OPERATIONAL OVERVIEW

Guarantees

Online Investment Information and Knowledge Services

Technical Assistance

Guarantees

Following a record year in fiscal year 2008, new issuance of guarantees fell from $2.1 billion to $1.4 billion in 2009. The limited availability of credit had a significant impact on our portfolio as many proposed investments requiring large amounts of debt financing were delayed. However, as a result of a sizeable amount of new guarantees issued and a low amount of portfolio run-off, MIGA's outstanding gross portfolio grew by $800 million last year, closing at $7.3 billion, a record high. In addition, MIGA's support for South-South and small equity-driven investments grew in fiscal year 2009. MIGA also played a significant role in the financial sector by providing coverage to support continued bank lending in Europe and Central Asia—a region that has been hit particularly hard by the financial crisis.

Foreign Direct Investment (FDI) Falls Sharply in Light of the Financial Crisis

As mentioned earlier in this report, the financial crisis that began in 2008 deepened substantially in 2009. This has had a significant and far-reaching effect on FDI flows. In particular, many prospective deals in the infrastructure, oil and gas, and mining sectors have either been put on hold or cancelled entirely.

Crisis Alters Political Risk Insurance (PRI) Landscape

Over the last several years, the PRI market was marked by increased flows of FDI into emerging markets and a decreased perception of political risk. Premium rates declined as a result of the decreased risk perception and greater capacity resulting from new players entering the industry. The financial crisis has altered the PRI landscape substantially as risk perceptions have increased and available PRI capacity has shrunk. This has led to a hardening of the PRI market, resulting in an increase in rates and more conservative underwriting. In this environment, MIGA's strong financial position and our ability to write longer tenors and work in riskier countries, have helped the agency to continue to promote FDI into difficult environments. Through our reinsurance capacity we have also been able to play a critical role in adding to the capacity of the industry at large.

Operational Changes Underscore Flexibility and Effectiveness

As global conditions have deteriorated, we have recognized the increased need to be even more responsive to the changing environment and our clients' needs. Given the uncertainties surrounding the financial position of some private sector insurers and reinsurers, investors and lenders are seeking financially stable and reliable sources of PRI, especially in risky and high-exposure markets where private insurers are increasingly selective and consequently offer less capacity. MIGA can act as a stabilizing influence in the market and, with the introduction of a new cover and expansions to some of our existing products, we now have additional tools necessary to respond to the needs of investors and lenders. (See Box 3)

Operational Regulations

In April 2009, MIGA's Board of Directors approved substantial changes to the agency's Operational Regulations[1] in order to meet changing circumstances and market conditions. The changes encompass a number of measures that will enable MIGA to bring greater value for our clients and to meet our objectives of promoting developmentally beneficial FDI.

Box 3

The 12 recommended and approved changes include one new form of coverage: non-honoring of sovereign financial obligations. This coverage—which, unlike traditional breach of contract coverage, does not require the investor to obtain an arbitral award—is applicable in situations when a sovereign's financial payment obligation is unconditional and not subject to defenses. We see considerable demand in the marketplace for this cover, and indeed it is the PRI market's fastest growing segment.

Further, two of MIGA's existing coverages have been enhanced. First, MIGA now has the ability to provide breach of contract cover to investors entering into contractual agreements with stand-alone state-owned enterprises (SOEs) for which the government has no legal financial obligation. Now, provided the SOE is controlled by the state, is performing a public service, and is creditworthy, MIGA can provide breach of contract cover to a foreign investor entering into contractual agreements with such an entity. Second, while MIGA has traditionally provided coverage against the inability to enforce an arbitral award, the agency will now provide all three "denial of justice" risks originally contemplated by MIGA's Convention, including when the investor does not have recourse to a dispute resolution forum, or when legal proceedings are taking an unreasonably long period of time.

In addition, under MIGA's war and civil disturbance coverage, MIGA is now able to offer coverage for temporary business interruption resulting from war and civil disturbance, including both costs and lost net income. MIGA's Board has also established that war and civil disturbance may encompass not only violence in the host country directed against a host country government, but also against foreign governments or foreign investments, including the investor's government or nationality.

The Board also adopted three changes to expand MIGA's coverage for investments in existing assets, including projects that are in the development phase but are not yet complete. Under the new regulations, MIGA may consider a project as "new"—and therefore eligible for coverage—up until there has been a *substantial* expenditure of project funds. This will greatly enhance investors' ability to obtain MIGA PRI in projects where multiple investors are involved. It will also help keep projects on track in cases where one participant pulls out and the project sponsor wants to bring in a replacement, since a late-arriving participant will now be able to obtain PRI. In addition, MIGA's ability to provide coverage for acquisitions of existing assets has in the past been restricted to those where there is an enhancement or improvement that results from an additional *monetary* investment; under the new guidelines, MIGA may now provide coverage for acquisitions where there are enhancements of existing assets resulting from intangible benefits, such as providing access to distribution networks, or providing cutting-edge sales and marketing practices. MIGA may now also prepare and file Preliminary Applications on behalf of clients, following their verification and authorization. This change addresses the problem that, quite frequently, MIGA's one-page, non-binding Preliminary Application form is not filed before the first funds are invested (despite the fact that potential clients may be discussing pending projects with MIGA at an early stage in the project development process), thus rendering the project not "new" and hence ineligible for coverage.

1. *MIGA's Operational Regulations are drawn from the agency's Convention and govern how MIGA implements its day-to-day business. The agency's founders envisioned these would be periodically updated to ensure MIGA keeps pace with changing circumstances and market conditions.*

And finally, a number of changes address eligibility and other largely procedural issues. MIGA is now able to treat debt capital market securities and asset-backed securities as separate classes of medium or long-term investments, for example, thereby enabling us to provide coverage for project bonds that do not have a related insurable equity interest. The minimum period for which MIGA may cover loans was also amended, from three years to more than one year, which corresponds to what the financial markets consider to be "long-term" liabilities. MIGA may now also provide guarantee holders with coverage in multiple jurisdictions, beyond the official project host country, which will be tremendously relevant in cases where essential project activities are taking place in neighboring countries. And, lastly, the Board agreed to eliminate upper and lower limits on premium rates formerly specified in the Operational Regulations, thereby allowing MIGA flexibility to set premiums in line with the rest of the market.

These changes represent the largest and most significant expansion of MIGA's business toolkit since its inception in 1988. They demonstrate our commitment to adapting to changing market needs and finding improved ways to deliver on our—and World Bank Group's—development mandate, especially in our strategic focus areas: IDA countries and sub-Saharan Africa in particular, post-conflict countries, South-South investments, and complex projects. These strengthened capacities and more user-friendly procedures will help potential project sponsors better manage political risks, which will lead to greater interest in more projects, more deals getting done, and better terms for the host country.

AT A GLANCE

Changes to MIGA's Operational Regulations

New Coverage

- Coverage for non-honoring of sovereign financial obligations

Enhancements to Breach of Contract cover

- Coverage for contractual risk with stand-alone state-owned enterprises
- Expanding breach of contract cover to include when the investor does not have recourse to a dispute resolution forum or legal proceedings are taking an unreasonably long time

Enhancements to War and Civil Disturbance cover

- Coverage against temporary business interruption
- Coverage against violence in the host country directed against a foreign government

Project Implementation and Acquisition of Existing Assets

- Clarification of "implementation" of new and restructured investments
- Coverage for acquisition of existing assets when enhancements result from intangible benefits
- Filing and registration of Preliminary Applications on behalf of clients

Eligibility and Other Issues

- Construing debt capital market securities and asset securitizations as separate eligible investments
- Changing the three-year minimum for covering loans to one year
- Coverage for projects in multiple jurisdictions
- Eliminating maximum and minimum premium rates

New Issuance Declines While Investors Retain Existing Coverage

After four consecutive years of growth, the amount of new guarantees issued declined for the first time since fiscal year 2004. However, gross exposure increased substantially to $7.3 billion due to a significant drop-off in the number of cancelled contracts—11 in fiscal year 2009 compared with 50 in fiscal 2008 and 54 in fiscal 2007. In addition, eight contracts expired. Cancellations generally take 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 we are achieving our 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 dramatic decrease in cancellations in fiscal year 2009 is an indication that risk perceptions have increased as a result of the ongoing financial crisis, and that guarantee holders are more inclined to maintain existing coverage.

The fiscal year 2009 results bring total volume of guarantees issued since MIGA's inception to $21 billion, including amounts leveraged through the Cooperative Underwriting Program.

MIGA's Support for Small Projects Continues

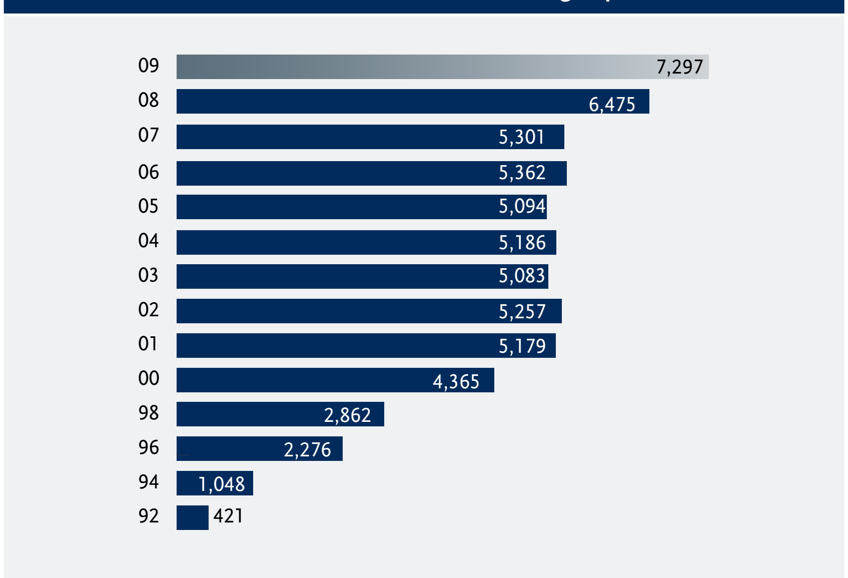
During the fiscal year we continued our support for small projects under the Small Investment Program (SIP). The SIP has played an important role in facilitating our engagement with small-scale projects and SMEs. The program offers streamlined underwriting and approval procedures and standardized discounted pricing to make the program more cost-effective for both investors and MIGA. There is no application fee for prospective investors, and MIGA can issue a guarantee within 8-12 weeks of receiving an application provided sufficient information on the investment is available.

We issued 12 contracts for ten projects totaling $30.7 million under the SIP. The majority of the guarantees are supporting projects in IDA-eligible countries, including two in Sierra Leone, one in the Democratic Republic of Congo, and two in Rwanda. Nine of the contracts were South-South investments. (See Box 4)

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

One of MIGA's strengths is our ability to work with member countries and investors to help resolve disputes and claims that may have an adverse impact on investments guaranteed by the agency and on the ability of the host country to attract future investment. We have historically been very effective in resolving issues that may give rise to claims. Since MIGA's inception, proactive facilitation efforts such as these have been pivotal in the resolution of more than 60 disputes related to MIGA-guaranteed projects, ultimately keeping the project, and its development impact, on track. Our management of potential claims

FIGURE 2 Guarantees Portfolio, Gross Outstanding Exposure, $M



enables MIGA-supported projects to continue operating in the host countries, preserving value for the investor and ensuring that they continue to contribute to the local economy.

