flows into developing member countries. The agency issued $2.1 billion in guarantees in fiscal 2008, representing a $730 million increase over 2007. Gross portfolio exposure increased from $5.3 billion to $6.5 billion (see Figure 2). MIGA guarantees were spread across 24 projects, with about 63 percent or 15 projects, representing $689.6 million, in IDA-eligible (the world's poorest) countries. Nine projects, representing $218 million, were in sub-Saharan Africa—another area of special focus for the agency. In addition, $99.1 million in coverage was in support of eight projects in conflict-affected countries. South-South investments accounted for 29 percent of projects supported.

In fiscal year 2008, 50 contracts were cancelled. In addition, four contracts were replaced. 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.

The fiscal year 2008 results bring total volume of guarantees issued since MIGA's inception to $19.5 billion, including amounts leveraged through the Cooperative Underwriting Program.

MIGA's Support for Small Projects Continues

The agency continued its support for small projects under the Small Investment Program (SIP). The SIP has played an important role in facilitating MIGA's engagement with small-scale projects and SMEs. The streamlined underwriting and approval procedures make the program more cost-effective for both investors and MIGA.

During the fiscal year, MIGA issued seven contracts for six projects totaling $8.6 million under the SIP. Almost all of the guarantees are supporting projects in IDA-eligible countries, including two in Afghanistan, one in the Democratic Republic of Congo, and one in Rwanda. Four are in conflict-affected countries.

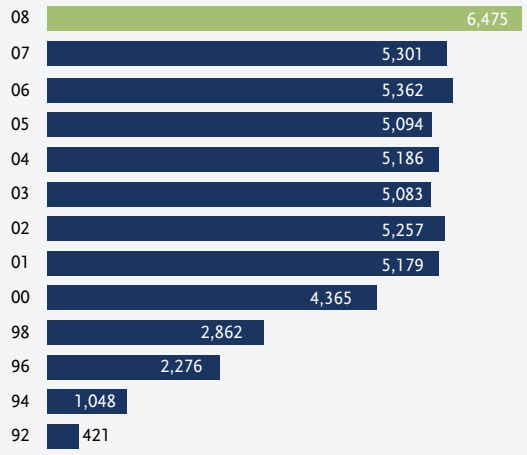
This year, the SIP graduated from the pilot phase and was integrated into MIGA's standard operations with two modifications—an increase in the investment size threshold from $5 million to $10 million, and a formal restriction on eligible projects to the finance, agribusiness, manufacturing, and services sectors. (See Box 1 for more.)

Dispute Resolution and Pre-Claims Assistance: Keeping Investments and Benefits on Track

MIGA adds value to the projects it supports by working with host countries and investors to help resolve disputes that may derail guaranteed projects and lead to claims. The agency initiates and assists in settlement discussions when disputes arise in order to ensure that projects supported by MIGA continue to operate (preserving value for the investor) and avoid a claim (which would negatively affect the investment reputation of the host country). MIGA has historically been very successful in settling disputes—resulting in a very low number of claims payments made (three)—and the agency's efforts are usually welcomed by investors and host countries. The agency relies on the cooperation and willingness of all parties involved to reach amicable settlements. When a claim becomes inevitable, MIGA ensures that valid claims are dealt with fairly and promptly.

MIGA did not pay any claims during fiscal year 2008. During the year, however, MIGA monitored situations in nine countries, some of which may lead to claims. One of these relates to a new claim application received under MIGA's war and civil disturbance coverage, and the agency is awaiting further information on the value and timing of the loss. MIGA also successfully resolved investment disputes related to guaranteed projects in

FIGURE 2 Guarantees Portfolio, Gross Outstanding Exposure, $ M



Promoting Growth of SMEs in Developing Countries

Small and medium-size enterprise (SMEs) are an important source of economic growth and job creation in most developing countries. According to the World Bank Institute, SMEs account for over 60 percent of GDP and 70 percent of total employment in countries with GNP per capita between $100 and $500. In middle-income countries, they produce close to 70 percent of GDP and 95 percent of total employment. Therefore, encouraging the growth of SMEs in the world's poorest countries is critical for poverty reduction and economic development.

SMEs face a number of market and institutional disadvantages due to their size, including limited access to finance. Given the contribution of this sector to the economic development of the least developed countries, MIGA had made it a priority to facilitate the growth and development of SMEs by encouraging foreign investors to invest in or lend to smaller ventures. The agency's SIP program was created with the specific purpose of providing political risk insurance to foreign businesses and financial institutions that invest in SMEs or lend to them through local affiliates.

The SIP has been an important program for the agency, allowing MIGA to be more accessible to smaller investors. Since it was launched in 2005, MIGA has issued more than $36.5 million in guarantees for 17 projects under the SIP. This year, MIGA's support for SMEs came in the form of $8.6 million in investment guarantees through the program.

After a successful three-year pilot period, the SIP was integrated into MIGA's mainstream program this year. At the same time, the size of the eligible investment for SIP projects was increased to $10 million.

An effective way of helping the smallest businesses is to support commercially viable microfinance institutions that finance low-income entrepreneurs, who have little or no access to mainstream banks. In fiscal year 2008, MIGA supported the establishment of a for-profit, national, and fully regulated microfinance bank that will provide financing and savings instruments to micro-enterprises in Afghanistan. The MIGA-supported project—BRAC Afghanistan Bank—was underwritten under the SIP and is expected to lower the costs of loans for smaller businesses and help expand economic opportunity for low-income populations in the country. (See page 37 for project description.)

SIP Projects Supported in FY08

Host Country	Investor Country	Sector	Guarantee Amount ($ M)
Afghanistan	Cayman Islands	Financial	0.11
Afghanistan	United States of America	Services	0.87
Algeria	Switzerland	Services	4.08
Bosnia and Herzegovina	Germany	Manufacturing	1.12
Congo, Democratic Republic of	India	Manufacturing	0.63
Rwanda	Cayman Islands	Financial	1.8

three countries. No claim was filed. In another case, MIGA worked closely with the World Bank to help resolve an investor-related regulatory dispute in an African country, which was close to resulting in a claim. In the end, the dispute was settled, and the infrastructure project continues to provide essential services to the country.

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.

Innovating to Remain Relevant

MIGA continues to innovate to remain relevant in a dynamic business environment.

In an effort to expand and diversify its activities within the scope of its operational strategy, MIGA continued to develop tailor-made solutions to assuage investor concerns about perceived risks. For example, for the first time, MIGA issued a Shariah-friendly guarantee for a project in response to the growing demand for products supporting transactions deemed permissible by Islamic jurisprudence. The size of the investment required a significant amount of political risk coverage and willingness to insure a project in a country—Djibouti—considered by traditional insurers to be high risk. MIGA adapted its traditional guarantee product to meet the relatively unique and complex needs of Islamic finance. (See Box 2)

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

A portfolio's regional distribution is often viewed from the perspective of the amount of guarantees issued. But project size is not always an indicator of development impact, particularly in Africa, where small investments can provide far-reaching spin-off effects that create jobs and spur economic growth. During the fiscal year, MIGA provided $218 million in guarantee support for nine projects in sub-Saharan Africa. The region accounted for 38 percent of new projects supported by the agency in fiscal year 2008.

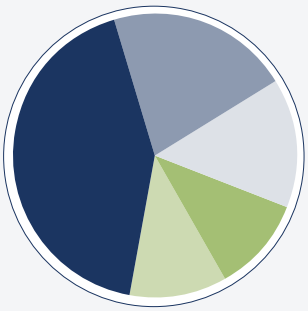
Particularly notable among the projects supported is a telecommunications project in Guinea-Bissau, which became a member country in 2007. The project, for which MIGA issued guarantees of $25.9 million, is an excellent example of MIGA's additionality in promoting investments from one developing country into another, otherwise known as South-South investment (see Box 3 for more). MIGA also provided guarantee coverage for a project in the Central African Republic for the first time. The project—considered critical for the poverty-stricken, landlocked country—involves the installation, operation and maintenance of a state-of-the-art telecommunications network operating on 100 percent digital GSM technology. (See page 49 for project description.)

In fiscal year 2008, MIGA guaranteed three projects, totaling $36.6 million, in Asia. Two of the projects were in Afghanistan—a priority for MIGA as a conflict-affected country—including a microfinance project set to provide credit and other financial services to SMEs in the country.

Nine projects in Eastern Europe and Central Asia made up the largest share in terms of volume of guarantees issued in fiscal year 2008. Among them was the agency's support for a financial institution that serves Turkey's local SME sector, which has not benefited much from the country's recent rapid credit growth. Given the importance of a thriving SME sector for long-term employment generation and poverty reduction in emerging economies, this project is expected to have a strong development impact.

In Latin America and the Caribbean region, MIGA provided $158.5 million in guarantees for the landmark Autopistas del Sol S.A. in Costa Rica, which is the first Public Private Partnership (PPP) toll road concession in the country. The project, consisting of the design, construction and/or rehabilitation, operation and maintenance of portions of the toll road linking San José to the port city of Caldera, is expected to be the first

FIGURE 3 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.

A Shariah-friendly Guarantee

The Islamic finance industry has been growing at a rate of more than 15 percent a year for the past several years, with an annual turnover of about $70 billion, according to a World Bank Group publication, *Risk Analysis for Islamic Banks*. As a result, the financial world is witnessing a growing demand for products that can support transactions deemed permissible by Islamic jurisprudence or Shariah. In fiscal year 2008, a project in Djibouti gave MIGA the opportunity to adapt its traditional business tools to meet the unique and complex needs of Islamic finance.

The Project

With few natural resources and little industry, Djibouti's economy is fully dependent on port-related services. A state-of-the-art container terminal in Doraleh was considered vital to the country's economic growth. The project—Doraleh Container Terminal (DCT)—proposed by DP World and its partners could help Djibouti become a major business hub in East Africa by increasing port traffic, improving facilities, and opening up new opportunities for investment and growth. But the investment required a significant amount of political risk coverage.

The Financing Structure

The DCT project was funded under an Islamic financing structure, meaning the project financing satisfied the commercial requirements of the project enterprise and the financiers, while ensuring compliance with Islamic jurisprudence. The following Shariah-compliant financial instruments were used:

- *Musharaka*—an arrangement where two or more partners pool resources (capital and contract rights) to jointly own assets or undertake a commercial venture.
- *Istisna'a*—a contractual agreement for constructing or developing assets, allowing cash payment in advance and future delivery of the assets.
- *Ijara*—a mode of finance wherein the right to use an asset is leased by the owner (the lessor) to another party (the lessee) in exchange of rental payments.

The financing structure also involved a purchase undertaking and a sale undertaking.

The Guarantee Instruments

MIGA's non-shareholder loan contract normally covers scheduled payments of principal and interest under a single loan agreement. If the loan is accelerated by the lenders, MIGA still pays under the original schedule. To create a parallel obligation under Islamic financing, MIGA covered:

- Advance rental and rental under the Forward Lease Agreement;
- The termination payment under the Istisna'a Agreement (per the original lease schedule) if the construction is not completed;
- DCT's payment obligation to purchase the assets from the project financiers (per the original lease schedule) if the Purchase Undertaking is exercised;
- In the event of an unwinding of the partnership and where none of the above amounts are payable, the amount owed by DCT as partner to the financiers under the Musharaka Agreement (per the original lease schedule), which will only include the "profit" component to the extent determined by a judge according to the Musharaka Agreement.

References to "interest" in the contract were replaced with "late payments," which would be donated to charitable foundations.

MIGA's modified guarantee contract received a seal of approval from the Shariah Supervisory Board in Dubai Islamic Bank. And the agency subsequently issued $427 million in guarantees in December 2007, helping the project sponsors raise the financing needed to get the project going. (See page 47 for project description.)

