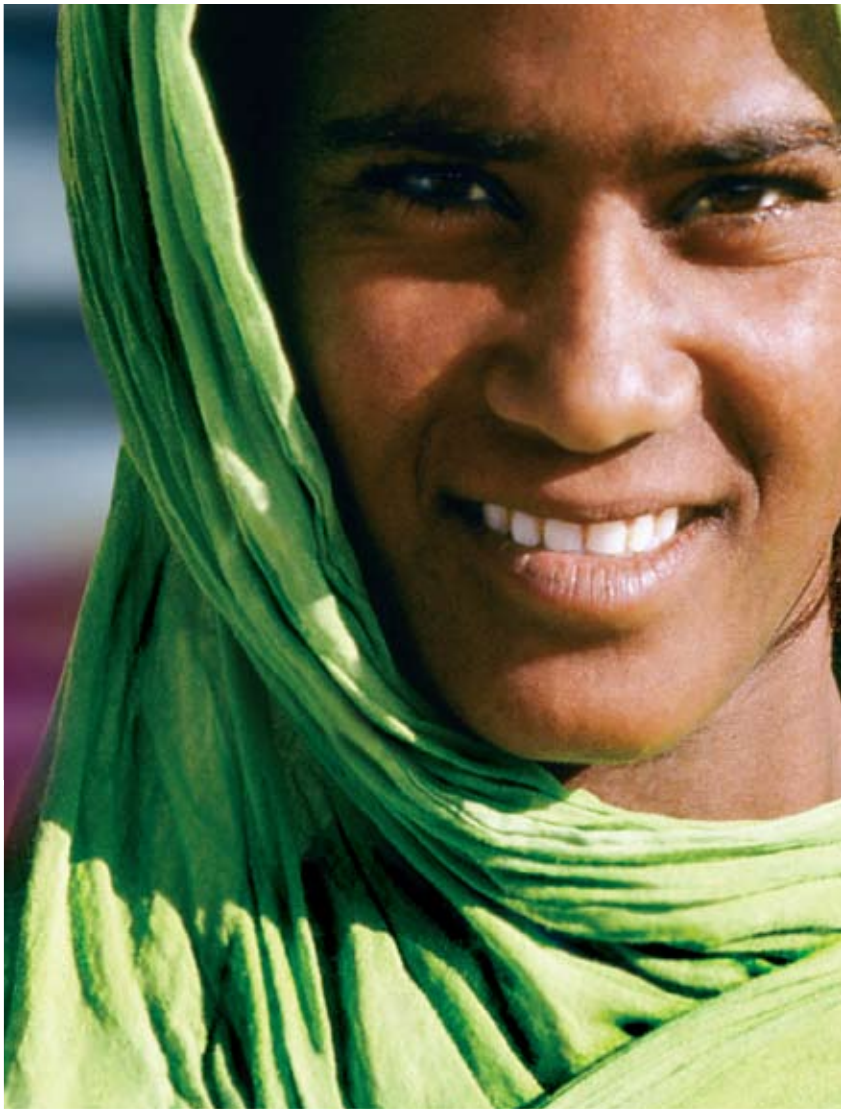
2008 ANNUAL REPORT



World Bank Group
Multilateral Investment
Guarantee Agency

MIGA'S MISSION

To promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives.

Guarantees

Through its investment guarantees,* MIGA offers protection for new cross-border investments, as well as expansions and privatizations of existing projects, against the following types of noncommercial risks:*

- Currency inconvertibility and transfer restrictions
- Expropriation
- War and civil disturbance
- Breach of contract

As part of its guarantees program, MIGA provides dispute resolution services for guaranteed investments to prevent disruptions to developmentally beneficial projects.

Technical Assistance

MIGA helps countries define and implement strategies to promote investment through technical assistance services managed by the World Bank Group's Foreign Investment Advisory Services (FIAS).

Online Knowledge Services

MIGA helps investors identify investment opportunities and manage risks through online investment information services—FDInet and PRI-Center—offering information on investment opportunities, business operating conditions, investment information, and political risk insurance.

* *This report uses the terms "guarantees" and "insurance" interchangeably. The terms "noncommercial risk" and "political risk" are also used interchangeably throughout the report.*

CONTENTS

SUMMARY OF WORLD BANK GROUP ACTIVITIES

The five institutions of the World Bank Group work closely together to support development projects worldwide with a view to eliminating poverty and achieving inclusive and sustainable globalization. The organization is the world's largest funder of education, the world's largest external funder of the fight against HIV/AIDS, a leader in the fight against corruption, a strong supporter of debt relief, and the largest international financier of biodiversity, water supply, and sanitation projects.

During fiscal year 2008, the Bank Group committed $38.2 billion in loans, grants, equity investments and guarantees to its members and to private businesses in member countries—an increase of $3.9 billion (11.4 percent) from fiscal year 2007.

The World Bank, comprising IDA and IBRD, committed $24.7 billion in loans and grants to its member countries. IDA commitments to the world's poorest countries were $11.2 billion, 5 percent lower than the previous year. IBRD commitments in fiscal 2008 totaled $13.5 billion, 5 percent higher than the previous year.

IFC committed $11.4 billion and mobilized an additional $4.8 billion for private sector investments in developing countries, more than 40 percent of which were in IDA-eligible countries.

MIGA issued close to $2.1 billion in guarantees in support of investments in the developing world, an increase of $730 million over 2007. Of the total, $689.6 million went to IDA-eligible countries.

World Bank Group Cooperation

In fiscal year 2008, the World Bank, IFC and MIGA collaborated on:

- Potential projects to ensure full alignment of country and sectoral strategies
- A new regional integration strategy for Africa
- Country assistance strategies and interim strategy notes across all regions
- The Strategic Framework on Climate Change and Development for the World Bank Group, and the World Bank Group Sustainable Infrastructure Action Plan

The World Bank Group comprises five closely associated institutions:

International Bank for Reconstruction and Development (IBRD), which lends to governments of middle-income and creditworthy low-income countries

International Development Association (IDA), which provides interest-free loans, or credits, and grants to governments of the poorest countries

International Finance Corporation (IFC), which provides loans, equity, and technical assistance to stimulate private sector investment in developing countries

Multilateral Investment Guarantee Agency (MIGA), which provides political risk insurance or guarantees against losses caused by noncommercial risks to facilitate foreign direct investment (FDI) in developing countries

International Centre for Settlement of Investment Disputes (ICSID), which provides international facilities for conciliation and arbitration of investment disputes

MIGA FISCAL YEAR 2008 HIGHLIGHTS

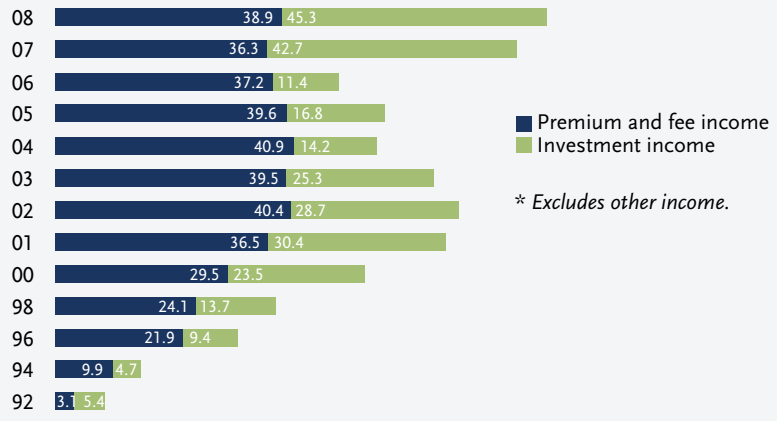
In fiscal year 2008, the total amount of guarantees issued for projects in MIGA's developing member countries reached $2.1 billion, representing the largest amount of new gross exposure in MIGA's history and the fourth consecutive year of growth in the amount of guarantees issued.

TABLE 1 Guarantees Issued	2003	2004	2005	2006	2007	2008	FY90-08
Number of Guarantees Issued	59	55	62	66	45	38	922
Number of Projects Supported	40	41	41	41	29	24	580
New Projects[1]	37	35	33	34	26	23	-
Projects Previously Supported[2]	3	6	8	7	3	1	-
Amount of New Issuance, Gross ($B)	1.4	1.1	1.2	1.3	1.4	2.1	18.8
Amount of New Issuance, Total ($B)[3]	1.4	1.1	1.2	1.3	1.4	2.1	19.5
Gross Exposure ($B)[4]	5.1	5.2	5.1	5.4	5.3	6.5	-
Net Exposure (less reinsurance) ($B)[4]	3.2	3.3	3.1	3.3	3.2	3.6	-

1 *Projects receiving MIGA support for the first time in FY08 (including expansions).*
2 *Projects supported by MIGA in FY08 as well as in previous years.*
3 *Includes amounts leveraged through the Cooperative Underwriting Program (CUP).*
4 *Gross exposure is the maximum aggregate liability. Net exposure is the gross exposure less reinsurance.*

This year, MIGA's operating income was $55 million, compared with $49 million in FY07. The increase of $6 million was due to an increase in net premium income and investment income and a decrease in the agency's administrative expenses. FY08 net income increased by $3.4 million compared to FY07, primarily due to higher guarantee income and investment income and translation gains. (See MD&A for details.)

FIGURE 1 Earned Premium, Fees, and Investment Income,* $ M



Membership

The agency's total membership stands at 172. In fiscal year 2008, MIGA welcomed one new member into the agency—New Zealand. Mexico and Iraq took important steps towards membership by ratifying the MIGA Convention. To become full members, they must make the initial capital contribution to the agency.

TABLE 2 Operational Highlights

MIGA provided coverage for projects in the following areas in FY08:

	No. of projects supported	Share of projects supported (%)	Amount of guarantees issued ($M)	Share of guarantees issued (%)
Priority area[1]				
Conflict-affected countries	8	33	99.1	5
Infrastructure	6	25	757.2	36
"South-South" investments[2]	7	29	520.7	25
IDA-eligible countries[3]	15	63	689.6	33
Region				
Asia and the Pacific	3	13	36.6	2
Europe and Central Asia	9	38	1,254.6	60
Latin America and the Caribbean	1	4	158.5	8
Middle East and North Africa	2	8	430.7	21
Sub-Saharan Africa	9	38	218.0	10
Sector				
Agribusiness, manufacturing and services	8	33	71.2	3
Financial	10	42	1,269.9	61
Infrastructure	6	25	757.2	36
Oil, gas and mining	0	0	0	0
Total	**24**	**100**	**2,098.3**	**100**

1 *Some projects address more than one priority area.*
2 *Investments between developing countries.*
3 *The world's poorest countries.*

Other highlights include

No claims paid in fiscal year 2008

Successfully resolved investment disputes related to guaranteed projects in three countries

Monitored situations in nine countries, some of which may lead to claims, and worked to facilitate amicable resolutions

First investments supported in the Central African Republic, Djibouti, and Rwanda

Six projects supported through MIGA's Small Investment Program

Partnerships

Entered into facultative reinsurance agreements and leveraged additional capacity for MIGA projects, with 12 private sector insurance partners, one public sector insurer, and one multilateral insurer

Partnered for the first time with Hannover Re, Swiss Re, and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) on reinsurance of MIGA's portfolio

Partnered with the European Investment Bank, the Government of Japan, and the Palestinian Authority to redefine the West Bank and Gaza Investment Guarantee Trust Fund

LETTER FROM THE PRESIDENT TO THE COUNCIL OF GOVERNORS

This year marks MIGA's 20th anniversary. The agency was formed to contribute to the World Bank Group's mission of overcoming poverty by encouraging foreign direct investments (FDI) into underserved emerging markets. MIGA's political risk insurance complements the product offerings of the rest of the World Bank Group, by facilitating development projects in economies that do not attract foreign capital easily—countries in sub-Saharan Africa, post-conflict states, and the world's poorest states. For twenty years, now, MIGA has been a steadfast partner for the Bank Group.

In 2008, the Bank Group developed six strategic priorities to focus our effort. We are giving particular emphasis to the poorest countries, especially in Africa. Bringing opportunity to these countries means not only social development topics but a growth agenda: infrastructure, energy, regional integration linked to global markets, and a healthy private sector. The Bank Group is focused on fragile and post-conflict states—trying to help Liberia, Afghanistan, Haiti, Kosovo, and others. We are addressing the challenges of middle-income countries–developing a host of knowledge and financial services to help these important clients, and working with them as they expand their activities in other countries, so as to broaden and diversify the stakeholders in the international economic system. The Bank Group is increasing our work on global and regional public goods, from HIV/AIDs, avian influenza, malaria, TB, and health systems to pull this work together, to the challenges of global climate change. We are expanding opportunity for the Arab world—advancing areas of cooperation, including Islamic finance, water, and education. And the Bank Group is becoming a more effective learning institution, gaining knowledge and valuable experience, and leveraging the best global knowledge to support development.

MIGA has played an important role in addressing these challenges. MIGA projects are responding to the need to compensate for low investment levels in the world's poorest countries, such as Djibouti and the Central African Republic. The agency is supporting economic development and reconstruction in frontier markets and in countries affected by conflict. MIGA has also offered diverse and innovative services to middle-income clients, such as a guarantee covering a Shariah-compliant project finance structure. And it is helping countries such as China to address environmental challenges, while encouraging investments into projects that exploit

renewable energy resources, support energy conservation, and increase efficiency.

During my travels over the past year, I have seen how MIGA projects can play a critical role in advancing social and economic development. These projects provide opportunities for our clients by engaging communities in partnership with the private sector; by creating jobs, providing water, electricity, and other basic services, transferring skills and technological know-how, and tapping natural resources in an environmentally sustainable way.

All these activities are guided by MIGA's commitment to results. Over the past twenty years, the agency has issued nearly $20 billion in guarantees for investments going into 100 countries. More than $6 billion of this has supported over 210 projects in IDA countries, including $2.6 billion for nearly 100 projects in Africa. MIGA has supported reconstruction efforts in 24 post-conflict countries. The agency has facilitated an estimated $80 billion in overall FDI.

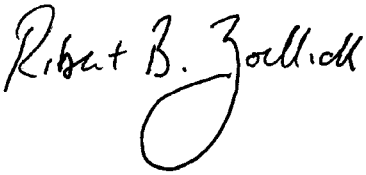
2008 has been an exceptionally good year for MIGA. New guarantee issuance reached $2.1 billion—a gauge of the need and demand for MIGA's investment guarantees. I want to thank those who made these achievements possible.

In particular, I would like to express my appreciation for Ms. Yukiko Omura's dedicated service to MIGA. Ms. Omura, whose term concluded at the end of this fiscal year, served as MIGA's Executive President for four years—a period of strong results for the agency, particularly in diversifying the portfolio and extending the agency's reach into the world's poorest countries. Her leadership and vision have helped MIGA to keep pace with evolving market demands in a rapidly changing environment.

Over the past twenty years, the agency has issued nearly $20 billion in guarantees for investments going into 100 countries. More than $6 billion of this has supported over 210 projects in IDA countries, including $2.6 billion for nearly 100 projects in Africa.

We have built a good momentum this year, yet we have much to do. It remains important for us to look toward the challenges ahead—the ongoing efforts to overcome poverty and hunger amidst soaring food prices; to increase access to education, health care, and basic infrastructure; to increase energy efficiency and confront the climate change challenge; and to help states facing breakdown.

I know that MIGA's dedicated staff is committed to helping countries face these formidable challenges. I look forward to the support of MIGA's shareholders and partners as we continue to work toward our collective goal of overcoming poverty and advancing an inclusive and sustainable globalization that offers opportunities for all our client countries and their peoples.



Robert B. Zoellick
June 30, 2008

BOARD ACTIVITIES HIGHLIGHTS

During fiscal year 2008, MIGA's Board of Directors reviewed and concurred with investment guarantees for 27 projects. The Board also oversaw and reviewed MIGA's budgeting and planning process for the upcoming fiscal year, and approved the agency's FY09-11 Operational Directions. During the year, the Board also approved the integration of the Small Investment Program (SIP) into MIGA's standard operations.

In this fiscal year, MIGA collaborated with the IBRD, IDA, and IFC in drafting several country assistance and partnership strategy documents that were considered by the Board. In addition to submitting quarterly financial reports, MIGA management presented one technical briefing to the Board discussing the World Bank Group's guarantee products. Finally, the Board discussed the Independent Evaluation Group's MIGA 2007 and 2008 Annual Reports.

A Council of Governors and a Board of Directors, representing 172 member countries, guide the programs and activities of MIGA. Each country appoints one governor and one alternate. MIGA's corporate powers are vested in the Council of Governors, which delegates most of its powers to a Board of 24 directors. Voting power is weighted according to the share of capital each director represents. The directors meet regularly at the World Bank Group headquarters in Washington, DC, where they review and decide on investment projects and oversee general management policies.

Directors also serve on one or more of five standing committees, which help the Board discharge its oversight responsibilities through in-depth examinations of policies and procedures. The Audit Committee advises the Board on financial management and other governance issues to facilitate Board decisions on financial policy and control issues. The Budget Committee considers aspects of business processes, administrative policies, standards, and budget issues that have a significant impact on the cost effectiveness of the Bank Group operations. The Committee on Development Effectiveness advises the Board on operations evaluation and development effectiveness with a view to monitoring progress towards MIGA's mission of poverty reduction. The Personnel Committee advises the Board on compensation and other significant personnel policy issues. In addition, directors serve on the Committee on Governance and Executive Directors' Administrative Matters.

MIGA's Board of Executive Directors, as of June 30, 2008

From left to right: (standing) Gino Alzetta, Svein Aass, Giovanni Majnoni, Herman Wijffels, Alexey Kvasov, James Hagan, Sid Ahmed Dib, Michael Hofmann, Masato Kanda, Mohamed Kamel Amr, E. Whitney Debevoise, Ambroise Fayolle, Michel Mordasini, Samy Watson, Felix Alberto Camarasa; *(seated)* Dhanendra Kumar, Abdulrahman Almofadhi, Zou Jiayi, Mat Aron Deraman, Caroline Sergeant, Jorge Botero, Mulu Ketsela, Louis Phillippe Ong Seng, *(absent)* Jorge Familiar.

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT

This past fiscal year was a banner year for MIGA in terms of guarantees issued and the growth of the outstanding portfolio. Guarantees provided by the agency grew from $1.4 billion in 2007 to $2.1 billion in 2008, clearly demonstrating MIGA's relevance as an institution with a niche product. This was the fourth consecutive year of growth for the agency, leading to an outstanding portfolio of over $6.5 billion. Our financial position also remained strong with robust operating and investment incomes.

But we do not measure our development impact by volume of business alone. Equally important to us is our achievements in priority areas and results on the ground. Every dollar we guarantee is estimated to facilitate $4 of foreign investment into a country, and the development benefits are far-reaching: providing basic infrastructure; getting financial sectors back on their feet; and allowing governments to allocate limited funds to critical social programs.

During my travels, I have seen firsthand how we make a difference. For example, a small run-of-the-river hydropower project in Madagascar is helping the country meet its increasing demand for power in a cost-effective and environment-friendly manner. Not only is the project providing close to 10 percent of the country's electricity needs, but the sponsors are supporting schools in a neighboring village by distributing supplies.

MIGA first got involved in the project in 2002, providing guarantees for the investor's equity investment and shareholder loan. This was the first private foreign energy project in Madagascar, and had such a positive demonstration effect that the same investor came back to MIGA in 2008 for another power project in the country. This is precisely MIGA's raison d'être—encouraging foreign direct investment into developing countries, especially the poorest countries that lose out due to market risk perceptions.

Introducing the 2007 annual report last year, I had emphasized that in 2008 we would intensify our focus on underserved markets, particularly in IDA-eligible countries and in sub-Saharan Africa. I am pleased to report that these targets were met and, in some cases, exceeded. For instance, this year our support for investments in IDA-eligible countries increased from $387 million in fiscal year 2007 to $690 million. And sub-Saharan Africa accounts for 38 percent of new projects supported by MIGA this year.

We have remained committed to our mandate in a radically evolving global environment, focusing on areas where we have the greatest impact: frontier markets; conflict-affected countries; complex infrastructure projects; and South-South investment. This year, we issued over $100 million in guarantees for conflict-affected countries. We continued to ramp up our support for infrastructure projects, which represent 36 percent of guarantees issued in 2008.

These results have come in at a time of financial turmoil in high-income countries and amidst high food and energy prices globally. The disturbance in the financial markets stemming from the tightening of liquidity has impacted not only the availability of credit, but also the capacity of the political risk insurance industry to underwrite coverage. At the same time, there was a general increase in perceptions of noncommercial risk. At times like this more than ever, MIGA can add value by improving a project's risk profile, lowering borrowing costs, and helping good projects materialize.

MIGA's ability to attract profitable and developmentally beneficial foreign direct investment has held up strongly in the face of the financial turbulence over the past year. The new guarantee issuance of $2.1 billion in fiscal year

2008 was the largest amount of new gross exposure in MIGA's history.

During the past year, we continued to strive to be very responsive to a changing environment and our clients' demands. We took steps to offer more diverse and innovative services to clients. For the first time, MIGA issued a guarantee for a Shariah-compliant project in response to the growing demand for products supporting transactions deemed permissible by Islamic jurisprudence. These types of innovations help us to fulfill our mandate by supporting critical, developmentally beneficial projects in countries that investors normally perceive as too risky.

Internally, we worked hard at improving the way we do business. We are focused on reinforcing MIGA's role as a multilateral development agency with a business model built around openness and transparency. A good start was made this year with the implementation of two policies relating to our standards on social and environmental sustainability, and disclosure of information.

We also continued our efforts to improve the agency's operational efficiency and relevance. This year, MIGA implemented a new portfolio risk management framework, which provides a comprehensive approach to the measurement and management of risk in its guarantees portfolio.

The results of fiscal year 2008 are a testimony to the hard work, dedication, and professionalism of MIGA's staff. I thank them for their support and commitment. I would also like to express my thanks to our Board of Directors and all our partners for their continued support.

I have come to the end of my tenure at MIGA. As I leave, I feel confident that MIGA is well positioned to continue to make a strong development impact. It has been a great honor to serve in an institution that is dedicated to promoting economic growth and improving the lives of the poor. I wish MIGA continued success in its mission.

Yukiko Omura
June 30, 2008

MIGA OFFICERS AND MANAGERS









Yukiko Omura
Executive Vice President

James P. Bond
Chief Operating Officer

Edith Quintrell
Director, Operations

Peter D. Cleary
Director and General Counsel, Legal Affairs and Claims

Frank J. Lysy
Chief Economist and Director, Economics and Policy

Kevin Lu
Acting Chief Financial Officer and Director, Finance and Risk Management

Moina Varkie
Director, External Outreach and Partners

Marcus Williams
Adviser, Strategy and Operations

Kristalina Georgieva
Vice President and Corporate Secretary

DEVELOPMENT IMPACT: **MIGA AND THE GLOBAL CHALLENGES**

It is the vision of the World Bank Group to contribute to an inclusive and sustainable globalization—to overcome poverty, enhance growth with care for the environment, and create individual opportunity and hope.

President Robert Zoellick

One hundred days into his tenure as President of the World Bank Group, Robert Zoellick laid out an agenda for addressing a number of key challenges facing the developing world. At the core of the agenda is the belief that globalization offers opportunities that are threatened by exclusion, grinding poverty, and environmental damage. The global community has a responsibility to ensure that the world's poorest are not left behind by globalization—as a matter of respect for the worth of our fellow humans, as well as a matter of ensuring stable societies, reducing the incidence and spread of disease, and ensuring responsible oversight of our common resources.

The World Bank Group has a role to play, particularly when it comes to the poorest countries, fragile and conflict-affected states, middle-income countries, global public goods, and the Arab world. The Bank Group can also better tap its extensive knowledge and expertise to support its development work in all areas.

As the private sector insurance arm of the World Bank Group, MIGA brings a unique set of tools and solutions to support the goal of inclusive and sustainable globalization. The six strategic areas outlined above are in line with MIGA's operational priorities of supporting investments in the world's poorest countries, conflict-affected countries, complex infrastructure projects, and South-South projects (investment between developing countries).

Poorest Countries

The World Bank, MIGA, and IFC play complementary roles in facilitating growth and attracting private capital into the world's poorest countries.

MIGA's political risk insurance encourages responsible and sustainable foreign direct investment, which promotes growth, creates jobs, and improves the lives of people in developing countries.

According to the *2008 Global Development Finance* report, private capital inflows to developing countries surged to an all-time high of $1 trillion in 2007, the fifth consecutive year of strong gains. It is important to keep in mind, however, that the bulk of private capital flows go to a few of the largest economies. MIGA specializes in facilitating investments in underserved markets, encouraging investors and lenders to enter countries where they would not ordinarily venture.