MIGA's claims management procedures are designed to ensure prompt, thorough, and well-informed decisions on claims once filed. We paid two claims during fiscal year 2009, bringing the total amount of claims paid in MIGA's history to five. Both of the claims paid this year were related to losses under MIGA's war and civil disturbance coverage. A claim in the amount of $491,100 was paid for losses incurred by Kenya's Kibos Sugar and Allied Industries Limited to cover damage sustained in the violence that followed that country's disputed election in December 2007. A second claim in the amount of €9,273 ($12,824) was paid to Louvre International Ltd. due to losses resulting from political violence in Madagascar. The claim in Madagascar was filed this year and the claim in Kenya was filed in fiscal year 2008. No other claims were filed. We continue to work on two claims that had been filed before the start of the year, but for which the investors are attempting to find an amicable solution with the host government.

In addition, we are currently engaged with governments and guarantee holders in connection with situations in nine countries in which no claim has been filed. We are working to facilitate resolutions in those situations.

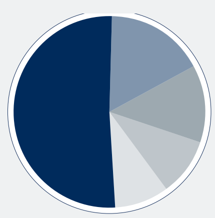
MIGA's Portfolio in Fiscal Year 2009

Regional Diversification

The largest number of new projects we supported this fiscal year was in Europe and Central Asia, followed by sub-Saharan Africa.

Europe and Central Asia also made up the largest share in terms of volume of guarantees issued in fiscal year 2009. This was largely a result of MIGA's support to the region's banking sector (see Box 1). MIGA also provided reinsurance capacity to the Belgian Export Credit Agency (ONDD) to support ONDD's coverage to KBC Bank NV for its shareholder loans to its subsidiary Absolut Bank in the Russian Federation. This was the first time MIGA provided reinsurance capacity to ONDD.

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.

FIGURE 4 Guarantees Issued in FY09, by Sector,
Percent of Gross Exposure

During the year, MIGA guaranteed three projects, totaling $77.1 million, in Asia. MIGA's guarantees totaling $1.8 million supported the establishment of Kashf Microfinance Bank. In China, we continued supporting the country's infrastructure needs and issued our first guarantee in support of a project in southwest China—an area that has lagged behind the country in attracting foreign direct investment.

In Latin America and the Caribbean region, MIGA provided $33 million in guarantees to support the construction, operation, and maintenance of a total of 675 kilometers of 500 kV transmission lines along the north-south axis in Brazil. The project is expected to help alleviate the imbalance of electricity supply and demand caused by the geographic distance and climate difference across regions.

During the fiscal year MIGA did not issue any new coverage in the Middle East and North Africa region, but it expanded the flexibility of the West Bank and Gaza Trust Fund. MIGA's guarantees will cover investments from both foreign and domestic sources for new projects, as well as expansions and privatizations of existing projects in the area.

MIGA provided $50.1 million in guarantee support for ten projects in sub-Saharan Africa. The region accounted for 38 percent of new projects supported by the agency in fiscal year 2009.

Supporting investment into sub-Saharan Africa is a strategic priority for MIGA. This year the agency's SIP program played a key role in supporting small investments on the subcontinent. Further, of these investments, seven of the investors were themselves from sub-Saharan Africa—also furthering MIGA's strategic priority of supporting South-South investments.

Sectoral Diversification

With a gross exposure of 47 percent, the financial sector surpassed the infrastructure sector accounting for the largest gross exposure in our portfolio. In addition to high-value guarantees supporting the banking sector in Europe and Central Asia, we supported microfinance institutions in Pakistan and Uruguay and smaller banking projects in Rwanda and South Africa.

Despite the decline in new guarantee issuance in the infrastructure sector, exposure in this sector remained high at 35 percent, 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.

Table 5 Outstanding Portfolio Distribution, Percent by Sector

	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Infrastructure	41	38	39	41	41	41	35
Financial	29	35	39	33	29	37	47
Oil, gas, and mining	12	11	9	14	13	9	7
Agribusiness, manufacturing, tourism, and services	18	16	13	13	17	13	11
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

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

Small Investments Lead to Development

MIGA launched the SIP in 2005 to facilitate FDI into SMEs. The SIP supports small projects in the finance, agribusiness, manufacturing, and services sectors that can have a big impact on growth and development in targeted areas, and have the potential to be scaled up.

In fiscal year 2008, the maximum size of eligible SIP projects was increased to $10 million. This fiscal year, MIGA has supported a record number of SIP transactions spanning diverse sectors and regions.

In Pakistan, for example, MIGA guarantees totaling $1.8 million supported the establishment of Kashf Microfinance Bank to make financial services available to the majority of the unbanked population. Over the next five years, the KMB will reach one million small depositors and 350,000 entrepreneurs through a network of over 100 branches across Pakistan. The network will be supplemented by 300 service posts closer to low income communities.

SIMTEL, Rwanda's electronic payments service provider, is hoping to reach one million ATM cardholders by 2010. Statistics indicate that currently only 12,000 people in Rwanda have ATM cards. To attract more card users, the company plans to increase the number of ATM machines and sale points. The SIMTEL consortium recently recapitalized with

the African Development Corporation (ADC) IT & Payment Solutions acquiring a 70 percent stake after receiving a $9.5 million guarantee under MIGA's SIP.

Since the launch of the SIP in 2005, MIGA has issued more than $67.2 million in SIP guarantees for 27 projects. This year, MIGA's issuance under the SIP program was $30.7 million.

Box 4

SIP Projects Supported in FY09

Host Country	Investor Country	Sector	Guarantee Amount ($M)
Benin	Mali	Tourism	1.5
Congo, Democratic Republic of	Lebanon	Agribusiness	4.3
Madagascar	Mauritius	Tourism	0.7
Pakistan	Cayman Islands, Netherlands	Financial	1.8
Rwanda	Mauritius	Financial	9.5
Rwanda	Mauritius	Financial	6.0
Sierra Leone	Mauritius	Agribusiness	4.5
Sierra Leone	Mauritius	Manufacturing	1.2
South Africa	Mauritius	Financial	0.3
Uruguay	Peru	Financial	1.0

Host and Investor Country Diversification

The Russian Federation became the agency's largest single country exposure with outstanding gross coverage representing 14.3 percent of the total portfolio. Ukraine was second with 13.9 percent of gross exposure, followed by Turkey with 8.4 percent. This was largely the result of guarantees issued in support of financial sector operations. Djibouti retained the fourth largest exposure with the agency's support for the Doraleh Container Terminal project in fiscal year 2008. Despite the global economic slowdown, we continue 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 in terms of MIGA's current outstanding exposure. (See Table 6)

The five largest investor countries remained unchanged in fiscal year 2009. (See Figure 5)

Reinsuring the Portfolio

MIGA uses reinsurance to increase the amount of coverage we can provide; to manage the risk profile of the portfolio; and 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.

Reinsurance arrangements with other insurers increase our 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, 2009, $3.3 billion of MIGA's total gross exposure was reinsured.

Partners

MIGA continues to work with both facultative and treaty reinsurance providers. During fiscal 2009, we entered into facultative reinsurance agreements with ten private sector insurance partners and one public sector insurer. These agreements supported a number of important financial sector projects in Russia and Ukraine, which are consistent with the World Bank Group's initiative to stabilize the financial sector in Europe and Central Asia.

During the year, we continued to work with our treaty reinsurance partners, ACE Bermuda Insurance Co. Ltd. and XL Re Ltd. In addition, Hannover Re joined the panel of treaty reinsurers in the fall of 2008.

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	5.6	121.0	3.1
Mozambique	196.4	2.7	138.6	3.5
Uganda	157.6	2.2	80.0	2.0
Bosnia and Herzegovina (blend)[1]	155.8	2.1	124.7	3.1
Ghana	131.3	1.8	114.8	2.9
Nigeria	118.5	1.6	103.7	2.6
Vietnam	99.3	1.4	36.4	0.9
Nicaragua	91.7	1.3	45.9	1.2
Lao PDR	88.8	1.2	44.4	1.1
Pakistan (blend)	81.8	1.1	69.1	1.7
Bangladesh	78.3	1.1	70.4	1.8
Afghanistan	77.3	1.1	36.0	0.9
Moldova	74.5	1.0	44.0	1.1
Guinea	64.7	0.9	58.5	1.5
Kenya	46.7	0.6	40.3	1.0
Madagascar	35.4	0.5	34.1	0.9
Central African Republic	33.9	0.5	33.9	0.9
Nepal	30.0	0.4	14.1	0.4
Congo, Democratic Republic of	29.5	0.4	29.5	0.7
Guinea-Bissau	24.1	0.3	21.7	0.5
Rwanda	17.3	0.2	17.3	0.4
Mali	16.2	0.2	14.6	0.4
Angola	14.7	0.2	13.2	0.3
Bolivia	11.9	0.2	10.7	0.3
Sierra Leone	10.7	0.1	10.2	0.3
Côte d'Ivoire	10.1	0.1	10.1	0.3
Senegal	9.8	0.1	9.8	0.2
Kyrgyz Republic	6.7	0.1	6.1	0.2
Mauritania	5.4	0.1	4.9	0.1
Benin	2.4	0.0	2.3	0.1
Burkina Faso	1.8	0.0	1.6	0.0
Total	**2129.9**	**29.2**	**1361.7**	**34.3**

Note: Numbers may not agree due to rounding.