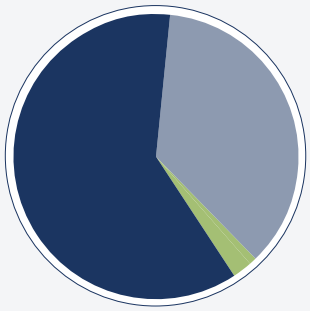
TABLE 3 MIGA's Outstanding Guarantee Portfolio in IDA-Eligible Countries

IDA-eligible Countries	Gross Exposure ($ M)	% of Gross	Net Exposure ($ M)	% of Net
Djibouti	407.4	6.3	121.0	3.4
Mozambique	237.3	3.7	160.7	4.5
Bosnia and Herzegovina (blend)	189.1	2.9	134.4	3.8
Uganda	157.6	2.4	80.0	2.2
Ghana	132.4	2.0	115.4	3.2
Nigeria	108.6	1.7	93.4	2.6
Vietnam	106.4	1.6	38.6	1.1
Kenya	101.6	1.6	87.0	2.4
Nicaragua	95.0	1.5	47.5	1.3
Lao PDR	88.8	1.4	44.4	1.2
Pakistan (blend)	87.8	1.4	74.3	2.1
Bangladesh	78.3	1.2	70.4	2.0
Afghanistan	78.2	1.2	36.9	1.0
Guinea	71.8	1.1	64.8	1.8
Moldova	68.6	1.1	38.0	1.1
Indonesia	50.0	0.8	50.0	1.4
Madagascar	38.9	0.6	37.4	1.0
Central African Republic	37.7	0.6	37.7	1.1
Nepal	30.0	0.5	14.1	0.4
Guinea-Bissau	29.5	0.5	26.6	0.7
Congo, Democratic Republic	29.1	0.4	28.7	0.8
Mali	16.2	0.3	14.6	0.4
Angola	14.7	0.2	13.2	0.4
Bolivia	14.3	0.2	12.8	0.4
Côte d'Ivoire	11.2	0.2	11.2	0.3
Kyrgyz Republic	8.1	0.1	7.4	0.2
Mauritania	5.4	0.1	4.9	0.1
Sierra Leone	5.0	0.1	4.5	0.1
Burkina Faso	3.5	0.1	3.1	0.1
Rwanda	1.8	0.0	1.8	0.1
Albania	1.6	0.0	1.6	0.0
Benin	1.0	0.0	0.9	0.0
Total	**2306.7**	**35.6**	**1477.2**	**41.3**

highway concession in Costa Rica to successfully reach financial closing and begin operations.

In the Middle East and North Africa region, MIGA guaranteed its first Shariah-compliant project financing, which earned plaudits from industry stalwarts. With guarantees totaling $427 million, MIGA's gross exposure in the region rose significantly to 11 percent this year, in keeping with the World Bank Group's strategy for greater involvement in the region.

FIGURE 4 Guarantees Issued by Sector in FY08



Sectoral Diversification

At 41 percent, the infrastructure sector accounted for the largest gross exposure in MIGA's portfolio, illustrating that investors clearly believe that the agency has a comparative advantage in supporting complex infrastructure investments. This is especially true when it comes to cash-intensive investments that involve municipal governments, and when it comes to securing financing at better rates and for longer periods.

More than 37 percent of the agency's gross exposure this year was in the financial sector. The large exposure in the financial sector in the Eastern Europe and Central Asia region is mainly the result of a large guarantee to support loans to SMEs in Turkey and the rapid expansion of Austrian banks in Southeast Europe and the Commonwealth of Independent States over the past few years. Financial sector development plays an integral and pivotal role in the successful integration of transitional economies. With MIGA's support, these economies are benefiting from the presence of experienced foreign banking institutions, in terms of establishing best practices, introducing new technologies, developing new products, reaching out to underserved consumers, and in general, fostering competition.

Oil, gas and mining accounted for over 9 percent, and the agribusiness, manufacturing, and services accounted for nearly 13 percent of the agency's gross exposure. See Figure 4 for the sectoral distribution of guarantees issued in 2008. To see how the fiscal year's activities by sector compared with other years, see Table 4.

Host and Investor Country Diversification

The Russian Federation remained the agency's largest single country exposure with outstanding gross coverage representing 13.6 percent of the total portfolio. Turkey was second with more than 10 percent of coverage. Djibouti, a new MIGA member country, had the fourth largest exposure with the agency's support for the Doraleh Container Terminal project. Elsewhere, MIGA continued to play a significant role in the development of Bosnia and Herzegovina. The post-conflict country retained its position in the top ten largest country exposures in the agency's portfolio, along with Mozambique. And for the first time in the last four years, Costa Rica appeared in the top ten, due to MIGA's guarantees in support of the San

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

	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Infrastructure	36	41	38	39	41	41	41
Financial	35	29	35	39	33	29	37
Oil, gas, and mining	12	12	11	9	14	13	9
Agribusiness, manufacturing, and services	17	18	16	13	13	17	13

Note: Figures may not add up to 100 due to rounding.

Box 3

Agency Support of South-South Investment on the Rise

FDI originating in developing countries and destined for other developing countries is on the rise, but the growing development potential of this so-called South-South investment is inhibited by political risks. A report, published by MIGA on its PRI-Center knowledge portal, highlighted both the perceptions of political risk by companies based in emerging markets, and the challenges in mitigating those risks.

South-South Investment Rising Fast

Over the past few years, the growth rate of outward FDI from emerging markets has outpaced the growth from industrialized countries. According to *World Investment Report 2006*, global FDI from developing and transition economies reached $133 billion in 2005, representing about 17 percent of global outward flows. Nearly 90 percent of South-based companies in a client survey conducted by MIGA said that they expected their overseas investments to increase over the next five years. The vast majority planned to invest in emerging markets over the next year. But they also see the world becoming riskier for business in the coming years. And not only are emerging economies perceived to be riskier than industrialized countries, but the risks are also expected to increase in the next five years.

South-based Companies Increasingly Wary of Political Risk

Although South-based companies appear to have a higher tolerance for risk compared to their North-based counterparts, they are increasingly conscious of the need to protect their investments as they go into unfamiliar markets. For instance, MENA-based investors, evolving from small, family-owned businesses to sizeable international firms, are becoming more conscious of the need for risk management, according to ICIEC, which contributed to the MIGA report.

Some 80 percent of political risk insurance providers surveyed by MIGA said they expected demand for PRI by South-based investors to go up in the next five years. South-based PRI providers appear to be responding to this demand in different ways, although some are facing capacity constraints.

MIGA Guarantees for South-South Investments on the Rise

MIGA has the flexibility to tailor its guarantee products to meet the needs of South-South investors. In fiscal 2008, MIGA issued $520.7 million in guarantee coverage (compared to $249 million in the previous year) to facilitate investments from emerging markets into other emerging markets. (See Table below.) The share of guarantees issued for South-South investments rose from 18 percent of total business underwritten by the agency in fiscal year 2007 to 25 percent this year. South-South projects supported this year included an investment made by an Indian company into the Democratic Republic of Congo for a PVC pipe manufacturing plant outside Lubumbashi in Katanga Province. Another South-South project this year was intra-regional—an investment by a Senagalese telecommunications company for the installation, operation and maintenance of a cellular network in Guinea-Bissau. (See page 50 for project description.)

South-South Investments Supported in FY08

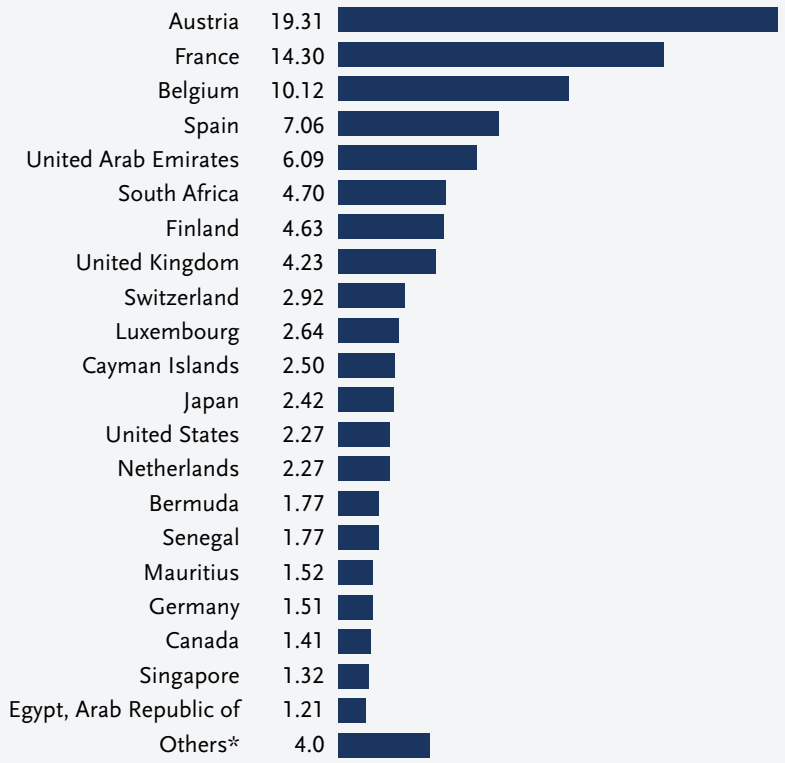
Investor Country	Host Country	Sector	Guarantee Amount (excluding CUP) ($ M)
United Arab Emirates	Djibouti	Infrastructure	413.61
India	Democratic Republic of Congo	Manufacturing	0.63
Lebanon	Nigeria	Manufacturing	7.14
Mauritius	Democratic Republic of Congo	Services	25.15
Mauritius	Madagascar	Infrastructure	19.90
Poland	Ukraine	Manufacturing	21.04
Romania	Moldova	Financial	7.35
Senegal	Guinea-Bissau	Telecommunications	25.9

TABLE 5 Ten Largest Outstanding Country Exposures in MIGA Portfolio

Host Country	Gross Exposure ($ M)	% of Gross	Net Exposure ($ M)	% of Net
Russian Federation	880.4	13.60	311.9	8.72
Turkey	671.8	10.37	217.5	6.08
Ukraine	623.1	9.62	297.9	8.33
Djibouti	407.4	6.29	121.0	3.38
Uruguay	300.6	4.64	108.6	3.03
Mozambique	237.3	3.66	160.7	4.49
Brazil	235.4	3.64	143.1	4.00
Costa Rica	192.3	2.97	99.4	2.78
Bosnia and Herzegovina	189.1	2.92	134.4	3.76
China	169.0	2.61	141.3	3.95

José-Caldera toll road project. MIGA continues to help middle-income countries on their path towards sustained economic growth with support for infrastructure development. Among these countries, Brazil and China retained their positions among the top ten host countries to receive MIGA support. (See Table 5.)

FIGURE 5 Outstanding Portfolio Distribution, by Investor Country, Percent of Gross Exposure



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

The United Arab Emirates registered among MIGA's top five investor countries for the first time, reflecting the agency's focus on promoting South-South investment and the MENA region. Austria was the top investor country, followed by France, Belgium, and Spain. And South Africa retained its importance as an investor country, contributing to intra-regional investments and MIGA's South-South FDI priority. (See Figure 5.)

Agency FineTunes Policies

Also notable during the year were MIGA's continued efforts to finetune its operational policies and models to enhance its efficiency and relevance. In fiscal year 2008, MIGA implemented a new portfolio risk management framework based on the concept of economic capital for a comprehensive approach to the measurement and management of risk in its guarantees portfolio. In this context, MIGA's reinsurance policy was also modified in order to use treaty and facultative reinsurance to selectively retain exposure on MIGA's books or share risks with reinsurance partners.

During the year, MIGA revised its broker policy following an extensive review of its broker-driven business and current broker policies with regard to both public and private PRI providers. The new policy—effective from March 1, 2008—supports MIGA's enhanced marketing and business development strategies.