Since its inception, MIGA has issued $5.9 billion in guarantees in support of investments in IDA-eligible countries. Today, the agency's gross IDA exposure stands at $2.3 billion—36 percent of the outstanding portfolio. In fiscal year 2008 alone, 63 percent of all projects supported by MIGA were in IDA countries.

Among the investments supported this year is a telecommunications project in the Central African Republic, where roughly two-thirds of the population lives below the poverty line. The agency provided $38 million in coverage for a state-of-the-art telecommunications network operating on digital GSM technology. The project will also set up Internet services, especially important for the integration of a landlocked country like the Central African Republic into the regional and global economies. Subscribers should benefit from more reliable service and reduced costs. The project is also expected to support the growth of other industries, spurring job creation and further economic development.

Overall, MIGA's guarantees have provided coverage for more than 210 projects in IDA-eligible countries around the world. In Vietnam, for

example, MIGA is supporting the Phu My 3 power project, which involves a large amount of financing and multiple players, from investors to lenders and brokers to government agencies. The project—part of the Phu My power complex supported by the World Bank Group—is already providing 8-10 percent of the country's electricity, which is particularly important given the inability of hydroelectric and other power resources to keep pace with the country's growing energy needs.

Encouraging foreign direct investment into Africa—which continues to be perceived as a high-risk, high-cost place to do business—is another strategic priority for the agency. For investors, the need to mitigate political risks, real and perceived, is great. MIGA has extensive experience in the region, and has issued $2.5 billion in guarantees for about 100 projects supporting investments in all sectors across the continent.

MIGA has been particularly active in the infrastructure sector in Africa, with more than $1 billion in guarantees supporting telecommunications, power, roads, ports, and other infrastructure investments. Over the past few years, for example, MIGA has been working with investors to provide a stable electricity source to energy-deprived Ugandans. The agency joined its World Bank Group counterparts in 2007 in supporting the 250 megawatt Bujagali hydropower project, which is expected to help reduce outages and costs. MIGA's $115 million guarantee was considered essential to securing part of the investment.

MIGA's support for this project built on previously guaranteed investments in the country's electricity distribution system. In 2005 and 2007, MIGA provided $80 million in coverage for the Umeme electricity distribution project, which will extend 13,000 km of overhead lines throughout the country, provide up to 60,000 new connections, and reduce losses within the first five years. Access to electricity will expand for households, schools, clinics, hospitals, and water systems. This is the sort of holistic approach to development MIGA aims for.

This fiscal year, Africa accounts for 38 percent of new projects supported by MIGA.

Fragility and Conflict

The World Bank Group has a long history, dating back to its inception, of helping to rebuild states emerging from conflict. Today, the challenge has been broadened to include aid to help avoid the breakdown of states.

Foreign direct investment can have a strong, positive impact on rebuilding conflict-affected and fragile countries, bringing in much-needed private capital, jobs, technology, and new skills. The creation of jobs provides an important "peace dividend"—providing an alternative to conflict that literally pays off.

MIGA can play a critical role in encouraging FDI back into a country after a period of conflict. Since its inception, MIGA has supported 159 projects with guarantees totaling $2.9 billion in 24 conflict-affected countries. The development benefits have been far-reaching: providing basic infrastructure; getting financial sectors back on their feet; allowing governments to allocate limited funds to critical social programs; and restoring private sector confidence.

In Afghanistan, for example, MIGA's guarantees are playing an important role in encouraging the private sector back into the country following decades of conflict. MIGA is working with investors to help them overcome their concerns about political risks.

Since inception, MIGA has issued $5.9 billion in guarantees in support of investments in IDA-eligible countries. Today, the agency's gross IDA exposure stands at $2.3 billion—36 percent of the outstanding portfolio.

In fiscal year 2008, MIGA, together with the Afghanistan Investment Guarantee Facility, issued $1.7 million in guarantees for an innovative project that is addressing the need for durable construction materials to aid in the country's reconstruction. The project consists of a portable, self-powered system that manufactures compressed-earth blocks called GeoBricks. The project is expected to provide builders in Afghanistan with a lower cost, higher quality, and more energy-efficient building material. If the experience is successful, operations will be expanded into neighboring countries.

Since 2006, MIGA has issued more than $75 million in guarantees in support of investments in agribusiness, telecommunications, banking, and services in Afghanistan. The majority of guarantees average around $1 million or less, with the exception of a landmark telecommunications investment supported by MIGA last fiscal year. The $85 million MIGA-guaranteed project represented roughly a third of total FDI flows into the country from March 2006-2007 (the Afghan calendar year).

Also in fiscal year 2008, MIGA provided $25 million in guarantees for the establishment of a dealership in the Katanga Province of the Democratic Republic of Congo to distribute and service earth-moving and power generating equipment. The project will directly supply equipment suitable for the construction and rehabilitation of road and rail links, and power sector installations, which are in a poor state following decades of conflict and instability. The provision of small-scale generators will help provide power to firms and individuals who currently lack access to electricity or who experience frequent power outages.

MIGA's work in conflict-affected countries spans the globe, but perhaps nowhere has its presence been felt more than in Bosnia and Herzegovina. The agency has played a particularly strong role in helping the country's nascent financial system, stymied by years of conflict, get off the ground. Since 2001, the agency has supported three of the country's top four banks with more than $329 million in guarantees for dozens of banking and leasing investments.

Banks supported by MIGA have helped increase consumer confidence in the banking system, introduce new tools, such as leasing, provide training, and bring in new ways of doing business. For large and medium-size local investors—who provide key goods and services, as well as jobs—the availability of long-term financing options has provided the capital needed for businesses to take off. Small and medium-size enterprises (SMEs), which often lack the funds or credit history to purchase the equipment needed to add production capacity, are benefiting too. Foreign banks often provide the only option for small businesses looking to lease trucks, tractors, and other heavy equipment.

Middle-Income Countries

Middle-income countries (MICs) are at a crossroads: able to secure attractive financing as well as investment, and demanding more technical assistance than traditional lending services from development institutions. At the same time, these states continue to face major development challenges, particularly when it comes to the provision of critical social services and infrastructure. And while MICs account for the vast majority of South-based FDI flows into the developing world, there remains the potential for volatility in these flows.

The challenge for the World Bank Group is to identify and provide a competitive menu of development solutions for middle-income countries, involving customized services as well as finance.

MIGA adds an important dimension to the Bank Group's menu of solutions in middle-income countries. These countries are often home to large, complex investments that involve

Middle-income countries continue to face major development challenges, particularly when it comes to the provision of critical social services and infrastructure.

contractual relationships with local or regional government entities. These so-called "sub-sovereign entities" may experience political pressures or lack experience in contract management and hands-on knowledge of building and operating massive utility projects—a situation that can cause ill-will and misunderstanding. MIGA's dispute resolution skills are called into play to help parties reach a resolution when guaranteed investments face these kinds of stumbling blocks.

This was the case in 2005, when a dispute arose between a water company supported by a MIGA guarantee and a municipal authority in China. Each party claimed breaches of the joint-venture contract by the other party, and the construction of a water treatment plant that would provide potable water to nearly half a million people was delayed as a result.

MIGA worked with the relevant parties to find an amicable resolution to the dispute, and a settlement was reached, through the cooperation and goodwill of the foreign investor, the Chinese government, and the provincial authorities. As a result, the water treatment plant was recently commissioned and is now providing potable water to 450,000 people in Deqing County in the Province of Zhejiang.

Another key area of MIGA engagement is in support of South-South investments. Emerging markets, particularly MICs, are becoming an important source of FDI for the rest of the world. South-South investment now represents roughly one-third of all FDI going into developing countries. Demand for political risk insurance to protect these cross-border investments has also gone up. MIGA's support for South-based FDI now accounts for $1.24 billion—19 percent, of the outstanding guarantees portfolio.

MIGA has been especially active in supporting outward South African investors. Since inception, MIGA has issued $578 million in support of 13 projects involving South African companies. Of all investments supported by MIGA in sub-Saharan Africa, 20 percent have involved South African investors.

MIGA's guarantees are an important tool available to South African investors looking to make sustainable investments throughout the region. With most markets becoming saturated at home, these investors are eyeing business opportunities outside the country, particularly in the areas of finance, retail, mining, telecoms, pharmaceuticals, and agribusiness. South African investments are contributing important development benefits, such as job creation and technology transfer—while encouraging overall intraregional economic development.

Global Public Goods

Global public goods are universally recognized goods that markets do not produce adequately—such as vaccines against infectious diseases or reductions in carbon dioxide emissions, which are the chief cause of global warming. Protecting and enhancing global public goods requires multilateral action and global partnerships involving governments, organizations like the World Bank Group, and socially and environmentally responsible corporations.

MIGA's contribution to this global challenge lies primarily in its ability to create new guarantee products and support projects that will create a demonstration effect in the area of climate change. The agency is working to help developing countries move onto a lower carbon path by encouraging investments into projects that exploit renewable energy resources, support energy conservation, and increase efficiency.

This year, for example, the agency provided $88 million in guarantee coverage for a project in Kenya that involves the design, construction, management and operation of a base-load geothermal power plant. The project is designed to alleviate the severe power shortages that have hampered economic growth in Kenya, where only about 15 percent of the population has access to electricity. The use of indigenous geothermal fuel resources will reduce Kenya's exposure to fossil fuel price fluctuations and will avoid the greenhouse gas emissions typically associated with use of fossil fuels.

In El Salvador, MIGA provided $2 million in investment guarantees for a project that involves capturing and flaring gas generated by municipal waste at a landfill outside San Salvador. The project is already reducing the country's CO_2 emissions by roughly 3 percent. The second phase of the project will use methane gas from the landfill to generate electricity. The project sponsors used carbon credit financing to raise funds.

MIGA's support enabled them to get better financing terms by mitigating all noncommercial and some Kyoto Protocol-related risks.

Middle-income countries are home to 40 percent of global emissions of CO_2 from fossil fuels. Together with developed countries, which produce most emissions, these nations are an important part of a global approach to climate change. In China, where MIGA has an active portfolio, environmental protection is being given the highest priority. The country has the added impetus of achieving certain environmental standards required as host of the 2008 Olympic Games. Among the key targets are reductions in energy consumption and in the discharge of major pollutants, and an increase in the ratio of energy derived from renewable sources.

With rapid economic and urban development in China, solid waste treatment in large cities has become an increasingly important issue. The establishment of environmentally sound solid waste treatment facilities is a high priority for Beijing, which hopes to convert 40 percent of its waste to energy by 2010 and is planning to build four waste-to-energy treatment plants to help achieve this target. MIGA is supporting the first of the four plants.

In fiscal year 2007, MIGA issued $25 million in guarantees to Golden State Waste Management Corporation for its support to a waste-to-energy project in Beijing. The project, 11 percent state-owned, consists of a solid waste treatment and power generation facility that will serve a population of 3 million inhabitants. The facility will have the capacity to handle 15 percent of the city's solid waste a day. With an estimated total investment of $106.5 million, the project is expected to become the largest waste incineration and power generation plant in China when it becomes operational in July 2008.

In addition to improving air quality, reducing CO_2 emissions, and conserving limited space for landfills, the project will also generate electricity. While the amount is modest, it represents an important complement to energy generated by fossil fuels. And the project can serve as a model for how other cities in China and throughout the world can help reduce a key contributor to climate change—by cashing in on trash.

MIGA is working with Golden State on a portfolio of projects in China, including a recycling project in Beijing. Together, the two MIGA-supported projects will handle 40 percent of the city's solid waste. MIGA's involvement in the projects provided extra comfort to the international financiers that are backing the projects, helping to increase confidence and raise financing.

The Arab World

The Arab world has abundant energy resources as well as the potential to integrate into the global economy outside the oil sector. But the countries in this part of the world face challenges relating to water scarcity, unemployment, lack of economic diversity, weak public accountability, and conflict.

The Bank Group can support the region's advancement by fostering broad-based growth, increasing trading opportunities, improving the ability of education systems to respond to the job market, and creating more hospitable environments for entrepreneurship and innovation. Within this framework, MIGA's niche is in the facilitation of investment that can help countries overcome their over-reliance on oil income, while creating jobs and supporting the private sector as they make investments inside and outside the region.

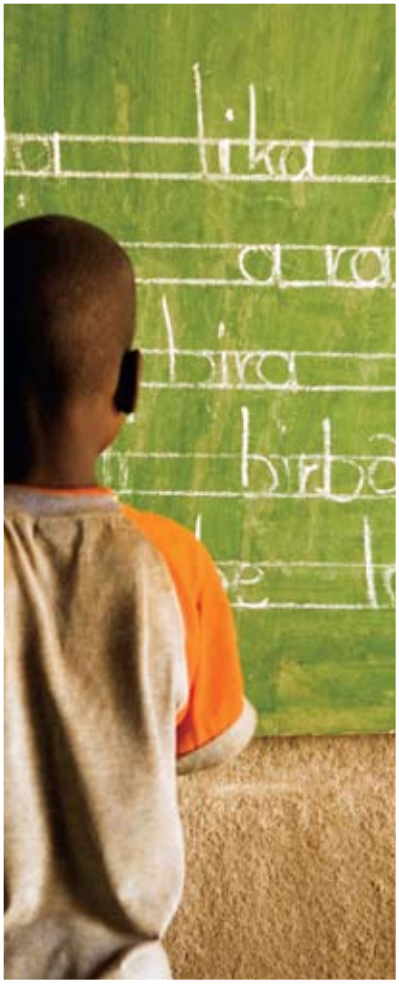
Since 1988, MIGA has issued nearly $1 billion in guarantees in the Middle East and North Africa, covering a diverse range of sectors. Current exposure stands at $682 million. In addition, MIGA has issued some $881 million in guarantees to MENA-based companies

MIGA can help countries in the Arab world overcome their over-reliance on oil income, while creating jobs and supporting the private sector as they make investments inside and outside the region.

and banks investing in developing countries outside the region.

The majority of MIGA's guarantees in the region—53 percent—are in support of infrastructure investments. In Jordan, the agency is supporting the country's first build-operate-transfer project, as well as the first public-private partnership in the financing and management of a public infrastructure project. The project consists of the design, construction, operation, maintenance, and financing of a new wastewater treatment plant in As-Samra. MIGA is insuring both the investment and a performance bond.

Recently, MIGA issued a guarantee to cover investments in a service sector project in Algeria. The project involves the privatization of Enterprise Publique Economique de Contrôle Technique Automobile, a public company established in 2001 by the Ministry of Transport to provide mandatory vehicle inspection throughout Algeria. The investor acquired a majority stake in the project enterprise in 2007 and is introducing international vehicle safety standards and state-of-the-art inspection systems. MIGA's support for this project is aligned with the World Bank's transport business strategy.



Projects such as these illustrate the powerful role the private sector can play in providing not only essential services, but also jobs and know-how.

Islamic finance is emerging as a rapidly growing part of the financial sector in the Islamic world, and is spreading wherever there is a sizable Muslim community. This fiscal year, MIGA adapted its investment guarantee to cover a Shariah-compliant project finance structure and issued its first Shariah-friendly guarantee coverage.

Supporting investors from the region with guarantees for outward investments is another agency priority. Businesses from Egypt, Israel, Lebanon, Saudi Arabia, Tunisia, and the United Arab Emirates have all received MIGA guarantees for investments in other developing countries.

In 2006, for example, MIGA issued $78 million in coverage to Egyptian investor Orascom Telecom, covering its equity investment in a telecommunications project in Bangladesh. The project involves the acquisition, operation and maintenance of a national mobile telephone network based on GSM technology. Since the start of operations, Orascom has upgraded the network, rapidly deployed new infrastructure, set up a distribution network, and is offering high-quality mobile services at competitive prices. By supporting this project, MIGA is helping the government of Bangladesh address the acute shortage of reliable telephone services in the country. MIGA also supported a telecommunications investment by Orascom in Pakistan.

MIGA also administers the West Bank and Gaza Political Risk Insurance Trust Fund, which offers guarantees for investments in the Palestinian Territories.

Knowledge and Learning

One of the World Bank Group's greatest assets is its cumulative "brain trust" of knowledge and experience. Tapping and applying this knowledge in better ways, to elicit better development outcomes, is one of the Bank Group's most important tools—and challenges.

MIGA provides intellectual leadership within the World Bank Group and among the broader insurance and investment communities on guarantees, political risk, and foreign direct investment.

One of the ways MIGA provides this leadership is through its online information services—PRI-Center and FDI.net. These services provide research, promote learning, and share knowledge and experience on FDI and political risk insurance, in support of the World Bank Group's overall knowledge and learning agenda. They also serve as a way for MIGA to build partnerships within the PRI and FDI communities.

The PRI-Center (www.pri-center.com) provides information on the insurance market, featuring political risk analysis and ratings for 160 countries, research, tools, directories, news, and events. Launched in November 2006, the Political Risk Insurance Center is a first-of-its-kind web service that responds to a growing demand for information on mitigating the political or noncommercial risks associated with investing in developing countries. This site is a knowledge resource for all users looking to balance investment risks—from companies in developed and developing countries to small and medium-size enterprises, which may not have the risk management resources available to larger companies.

As a development agency, MIGA's goal is to encourage FDI into the countries that need it most, and one of the first steps is to make sure investors know about the investment opportunities and business conditions in developing countries. To address this need, MIGA hosts FDI.net (www.fdi.net)—an investor-focused portal serving some 25,000 registered users. FDI.net combines business and public resources with World Bank Group analysis to provide users with a single entry point for the full-spectrum of information needed to make a decision about investing in a foreign country. MIGA is also the principal content provider of FDI-related information for the Development Gateway portal.

In addition, MIGA's investment promotion services are integrated into the Foreign Investment Advisory Service (FIAS), enabling the World Bank Group to help countries get the framework right for investment and then market the improved environment from a single platform.

MIGA's online information services support the World Bank Group's overall knowledge and learning agenda by providing research, promoting learning, and sharing information on FDI and political risk insurance.

The Global Challenges Going Forward

Twenty years ago, MIGA's founders envisaged a World Bank Group entity that would complement the institution's mission and activities by offering risk mitigation, rather than direct financing, for projects.

Today, MIGA contributes to the Bank Group's mission of alleviating poverty by focusing on a critical task: encouraging investments in underserved emerging markets and deterring harmful actions that might negatively affect projects' success.

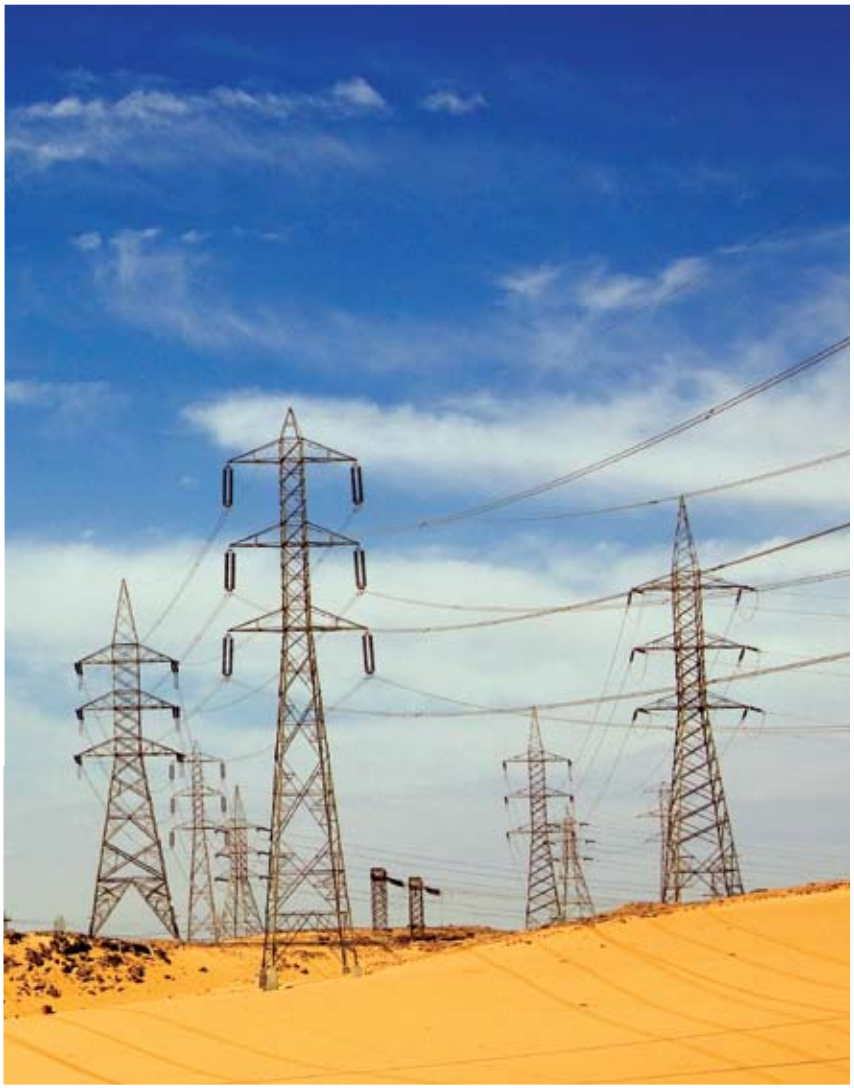
Looking ahead, the agency will continue to leverage its unique mandate and draw on its niche expertise to innovate and find the best solutions possible to the key global challenges facing its clients.

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.

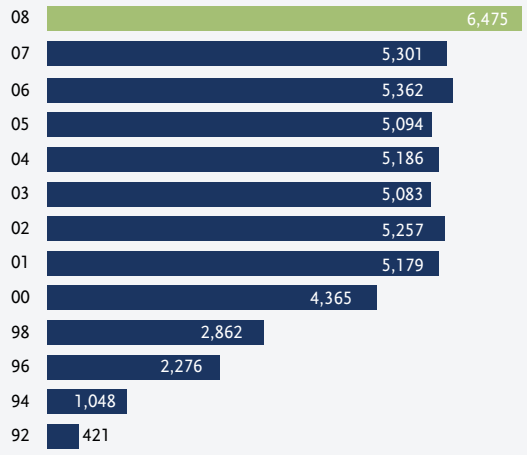
This year, the SIP graduated from the pilot phase and was integrated into MIGA's standard operations with two modifications—an increase in the investment size threshold from $5 million to $10 million, and a formal restriction on eligible projects to the finance, agribusiness, manufacturing, and services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

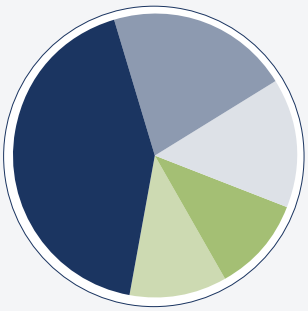
Particularly notable among the projects supported is a telecommunications project in Guinea-Bissau, which became a member country in 2007. The project, for which MIGA issued guarantees of $25.9 million, is an excellent example of MIGA's additionality in promoting investments from one developing country 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.)