[1] *IDA-eligible but credit-worthy enough to borrow from IBRD.*

Table 4 Projects Supported in Fiscal 2009					
Host Country	**Guarantee Holder**	**Investor Country**	**Sector**	**Amount $M (Gross exposure)**	**Priority/Area of Interest[1]**
Asia and the Pacific					
China	Suez Environnement SAS	France	Infrastructure	72.2	INF
China*	Darco Environmental, Pte., Ltd.	Singapore	Infrastructure	3.1	INF, S-S
Pakistan	ShoreCap International Ltd., Stichting Triodos-Doen Triodos Custody, B.V.	Cayman Islands Netherlands	Financial	1.8	IDA (blend), SIP
Europe and Central Asia					
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Financial	47.7	IDA (blend)
Hungary	UniCredit Bank Austria AG	Austria	Financial	133.8	
Kazakhstan	UniCredit Bank Austria AG	Austria	Financial	190.0	
Latvia	UniCredit Bank Austria AG	Austria	Financial	100.3	
Moldova*	Raiffeisen Bank SA (RBRO)	Romania	Financial	6.2	IDA, S-S
Russian Federation	ONDD	Belgium	Financial	120.0	
Russian Federation	UniCredit Bank Austria AG	Austria	Financial	90.3	
Serbia	UniCredit Bank Austria AG	Austria	Financial	134.2	
Ukraine*	Can-Pack Poland	Poland	Manufacturing	4.0	S-S
Ukraine*	UniCredit Bank Austria AG	Austria	Financial	247.0	
Ukraine*	Raiffeisen Zentralbank Österreich AG	Austria	Financial	142.5	
Latin America and the Caribbean					
Brazil	Cobra Concesiones S. L.	Spain	Infrastructure	33.0	INF
Uruguay	Banco de la Microempresa S.A. (Mibanco) Grupo ACP Inversiones y Desarrollo (Grupo ACP)	Peru	Financial	1.0	S-S, SIP

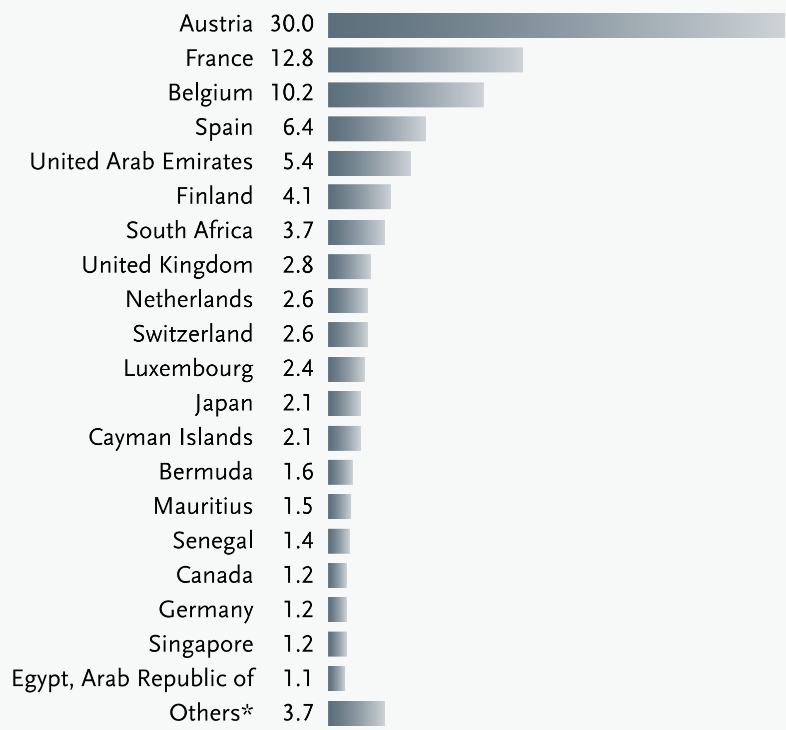
Table 4 Projects Supported in Fiscal 2009 *(cont'd)*

Host Country	Guarantee Holder	Investor Country	Sector	Amount $M (Gross exposure)	Priority/Area of Interest[1]
Sub-Saharan Africa					
Benin	Société Malienne de Promotion Hôtelière	Mali	Tourism	1.5	IDA, SSA, S-S, SIP
Congo, Democratic Republic of	Mr. Ralph Freiha, Yousef Freiha & Sons, Freiha Feed Company SAL and African Company for Oil and Derivatives	Lebanon	Agribusiness	4.3	IDA, SSA, S-S, SIP, CA
Madagascar	Tamboho International Ltd.	Mauritius	Tourism	0.7	IDA, SSA, S-S, SIP
Nigeria*	State Bank of India	India	Manufacturing	12.8	IDA, SSA, S-S
Rwanda	ADC Financial Services and Corporate Development	Mauritius	Financial	6.0	IDA, SSA, S-S,SIP
Rwanda	ADC IT & Payment Solutions	Mauritius	Financial	9.5	IDA, SSA, S-S,SIP
Senegal	Cotecna Inspection SA	Switzerland	Services	9.3	IDA, SSA
Sierra Leone	Sierra Investment Fund LLC	Mauritius	Agribusiness	4.5	IDA, SSA, S-S, SIP, CA
Sierra Leone	Sierra Investment Fund LLC	Mauritius	Manufacturing	1.2	IDA, SSA, S-S, SIP, CA
South Africa	ADC IT & Payment Solutions	Mauritius	Financial	0.3	SSA, S-S,SIP

* *Additional coverage provided to projects underwritten in previous fiscal years and counted as a "new project" in previous fiscal years and as a "project supported" in FY09.*

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's developing member (Category 2) countries; and SIP: project underwritten under MIGA's Small Investment Program.*

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



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

TABLE 6 Ten Largest Outstanding Country Exposures in MIGA Portfolio

Host Country	**Gross Exposure** ($M)	**% of Gross**	**Net Exposure**($M)	**% of Net**
Russian Federation	1,044.0	14.3	421.3	10.6
Ukraine	1,012.9	13.9	337.9	8.5
Turkey	611.8	8.4	187.5	4.7
Djibouti	407.4	5.6	121.0	3.1
Uruguay	301.2	4.1	109.2	2.8
China	248.2	3.4	220.6	5.6
Brazil	244.2	3.4	162.5	4.1
Kazakhstan	224.7	3.1	82.8	2.1
Mozambique	196.4	2.7	138.6	3.5
Costa Rica	158.5	2.2	71.0	1.8

Online Investment Information and Knowledge Services

As part of its mandate, MIGA conducts research and offers knowledge on political risk and FDI issues, mostly through its online services. During this fiscal year our Online Investment Information and Knowledge Services embarked on new initiatives, while further consolidating and refocusing its online services to better serve users. In addition, we have sought to upgrade and step up our knowledge-creation efforts through new research-oriented initiatives that highlight our value added in the areas of FDI and political risk insurance.

We undertook a number of key initiatives during this past fiscal year, most notably a comprehensive new report focusing on political risk and FDI. Another key initiative was MIGA's work in engaging Arab World partners in research and knowledge creation. Finally, we are continuing to disseminate knowledge, expertise, and high-quality information to the international investor community through the FDI.net portal site (www.fdi.net) and to the more specialized political risk management and insurance audience through PRI-Center (www.pri-center.com).

MIGA's Knowledge Management Initiatives to Culminate in a New Report

As part of our ongoing effort to expand the focus of the online services from knowledge dissemination to knowledge creation, MIGA is developing a new publication on FDI and political risk. The report will provide a snapshot of political risk perceptions of the largest multinational enterprises in the context of the latest trends and developments in FDI flows, as well as the perspectives of the political risk insurance industry. Envisaged to become an annual publication, the report will also establish a number of benchmarks (e.g. investor perceptions, size of political risk insurance market) that will allow comparisons in subsequent years.

The principal inputs to the initial report were completed this fiscal year, including a global investor survey, a survey of 'South-based' investors, and a survey on the state of the political risk insurance industry. The report is expected to be launched before the end of calendar year 2009.

PRI-Center Highlights the Effects of the Financial Crisis on Political Risk

With a significant increase in the number of users since its launch in 2007, PRI-Center (www.pri-center.com) continues to provide free and timely information on the latest developments relating to political risk insurance and management. PRI-Center continued to collaborate with well-established partners and organizations to deliver timely analysis, including the impact of the financial crisis as it unfolded on political risk, sovereign risk ratings, and other key topics.

FDI.net Unveils Spotlights on Public Private Partnerships and Tourism

FDI.net, MIGA's investor-focused portal, continued to provide a single

entry point for users wanting information on specific investment opportunities and on business resources needed for FDI decision-making. FDI.net uses its email alert service to deliver relevant and customizable information through monthly communication to registered users. Through its e-newsletter FDI.net highlights topics uppermost in the minds of the investor community, such as individual investment project opportunities, business resources, events and partnerships. A bi-monthly Privatization Alert column offers an overview of developments in national divestment programs and other topics of interest related to privatization.

MIGA Supports the Bank's Arab World Agenda through Increased Support of Arab FDI

MIGA is actively collaborating with the World Bank Group in support of its strategic priority to strengthen development opportunities in the Arab World. Specifically, we have undertaken a number of initiatives aimed at supporting FDI flows into Arab enterprises with the objective of enhancing investor confidence in the region. (See Box 6)

Box 5

MIGA's Online Presence

www.miga.org
MIGA's corporate website, which is our primary vehicle for disclosing information, features:

- Projects being considered for MIGA's support (Summary of Proposed Guarantees), and environmental and social impact assessments
- Database of all projects supported by MIGA since its inception. Users may search by region, host country, investor country, sector, and project status
- News, feature stories, annual reports, sector briefs, and corporate marketing material
- MIGA policies and procedures on environmental and social safeguards, disclosure, and anti-corruption
- MIGA's Convention and list of member countries
- Information on how to apply for a MIGA guarantee and an online application form
- Google search technology and sign-up for automatic RSS feeds

www.fdi.net
FDI.net is a free, investor-focused web portal offering:

- On-demand country analysis and information on FDI in over 160 countries
- E-mail alerts (FDI Xchange) on investment information customized by country, sector, and topic of interest
- Monthly e-newsletter (FDI.net briefing) that provides users with an overview of new investment opportunities, FDI news, market intelligence, events, and partnerships
- E-mail alerts on the latest analysis and trends in privatization, as well as upcoming sales of state-owned enterprises and recently completed transactions

www.pri-center.com
PRI-Center.com is a free risk-management information service providing:

- In-depth analysis on political risk environment and management issues affecting 160 countries including risk ratings and country analyses
- E-mail alerts (PRI Xchange) on political risk information customized by country, sector, and topic of interest
- Monthly e-newsletter providing an overview of the latest developments in risk-mitigation strategies, trends in the PRI industry, news, events, and partnerships

MIGA's Arab Investment Initiative

As Arab corporates and investors face the turmoil of the global financial crisis, risk management and access to information on country and project risk-mitigation instruments become increasingly important. These difficult circumstances are compounded by the already complex environment of developing world investments—where project identification and country-specific research and data can be difficult to find, or unavailable.

In partnership with regional organizations such as the Dubai International Financial Center (DIFC) and the Islamic Development Bank, we will address these challenges by supporting potential investors through an integrated set of activities designed to increase private sector activity and investments with positive development impact.

PRI Products

Together with its regional partners, MIGA is exploring the provision of customized political risk insurance products and knowledge transfer to facilitate the development of regional securities markets that could stimulate portfolio investment and provide financing opportunities to local enterprises. Some of these enterprises are located in countries with a low sovereign rating, which may have severely constained their ability to access cross-border financing. PRI can play a crucial role in bringing in foreign financing for credit-worthy projects in the Arab World through collaboration with regional partners such as DIFC.

Research and Knowledge

We seek to engage Arab World partners in research and knowledge-creation initiatives and thus increase the regional voice and understanding of the Arab World. In the context of the global financial crisis, these efforts will look at examining Arab investment trends, specifically the sensitivities and appetite for developing world investments as well as the prevalence of (and preferences for) risk-mitigation tools.

Information Exchange

In an effort to support the exchange and sharing of knowledge, and also to increase information on investment climates and project opportunities in key target markets for Arab investment, we will be launching an Arab investment portal.