In fiscal year 2008, the agency implemented two additional new policies—the policy and performance standards on social and environmental sustainability, and the policy on disclosure of information. In compliance with the new policies, this year MIGA began disclosing summaries of proposed projects, as well as expected environmental and social impacts for proposed projects, on its website. The policies—designed to reinforce MIGA's role as a multilateral development agency with a business model built around openness and transparency—were put in place after a public review and consultation period in fiscal year 2007. (Visit www.miga.org/policies.)

Collaboration with the World Bank Group Enhanced

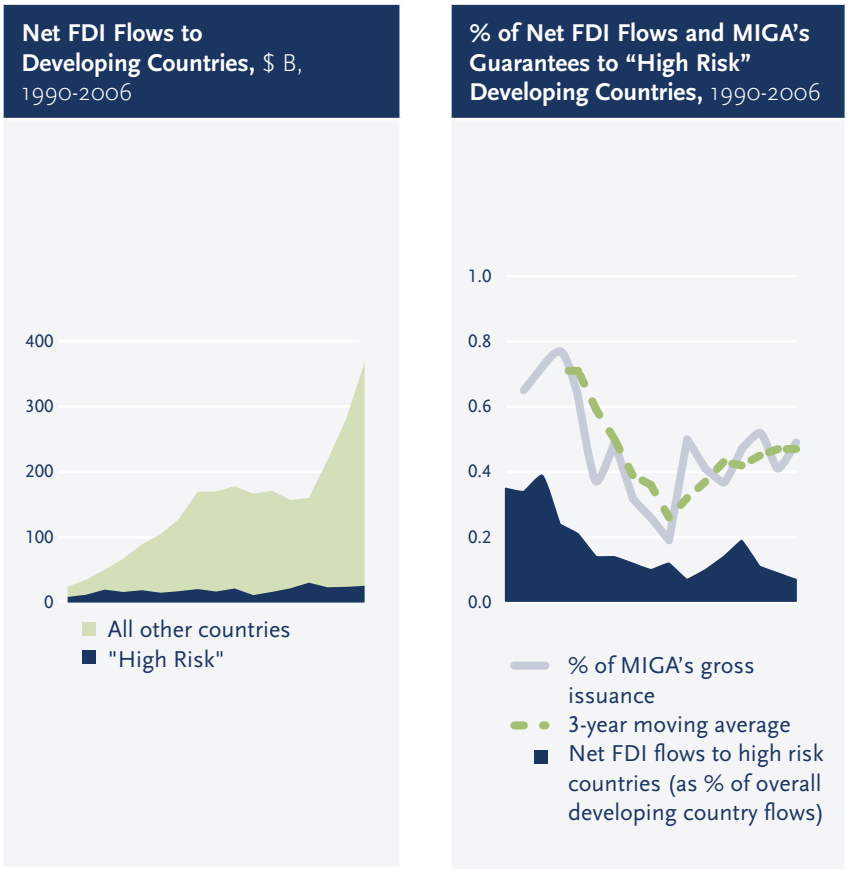
In all its undertakings, MIGA seeks to draw on the complementary strengths of the World Bank Group, leveraging the various products and services across the respective institutions for the benefit of host countries and to maximize development impact. During the fiscal year, MIGA continued to place a strategic focus on strengthening its working relationship with the World Bank and the IFC.

Collaboration with IFC was especially fruitful on MIGA's new policy and performance standards on social and environmental sustainability, and the new policy on disclosure of information, allowing the agency to harmonize policies to the extent possible. MIGA also consulted extensively with World Bank staff on infrastructure projects. In addition, MIGA collaborated with the Bank and IFC on the Bank Group's new regional integration strategy for Africa, as well as country assistance strategies and interim strategy notes across all regions. MIGA also worked closely with the Bank on the preparation of the Strategic Framework on Climate Change and Development for the World Bank Group, and the World Bank Group Sustainable Infrastructure Action Plan. Moreover, MIGA continued to liaise with the Bank and IFC's external communications teams on a range of issues, including project-specific activities such as the implementation of the communications action plan for the Bujagali hydropower project.

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 FDI.

FIGURE 6 FDI Flows and MIGA Guarantees to Countries Seen as "High Risk"



Notes: "High risk" countries are 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 are not included in the data set.

Reinsurance arrangements with other insurers increase MIGA's capacity to support large projects. As a result of its risk mitigation effect, MIGA's involvement encourages other insurers 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, 2008, $2.9 billion of MIGA's total gross exposure was reinsured.

Partners

MIGA continues to work with both facultative and treaty reinsurance providers.

During fiscal 2008, MIGA entered into facultative reinsurance agreements with 12 private sector insurance partners, one public sector insurer, and two multilateral insurers. MIGA partnered for the first time with the African Trade Insurance Agency, Hannover Re, Swiss Re, and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC). The cooperation with ICIEC included MIGA's first guarantee coverage for Islamic project finance in support of the Doraleh Container Terminal project in Djibouti. Besides ICIEC, seven private sector reinsurers participated in the $220 million syndication arranged by MIGA for the project.

During the year, MIGA continued to work with its treaty reinsurance partners, ACE Bermuda Insurance Co. Ltd. and XL Re Ltd., ceding a portion of the contingent liability related to its contracts of guarantee through quota-share treaty reinsurance agreements.

Four MIGA Projects Win Top Industry Honors

During fiscal year 2008, four MIGA projects, spanning four regions, received prestigious awards from Euromoney's *Project Finance* magazine and Thomson Financial's *International Securitisation Report*. The award winners include the Bujagali Power project in Uganda, named African Power Deal of the Year; the Doraleh Container Terminal project in Djibouti, African Transport/Ports Deal of the Year; the Autopista del Sol project in Costa Rica, Latin America PPP Deal of the Year; and the BTA Ipoteka deal in Kazakhstan, RMBS Deal of the Year Europe.

The scope of the awards reflects not only MIGA's focus on supporting innovative deals in areas ranging from infrastructure to Islamic finance in all regions of the world, but also the agency's ability to adapt its traditional guarantee instruments and global project finance practices to meet the needs of diverse investor groups.

While recognizing MIGA's participation in the Djibouti project, *Project Finance* magazine noted that MIGA had supported the project at a time when the country did not even have a OECD ECA risk classification and no international project bank had designated credit limits for Djibouti. The Doraleh Container Terminal project in Djibouti also received the best country deal award from Malaysia's *Islamic Finance News* magazine, where awardees are chosen through a comprehensive survey of finance industry peers.

The Costa Rica toll road project was cited by *Project Finance* as the first PPP toll road concession in the country that could provide a model for future toll road deals in the country and stimulate support for other, much-needed infrastructure development. The same project also won the Finance Project of the Year Award at the Sixth Annual Latin American Leadership Forum in Miami this year. The project was especially commended for having a "financial structure that best points the way forward, in terms of a replicable model, so that the region might achieve the goal of tripling investment in infrastructure within the next five years."

Since its inception in 1988, MIGA has been instrumental in encouraging investors to move forward with innovative deals. MIGA-supported projects that have won major international awards in previous years include the Nam Theun II project in Laos, the Maritza East I project in Bulgaria, and the Baymina Enerji project in Turkey. Peer and industry recognition of these deals illustrate the strong additionality that MIGA brings to complex transactions in difficult environments.

TABLE 6 Projects Supported in Fiscal 2008

Host Country	Guarantee Holder	Investor Country	Sector	Guarantee Amount $ M	Priority/ Area of Interest[7]
Asia and the Pacific					
Afghanistan	ShoreCap International Ltd	Cayman Islands	Financial	0.11[1]	IDA, CA, SIP
Afghanistan	International Home Finance & Development, LLC	United States of America	Services	0.87[2]	IDA, CA, SIP
Pakistan	Habib Bank AG Zurich	Switzerland	Financial	35.6	IDA (blend)
Europe and Central Asia					
Bosnia and Herzegovina	Coprotec Systeme GmbH	Germany	Manufacturing	1.12	IDA (blend), CA, SIP
Kazakhstan	Raiffeisen Zentralbank Österreich AG	Austria	Financial	47.5	
Moldova	Raiffeisen Bank SA	Romania	Financial	7.3	IDA
Russian Federation	Raiffeisen Zentralbank Österreich AG	Austria	Financial	70.8	
Turkey	Financial Institution	Europe	Financial	536.8	
Ukraine	Raiffeisen Zentralbank Österreich AG	Austria	Financial	380	
Ukraine	Raiffeisen Zentralbank Österreich AG	Austria	Financial	47.5	
Ukraine	Bank Austria	Austria	Financial	142.5	
Ukraine	Can-Pack SA	Poland	Manufacturing	21	
Latin America and the Caribbean					
Costa Rica	FCC Construcción S.A., Itinere Infraestructura S.A., Caja de Ahorros y Monte de Piedad de Madrid	Spain	Infrastructure	158.5	INF
Middle East and North Africa					
Algeria	SGS S.A.	Switzerland	Services	4.1	SIP
Djibouti	DP World Djibouti FZCO, Dubai Islamic Bank, Standard Chartered Bank	United Arab Emirates, United Kingdom, Germany	Infrastructure	426.6	IDA, INF, S-S

TABLE 4 Projects Supported in Fiscal 2008 *(cont'd)*

Host Country	Guarantee Holder	Investor Country	Sector	Amount $ M	Priority/ Area of Interest[1]
Sub-Saharan Africa					
Central African Republic	Orange Participations S.A.	France	Infrastructure	38	IDA, CA, SSA, INF
Congo, Democratic Republic of	AMCO Fabrics Private Limited	India	Manufacturing	0.63	IDA, CA, SSA, SIP, S-S
Congo, Democratic Republic of	Bartrac Equipment	Mauritius	Services	25.2	IDA,CA, SSA, S-S,
Guinea-Bissau	Société Nationale des Télécommunications du Sénégal S.A. (Sonatel)	Senegal	Telecommu-nications	25.9	IDA, CA, S-S, SSA, INF
Kenya	Ormat Holding Corporation	Cayman Islands	Infrastructure	88.3	IDA, SSA, INF
Madagascar	Energy Engineering Investment Limited	Mauritius	Infrastructure	19.9	IDA, SSA, INF, S-S
Madagascar	SGS S.A.	Switzerland	Services	10.97	IDA, SSA
Nigeria	New Age Beverage Company Limited; Byblos Bank S.A.L.	British Virgin Islands; Lebanon	Manufacturing	7.3	IDA, CA, SSA, S-S
Rwanda	ShoreCap International Ltd.	Cayman Islands	Financial	1.8	IDA, SSA, SIP

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

[2] *Another $0.11 million is being guaranteed by the MIGA-administered trust fund, Afghanistan Investment Guarantee Facility (AIGF).*

[3] *Another $0.87 million is being guaranteed by AIGF.*

Technical Assistance

MIGA's TA Services Integrate Successfully into FIAS

MIGA's technical assistance unit was integrated into FIAS, the multi-donor foreign investment advisory service of the World Bank Group, in fiscal year 2007. The move brought under one umbrella MIGA, IFC, and the World Bank's complementary services and expertise on investment promotion, sector competitiveness, and knowledge and outreach activities. As the World Bank Group's only tripartite operational entity, FIAS provides investment climate advisory services, offering client countries solutions to develop better regulatory frameworks and market the environment for increased investments. 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. FIAS also leverages partnerships with donors and external partners for joint strategic planning, project identification, and client management.

Newly Integrated Initiatives Yield Results

FIAS provides services related to investment policy, industry competitiveness, and investment promotion through one of its core practice areas, the Investment Generation platform. Under this platform, technical assistance services are provided through two products: Investment Policy and Promotion (IP&P) and Industry Competitiveness.

In fiscal year 2008, FIAS's project portfolio featured 44 active investment generation projects.

This year, IP&P programs successfully implemented investment promotion strategies that led to new investments and job opportunities in target markets. Under the Invest in the Western Balkans (IWB) program, a leading manufacturer of construction materials in Austria—Oberndorfer—invested €5 million in Croatia's construction sector. The investment is expected to lead to 60 direct jobs in phase one alone. In Macedonia, IWB's sector-specific outreach event featured Macedonia as the regional hub for automotive production, leading the British company Johnson Matthey to choose Macedonia as the company's future manufacturing location for catalytic converters. Three hundred new jobs are expected as a result of the deal. Johnson Matthey's investment is estimated to be €75 million over five years.

