

# 2007 ANNUAL REPORT



**World Bank Group**  
Multilateral Investment  
Guarantee Agency

# MIGA'S MISSION

TO PROMOTE FOREIGN DIRECT INVESTMENT INTO DEVELOPING COUNTRIES TO SUPPORT ECONOMIC GROWTH, REDUCE POVERTY, AND IMPROVE PEOPLE'S LIVES.

## GUARANTEES

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

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

As part of its guarantees program, MIGA helps investors and governments resolve disputes that may adversely impact investments guaranteed by MIGA, thus preventing potential claim situations from escalating and keeping investments going.

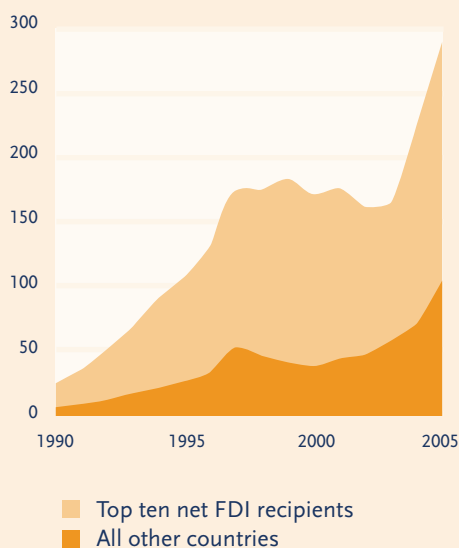
## TECHNICAL ASSISTANCE AND ONLINE INVESTMENT SERVICES

MIGA helps countries formulate and implement strategies for attracting and retaining foreign direct investment through:

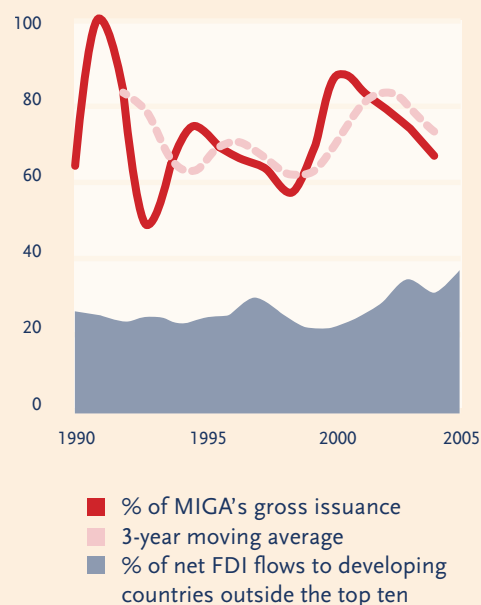
- Advice and tailored assistance to investment promotion intermediaries
- A suite of online services—FDI.net, PRI-Center, and FDI Promotion Center—offering free information on investment opportunities, business operating conditions, and political risk insurance

## FDI Flows and MIGA Guarantees to Developing Countries

**Net FDI Flows to Developing Countries, in \$ B, 1990-2005**



**Percent of Net FDI Flows and MIGA Guarantees to Developing Countries Outside the Top Ten, 1990-2005**



Notes: All data are in calendar years. MIGA data involving multiple host countries have been revised to avoid double-counting. Data do not include amounts mobilized through MIGA's Cooperative Underwriting Program. Flows and issuance to Afghanistan, Bahrain, Czech Republic, Kuwait, and Saudi Arabia not included in the data set.