This portal will leverage and build upon the existing databases of country and project specific information that is available through MIGA's FDI.net and PRI-Center online portals.

Box 6

Technical Assistance

FOLLOWING ITS SUCCESSFUL INTEGRATION WITH THE WORLD BANK GROUP'S FOREIGN INVESTMENT ADVISORY SERVICES (FIAS) IN FISCAL YEAR 2007, MIGA'S TECHNICAL ASSISTANCE RE-FOCUSED ON SCALING UP AND INCREASING ITS DEVELOPMENT IMPACT. THE NEW INVESTMENT GENERATION (IG) UNIT HAS MIGA'S MANDATE TO PROVIDE TECHNICAL ASSISTANCE TO INCREASE FOREIGN INVESTMENT FLOWS TO DEVELOPING COUNTRIES THROUGH REDUCING POLICY IMPEDIMENTS AND PROVIDING SUPPORT TO GOVERNMENTS TO ATTRACT NEW INVESTORS AND RETAIN AND EXPAND EXISTING INVESTMENTS.

Through FIAS, MIGA's technical assistance is facilitating new investments in some of the most challenging business environments in the world, and is setting the stage for innovative investments in sectors such as tourism, agribusiness, and services. FIAS's strategy aligns with MIGA's, including emphasizing development of IDA-eligible and conflict-affected countries, and a special focus on sub-Saharan Africa.

The portfolio of the IG unit included some 34 projects in fiscal year 2009. Increasingly, these projects are part of larger country programs, which include regulatory simplification components, and often collaboration with the Bank Group's Private Sector Development initiatives.

Helping Clients Respond to the Recession

The telltale signs of a slowdown in global investment flows emerged early in 2008 and the IG unit moved to put in place aftercare and investor retention programs. In the Philippines, for example, the team helped the Board of Investments develop an aftercare program designed to work with investors at risk of closure or relocation and those with the potential to expand operations. Concentrating on 50 of the country's largest investors, the Philippine project has aided the Board of Investments in generating a pipeline of over $1 billion in potential investments.

Several member countries with ongoing projects have registered important results despite the financial crisis. The Invest in the Western Balkans (IWB) project will be completed just after the close of this fiscal year. Funded by the Austrian government and the European Union, the project has worked extensively with seven Western Balkans countries, helping them to attract new investment. To date, IWB has helped client countries attract investments worth €140 million in the service and manufacturing sectors, as well as

facilitate site visits by some 60 other potential investors. This fiscal year, IWB has responded to the economic recession and the sharp fall in foreign investment coming into the Balkans by shifting its emphasis away from efforts to win new investments to activities such as enhancing investor servicing and aftercare capacity that support the retention of investments.

In Latin America, Invest in Bogota—a sub-national investment promotion agency established with MIGA's support in fiscal year 2007—doubled its new investments over fiscal year 2008 to $270 million, accounting for over 7,200 new jobs. The agency has been responsible for substantial employment creation in the service sector as it seeks to promote and develop the region's highly skilled labor for back office and shared services operations and call centers.

Helping clients prepare for the upturn

In parallel with the emphasis on aftercare, FIAS has leveraged its traditional expertise in policy reform and regulatory simplification to help clients attract new FDI and to diversify into higher value-added sectors once the current recession abates.

The Global Investment Law and Policy Research and Advisory Project has achieved notable results in upgrading investment laws throughout Africa. Through FIAS's work, this project produced new legislation in Southern Sudan, Guinea-Bissau, and Burundi. The new laws send a strong signal to foreign investors that countries are serious about attracting investment.

Under an initiative funded by the United Kingdom's Department for International Development (DFID), the FIAS IG unit successfully facilitated investment law reform in Yemen, paving the way for a wider reform of the tax system. This effort improved the way the country handles new investors and opens the possibility of increased foreign participation in the economy of one of the Middle East's poorest countries.

Showing Results in the Most Difficult Business Environments

In fiscal year 2009, the IG unit had measurable impacts in several IDA-eligible countries, including the Special Economic Zones Law passed in the Democratic Republic of Congo, a draft economic zone law in Nepal, and institutional reform in Sierra Leone and Liberia. FIAS has also published the *Rough Guide to Investment Climate Reform in Conflict-Affected Countries*. Developed in collaboration with USAID and a host of World Bank Group country-based practitioners, the guide includes valuable information on how to use guarantees to mitigate risk in these most difficult environments.

Focusing on the Needs of Industries and Sectors

The IG unit has also focused on the development of industrial zones and the growth of tourism investment in developing countries. A new guide designed to help practitioners establish industrial zones in conflict-affected countries is being tested and piloted in Liberia and the Democratic Republic of Congo.

A new IG team initiative has established a global practice group that addresses constraints in the tourism market—a major source of employment and tax revenues in developing countries. The tourism anchor program in Mozambique has taken a comprehensive approach with a long-term engagement that began with the consideration of multiple sites and is now working with three large anchor locations and two smaller ecotourism locations. IFC Advisory Services in Africa, in partnership with FIAS, provided assistance on all aspects of the sites' development and ultimate promotion.

Developing Measurement Tools to Guide Clients in Attracting FDI

The IG team has continued to produce the MIGA Global Investment Promotion Benchmarking Report. The 2009 benchmarking study examines the ability of national government promotion intermediaries to influence foreign investments by providing timely and relevant country and industry information to potential new investors. Study findings indicate that over 70 percent of government investment promotion agencies miss out on potential investments. As the pool of FDI shrinks during the current recession, there will be more competition for fewer projects and the ability of promotion agencies to influence investment decisions with timely and relevant information will be more crucial than ever.

The Investing Across Borders project (www.iabindicators.org), a new initiative launched during the fiscal year, is designed to measure policy and legal constraints affecting FDI flows. It aims to stimulate and inform investment climate reforms in client countries, leading to a more business-conducive, transparent, and secure environment for FDI.

ASIA AND THE PACIFIC

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

Despite the effects of the global financial crisis, the Asia and Pacific region saw another year of solid growth, with the economies expanding by 8 percent in 2008 (down from 11.4 percent in 2007). Although the region had little direct exposure to the "toxic" securitized assets and other sources of financial turbulence which came from OECD financial centers, the global financial crisis was felt through the economies' trade linkages with high-income countries during the second half of the year. China's economy grew the most during the year at 9 percent (down from 13 percent in 2007). Indonesia and Vietnam grew at 6.1 percent and 6.2 percent, respectively.

Although net private capital flows into East Asia and the Pacific decreased in 2008 to $203 billion (from $281 billion in 2007), the region attracted more net FDI flows, which grew by $10 billion in the year to $185 billion (a 5.6 percent increase from 2007).

GDP in the South Asia region grew by 6.1 percent in 2008 (down from 8.4 percent in 2007), but remains more exposed to the global financial crisis as declines in exports and remittances begin to take hold. Led by decreases in debt and portfolio flows, net private capital flows to the region fell by 41 percent during 2008 although net FDI flows increased substantially reaching $47.5 billion, with FDI to India doubling over the previous year.

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 $754 million, or ten percent of the agency's outstanding portfolio.

Regional Development Indicators, Asia and the Pacific

	East Asia and Pacific	South Asia
External debt, total (percent of GNI)	17	21
GDP (current US$) (billions)	4,365	1,443
GNI per capita, Atlas method (current US$)	2,182	880
Life expectancy at birth, total (years)	72	64
Population, total (millions)	1,912	1,522
Population growth (annual percent)	0.8	1.5
Surface area (sq. km) (thousands)	16,299	5,139

Source: World Development Indicators, 2007 data

Guarantees

Country	Activities
China	**Project Name: Chongqing Water Project** Guarantee Holder: Suez Environnement SAS MIGA has issued two guarantees totaling $72.2 million for Suez Environnement SAS ("SE"), a French company, covering its investments in Chongqing Water Group Co., Ltd ("CWG") and Chongqing Sino-French Tangjiatuo Wastewater Treatment Co., Ltd ("Tangjiatuo Wastewater Co.") for the Chongqing Water Project in China. The coverage is for a period of up to 15 years against the risks of transfer restriction and expropriation. The project involves the acquisition of a minority stake in CWG by SE, the expansion of the existing Chongqing Tangjiatuo Wastewater Treatment Plant, and the installation of sludge dryers. Its major development impacts are to attract FDI to this under-developed region and sector and to restructure and improve the water and wastewater sector in Chongqing municipality by introducing SE as a strategic investor. The project will also increase the municipality's wastewater treatment capacity, help address the issue of sludge treatment, and contribute to the improvement of water quality in the Yangtze River. Under the expansion, the capacity of the Tangjiatuo wastewater treatment plant will be increased from 300,000 m^3/d to 400,000 m^3/d and sludge dryers will be installed to allow transportation and treatment of the sludge. China's western provinces have experienced rapid growth, but they continue to lag behind in attracting foreign direct investment. Chongqing municipality, in southwest China, has a population of about 32 million. The fast urbanization and industrial growth in the region have resulted in serious wastewater issues. It is estimated that the municipality generates nearly one billion tons of wastewater a year. Most of the untreated wastewater is discharged directly into the Yangtze and Jialing rivers, threatening the quality of water supply. The wastewater treatment represents a major environmental challenge for Chongqing, one of the largest cities in China, situated upstream of the Three Gorges dam on the Yangtze River. The Chongqing municipal government has actively encouraged participation and involvement of foreign companies in the water sector to address these challenges. SE and a Hong Kong co-investor NWS Holdings Limited will together bring in €154 million of investment. The involvement of foreign companies will also facilitate the introduction of advanced water and wastewater treatment technologies and management, including improvement of project management and corporate governance. This project is fully consistent with the World Bank Group's China Country Partnership Strategy (2006-2010) and the Chinese government's western development strategy. The project is also aligned with MIGA's strategy of promoting investment in infrastructure projects.
China	**Project Name: Second Darco Water (Qianyuan Water) Project** Guarantee Holder: Darco Environmental Pte., Ltd. MIGA has issued additional coverage in the amount of $3.12 million for the Second Darco Water (Qianyuan Water) Project in China. The additional coverage is for Darco Environmental Pte., Ltd. (Darco) of Singapore's equity investment in the project and covers the risk of expropriation. MIGA's Board approved the issuance of guarantees to the project up to $19.5 million in May 2007. The investor signed a contract in the amount of $7.56 million in fiscal year 2007. The additional coverage of $3.12 million is supporting the project's financial restructuring. The project consists of the construction of a water treatment plant, on a build-operate-transfer (BOT) basis, that will supply 100,000 cubic meters per day of potable water to residents and industries in Deqing County. Raw water will be sourced from the Dui Hekou reservoir and piped to a water treatment facility 20 kilometers away. Deqing is one of the fastest developing counties in Zhejiang province with an estimated population of 430,000. Due to its rapid growth, the county has been facing a serious shortage of potable water as well as degradation in water quality. The project will address the water supply shortage and is expected to contribute to local economic development, urbanization, and public health. Managing resource scarcity and environmental challenge is one of the five themes of the World Bank Group's Country Partnership Strategy for China. Construction of water supply and wastewater treatment plants is a key element of this theme.