During the year, Invest in Bogota—a sub-national investment promotion agency established in fiscal year 2007 through MIGA's technical assistance program—actively facilitated $137 million in new foreign investments in the services and manufacturing sectors, thereby achieving 50 percent of its three-year target in the first full year of operation. An associated 3,300 jobs are expected when these investments become operational.

Under the Industry Competitiveness program, FIAS launched the Investment Climate Reform project in Mali this fiscal year. The program was developed to help the government of Mali implement focused regulatory and institutional reforms to stimulate domestic and foreign investments. A tourism sector study was prepared and is the basis for discussions with the government on the development of a comprehensive tourism investment generation program.

FIAS also developed a competitiveness enhancement strategy in the production and processing of agribusiness (sugar and maize) and tourism sectors in the Indian state of Bihar. While India has emerged as one of the fastest growing countries in the world, Bihar—with a population of 90 million and a per capita income of around $160—is India's poorest and one of its slowest growing states. FIAS is assisting the Government of Bihar in improving its investment climate

by removing the regulatory and non-regulatory constraints that adversely affect the growth of the private sector, in particular the agribusiness and tourism sectors.

FIAS has also been active in conflict-affected countries. Its work on zones in such countries also came under the purview of the Industry Competitiveness program and proved to be very successful this year.

Distance Learning for Investment Promotion Practitioners Comes of Age

This year, FIAS also rolled out an e-Learning course entitled Managing Effective Investment Promotion Campaigns, developed jointly by MIGA and the World Bank Institute (WBI) in 2006. The course allows investment promotion intermediaries (IPIs) to train executives in-house, using the WBI distance learning platform and Global Development Learning Network facilities. FIAS has trained a pool of consultants on investment promotion for WBI to organize courses on an independent basis to meet the increasing demand for low-cost training courses on investment promotion available to IPIs. In fiscal year 2008, courses were held for IPIs in the West Balkans and India.

As a result of these efforts, fiscal year 2008 saw FIAS increasing the scope and impact of the World Bank Group's integrated technical advisory service for client governments and intermediaries, unlocking the potential of emerging market countries to attract new investments.

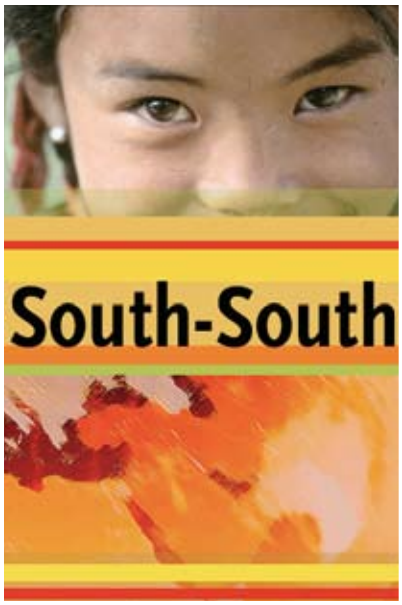
MIGA's Environmental and Social Program Supports Projects in Africa

Box 5

In January 2007, MIGA launched the Environmental and Social Challenges Trust Fund for Africa. Funded by a grant from the Government of Japan, the Trust Fund enables MIGA to provide technical assistance to existing and prospective clients in Africa on the environmental and social aspects of their projects. To date, the Trust Fund has established collaborative projects with clients in Burkina Faso, the Democratic Republic of the Congo, Ghana, Mozambique, and Uganda.

Each Trust Fund activity is organized as a partnership between MIGA and the client company, with shared responsibility for setting the terms of reference, selecting consultants, and evaluating results, as well as some degree of cost-sharing, determined on a case-by-case basis. Trust Fund support is helping companies understand and mitigate local risks through implementation of the Voluntary Principles on Security and Human Rights; manage resettlement associated with project development; develop plans to control malaria in the workplace and in neighboring communities; and evaluate readiness for ISO 14001 certification (the international standard for an environmental management system). MIGA's partners for these projects are companies in the mining, oil and gas, and agro-processing sectors. The Trust Fund is also collaborating with the wider World Bank Group initiatives to support development of the mining sector in the Democratic Republic of the Congo, for which MIGA has taken the lead in identifying needs for environmental health and safety training for companies and the public sector.

Looking forward, the Trust Fund is available to work with MIGA's existing clients in Africa, and with projects on the continent that have submitted a definitive application for guarantees, where the provision of expert consultancy support could help investors meet or exceed MIGA's standards. This support is potentially available to projects in any sector, and could involve technical assistance on any aspects of environmental and social performance addressed in MIGA policies and standards.



Online Investment Information and Knowledge Services

During the fiscal year, MIGA's Online Investment Services focused on providing information on investment opportunities and business conditions to the international investor community through FDInet (www.fdi.net), and to the more specialized political risk management and insurance audience through PRI-Center (www.pri-center.com). Through these services, MIGA fulfills its mandate of conducting research and extending knowledge about investment and political risk-related issues, and positions itself as a thought-leader in the international investor and political risk communities.

PRI-Center Highlights South-South FDI and PRI

The PRI-Center provides free access to resources on political risk management and insurance. In line with the World Bank Group's focus on fostering knowledge and learning, the PRI-Center offers country information and analysis, regional news, industry developments and events, directories of major industry players, as well as basic information on political risk management for investors.

An important initiative this fiscal year was a feature on the PRI-Center that addressed political risk perceptions and mitigation in the context of rapidly rising South-South FDI. For this feature, MIGA collaborated with members of the Berne Union and Prague Club, who contributed case studies on the experiences of South-based public investment insurance providers. To complement this initiative, MIGA carried out a survey of political risk insurance providers, covering the full spectrum of multilateral, public, and private insurers, to document trends and practices in risk mitigation for South-based multinationals. A separate MIGA survey of South-based private companies sought to gauge investment prospects for South-South FDI, political risk perceptions, and the use of risk mitigation tools, especially political risk insurance. The findings of the case studies and surveys were published and disseminated in a report online.

The report aimed to fill a research gap by pulling together different pieces of the South-South FDI puzzle and drawing a more complete picture of the situation. Over the past few years, the growth rate of outward FDI from emerging markets has outpaced the growth from industrialized countries. South-South FDI growth has been especially fast—a trend that is expected to continue, according to the MIGA survey. Nearly 90 percent of South-based companies surveyed said they expected their overseas investments to increase over the next five years. More than four-fifths planned to invest in emerging markets over the next year.

New Tools Launched to Better Serve Niche Audience

This fiscal year saw the launch of two additional dissemination services on the PRI-Center: the PRI Xchange, an email alert service; and the PRI-Center Briefing, an e-newsletter with topical information, industry news, content highlights and events.

FDInet Expands Database of Investment Opportunities

MIGA's investor-focused web portal, FDInet, continued to disseminate information on specific investment opportunities in developing countries and on the full spectrum of business resources needed to make decisions about cross-border investing. FDInet uses its email alert service—FDI Xchange—to deliver relevant and customizable information based on customer preferences through some 30,000 emails monthly sent to 11,500 registered site users. Through its e-newsletter, FDInet Briefing, now in its eleventh year of publication, FDInet spotlights special themes, key transactions, relevant business resources, events and partnerships to some 16,000 subscribers. Roughly, one-third of site users are investors; one-third investment intermediaries, including consultants, law firms, and financial institutions; and one-third comprise of government staff, academia, media, and NGOs.

MIGA continues to provide comprehensive information on divestment opportunities in the developing world. This year, MIGA launched a new online Privatization Alert column, which tracks and analyzes trends and deals in privatization in emerging markets.

MIGA has also been using FDInet to attract greater foreign investor participation in public-private partnership opportunities in developing countries. This year, FDInet featured information on a large number of investment opportunities in infrastructure at the provincial level in Brazil.

Number of Users Increases

The investment information services have set a new record in terms of number of users and traffic since the consolidation of the websites into a single portal and the launch of PRI-Center. This fiscal year, the number of users served per month approached 100,000. Compared to last year, visits increased by 156 percent for FDInet and 117 percent for PRI-Center.

FDInet continues its efforts to attract greater foreign investor participation in public-private partnership opportunities in developing countries.

Partnerships Enhance Content and Global Reach

MIGA continued to leverage existing partnerships with investment promotion and privatization agencies worldwide and the PRI community, and sought out new partners in an effort to link expertise, share knowledge, raise awareness of products, and ultimately benefit clients. Fiscal year 2008 saw MIGA concluding nine new partnerships with investment information providers, including Oxford Intelligence, and Investment Map of the International Trade Centre. MIGA also sought to expand existing partnerships with the World Association of Investment Promotion Agencies, OECD, and Site Selection. The agency also cultivated partnerships with existing content providers including *Business Monitor International*, *Business News Americas*, members of the Berne Union, Lloyds of London, and *Global Trade Review*.

ASIA AND THE PACIFIC

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

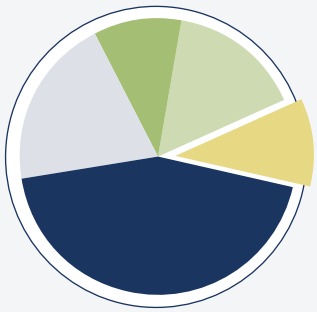
The economies of East Asia and the Pacific recorded their highest growth rates in over a decade, expanding by 10.5 percent in 2007 (up from 9.7 percent in 2006). Once again, the robust performance was led by China, which grew by an estimated 11.9 percent in 2007. Indonesia and Thailand grew at a more moderate 6.3 percent and 4.8 percent, respectively.

Net FDI flows into East Asia and the Pacific remained strong in 2007 at $117.4 billion, representing a 12 percent increase from 2006. China remained the largest single developing country destination of net FDI flows, with $84 billion of the region's total.

GDP in the South Asia region grew by 8.2 percent in 2007. Net FDI flows to the region also increased, reaching $28.9 billion, up from nearly $22.9 billion in 2006. With three-fourths of the region's net FDI flows, India was the largest destination in South Asia.

During the fiscal year, MIGA provided guarantees for three projects in the Asia and Pacific region. At year-end, MIGA's gross guarantee exposure stood at $689 million, equivalent to 11 percent of the agency's outstanding portfolio.

Regional Distribution of Outstanding Guarantees Portfolio



$689 M	Asia and the Pacific
$2,898 M	Europe and Central Asia
$1,321 M	Latin America and the Caribbean
$682 M	Middle East and North Africa
$1,015 M	Sub-Saharan Africa

Regional Development Indicators, Asia

	East Asia and the Pacific	South Asia
External debt, total (% of GNI)	18	20
GDP (current US$) (billions)	3,616	1,146
GNI per capita, Atlas method (current US$)	1,856	768
Life expectancy at birth, total (years)	71	64
Population, total (millions)	1,898	1,499
Population growth (annual %)	1	2
Surface area (sq. km) (thousands)	16,299	5,139

Source: World Development Indicators, 2006 data

Since its inception, MIGA has issued $1.9 billion in guarantees for more than 90 projects in Asia, with guarantees ranging from less than $200,000 for a project in China to $118 million for an investment in the Philippines.