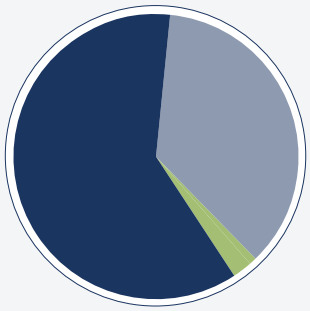
TABLE 3 MIGA's Outstanding Guarantee Portfolio in IDA-Eligible Countries

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

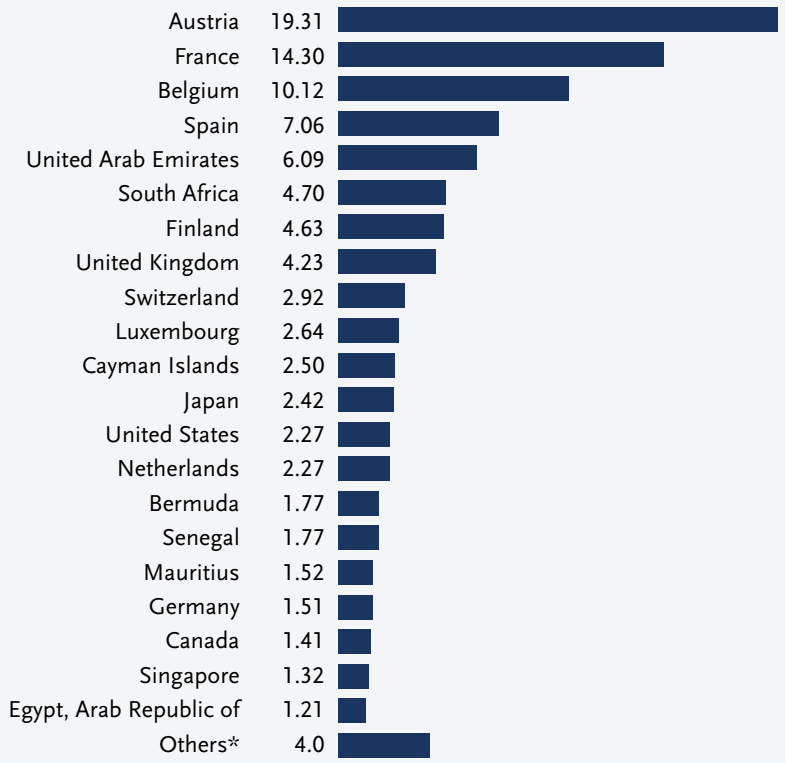
Investor Country	Host Country	Sector	Guarantee Amount (excluding CUP) ($ M)
United Arab Emirates	Djibouti	Infrastructure	413.61
India	Democratic Republic of Congo	Manufacturing	0.63
Lebanon	Nigeria	Manufacturing	7.14
Mauritius	Democratic Republic of Congo	Services	25.15
Mauritius	Madagascar	Infrastructure	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

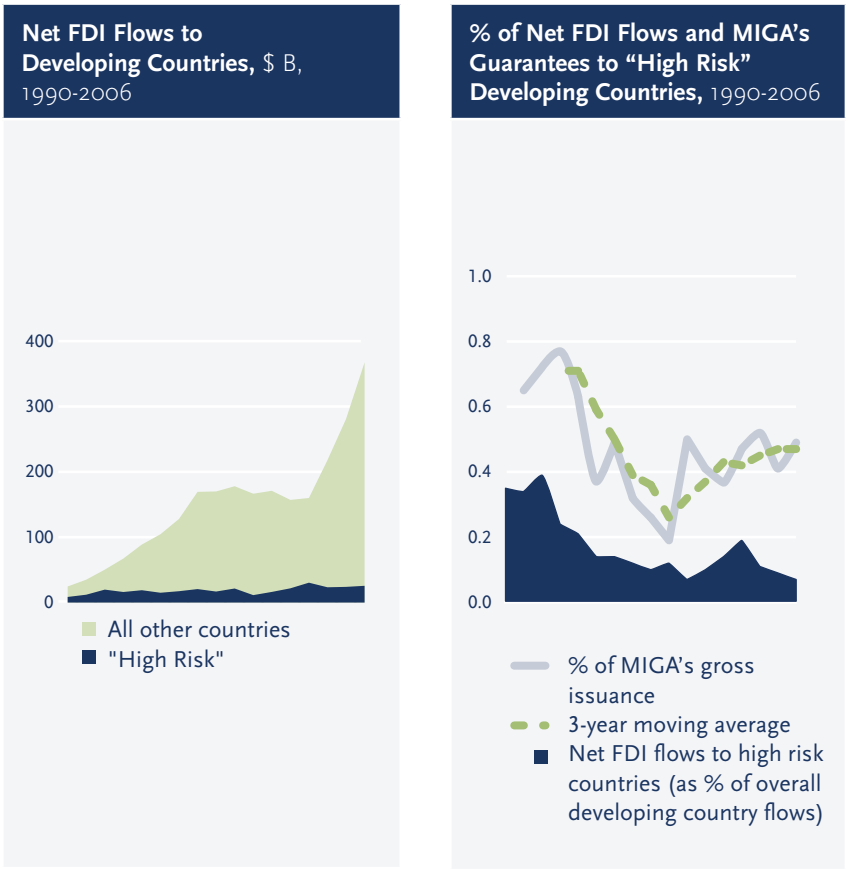
In all its undertakings, MIGA seeks to draw on the complementary strengths of the World Bank Group, leveraging the various products and services across the respective institutions for the benefit of host countries and to maximize development impact. During the fiscal year, MIGA continued to place a strategic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

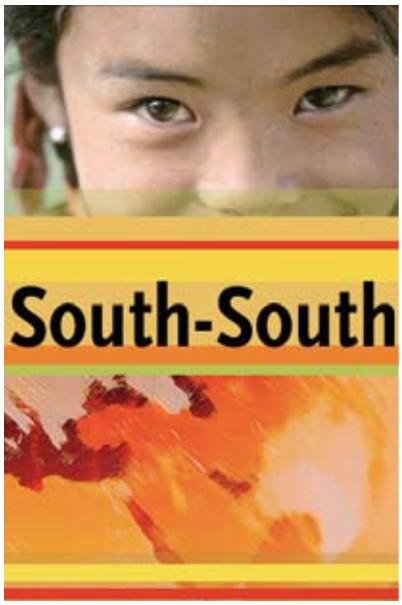
MIGA's Environmental and Social Program Supports Projects in Africa

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

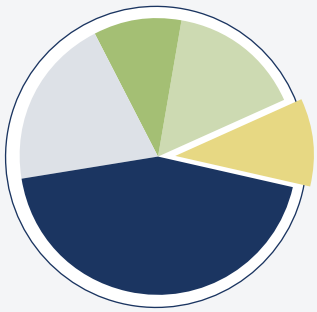
The economies of East Asia and the Pacific recorded their highest growth rates in over a decade, expanding by 10.5 percent in 2007 (up from 9.7 percent in 2006). Once again, the robust performance was led by China, which grew by an estimated 11.9 percent in 2007. Indonesia and Thailand grew at a more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

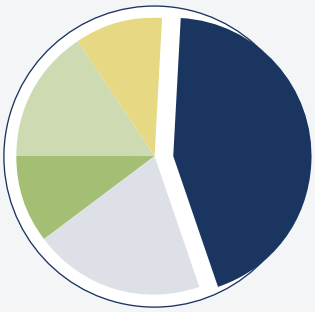
ALBANIA ARMENIA AZERBAIJAN BELARUS BULGARIA BOSNIA AND HERZEGOVINA CROATIA CYPRUS ESTONIA GEORGIA HUNGARY KAZAKHSTAN KYRGYZ REPUBLIC LATVIA LITHUANIA MACEDONIA MALTA MOLDOVA MONTENEGRO POLAND ROMANIA RUSSIAN FEDERATION SERBIA SLOVAK REPUBLIC TAJIKISTAN TURKEY TURKMENISTAN UKRAINE UZBEKISTAN

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

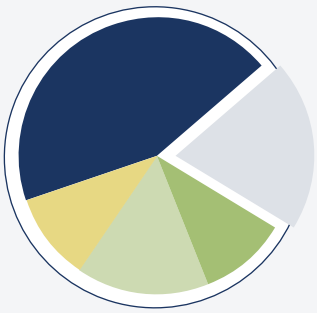
ANTIGUA AND BARBUDA ARGENTINA BAHAMAS (THE) BARBADOS BELIZE BOLIVIA BRAZIL CHILE COLOMBIA COSTA RICA DOMINICA DOMINICAN REPUBLIC ECUADOR EL SALVADOR GRENADA GUATEMALA GUYANA HAITI HONDURAS JAMAICA NICARAGUA PARAGUAY PANAMA PERU ST. KITTS AND NEVIS ST. LUCIA ST. VINCENT AND THE GRENADINES SURINAME TRINIDAD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

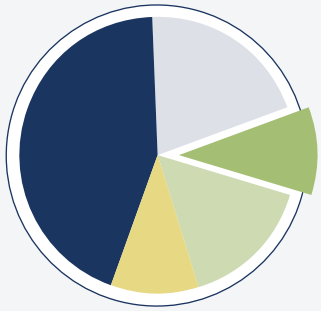
ALGERIA BAHRAIN EGYPT (ARAB REPUBLIC OF) IRAN (ISLAMIC REPUBLIC OF) ISRAEL JORDAN KUWAIT LEBANON LIBYA MOROCCO OMAN QATAR SAUDI ARABIA SYRIAN ARAB REPUBLIC TUNISIA UNITED ARAB EMIRATES YEMEN

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

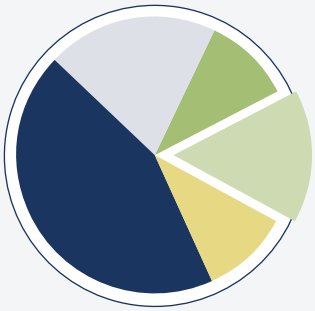
ANGOLA BENIN BOTSWANA BURKINA FASO BURUNDI CAMEROON CAPE VERDE CENTRAL AFRICAN REPUBLIC CHAD CONGO (DEMOCRATIC REPUBLIC OF) CONGO (REPUBLIC OF) CÔTE D'IVOIRE DJIBOUTI EQUATORIAL GUINEA ETHIOPIA ERITREA GABON GAMBIA GHANA GUINEA GUINEA-BISSAU KENYA LESOTHO LIBERIA MADAGASCAR MALAWI MALI MAURITANIA MAURITIUS 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.

INDEPENDENT EVALUATION GROUP

MIGA's Independent Evaluation Group (IEG-MIGA) assesses the effectiveness of MIGA programs, guarantee projects, and complementary services. The Group, established in 2002, reports to MIGA's Board of Directors and is independent from MIGA management and operations.

The Independent Evaluation Group's objectives are to contribute to learning in MIGA and to ensure accountability for results. IEG evaluates the outcomes and work quality of MIGA guarantee projects and services, which form the basis of IEG annual reports and thematic studies. The Group formulates lessons and recommendations for MIGA management and staff based on its evaluations of MIGA programs, projects, and services.

In fiscal year 2008, the Group prepared an Annual Report focusing on MIGA's strategic directions from 2005-2008. The report assesses key aspects of the design, implementation, and results to date of MIGA's strategic directions, with the aim of informing the agency's new operational directions for FY09-11. The report recommended a renewed strategic framework for MIGA that takes into consideration the agency's operating environment and linkages between financial and development impact results and strategic objectives. It also identified strategic performance indicators, and highlighted the importance of innovating to ensure that MIGA's products remain relevant and effective. It also emphasized the need for MIGA to make progress on initiatives related to development impact assessment and self-evaluation of projects.

IEG is working increasingly with counterparts at the World Bank and IFC on joint evaluations to provide a common perspective on World Bank Group activities. In fiscal year 2008, IEG prepared a joint study titled World Bank Group Guarantees Instruments 1990-2007, which reviews the Bank Group's experience with guarantee instruments. The study examines whether the Bank Group should be in the guarantee business, whether those instruments have been used to their potential, and whether the full range of guarantee products are being delivered effectively and efficiently.

IEG's annual reports and recommendations, as well as joint IEG evaluation studies are disclosed and can be accessed at www.miga.org/ieg.

COMPLIANCE ADVISOR/OMBUDSMAN

The IFC/MIGA Compliance Advisor/Ombudsman (CAO) is an independent recourse mechanism that reports directly to the President of the World Bank Group. The post was established in 1999. Its mandate is to help MIGA and the International Finance Corporation address complaints by people affected by projects in a manner that is fair, objective and constructive, and to enhance the social and environmental outcomes of projects in which these organizations play a role.

The CAO has three distinct roles: the Ombudsman role, which responds to complaints by persons who are affected by projects and attempts to resolve fairly the issues raised using a flexible problem-solving approach; the compliance role, which oversees audits of IFC's and MIGA's social and environmental performance, particularly in relation to sensitive projects, to ensure compliance with policies, guidelines, procedures, and systems; and the advisory role, which provides a source of independent advice to the President and the management of IFC and MIGA in relation to broader environmental and social policies, guidelines, procedures, strategic issues, trends and systemic issues.

During FY08, the CAO received and accepted for investigation one complaint on a project MIGA underwrote in 2001 (a water project in Ecuador).

Details of the complaint and the CAO's activities may be found on the CAO website, www.cao-ombudsman.org.

MANAGEMENT'S DISCUSSION AND ANALYSIS (FY08)

FINANCIAL STATEMENTS

Management's Discussion and Analysis (FY08)

Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS (FY08)

OVERVIEW

Established in 1988, the Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank Group. The Bank Group also includes the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the International Centre for Settlement of Investment Disputes (ICSID). MIGA is a legal entity separate and distinct from IBRD, IDA, IFC, and ICSID, with its own charter (the "Convention"), share capital, financial structure, management, and staff. Membership in the agency, which currently stands at 172, is open to all members of IBRD.

MIGA's mission is to promote foreign direct investment (FDI) into developing countries to support economic growth, reduce poverty, and improve people's lives. To this end, the agency acts as a multilateral risk mitigator, providing investors and lenders in the international investment community with the level of comfort necessary to invest in developing countries. MIGA's core business is the provision of political risk insurance. In addition, as part of its mandate, the agency carries out complementary activities such as providing dispute resolution, technical assistance, and online information services to support FDI.

MIGA is committed to promoting projects that are economically, environmentally, and socially sustainable, and promise a strong development impact. By providing political risk insurance for foreign direct investment in developing countries, MIGA is able to play a critical role in supporting the World Bank Group's broad strategic priorities.

Since inception, MIGA has issued $20 billion of guarantees (including amounts issued under the Cooperative Underwriting Program), in support of 580 projects in approximately 100 member countries. The agency has also conducted hundreds of technical assistance activities, as well as multiple programs at regional and global levels in member countries.

MIGA is financially self-sustaining, and its activities are supported by a robust capital base and a comprehensive risk management framework. The agency prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) and International Financial Reporting Standards (IFRS).

DEVELOPMENT ACTIVITIES

Summary of Business Segments

MIGA seeks to fulfill its mission in developing member countries by offering political risk insurance, investment dispute resolution, technical assistance, and online dissemination of information.

Political Risk Insurance (PRI)

MIGA provides investment guarantees against certain noncommercial risks (i.e., political risk insurance) to eligible foreign investors for qualified investments in developing member countries. Coverage is offered against the risks of 1) transfer restriction and inconvertibility, 2) expropriation, 3) breach of contract, and 4) war and civil disturbance, and investors may choose any combination of these covers[1] (see Box 1). MIGA insures new cross-border investments originating in any MIGA member country, destined for any developing member country. Types of investments that can be covered include equity, shareholder and non-shareholder loans, and loan guarantees, provided the loans have a minimum maturity of three years. Other forms of investments—such as technical assistance and management contracts, or franchising and licensing agreements—may also be eligible. Table 1 contains a summary of cumulative guarantees issued in member countries.

[1] *Guarantees underwritten through the Small Investment Program (SIP) require coverage for transfer restriction, expropriation and war and civil disturbance.*

Box 1

Risks Covered by MIGA's Guarantees

MIGA provides political risk insurance to eligible investors and lenders against the following non-commercial risks:

- **Transfer restriction and inconvertibility** – risk of inconvertibility of local currency into foreign exchange for transfer outside the host country. Currency depreciation is not covered.
- **Expropriation** – risk of partial or total loss of the insured investment as a result of acts by the host government that may reduce or eliminate ownership of, control over, or rights to the insured investment.
- **War and civil disturbance** – risk of damage to, or the destruction or disappearance of, tangible covered assets caused by politically motivated acts of war or civil disturbance in the host country including revolution, insurrection, coups d'état, sabotage and terrorism.
- **Breach of contract** – risk of being unable to obtain or enforce an arbitral or judicial decision recognizing the breach of an obligation by the host government.

TABLE 1 Cumulative Guarantees Issued in Member Countries					
	FY08	FY07	FY06	FY05	FY04
Cumulative Guarantees Issued ($B) [1]	19.5	17.4	16.0	14.7	13.5
Host Countries [2]	99	96	95	91	85

[1] *Includes amounts from Cooperative Underwriting Program.*
[2] *FY08 includes three new host countries: Central African Republic, Djibouti, and Rwanda.*

During FY08, MIGA supported 15 projects in IDA-eligible countries and nine projects in sub-Saharan Africa, which are areas of special focus for the agency. In terms of exposure, IDA-eligible countries accounted for 41 percent of the net portfolio as of June 30, 2008, while coverage for projects in sub-Saharan Africa accounted for 22 percent.

Table 2 details the regional distribution of MIGA's gross and net guarantee exposures over the past three years. The total gross and net exposures at June 30, 2008 amounted to $6.5 billion and $3.6 billion compared to $5.3 billion and $3.2 billion respectively at the end of FY07.

TABLE 2 Regional Distribution of Gross and Net Exposure ($ M)									
	Gross			Net			Total Net Exposure (%)		
	FY08	FY07	FY06	FY08	FY07	FY06	FY08	FY07	FY06
Africa	**1,015**	964	873	**798**	711	651	**22.3**	22.2	19.7
Asia	**689**	757	740	**470**	523	540	**13.1**	16.3	16.3
Europe and Central Asia	**2,898**	1,941	2,500	**1,254**	902	1,185	**35.1**	28.1	35.8
Latin America and the Caribbean	**1,321**	1,484	1,095	**748**	876	738	**20.9**	27.3	22.3
Middle East and North Africa	**682**	285	285	**373**	262	262	**10.4**	8.2	7.9
Adjustment for Master Agreement	**-130**	-130	-130	**-65**	-65	-65	**-1.8**	-2.0	-2.0
Total	**6,475**	**5,301**	**5,362**	**3,578**	**3,209**	**3,310**	**100.0**	**100.0**	**100.0**

Note: Figures might not add up due to rounding.

MIGA is able to provide investors with a higher level of investment insurance coverage through the use of reinsurance arrangements with public and private insurers. MIGA cedes exposure to its reinsurance partners, thereby enhancing its capacity and allowing it to better manage its risk profile, project and country exposure levels. Whereas MIGA assumes the credit risk for its reinsurance partners under facultative reinsurance arrangements, this risk is borne by the investor under the Cooperative Underwriting Program (CUP). MIGA may also act as a reinsurer, assuming investment portfolio exposure from both public (e.g. export credit agencies) and private insurers – thereby freeing up their capacity and allowing them to offer additional support to their policyholders.

Technical Assistance (TA)

In FY07 MIGA's technical assistance (TA) program was integrated with that of the World Bank Group's Foreign Investment Advisory Service (FIAS) to achieve operational synergies. The agency continues to provide budgetary support for the TA program and guidance on its work program. However, daily operations are being managed by FIAS.

Online Dissemination of Investment-related Information

MIGA's online information services include FDInet (www.fdi.net) and PRI-Center (www.pri-center.com). These help the agency fulfill its mandate of conducting research and extending knowledge with regard to FDI and political risk-related issues.

Investment Dispute Resolution

Article 23 of the MIGA Convention mandates the agency to seek to remove impediments to the flow of investment to developing member countries, and encourage the settlement of disputes between investors and host governments. MIGA's dispute resolution efforts relate to projects where MIGA has issued guarantees. In addition, the agency has selectively offered mediation services to help resolve disputes between investors not guaranteed by MIGA and host countries which inhibit the flow of additional investment to the host country. MIGA may seek compensation for such services, in addition to reimbursement for out-of-pocket expenses for the costs of the mediation.

Outlook and Challenges

Market Trends

One of the principal changes in the market environment over the three year period leading up to 2007 was the fall in risk perceptions, reflected in the narrowing of the Emerging Market Bond Index global composite stripped spreads, and the higher rate of growth of FDI into developing countries. During this period, the PRI market expanded significantly with the entry of new private sector players and the growth of operations of existing players. Combined with lower perceived political risks, the industry saw significant downward pressure on premium rates.

However, over the past year there has been a shift. The disturbance in the financial markets stemming from the tightening of liquidity has had an effect not only on the availability of credit but also on the capacity of the PRI industry to underwrite coverage. At the same time, however, there has been a general increase in perceptions of global risk. Thus, the environment is one of countervailing forces: while there is on the one hand less credit to finance deals and a tightening within the PRI market, there is also a greater general perception of risk which means sponsors proceeding with project will have a greater desire to identify effective risk mitigants.

Operational Priorities

In 2008, MIGA's Board of Directors endorsed an updated Operational Directions paper identifying areas of special strategic focus for the FY09-11 period. Given the agency's relative portfolio and development success overall, these are based on a continuation of the four main pillars in the FY05-08 strategy, coupled with three guiding principles that will guide its delivery. The four main operational priorities are:

- ***Investments in IDA countries,*** a key area of comparative advantage for MIGA.
- ***Investments in post-conflict countries,*** an area of strengthened engagement for the agency over the past few years and where MIGA remains strongly relevant.
- ***Investment in complex projects,*** mostly in infrastructure and the extractive industries, often involving government intervention and resulting in a delicate balance of risk-sharing by stakeholders.
- ***Support for investments between MIGA Category Two countries*[2] *(South-South investments),*** given the growing proportion of FDI coming from developing countries and the need to provide underserved corporations with political risk insurance.

MIGA's delivery of these operational priorities will be guided by the need to be:

- ***Supportive of and complement World Bank Group*** strategies articulated for specific countries, as well as its strategic themes.
- ***Client and market responsiveness*** through greater flexibility in service and product delivery across all markets.
- ***Financial sustainability*** which will require an efficient use of MIGA's capital and the maintenance of a balanced portfolio.

FUNDING SOURCES

Subscribed Capital

MIGA derives its financial strength primarily from the capital it receives from its shareholders and its retained earnings. In FY08, New Zealand completed its membership requirements, bringing the total number of member countries to 172.

MIGA's Convention established MIGA's authorized capital stock (membership shares) at 100,000 shares—equivalent to $1,082 million—with a provision that the authorized capital stock shall automatically increase upon the admission of a new member to the extent that the total number of authorized shares are sufficient to allow subscription by the new member. As of June 30, 2008, the authorized shares increased to 105,845, equivalent to $1,145.2 million, subscribed by 172 member countries. Of the membership shares subscribed, 20 percent or $229.0 million had been paid-in and the remaining 80 percent or $916.2 million was subject to call when needed by MIGA to meet its obligations. At June 30, 2008, $113.2 million is in the form of nonnegotiable, non-interest bearing demand obligations (promissory notes). The notes are denominated in freely convertible currencies and are due on demand to meet MIGA's obligations. Since inception, MIGA has not encashed any of the promissory notes.

On March 29, 1999, MIGA's Council of Governors approved a General Capital Increase (GCI) of 78,559 shares, equivalent to $850 million. The subscription period ended on March 28, 2003. On March 17, 2003, the Council of Governors approved an amendment to the GCI resolution allowing eligible countries to reserve the GCI shares allocated to them by submitting an instrument of contribution before the end of the GCI subscription period, and requesting such countries to subscribe to their GCI shares as soon as possible. The reserved shares are issued and corresponding voting power accrues when the subscription process reaches completion, i.e. when the requisite payment has been received. No time limit has been set for the payment of the reserved shares. As of June 30, 2008, cumulative subscriptions to the GCI totaled 68,934 shares, equivalent to $745.8 million, and GCI shares reserved through instruments of contribution totaled 7,328 shares, equivalent to $79.3 million. Of the GCI shares subscribed, $131.6 million has been paid-in and $614.2 million is callable.

[2] *MIGA's classification of developed and developing countries; see Schedule A of the Convention.*

TABLE 3 Summary of General Capital Increase, as of June 30, 2008						
	Category One[1]		Category Two[1]		All Countries	
	Number	$ M	Number	$ M	Number	$ M
Fully Subscribed	22	329.1	86	286.4	108	615.5
Partly Subscribed	1	130.3			1	130.3
Total Subscribed	**23**	**459.4**	**86**	**286.4**	**109**	**745.8**
Reserved through Instrument of Contribution		38.9	25	40.4	25	79.3
Total Subscribed & Reserved	**23**	**498.3**	**111**	**326.8**	**134**	**825.1**
Allocated	23	498.3	138	351.7	161	850.0
Subscribed (%)		92.2		81.4		87.7
Subscribed & Reserved (%)		100.0		92.9		97.1

[1] *MIGA's classification of developed and developing countries; see Schedule A of the Convention.*

As of June 30, 2008, MIGA's total subscribed capital amounted to $1,891 million, of which $361 million was paid-in and $1,530 million was callable. Since its inception, no call has been made on MIGA's callable capital. Any calls on unpaid subscriptions are uniform on all shares. If the amount received by MIGA on a call is insufficient to meet the obligations which necessitated the call, MIGA may make further calls until the amounts received are sufficient to meet such obligations. The liability of a member on a call or calls is limited to the unpaid balance of its capital subscription.

Equity

Total shareholders' equity as reported in MIGA's balance sheet as of June 30, 2008 was $891 million compared with $831 million as of June 30, 2007. This amount consists of subscribed capital, less uncalled portions of subscriptions, plus retained earnings and accumulated other comprehensive income. The increase of $60 million in FY08 primarily reflects the increase in retained earnings.