Guarantees	
Country	**Activities**
Pakistan	**Project Name: Kashf Microfinance Bank** Guarantee Holders: ShoreCap International, Ltd.; Stichting Triodos-Doen; Triodos Fair Share Fund MIGA has issued guarantees totaling $1.75 million to ShoreCap International, Ltd. (SCI) of the Cayman Islands and Stichting Triodos-Doen (Triodos-Doen) and Triodos Fair Share Fund (TFSF) of the Netherlands, covering their equity investment in Kashf Microfinance Bank (KMB) in Pakistan. The coverage is for a period of up to ten years against the risks of transfer restriction, expropriation, and war and civil disturbance. The project involves the establishment of the Kashf Microfinance Bank in conjunction with the Kashf Foundation, a foundation which uses group lending to provide finance to the country's poorest people. Kashf will transfer its individual lending portfolio (i.e., the upper end of microfinance in the local context) to KMB, as a base portfolio to the new bank. KMB aims to reach significant scale quickly by offering savings and deposit products, individual loans, and other value-added services to micro and small business owners, especially women. KMB intends to operate across Pakistan starting with branches in Punjab and Sindh, but expanding into Balochistan, Northwest Frontier Province, and Azad Jammu and Kashmir. Within five years, KMB expects to establish 100 branches and to have a loan portfolio of above $270 million equivalent to approximately 375,000 borrowers and over one million small depositors. The project is expected to have a significant impact on the country's economic development as it will be providing financing and savings instruments to small enterprises, which form the largest underserved, yet productive, segment of the local economy. As newer financial products are introduced (savings, micro housing, micro-insurance, etc.), clients will have access to a larger choice of financial products. Greater access to financial services will help reduce poverty and expand economic opportunity for low-income populations throughout Pakistan, especially women. MIGA's support in establishing a for-profit, national, and fully regulated microfinance bank will help demonstrate the profitability and sustainability of large-scale financial services to new microfinance providers. This will help encourage new entrants and greater overall penetration to meet the vast need for financial services for Pakistan's poor. The project was underwritten through MIGA's Small Investment Program.

EUROPE AND CENTRAL ASIA

ALBANIA ARMENIA AZERBAIJAN BELARUS BULGARIA BOSNIA AND HERZEGOVINA CROATIA CYPRUS ESTONIA GEORGIA HUNGARY KAZAKHSTAN KOSOVO KYRGYZ REPUBLIC LATVIA LITHUANIA MACEDONIA (FYR OF) 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 4.0 percent in 2008, falling from 6.8 percent in 2007. The region's heavy reliance on increased trade linkages and investments from the European Union coupled with the abrupt reversal of capital flows, weaker demand, and falling commodities prices suggest that ECA may be the most at risk as the crisis unfolds, even though income levels are higher than those in other states or regions. Although the region is generally poised to experience a contraction in 2009, strong growth recorded in the months prior to the crisis led most of the economies to post healthy gains in 2008. Russia and Poland grew at 5.6 percent and 4.8 percent, respectively during 2008, while other economies, such as Albania, Belarus, and Moldova grew by 6 percent, 10 percent, and 7 percent respectively.

Although net private capital flows to the region fell 47 percent to $250.5 billion in 2008, FDI flows remained resilient, growing 11 percent to $170.8 billion.

During the fiscal year, MIGA provided guarantees for 11 projects in the region. At year-end, MIGA's gross guarantee exposure stood at $3.8 billion, or 52 percent of the agency's outstanding portfolio.

Regional Development Indicators, Europe and Central Asia	
External debt, total (percent of GNI)	41.5
GDP (current US$) (billions)	3,156
GNI per capita, Atlas method (current US$)	6,052
Life expectancy at birth, total (years)	70
Population, total (millions)	446
Population growth (annual percent)	0.2
Surface area (sq. km) (thousands)	23,972

Source: World Development Indicators, 2007 data

Guarantees	
Country	**Activities**
Bosnia and Herzegovina	**Project Name: Raiffeisen Leasing d.o.o. Sarajevo** Guarantee Holder: Raiffeisen Zentralbank Österreich AG MIGA has issued guarantees of $47.72 million to Raiffeisen Zentralbank Österreich A.G.(RZB) in Austria covering its €35 million shareholder loans to its subsidiary Raiffeisen Leasing d.o.o.Sarajevo (RLBH) in Bosnia and Herzegovina. The loans will fund RLBH's leasing portfolio. MIGA's coverage is for a period of up to six years against the risks of transfer restriction and expropriation of funds. RLBH leases vehicles, including cars, trucks and trailers, various types of equipment, including processing, packaging and construction equipment, as well as leasing of industrial and office buildings. Loan proceeds are expected to be used to finance vehicle leases to micro and small-size enterprises and car leases to individuals. This project is expected to contribute to the development of the financial sector in Bosnia and Herzegovina by improving access to finance, particularly to segments of the economy that are currently underserved. The shareholder loans support RLBH's ongoing leasing business, thereby contributing toward the continued development and strengthening of the country's leasing sector. The leasing sector in Bosnia and Herzegovina is still relatively small compared to West European countries. Small and medium-size enterprises (SMEs) are especially expected to benefit from the development of leasing in the country, as they often do not qualify for bank financing and lack the capital to purchase fixed assets to grow their businesses. SMEs and corporates account for more than 90 percent of RLBH's leasing volume. MIGA's support for this investment is aligned with the World Bank Group's country assistance strategy in Bosnia and Herzegovina for 2008-2011 and the country's development objectives, particularly with regard to improving the environment for private sector-led growth and convergence with Europe.
Hungary	**Project Name: UniCredit Bank Hungary Zrt.** Guarantee Holder: UniCredit Bank Austria AG MIGA has issued a guarantee of up to €95 million covering UniCredit Bank Austria AG's (UBA) €100 million shareholder loan to its wholly owned subsidiary, UniCredit Bank Hungary Zrt. (BACH). The coverage is for a period of up to six years against the risks of transfer restriction, expropriation, and war and civil disturbance. UBA's shareholder loan will provide BACH with long-term liquidity, help restructure BACH's operations by improving the bank's asset-liability management, and improve its structural liquidity. The loan is part of a broader funding strategy of the UniCredit Group to finance its subsidiaries and is particularly important in view of the current turmoil in financial markets worldwide, including Hungary. MIGA supports this project in conjunction with the Financial Sector Initiative framework recently presented to MIGA's Board of Directors as part of a coordinated international response to the ongoing global financial crisis. Hungary, like many other countries in the Europe and Central Asia region, is currently facing difficult fiscal adjustments along with the need for external financing. MIGA's support to the project will supplement the International Monetary Fund's stabilization program for Hungary by providing additional liquidity into the real economy. This investment will also provide the needed funding to BACH for continued support to its core client base, including small and medium-sized enterprises, large companies as well as private individuals.

Guarantees	
Country	**Activities**
Kazakhstan	**Project Name: ATF Bank, Kazakhstan** Guarantee Holder: UniCredit Bank Austria AG MIGA has issued a guarantee of up to $190.0 million covering UniCredit Bank Austria AG's (UBA) $200 million shareholder loan to its subsidiary, ATF Bank Kazakhstan. The coverage is for a period of five years against the risks of transfer restriction, expropriation, and war and civil disturbance. The loan will improve ATF Bank's asset-liability management through better matching of maturities in light of the shortage of long-term financing available in the Kazakh market. The loan is part of a broader funding strategy of the UniCredit Group to finance its subsidiaries and is particularly important given the current turmoil in financial markets worldwide, including Kazakhstan. MIGA's support for this project is in conjunction with the Financial Sector Initiative (FSI) framework recently developed by MIGA as part of a coordinated international response to the ongoing global financial crisis. MIGA's support will play a critical role in facilitating adequate long-term cross-border flows from UBA into its subsidiary in Kazakhstan by providing liquidity, and will help, in part, Kazakhstan's financial sector to stabilize. This shareholder loan will provide refinancing of existing liabilities in the Kazakh economy. The ultimate beneficiaries of this loan will be customers, mortgage borrowers, and municipalities in Kazakhstan. One of the main pillars of the World Bank Group's country partnership strategy for Kazakhstan is enhancing competitiveness and private business. The project is consistent with the aforementioned pillar.
Latvia	**Project Name: AS "UniCredit Bank"** Guarantee Holder: UniCredit Bank Austria AG MIGA has issued a guarantee of $100.34 million (or equivalent euro) covering UniCredit Bank Austria AG's (UBA) shareholder loan to its wholly owned subsidiary, AS "UniCredit Bank" (ASUB) in Latvia. The coverage is for a period of up to eight years against the risks of transfer restriction, expropriation, and war and civil disturbance. UBA's shareholder loan will enable the restructuring of ASUB's operations, especially in its asset/liability management and structural liquidity. The loan is part of a broader funding strategy of the UniCredit Group to finance its subsidiaries and is particularly important in view of the current turmoil in financial markets worldwide, including Latvia. MIGA supports this project in conjunction with the Financial Sector Initiative framework recently presented to MIGA's Board of Directors as part of a coordinated international response to the ongoing global financial crisis. Latvia, like many other countries in the Europe and Central Asia region, is currently facing difficult fiscal adjustments along with the need for external financing. MIGA's support to the project will supplement the International Monetary Fund's stabilization program for Latvia by providing additional liquidity into the real economy. This investment will also provide the needed funding to ASUB for continued support to its core client base. Corporate clients and SME's of ASUB's loan portfolio are concentrated in the manufacturing, trade, real estate and financial services industries in Latvia. Continued financial support to these industries is critical to Latvia's economic turnaround. ASUB has corporate offices and branches in Lithuania and Estonia. By extension, the investment also supports development in these countries.