Guarantees	
Country	**Activities**
Afghanistan	**Project Name: BRAC Afghanistan Bank** Guarantee Holder: ShoreCap International Ltd. MIGA issued a guarantee of $112,500 to ShoreCap International (SCI) of the Cayman Islands covering its equity investment in BRAC Afghanistan Bank. An additional amount of $112,500 was guaranteed by the MIGA-administered Afghanistan Investment Guarantee Facility. The coverage is for a period of up to ten years against the risks of transfer restriction, expropriation, and war and civil disturbance. ShoreCap's investment of $1 million into the Afghan bank in 2006 was also covered by a MIGA guarantee against the same risks. The additional capital invested by SCI and three foreign sponsors, including the IFC, into BRAC Afghanistan Bank will increase the bank's capital base, fund infrastructure investments in additional branches, automated teller machines and point of sale devices, and leverage a small business loan portfolio which is expected to grow substantially. The project is expected to have a significant impact on the country's economic development as it will provide financing and savings instruments to micro-enterprises, which form the largest underserved segment of the local economy. Greater access to financial services will help reduce poverty and expand economic opportunity for low-income populations throughout Afghanistan. MIGA's support in establishing a for-profit, national, and fully regulated microfinance bank is expected to help demonstrate the profitability and sustainability of large-scale financial services to new microfinance providers. This will help encourage new entrants and improve overall services in the financial services sector for Afghanistan's poor. The project was underwritten through MIGA's Small Investment Program and is aligned with MIGA's priority of supporting investment in conflict-affected nations.
	Project Name: Geo Building Technologies LLC, Afghanistan Guarantee Holder: International Home Finance & Development, LLC MIGA issued guarantees totaling $0.87 million to International Home Finance & Development, LLC of the U.S., covering its equity investment in, and shareholder loans to, Geo Building Technologies in Afghanistan. Another $0.87 million is being guaranteed by the MIGA-administered Afghanistan Investment Guarantee Facility. The coverage is for a period of up to seven years against the risks of transfer restriction, expropriation, and war and civil disturbance. Geo Building Technologies is introducing "GreenMachine" and "GeoBricks" in Afghanistan. The GreenMachine is a portable, self-powered system designed to manufacture compressed-earth blocks called GeoBricks. The project enterprise plans to establish stationary and mobile manufacturing plants across the country, as well as offer GreenMachine equipment for rental and sale. After more than two decades of conflict, Afghanistan's reconstruction efforts are being carried out at a fast pace, with the government, donor agencies, and the private sector investing billions of dollars in the construction of public buildings and other infrastructure in the country. As a result, the demand for primary construction material, such as bricks, has more than doubled in the last three years. The project is expected to provide builders in Afghanistan with a lower cost, higher quality, and more energy efficient alternative to the building materials currently in use. MIGA's support for this investment is aligned with the World Bank Group's country assistance strategy in Afghanistan, which aims to support the development of a competitive private sector. The project is expected to create significant employment opportunities and strengthen the sustainability and safety of buildings through the use of higher-quality basic building material. More than 10,000 direct jobs will be created during the first five years of operation. By offsetting carbon emissions, the proposed project is expected to receive carbon credits for every GeoBrick manufactured by the GreenMachine. MIGA's participation in the project is aligned with key agency priorities: encouraging investment in conflict-affected and IDA-eligible (the world's poorest) nations.

Guarantees	
Country	**Activities**
Pakistan	**Project Name: Habib Metropolitan Bank Ltd.** Guarantee Holder: Habib Bank AG Zurich MIGA issued a guarantee of €25 million ($35.6 equivalent) to Habib Bank AG Zurich (HBZ), covering a portion of its equity investment into Habib Metropolitan Bank Limited (HMB) in Pakistan. HBZ's investment is in the form of reinvested retained earnings, and MIGA's guarantee is for a period of up to 20 years against the risks of transfer restriction, expropriation, and war and civil disturbance. This is the sixth guarantee that MIGA has provided to HBZ in support of the expansion and growth of its branch operations in Pakistan. MIGA's guarantee will help the bank implement a multi-pronged strategy to: (1) restructure and expand HMB's branch network to over 120 offices by 2010; (2) improve product quality and innovation; (3) accelerate growth in consumer and Islamic banking; and (4) improve control, efficiency, and build operations capacity. MIGA's continued support is considered critical to the investor. The project will help contribute to the overall strength of Pakistan's banking sector—one of the government's top reform priorities. MIGA's support is also aligned with the World Bank Group's strategy in Pakistan's financial sector, which aims at increasing competition and expanding access to financial services to different segments of the population. The sector still suffers from low banking penetration and limited access to finance, especially with respect to the provision of banking services to underserved segments, including small and medium enterprises, consumer and housing finance, microfinance, and rural finance.

EUROPE AND CENTRAL ASIA

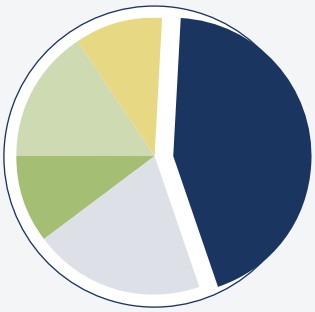
ALBANIA ARMENIA AZERBAIJAN BELARUS BULGARIA BOSNIA AND HERZEGOVINA CROATIA CYPRUS ESTONIA GEORGIA HUNGARY KAZAKHSTAN KYRGYZ REPUBLIC LATVIA LITHUANIA MACEDONIA MALTA MOLDOVA MONTENEGRO POLAND ROMANIA RUSSIAN FEDERATION SERBIA SLOVAK REPUBLIC TAJIKISTAN TURKEY TURKMENISTAN UKRAINE UZBEKISTAN

GDP in Europe and Central Asia (ECA) is estimated to have grown by 6.8 percent in 2007, easing moderately from 7.3 percent in 2006. The region's strong growth was underpinned by robust domestic demand and continued high oil prices.

Net FDI flows to ECA reached a record $161.6 billion in 2007, up from $124.6 billion in 2006. FDI flows to Russia, the largest destination country in the region, increased from $30.8 billion in 2006 to $52.5 billion in 2007. Four of the world's top ten FDI destination countries in 2007—Russia, Turkey, Poland, and Ukraine—were in the ECA region. Besides the extractive industries, privatization and merger and acquisition activity associated with major reforms continued to strengthen FDI inflows.

During the fiscal year, MIGA provided guarantees for nine projects in the ECA region. At year-end, MIGA's gross guarantee exposure stood at $2.9 billion, equivalent to 45 percent of the agency's outstanding portfolio.

Regional Distribution of Outstanding Guarantees Portfolio



$689 M	Asia and the Pacific
$2,898 M	Europe and Central Asia
$1,321 M	Latin America and the Caribbean
$682 M	Middle East and North Africa
$1,015 M	Sub-Saharan Africa

Regional Development Indicators, Europe and Central Asia

External debt, total (% of GNI)	43
GDP (current US$) (billions)	2,499
GNI per capita, Atlas method (current US$)	4,814
Life expectancy at birth, total (years)	69
Population, total (millions)	460
Population growth (annual %)	
Surface area (sq. km) (thousands)	24,114

Source: World Development Indicators, 2006 data

Since its inception, MIGA has issued more than $7 billion in guarantees for about 170 projects in the Europe and Central Asia region, including $1.25 billion in fiscal year 2008.

Guarantees	
Country	**Activities**
Bosnia and Herzegovina	**Project Name: Coprotec Sistemi d.o.o. Orasje** Guarantee Holder: Coprotec Systeme GmbH MIGA issued a guarantee of $1.12 million to Coprotec Systeme GmbH of Germany for a shareholder loan to its wholly owned subsidiary, Coprotec Sistemi d.o.o. Orasje. The guarantee covers the risk of transfer restriction, expropriation, and war and civil disturbance for a period of up to eight years. Coprotec Sistemi d.o.o. Orasje will establish a greenfield manufacturing facility in the Posavina Canton area of northern Bosnia and Herzegovina. The factory will manufacture high-grade processed steel components for export to the automobile industry (parts and vehicle manufacturers) in Germany. MIGA's support for this investment is aligned with the World Bank Group's country assistance strategy in Bosnia and Herzegovina, particularly with regard to supporting the development of a competitive private sector. Moreover, the transfer of high-tech manufacturing and quality control processes and precision equipment to the project company is expected to yield positive benefits for local staff. MIGA's participation in the project is aligned with key agency priorities, including encouraging investment in conflict-affected and IDA-eligible countries. The project was underwritten through MIGA's Small Investment Program.
Kazakhstan	**Project Name: Raiffeisen Leasing Kazakhstan LLP** Guarantee Holder: Raiffeisen Zentralbank Österreich AG MIGA issued a guarantee of $47.5 million to Raiffeisen Zentralbank Österreich AG (RZB) covering its shareholder loan of $50 million to Raiffeisen Leasing Kazakhstan LLP (RLKZ). The guarantee covers the risks of transfer restriction and expropriation of funds for a period of up to six years. RZB's shareholder loan will enable RLKZ to expand its leasing portfolio and help strengthen the financial sector in general and the leasing sector in particular. It will enable RLKZ to provide customers with an alternative financing instrument with longer tenor and potentially more attractive pricing. The new funds will allow RLKZ to expand its portfolio and improve the growth potential of small and medium-size enterprises by facilitating the upgrade of their long-term assets and improving their competitiveness. The guarantee represents MIGA's first support to RZB's leasing operation in Kazakhstan and its third guarantee in the country. Political risk mitigation was a key requirement for RZB to proceed with the investment. MIGA's support will allow the project sponsor to fund its subsidiary at a critical time when financial institutions are facing difficulties in raising external capital due to the global credit crisis. The project is expected to help improve the leasing environment and develop a vibrant and competitive leasing industry in the country. MIGA's support to the project is critical not just in encouraging the growth of financial markets in Kazakhstan, but also in building market confidence. It addresses one of the main priorities envisaged in the World Bank Group's country assistance strategy for Kazakhstan—supporting the diversification of its economy and improving its competitiveness. MIGA's support for RZB also complements the IFC's efforts to strengthen the existing leasing sector and facilitate medium- and longer-term financing in Kazakhstan.
Moldova	**Project Name: I.C.S. Raiffeisen Leasing S.R.L.** Guarantee Holder: Raiffeisen Bank SA MIGA issued a guarantee of $7.34 million to Raiffeisen Bank SA in Romania covering its shareholder loan to its subsidiary I.C.S. Raiffeisen Leasing S.R.L. (RLM) in the Republic of Moldova. MIGA's coverage is for a period of up to six years against the risks of transfer restriction and expropriation of funds. *(cont'd)*

Guarantees	
Country	**Activities**
	(con'td) This project constitutes the start-up phase of Raiffeisen Zentralbank (RZB) Group's leasing operations in Moldova, undertaken by its Moldovan subsidiary, RLM. Vehicles, such as trucks, trailers, and industrial equipment, are expected to make up 60 percent of RLM's portfolio, with passenger cars (including vans and buses up to 3.5 tons) making up the balance. Fifty percent or more of the total number of borrowers supported by this investment are expected to be small and medium-size enterprises. This project is expected to contribute to the development of the financial sector in Moldova by improving access to finance, particularly to segments of the economy that are currently underserved. The shareholder loan will allow RLM to start its leasing operations and contribute towards meeting the rapidly growing demand for leasing services in Moldova. The financial sector of Moldova will also benefit from the presence of an experienced foreign banking institution like RZB Group, in terms of strengthening standards by establishing best practices, developing new products, and fostering competition among financial institutions. The World Bank Group's country assistance strategy for Moldova places emphasis on the need to help develop and expand the private sector, particularly SMEs, and to broaden financial sector intermediation in the country. This is MIGA's first guarantee in support of foreign investment in the Moldovan leasing sector. This is also MIGA's first guarantee for a Romanian investor and the first guarantee in support of RZB Group's operations in Moldova.
Russian Federation	**Project Name: OOO Raiffeisen Leasing** Guarantee Holder: Raiffeisen Zentralbank Österreich AG MIGA issued $70.8 million in guarantees for two shareholder loans made by Raiffeisen Zentralbank Österreich AG to its subsidiary OOO Raiffeisen Leasing in the Russian Federation. The guarantees cover the risks of transfer restriction and expropriation of funds for a period of just over five years. RZB's shareholder loans to its subsidiary will provide OOO Raiffeisen Leasing with the necessary funds to expand its leasing portfolio, improve the range and quality of its leasing services, and continue its regional expansion. The loan proceeds are expected to be used primarily for the funding of leases of industrial equipment and transport infrastructure. The increased availability of equipment will help facilitate private sector investment at the regional level. One of the main objectives of the World Bank Group's country partnership strategy for the Russian Federation is to support the development of the financial sector. MIGA's participation in this project is, therefore, aligned with the Bank Group's strategy in the country.
Turkey	**Project Name: Bank in Turkey** Guarantee Holder: Financial Institution MIGA issued a guarantee of $536.8 million to cover a $565 million shareholder loan to a bank in Turkey. The guarantee covers the risk of transfer restriction for just over five years. MIGA has reinsured $286.75 million of this guarantee under the facultative reinsurance program. The shareholder loan will provide the bank in Turkey with the resources needed to expand the volume and range of products of its lending portfolio. In particular, it will offer more scope for financing services and longer tenors to SMEs. The SME sector is vital to Turkey's economy—accounting for 61 percent of total employment. The expansion will also allow the bank to offer more residential and commercial mortgages. MIGA's support for this transaction underpins the first pillar of the World Bank Group's country partnership strategy for Turkey—improved competitiveness and employment opportunities. This includes establishing a favorable business environment and facilitating broader access to credit for the private sector, including SMEs.