CAPITAL MANAGEMENT

Underwriting Capacity

MIGA's equity base ensures the financial sustainability of the agency, over both the short-term and longer-term. The subscribed capital and retained earnings determine the agency's statutory underwriting capacity. The Council of Governors and the Board of Directors have set the maximum amount of contingent liability that may be assumed by MIGA as 350 percent of the sum of its unimpaired subscribed capital and reserves and retained earnings, 90 percent of reinsurance obtained by MIGA with private insurers, and 100 percent of reinsurance obtained with public insurers. In other words, the maximum amount of net guarantee exposure is determined by the amount of available capital, and is expressed on a gross exposure basis by adding the current amount of portfolio reinsurance. As of June 30, 2008, MIGA's underwriting capacity was $11,593 million, as follows:

TABLE 4 Current Underwriting Capacity, $ M	
Subscribed Capital	1,891
Retained Earnings	509
Accumulated Other Comprehensive Income	22
Insurance Portfolio Reserve (net)	128
Total	2,550
350% of Subscribed Capital, Retained Earnings, Other Comprehensive Income and Reserve	8,923
90% of Reinsurance Ceded with Private Insurers	2,044
100% of Reinsurance Ceded with Public Insurers	626
Statutory Underwriting Capacity—June 30, 2008	**11,593**

As of June 30, 2008, MIGA's gross exposure was $6,475 million and represented 55.9 percent of MIGA's statutory underwriting capacity.

Capital Adequacy

Following the adoption of its formal Economic Capital-based capital adequacy framework in FY07, MIGA's measures of capital adequacy and risk-bearing capacity include economic capital consumed by the guarantee portfolio. Modeled economic capital (EC) is the portion of MIGA's capital that is placed at risk by the guarantee portfolio exposure. It provides an analytically rigorous measure for assessing the agency's consumption of risk capital, and incorporates the effects from portfolio diversification and concentration. As of June 30, 2008, the economic capital consumed by the guarantee portfolio amounted to $250 million, compared to $229 million as of June 30, 2007.

Through an annual exercise of gauging the capital adequacy position, the current amount of EC consumed by MIGA's activities is calculated to provide a measure of how much of available operating capital is currently utilized. In addition, as part of the framework, MIGA assesses how much EC is projected to be utilized in the future under various scenarios of growth of the guarantee portfolio. These are stressed scenarios, estimating over five years the EC consumed under assumptions of continued growth to MIGA's portfolio, in combination with country rating downgrades and regional contagion effects.

Throughout the year, MIGA's management monitors the level and utilization of available operating capital. This includes paid-in-capital, retained earnings, and the insurance portfolio reserve, net of the corresponding reinsurance recoverable. MIGA management's objective is to have sufficient operating capital to sustain losses associated with claims and to support the ongoing business without facing a significant risk of having to avail of the callable capital. As a measure of the current utilization of this capital by the guarantee portfolio, Table 5 shows the ratio of EC / operating capital over the past two years. This ratio has increased slightly to 24.6 percent in FY08 compared with 24.1 percent in FY07. Table 5 also shows the ratio of EC / Portfolio net exposure, to gauge year-on-year changes to the relative risk-level of the portfolio. As of end-FY08, this ratio stood at 7.0% compared to 7.1% at end-FY07, reflecting a risk level of the guarantee portfolio that has remained largely unchanged, taking into account the increased size of the portfolio. Together, the two ratios indicate a strong and stable capital position at the end of FY08.

TABLE 5 Capital Adequacy Summary FY07-08, $ M

	FY08	FY07
Guarantee Portfolio Economic Capital (EC)	**250**	**229**
Insurance Portfolio Reserve (net)	128	118
Retained Earnings and Accumulated Other Comprehensive Income	530	472
Paid-in Capital	**361**	**360**
Operating Capital	**1,019**	**950**
Net Exposure	**3,578**	**3,209**
EC / Operating Capital	**24.6%**	**24.1%**
EC / Net Exposure	**7.0%**	**7.1%**

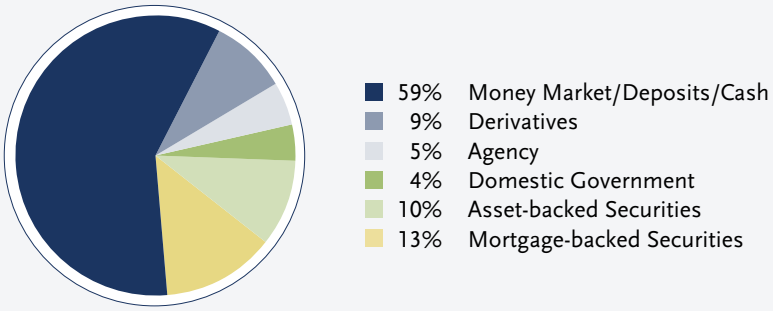
INVESTMENT MANAGEMENT

MIGA's investment policy sets the objectives and constraints that must be considered in managing MIGA's investment strategy (long-term) and tactics (short-term) in light of its contingent liabilities, which are the investment guarantees it issues. Given the nature of these contingent liabilities, MIGA's invested assets may need to be liquidated to pay claims on a pre-recovery basis. As such, a certain portion of the assets is held in highly liquid assets with the amount determined by MIGA's Economic Capital Model. The amount is equal to the capital loss expected to occur with 1 percent probability within one year, plus the amount of MIGA's specific reserve on a gross pre-recovery basis.

At present MIGA's investment portfolio is managed in two tranches subject to the constraints in the Investment Authorization approved by the Board in June 2004. Tranche 1 is managed with a risk tolerance of 1 percent probability of annual capital loss over a one-year horizon, reflecting the main objective of this tranche to provide for near-term liquidity needs described above. Tranche 2 is managed with a 1 percent probability of annual capital loss over a three-year horizon, reflecting the objective of providing more long-term capital growth. Portfolio management activities, including trading, risk analytics and reporting, are executed by IBRD's Treasury Department under an Investment Management Agreement and the associated Investment Management Guidelines between MIGA and IBRD.

MIGA's investment portfolio consists mainly of USD denominated assets. The composition of the portfolio is shown in Figure 1. During FY08, the investment portfolio held cash, treasury securities, agency securities, mortgage-backed securities, asset-backed securities and derivatives. Also, the portfolio included cash and government securities denominated in other currencies. The portfolio yield was 5.3 percent in FY08 vs. 5.4 percent in FY07 and the market value of MIGA's asset portfolio was $915 million as of June 30, 2008, of which $760 resided in USD investments.

FIGURE 1 Portfolio Composition of MIGA's Holdings, in percent



CRITICAL ACCOUNTING POLICY

The footnotes to MIGA's financial statements contain a detailed summary of MIGA's significant accounting policies. Described below are those significant policies where MIGA management is required to make estimates and parameters when preparing the agency's financial statements and accompanying notes to conform to both IFRS and US GAAP. Accounting estimates generally involve the development of parameters by management based on judgments about the outcome of future conditions, transactions, or events. Because the outcome of future events is not known, actual results could differ from those estimates in a variety of areas. The area which management views as most critical with respect to the application of estimates and assumptions is the establishment of its loss reserves.

Reserve for Claims

MIGA's provisioning methodology builds on portfolio risk quantification models which use both individually assessed loss probabilities for projects at risk and rating-based loss probabilities that are applied to the entire guarantee portfolio. Under this methodology, for the purpose of presentation in the financial statements, MIGA's reserve consists of two primary components, the Specific Reserve and the Insurance Portfolio Reserve.[3] These components are defined based on the degree of probability and the basis of estimation.

Reserves are shown on a gross basis on the liability side of the balance sheet, and reinsurance assets on the asset side. A detailed summary of MIGA's provisioning policy can be found in the Notes to Financial Statements – Note A.

Pension and Other Postretirement Benefits

Along with IBRD and IFC, MIGA participates in a number of pension and postretirement benefit plans that cover almost all of their staff members. All costs, assets, and liabilities associated with these plans are allocated between IBRD, IFC, and MIGA based upon their employees' respective participation in the plans. The underlying actuarial assumptions, fair value of plan assets, and funded status associated with these plans are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. For further details, please refer to Notes to Financial Statements – Note F.

RESULTS OF OPERATIONS

Operating Income and Net Income

FY08 operating income was $55.0 million, an increase of $6.0 million versus FY07 primarily due to improved net premium income and investment income. And FY08 net income of $65.7 million increased by $3.4 million. Table 6 below shows the breakdown of MIGA's operating income and net income.

[3] *The Insurance Portfolio Reserve is calculated as the 95th percentile loss less the mean loss from the Economic Capital Model.*

TABLE 6 Analysis of Operating Income and Net Income, $ M			
	FY08	**FY07**	**FY06**
Total Guarantees Issued[1]	2,098	1,368	1,302
Gross Exposure	6,475	5,301	5,362
Net Exposure	3,578	3,209	3,310
Premium Income	54.4	49.0	52.9
Premium Ceded	(21.1)	(17.3)	(20.5)
Fees and Commissions	5.6	4.6	4.8
Net Premium Income	**38.9**	**36.3**	**37.2**
Income from Investments	45.3	42.8	11.4
Administrative and Other Expenses	(29.2)	(30.1)	(31.3)
Operating Income	**55.0**	**49.0**	**17.2**
Translation Gain	19.7	8.8	2.7
Release of (Provision for) Claims	(9.0)	4.6	3.4
Net Income	**65.7**	**62.3**	**23.2**
Operating Capital	**1,019**	**950**	**863**
ROOC[2] (before provisions)	**7.3%**	**6.1%**	**2.3%**
ROOC (after provisions)	**6.5%**	**6.6%**	**2.7%**

Note: numbers may not add up due to rounding.

[1] *Including Cooperative Underwriting Program contracts.*

[2] *Return on Operating Capital*

FY08 versus FY07

MIGA issued $2.1 billion in guarantees during FY08, $730 million higher than in FY07. Higher new business volumes coupled with a decline in cancellations, saw gross exposure and premium income increase by $1.2 billion and $5.4 million respectively. Premium amounts ceded to reinsurers also increased by $3.8 million in FY08 as a result of increased volumes. Fees and commissions increased in FY08 in line with the increase in premium income.

During FY08, MIGA's investment portfolio generated $45.3 million of investment income, compared with $42.8 million in FY07. The yield was 5.3 percent in FY08, compared with 5.4 percent in FY07.

In FY08, administrative and other expenses decreased marginally to $29.2 million, compared with $30.1 million in FY07. Net income in FY08 was $65.7 million compared with $62.3 million in FY07.

FY07 versus FY06

MIGA issued $1.37 billion in guarantees during FY07, $66 million higher than in FY06. However, the premium income decreased by $3.9 million as did the gross exposure by $61 million. In FY07, the trend of lower premium income due to expiries and cancellations of aged contracts that were written at higher premium rates in prior years continued. This in turn affected the premium amount ceded to reinsurers, which decreased by $3.2 million in FY07. Fees and commissions, a function of premium income also decreased during FY07.

During FY07, MIGA's investment portfolio generated $42.8 million of investment income, compared with $11.4 million in FY06. The yield was 5.4 percent in FY07, compared with 1.5 percent in FY06. This increase in investment return was primarily due to a more favorable interest rate environment.

In FY07, administrative and other expenses decreased marginally to $30.1 million, compared with $31.3 million in FY06. Net income in FY07 was $62.3 million compared with $23.2 million in FY06.

CORPORATE GOVERNANCE

General Governance

Board Membership
In accordance with MIGA's Convention, members of MIGA's Board of Directors are appointed or elected by their member governments. Directors are neither officers, nor staff of MIGA. The President is the only management member of the Board of Directors, serving as a non-voting member (except casting a deciding vote in case of an equal division) and as Chairman of the Board. The Directors have established several committees including:

- Committee on Development Effectiveness
- Audit Committee
- Budget Committee
- Personnel Committee
- Ethics Committee
- Committee on Governance and Administrative Matters

The Directors and their committees function in continuous session at the principal offices of MIGA, as business requires. Each committee's terms of reference establishes its respective roles and responsibilities. As committees do not vote on issues, their role is primarily to serve the full Board of Directors in discharging its responsibilities.

Audit Committee

Membership
The Audit Committee consists of eight members of the Board of Directors. Membership on the Committee is determined by the Board of Directors, based upon nominations by the Chairman of the Board, following informal consultation with the Directors. In addition, membership of the Committee is expected to reflect the economic and geographic diversity of MIGA's member countries. Other relevant selection criteria include seniority, continuity, and relevant experience. Some or all of the responsibilities of individual Committee members are performed by their alternates or advisors. Generally, Committee members are appointed for a two-year term; reappointment to a second term, when possible, is desirable for continuity. Audit Committee meetings are generally open to any member of the Board who may wish to attend, and non-Committee members of the Board may participate in the discussion. In addition, the Chairman of the Audit Committee may speak in that capacity at meetings of the Board of Directors, with respect to discussions held in the Audit Committee.

Key Responsibilities
The Audit Committee is appointed by the Board to assist it in the oversight and assessment of MIGA's finances and accounting, including the effectiveness of financial policies, the integrity of financial statements, the system of internal controls regarding finance, accounting and ethics (including fraud and corruption), and financial and operational risks. The Audit Committee also has the responsibility for reviewing the performance and recommending to the Board the appointment of the external auditor, as well as monitoring the independence of the external auditor and meeting with it in executive session. The Audit Committee participates in oversight of the internal audit function, including reviewing the responsibilities, staffing and effectiveness of internal audit. The committee likewise reviews the annual internal audit plan. In the execution of its role, the committee discusses with management as well as the external and internal auditors financial issues and policies which have an impact on the institution's financial position and risk-bearing capacity. The Audit Committee monitors the evolution of developments in corporate governance and the role of audit committees on an ongoing basis and revised its terms of reference in FY04 to reflect this responsibility.

Communications
The Audit Committee communicates regularly with the full Board through distribution of the following:

- The minutes of its meetings.
- Reports of the Audit Committee prepared by the Chairman, which document discussions held. These reports are distributed to the Directors, Alternates, World Bank Group Senior Management, and the Senior Management of MIGA.
- "Statement(s) of the Chairman" and statements issued by other members of the committee.
- The Annual Report to the Board of Directors, which provides an overview of the main issues addressed by the committee over the year.

The Audit Committee's communications with the external auditor are described in the Auditor Independence section.

Executive Sessions
Members of the Audit Committee may convene in executive session at any time, without management present. Under the Audit Committee's terms of reference, it meets separately in executive session with the external and internal auditors.

Access to Resources and to Management

Throughout the year, the Audit Committee receives a large volume of information, which supports the preparation of the financial statements. The Audit Committee meets both formally and informally throughout the year to discuss financial and accounting matters. Directors have complete access to management. The Audit Committee reviews and discusses with management the quarterly and annual financial statements. The committee also reviews with the external auditor the financial statements prior to their publication and recommends them for approval to the Board of Directors.

The Audit Committee has the capacity, under exceptional circumstances, to obtain advice and assistance from outside legal, accounting, or other advisors as deemed appropriate.

Code of Ethics

MIGA strives to foster and maintain a positive work environment that supports the ethical behavior of its staff. To facilitate this effort, the World Bank Group has in place a Code of Professional Ethics—Living our Values. MIGA has adopted the code, which applies to all staff (including managers, consultants, and temporary employees) worldwide.

This code is available in nine languages on IBRD's website, www.worldbank.org. Staff relations, conflicts of interest, and operational issues, including the accuracy of books and records, are key elements of the code.

In addition to the code, an essential element of appropriate conduct is compliance with the obligations embodied in the Principles of Staff Employment, Staff Rules, and Administrative Rules, the violation of which may result in disciplinary actions. In accordance with the Staff Rules, senior managers must complete a confidential financial disclosure instrument with the Office of Ethics and Business Conduct.

Guidance for staff is also provided through programs, training materials, and other resources. Managers are responsible for ensuring that internal systems, policies, and procedures are consistently aligned with MIGA's ethical goals. In support of its efforts on ethics, MIGA offers a variety of methods for informing staff of these resources. Many of these efforts are headed by the following groups:

- The Office of Ethics and Business Conduct (OEBC) provides leadership, management and oversight for MIGA's ethics infrastructure including the Ethics HelpLine, a consolidated conflicts of interest disclosure/resolution system, financial disclosure, ongoing training to both internal and external audiences, and communication resources.
- The Department of Institutional Integrity (INT) is charged with investigating allegations of fraud and corruption in projects benefiting from World Bank Group funding or guarantees worldwide. The Department also investigates allegations of misconduct by MIGA staff and trains and educates staff and clients in detecting and reporting fraud and corruption in MIGA-guaranteed projects. The Department reports directly to the President and is composed of professionals from a range of disciplines including financial analysts, researchers, investigators, lawyers, prosecutors, forensic accountants, and staff with operational experience across the World Bank Group.

MIGA has in place procedures for the receipt, retention, and treatment of complaints received regarding accounting, internal control and auditing matters, including close collaboration with OEBC and INT.

Auditor Independence

In February 2003, the Board of Directors adopted a set of principles applicable to the appointment of the external auditor for the World Bank Group. Key features of those principles include:

- Prohibition of the external auditor from the provision of all non audit-related services
- All audit-related services must be pre-approved on a case-by-case basis by the Board of Directors, upon recommendation of the Audit Committee
- Mandatory rebidding of the external audit contract every five years
- Prohibition of any firm serving as external auditors for more than two consecutive five-year terms
- Mandatory rotation of the senior partner after five years
- An evaluation of the performance of the external auditor at the mid-point of the five year term

External auditors are appointed to a five-year term of service. This is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Executive Directors. Following a mandatory re-bidding of the external audit contract during FY 2008, IBRD's Executive Directors approved the appointment of KPMG as IBRD's auditors for a five-year term commencing FY 2009.

As standard practice, the external auditor is present as an observer at virtually all Audit Committee meetings and is frequently asked to present its perspective on issues. In addition, the Audit Committee meets periodically with the external auditor in private session without management present. Communication between the external auditor and the Audit Committee is ongoing, as frequently as is deemed necessary by either party. MIGA's auditors follow the communication requirements with audit committees set out under US Generally Accepted Auditing Standards and International Standards on Auditing. In keeping with these standards, significant formal communications include:

- Quarterly and annual financial statement reporting
- Annual appointment of the external auditors
- Presentation of the external audit plan
- Presentation of control recommendations and discussion of the COSO attestation and report
- Presentation of a statement regarding independence

In addition to committee meetings, individual members of the Audit Committee have independent access to the external auditor.

World Bank Group
Multilateral Investment Guarantee Agency

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

August 7, 2008

The management of the Multilateral Investment Guarantee Agency (MIGA) is responsible for the preparation, integrity, and fair presentation of its published financial statements and all other information presented in the accompanying Management's Discussion and Analysis. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and International Financial Reporting Standards and, as such, include amounts based on informed judgments and estimates made by management.

The financial statements have been audited by an independent accounting firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees of the Board. Management believes that all representations made to the independent auditors during their audit were valid and appropriate. The independent auditors' report accompanies the audited financial statements.

Management is responsible for establishing and maintaining effective internal control over external financial reporting for financial presentations in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The system of internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal controls for external financial reporting, which are subject to scrutiny by management and the internal auditors, and are revised as considered necessary, support the integrity and reliability of the external financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

MIGA assessed its internal control over external financial reporting for financial presentations in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards as of June 30,

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2008. This assessment was based on the criteria for effective internal control over external financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that MIGA maintained effective internal control over external financial reporting presented in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards, as of June 30, 2008.

The Board of Directors of MIGA has appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of MIGA. The Audit Committee is comprised entirely of Directors who are independent of MIGA's management. The Audit Committee is responsible for recommending to the Board of Directors the selection of independent auditors. It meets periodically with management, the independent auditors, and the internal auditors to ensure that they are carrying out their responsibilities.

The Audit Committee is responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of MIGA in addition to reviewing MIGA's reports. The independent auditors and the internal auditors have full and free access to the Audit Committee, with or without the presence of management; to discuss the adequacy of internal control over external financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

Robert B. Zoellick

President

James P. Bond

Chief Operating Officer & Acting Executive Vice President

Kevin W. Lu

Acting Director and Chief Financial Officer

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Report of Independent Accountants

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INDEPENDENT AUDITORS' REPORT

President and Board of Governors
Multilateral Investment Guarantee Agency

We have audited the accompanying balance sheets of the Multilateral Investment Guarantee Agency (the "Company") as of June 30, 2008 and 2007, including the statement of subscriptions to capital stock and voting power and the statement of guarantees outstanding as of June 30, 2008, and the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company, as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America and International Financial Reporting Standards.

As discussed in Note A to the financial statements, on June 30, 2007, the Company adopted the provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

Deloitte & Touche LLP

August 7, 2008

Member of
Deloitte Touche Tohmatsu

BALANCE SHEET

June 30, 2008 and June 30, 2007, expressed in thousands of US dollars

	FY08	FY07
Assets		
CASH	$ 6,301	$6,105
INVESTMENTS—Note B	966,047	880,284
NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS	113,203	110,089
OTHER ASSETS		
Receivable for investment securities sold	29,284	40,559
Estimated reinsurance recoverables	33,600	35,800
Prepaid premiums ceded to reinsurers	13,695	4,197
Asset under retirement benefits plans—Note F	47,015	49,618
Miscellaneous	10,740	8,882
	134,334	139,056
TOTAL ASSETS	$ 1,219,885	$ 1,135,534
Liabilities and Shareholders' Equity		
LIABILITIES		
Payable for investment securities purchased	$ 85,434	$ 60,611
Accounts payable and accrued expenses—Note F	18,918	42,890
Unearned premiums and commitments fees	33,274	16,515
Reserve for claims—Note E		
Specific reserve for claims	55,200	58,400
Insurance portfolio reserve	135,800	125,800
Reserve for claims—gross	191,000	184,200
Total liabilities	328,626	304,216
CONTINGENT LIABILITIES—Note D		
SHAREHOLDERS' EQUITY		
Capital stock—Note C		
Authorized capital (184,404 shares- June 30, 2008; 183,891 shares-June 30, 2007)		
Subscribed capital (174,779 shares- June 30, 2008; 174,266 shares-June 30, 2007)	1,891,109	1,885,558
Less uncalled portion of subscriptions	1,530,415	1,525,974
	360,694	359,584
Payments on account of pending subscriptions	67	67
	360,761	359,651
Retained earnings	508,545	442,824
Accumulated other comprehensive income	21,953	28,843
Total shareholders' equity	891,259	831,318
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,219,885	$ 1,135,534

STATEMENT OF INCOME

For the fiscal years ended June 30, 2008 and June 30, 2007, expressed in thousands of US dollars

	FY08	FY07
INCOME		
Income from guarantees		
Premium income	$ 54,371	$ 48,960
Premium ceded	(21,062)	(17,289)
Fees and commissions	5,597	4,617
Total	38,906	36,288
Income from investments	45,335	42,747
Translation gains	19,697	8,848
TOTAL INCOME	103,938	87,883
EXPENSES		
Provision for (release of) claims—Note E	9,000	(3,726)
Release of provision due to withdrawal of claims	—	(837)
Total	9,000	(4,563)
Administrative expenses—Note F and G	28,449	29,103
Other expenses	768	995
TOTAL EXPENSES	38,217	25,535
NET INCOME	$ 65,721	$ 62,348

STATEMENT OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2008 and June 30, 2007, expressed in thousands of US dollars

	FY08	FY07
NET INCOME	$ 65,721	$ 62,348
OTHER COMPREHENSIVE LOSS		
Unrecognized net actuarial losses on benefit plans	(7,006)	—
Unrecognized prior service credit on benefit plans	116	—
Total other comprehensive loss	(6,890)	—
COMPREHENSIVE INCOME	$ 58,831	$ 62,348

The notes to financial statements are an integral part of these statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal years ended June 30, 2008 and June 30, 2007, expressed in thousands of US dollars

	FY08	FY07
CAPITAL STOCK		
Balance at beginning of the fiscal year	$ 359,651	$ 359,122
New subscriptions	1,110	637
Payments on account of pending subscriptions	—	(108)
Ending Balance	360,761	359,651
RETAINED EARNINGS		
Balance at beginning of the fiscal year	442,824	380,476
Net income	65,721	62,348
Ending Balance	508,545	442,824
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at beginning of the fiscal year	28,843	3,435
Other comprehensive loss	(6,890)	—
Adjustment to initially apply FAS 158—Note F		
Unrecognized actuarial gain on benefit plans	—	26,192
Unrecognized prior service costs on benefit plans	—	(784)
Ending Balance	21,953	28,843
TOTAL SHAREHOLDERS' EQUITY	$ 891,259	$ 831,318

STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2008 and June 30, 2007, expressed in thousands of US dollars

	FY08	FY07
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 65,721	$ 62,348
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net provision for (release of) claims	9,000	(3,726)
Release of provision due to withdrawal of claims	—	(837)
Translation gains	(19,697)	(8,848)
Net changes in:		
Investments—Trading	(32,646)	(69,491)
Other assets, excluding investment receivables	(4,145)	(4,864)
Accounts payable and accrued expenses	(7,002)	429
Unearned premiums and commitment fees	12,230	327
Net cash provided by (used in) operating activities	23,461	(24,662)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in overdraft—Note B	(24,272)	24,272
Capital subscription payments	550	330
Net cash provided by (used in) financing activities	(23,722)	24,602
EFFECT OF EXCHANGE RATE CHANGES ON CASH	457	394
Net increase in cash	196	334
Cash at beginning of the fiscal year	6,105	5,771
CASH AT END OF THE FISCAL YEAR	$ 6,301	$ 6,105

The notes to financial statements are an integral part of these statements.