Guarantees	
Country	Activities
Moldova	**Project Name: I.C.S. Raiffeisen Leasing Moldova (RLMD)** Guarantee Holder: Raiffeisen Bank SA (RBRO) MIGA has issued a guarantee of €4.75 million to Raiffeisen Bank SA in Romania (RBRO) covering its €5.0 million shareholder loan to I.C.S. Raiffeisen Leasing SRL in the Republic of Moldova (RLMD). The loan will support the expansion of RLMD's operations. MIGA's coverage is for a period of up to six years against the risks of transfer restriction and expropriation of funds. RLMD is expected to focus on leasing solutions for businesses, including the acquisition of machinery, equipment and vehicles. Fifty percent or more of the total number of borrowers supported by this investment are expected to be small and medium-size enterprises. (In FY08, MIGA provided a $7.34 million guarantee for the first loan to support the start-up of RLMD). Despite recent global financial turbulence, Moldova's financial sector appears to be better positioned to weather the impact of the ongoing crises in world financial markets than some other countries in the region. This project is expected to contribute to further development of the financial sector in Moldova by improving access to finance, particularly to segments of the economy that are currently underserved. The financial sector in Moldova is also expected to benefit from the presence of experienced foreign banking institutions 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, covering fiscal years 2009-2012, places emphasis on the need to enhance competitiveness of the national economy, promote private investment and the expansion of the SME sector in the country. This investment fits well with the Bank Group's strategy and Moldova's development objectives.
Russian Federation	**Project: Absolut Bank Russia** Guarantee Holder: Belgian Export Credit Agency (ONDD) MIGA has reinsured the Belgian Export Credit Agency's (ONDD) coverage to KBC Bank NV for its shareholder loans to its subsidiary Absolut Bank in the Russian Federation. MIGA's reinsurance for this investment is $120 million. The coverage is for a period up to 10 years against the risks of transfer restriction and expropriation. KBC's shareholder loan investment is helping Absolut Bank enhance and strengthen its liquidity, taking into consideration the liquidity constraints in both the Russian and global financial markets. It will also help Absolut Bank continue its activity throughout Russia. MIGA's support to ONDD is in accordance with MIGA's mandate to cooperate with national entities of its member countries as stated in MIGA's Convention. This will be the first time MIGA has provided reinsurance support to ONDD. MIGA's reinsurance will free up ONDD's capacity to facilitate further investments into Russia. 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 country's financial sector. The proposed project is consistent with this objective, as the project will support private investment in various sectors through the availability of credit at a time when it is becoming more constrained in the country and worldwide. In addition, given Absolut Bank's strategic goal to continue to support its banking network operations regionally, the project will help promote private investment at the regional level outside of the two main urban areas of the country, an objective which is also consistent with the country partnership strategy.

Guarantees	
Country	**Activities**
Russian Federation	**Project Name: Closed Joint Stock Company UniCredit Bank Russia** Guarantee Holder: UniCredit Bank Austria AG MIGA has issued a guarantee of $90.25 million covering UniCredit Bank Austria AG's $95 million shareholder loan to the Closed Joint Stock Company UniCredit Bank in Russia. The coverage is for a period of up to three years against the risks of transfer restriction, expropriation, and war and civil disturbance. UBA's shareholder loan will help UBRU manage the balance of its assets and liabilities, maintain compliance with internal control requirements related to the liquidity crisis, and support UBRU's growth and regional expansion plan. The loan is part of a broader funding strategy of the UniCredit Group to finance its subsidiaries, and is particularly important in view of the current turmoil in financial markets worldwide, including the Russian Federation. It will also help enable small and medium-size enterprises in the region to receive credit at a time when financing is scarce for business growth. A significant portion of UBRU's lending activities support SMEs. MIGA's support for the banking sector in Russia is consistent with the World Bank Group's efforts to help countries cope with the turmoil in the global financial markets. MIGA has supported several other guarantees in the Russian Federation in a wide range of sectors, including infrastructure at the sub-sovereign level, mining, manufacturing and financial sector. In the financial sector, MIGA supported various investments in leasing, banking and mortgage financing.
Serbia	**Project: UniCredit Bank Serbia JSC** Guarantee Holder: UniCredit Bank Austria AG MIGA has issued a guarantee of up to €95 million covering UniCredit Bank Austria AG's (UBA) €100 million shareholder loan to its subsidiary, UniCredit Bank Serbia JSC (UBSR). The coverage is for a period of up to five years against the risks of transfer restriction, expropriation, and war and civil disturbance. The loan will provide UBSR with long-term liquidity and improve UBSR's asset-liability management by matching assets and funding of similar maturities. The loan is part of a broader funding strategy of the UniCredit Group to finance its subsidiaries and is particularly important in view of the current turmoil in financial markets worldwide, including Serbia. MIGA supports this project in conjunction with the Financial Sector Initiative framework recently presented to MIGA's Board of Directors as part of a coordinated international response to the ongoing global financial crisis. Serbia, like many other countries in the Europe and Central Asia region, is currently facing difficult fiscal adjustments along with the need for external financing. MIGA's support to the project will supplement the International Monetary Fund's program for Serbia by injecting liquidity into the UBSR, boosting confidence in Serbia's financial sector, and contributing to the improvement of the country's financial stability. One of the main objectives of the World Bank Group's country partnership strategy for Serbia for 2008-2011 is to encourage dynamic private sector led growth. The proposed project is fully consistent with this objective.

Guarantees	
Country	**Activities**
Ukraine	**Project Name: Can-Pack (Ukraine) Ltd.** Guarantee Holder: Can-Pack S.A. MIGA has issued a $4.0 million guarantee to Can-Pack S.A. of Poland covering its new investment in Can-Pack (Ukraine) Ltd. The new investment will be in the form of equipment and raw materials, to modernize an existing production line. MIGA is currently providing coverage to the project totaling $49.4 million against the risks of transfer restriction, expropriation, and war and civil disturbance. 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 project involves the replacement of old can necking equipment, which produces 50-cl beverage cans, and extending line capability with machines and tooling for production of 33-cl cans. It also involves transfer into Ukraine of technical know-how in operating the new equipment. The plant has been operating since 2003. Can-Pack's decision to upgrade the equipment to produce the 33-cl aluminum beverage cans in Ukraine is driven by an increase in demand from the soft drink companies, such as Coca-Cola and Pepsi, as well as from the local and regional breweries. Additionally, the demand for 33-cl cans is also growing from neighboring countries, especially Russia, Kazakhstan and Belarus. The production of 33-cl cans in Ukraine will allow Can-Pack to maintain its competitiveness in the expanding beverage market in Ukraine in particular and the region in general. Can-Pack is currently addressing the need by procuring the 33-cl cans from Poland, in turn incurring high transportation costs, which impact its competitiveness. MIGA's continuing support to Can-Pack (Ukraine) is consistent with the World Bank Group Country Partnership Strategy (CPS) for Ukraine for 2008-2011. Enhancing technological updates in the manufacturing sector and promoting the modernization of production align with the first pillar of the CPS— sustaining growth and improving competitiveness.
Ukraine	**Project: Raiffeisen Leasing Aval LLC** Guarantee Holder: Raiffeisen Zentralbank Österreich AG MIGA has issued a guarantee of $142.5 million covering Raiffeisen Zentralbank Österreich AG's (RZB) $150 million shareholder loan to its leasing subsidiary in Ukraine, Raiffeisen Leasing Aval LLC (RLAV). The coverage is for a period of up to seven years against the risks of transfer restriction and expropriation of funds. RZB's shareholder loan will enable RLAV to respond to rapidly growing demand for leasing products in Ukraine. RLAV will use the proceeds of the shareholder loan to extend leases of equipment and machinery to Ukrainian enterprises across various sectors. A substantial part of this funding is expected to benefit small and medium-size enterprises and support investments in agriculture. The SME sector is an underserved segment of the Ukrainian market as SMEs often do not qualify for bank financing and lack the capital to purchase fixed assets to grow their businesses. RZB's shareholder loan is also expected to help RLAV to increase the share of long-term leases in its portfolio. This is MIGA's second guarantee in support of RLAV. Ukraine is among the countries in the region hardest hit by the global economic crisis. Until September 2008, it was one of Europe's fastest-growing economies, with annual growth of more than 7 percent for eight years. The crisis has dried up foreign loans, crippled banks with defaults, and triggered massive layoffs. The World Bank Group's country partnership strategy for Ukraine emphasizes the need to support the development of non-bank financial institutions, including leasing companies, to deepen the financial sector, broaden the availability of financial instruments to Ukrainian enterprises, and support private investment. This investment fits well with the country partnership strategy. First, it promotes the involvement of strategic foreign investors, such as RZB, that are playing an important role in the development of the leasing industry in Ukraine in these difficult times. Second, this project is expected to support investments in the agribusiness sector, an important area for job creation and development of local industries.

Guarantees	
Country	**Activities**
Ukraine	**Project: Joint Stock Commercial Bank for Social Development Ukrsotsbank** Guarantee Holder: UniCredit Bank Austria AG MIGA has issued a guarantee of $247 million covering a $260 million shareholder loan from UniCredit Bank Austria AG (UBA) to Joint Stock Commercial Bank for Social Development Ukrsotsbank (USB) of Ukraine. The coverage is for a period of up to seven years against the risks of transfer restriction, expropriation, and war and civil disturbance. UBA is a sub-holding company of UniCredit Group of Italy. USB, Ukraine's fourth largest bank, was acquired by UniCredit through UBA in January 2008. The long-term shareholder loan is expected to provide USB with liquidity at the time of limited availability of long-term funding. This is expected to improve USB's asset-liability management. Ukraine is among the Eastern European countries hardest hit by the global financial turmoil. Economic growth averaged above 7 percent in the country between 2000 and 2007, but the global downturn has seen investors and lenders withdraw. The country's stocks, banks, and currency have all suffered. MIGA's support to the country's banking sector is part of the Bank Group's efforts to help crisis-hit countries cope with the turmoil in the global financial markets. Over the medium to long-term, the World Bank Group's country partnership 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 is consistent with the first pillar—sustaining growth and improving competitiveness—of the World Bank's country partnership strategy for Ukraine.

LATIN AMERICA AND THE CARIBBEAN

ANTIGUA AND BARBUDA ARGENTINA BAHAMAS BARBADOS
BELIZE BOLIVIA BRAZIL CHILE COLOMBIA COSTA RICA
DOMINICA DOMINICAN REPUBLIC ECUADOR EL SALVADOR
GRENADA GUATEMALA GUYANA HAITI HONDURAS JAMAICA
NICARAGUA PARAGUAY PANAMA PERU ST. KITTS 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 4.2 percent in 2008, down from 5.8 percent in 2007. Although the region entered the crisis bolstered by stronger fiscal, currency, and financial fundamentals than in the past, negative ripple effects from the crisis—declines in capital flows, remittances, exchanges rates, stock prices—have reverberated throughout the region. The economies of Brazil and Argentina grew at an estimated 5.1 percent and 6.8 percent, respectively.

Net private capital flows into the region decreased by 41 percent to $127.2 billion in 2008, with FDI increasing by 16 percent to $124.8 billion. The high commodity prices that persisted through most of 2008 continued to support FDI in resource-rich developing countries such as Brazil, Chile, and Peru.

During the fiscal year, MIGA provided guarantees for two projects in the region. At year-end, MIGA's gross guarantee exposure stood at $1.3 billion, or 17 percent of the agency's outstanding portfolio.