Guarantees

Country	Activities
Ukraine	**Project Name: Can-Pack (Ukraine) Ltd.** Guarantee Holder: Can-Pack S.A. MIGA issued guarantees totaling $21.04 million to Can-Pack S.A. of Poland covering its equity investment, shareholder loan, and management contract with Can-Pack (Ukraine) Ltd. The coverage is against the risks of transfer restriction, expropriation, and war and civil disturbance. The equity investment and management contract will be covered for a period of up to ten years. The duration of the coverage under the shareholder loan will be four years. The project involves the expansion of an existing aluminum beverage can production plant in Vyshgorod, Ukraine for which MIGA is currently providing coverage (see http://www.miga.org/canpackukraine06 for details). MIGA's coverage is being modified to cover an increase in the equity investment, a management contract with the project enterprise, and the issuance of a new shareholder loan to the project. The plant has been operating since 2003. The expansion of the production line will include the installation, assembly and operation of new equipment. The expansion will increase the plant's production capacity from the current 1,700 cans per minute to 2,400—an increase from 650 million to 950 million cans per year. To accommodate the increase in finished products and materials, a new warehouse will be built on land adjacent to the existing plant. Can-Pack S.A.—through subsidiary Can Pack Ukraine Ltd.—is the largest producer of beverage cans in Ukraine and fourth largest beverage can producer in Europe. The increase in production capacity is expected to help the project company meet the growing demand for canned beverages in Ukraine and maintain its market share in the country, as well as Kazakhstan, Georgia, Russia and other CIS countries. The project is expected to create local employment during the construction and design phases of the new expansion, as well as for the operation of new equipment. The transfer of high-tech manufacturing equipment from Poland is expected to yield positive developmental benefits in the form of training for local staff, for which an annual budget of $200,000 has been allocated. The expansion is also expected to generate tax revenues of approximately $7.5 million in present value terms over 11 years of operation. Downstream effects are expected to include approximately $3.6 million in goods and services procured locally. Improving competitiveness and supporting the modernization of production is a priority area for World Bank Group activities in Ukraine.
	Project Name: OJSC Raiffeisen Bank Aval Guarantee Holder: Raiffeisen Zentralbank Österreich AG MIGA issued a guarantee of $380 million to Raiffeisen Zentralbank Österreich AG of Austria, covering its shareholder loan of $400 million to its subsidiary, OJSC Raiffeisen Bank Aval. MIGA's guarantee provides coverage against the risks of transfer restriction and expropriation of funds for a period of up to six years. RZB's shareholder loan will provide funding to Raiffeisen Bank Aval to enable it to expand its portfolio and improve the range and quality of its banking services. Proceeds of the loan are expected to be on-lent primarily to individuals and small and medium-size enterprises, mostly for long-term assets such as residential and commercial mortgages. The retail business potential of Ukrainian banks is currently limited by a shortage of long-term funding in the local market. The loan from RZB is designed to provide Raiffeisen Bank Aval, the second largest lender in the country, with the long-term funding needed to increase its reach into underserved markets. In particular, the project is expected to support the role of Raiffeisen Bank Aval as one of the market leaders in SME banking. SME loans currently account for about 20 percent of the bank's total portfolio, and in 2006, Raiffeisen Bank Aval established an SME business unit. The World Bank Group's country assistance strategy for Ukraine places a strong emphasis on improving the environment for private sector development and identifies building financial institutions as a priority area. This project will help Ukraine's private sector gain access to banking and financial products to help the country achieve sustainable growth.

Guarantees	
Country	**Activities**
	Project Name: Raiffeisen Leasing Aval LLC Guarantee Holder: Raiffeisen Zentralbank Österreich AG MIGA issued a guarantee of $47.5 million to Raiffeisen Zentralbank Österreich AG, covering its shareholder loan of $50 million to its leasing subsidiary in Ukraine, Raiffeisen Leasing Aval LLP (RLAV). The guarantee covers the risks of transfer restriction and expropriation of funds for a period of up to six years. RZB's shareholder loan is expected to enable RLAV to respond to the rapidly growing demand for leasing products in Ukraine. RLAV will use the proceeds of the shareholder loan to extend long-term leases of equipment, machinery and vehicles to Ukrainian enterprises across various sectors. A substantial part of the loan is expected to benefit small and medium-size enterprises and support investment in agriculture, both of which are currently underserved segments of the leasing market. This is MIGA's first guarantee in support of RZB's leasing operations in Ukraine. By supporting a global financial institution's new leasing subsidiary, MIGA will also contribute to the development of the leasing sector in Ukraine. MIGA plays an important role in this transaction, as political risk mitigation is a key requirement for the lender to proceed with this investment. The World Bank Group's country assistance strategy for Ukraine places a strong emphasis on improving the environment for private sector development and identifies building financial institutions as a priority area. The project is expected to help Ukraine's private sector gain greater access to financial products and help the country achieve sustainable growth. It is, therefore, consistent with the World Bank's country partnership strategy for Ukraine.
	Project Name: Joint Stock Commercial Bank Ukrsotsbank Guarantee Holder: Bank Austria MIGA issued a guarantee of $142.5 million to Bank Austria, a member of UniCredit Group, covering its shareholder loan to Joint Stock Commercial Bank Ukrsotsbank (USB) in Ukraine. The coverage is for a period of up to 11 years against the risks of transfer restriction, expropriation, and war and civil disturbance. The project involves a subordinated shareholder loan of $150 million from Bank Austria to USB, Ukraine's fourth largest bank. Bank Austria is responsible for UniCredit Group's operations in central and Eastern Europe and is USB's direct parent company. The loan will increase USB's regulatory capital which will strengthen the bank and allow it to grow in a sustainable manner. USB has a well-developed and expanding customer franchise and plans to further develop its retail and SME banking business. One of the two pillars of the World Bank Group's country partnership strategy for Ukraine is sustaining growth and improving competitiveness. This encompasses the need to deepen the financial sector and to improve its stability in order to facilitate business growth and spur private investment. Foreign participation in Ukraine's banking sector is also expected to lead to a rapid transfer of product and credit-risk management expertise.

LATIN AMERICA AND THE CARIBBEAN

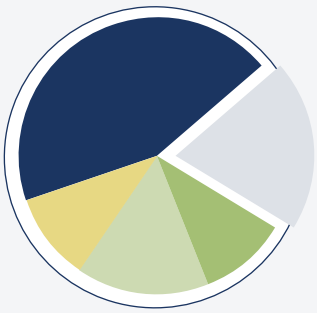
ANTIGUA AND BARBUDA ARGENTINA BAHAMAS (THE) BARBADOS BELIZE BOLIVIA BRAZIL CHILE COLOMBIA COSTA RICA DOMINICA DOMINICAN REPUBLIC ECUADOR EL SALVADOR GRENADA GUATEMALA GUYANA HAITI HONDURAS JAMAICA NICARAGUA PARAGUAY PANAMA PERU ST. KITTS AND NEVIS ST. LUCIA ST. VINCENT AND THE GRENADINES SURINAME TRINIDAD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

Real GDP in Latin America and the Caribbean (LAC) is estimated to have grown by 5.7 percent in 2007, slightly up from 5.6 percent in 2006. This marks the first time in nearly three decades that growth has exceeded 5 percent for two consecutive years in the region. While external conditions favored this growth, stronger fundamentals suggest that growth in the region has become more resilient to external shocks than in the past.

Net FDI flows into LAC increased by $36.7 billion to $107.2 billion in 2007. This means that the region's share of FDI to developing countries has increased from 19 percent in 2006 to 24 percent in 2007. FDI flows were led by strong gains in Brazil, Chile, and Mexico. FDI flows to the region in 2006 and 2007 stemmed mainly from investment in the manufacturing sector and higher overall retained earnings.

During the fiscal year, MIGA provided guarantees for one project in the LAC region. At year-end, MIGA's gross guarantee exposure stood at $1.3 billion, equivalent to 20 percent of the agency's outstanding portfolio.

Regional Distribution of Outstanding Guarantees Portfolio



$689 M	Asia and the Pacific
$2,898 M	Europe and Central Asia
$1,321 M	Latin America and the Caribbean
$682 M	Middle East and North Africa
$1,015 M	Sub-Saharan Africa

Regional Development Indicators, Latin America and the Caribbean	
External debt, total (% of GNI)	26
GDP (current US$) (billions)	2,964
GNI per capita, Atlas method (current US$)	4,785
Life expectancy at birth, total (years)	73
Population, total (millions)	556
Population growth (annual %)	1
Surface area (sq. km) (thousands)	20,420.9

Source: World Development Indicators, 2006 data

Overall, MIGA has issued $7 billion in guarantees for more than 160 projects in Latin America, covering all sectors and spanning 20 countries.

Guarantees	
Country	**Activities**
Costa Rica	**Project Names: Autopistas del Sol S.A.** Guarantee Holder: Caja de Ahorros y Monte de Piedad de Madrid, FCC Construcción S.A., Itinere Infraestructura S.A. MIGA issued $158.5 million in guarantees for the development of a toll road in Costa Rica. The guarantees are covering an equity investment by FCC Construcción S.A. and Itinere Infraestructura S.A., and a shareholder loan by Caja Madrid. MIGA is providing 15-year coverage for the equity against the risk of transfer restriction. The debt will be covered for up to 18 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. The project consists of the design, construction and/or rehabilitation, operation and maintenance of portions of the toll road linking San José to Caldera. This 25-year concession will be the first highway concession in Costa Rica to successfully reach financial closing and begin operations. The project is aligned with the World Bank Group's strategy for Costa Rica, which includes supporting, rehabilitating, and maintaining key trade corridors. The corridor connects the main industrial/business area of the country to one of the main ports. The project is expected to reduce transportation costs by reducing travel time by 1.5 hours for those who travel the full length of the corridor. It is also expected to reduce the number of road accidents and the costs associated with heavy traffic conditions, such as gasoline consumption and deterioration of vehicle parts and tires. By providing easier access to the port of Caldera, the investment will help improve the country's trade competitiveness and may reduce the price of imports. MIGA's participation is critical for the project to proceed since it allows mobilization of commercial bank financing that might otherwise not be available. It also supports MIGA's commitment to catalyzing private sector investment in infrastructure.

MIDDLE EAST AND NORTH AFRICA

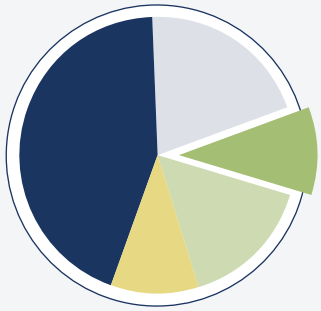
ALGERIA BAHRAIN EGYPT (ARAB REPUBLIC OF) IRAN (ISLAMIC REPUBLIC OF) ISRAEL JORDAN KUWAIT LEBANON LIBYA MOROCCO OMAN QATAR SAUDI ARABIA SYRIAN ARAB REPUBLIC TUNISIA UNITED ARAB EMIRATES YEMEN

GDP in Middle East and North Africa (MENA) is estimated to have increased to 5.7 percent in 2007, up from 5.4 percent in 2006. The robust performance was supported by record high crude oil prices, stronger growth in key export markets, particularly Western Europe, and continued flows of remittances and tourism earnings. GDP in the diversified economies eased from 6.2 percent in 2006 to 5.5 percent in 2007, while developing oil exporters saw GDP rising from 4.7 percent the previous year to 5.8 percent in 2007.