# CONTENTS

## **MIGA's MISSION**

<b>FISCAL YEAR 2007 HIGHLIGHTS.....</b>	<b>2</b>
---	----------

<b>LETTER FROM THE PRESIDENT TO THE COUNCIL OF GOVERNORS .....</b>	<b>5</b>
--	----------

<b>BOARD ACTIVITIES HIGHLIGHTS.....</b>	<b>6</b>
---	----------

<b>MESSAGE FROM THE EXECUTIVE VICE PRESIDENT.....</b>	<b>7</b>
---	----------

## **DEVELOPMENT IMPACT**

MIGA in Africa.....	10
---------------------	----

## **OPERATIONAL OVERVIEW**

Guarantees.....	21
Technical Assistance .....	34
Online Investment Information and Knowledge Services .....	37

## **REGIONAL ACTIVITIES**

Asia.....	39
Europe and Central Asia.....	46
Latin America and the Caribbean .....	50
Middle East and North Africa .....	55
Sub-Saharan Africa .....	57

## **INDEPENDENT EVALUATION GROUP AND**

<b>COMPLIANCE ADVISOR/OMBUDSMAN .....</b>	<b>65</b>
---	-----------

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (FY07)**

<b>AND FINANCIAL STATEMENTS .....</b>	<b>67</b>
---------------------------------------	-----------

<b>APPENDICES .....</b>	<b>101</b>
-------------------------	------------

# FISCAL YEAR 2007 HIGHLIGHTS

IN FISCAL YEAR 2007, THE TOTAL AMOUNT OF GUARANTEES ISSUED FOR PROJECTS IN MIGA'S DEVELOPING MEMBER COUNTRIES REACHED \$1.4 BILLION, REPRESENTING THE THIRD CONSECUTIVE YEAR OF STEADY GROWTH IN GUARANTEES ISSUED. COMMITMENTS APPROVED BY THE BOARD OF DIRECTORS TOTALLED \$1.9 BILLION.

TABLE 1 Guarantees Issued	2002	2003	2004	2005	2006	2007	FY90-07
Number of Guarantees Issued	59	59	55	62	66	45	884
Number of Projects Supported	41	40	41	41	41	29	556
New Projects <sup>1</sup>	33	37	35	33	34	26	-
Projects Previously Supported <sup>2</sup>	8	3	6	8	7	3	-
Amount of New Issuance, Gross (\$ B)	1.2	1.4	1.1	1.2	1.3	1.4	16.7
Amount of New Issuance, Total (\$ B) <sup>3</sup>	1.4	1.4	1.1	1.2	1.3	1.4	17.4
Gross Exposure (\$ B) <sup>4</sup>	5.3	5.1	5.2	5.1	5.4	5.3	-
Net Exposure (\$ B) <sup>4</sup>	3.2	3.2	3.3	3.1	3.3	3.2	-

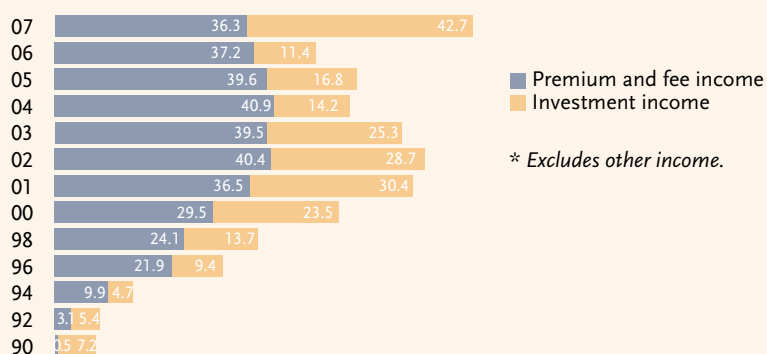
<sup>1</sup> Projects receiving MIGA support for the first time in FY07 (including expansions).

<sup>2</sup> Projects supported by MIGA in FY07 as well as in previous years.

<sup>3</sup> Includes amounts leveraged through the Cooperative Underwriting Program (CUP).

<sup>4</sup> Gross exposure is the maximum aggregate liability. Net exposure is the gross exposure less reinsurance.