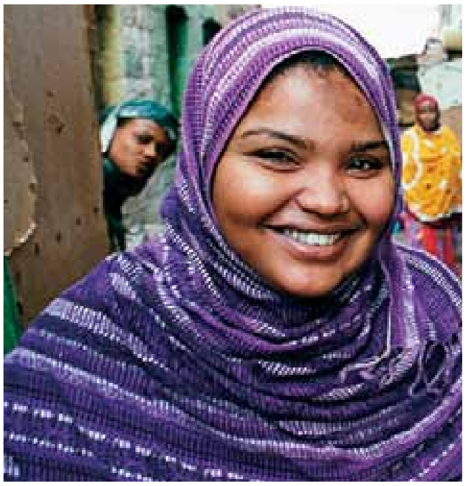
Regional Development Indicators, Latin America and the Caribbean	
External debt, total (percent of GNI)	23.7
GDP (current US$) (billions)	3,616
GNI per capita, Atlas method (current US$)	5,801
Life expectancy at birth, total (years)	73
Population, total (millions)	561
Population growth (annual percent)	1.2
Surface area (sq. km) (thousands)	20,421

Source: World Development Indicators, 2007 data

Guarantees

Country	Activities
Brazil	**Project Name: Serra da Mesa Transmissora de Energia S.A** Guarantee Holder: Cobra Concesiones S. L. MIGA has issued a guarantee of €20.9 million to Cobra Instalaciones y Servicios S.A. of Spain to cover its equity investment in the Serra da Mesa Transmissora de Energia project in Brazil. The coverage is for a period of up to 15 years against the risks of transfer restriction and breach of contract. The project consists of the construction, operation, and maintenance of a total of 675 kilometers of 500 kV transmission lines along the north-south axis of the country. The new lines will stretch from the Serra da Mesa hydropower plant on Rio Tocantins in the State of Goiás to the Embrocação hydropower plant on the Rio Paranaíba. The project also includes the construction of two new substations, one near the municipality of Luziâna in the State of Goiás, and the other near the Municipality of Paracatú in the State of Minas Gerais. The project is expected to help alleviate the imbalance of electricity supply and demand caused by the geographic distance and climate difference across regions. Transmission lines in Brazil tend to cover large distances, resulting from the fact that most energy is produced in hydroelectric dams located far from major energy consumption centers. Interconnected transmission line systems allow for more consistent distribution of energy, as they permit regions of the country to continue receiving energy even if there is a dry spell. A more consistent energy source will help ensure that Brazil continues on a path of economic growth. The proposed project is in line with the World Bank's country partnership strategy for Brazil, one of the key objectives of which is to help the country become more competitive by improving its infrastructure.
Uruguay	**Project Name: Sierra de Luna S.A. (Microfin)** Guarantee Holder: Banco de la Microempresa S.A. (Mibanco) MIGA has issued a guarantee of $0.95 million to Banco de la Microempresa S.A. (Mibanco) of Peru for its investment in Microfinanzas del Uruguay S.A. of Uruguay. The coverage is for a period of up to three years against the risks of transfer restriction, expropriation, and war and civil disturbance. The project consists of the establishment and operation of Microfin, a microlending organization in Uruguay. The organization is to be a subsidiary of Grupo ACP. The guarantee covers a non-shareholder loan by Mibanco. Microfin plans to focus on micro-loans between $3,500 and $10,000, but it will also provide loans below that range. It also plans to establish an estimated 100 service points throughout the country in order to reach underserved segments of the microfinance market. One of Microfin's objectives is to close the existing gap between the demand and supply of financial services to low-income sectors in Uruguay. The country's existing financial infrastructure is dominated by large banks and does not meet the needs of some of the most vulnerable groups. Microfin intends to target micro-entrepreneurs (those with ten employees or less). By supporting small businesses, it should help generate employment and improve living standards and may encourage new entrants to Uruguay's microfinance market. MIGA's participation in this project is consistent with the World Bank Country Assistance Strategy for Uruguay for 2005-2010 which focuses on helping the government attain equitable and sustainable economic development. This is a South-South investment. The project was underwritten through MIGA's Small Investment Program.

Regional Activities



MIDDLE EAST AND NORTH AFRICA

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

GDP in the Middle East and North Africa (MENA) is estimated to have grown by 6 percent in 2008, (up from 5.4 percent in 2007). While developing countries in the region have been less affected by the global financial crisis than other regions, local equity and property markets have come under pressure. Egypt and Iran grew the most during the year, with GDP increases of 7.1 percent and 6.2 percent, respectively.

MENA was the only regional economy that attracted more net private capital inflows in 2008 than in the year before, growing by 11 percent to $23 billion by year's end. This notwithstanding, FDI net inflows in 2008 decreased by 7 percent to $22.5 billion in 2008.

During the fiscal year, MIGA did not issue any new guarantees in the region. At year-end, MIGA's gross guarantee exposure in MENA stood at $677 million, or nine percent of the agency's outstanding portfolio.

Regional Development Indicators, Middle East and North Africa	
External debt, total (percent of GNI)	19
GDP (current US$) (billions)	850
GNI per capita, Atlas method (current US$)	2,820
Life expectancy at birth, total (years)	70
Population, total (millions)	313
Population growth (annual percent)	1.7
Surface area (sq. km) (thousands)	8,778

Source: World Development Indicators, 2007 data

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 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

Regional Activities

GDP in sub-Saharan Africa is estimated to have grown by 4.8 percent in 2008, down from 6.2 percent in 2007. While not overly exposed to the initial losses related to mortgage backed securities and bank failures, the region has not been shielded from the world crisis. Lower commodity prices, stemming from reduced demand, have magnified the fallout and reduced incomes, even though production and trade volumes have performed somewhat better than in other regions.

Falling commodity prices and tightening credit conditions had a dampening effect on flows into extractive industries contributing to a significant decrease in total net private capital inflows to the region, which fell by 35 percent to $35.9 billion in 2008. Although net FDI inflows to the region increased by 13 percent to $32.4 billion, portfolio equity and debt flows fell by 76 percent and 83 percent respectively.

During the fiscal year, MIGA provided guarantees for ten projects in the region, representing 38 percent of all projects supported by the agency during the year. At year-end, MIGA's gross guarantee exposure stood at $939 million, equivalent to 13 percent of the agency's outstanding portfolio.

Regional Development Indicators, Sub-Saharan Africa	
External debt, total (percent of GNI)	24.9
GDP (current US$) (billions)	847.4
GNI per capita, Atlas method (current US$)	951
Life expectancy at birth, total (years)	51
Population, total (millions)	800
Population growth (annual percent)	2.4
Surface area (sq. km) (thousands)	24,242

Source: World Development Indicators, 2007 data

Guarantees

Country	Activities
Benin	**Project Name: Compagnie Hôtelière du Golfe S.A** Guarantee Holder: Société Malienne de Promotion Hôtelière MIGA has issued a guarantee of $1.5 million to Société Malienne de Promotion Hôtelière (SMPH) of Mali, covering its $6.8 million equity investment in Compagnie Hôtelière du Golfe in Benin. The coverage is for a period of up to ten years against the risks of transfer restriction, expropriation, and war and civil disturbance. The project involves the acquisition of the Hotel de la Plage in Cotonou, following a competitively bid privatization process. The existing facility will be demolished and a new 100-room, four-star hotel of international standing will be built in its place. For the implementation of the project, SMPH will establish a local company—Compagnie Hôtelière du Golfe S.A. The existing facility is located along the Atlantic coast in the administrative heart of Cotonou. Despite its prime location, the condition and architectural layout of the existing hotel are not conducive to attracting business travelers and tourists. The newly designed facility will cater to the needs of business travelers and vacationing tourists. The project is expected to support the Government of Benin's efforts to reform the public sector, rehabilitate state-owned assets, and develop the tourism sector. It is expected to provide much-needed modern hotel facilities, increase the number of visitors and tourists, and contribute to tax revenues and foreign exchange earnings. The project will generate both skilled and unskilled jobs and transfer proven managerial and technical skills to locals. MIGA's participation in this project is aligned with its strategic priorities, as the issued guarantee supports a project in an IDA-eligible (among the world's poorest) African country and a South-South investment. The guarantee was underwritten through the agency's Small Investment Program.
Democratic Republic of Congo	**Project Name: Congo Oils and Derivatives SARL** Guarantee Holders: Mr. Ralph Freiha, Yousef Freiha & Sons, Freiha Feed Company SAL and African Company for Oil and Derivatives MIGA has issued a guarantee of $4.32 million to Mr. Ralph Freiha, Yousef Freiha & Sons, Freiha Feed Company SAL and African Company for Oil and Derivatives of Lebanon covering their equity investment in Congo Oils and Derivatives SARL in the Democratic Republic of Congo. The coverage is for a period up to ten years against the risks of transfer restriction, expropriation, and war and civil disturbance. The project involves the installation and operation of a vegetable oil refinery in the port town of Boma. The plant will produce refined, bleached and deodorized palm oil, as well as degummed soya bean oil plant. It will have a capacity of 140 tons of oil per day and will largely serve the local market, which is partially dependent on imports. There is also a possibility of exporting to neighboring countries, in particular to Angola, a post-conflict economy with limited industrial capacity. The project is expected to have a positive impact on the country's economy by creating jobs for the local population, generating significant annual tax revenues (after year four) for the government, and local procurement of goods and services, mostly related to transportation, fuel, and utilities, as well as lodging and boarding for expatriate personnel. MIGA's support for this investment fits with the World Bank Group's country partnership strategy for DRC for 2008-2011, particularly with regard to laying the foundation for a medium-term poverty reduction effort. MIGA's participation in the project is aligned with its strategic priorities of supporting projects in the world's poorest countries and in conflicted environments. It is also a South-South investment. The project was underwritten through MIGA's Small Investment Program.

Guarantees

Country	Activities
Madagascar	**Project Name: Tamboho S.A** Guarantee Holder: Tamboho International Ltd. MIGA has issued a guarantee of €0.46 million to Tamboho International Ltd. of Mauritius covering its €0.52 million shareholder loan to Tamboho S.A. in Madagascar. The coverage is for up to six years against the risks of transfer restriction, expropriation, and war and civil disturbance. The investment relates to a hotel located in the Tana Water Front neighborhood in the capital city Antananarivo that will offer amenities for both tourists and business travelers, including conference and leisure facilities. It will meet international standards and accommodate a steady growth in the number of business and leisure travelers to Madagascar. The number of travelers to Antananarivo has been increasing for the past few years at an average annual rate of 15 percent and a further spike in the number of visitors is expected during the African Union Summit in 2009 and the Francophonie Summit in 2010. The supply of hotel rooms in the city does not meet the growing demand. The project is expected to have a demonstration effect as other hotels in Antananarivo will want to improve their own accommodations in order to remain competitive. It is expected that the hotel will generate local jobs as well as taxes for the government over the next five years. The hotel will also support the growth of related industries such as transportation, food and beverage providers, and tour operators. MIGA's participation in this project is aligned with its strategic priorities as the issued guarantee supports a project in an IDA-eligible (among the world's poorest) country, an investment in an African country; and a South-South investment. The project was underwritten through MIGA's Small Investment Program.
Nigeria	**Project Name: Aarti Steel Nigeria Ltd.** Guarantee Holder: State Bank of India MIGA has issued additional coverage in the amount of $12.8 million for the Aarti Steel Nigeria Ltd. (ASNL) Project in Nigeria. The additional coverage is for $13.5 million in new non-shareholder loans to the project enterprise from the State Bank of India. The coverage is against the risks of expropriation, transfer restriction, and war and civil disturbance. MIGA issued guarantees of $11.4 million to support the project in 2007. The additional coverage of $12.8 million is supporting an expansion of an existing steel galvanizing facility located in Otta, Ogun State, Nigeria. Aarti Steel Nigeria Limited has constructed a greenfield manufacturing plant for steel galvanizing in Ogun State. This facility has a manufacturing capacity of 50,000 tons a year, and produces galvanized steel coils, galvanized plain steel sheets, and galvanized corrugated (roofing) steel sheets. The expansion entails an increase in the manufacturing capacity to 100,000 tons a year by setting up an additional galvanizing line. The increased capacity of the plant will allow ASNL to meet the growing demand for processed steel goods in Nigeria and neighboring countries. The expansion will deploy the latest state-of-the-art and environmentally friendly technology. When the facility is fully online, it is expected to be the largest local manufacturer. Nigeria's increasing wealth and population is driving market demand for galvanized plain and galvanized corrugated steel sheets. Galvanized corrugated sheets are used as roofing material on nearly all houses in Nigeria and the surrounding region. The plain metal sheeting will also be used in a variety of industries including agricultural implements, consumer durable goods, hardware for domestic and industrial construction, railways, and machinery manufacturing. The project will also bring modernized and efficient processes to Nigeria's emerging manufacturing sector. This project is consistent with Nigeria's strategy to develop the non-oil private sector, as well as the World Bank Group's Country Partnership Strategy which identifies increased foreign direct investment in the non-oil private sector as a critical element of the country's reform efforts. The project also meets MIGA's priorities of supporting South-South investments and investments in sub-Saharan Africa.