FDI continued to play an important role in the region, with record new inflows in 2007 reaching $30.5 billion, up from $27.5 billion in 2006. Three countries—Saudi Arabia, Egypt, and the United Arab Emirates—attracted the bulk of the FDI flows, accounting for more than half of inward FDI in the region.

During the fiscal year, MIGA provided guarantees for two projects in the MENA region. At year-end, MIGA's gross guarantee exposure stood at $682 million, equivalent to 11 percent of the agency's outstanding portfolio.

Regional Distribution of Outstanding Guarantees Portfolio



$689 M	Asia and the Pacific
$2,898 M	Europe and Central Asia
$1,321 M	Latin America and the Caribbean
$682 M	Middle East and North Africa
$1,015 M	Sub-Saharan Africa

Regional Development Indicators, Middle East and North Africa	
External debt, total (% of GNI)	21.9
GDP (current US$) (billions)	734
GNI per capita, Atlas method (current US$)	2,506
Life expectancy at birth, total (years)	69.6
Population, total (millions)	310
Population growth (annual %)	1.7
Surface area (sq. km) (thousands)	9,087

Source: World Development Indicators, 2006 data

Since 1988, MIGA has issued nearly $1 billion in guarantees in the Middle East and North Africa region, as well as some $881 million in guarantees to MENA-based companies and banks investing in developing countries outside the region.

Guarantees	
Country	**Activities**
Algeria	**Project Names: Enterprise Publique Economique de Contrôle Technique Automobile (COTA)** Guarantee Holder: SGS SA MIGA issued a guarantee of $4.1 million to SGS SA of Switzerland covering its equity investment in Enterprise Publique Economique de Contrôle Technique Automobile (COTA) in Algeria. The coverage is for a period of up to five years against the risks of transfer restriction, expropriation, and war and civil disturbance. The project involves the privatization of COTA, a public company established in 2001 by Algeria's Ministry of Transport. COTA's role is to provide mandatory vehicle inspection throughout Algeria. SGS acquired a majority of COTA in 2007 and is introducing international vehicle safety standards and state-of-the-art inspection systems. Efficient and effective vehicle inspection services are a critical element of road safety. Annually, road crashes kill an estimated 1.2 million people worldwide and injure 50 million more, and tend to disproportionately affect the poor. Vehicle inspection services are an integral part of the World Bank's transport business strategy. The World Bank Group's country assistance strategy for Algeria commits to supporting government reform efforts that include fostering private participation in transport and other economic sectors. Within the next five years, the project is expected to generate approximately 50 new local jobs and $1.3 million in revenue for the government. This project was underwritten through MIGA's Small Investment Program.
Djibouti	**Project Names: Doraleh Container Terminal S.A.R.L.** Guarantee Holder: DP World Djibouti FZCO, Dubai Islamic Bank PJSC, Standard Chartered Bank MIGA issued guarantees to DP World Djibouti FZCO (DPW), Standard Chartered Bank (SCB), and Dubai Islamic Bank PJSC (DIB) for their investments in Doraleh Container Terminal S.A.R.L. in Djibouti. The guarantees include $5 million to cover DPW's equity investment into the project and $422 million to cover funding provided by DIB, SCB, West LB and other participating banks under an Islamic project finance facility. The coverage is for a period of 10 years against the risks of transfer restriction, war and civil disturbance, expropriation, and breach of contract. MIGA's gross exposure under the project is $427 million. The agency has reinsured $50 million with ICIEC. Doraleh Container Terminal S.A.R.L. (DCT) has a 30-year concession for the development, financing, design, construction, management, operation, and maintenance of a new container terminal in the city of Doraleh. The terminal will have a total quay length of 2,000 meters and will be developed in two phases. During the construction phase, it is expected that approximately 350-500 local workers will be employed. On completion, the port will employ about 670 full-time employees. In addition to direct employment at the port, the project will require other services such as engineering, warehousing, spare parts, information technology and services, catering and cleaning, which will contribute to the local economy. The project will also lead to the transfer of management expertise and technology. Djibouti is strategically located in East Africa along one of the fastest growing East-West international shipping routes. About 85 percent of imports into Djibouti are destined for the land-locked nation of Ethiopia. By improving container facilities in Djibouti, the project will increase port traffic and open up new opportunities for investment and growth, including breaking the country's reliance on Ethiopia's trade and attracting other African countries to use the port. A state-of-the-art container terminal could establish Djibouti as a gateway for the Common Market for Eastern and Southern Africa (COMESA) members, and in light of trade flows through that part of the world, promote regional integration through trade development. This is MIGA's first project in Djibouti, which became a member in 2007. By supporting this project, MIGA will help Djibouti meet the growing volume of trade and strengthen its position as the gateway to the African hinterland. Development and expansion of port infrastructure is also a pillar of the World Bank Group's country assistance strategy for Djibouti. This project is also consistent with MIGA's strategic objective of increasing its presence in the Middle East and North Africa region. This is a South-South investment and therefore aligned with another important strategic objective for MIGA.

SUB-SAHARAN AFRICA

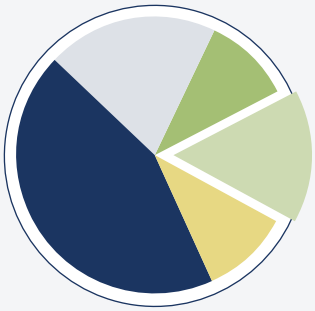
ANGOLA BENIN BOTSWANA BURKINA FASO BURUNDI CAMEROON CAPE VERDE CENTRAL AFRICAN REPUBLIC CHAD CONGO (DEMOCRATIC REPUBLIC OF) CONGO (REPUBLIC OF) CÔTE D'IVOIRE DJIBOUTI EQUATORIAL GUINEA ETHIOPIA ERITREA GABON GAMBIA GHANA GUINEA GUINEA-BISSAU KENYA LESOTHO LIBERIA MADAGASCAR MALAWI MALI MAURITANIA MAURITIUS 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 6.1 percent in 2007, up from 5.8 percent in 2006. Per capita GDP growth increased markedly in most countries in the region, carrying the aggregate rate for the region to a robust 4.1 percent. One in three countries in the region grew by more than 6 percent. Moreover, growth accelerated in both resource-rich and resource-poor economies, whether coastal or land-locked. Domestic demand (investment and private consumption) continues to be the driving force for activity. Increased productivity, linked to a surge in investment and supported by high commodity prices, increased trade openness, and improved macroeconomic stability continues to underpin broad-based growth in the region.

FDI into the region increased from $17.1 billion in 2006 to $25.3 billion in 2007. Although $5.5 billion of this increase was related to a single transaction, continued interest in natural resource development and the improved investment climate of many countries also contributed to the increase in FDI inflows.

During the fiscal year, MIGA provided guarantees for nine projects in the sub-Saharan Africa region. At year-end, MIGA's gross guarantee exposure stood at $1.01 billion, equivalent to 16 percent of the agency's outstanding portfolio.

Regional Distribution of Outstanding Guarantees Portfolio



$689 M	Asia and the Pacific
$2,898 M	Europe and Central Asia
$1,321 M	Latin America and the Caribbean
$682 M	Middle East and North Africa
$1,015 M	Sub-Saharan Africa

Regional Development Indicators, Sub-Saharan Africa	
External debt, total (% of GNI)	26
GDP (current US$) (billions)	713
GNI per capita, Atlas method (current US$)	829
Life expectancy at birth, total (years)	50
Population, total (millions)	782
Population growth (annual %)	2
Surface area (sq. km) (thousands)	24,269

Source: World Development Indicators, 2006 data

Encouraging foreign direct investment into Sub-Saharan Africa is a strategic priority for MIGA. Since inception, the agency has issued $2.6 billion in guarantees for about 100 projects in the region.

Guarantees	
Country	**Activities**
Central African Republic	**Project Name: Orange Centrafrique S.A.** Guarantee Holder: Orange Participations S.A. MIGA issued a guarantee of $38 million to Orange Participations S.A. of France, covering 90 percent of its equity investment (including retained earnings) in Orange Centrafrique S.A. The guarantee is for a period of up to 20 years and will protect the investment against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. The project involves the installation, operation and maintenance of a state-of-the-art telecommunications network operating on 100 percent digital GSM technology—critical to Central African Republic's economic development. Subscribers are expected to benefit from more reliable service and reduced costs due to increased competition and diverse product offerings. The project will also set up Internet services in the country. Affordable and dependable Internet services are especially important for businesses, residential customers, and government offices in a landlocked country like the Central African Republic. In many ways, access to the Internet will contribute to the country's integration into regional and global trade and investment. The project will also support the growth of other industries, including urban transportation (taxi drivers), advertising companies, print shops, information technology and software companies, construction firms, and various other retail and service companies. Government revenues from the project will include taxes and fees, in addition to the license fee. This project is aligned with the World Bank Group's efforts to address economic recovery in the Central African Republic. The country is one of the poorest in the world. Overall growth has been hampered by the country's landlocked position, poor transport system and largely unskilled workforce. This is the first project guaranteed by MIGA in the Central African Republic. MIGA's participation in the project supports several agency priorities, including investment in an IDA-eligible country in sub-Saharan Africa, and investment in infrastructure.
Democratic Republic of Congo	**Project Name: Congo Equipment SPRL.** Guarantee Holder: Bartrac Equipment MIGA issued a guarantee of $25.2 million to Bartrac Equipment covering its equity investment in and shareholder loan to Congo Equipment SPRL in the Democratic Republic of Congo. Bartrac Equipment is a joint venture between two Caterpillar dealers operating in Africa, Barloworld Equipment and Tractafric Equipment. MIGA's guarantee is for up to 10 years and covers the risks of war and civil disturbance, transfer restriction, and expropriation. The project involves the establishment of a dealership in the Katanga province of the DRC for the distribution and servicing of Caterpillar earth-moving and power generating equipment. The project will directly supply equipment suitable for the construction and rehabilitation of road and rail links, office and residential buildings, and power sector installations in the Katanga province. An office block, workshop facilities, and spare parts warehouse will be set up at Lubumbashi, provincial capital of Katanga Province, and Kolwezi, a mining town. The project will help address the infrastructure needs of the DRC, which is in a very poor state following decades of conflicts and economic and political instability. The earth-moving equipment will help build the country's road network and tackle one of its biggest challenges—traveling between provinces. Increased availability of earth-moving equipment and maintenance services will help enhance efficiency and productivity in the mining sector, and is expected to encourage downstream growth. The provision and wider availability of commercial trucks, earth-moving equipment, and related services to companies are expected to improve trade and contribute to increased economic activities in the country. Finally, the provision of small-scale generator sets will provide much needed power to firms and individuals that are either not currently hooked up to the national grid or experience frequent power outages. *(cont'd)*