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



## Membership

In fiscal year 2007, MIGA welcomed four new members into the agency—Djibouti, Guinea-Bissau, Liberia, and Montenegro—bringing total membership to 171

## Operational Highlights

MIGA provided coverage for projects in the following areas in FY07:

	No. of projects supported	Share of projects supported (%)	Amount of guarantees issued \$ (M)	Share of guarantees issued (%)
<b>Priority area<sup>1</sup></b>				
Frontier markets	14	48	387	28
Conflict-affected countries	8	28	302	22
Infrastructure	12	41	494	36
“South-South” investments <sup>2</sup>	12	41	249	18
IDA-eligible countries <sup>3</sup>	14	48	387	28
<b>Region</b>				
Asia	8	28	125	9
Europe and Central Asia	4	14	430	31
Latin America and Caribbean	6	21	501	37
Sub-Saharan Africa	11	38	311	23
<b>Sector</b>				
Agribusiness, manufacturing and tourism	8	28	352	25
Financial	8	28	472	35
Infrastructure	12	41	494	36
Oil, gas, and mining	1	3	50	4

<sup>1</sup> Some projects address more than one priority area.

<sup>2</sup> Investments made from one MIGA Category Two member country to another.

<sup>3</sup> The world's poorest countries.

## Other highlights include:

Portfolio of 44 technical assistance projects being conducted in 29 countries, along with several regional and global initiatives

10 technical assistance projects in sub-Saharan African countries; and 19 technical assistance projects in IDA-eligible countries (including “blends”)

No claims paid in fiscal year 2007

Working to resolve two pending claims involving expropriation on investments guaranteed by the agency

Monitoring situations in five countries that may lead to claims and working to facilitate amicable resolutions

Five projects supported through MIGA's Small Investment Program

One new host country: Guinea-Bissau

Launched two new knowledge websites—www.PRI-Center.com, a political risk management and insurance portal, and www.FDI.net, providing a single entry point for investors seeking information on foreign direct investment

## Partnerships

Secured \$379 million in facultative reinsurance for four projects from other insurers

Co-organized two-day “Broader MENA Investment Summit” with the Islamic Corporation for the Insurance of Investments and Export Credit, a member of the Islamic Development Bank Group

Partnered with organizations such as Lloyd’s and members of the Berne Union, as well as private political risk analysis providers, on the creation and content of PRI-Center ([www.pri-center.com](http://www.pri-center.com))

With financial support from the US Agency for International Development (USAID), MIGA is implementing a multi-year program to advise the government of Mali on the establishment of an investment promotion agency

In Uganda, MIGA is providing technical assistance to the national investment promotion agency, with funding from the Austrian Development Agency

MIGA successfully completed the Montenegro Investment Promotion Program, a collaborative effort between MIGA and the European Agency for Reconstruction

## World Bank Group Cooperation

Coordinated across the World Bank Group to ensure alignment of country and sectoral strategies with MIGA-supported projects

Provided guarantees for joint World Bank Group projects in Uganda (power) and Burkina Faso (tourism); partnered with the International Finance Corporation on a project in Uruguay (manufacturing)

Joint projects represent one-third of FY07 portfolio

Worked with the Foreign Investment Advisory Service in Bangladesh, Cambodia, China, Liberia, Nepal, Namibia, the Philippines, Russia, Serbia, Sierra Leone, South Africa, and Tajikistan

Implemented jointly with the World Bank investment promotion activities in Afghanistan, Bangladesh, Cambodia, Ghana, Guatemala, Honduras, Lesotho, Mali, Nicaragua, Russia, Serbia, Tajikistan, and Uganda

Collaborated with the IFC on design and implementation of various facilities, including in the Philippines, Africa, and Indonesia



# LETTER FROM THE PRESIDENT TO THE COUNCIL OF GOVERNORS



THROUGHOUT THIS ANNUAL REPORT, YOU WILL SEE EVIDENCE OF THE POSITIVE STRIDES THE MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA) HAS TAKEN TOWARD OVERCOMING POVERTY IN ALL REGIONS—ESPECIALLY IN AFRICA AND IN THE MARKETS PERCEIVED TO BE THE RISKIEST—ADVANCING SOCIAL AND ECONOMIC DEVELOPMENT, INVESTING IN GROWTH, AND ENCOURAGING HOPE, AND OPPORTUNITY.