Guarantees	
Country	**Activities**
Rwanda	**Project Name: Banque Rwandaise de Développement S.A.** Guarantee Holder: ADC Financial Services and Corporate Development MIGA has issued a guarantee of $6.04 million to ADC Financial Services and Corporate Development (ADC) of Mauritius covering its equity investment in Banque Rwandaise de Développement (BRD). The coverage is for a period of up to 15 years against the risks of transfer restriction, expropriation, and war and civil disturbance. BRD—Rwanda's development bank—is owned by the Government of Rwanda, bilateral development agencies and private investors. ADC has committed $6.5 million equity to acquire a 25 percent stake in BRD through a capital increase. BRD has two main business lines: lending to small and medium-size enterprises and making equity investments in greenfield projects that are seen as central to Rwanda's growth. Fostering broad-based growth in economic activity and in the private sector is important for Rwanda's continuing economic recovery. BRD plays an important role in the creation and development of companies and products that can contribute to the economic development of Rwanda by providing capital as well as cash vouchers, subscribing to bonds, and granting short, medium and long-term credits. This project is expected to have a positive impact on Rwanda's economy by providing BRD with the necessary capital to increase its lending portfolio in the country, thereby helping it to increase its support for SMEs and greenfield businesses. MIGA's participation in this project is aligned with its strategic priorities. The guarantee supports a project in an IDA-eligible (among the world's poorest) African country and a South-South investment. It was underwritten through the agency's Small Investment Program.
Rwanda	**Project Name: Société Monétique et de Télé-Compensation au Rwanda (SIMTEL) S.A.R.L.** Guarantee Holder: ADC IT & Payment Solutions MIGA has issued a guarantee of $9.5 million to ADC IT & Payment Solutions (ADC) of Mauritius covering its equity investment in the Société Monétique et de Télé-Compensation au Rwanda (SIMTEL) S.A.R.L. The coverage is for a period of up to 15 years against the risks of transfer restriction, expropriation, and war and civil disturbance. ADC has acquired a 70 percent stake in SIMTEL, the national electronic payment transactions provider, and operator of the credit card switch and cash systems in Rwanda. ADC's investment includes an equity stake and materials and equipment for the project. After the acquisition, SIMTEL is expected to transition from a subsidiary of the country's financial institutions to an independent, for-profit company providing services on a fee basis. Established in 2002, SIMTEL has made limited progress in developing its business model of providing cost efficient and effective payment systems for its shareholders and the Rwandan public. By 2007, SIMTEL had accumulated significant losses and was in financial difficulty. As a result of SIMTEL's difficulties, the Government of Rwanda launched a tender process to find a foreign investor who could provide the capital and expertise necessary to turn SIMTEL into a viable business. When the initial tender process did not produce a bidder able to provide the necessary operational expertise and capital, ADC was invited by the government to propose a solution to SIMTEL's operational and financial issues. ADC's action plan includes increasing the number of ATMs; replacing and improving SIMTEL's information technology hardware and software; improving service levels and functionality (i.e., accepting international VISA cards); defining a card strategy and executing the implementation of using national ID cards as credit/debit cards. Fostering broad-based growth in economic activity and in the private sector is important for Rwanda's continuing economic recovery. There is an estimated potential for 5 million credit cardholders in the country. SIMTEL's plan to bring a large segment of the population into the formal economy is expected to have a positive impact on the economy. *(cont'd)*

Guarantees	
Country	**Activities**
Rwanda	*(cont'd)* Other expected benefits include the availability of more funds for lending in the banking system through the absorption of a large portion of the cash circulating outside of the banking sector; substantial savings on cash note printing; higher security on transactions and less counterfeit money in circulation; increasing the taxable base; and availability of reliable data and reduction of asymmetric information on trade. As the use of cash is minimized, tax evasion is also expected to decrease. Value Added Tax (VAT) will be collected directly and more efficiently as a result of the project—a significant benefit to the government. MIGA's participation in this project is aligned with its strategic priorities. The guarantee supports a project in an IDA-eligible (among the world's poorest) African country and a South-South investment. It was underwritten through the agency's Small Investment Program.
Senegal	**Project Name: Cotecna Inspection S.A., Senegal Branch Office** Guarantee Holders: Cotecna Inspection SA MIGA has issued a guarantee of $9.29 million covering an investment by Cotecna Inspection S.A. (Cotecna) of Switzerland in its Senegal branch. The coverage is for a period of three years against the risks of transfer restriction, expropriation, breach of contract and war and civil disturbance. The project involves the provision of import verification services to importers on behalf of the Government of Senegal. Cotecna will provide the services under a three-year Build-Operate-Transfer concession, which will include the provision, installation, and operation of X-ray scanners and goods in-transit tracking equipment, as a key part of the import verification system for goods entering Senegal. The import verification services will consist of a risk assessment and the identification of the dutiable valuation and customs classification of each consignment. Where indicated by the risk assessment, an X-ray scanning of containerized imports at the main ports of entry will also be undertaken to verify their conformity with the import declaration. Destination Inspection (risk assessment followed by scanning and/or physical inspection) is expected to significantly reduce the clearance time of import consignments at the points of entry, as well reduce opportunities for pilferage or damage to goods on arrival. This will in turn contribute to lowering the cost of doing business for importers and their clients. A more rapid and effective assessment of the customs value of imports is expected to result in protecting or even raising government revenues from import duties and taxes. Moreover, the transparent audit trail provided by the import verification system can be effective in fighting duty evasion and issues in governance, which will also contribute to increasing revenue from duties and taxes. The project will create jobs for the local population, provide transfer of technology and skills, and contribute to better governance and enhanced fiscal management in the country by creating a transparent documentation trail of trade activities. This project is aligned with MIGA's strategic objective of promoting investment in sub-Saharan Africa.

Guarantees	
Country	**Activities**
Sierra Leone	**Project Name: Ice Ice Baby Limited** Guarantee Holder: Sierra Investment Fund LLC MIGA has issued a guarantee of $1.21 million to the Sierra Investment Fund (SIF) of Mauritius covering its investment in Ice Ice Baby Ltd (IIB) of Sierra Leone. The SIF is managed by MANOCAP LLC, also of Mauritius. The MIGA coverage is for a period of up to ten years against the risks of transfer restriction, expropriation, and war and civil disturbance. SIF will acquire 100 percent of the equity shares of the existing owners of IIB and finance modernization and expansion of the firm's operations. IIB is a Sierra Leone limited liability company engaged in the manufacture of crushed and cubed ice for the fishing (artisanal and commercial) and consumer (beverage) segments of the Sierra Leonean market. This project involves the acquisition and modernization of an existing ice manufacturing operation, and is expected to yield positive developmental impacts with respect to introduction of managerial best practices, operational efficiencies, and quality control processes to the target company, resulting in significant growth in its operations and market reach. MIGA's support for this investment is aligned with the World Bank Group's Country Partnership Strategy for Sierra Leone, particularly with regard to supporting the development of a competitive private sector. The project is also aligned with MIGA's priorities to encourage investment in post-conflict and IDA-eligible countries. The project was underwritten through the agency's Small Investment Program.
Sierra Leone	**Project Name: Sierra Fishing Company Limited** Guarantee Holder: Sierra Investment Fund LLC MIGA has issued a guarantee of $4.5 million to the Sierra Investment Fund LLC (SIF) of Mauritius, via fund manager, Manocap LLC (Manocap). The coverage is for a period of up to ten years against the risks of transfer restriction, expropriation, and war and civil disturbance. SIF's investment will be to acquire Sierra Fishing Company Limited (SFC) equity, and to finance the modernization and expansion of the firm's operations. SFC is a Sierra Leone-based limited liability company engaged in commercial fishing and onshore fish processing activities for the domestic Sierra Leone and regional West African markets. The project is expected to yield positive developmental impacts with respect to introduction of managerial best practices, operational efficiencies, and quality control processes to the target company, resulting in significant growth in its operations and market reach. MIGA's support for this investment is aligned with the World Bank Group's Country Partnership Strategy for Sierra Leone, particularly with regard to supporting the development of a competitive private sector. The project is also aligned with MIGA's priorities to encourage investment in post-conflict and IDA-eligible countries. The project was underwritten through the agency's Small Investment Program.

Guarantees	
Country	**Activities**
South Africa	**Project Name: Iveri Payment Technologies** Guarantee Holder: ADC IT & Payment Solutions MIGA has issued a guarantee of $0.32 million for ADC IT & Payment Solutions (ADC) of Mauritius covering its equity investment in Iveri Payment Technologies of South Africa. ADC has committed €250,000 to purchase a 51 percent share in Iveri Payment Technologies. The coverage is for a period of ten years against the risks of transfer restriction, expropriation, and war and civil disturbance. Iveri Payment Technologies is a provider of technology for virtual and mobile commerce. The Iveri system conforms to international card association requirements, focusing on products that allow the merchant to aggregate transactions from all available media, including online real-time transactions, in a cost-effective manner. Iveri will enable merchants to profitably process transactions in places with minimal infrastructure, thereby increasing their access to revenue. As a result, financial institutions in the country will be able to expand their services to rural populations. The expansion of financial services to these communities offers many benefits, including a more secure and convenient way of transacting business and storing capital; increases the ability of the government to collect taxes; and solves the problem of insufficient cash points in remote areas. Private sector development is an important priority for the World Bank Group in South Africa, as set out in the 2008-2012 Country Partnership Strategy. South Africa is not only a middle-income country with inherent strengths and opportunities, but a huge engine of growth for Africa. Ensuring that growth continues in South Africa is therefore vital not only for the country itself, but the continent as a whole. MIGA's participation in the project is aligned with the Bank Group's priority of supporting investments in middle-income countries. The guarantee supports a South-South investment. It was underwritten through the agency's Small Investment Program.