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

As of June 30, 2008, expressed in thousands of US dollars

	Subscriptions—Note C				Voting power	
Members	**Shares**[1]	**Total Subscribed**	**Amount Paid-in**	**Amount Subject to Call**	**Number of Votes**	**% of Total**
Afghanistan	118	$ 1,277	$ 255	$ 1,022	382	0.17
Albania	102	1,104	210	894	366	0.17
Algeria	1,144	12,378	2,350	10,028	1,408	0.64
Angola	187	2,023	405	1,618	451	0.20
Antigua and Barbuda	50	541	108	433	314	0.14
Argentina	2,210	23,912	4,539	19,373	2,474	1.12
Armenia	80	866	173	693	344	0.16
Australia	3,019	32,666	6,201	26,465	3,283	1.50
Austria	1,366	14,780	2,806	11,974	1,630	0.75
Azerbaijan	115	1,244	249	995	379	0.17
Bahamas, The	176	1,904	362	1,542	440	0.20
Bahrain	136	1,472	279	1,193	400	0.18
Bangladesh	599	6,481	1,230	5,251	863	0.39
Barbados	120	1,298	246	1,052	384	0.17
Belarus	233	2,521	504	2,017	497	0.23
Belgium	3,577	38,703	7,347	31,356	3,841	1.75
Belize	88	952	181	771	352	0.16
Benin	108	1,169	222	947	372	0.17
Bolivia	220	2,380	452	1,928	484	0.22
Bosnia and Herzegovina	80	866	173	693	344	0.16
Botswana	88	952	181	771	352	0.16
Brazil	2,606	28,197	5,353	22,844	2,870	1.30
Bulgaria	643	6,957	1,321	5,636	907	0.41
Burkina Faso	61	660	132	528	325	0.15
Burundi	74	801	160	641	338	0.15
Cambodia	164	1,774	337	1,437	428	0.19
Cameroon	107	1,158	232	926	371	0.17
Canada	5,225	56,535	10,732	45,803	5,489	2.50
Cape Verde	50	541	108	433	314	0.14
Central African Rep	60	649	130	519	324	0.15
Chad	60	649	130	519	324	0.15
Chile	855	9,251	1,756	7,495	1,119	0.51
China	5,530	59,835	11,359	48,476	5,794	2.63
Colombia	770	8,331	1,582	6,749	1,034	0.47
Congo, Democratic Republic of	596	6,449	1,224	5,225	860	0.39
Congo, Republic of	115	1,244	236	1,008	379	0.17
Costa Rica	206	2,229	423	1,806	470	0.21
Côte d'Ivoire	310	3,354	637	2,717	574	0.26
Croatia	330	3,571	678	2,893	594	0.27
Cyprus	183	1,980	376	1,604	447	0.20
Czech Republic	784	8,483	1,610	6,873	1,048	0.49
Denmark	1,265	13,687	2,598	11,089	1,529	0.70
Djibouti	50	541	108	433	314	0.14
Dominica	50	541	108	433	314	0.14
Dominican Republic	147	1,591	318	1,273	411	0.19
Ecuador	321	3,473	659	2,814	585	0.27
Egypt, Arab Republic of	809	8,753	1,662	7,091	1,073	0.49
El Salvador	122	1,320	264	1,056	386	0.18
Equatorial Guinea	50	541	108	433	314	0.14
Eritrea	50	541	108	433	314	0.14
Estonia	115	1,244	236	1,008	379	0.17
Ethiopia	123	1,331	253	1,078	387	0.18

The notes to financial statements are an integral part of these statements.

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

As of June 30, 2008, expressed in thousands of US dollars

		Subscriptions—Note C			Voting power	
Members	**Shares**[7]	**Total Subscribed**	**Amount Paid-in**	**Amount Subject to Call**	**Number of Votes**	**% of Total**
Fiji	71	768	154	614	335	0.15
Finland	1,057	11,437	2,171	9,266	1,321	0.60
France	8,565	92,673	17,593	75,080	8,829	4.01
Gabon	169	1,829	347	1,482	433	0.20
Gambia, The	50	541	108	433	314	0.14
Georgia	111	1,201	240	961	375	0.17
Germany	8,936	96,688	18,355	78,333	9,200	4.18
Ghana	432	4,674	887	3,787	696	0.32
Greece	493	5,334	1,013	4,321	757	0.34
Grenada	50	541	108	433	314	0.14
Guatemala	140	1,515	303	1,212	404	0.18
Guinea	91	985	197	788	355	0.16
Guinea-Bissau	50	541	108	433	314	0.14
Guyana	84	909	182	727	348	0.16
Haiti	75	812	162	650	339	0.15
Honduras	178	1,926	366	1,560	442	0.20
Hungary	994	10,755	2,042	8,713	1,258	0.57
Iceland	90	974	195	779	354	0.16
India	5,371	58,114	11,032	47,082	5,635	2.56
Indonesia	1,849	20,006	3,798	16,208	2,113	0.96
Iran, Islamic Rep	1,659	17,950	3,590	14,360	1,923	0.87
Ireland	650	7,033	1,335	5,698	914	0.42
Israel	835	9,035	1,715	7,320	1,099	0.50
Italy	4,970	53,775	10,208	43,567	5,234	2.38
Jamaica	319	3,452	655	2,797	583	0.26
Japan	8,979	97,153	18,443	78,710	9,243	4.20
Jordan	171	1,850	351	1,499	435	0.20
Kazakhstan	368	3,982	756	3,226	632	0.29
Kenya	303	3,278	622	2,656	567	0.26
Korea, Republic of	791	8,559	1,625	6,934	1,055	0.48
Kuwait	1,639	17,734	3,367	14,367	1,903	0.86
Kyrgyz Republic	77	833	167	666	341	0.15
Lao People's Dem	60	649	130	519	324	0.15
Latvia	171	1,850	351	1,499	435	0.20
Lebanon	250	2,705	514	2,191	514	0.23
Lesotho	88	952	181	771	352	0.16
Liberia	84	909	182	727	348	0.16
Libya	549	5,940	1,188	4,752	813	0.37
Lithuania	187	2,023	384	1,639	451	0.20
Luxembourg	204	2,207	419	1,788	468	0.21
Macedonia, FYR of	88	952	181	771	352	0.16
Madagascar	176	1,904	362	1,542	440	0.20
Malawi	77	833	167	666	341	0.15
Malaysia	1,020	11,036	2,095	8,941	1,284	0.58
Maldives	50	541	108	433	314	0.14
Mali	143	1,547	294	1,253	407	0.18
Malta	132	1,428	271	1,157	396	0.18
Mauritania	111	1,201	228	973	375	0.17
Mauritius	153	1,655	314	1,341	417	0.19
Micronesia, Fed. States of	50	541	108	433	314	0.14
Moldova	96	1,039	208	831	360	0.16
Mongolia	58	628	126	502	322	0.15

The notes to financial statements are an integral part of these statements.

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

As of June 30, 2008, expressed in thousands of US dollars

	Subscriptions—Note C				Voting power	
Members	**Shares**[7]	**Total Subscribed**	**Amount Paid-in**	**Amount Subject to Call**	**Number of Votes**	**% of Total**
Montenegro	61	660	132	528	325	0.15
Morocco	613	6,633	1,259	5,374	877	0.40
Mozambique	171	1,850	351	1,499	435	0.20
Namibia	107	1,158	232	926	371	0.17
Nepal	122	1,320	251	1,069	386	0.18
Netherlands	3,822	41,354	7,850	33,504	4,086	1.86
New Zealand	513	5,551	1,110	4,441	777	0.35
Nicaragua	180	1,948	370	1,578	444	0.20
Nigeria	1,487	16,089	3,054	13,035	1,751	0.80
Norway	1,232	13,330	2,531	10,799	1,496	0.68
Oman	166	1,796	341	1,455	430	0.20
Pakistan	1,163	12,584	2,389	10,195	1,427	0.65
Palau	50	541	108	433	314	0.14
Panama	231	2,499	474	2,025	495	0.22
Papua New Guinea	96	1,039	208	831	360	0.16
Paraguay	141	1,526	290	1,236	405	0.18
Peru	657	7,109	1,350	5,759	921	0.42
Philippines	484	5,237	1,047	4,190	748	0.34
Poland	764	8,266	1,653	6,613	1,028	0.47
Portugal	673	7,282	1,382	5,900	937	0.43
Qatar	241	2,608	495	2,113	505	0.23
Romania	978	10,582	2,009	8,573	1,242	0.56
Russian Federation	5,528	59,813	11,355	48,458	5,792	2.63
Rwanda	132	1,428	271	1,157	396	0.18
St. Kitts and Nevis	50	541	108	433	314	0.14
St. Lucia	88	952	181	771	352	0.16
St. Vincent and the Grenadines	88	952	181	771	352	0.16
Samoa	50	541	108	433	314	0.14
Saudi Arabia	5,528	59,813	11,355	48,458	5,792	2.63
Senegal	256	2,770	526	2,244	520	0.24
Serbia	407	4,404	836	3,568	671	0.30
Seychelles	50	541	108	433	314	0.14
Sierra Leone	132	1,428	271	1,157	396	0.18
Singapore	272	2,943	559	2,384	536	0.24
Slovak Republic	391	4,231	803	3,428	655	0.30
Slovenia	180	1,948	370	1,578	444	0.20
Solomon Islands	50	541	108	433	314	0.14
South Africa	1,662	17,983	3,414	14,569	1,926	0.87
Spain	2,265	24,507	4,652	19,855	2,529	1.15
Sri Lanka	478	5,172	982	4,190	742	0.34
Sudan	206	2,229	446	1,783	470	0.21
Suriname	82	887	177	710	346	0.16
Swaziland	58	628	126	502	322	0.15
Sweden	1,849	20,006	3,798	16,208	2,113	0.96
Switzerland	2,643	28,597	5,429	23,168	2,907	1.32
Syrian Arab Republic	296	3,203	608	2,595	560	0.25
Tajikistan	130	1,407	267	1,140	394	0.18
Tanzania	248	2,683	509	2,174	512	0.23
Thailand	742	8,028	1,524	6,504	1,006	0.46
Timor-Leste	50	541	108	433	314	0.14
Togo	77	833	167	666	341	0.15
Trinidad and Tobago	358	3,874	735	3,139	622	0.28

The notes to financial statements are an integral part of these statements.

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

As of June 30, 2008, expressed in thousands of US dollars

	Subscriptions—Note C				Voting power	
Members	**Shares**[1]	**Total Subscribed**	**Amount Paid-in**	**Amount Subject to Call**	**Number of Votes**	**% of Total**
Tunisia	275	2,976	565	2,411	539	0.24
Turkey	814	8,807	1,672	7,135	1,078	0.49
Turkmenistan	66	714	143	571	330	0.15
Uganda	233	2,521	479	2,042	497	0.23
Ukraine	1,346	14,564	2,765	11,799	1,610	0.73
United Arab Emirates	656	7,098	1,347	5,751	920	0.42
United Kingdom	8,565	92,673	17,593	75,080	8,829	4.01
United States	32,564	352,342	67,406	284,936	32,828	14.91
Uruguay	202	2,186	437	1,749	466	0.21
Uzbekistan	175	1,894	379	1,515	439	0.20
Vanuatu	50	541	108	433	314	0.14
Venezuela, R.B. de	1,427	15,440	3,088	12,352	1,691	0.77
Vietnam	388	4,198	797	3,401	652	0.30
Yemen, Republic of	155	1,677	335	1,342	419	0.19
Zambia	318	3,441	688	2,753	582	0.26
Zimbabwe	236	2,554	511	2,043	500	0.23
Total—June 30, 2008[2]	**174,779**	**$ 1,891,109**	**$ 360,694**	**$ 1,530,415**	**220,187**	**100.00**
Total—June 30, 2007	**174,266**	**$ 1,885,558**	**$ 359,584**	**$ 1,525,974**	**218,384**	**100.00**

Note: An amount of $67,000 was received from Niger who is in the process of completing its membership requirements.

[1] *Subscribed shares pertaining to the General Capital Increase include only those shares for which the subscription process has been completed, i.e., for which required payment has been received.*

[2] *May differ from the sum of individual figures shown because of rounding.*

The notes to financial statements are an integral part of these statements.

STATEMENT OF GUARANTEES OUTSTANDING

As of June 30, 2008, expressed in thousands of US dollars, unless otherwise noted

	Gross Exposure—Note D					
Host Country	**US Dollars**	**Euro**	**Japanese Yen**	**Total**	**Reinsurance—Note D**	**Net Exposure[3]**
Afghanistan	76,981	1,179		78,160	41,243	36,917
Albania	1,565			1,565		1,565
Algeria		4,056		4,056		4,056
Angola	14,700			14,700	1,470	13,230
Argentina	34,540			34,540	16,062	18,478
Bangladesh	78,265			78,265	7,826	70,438
Belarus	13,412			13,412	1,341	12,071
Benin	1,026			1,026	103	923
Bolivia	14,250			14,250	1,425	12,825
Bosnia and Herzegovina		189,120		189,120	54,752	134,368
Brazil	54,185	181,243		235,428	92,295	143,132
Bulgaria		155,343		155,343	77,672	77,672
Burkina Faso		3,466		3,466	347	3,120
Central African Republic		37,720		37,720		37,720
Chile	9,614			9,614		9,614
China	161,565	7,475		169,040	27,768	141,272
Congo,Democratic Republic	29,110			29,110	396	28,714
Costa Rica	192,286			192,286	92,858	99,429
Côte d'Ivoire		11,183		11,183		11,183
Croatia		17,416		17,416	12,193	5,223
Djibouti	407,437			407,437	286,477	120,960
Dominican Republic	125,804			125,804	16,140	109,664
Ecuador	118,359			118,359	42,872	75,487
El Salvador	3,150			3,150	315	2,835
Ghana	132,352			132,352	16,941	115,411
Guatemala	100,379			100,379	49,849	50,530
Guinea	2,462	69,299		71,761	6,930	64,831
Guinea-Bissau		29,547		29,547	2,955	26,592
Indonesia	50,000			50,000		50,000
Iran, Islamic Republic	127,165			127,165	12,717	114,449
Jamaica	73,616			73,616	14,723	58,893
Jordan	4,095			4,095	410	3,686
Kazakhstan	39,243			39,243	1,949	37,295
Kenya	101,643			101,643	14,639	87,004
Kuwait	50,000			50,000		50,000
Kyrgyz Republic	8,115			8,115	723	7,392
Lao PDR	88,825			88,825	44,413	44,413
Latvia	4,104			4,104	410	3,694
Madagascar	500	38,363		38,863	1,512	37,351
Mali	16,200			16,200	1,620	14,580
Mauritania	5,400			5,400	540	4,860
Moldova	61,092	7,464		68,556	30,546	38,010
Mozambique	229,828		7,445	237,273	76,568	160,705
Nepal	30,001			30,001	15,941	14,061
Nicaragua	94,959			94,959	47,479	47,479
Nigeria	105,737	2,841		108,579	15,193	93,385
Pakistan	10,580	76,854	371	87,805	13,460	74,345
Peru	7,772			7,772	1,554	6,218

The notes to financial statements are an integral part of these statements.

STATEMENT OF GUARANTEES OUTSTANDING

As of June 30, 2008, expressed in thousands of US dollars, unless otherwise noted

	Gross Exposure—Note D					
Host Country	**US Dollars**	**Euro**	**Japanese Yen**	**Total**	**Reinsurance—Note D**	**Net Exposure[3]**
Romania		138,407		138,407	68,372	70,035
Russian Federation	793,339	87,038		880,377	568,525	311,852
Rwanda	1,800			1,800		1,800
Serbia		85,075		85,075	48,401	36,674
Sierra Leone	5,000			5,000	500	4,500
South Africa	12,300			12,300		12,300
Swaziland	26,023		7,445	33,468	16,734	16,734
Syrian Arab Republic	88,871			88,871	8,887	79,984
Thailand	83,825			83,825	41,913	41,913
Turkey	671,750			671,750	454,250	217,500
Turkmenistan	2,826			2,826		2,826
Uganda	157,570			157,570	77,597	79,973
Ukraine	623,121			623,121	325,252	297,869
Uruguay	300,625			300,625	192,063	108,563
Venezuela, R.B. de	19,800			19,800	5,940	13,860
Vietnam	106,419			106,419	67,853	38,566
	5,573,589	1,143,088	15,261	6,731,938	3,020,912	3,711,026
Adjustment for Dual-Country Contracts[1]						
Argentina/Chile	-9,614			-9,614		-9,614
Lao PDR/Thailand	-83,825			-83,825	-41,913	-41,913
Mozambique/Swaziland	-26,023		-7,445	-33,468	-16,734	-16,734
	-119,462		-7,445	-126,907	-58,647	-68,260
Adjustment for Master Agreement[2]						
	-129,895			-129,895	-64,948	-64,948
Total—June 30, 2008[3]	5,324,232	1,143,088	7,816	6,475,136	2,897,318	3,577,818
Total—June 30, 2007	4,098,509	1,194,166	8,515	5,301,190	2,091,776	3,209,414

1 *For contracts where there are two host countries, MIGA is at risk for losses in both countries up to the maximum amount of liability under the contract. As such, the aggregate exposure is reported in both host countries and adjustment is made to correct for double-counting.*

2 *Adjustment for master agreement accounts for MIGA's maximum exposure to loss with a single investor being less than the sum of the maximum aggregate liabilities under the individual contracts.*

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

The notes to financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

PURPOSE

The Multilateral Investment Guarantee Agency (MIGA), established on April 12, 1988, is a member of the World Bank Group which also includes the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the International Development Association (IDA). MIGA's activities are closely coordinated with and complement the overall development objectives of the other World Bank institutions. MIGA is designed to help developing countries attract productive foreign investment by both private investors and commercially operated public sector companies. Its facilities include guarantees or insurance against noncommercial risks and a program of advisory services and technical assistance to support member countries' efforts to attract and retain foreign direct investment.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

Basis of Preparation

MIGA's financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) and with accounting principles generally accepted in the United States of America (U.S. GAAP). The policy adopted is that considered most appropriate to the circumstances of MIGA having regard to its legal requirements and to the practices of other international insurance entities. On August 7, 2008, MIGA's board of directors approved the financial statements for issue.

Accounting & Reporting Developments

The International Accounting Standard Board (IASB) issued International Financial Reporting Standard (IFRS) 4 *"Insurance Contracts"* in March 2004 to achieve convergence of widely varying insurance industry accounting practices around the world. IASB has divided the insurance project into two phases. In line with the requirements of Phase 1, MIGA included additional disclosures beginning the quarter ended September 30, 2005 that identify and explain the amounts in the financial statements arising from insurance contracts. Phase 2 of the project is expected to come into effect in 2011. This will address issues relating to insurance accounting.

The IASB issued a new standard (IFRS 7) "*Financial Instruments: Disclosures*" and revised standard (IAS 1) "*Presentation of Financial Statements*" that are to be applied for fiscal years beginning on or after January 1, 2007. MIGA has implemented these standards as of July 1, 2007.

In September 2006, the Financial Accounting Standard Board (FASB) issued the Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements.*" This standard is effective for annual periods beginning on or after November 15, 2007. MIGA is assessing the impact of this standard on its financial statements.

In February 2007, the FASB issued the Statement of Financial Accounting Standard No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities.*" This standard is effective for annual periods beginning on or after November 15, 2007 and will not impact MIGA's financial statements.

In December 2007, the FASB issued the Statement of Financial Reporting Standard No. 160, "*Non-controlling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*" (FAS 160), which changes the accounting and reporting for minority interests. This statement is effective for fiscal years beginning on or after December 15, 2008. FAS 160 will not impact MIGA's financial statements.

In March 2008, the FASB issued the Statement of Financial Accounting Standard No.161, "*Disclosures about Derivative Instruments and Hedging Activities*" (FAS 161). FAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to better understand their effects on an entity's financial position, financial performance, and cash flows. The provisions of FAS 161 are effective for Financial Statements issued for fiscal years beginning after November 15, 2008. MIGA is currently evaluating the impact of the provisions of FAS 161.

In May 2008, the FASB issued the Statement of Financial Accounting Standards No. 163 "*Accounting for Financial Guarantee Insurance Contracts, an Interpretation of FASB Statement No. 60.*" For certain financial insurance guarantee contracts, this statement addresses premium revenue recognition, claim liability recognition and disclosures related to each. Except for certain disclosures that are applicable for quarter ending September 30, 2008 onwards, this statement is effective for fiscal years beginning after December 15, 2008. MIGA is currently assessing the impact of this standard on its financial statements.

Differences between US GAAP and IFRS

On September 29, 2006, the FASB issued the Statement of Financial Accounting Standard No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans (FAS 158)*. FAS 158 requires employers to recognize on their balance sheets the funded status of their defined benefit postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation. Gains or losses and prior service costs or credits that arise during the period are recognized as part of Other Comprehensive Income, to the extent they are not recognized as components of the net periodic benefit cost. Additionally, upon adoption, FAS 158 requires unrecognized net actuarial gain or loss and unrecognized prior service costs to be recognized in the ending balance of Accumulated Other Comprehensive Income. These amounts will be adjusted as they are subsequently recognized as components of net periodic benefit cost, based upon the current amortization and recognition requirements of Statement of Financial Accounting Standard No. 87, *Employers' Accounting for Pensions* (FAS 87) and *Statement of Financial Accounting Standards* No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* (FAS 106). FAS 158 is applicable to MIGA's financial statements as of June 30, 2007 and the impact of its adoption is discussed further in Note F.

MIGA has changed its accounting policy under International Accounting Standards (IAS) 19, *Employee Benefits* to recognize all actuarial gains and losses in the period in which they occur—but outside profit or loss—"in a statement of changes in shareholder's equity." This is a permitted alter-

native available under IAS 19 and MIGA considers that this will allow it to show the over/under funded position on the balance sheet thereby making its financial statements more relevant and complete. SFAS 158 requires prospective application of the standard, while the change in approach under IAS 19 requires retrospective application. In addition, SFAS 158 and IAS 19 differ in the treatment of amortization of unrecognized actuarial gains or losses. SFAS 158 requires the unrecognized actuarial gains or losses to be amortized to the Income Statement, and IAS 19 requires the unrecognized actuarial gains or losses to remain in Accumulated Other Comprehensive Income. As a result, Net Income is lower by $36,000 and $187,000 for FY08 and FY07 respectively as reported under US GAAP compared to IFRS. MIGA does not believe these differences are material.

Use of Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards and accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Significant judgments have been made in areas which management views as most critical with respect to the establishment of its loss reserves, the determination of net periodic income from pension and other post retirement benefits plans, and the present value of benefit obligations.

The significant accounting policies employed by MIGA are summarized below.

Investments

MIGA manages its investment portfolio both for the purpose of providing liquidity for potential claims and for capital growth. MIGA invests in time deposits, Mortgage/Asset-Backed Securities and government and agency obligations based on its investment policy approved by the Board. Government and agency obligations include highly rated fixed rate bonds, notes, bills and other obligations issued or unconditionally guaranteed by governments of countries or other official entities including government agencies or by multilateral organizations. MIGA also enters into exchange traded futures and options transactions to manage its investment portfolio. The purposes of these transactions are to enhance the return and manage the overall duration of the portfolio. With respect to futures and options, MIGA generally closes out most open positions prior to expiration. Futures are settled on a daily basis.

MIGA has classified all investment securities as trading. Investments classified as trading securities are reported at fair value using trade-date accounting. Securities purchased or sold may have a settlement date that is different from the trade-date. Securities purchased that could not be settled before the reporting dates are recorded as liability. Similarly, securities sold that could not be settled before the reporting dates are recorded under "Other Assets."

For trading securities, unrealized net gains and losses are both recognized in earnings. Net gains and losses include interest income under the caption "Income from investments."

Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Subscribed Capital

Payments on these instruments are due to MIGA upon demand and are held in bank accounts which bear MIGA's name. Accordingly, these instruments are carried and reported at face value as assets on the balance sheet.

Impairment of Reinsurance Assets

MIGA assesses at each balance sheet date whether there is objective evidence that the reinsurance asset is impaired, and makes a provision for such impairment. Objective evidence may be in the form of observable data that comes to MIGA's attention periodically. If an impairment is determined, the carrying amount of the reinsurance asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

Reserve for Claims

MIGA's reserve consists of two primary components, the Specific Reserve and the Insurance Portfolio Reserve. These components are comprehensive and mutually exclusive with respect to risk of losses that may develop from each guarantee contract, and from the contingent liability for the portfolio as a whole.