MIGA's impact comes to life in Mali, where its support for a cell phone project is enabling small, local farmers to access market information real-time and sell crops and cattle at a better price. In Vietnam, where frequent power cuts meant factories came to a standstill and students were forced to study by oil lamp at night, MIGA's support for a large power project has been pivotal in reducing outages and ensuring access to clean energy. And MIGA is having an impact in Ecuador, where low-income residents of Isla Trinitaria are receiving clean municipal water for the first time, at a lower cost, with significant health benefits. Wherever I look in our partner countries, I see MIGA's role as a catalyst to investment, encouraging private sector involvement where it matters most.

Several records stand out from fiscal year 2007: Nearly half (48 percent) of projects supported by MIGA were in IDA-eligible countries, bringing MIGA's outstanding exposure in IDA countries to 41 percent. In addition, 38 percent of the projects supported during the year were in Africa, where MIGA has supported critical investments with a

total of \$2.3 billion in guarantees since 1991. The 2007 review also illustrates MIGA's commitment to supporting developing country investors, which represent a growing source of foreign direct investment in the developing world. These achievements point to the institution's strong dedication to confronting poverty—especially where it is most dire.

Fiscal 2007 was also a strong year for MIGA's non-guarantee activities, with 44 technical assistance projects conducted in 29 countries in all regions, in addition to several regional and global initiatives. The fiscal year also registered important innovations in MIGA's delivery of investment-related information, with the launch of two new knowledge websites on foreign investment and political risk insurance.

All these activities have been guided by the Bank Group's commitment to results, working with all partners who strive with us to achieve the Millennium Development Goals by 2015.

Despite these successes, the World Bank Group faces great challenges. The world has changed enormously

since the creation of the Bank some 60 years ago, and MIGA nearly 20 years ago. This accomplished institution of development, reconstruction, and finance not only needs to adapt: it must find a way to support the inclusive and sustainable globalization that will help all countries, particularly the poorest, to take advantage of ongoing changes and opportunities in the world economy.

The World Bank Group needs to be a strategic partner to clients, donors, and those that are both. It should be a development innovator in fragile states and those struggling to come out of conflicts. It can be a designer and implementer of local solutions to global challenges of the environment and disease, while serving as a steward of our natural environment and a first responder to climate change. It must be a facilitator of rules, institutions, and markets that can tap trade and finance for people in developing countries seeking opportunity and the dignity of personal enterprise.

In all of this work, the World Bank Group is fortunate to have an exceptionally dedicated and qualified professional staff. The team at MIGA ranks with the best, and I am most appreciative of their dedication and commitment to the World Bank Group's mission: to end poverty. It is a privilege to get to know them and work with them.

*Robert B. Zoellick*  
Robert B. Zoellick  
June 30, 2007

## BOARD ACTIVITIES HIGHLIGHTS

During fiscal year 2007, MIGA's Board of Directors reviewed and concurred with investment guarantees for 27 projects. The Board also oversaw and reviewed MIGA's budgeting and planning process for the upcoming fiscal year, as well as the integration of the agency's technical assistance services with the World Bank Group's Foreign Investment Advisory Service. During the fiscal year, MIGA collaborated with the IBRD, IDA, and IFC in drafting several country assistance and partnership strategies that were discussed by the Board, as well as the Independent Evaluation Group's MIGA 2007 Annual Report, which reviews and assesses the agency's activities. In addition to submitting quarterly financial reports, MIGA management presented technical briefings to the Board discussing the World Bank Group's guarantee products, MIGA's technical assistance program, and various projects.