Guarantees	
Country	**Activities**
	(cont'd) The dealership workshops will provide on-site training for the operation and maintenance of machines to employees and customers, as well as off-site training in Europe, South Africa, and the U.S. The project is expected to generate tax revenues for the government, estimated at more than $2 million per year for the next five years. It will also contribute to the economy through local sourcing of goods and services, mostly related to transportation, fuel, utilities, and housing. The project meets a number of MIGA's priorities: it supports an investment in a frontier and conflict-affected sub-Saharan country. It is also aligned with the agency's commitment to support South-South investments.
	Project Name: Congo International Company SPRL Guarantee Holder: AMCO Fabrics Private Limited MIGA has issued a guarantee of $630,000 to AMCO Fabrics Private Limited, of India, covering its $700,000 equity investment in Congo International Company SPRL. The coverage is for up to 10 years and covers the risks of war and civil disturbance, transfer restriction, and expropriation. The project involves the installation and operation of a PVC pipe manufacturing plant on a greenfield site outside Lubumbashi in Katanga Province. The initial manufacturing capacity of the plant is estimated to be a few hundred tons a year. The plant will serve a market that is now entirely dependent on imports and is expected to grow as the local economy stabilizes. The sponsor will also be able to offer the pipes at lower prices than imported goods due to the country's limited transportation infrastructure. The project will create jobs and contribute to the economy through local sourcing of goods and services, mostly related to transportation, fuel, utilities, and housing costs. This guarantee was underwritten through MIGA's Small Investment Program and is aligned with the agency's commitment to supporting South-South investments, investment in sub-Saharan Africa, and investments in conflict-affected countries. MIGA's participation in this project was crucial for the investor to secure the financing needed to proceed with the project.
Guinea-Bissau	**Project Name: Orange Bissau S.A.** Guarantee Holder: Société Nationale des Télécommunications du Sénégal S.A. MIGA issued a guarantee of $25.9 million to Société Nationale des Télécommunications du Sénégal S.A. (Sonatel), covering its $15.1 million equity investment and $12.9 million shareholder loan in Orange Bissau 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 installation, operation and maintenance of a 900/1800 GSM cellular network in the country, as well as public pay phones and internet services—critical to Guinea-Bissau's economic development. It will be the second major cellular service provider in Guinea-Bissau to operate on a 100 percent digital GSM technology. This will improve quality, efficiency, and provide for a reliable mobile telephone technology. Subscribers are expected to benefit from reduced costs due to increased competition and the diverse product offerings. The multiplier effects of the sector on the economy are expected to be good. The project will support the growth of several industries, including urban transportation (taxi drivers), advertising companies, print shops, information technology and software companies, construction firms, and various other retail and service companies. Government revenues from the project will include taxes and fees. This project is aligned with the World Bank Group's efforts to improve the country's investment climate. Guinea-Bissau is one of the poorest countries in the world. Overall growth and economic diversification in the country have been further hampered by a weak investment climate, including weaknesses in the telecommunications sector that this project expects to address. MIGA's participation in this project supports several agency priorities including South-South investment, investment in Africa, and investment in the infrastructure sector.

Guarantees

Country	Activities
Kenya	**Project Name: OrPower 4, Inc.** Guarantee Holder: Ormat Holding Corp. MIGA issued a guarantee of $88.3 million to Ormat Holding Corp., a Cayman Islands-registered subsidiary of Ormat Technologies, Inc., for its $98.1 million equity investment in OrPower 4, Inc. in the Republic of Kenya. The coverage is for up to 15 years and covers the risks of war and civil disturbance, transfer restriction, and expropriation. This issuance replaces an earlier guarantee issued by the agency to cover investments into the first phase of the project only. The expanded guarantee covers both the first phase of the project and the investor's additional investments of $50 million for the second phase. The project consists of the design, construction, management and operation of a base-load geothermal power plant with a combined capacity of 48MW on a Build-Own-Operate basis in the Olkaria geothermal fields of the Rift Valley, 50 kilometers northwest of Nairobi. Electricity generated by the plant will be sold under a 20-year power purchase agreement with the national power transmission and distribution utility in the country—the Kenya Power & Lighting Company Limited. The project is designed to alleviate the severe power shortages that have hampered economic growth in Kenya. Only about 15 percent of the total population in the country has access to electricity, with frequent blackouts and a large number of customers awaiting connections. Increased power supply is expected to contribute to economic growth in rural areas, thereby reducing migration to urban areas and the cities. The project utilizes indigenous geothermal fuel resources, thus lowering Kenya's dependence on imported thermal energy. The project will reduce Kenya's exposure to fossil fuel price fluctuations—especially relevant in the light of current fuel prices of around $100 per barrel. Geothermal electricity production does not result in any of the conventional air pollutants associated with other fossil fuel generation options. The project is therefore expected to improve local and regional air quality. Other benefits include avoidance of greenhouse gas emissions. The plant is situated in a rural area with high unemployment rates, and is expected to hire up to 200 new full-time employees and possibly up to 500 part-time employees during the construction period for the second phase. Local employees will benefit from a significant transfer of skills and technology. The project is also expected to contribute to the economy through local sourcing of goods and services. This project is aligned with the World Bank Group's strategy to facilitate private sector involvement in infrastructure development in Kenya, and it also responds to the Bank Group's concerted efforts to promote renewable energy. This project meets several of MIGA's priorities as it supports a South-South investment in the power sector in an IDA-eligible country in sub-Saharan Africa.
Madagascar	**Project Name: Hydelec Madagascar S.A.** Guarantee Holder: Energy Engineering Investment Limited MIGA has issued a guarantee of $19.9 million to Energy Engineering Investment Limited of Mauritius, covering its equity investment in and shareholder loans to Hydelec Madagascar S.A. The coverage is for up to 15 years and covers war and civil disturbance, transfer restriction, and expropriation. The project consists of financing, building and operating a run-of-river 15 MW hydro power facility located on the Sahanivotry river, 30 km south of Antsirabe, in the province of Antanarivo in Madagascar. The facility will function as a base load plant to feed the Antanarivo and Antsirabe grid, which suffers from chronic power cuts and load shedding. The expected generation cost of 4.8 c/kWh is lower than the cost of electricity currently produced by many existing thermal power plants. The project will be implemented under a 30-year concession agreement. Electricity generated will be sold under a 10-year power purchase agreement signed between JIRAMA—the state-owned electricity company—and the project enterprise. In the past five years, demand for electricity in Madagascar has grown at an annual average rate of approximately seven percent. The project is expected to help the country meet its increasing demand for power reliably and in a cost-effective and environment-friendly manner. This is the country's first privately owned and operated hydro power project and is expected to pave the way for similar investments in the future. (*cont'd*)

Guarantees	
Country	**Activities**
	(*cont'd*) The hydroelectric power plant is expected to generate up to 70,000 MWh of power per year, thereby reducing Madagascar's reliance on more expensive thermal power plants, as well as more expensive imported fuel. Downstream effects of the project are expected to include benefits to trade and tourism, as well as the agricultural and industrial sectors due to reliable electricity supply. Continued expansion in energy and electricity supply is also likely to help sustain greater economic growth in the country. The project has the potential to pave the way for attracting additional private capital investment flows for infrastructure development in Madagascar. Electricity sector reform in Madagascar is an important priority for the World Bank. The government of Madagascar has identified hydro power generation as the preferred method of electricity generation for the country, given the abundance of smaller rivers throughout the country. The project is, therefore, consistent with the Bank Group and the Government's strategy in Madagascar.
	Project Name: Gasy Community Network Services S.A. (G@synet) Guarantee Holders: SGS S.A. MIGA issued two guarantees of $10.97 million (€7.6 million) to SGS S.A. of Switzerland, covering its loan guaranties to two banks in Madagascar for their respective loans to G@synet. MIGA's guarantees are for a period of up to 37 months and provide coverage against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. The project involves the introduction of modern technology in trade transactions in Madagascar, designed to significantly reduce processing time for customs clearance and cargo release; reduce the cost of trade documentation; and increase the speed by which the customs service receives duty payments. The project will automate the customs clearance process in Madagascar with a software platform called TradeNet. The application will link the various parties involved in external trade—customs, ministries, banks and traders—into a single data network. This will eliminate duplicative and error-prone paperwork. There is also a Destination Inspection component in the project, under which three mobile inspection scanners will be deployed at various ports in Madagascar. The scanners will allow non-intrusive examination of imports and exports. The project will help the local business community by increasing transparency in customs clearance and tax collection, while promoting fair and equal treatment of traders. It is expected to lead to reduced corruption opportunities for customs staff; more accurate trade information and statistics; reduced human intervention and paper handling; better detection of irregularities and fraud; and increased transparency and accountability. The project is expected to generate revenues for the government, estimated at $1.5 million per year (for each of the first five years) inclusive of royalties, duties and dividends. Local staff—expected to grow to 50 by the second year—will receive training in network management, IT security, and the operation and maintenance of scanners. The World Bank Group's country assistance strategy for Madagascar is organized around two main pillars—helping to remove constraints to investment and growth, and improving the scope and quality of service delivery. MIGA's support for the project is aligned with both. The project also matches MIGA's strategic objective of increasing its presence in Africa, particularly in IDA-eligible countries.
Nigeria	**Project Name: New Age Beverage Company Limited** Guarantee Holder: New Age Beverage Company Limited; Byblos Bank S.A.L. MIGA issued guarantees of $7.3 million to New Age Beverage Company Limited of the British Virgin Islands and Byblos Bank S.A.L. of Lebanon. The guarantees cover $0.2 million in equity investment and $7.1 million of bank loans, including interest. MIGA's guarantees will protect the investments for a period of five years against the risks of transfer restriction, expropriation, and war and civil disturbance. *(cont'd)*

Guarantees	
Country	**Activities**
	(*cont'd*) The project involves the establishment of a greenfield facility for the production of reconstituted liquid milk and soy milk in Ibadan, the capital city of Oyo State, in southwest Nigeria. In addition to the reconstituted milk, the factory will produce flavored milk and milk-juice blends manufactured from imported powdered milk and soy milk for the Nigerian market under the Anchor brand. The proposed facility will be fully automated with state-of-the-art, environmentally friendly technology. The country's three percent annual population growth, increasing urbanization, and rising per capita income have resulted in a demand for milk that exceeds domestic production. Development of the country's dairy sector has been hampered by, among other things, inefficient production. Imports of dairy products were valued at $275 million in 2006. The project is expected to address these shortcomings, as well as the shortage of industrially processed milk in Nigeria. The project is also expected to generate jobs for the local population, including technical, semi-skilled and unskilled positions, at wages that are more attractive than average local wages. Staff will benefit from targeted training programs. Local businesses also stand to gain indirectly from the project through the provision of goods and services for the construction of the factory and warehouses. The project meets several of MIGA's strategic priorities as it supports a small investment into an IDA-eligible, conflict-affected country in Africa. The project is also consistent with the World Bank Group's country partnership strategy for Nigeria, and it supports the government of Nigeria's efforts to promote private sector-led growth, particularly in the non-oil sector.
Rwanda	**Project Name: Cogebanque** Guarantee Holders: ShoreCap International Ltd. MIGA issued a guarantee of $1.8 million to ShoreCap International (SCI) of the Cayman Islands covering its equity investment in Companie Générale de Banque in Rwanda (Cogébanque). The coverage is for a period of up to six years against the risks of transfer restriction, expropriation, and war and civil disturbance. The project consists of an investment by SCI and two foreign sponsors to help Cogébanque improve its services and to satisfy the recent increase in the minimum capital requirement to RWF 5 billion (approximately $9.2 million) mandated by the Rwandan Central Bank. Cogébanque was established in 1999 and has experienced steady growth for the past five years. The bank offers deposit mobilization products and credit facilities to corporations, SMEs, retail clients, and individuals. SCI will provide technical assistance to Cogebanque in the following areas: strengthening credit services for SME; developing internal audit and controls; developing its human resources department; and ongoing training and coaching in key areas. Fostering broad-based growth in rural economic activity and in the private sector, including SMEs, is an important element of Rwanda's continuing economic recovery. The investor is committed to providing quality financial services to SMEs, which, despite existing efforts within the financial system are finding it difficult to access bank loans. In addition to its core loan products, deposit services will play an important part in the bank's overall outreach. Of all the fully licensed commercial banks, it has the widest branch network and widest customer base among the rural population. MIGA's participation in the project is aligned with the agency's priority of supporting investments in sub-Saharan Africa and into IDA-eligible nations. The project was underwritten through MIGA's Small Investment Program.