The Specific Reserve is calculated based on contract-specific parameters that are reviewed every quarter by MIGA Management for contracts that have known difficulties. The Insurance Portfolio Reserve is calculated based on the long-term historical experiences of the political risk industry.

Assumptions and parameters used in the calculations are intended to serve as the basis for an objective, reasonably conservative and arms-length valuation of insurance liabilities with a specified level of prudence. Key assumptions, including frequency of claim, severity, and expected recovery have been quantitatively derived from the political risk insurance industry's historical claims data. The principal sources of data used as inputs for the assumptions include the Berne Union and the Overseas Private Investment Corporation (OPIC). The historical analysis of the data from those sources is further augmented by an internal econometric scoring analysis in order to derive risk-differentiated parameters with term structure effects over time. The historical and econometric analyses cover periods that are over 30 years, and the derived parameters are considered stable in the short term; however the analyses are reviewed annually. Short-term risk changes are captured by changes in internal risk ratings for countries and contracts on a quarterly basis.

For the purpose of the presentation of the financial statements, insurance liabilities (or reserves) are presented on a gross basis and not net of reinsurance. Therefore, MIGA's reserve is shown on a gross basis on the liability side of the balance sheet, while establishing reinsurance assets on the asset side.

Currency Translation

Assets and liabilities are translated at market exchange rates in effect at the end of the period. Income and expenses are translated at either the market exchange rates in effect on the dates on which they are recognized or at an average of the market exchange rates in effect during each month. Translation adjustments are reflected in the Income Statement.

Valuation of Capital Stock

Under the MIGA Convention, all payments from members subscribing to the capital stock of MIGA shall be settled on the basis of the average value

of the Special Drawing Rights (SDR) introduced by the International Monetary Fund, as valued in terms of United States dollars for the period January 1, 1981 to June 30, 1985, such value being equal to $1.082 for one SDR.

Revenue Recognition

Premium amounts received on direct insurance contracts and reinsurance contracts assumed can be annual, semi-annual or quarterly and are recorded as unearned premium. Premiums are recognized as earned on a pro rata basis over the contract period. A receivable for premium is recorded when the contract has been renewed and coverage amounts have been identified.

MIGA cedes reinsurance in the normal course of business by obtaining treaty and facultative reinsurance to augment its underwriting capacity and to mitigate its risk by protecting portions of its insurance portfolio. Premiums ceded (net of commission) follow the same approach as for direct insurance contracts and are recognized as expenses on a pro rata basis over the contract period.

Fee income for MIGA primarily consists of administrative fees, arrangement fees, annual fees, renewal fees, and commitment (offer) fees.

NOTE B—INVESTMENTS

MIGA classifies all investment securities as trading. Investments classified as trading securities are reported at fair value with unrealized gains or losses included in earnings. The unrealized gains included in the investment income for the fiscal year ended June 30, 2008 is $394,200 (unrealized gains of $6,538,710 – June 30, 2007).

A summary of the trading portfolio at June 30, 2008 and at June 30, 2007 is as follows (in thousands of US dollars):

	Fair Value	
	2008	**2007**
Government obligations	$ 82,701	$ 22,395
Time deposits	624,964	571,995
Asset-backed securities	258,382	285,894
Total	**$ 966,047**	**$ 880,284**

MIGA manages its investments on a net portfolio basis. The following table summarizes MIGA's net portfolio position as of June 30, 2008 and June 30, 2007 (in thousands of US Dollars):

	Fair Value	
	2008	**2007**
Investments—trading	$ 966,047	$ 880,284
Cash held in investment portfolio[1]	123	106
Receivable from investment securities sold	29,284	40,559
Accrued Interest[2]	4,470	5,237
Cash overdraft due to over-invested position[3]	—	(24,272)
Payable for investment securities purchased	(85,434)	(60,611)
Net Investment Portfolio	**$ 914,490**	**$ 841,303**

[1] *This amount is included under Cash in the Balance Sheet.*
[2] *This amount is included under Miscellaneous assets in the Balance Sheet*
[3] *This amount is included under Accounts payable and accrued expenses in the Balance Sheet*

Investments are denominated primarily in United States dollars with instruments in non-dollar currencies representing 16.94 percent (14.90 percent—June 30, 2007) of the portfolio.

The maximum credit exposure of investments closely approximate the fair values of the financial instruments.

Asset backed securities (ABS) are diversified among credit cards, student loans, home equity loans and mortgage backed securities. Since these holdings are primarily investment grade, neither concentration risk nor credit risk represents a significant risk to MIGA.

NOTE C—CAPITAL STOCK

The MIGA Convention established MIGA's authorized capital stock at 100,000 shares with a provision that the authorized capital stock shall automatically increase on the admission of a new member to the extent that the then authorized shares are insufficient to provide the shares to be subscribed by such member. At June 30, 2008, the initial authorized capital stock increased to 184,404 (183,891 – June 30, 2007) shares. The Convention further states that 10 percent of the members' initial subscription be paid in cash, in freely convertible currencies, except that developing member countries may pay up to a quarter of the 10 percent in their own currencies. An additional 10 percent of the initial subscription shall be paid in the form of non negotiable, non interest bearing promissory notes. The notes are denominated in freely convertible currencies and are due on demand to meet MIGA's obligations. The remaining 80 percent is subject to call when required by MIGA to meet its obligations.

On March 29, 1999, the Council of Governors approved a General Capital Increase (GCI) resolution increasing the authorized capital stock of MIGA by 78,559 shares to be subscribed by members during the subscription period ending March 28, 2002. Of the additional capital, 17.65 percent is to be paid in cash, in freely usable currency. The remaining 82.35 percent is subject to call when required by MIGA to meet its obligations. On May 6, 2002, the Council of Governors adopted a resolution to extend the GCI subscription period to March 28, 2003. On March 17, 2003, the Council of Governors approved an amendment to the GCI resolution allowing eligible countries to subscribe to the GCI shares allocated to them by submitting an Instrument of Contribution before the GCI deadline of March 28, 2003, and requesting such countries to pay for their GCI shares as soon as possible. The reserved shares will be issued and corresponding voting power will accrue when the subscription process has been completed.

During the year ended June 30, 2008, 513 shares were subscribed by member countries. At June 30, 2008, MIGA's authorized capital stock comprised 184,404 shares of which 174,779 (174,266 – June 30, 2007) shares had been subscribed. Each share has a par value of SDR10,000, valued at the rate of $1.082 per SDR. Of the subscribed capital, $360,694,000 ($359,584,000—June 30, 2007) has been paid in; and the remaining $1,530,415,000 ($1,525,974,000—June 30, 2007) is subject to call. At June 30, 2008, $113,203,000 is in the form of nonnegotiable, non interest bearing demand obligations (promissory notes). A summary of MIGA's capital stock at June 30, 2008 and June 30, 2007 is as follows:

	Initial Capital		Capital Increase		Total	
	Shares	(US$000)	Shares	(US$000)	Shares	(US$000)
As of June 30, 2008						
Authorized	105,845	$ 1,145,243	78,559	$ 850,008	184,404	$ 1,995,251
Subscribed	105,845	$ 1,145,243	68,934	$ 745,866	174,779	$ 1,891,109
At June 30, 2007						
Authorized	105,332	$ 1,139,692	78,559	$ 850,008	183,891	$ 1,989,701
Subscribed	105,332	$ 1,139,692	68,934	$ 745,866	174,266	$ 1,885,558

NOTE D—GUARANTEES

Guarantee Program

MIGA offers guarantees or insurance against loss caused by non-commercial risks (political risk insurance) to eligible investors on qualified investments in developing member countries. MIGA insures investments for up to 20 years against four different categories of risk: currency inconvertibility and transfer restriction, expropriation, war and civil disturbance, and breach of contract. Currency inconvertibility and transfer restriction coverage protects the investor against inconvertibility of local currency into foreign exchange for transfer outside the host country. Currency depreciation is not covered. Expropriation coverage protects the investor against partial or total loss of the insured investment as a result of acts by the host government that may reduce or eliminate ownership of, control over, or rights to the insured investment. War and civil disturbance coverage protects the investor against losses from damage to, or the destruction or disappearance of, tangible coverage assets, as well as a total loss due to business interruption extending for a period of at least 180 days, caused by politically motivated acts of war or civil disturbance in the host country including revolution, insurrection, coup d'etat, sabotage and terrorism. Breach of contract coverage protects the investor against the inability to enforce an award arising out of an arbitral or judicial decision recognizing the breach of a covered obligation by the host government. Investors may insure projects by purchasing any combination of the four coverages. MIGA guarantees cannot be terminated unilaterally by the guarantee holder within the first three years from the date of issuance without payment of a termination fee except as provided in the contract. MIGA cannot terminate the contract unless the guarantee holder defaults on its contractual obligations to MIGA.

Premium rates applicable are set forth in the contracts. Payments against all claims under a guarantee may not exceed the maximum amount of coverage issued under the guarantee. Under breach of contract coverage, payments against claims may not exceed the lesser of the amount of guarantee and the arbitration award.

MIGA also acts as administrator of some investment guarantee trust funds. MIGA, on behalf of the trust funds, issues guarantees against loss caused by non-commercial risks to eligible investors on qualified investments in the countries specified in the trust fund agreements. Under the trust fund agreements, MIGA, as administrator of the trust funds, is not liable on its own account for payment of any claims under contracts of guarantees issued by MIGA on behalf of such trust funds which at June 30, 2008 amounts to $3,517,000 ($2,942,000 – June 30, 2007).

Contingent Liability

The maximum amount of contingent liability of MIGA under guarantees issued and outstanding at June 30, 2008 totaled $6,475,136,000 ($5,301,190,000—June 30, 2007). A contract of guarantee issued by MIGA may permit the guarantee holder, at the start of each contract period, to elect coverage and place amounts both on current and standby. MIGA is currently at risk for amounts placed on current. The maximum amount of contingent liability is MIGA's maximum exposure to insurance claims, which includes "standby" coverage for which MIGA is committed but not currently at risk. At June 30, 2008, MIGA's actual exposure to insurance claims, exclusive of standby coverage is $5,159,055,000 ($3,379,228,000—June 30, 2007).

Reinsurance

MIGA obtains treaty and facultative reinsurance (both public and private) to augment its underwriting capacity and to mitigate its risk by protecting portions of its insurance portfolio, and not for speculative reasons. All reinsurance contracts are ceded on a proportionate basis. However, MIGA is exposed to reinsurance non-performance risk in the event that reinsurers fail to pay their proportionate share of the loss in case of a claim. MIGA manages this risk by requiring that private sector reinsurers be rated by at least two of the four major rating agencies (Standard & Poor's, A.M. Best, Moody's and Fitch), and that such ratings be above a minimum threshold. In addition, MIGA may also place reinsurance with public insurers of member countries that operate under and benefit from the full faith and credit of their governments and with multilateral agencies that represent an acceptable counterparty risk. MIGA has established limits, at both the project and portfolio levels, which restrict the amount of reinsurance that may be ceded. The project limit states that MIGA may cede no more than 90 percent of any individual project. The portfolio limit states that MIGA may not reinsure more than 50 percent of its aggregate gross exposure.

Of the $6,475,136,000 outstanding contingent liability (gross exposure) as at June 30, 2008 ($5,301,190,000—June 30, 2007), $2,897,318,000 was ceded through contracts of reinsurance ($2,091,776,000—June 30, 2007). Net exposure amounted to $3,577,818,000 as at June 30, 2008 ($3,209,414,000—June 30, 2007).

As of June 30, 2008, total reinsurance provided by MIGA was nil ($28,933,000- June 30, 2007).

Premiums relating to direct, assumed, and ceded contracts for the fiscal years ended June 30, 2008 and June 30, 2007 were as follows:

In thousands of US dollars	2008	2007
Premiums Written		
Direct	$ 65,995	$ 49,017
Assumed	—	351
Ceded	(26,640)	(17,185)
Premiums Earned		
Direct	54,260	48,609
Assumed	111	351
Ceded	(21,062)	(17,289)

Portfolio Risk Management

Controlled acceptance of political risk in developing countries is MIGA's core business. The underwriting of such risk requires a comprehensive risk management framework to analyze, measure, mitigate and control risk exposures.

Claims risk, the largest risk for MIGA, is the risk of incurring a financial loss as a result of a claimable political risk event in developing countries. Political risk assessment forms an integral part of MIGA's underwriting process and includes the analysis of both country-related and project-related risks.

Country risk assessment is a combination of quantitative and qualitative analysis. Ratings are assigned individually to each risk for which MIGA provides insurance coverage in a country. Country ratings are reviewed and updated every quarter. Country risk assessment forms the basis of the underwriting of insurance contracts, setting of premium levels, and provisioning for claims.

Project-specific risk assessment is performed by a cross-functional team. Based on the analysis of project-specific risk factors within the country context, the final project risk ratings can be higher or lower than the country ratings of a specific coverage. The decision to issue an insurance contract is subject to approval by MIGA's Senior Management and concurrence by the Board of Directors. In order to avoid excessive risk concentration, MIGA sets exposure limits per country and per project. The maximum net exposure which may be assumed by MIGA is $600 million in each host country and $180 million for each project.

As approved by the Board of Directors and the Council of Governors, the maximum aggregate amount of contingent liabilities that may be assumed by MIGA is 350 percent of the sum of MIGA's unimpaired subscribed capital and its retained earnings, and insurance portfolio reserve plus such portion of the insurance ceded by MIGA through contracts of reinsurance as the Board of Directors may determine. Accordingly, at June 30, 2008, the maximum level of guarantees outstanding (including reinsurance) may not exceed $11,593,000,000.

Portfolio Diversification

MIGA aims to diversify its guarantee portfolio so as to limit the concentration of exposure to loss in a host country, region, or sector. The portfolio shares of the top five and top ten largest exposure countries provide a convenient indicator of concentration risk. The gross and net exposures of the top five and top ten countries at June 30, 2008 and June 30, 2007 are as follows:

In thousands of US dollars	June 30, 2008		June 30, 2007	
	Exposure in Top Five Countries	Exposure in Top Ten Countries	Exposure in Top Five Countries	Exposure in Top Ten Countries
Gross Exposure	$ 2,888,310	$ 3,906,457	$ 1,970,512	$ 2,863,040
% of Total Gross Exposure	44.5	60.3	37.2	54.0
Net Exposure	$ 1,131,058	$ 1,757,518	$ 946,116	$ 1,555,972
% of Total Net Exposure	31.6	49.1	29.5	48.5

A regionally diversified portfolio is desirable for MIGA as an insurer, because correlations of claims occurrences are typically higher within a region than between regions. When a correlation is higher, the probability of simultaneous occurrences of claims will be higher.

The regional distribution of MIGA's portfolio at June 30, 2008 and June 30, 2007 is as follows:

In thousands of US dollars	June 30, 2008			June 30, 2007		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Africa	$ 1,015,491	$ 798,182	22.3	$ 964,143	$ 711,234	22.2
Asia	688,516	470,012	13.1	757,147	523,209	16.3
Europe and Central Asia	2,898,430	1,254,045	35.1	1,941,095	902,108	28.1
Latin America and Carribean	1,320,969	747,393	20.9	1,483,567	876,191	27.3
Middle East and North Africa	681,625	373,134	10.4	285,133	261,620	8.1
Adjustment for Master Agreement [1]	(129,895)	(64,948)	(1.8)	(129,895)	(64,948)	(2.0)
	$ 6,475,136	**$ 3,577,818**	**100.0**	**$ 5,301,190**	**$ 3,209,414**	**100.0**

[1] *Adjustment for master agreement accounts for MIGA's maximum exposure to loss with a single investor being less than the sum of the maximum aggregate liabilities under the individual contracts.*

The sectoral distribution of MIGA's portfolio at June 30, 2008 and June 30, 2007 is shown in the following table:

In thousands of US dollars	June 30, 2008			June 30, 2007		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Infrastructure	$ 2,648,422	$ 1,543,358	43.1	$ 2,196,276	$ 1,415,725	44.1
Financial	2,411,171	1,117,441	31.2	1,523,797	766,392	23.9
Tourism, Construction and Services	239,206	213,137	6.0	288,083	250,569	7.8
Manufacturing	495,385	282,560	7.9	541,434	318,216	9.9
Oil and Gas	329,519	256,910	7.2	358,216	268,731	8.4
Mining	269,069	90,885	2.5	310,078	115,491	3.6
Agribusiness	82,364	73,527	2.1	83,306	74,290	2.3
	$ 6,475,136	**$ 3,577,818**	**100.0**	**$ 5,301,190**	**$ 3,209,414**	**100.0**

NOTE E—CLAIMS

Reserve for Claims

MIGA's gross reserve for claims at June 30, 2008 amounted to $191,000,000 ($184,200,000 -June 30, 2007) and estimated reinsurance recoverables amounted to $33,600,000 ($35,800,000 -June 30, 2007). Accordingly, a provision for claims of $9,000,000 was recorded for the fiscal year ended June 30, 2008.

An analysis of the changes to the gross reserve for claims for the fiscal year ended June 30, 2008 and for the fiscal year ended June 30, 2007 appears below.

In thousands of US dollars	June 30, 2008	June 30, 2007
Gross reserve balance	$ 184,200	$ 178,178
Less: Estimated reinsurance recoverables	35,800	26,052
Net reserve balance, beginning of the period	**148,400**	**152,126**
Provision for (release of) claims-net of reinsurance	9,000	(3,726)
Net reserve balance	**157,400**	**148,400**
Add: Estimated reinsurance recoverables	33,600	35,800
Gross reserve balance, end of the period	**$ 191,000**	**$ 184,200**

The provision of $9,000,000 for claims, net of reinsurance for the year ended June 30, 2008 compared to a release of $3,726,000 for the year ended June 30, 2007 has primarily resulted from the increase in the level of guarantee exposure impacting the insurance portfolio reserves.

Specific Reserve for Claims

The specific reserve for claims is composed of reserves for pending claims and reserves for contracts where a claimable event has been reported but no claim has been filed. The parameters used in calculating the specific reserves, i.e. claims probability, severity and expected recovery, are assessed for each contract placed in the specific reserves on a quarterly basis. At June 30, 2008, the specific reserves amounted to $55,200,000 ($58,400,000 – June 30, 2007).

The following table shows how the estimates of the specific reserves for each reporting period have developed over the past six years:

In thousands of US dollars								
Reporting Period	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**Total**
Estimated of Cumulative Claims:								
At end of reporting period	121,800	9,900	37,800	27,610	1,062		2,800	
One year later	68,600	4,600	23,550	40,380				
Two years later	3,000	4,530	8,343	45,900				
Three years later	5,650	3,279	6,800					
Four years later	5,775	700						
Five years later	5,700							
Estimate of cumulative claims at June 30, 2008	**5,500**	**700**	**1,300**	**45,600**	**—**	**—**	**2,800**	**55,900**
Cumulative payments		(700)						(700)
Specific reserves at June 30, 2008	**5,500**	**—**	**1,300**	**45,600**	**—**	**—**	**2,800**	**55,200**

Pending Claims

Included in Specific Reserve for Claims at June 30, 2008 are three claims. MIGA's actual liability for these claims has not yet been determined.

On January 24, 2008, MIGA received a claim for a project in Kenya. The amount of loss was not specified in the claim. The maximum aggregate liability under the contract is $0.5 million. MIGA has requested the Guarantee Holder to furnish the required information for it to proceed with claims determination, which has still not been delivered.

On November 29, 2006, MIGA received a claim in the amount of $54 million for expropriation of a project in Nicaragua. The Guarantee Holder asserted that the project had been expropriated due to its inability to obtain approvals for tariff adjustments in accordance with the terms of the concession agreements for distribution of electricity and other acts of the Government of Nicaragua (GoN), which have rendered the project unviable. The GoN and the guarantee investor have been in negotiation of settlement of the dispute and the processing of the claim has been suspended pending the results of those discussions.

On October 6, 2004, MIGA received claims for expropriation of projects in Kyrgyz Republic, in the amount of $0.9 million. A Settlement Agreement has been negotiated, but is not yet effective due to delays on the part of the Government of Kyrgyzstan (GOK). MIGA is maintaining the provision for this matter until the agreement is implemented.

Claims Payable

On January 10, 2005, MIGA made a determination to pay an expropriation claim received on January 13, 2004 for losses related to a project in Argentina. The total claim amounted to $1,395,778, of which $558,311 (representing forty percent) was paid on February 24, 2005. The payment of the remaining $837,467 (representing sixty percent) was recorded in "Accounts payable and accrued expenses" in the liability section of the balance sheet for the quarter ended September 30, 2006 and the fiscal year ended June 30, 2006. The remaining payment was contingent upon the Guarantee Holder fulfilling certain obligations in accordance with the Contract of Guarantee on or before December 31, 2006. As of the end of the December 31, 2006, those conditions had not been met and on January 4, 2007, the Guarantee Holder withdrew the remaining claim. Accordingly, MIGA has reduced the Liability in the Balance Sheet and transferred this amount as a reduction of Expenses under "Release of provision due to withdrawal of claims."

NOTE F—PENSION AND OTHER POST RETIREMENT BENEFITS

MIGA, IBRD and IFC participate in a defined benefit Staff Retirement Plan (SRP), a Retired Staff Benefits Plan (RSBP) and a Post-Employment Benefits Plan (PEBP) that cover substantially all of their staff members.

The SRP provides regular pension benefits and includes a cash balance plan. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides certain pension benefits administered outside the SRP.

The United States Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) established a prescription drug benefit under Medicare (Medicare Part D) and a federal subsidy to qualifying sponsors of retiree health care benefit plans. The effects of the subsidy and the related disclosures have been reflected in the financial statements.

MIGA uses June 30 measurement date for its pension and other postretirement benefit plans. The amounts presented below reflect MIGA's respective share of the costs, assets, and liabilities of the plans.

All costs, assets and liabilities associated with these plans are allocated between MIGA, IBRD, and IFC based upon their employees' respective participation in the plans. In addition, MIGA and IFC reimburse IBRD for their proportionate share of any contributions made to these plans by IBRD. Contributions to these plans are calculated as a percentage of salary.

The following table summarizes the benefit costs associated with the SRP, RSBP, and PEBP for MIGA for the fiscal years ended June 30, 2008 and June 30, 2007:

In thousands of US dollars	SRP		RSBP		PEBP	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Benefit Cost						
Service cost	2,777	2,953	464	469	210	213
Interest cost	4,879	4,703	644	618	144	203
Expected return on plan assets	(9,962)	(8,806)	(878)	(712)		
Amortization of prior service cost (credit)	85	85	85	(10)	5	5
Amortization of unrecognized net (gain) loss			(3)	128	39	59
Net periodic pension (income) cost	**(2,221)**	**(1,065)**	**312**	**493**	**398**	**480**

The expenses for the SRP, RSBP and PEBP are included in Administrative Expenses.

The following table summarizes the projected benefit obligations, fair value of plan assets, and funded status associated with the SRP, RSBP and PEBP for MIGA for the fiscal years ended June 30, 2008 and June 30, 2007. The assets for the PEBP are included in IBRD's investment portfolio.

In thousands of US dollars	SRP		RSBP		PEBP	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Projected benefit obligation						
Beginning of year	79,632	73,695	10,397	9,578	2,352	3,238
Service cost	2,777	2,953	464	469	210	213
Interest cost	4,879	4,703	644	618	144	203
Participant contributions	740	721	89	89	8	5
Retiree drug subsidy received	n.a	n.a	13		n.a	n.a
Plan amendment	52				7	
Benefits paid	(3,392)	(5,824)	(265)	(247)	(213)	(203)
Actuarial (gain) loss	(274)	3,384	174	(110)	287	(1,104)
End of year	**84,414**	**79,632**	**11,516**	**10,397**	**2,795**	**2,352**
Fair value of plan assets						
Beginning of year	129,147	113,706	10,500	8,455		
Participant contributions	740	721	89	89		
Actual return on assets	3,798	18,728	187	1,429		
Employer contributions	1,136	1,816	608	774		
Benefits paid	(3,392)	(5,824)	(265)	(247)		
End of year	**131,429**	**129,147**	**11,119**	**10,500**		
Funded status[1]	**47,015**	**49,515**	**(397)**	**103**	**(2,795)**	**(2,352)**
Accumulated Benefit Obligation	**68,149**	**59,992**	**11,516**	**10,397**	**2,462**	**1,992**

[1] *Net amount recognized is reported as Assets under retirement benefits plans under Other Assets or Liabilities under accounts payable and accrued expenses under Total Liabilities on the Balance Sheet.*

The $47,015,000 relating to SRP at June 30, 2008 ($49,515,000 – June 30, 2007) is included in Assets under retirement benefits plans on the balance sheet.

The following tables present the amounts included in Accumulated Other Comprehensive Income relating to FAS158 application:

In thousands of US dollars				
	SRP	**RSBP**	**PEBP**	**Total**
Amounts included in Accumulated Other Comprehensive Income in fiscal year ended June 30, 2008				
Net actuarial (gain) loss	(20,880)	713	981	(19,186)
Prior service cost	453	182	33	668
Net amount recognized in Accumulated Other Comprehensive (Income)/Loss	**(20,427)**	**895**	**1,014**	**(18,518)**
Amounts included in Accumulated Other Comprehensive Income in fiscal year ended June 30, 2007				
Net actuarial (gain) loss	(26,770)	(155)	733	(26,192)
Prior service cost	486	267	31	784
Net amount recognized in Accumulated Other Comprehensive (Income)/Loss	**(26,284)**	**112**	**764**	**(25,408)**

The estimated amounts that will be amortized from Accumulated Other Comprehensive Income into net periodic benefit cost in the fiscal year ending June 30, 2009 are as follows:

In thousands of US dollars				
	SRP	**RSBP**	**PEBP**	**Total**
Net actuarial loss	—	39	110	149
Prior service cost	90	85	6	181
Amount to be amortized into net periodic benefit cost	**90**	**124**	**116**	**330**

Assumptions

The actuarial assumptions used are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations.

The expected long-term rate of return for the SRP assets is a weighted average of the expected long-term (10 years or more) returns for the various asset classes, weighted by the portfolio allocation. Asset class returns are developed using a forward-looking building block approach and are not strictly based on historical returns. Equity returns are generally developed as the sum of expected inflation, expected real earnings growth and expected long-term dividend yield. Bond returns are generally developed as the sum of expected inflation, real bond yield, and risk premium/spread (as appropriate). Other asset class returns are derived from their relationship to equity and bond markets. The expected long-term rate of return for the RSBP is computed using procedures similar to those used for the SRP. The discount rate used in determining the benefit obligation is selected by reference to the year-end AAA and AA corporate bonds.

Actuarial gains and losses occur when actual results are different from expected results. Amortization of these unrecognized gains and losses will be included in income if, at the beginning of the fiscal year, they exceed 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If required, the unrecognized gains and losses are amortized over the expected average remaining service lives of the employee group.

The following tables present the weighted-average assumptions used in determining the projected benefit obligations and the net periodic pension costs for the fiscal years ended June 30, 2008 and June 30, 2007:

In percent	SRP		RSBP		PEBP	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Weighted average assumptions used to determine projected benefit obligation						
Discount rate	6.75	6.25	6.75	6.25	6.75	6.25
Rate of compensation increase	7.00	6.50				
Health care growth rates-at end of fiscal year			7.25	6.80		
Ultimate health care growth rate			5.50	4.75		
Year in which ultimate rate is reached			2016	2012		
Weighted average assumptions used to determine net periodic pension cost						
Discount rate	6.25	6.50	6.25	6.50	6.25	6.50
Expected return on plan assets	7.75	7.75	8.25	8.25		
Rate of compensation increase	6.50	6.80				
Health care growth rates—at end of fiscal year			6.80	7.60		
- to year 2012 and thereafter			4.75	4.25		

The medical cost trend rate can significantly affect the reported postretirement benefit income or costs and benefit obligations for the RSBP. The following table shows the effects of a one-percentage-point change in the assumed healthcare cost trend rate:

In thousands of US dollars	One percentage point increase	One percentage point decrease
Effect on total service and interest cost	$ 300	$ (200)
Effect on postretirement benefit obligation	2,300	(1,800)

Investment Strategy

The investment policy for the SRP and the RSBP is to optimize the risk-return relationship as appropriate to the respective plan's needs and goals, using a global diversified portfolio of various asset classes. Specifically, the long-term asset allocation is based on an analysis that incorporates expected returns by asset class as well as volatilities and correlations across asset classes and the liability profile of the respective plans. This analysis, referred to as an asset-liability analysis, also provides estimates of potential future contributions and future asset and liability balances. In October 2007, a new strategic asset allocation was approved by the Pension Finance Committee. This resulted in a change to the allocation of fixed income, public equity

and alternatives. In addition, three new alternative asset classes were introduced: timber, infrastructure and commodities. The new investment policy is reflected in the table below. Plan assets are managed by external investment managers and monitored by IBRD's pension investment department. The pension plan assets are invested in diversified portfolios of public equity, fixed income, and alternative investments.

The following table presents the asset allocation as of June 30, 2008 and June 30, 2007 and the respective target allocation by asset category for the SRP and RSRP:

In percent	SRP			RSBP		
	Target Allocation (%)	% of Plan Assets		Target Allocation (%)	% of Plan Assets	
	2008	2008	2007	2008	2008	2007
Asset Class						
Fixed Income	26	33	40	30	30	30
Public Equity	14	23	32	30	27	32
Alternative Investments	60	44	28	40	43	38
Total	100	100	100	100	100	100
Alternative Investments include:						
Private Equity	15	14.8	10.5	28	20	14.3
Real Estate	12.5	7.3	5.7	18	6.1	5.0
Hedge Funds & Active Overlay	25	18.5	11.2	23	16.9	18.3
Timber	2.5	0.2	n.a.	n.a.	n.a.	n.a.
Infrastructure	2.5	0.5	n.a	n.a	n.a	n.a
Commodities	2.5	2.6	n.a	n.a	n.a	n.a

Estimated Future Benefits Payments

The following table shows the benefit payments expected to be paid in each of the next five years and subsequent five years. The expected benefit payments are based on the same assumptions used to measure the benefit obligation at June 30, 2008.

In thousands of US dollars	SRP	RSBP		PEBP
		Before Medicare Part D Subsidy	Medicare Part D Subsidy	
July 1, 2008—June 30, 2009	$ 3,579	$ 216	$ 5	$ 194
July 1, 2009—June 30, 2010	4,007	249	5	204
July 1, 2010—June 30, 2011	4,250	283	5	216
July 1, 2011—June 30, 2012	4,561	320	6	233
July 1, 2012—June 30, 2013	4,993	364	7	247
July 1, 2013—June 30, 2018	30,239	2,581	48	1,530

Expected Contributions

MIGA's contribution to the SRP and RSBP varies from year to year, as determined by the Pension Finance Committee, which bases its judgment on the results of annual actuarial valuations of the assets and liabilities of the SRP and RSBP. The best estimate of the amount of contributions expected to be paid to the SRP and RSBP for MIGA during the fiscal year beginning July 1, 2008 is $627,000 and $400,000, respectively.

NOTE G—SERVICE AND SUPPORT FEE

MIGA contributes its share of the World Bank Group's corporate costs which include the Council of Governors and the Board of Directors, the President's office, the Corporate Secretariat, the Internal Auditing Department, the Department of Institutional Integrity, and the Conflict Resolution Services. In addition, MIGA obtains certain administrative and support services from IBRD in those areas where services can be most efficiently provided by IBRD. These include human resources, information systems, and administrative services as well as investment management and treasury operations. Payments for these services are made by MIGA to IBRD based on negotiated fees, charge backs and allocated charges where charge back is not feasible. Total fees paid by MIGA to IBRD for the fiscal year ended June 30, 2008 was $6,180,800 ($6,394,000 – June 30, 2007).

NOTE H—FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. MIGA uses observable market data, when available, and minimizes the use of unobservable inputs when determining fair value. The fair values of MIGA's cash and non-negotiable, non interest-bearing demand obligations approximate their carrying values. The fair values of government obligations are based on quoted market prices and the fair values of asset backed securities are based on pricing models for which market observable inputs are used. The degree to which management judgment is involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. Substantially all of MIGA's financial instruments use either of the foregoing methodologies to determine fair values that are recorded on its financial statements. The fair values are only indicative of individual financial instrument values and should not be considered an indication of MIGA's fair value.

NOTE I—RISK MANAGEMENT

The responsibility for approving MIGA's risk management policies lies with the Board of Directors. The Audit Committee of the Board deals with risk management issues.

While the Executive Vice President assumes the responsibility for overall risk management with the support of the senior management team, the responsibility for the design and operational implementation of the risk management framework lies with the Finance and Risk Management Group with coordination from the Legal Affairs and Claims Group, the Operations Group and the Economics and Policy Group.

Risk Categories

MIGA is exposed to a variety of risks and uses risk management programs such as an Economic Capital Framework, and reinsurance arrangements to manage its risk. Below is a description of risk management systems of the important risks for MIGA.

Insurance Risk Political risk assessment forms an integral part of MIGA's underwriting process, and includes the analysis of both country-related and project-related risks. Insurance risk arises from MIGA's core business of issuing investment guarantees. MIGA's earnings depend upon the extent to which claims experience is consistent with assumptions used in setting prices for products and establishing technical provisions and liabilities for claims. If actual claims experience of the agency is less favorable than underlying assumptions, then income would be reduced. MIGA monitors claim activities and provisions for pending claims.

In order to prevent excessive risk concentration, MIGA sets exposure limits per country and per project. MIGA uses an Economic Capital model to evaluate concentration risk in MIGA's guarantee portfolio and to support decision making in pricing new large projects, or new projects in countries with large exposure. Its reinsurance program, including treaty and facultative reinsurance, helps manage the risk profile of the portfolio.

Credit Risk Counter-party credit risk in MIGA's portfolio is the risk that reinsurers would fail to pay their share of a claim. MIGA requires that private sector reinsurers, with which it conducts business, be rated by at least two of the four major rating agencies (Standard & Poor's, A.M. Best, Moody's and Fitch), and that the ratings be above a minimum threshold. Also, MIGA has established limits at both the project and portfolio levels, which restrict the amount of reinsurance.

At present MIGA's investment portfolio does not have any significant credit risk exposure. MIGA currently invests in fixed income securities with high credit quality. The Investment Authorization stipulates that government or agency sponsored debt securities be AA-rated or above, time deposits be A-rated or above, and corporate debt securities be AAA-rated.

Interest Rate Risk Interest rate changes affect the market values of MIGA's invested assets. A need to liquidate assets to pay for claims in an unfavorable interest rate environment may generate trading losses and reduce investment income. Changes in interest rates will also affect prepayment speeds of mortgage and asset backed security holdings, which may affect the duration of the asset portfolio. A 100 basis point parallel shift in the yield curve could impact the net income in FY08 by approximately $9.6 million (FY07: $8.1 million). This interest rate sensitivity is illustrative only and is based on simplified scenarios. The impact of a parallel shift in interest rates is determined using market value weighted portfolio duration applied to invested asset balance at year end.

Foreign Exchange Rate Risk The majority of MIGA's assets and contingent liabilities are denominated in USD, but some guarantee contracts are issued in other currencies such as EUR. To the extent that a claim is made in a non-USD currency and requires payment in excess of MIGA's holdings

of that currency, MIGA may face a foreign exchange related loss in converting to the needed currency to pay for a claim. A 10% change in the USD/Euro year end exchange rate could impact the net income in FY08 by approximately $12.3 million (FY07: $9.4 million) and net guarantee exposure by approximately $74.0 million (FY07: $67.2 million). This foreign exchange rate sensitivity is illustrative only and is based on simplified scenarios.

Operational Risk Operational risk is intrinsic to financial institutions and is an important component of the agency-wide risk management framework. The most important types of operational risk involve breakdowns in internal controls and corporate governance.

MIGA attempts to mitigate operational risks by maintaining a sound internal control system. Since 2000, MIGA has adopted COSO integrated internal control framework, in line with IBRD/IDA and IFC, to regularly evaluate the effectiveness of internal control system. In addition, MIGA has introduced an operational risk management system to strengthen monitoring of the operational risks and controls in the financial reporting process, and the effectiveness of key controls in the financial reporting process are assessed through the internal quality assurance review process. In FY08 MIGA conducted COSO Risk & Opportunity workshops and actions are being taken to address the recommendations.

MIGA's internal control system is regularly evaluated through independent review by the Internal Audit Department (IAD) of the World Bank Group. Most recently, MIGA's Entity Level Controls were reviewed by IAD. MIGA Management has been following up on the recommendations for further improvement of internal controls in these areas.

With regard to information technology, all MIGA Information Systems and applications are hosted on the IBRD technology infrastructure that is configured and adherent to the information security policy and procedures of the World Bank Group. In addition, increased collaboration with the World Bank has allowed MIGA to gain access to a larger pool of specialized skill sets to support the agency's information systems. MIGA's client relationship management system (MIGA CRM) is fully integrated with the agency's core financial system (Guarantee Database). Its content is reviewed and verified against an external AML/CFT database service. In addition, MIGA is currently undergoing a redesign of its core information system for managing and reporting data for activities supporting the guarantee process and its migration to a more robust SAP-based platform. The replacement system will allow for a more efficient and reliable database functionality to manage all key guarantee data, and enable the entire underwriting process to be done online. This is intended to be more efficient and to enhance the quality and the ability to share information internally and externally with the World Bank Group.

For business continuity, MIGA's corporate web services have now been added to MIGA's information systems already hosted at the World Bank Group's Business Continuity Center. In addition, MIGA departments have further documented their business processes required to support the agency's effort to re-establish basic operations following a crisis. For data security, more robust reporting functions and security monitoring have been implemented to further enhance MIGA's information security.

Legal Risk Legal risks arise primarily from changes in the legal parameters of MIGA's member countries as a result of legislation or court decisions that may affect MIGA's activities. There are also legal risks associated with MIGA being involved in legal disputes and arbitration proceedings, especially in the context of claim resolution or settlement.

MIGA manages these risks by monitoring current and prospective future developments by way of ongoing discussions with member countries' representatives on the Board of Directors and Council of Governors. MIGA also shares information and analyses with other members of the World Bank Group, the IMF and the United Nations. In addition, MIGA actively participates as a member of the Berne Union in discussions and analyses of the changes in the operating investment environment in its member countries.

Economic Capital and Portfolio Risk Modeling

For portfolio risk management purposes, MIGA currently utilizes an Economic Capital Model, based on the latent factor model of the Merton framework in credit risk modeling. The Economic Capital (EC) concept is a widely recognized risk management tool in the banking and insurance industries, defining the amount of capital an organization needs to hold in order to sustain larger than expected losses with a high degree of certainty, over a defined time horizon and given the risk exposure and defined risk tolerance. MIGA defines its economic capital as the 99.99th percentile of the aggregate loss distribution over a one year horizon, minus the mean of the loss distribution, which is in line with industry practice.

The model helps evaluate concentration risk in the guarantee portfolio and facilitates active, risk-based exposure management by allocating the Economic Capital to particular regions, countries, sectors, covers, or individual contracts, based on their respective risk contribution.

MIGA employs the EC model to manage its insurance portfolio risks as the cornerstone of its capital adequacy framework. In addition, it provides the analytical basis for risk-based pricing of its products as well as quantification of the need for prudent technical provisions for claims and liquidity holdings. An extensive review of MIGA's EC and pricing models was completed in the first quarter of FY08, with the objective to validate critical parameters and to fully integrate the two models. This helps ensure consistency between pricing, portfolio exposure management, and provisioning. Moreover, beginning in FY08, EC-based risk measures are combined with exposure and income information for a comprehensive portfolio overview report prepared for MIGA management on a monthly basis.

APPENDICES

APPENDICES

Governors and Alternates, as of June 30, 2008		
Member	**Governor**	**Alternate**
Afghanistan	Anwar ul-Haq Ahady	Wahidullah Shahrani
Albania	Ardian Fullani	Fatos Ibrahimi
Algeria	Karim Djoudi	Abdelhak Bedjaoui
Angola	Ana Dias Lourenco	Job Graca
Antigua and Barbuda	Errol Cort	Whitfield Harris
Argentina	Carlos Fernandez	Martin Redrado
Armenia	Vahram Nercissiantz	Tigran Davtyan
Australia	Wayne Swan	Bob McMullan
Austria	Wilhelm Molterer	Edith Frauwallner
Azerbaijan	Elman S. Rustamov	Heydar Babayev
Bahamas, The	Hubert A. Ingraham	Ruth R. Millar
Bahrain	Ahmed Bin Mohammed Al-Khalifa	Yousif Abdulla Humood
Bangladesh	A.B. Mirza Md. Azizul Islam	Mohammad Mejbahuddin
Barbados	Darcy Boyce	Grantley W. Smith
Belarus	Andrei V. Kobyakov	Andrei M. Kharkovets
Belgium	Didier Reynders	Franciscus Godts
Belize	Dean Barrow	Carla Barnett
Benin	Pascal I. Koupaki	Soule Mana Lawani
Bolivia	Graciela Toro Ibanez	Luis Alberto Arce Catacora
Bosnia and Herzegovina	Nikola Spiric	Boris Tihi
Botswana	Baledzi Gaolathe	Boniface G. Mphetlhe
Brazil	Guido Mantega	Henrique de Campos Meirelles
Bulgaria	Plamen Oresharski	Dimitar Kostov
Burkina Faso	Hamade Ouedraogo	Lene Sebgo
Burundi	Clotilde Nizigama	Leon Nimbona
Cambodia	Keat Chhon	Aun Porn Moniroth
Cameroon	Louis Paul Motaze	Dieudonne Evou Mekou
Canada	James Michael Flaherty	Robert Greenhill
Cape Verde	Cristina Duarte	Leonesa Lima Fortes
Central African Republic	Sylvain Maliko	Bendert Bokia
Chad	Ousmane Matar Breme	Bichara Doudoua
Chile	Andres Velasco Branes	Alberto Arenas de Mesa
China	Xie Xuren	Li Yong
Colombia	Oscar Ivan Zuluaga	Carolina Renteria
Congo, Democratic Republic of	Athanase Matenda Kyelu	Jean-Claude Masangu Mulongo
Congo, Republic of	Pierre Moussa	Pacifique Issoibeka
Costa Rica	Guillermo Zuniga Chaves	Francisco de Paula Gutierrez
Côte d'Ivoire	Paul Antoine Bohoun Bouabre	Koffi Charles Diby
Croatia	Branko Vukelic	Zdravko Maric
Cyprus	Charilaos Stavrakis	Christos Patsalides
Czech Republic	Miroslav Kalousek	Miroslav Singer
Denmark	Ulla Toernaes	Ib Petersen
Djibouti	(vacant)	(vacant)

Governors and Alternates, as of June 30, 2008 *(cont'd)*		
Member	**Governor**	**Alternate**
Dominica	Roosevelt Skerrit	Rosamund Edwards
Dominican Republic	Juan Temistocles Montas	Vicente Bengoa Albizu
Ecuador	Fausto Ortiz De la Cadena	Maria Elsa Viteri Acaiturri
Egypt, Arab Republic of	Mahmoud Mohieldin	Fayza Abulnaga
El Salvador	Eduardo Ayala Grimaldi	William J. Handal
Equatorial Guinea	Jose Ela Oyana	Estanislao Don Malavo
Eritrea	Berhane Abrehe Kidane	Martha Woldegiorghis
Estonia	Ivari Padar	Kalle Killar
Ethiopia	Sufian Ahmed	Abi Woldemeskel Bayou
Fiji	Mahendra Pal Chaudhry	Peceli V. Vocea
Finland	Jyrki Katainen	Peter Nyberg
France	Christine Lagarde	Xavier Musca
Gabon	Casimir Oye-Mba	Christian Bongo Ondimba
Gambia, The	Mousa G. Bala Gaye	Mod A.K. Secka
Georgia	Nika Gilauri	Ekaterina Sharashidze
Germany	Heidemarie Wieczorek-Zeul	Thomas Mirow
Ghana	Kwadwo Baah-Wiredu	Anthony Akoto Osei
Greece	George A. Provopoulos	Plutarchos Sakellaris
Grenada	Anthony Boatswain	Timothy Antoine
Guatemala	Luis Estrada	Juan Alberto Fuentes
Guinea	Ousmane Dore	Saidou Diallo
Guinea-Bissau	Abubacar Demba Dahaba	Pedro Ucaim Lima
Guyana	Bharrat Jagdeo	Ashni Singh
Haiti	Daniel Dorsainvil	Charles Castel
Honduras	Rebeca Patricia Santos	Edwin Araque Bonilla
Hungary	Laszlo Keller	Zsuzsanna Varga
Iceland	Ingibjorg Solrun Gisladottir	Arni M. Mathiesen
India	P. Chidambaram	D. Subba Rao
Indonesia	Mulyani Indrawati	Burhanuddin Abdullah
Iran, Islamic Republic of	Davoud Danesh Ja'fari	Behrouz Alishiri
Ireland	Brian Lenihan	David Doyle
Israel	Stanley Fischer	Yaron Zelekha
Italy	Mario Draghi	(vacant)
Jamaica	Audley Shaw	Wesley George Hughes
Japan	Fukushiro Nukaga	Masaharu Kohno
Jordan	Suhair Al-Ali	Nasser S.H. Shraideh
Kazakhstan	Erbol Orynbayev	Daulet S. Saudabayev
Kenya	Amos Kimunya	Joseph Kanja Kinyua
Korea, Republic of	Man Soo Kang	Seongtae Lee
Kuwait	Mustafa Al-Shamali	Bader Mohamed Al-Saad
Kyrgyz Republic	Tadjikan B. Kalimbetova	Azamat S. Dikambaev
Lao People's Democratic Republic	Somdy Douangdy	Somphao Phaysith
Latvia	Atis Slakteris	Kaspars Gerhards

Governors and Alternates, as of June 30, 2008 *(cont'd)*		
Member	**Governor**	**Alternate**
Lebanon	Sami Haddad	Fadi Makki
Lesotho	Timothy T. Thahane	Moeketsi Majoro
Liberia	Antoinette M. Sayeh	Toga McIntosh
Libya	Mohamed A. Al-Huwaij	Ali Ramadan Shnebesh
Lithuania	Rimantas Sadzius	Ramune Vilija Zabuliene
Luxembourg	Luc Frieden	Jean Guill
Macedonia, former Yugoslav Republic of	Trajko Slaveski	Zoran Stavreski
Madagascar	Benjamin Andriamparany Radavidson	Henri Bernard Razakariasa
Malawi	Goodall E. Gondwe	Ted Kalebe
Malaysia	Abdullah Ahmad Badawi	Wan Abdul Aziz Wan Abdullah
Maldives	Qasim Ibrahim	Riluwan Shareef
Mali	Ahmadou Abdoulaye Diallo	Abou-Bakar Traore
Malta	Tonio Fenech	Alfred S. Camilleri
Mauritania	Abderrahmane Hama Vezaz	Isselmou Ould Sidi El Moctar
Mauritius	Rama Krishna Sithanen	Ali Michael Mansoor
Micronesia, Federated States of	Finley S. Perman	Rose Nakanaga
Moldova	Igor Dodon	Dumitru Ursu
Mongolia	Chultem Ulaan	Alag Batsukh
Montenegro	Igor Luksic	Milorad Katnic
Morocco	Salaheddine Mezouar	Rachid Talbi Alami
Mozambique	Aiuba Cuereneia	Ernesto Gouveia Gove
Namibia	Andrew Ndishishi	Ericah Brave Shafudah
Nepal	Ram Sharan Mahat	Vidyadhar Mallik
Netherlands	Wouter Bos	Bert Koenders
New Zealand	(vacant)	(vacant)
Nicaragua	Alberto Jose Guevara Obregon	Antenor Rosales Bolanos
Nigeria	Shamsuddeen Usman	Amal I. Pepple
Norway	Erik Solheim	Hakon Arald Gulbrandsen
Oman	Ahmed Macki	Darwish bin Ismail Al Balushi
Pakistan	Farrakh Qayyum	Asif Bajwa
Palau	Casmir E. Remengesau	Lawrence Alan Goddard
Panama	Hector E. Alexander	Enelda M. de Gonzalez
Papua New Guinea	Patrick Pruaitch	Simon Tosali
Paraguay	Miguel Gomez	Manuel Alarcon Safstrand
Peru	Luis Carranza Ugarte	Jose Arista Arbildo
Philippines	Margarito B. Teves	Manuel A. Roxas II
Poland	Arkadiusz Huzarek	Katarzyna Dziamara-Rzucidlo
Portugal	Fernando Teixeira dos Santos	Carlos Costa Pina
Qatar	Yousef Hussain Kamal	Abdullah Bin Soud Al-Thani
Romania	Varujan Vosganian	Cristian Popa
Russian Federation	Aleksei Kudrin	German O. Gref
Rwanda	James Musoni	Monique Nsanzabaganwa
St. Kitts and Nevis	Denzil Douglas	Janet Harris

Governors and Alternates, as of June 30, 2008 *(cont'd)*		
Member	**Governor**	**Alternate**
St. Lucia	Stephenson King	Ausbert d'Auvergne
St. Vincent and the Grenadines	Ralph E. Gonsalves	Laura Anthony-Browne
Samoa	Nickel Lee Hang	Hinauri Petana
Saudi Arabia	Ibrahim A. Al-Assaf	Hamad Al-Sayari
Senegal	Abdoulaye Diop	Ibrahima Sar
Serbia	Bozidar Djelic	Mirko Cvetkovic
Seychelles	Lekha Nair	Joseph Nourrice
Sierra Leone	David O. Carew	Sheku S. Sesay
Singapore	Tharman Shanmugaratnam	Peter Ong
Slovak Republic	Jan Pociatek	Viliam Ostrozlik
Slovenia	Andrej Bajuk	Andrej Kavcic
Solomon Islands	Snyder Rini	Shadrach Fanega
South Africa	Trevor Andrew Manuel	Elias Lesetja Kganyago
Spain	Pedro Solbes M.	David Vegara Figueras
Sri Lanka	Mahinda Rajapaksa	P. B. Jayasundera
Sudan	Awad Ahmed Elgaz	Sabir Mohamed Hassan
Suriname	Humphrey S. Hildenberg	Adelien Wijnerman
Swaziland	Meshack M.L. Shongwe	Mbuso C. Dlamini
Sweden	Anders Borg	Gunilla Carlsson
Switzerland	Joerg Reding	Pradeep Itty
Syrian Arab Republic	Amer Husni Lutfi	(vacant)
Tajikistan	Maruf Saifiev	Djamoliddin Nuraliev
Tanzania	Mustafa Haidi Mkulo	Gray S. Mgonja
Thailand	Surapong Suebwonglee	Suparut Kawatkul
Timor-Leste	Emilia Pires	Joao Goncalves
Togo	Gilbert B. Bawara	Simfeitcheou Pre
Trinidad and Tobago	Karen Nunez-Tesheira	Alison Lewis
Tunisia	Mohamed Nouri Jouini	Abdelhamid Triki
Turkey	Ibrahim H. Canakci	Memduh Aslan Akcay
Turkmenistan	Annamuhammet Gochyev	Gochmyrat A. Myradov
Uganda	Ezra Suruma	C. M. Kassami
Ukraine	Hryhoriy Nemyrya	Boghdan Danylishin
United Arab Emirates	(vacant)	Jamal Nasser Lootah
United Kingdom	Douglas Alexander	Alistair Darling
United States	Henry M. Paulson, Jr.	Reuben Jeffery, III
Uruguay	Danilo Astori	Carlos Viera Cordoba
Uzbekistan	Fakhritdin A. Saidakhmedov	Bakhrom B. Ashrafkhanov
Vanuatu	Willie Jimmy Tapangararua	Simeon Athy
Venezuela, Republica Bolivariana de	Maria Cristina Iglesias	Haiman El Troudi
Vietnam	Nguyen Van Giau	Nguyen Van Binh
Yemen, Republic of	Abdulkarim I. Al-Arhabi	Mutahar Abdulaziz Al-Abbasi
Zambia	Ng'andu Peter Magande	Chibiliti Evans Chibiliti
Zimbabwe	Samuel C. Mumbengegwi	Willard L. Manungo

Directors and Alternates: Voting Power, as of June 30, 2008

Director	Alternate	Casting votes of	Total votes	% of total
Elected by the votes of the six largest shareholders				
E. Whitney Debevoise	Ana Guevara	United States	32,828	15.08
Toru Shikibu	Michihiro Kishimoto	Japan	9,243	4.24
Michael Hofmann	Ruediger Von Kleist	Germany	9,200	4.22
Ambroise Fayolle	Alexis Kohler	France	8,829	4.05
Alex Gibbs	Caroline Sergeant	United Kingdom	8,829	4.05
Zou Jiayi	Yang Yingming	China	5,794	2.66
Elected by the votes of other shareholders				
Herman Wijffels (Netherlands)	Claudiu Doltu (Romania)	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Netherlands, Romania, Ukraine	11,760	5.40
Gino Alzetta (Belgium)	Melih Nemli (Turkey)	Austria, Belarus, Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey	11,551	5.30
Mulu Ketsela (Ethiopia)	Mathias Sinamenye (Burundi)	Angola, Botswana, Burundi, Ethiopia, The Gambia, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	11,178	5.13
Samy Watson (Canada)	Ishmael Lightbourne (The Bahamas)	Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines	10,470	4.81
Merza H. Hasan (Kuwait)	Mohamed Kamel Amr (Arab Republic of Egypt)	Bahrain, Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)	8,286	3.81
Louis Philippe Ong Seng (Mauritius)	Agapito Mendes Dias (Sao Tome and Principe)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Congo (Democratic Republic of), Congo (Republic of), Côte d'Ivoire, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Rwanda, Senegal, Togo	8,155	3.74
Svein Aass (Norway)	Jens Haarlov (Denmark)	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden	8,078	3.71
Giovanni Majnoni (Italy)	Nuno Mota Pinto (Portugal)	Albania, Greece, Italy, Malta, Portugal, Timor-Leste	8,004	3.68
Javed Talat (Pakistan)	Sid Ahmed Dib (Algeria)	Afganistan, Algeria, Ghana, Iran (Islamic Republic of), Morocco, Pakistan, Tunisia	7,252	3.33
Dhanendra Kumar (India)	Zakir Ahmed Khan (Bangladesh)	Bangladesh, India, Sri Lanka	7,240	3.32
Rogerio Studart (Brazil)	Jorge Humberto Botero (Colombia)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Trinidad and Tobago	7,104	3.26
James Hagan (Australia)	Do Hyeong Kim (Republic of Korea)	Australia, Cambodia, Korea (Republic of), Micronesia (Federated States of), Mongolia, Palau, Papua New Guinea, Samoa, Solomon Islands, Vanuatu	7,018	3.22

Directors and Alternates: Voting Power, as of June 30, 2008 *(cont'd)*

Director	Alternate	Casting votes of	Total votes	% of total
Elected by the votes of other shareholders *(cont'd)*				
Mat Aron Deraman (Malaysia)	Chularat Suteethorn (Thailand)	Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Nepal, Singapore, Thailand, Vietnam	6,636	3.05
Michel Mordasini (Switzerland)	Jakub Karnowski (Poland)	Azerbaijan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, Uzbekistan	6,489	2.98
Jorge Familiar (Mexico)	Jose Alejandro Rojas Ramirez (Rep. Bol. de Venezuela)	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Spain, Venezuela (Republica Bolivariana de)	6,366	2.92
Felix Alberto Camarasa (Argentina)	Francisco Bernasconi (Chile)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay	5,869	2.70
Abdulrahman M. Almofadhi (Saudi Arabia)	Abdulhamid Alkhalifa (Saudi Arabia)	Saudi Arabia	5,792	2.66
Alexey Kvasov (Russian Federation)	Eugene Miagkov (Russian Federation)	Russian Federation	5,792	2.66

In addition to the directors and alternates shown in the foregoing list, the following also served after June 30, 2007

Director	End of period of service	Alternate director	End of period of service
Joong-Kyung Choi (Republic of Korea)	July 31, 2007	Joong-Kyung Choi (Republic of Korea)	February 15, 2008
Eckard Deutscher (Germany)	October 31, 2007	Pauli Kariniemi (Finland)	September 30, 2007
Pierre Duquesne (France)	September 28, 2007	Terry O'Brien (Australia)	July 31, 2007
Makoto Hosomi (Japan)	July 23, 2007		
Shuja Shah (Pakistan)	June 25, 2008		

Note: Eritrea (314 votes) and Suriname (346 votes) did not participate in the 2006 Regular Election of Directors. Djibouti (314 votes), Liberia (348 votes), Montenegro (325 votes) and New Zealand (777 votes) became members after that Election.

Signatories to MIGA's Convention, as of June 30, 2008

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

* Non-member country

Subscriptions to the General Capital Increase, as of June 30, 2008

CATEGORY 1	Shares Subscribed	Amount $
Australia	1,306	14,130,920
Austria	591	6,394,620
Belgium	1,547	16,738,540
Canada	2,260	24,453,200
Czech Republic	339	3,667,980
Denmark	547	5,918,540
Finland	457	4,944,740
France	3,705	40,088,100
Germany	3,865	41,819,300
Greece	213	2,304,660
Ireland	281	3,040,420
Italy	2,150	23,263,000
Japan	3,884	42,024,880
Luxembourg	88	952,160
Netherlands	1,653	17,885,460
Norway	533	5,767,060
Portugal	291	3,148,620
Slovenia	78	843,960
Spain	980	10,603,600
Sweden	800	8,656,000
Switzerland	1,143	12,367,260
United Kingdom	3,705	40,088,100
United States	12,045	130,326,900
Subtotal	**42,461**	**459,428,020**

CATEGORY 2	Shares Subscribed	Amount $
Albania	44	476,080
Algeria	495	5,355,900
Argentina	956	10,343,920
Bahamas, The	76	822,320
Bahrain	59	638,380
Bangladesh	259	2,802,380
Barbados	52	562,640
Belize	38	411,160
Benin	47	508,540
Bolivia	95	1,027,900
Botswana	38	411,160
Brazil	1,127	12,194,140
Bulgaria	278	3,007,960
Cambodia	71	768,220
Chile	370	4,003,400
China	2,392	25,881,440
Colombia	333	3,603,060

CATEGORY 2 *(cont'd)*	Shares Subscribed	Amount $
Congo, DR of	258	2,791,560
Congo, Rep of	50	541,000
Costa Rica	89	962,980
Côte d'Ivoire	134	1,449,880
Croatia	143	1,547,260
Cyprus	79	854,780
Ecuador	139	1,503,980
Egypt, Arab Rep of	350	3,787,000
Estonia	50	541,000
Ethiopia	53	573,460
Gabon	73	789,860
Ghana	187	2,023,340
Honduras	77	833,140
Hungary	430	4,652,600
India	2,323	25,134,860
Indonesia	800	8,656,000
Israel	361	3,906,020
Jamaica	138	1,493,160
Jordan	74	800,680
Kazakhstan	159	1,720,380
Kenya	131	1,417,420
Korea, Rep of	342	3,700,440
Kuwait	709	7,671,380
Latvia	74	800,680
Lebanon	108	1,168,560
Lesotho	38	411,160
Lithuania	81	876,420
Macedonia, FYR of	38	411,160
Madagascar	76	822,320
Malaysia	441	4,771,620
Mali	62	670,840
Malta	57	616,740
Mauritania	48	519,360
Mauritius	66	714,120
Morocco	265	2,867,300
Mozambique	74	800,680
Nepal	53	573,460
Nicaragua	78	843,960
Nigeria	643	6,957,260
Oman	72	779,040
Pakistan	503	5,442,460
Panama	100	1,082,000

CATEGORY 2 *(cont'd)*	Shares Subscribed	Amount $
Paraguay	61	660,020
Peru	284	3,072,880
Qatar	104	1,125,280
Romania	423	4,576,860
Russian Federation	2,391	25,870,620
Rwanda	57	616,740
St. Lucia	38	411,160
St. Vincent and the Grenadines	38	411,160
Saudi Arabia	2,391	25,870,620
Senegal	111	1,201,020
Serbia	176	1,904,320
Sierra Leone	57	616,740
Singapore	118	1,276,760
Slovak Republic	169	1,828,580
South Africa	719	7,779,580
Sri Lanka	207	2,239,740
Syrian Arab Republic	128	1,384,960
Tajikistan	56	605,920
Tanzania	107	1,157,740
Thailand	321	3,473,220
Trinidad and Tobago	155	1,677,100
Tunisia	119	1,287,580
Turkey	352	3,808,640
Uganda	101	1,092,820
Ukraine	582	6,297,240
United Arab Emirates	284	3,072,880
Vietnam	168	1,817,760
SUBTOTAL	**26,473**	**286,437,860**
TOTAL CAT. 1&2	**68,934**	**745,865,880**

Summary	Shares Subscribed	Amount $
% of Total GCI	87.75%	
Completed-Cat. 1	30,416	329,101,120
Completed-Cat. 2	26,473	286,437,860
Completed	56,889	615,538,980
Partial-Cat. 1	12,045	130,326,900
Partial-Cat. 2	–	–
Partial	12,045	130,326,900
Total Cat. 1	**42,461**	**459,428,020**
Total Cat. 2	**26,473**	**286,437,860**
TOTAL	**68,934**	**745,865,880**

MIGA Member Countries · 172

Industrialized Countries · 25

Australia · Austria · Belgium · Canada · Czech Republic · Denmark · Finland · France · Germany
Greece · Iceland · Ireland · Italy · Japan · Luxembourg · Netherlands · New Zealand · Norway
Portugal · Slovenia · Spain · Sweden · Switzerland · United Kingdom · United States

Developing Countries · 147

ASIA AND THE PACIFIC

Afghanistan · Bangladesh · Cambodia · China · Fiji · India · Indonesia · Korea (Republic of) · Lao People's Democratic Rep. · Malaysia · Maldives · Micronesia (Federal States of)
Mongolia · Nepal · Pakistan · Palau · Papua New Guinea · Philippines · Samoa · Singapore
Solomon Islands · Sri Lanka · Thailand · Timor-Leste · Vanuatu · Vietnam

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

LATIN AMERICA AND 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 (Republica Bolivariana de)

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 (Republic of)

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 (The) · 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

Countries in the Process of Fulfilling Membership Requirements · 3

Iraq · Mexico · Niger

Facultative Reinsurance *Obtained* by MIGA

Investment Insurer	Country
ACE Global Markets, Lloyd's Syndicate 2488	UK
A.F. Beazley, Esq., and Others, Lloyd's Syndicates 2623 and 623	UK
African Trade Insurance Agency	
Ark Syndicate Management Limited, Lloyd's Syndicate 4020	UK
Alleghany Consortium, Lloyd's Syndicate 376	UK
AXIS Specialty Ltd.	Bermuda
C.N.R. Atkin Esq., and Others, Lloyd's Syndicate 1183	UK
Coface North America	USA
Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE)	France
Cox Insurance Holdings PL C., Lloyd's Syndicate 2591	UK
Export Credits Guarantee Department (ECGD)	UK
Export Development Canada (EDC)	Canada
Finnvera Plc	Finland
Garanti-Institutte for Eksportkreditt (GIEK)	Norway
Global Re, BV, captive insurer of Philips Electronics N.V.	Netherlands
Great Northern Insurance Company (Chubb & Son)	USA
Hannover Rückversicherung AG	Germany
Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)	Saudi Arabia
Israel Export Insurance Corporation Ltd (ASHRA)	Israel
Liberty Syndicate Management, Lloyd's Syndicate 4472	UK
M.D. Reith and Others, Lloyd's Syndicate 1414	UK
Münchener Rückversicherungs-Gesellschaft	Germany
National Union Fire Insurance Co. of Pittsburgh (AIG)	USA
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO)	Netherlands
Oesterreichische Kontrollbank A.G. (OeKB)	Austria
Office Nationale du Ducroire (ON AD)	Belgium
S.J. Catlin, Esq., and Others, Lloyd's Syndicates 1003 and 2003	UK
Sovereign Risk Insurance Ltd.	Bermuda
Steadfast Insurance Company (Zurich)	USA
Swiss Reinsurance Company	Switzerland
XL London Market Ltd., Lloyd's Syndicate 1209	UK
Export Finance and Insurance Corporation (EFIC)	Australia
Servizi Assicurativi del Commercio Estero (SACE)	Italy
Wellington Underwriting Agencies Limited, Lloyd's Syndicate 2020	UK

Facultative Reinsurance *Provided* by MIGA

Investment Insurer	Country
Compañía Española de Seguros de Crédito a la Exportación (CES CE)	Spain
Export Development Canada (EDC)	Canada
Export Credit Insurance Organization (ECIO) of Greece	Greece
Nippon Export Investment Insurance (NEX I)	Japan
Nordia Insurance Company (Pan Financial, Inc.)	USA
Österreichische Kontrollbank A.G. (OeKB)[1]	Austria
Overseas Private Investment Corporation (OP IC)	USA
Slovenska izvozna in razvozna banka (SID)	Slovenia

[1] *MIGA's facultative reinsurance was from the EU Trust Fund for Bosnia and Herzegovina.*

Cooperative Underwriting Program Participants

Investment Insurer	Country
ACE Global Markets, Lloyd's Syndicate 2488	UK
A.D. Hicks, Esq. and M.H.Wheeler, Esq. and Others, Lloyd's Syndicate 1007	UK
A.F.Beazley, Esq. and Others, Lloyd's Syndicates 623 and 2623	UK
AXIS Specialty Limited	Bermuda
Compagnie Tunisienne pour l'Assurance du Commerce Extérieur (Cotunace)	Tunisia
Cox Insurance Holdings PLC., Lloyd's Syndicate 2591	UK
General Security Insurance Company (Unistrat)	USA
Great Northern Insurance Company (Chubb & Son)	USA
Gulf Insurance Company U.K. Limited (Citicorp/Travellers)	UK /USA
H.H. Hayward, Esq., and Others, Lloyd's Syndicate 1084	UK
Hiscox Syndicates Limited, Lloyd's Syndicate 33	UK
Kiln 510 Combined, Lloyd's Syndicate 510	UK
Liberty Syndicate Management, Lloyd's Syndicate 282	UK
M.D. Reith and Others, Syndicate 1414 at Lloyd's (Ascot)	UK
S.J.Catlin, Esq., and Others, Lloyd's Syndicates 1003 and 2003	UK
Pacific Indemnity Company (Chubb & Son)	USA
Steadfast Insurance Company (Zurich)	USA
The Goshawk War and Political Risks Consortium, Lloyd's Syndicate 9132	UK
XL London Market Ltd., Lloyds Syndicate 1209	UK

Guarantee Clients

Abengoa	Barloworld Equipment UK Limited	Coprotec Systeme GmbH
ABN AMRO Bank NV	Bema Gold Corporation	Corporación Interfin, SA
AES Bulgaria Holdings BV	Bergenshalvoens Kommunale Kraftselskap AS	Cotecna SA
Agro Industrial Investment and Development SA	BNP PARIBAS	DP World Djibouti FZCO
Alstom Power Norway AS	Byblos Bank S.A.L	DAGRIS
AMCO Fabrics Private Limited	Caja de Ahorros y Monte de Piedad de Madrid	Darco Environmental Pte. Ltd
Antoine Boulos and Gabriel Boulos	Calyon Corporate & Investment Bank	Dole Food Company, Inc.
Anvil Mining Limited	CAN-PACK SA	Dragados Industrial SA
Autopistas del Nordeste (Cayman) Limited	CEFLA Capital Services SpA	Dubai Islamic Bank PJSC
Baltic-American Enterprise Fund (BaIAEF)	Cementhai Chemicals Co., Ltd.	EDF International
Baltic-American Mortgage Trust 2004-1	Cesur Packaging Corporation	Efes Breweries International BV
Banco de Credito del Peru	Cobra Instalaciones y Servicios, SA	Efes Breweries International NV
Bank Austria	Compagnie Générale des Eaux	Efes Sinai Yatirim Holding AS
Bank Hapoalim BM	Control y Montajes Industriales CYMI, SA	El Paso Energy International Corp.
Bank of Nova Scotia, The		Elecnor, SA

Guarantee Clients *(cont'd)*

Energy Engineering Investment Limited
EPED Holding Company
Eskom Enterprises
FCC Construcción S.A.
FINREP HANDEL Ges.m.b.H.
First Kazakh Securitisation Company BV
Fortis Bank
Fraport AG
GE Energy (Norway) AS
GE.POR.TUR. s.a.s.
Globeleq Holdings (ConCO) Limited
Golden State Waste Management Corporation
Grodco Panama
Grodco SCA
Grupo Isolux Co. Corsan SA
Habib Bank AG Zurich
HYDELEC
I.T.I. S.R.L.
ICICI Bank
Industrial Development Corporation of South Africa Ltd.
Infilco Degrémeont, Inc.
ING Bank NV
International Energy Partners
International Home Finance & Development, LLC
International Water Services (Guayaquil) BV
Intertek International Ltd.
Investcom Global Ltd.
Investcom Holding (Luxembourg) S.A.
Itinere Infraestructura S.A.
Itochu Corporation
Kenmare Resources PLC
Kingdom 5 KR 71 Limited
Kjaer Group AS
Komatsu Ltd.
KfW Kreditanstalt für Wiederaufbau
Louvre International Limited
Manaksia Limited
Marubeni Corporation
Marvin M. Schwan Charitable Foundation, The
Mauritius Commercial Bank Ltd., The
Mediocredito Centrale SpA
Middenbank Curacao NV
Millco Limited
Mitsubishi Corporation
Mitsubishi Corporation (UK) Plc
Mitsubishi International Corporation
Mitsui and Co., Ltd.
MTN Group (Pty) Ltd.
New Age Beverage Company Limited
New Energy Industrial Limited
Odinsa Holding Inc.
Office National de Télécommunications - Tunisie Telecom
Orange Participations S.A.
Orascom Telecom
Organización de Ingeniería Internacional SA
Ormat Holding Corp.
Ormat International, Inc.
Oy Metsa-Botnia Ab
Pol-Am-Pack SA
Prodenvases Crown SA
Promofin Outremer SA
PROPARCO
PTT Chemical Public Company Ltd.
Raghbir Sineh Chatthe
Raiffeisen a.s., Prague/Czech Republic
Raiffeisen Bank SA
Raiffeisen Zentralbank Österreich AG
Raiffeisenbank a.s.
Raiffeisenverband Salzburg
Rockland Steel Trading Ltd.
Rodeo Power Pte Ltd
RZB Vienna
SGS SA
Salvintur—Sociedad de Investimentos Turísticos
Sasol Gas Holdings (Pty) Ltd.
Sasol Petroleum International (Pty) Ltd.
Scotia Bank (Cayman Islands) Ltd.
Scotiabank & Trust (Cayman) Ltd.
SembCorp Utilities Pte Ltd.
Sena Holdings Limited
SGS Société Générale de Surveillance SA
Shore Cap International Ltd.
SMPH SA
SN Power Holding Singapore PTE Ltd.
Société Générale
Société Malienne de Promotion Hôtelière S.A.
Société Nationale des Télécommunications du Sénégal S.A.
Sonatel
Standard Chartered Bank
Standard Corporate and Merchant Bank
State Bank of India
Société de Promotion Financière & Investissement
Standard Bank of South Africa Limited, The
Suez Environment SA
Sunnen Products Company
Teleinvest Limited
Tokyo Electric Power Company International BV
Touton S.A.
Union Carbide Corporation and/or Affiliates
Union Fenosa Desarrollo y Accion Exterior SA
Union Fenosa Internacional SA
Urbaser, SA (Dragados Group)
West African Gas Pipeline Company Ltd.
World Power Holdings Luxembourg S. a. r. l.
WTE Wassertechnik GmbH

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Abbreviations

ADB	Asian Development Bank	ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
AIGF	Afghanistan Investment Guarantee Facility	IFC	International Finance Corporation
BOOT	Build-Own-Operate-Transfer	IPI	Investment Promotion Intermediaries
BOT	Build-Operate-Transfer	IP&P	Investment Policy and Promotion
BRAC	Bangladesh Rural Advancement Committee	IWB	Invest in the Western Balkans
CAO	Compliance Advisor/Ombudsman	LAC	Latin America and the Caribbean
CAS	Country Assistance Strategy	MENA	Middle East and North Africa
COMESA	Common Market for Eastern and Southern Africa	MIC	Middle-Income Country
CPS	Country Partnership Strategy	OECD	Organisation for Economic Co-operation and Development
DCT	Doraleh Container Terminal Project	PRI	Political Risk Insurance
DIB	Dubai Islamic Bank PJSC	PPP	Public Private Partnership
DPW	Dubai Port World	PVC	Polyvinyl Chloride
DRC	Democratic Republic of Congo	RLAV	Raiffeisen Leasing Aval LLC
ECA	Europe and Central Asia	RLKZ	Raiffeisen Leasing Kazakhstan LLP
FIAS	Foreign Investment Advisory Service	RMBS	Residential Mortgage Backed Securities
FDI	Foreign Direct Investment	RZB	Raiffeisen Zentralbank Österreich AG
GDP	Gross Domestic Product	SCB	Standard Chartered Bank
GNP	Gross National Product	SCI	Shorecap International
GSM	Global System for Mobile Communication	SIP	Small Investment Program
HBZ	Habib Bank AG Zurich	SME	Small and Medium-Size Enterprise
HMB	Habib Metropolitan Bank Limited	SSA	Sub-Saharan Africa
IBRD	International Bank for Reconstruction and Development	USAID	United States Agency for International Development
IDA	International Development Association	WBI	World Bank Institute
IEG	Independent Evaluation Group		

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