MIGA's programs and activities are guided by a Council of Governors and a Board of Directors, representing the agency's 171 member countries. Each country appoints one governor and one alternate. MIGA's corporate powers are vested in the Council of Governors, which delegates most of its powers to a Board of 24 directors. Voting power is weighted according to the share capital each director represents. The directors meet regularly at the World Bank Group headquarters in Washington, DC, where they review and decide on investment projects and oversee general institutional policies.

Directors also serve on one or more of five standing committees, which help the Board discharge its oversight responsibilities through in-depth examinations of policies and procedures. The Audit Committee advises the Board on financial

and risk management matters to facilitate Board decisions on financial and risk policy issues. The Budget Committee considers aspects of business processes, administrative policies, standards, and budget issues that have a significant impact on the cost effectiveness of the Bank Group operations. The Committee on Development Effectiveness advises the Board on operations evaluation and development effectiveness with a view to monitoring progress towards MIGA's mission of poverty reduction. The Personnel Committee advises the Board on compensation and other significant personnel policy issues. The Committee on Governance and Executive Directors' Administrative Matters addresses issues of corporate governance and Board administration.



**MIGA's BOARD OF EXECUTIVE DIRECTORS**, as of June 30, 2007

*From left to right: (standing) Samy Watson, Svein Aass, Alexey Kvasov, Terry O'Brien, Eli Whitney Debevoise, Tom Scholar, Pierre Duquesne, Herman Wijffels, Michel Mordasini, Eckhard Deutscher, Gino Alzetta, Makoto Hosomi, Jorge Familiar, Merza Hasan, Dhanendra Kumar, Felix Alberto Camarasa, Jorge Botero; (seated) Sid Ahmed Dib, Giovanni Majnoni, Abdulrahman Almofadhi, Mulu Ketsela, Mat Aron Deraman, Louis Philippe, Ong Seng, Jiayi Zou (Absent) Luis Marti.*



## MESSAGE FROM THE EXECUTIVE VICE PRESIDENT



THIS PAST FISCAL YEAR IN MIGA WAS ONE MARKED BY PROGRESS ON MANY FRONTS, BEGINNING WITH THE CONTINUED, STEADY GROWTH IN THE AMOUNT OF GUARANTEES ISSUED IN SUPPORT OF FOREIGN DIRECT INVESTMENT (FDI) IN OUR DEVELOPING MEMBER COUNTRIES. THIS YEAR, GUARANTEE COMMITMENTS REACHED \$1.9 BILLION, OF WHICH \$1.4 BILLION IN COVERAGE WAS SIGNED. THIS REPRESENTS THE THIRD CONSECUTIVE YEAR OF GROWTH IN THE AMOUNT OF GUARANTEES ISSUED. THE AGENCY'S OVERALL OUTSTANDING GUARANTEES PORTFOLIO REMAINED STRONG AT \$5.3 BILLION.

Equally important, MIGA registered strong results in all of its priority areas. The coverage reflected a strategic focus on supporting projects in underserved markets that carry a higher perception of risk—such as Africa, frontier markets, conflict-affected countries, and IDA-eligible countries.

For example, our support for investments in Africa increased both as a percentage of projects supported (38 percent) and volume of guarantees issued (23 percent). I am also proud of our record in IDA countries, where nearly half of the projects we supported this year were located, and which now represent 41 percent of

our overall outstanding portfolio. We also registered gains in support for projects in conflict-affected countries, and for complex, critical infrastructure projects, which represented 41 percent of projects guaranteed this year.

These results came at a time of record foreign direct investment into developing countries. But in a world of inequity, not all countries were winners when it came to FDI. In fact, the poorest countries continued to lose out due to market perceptions of higher risk. At the same time, a “softening” of the political risk insurance market led to a slowdown in the rate of coverage sought by investors. In this environment, MIGA's

*MIGA's strategy is to continue to focus on its strengths: serving markets and encouraging FDI where investors and other insurers shy away from.*

strategy is to continue to focus on its strengths: serving markets and encouraging FDI where investors and even other insurers shy away from.

Given the need to remain relevant in a highly cyclical market, MIGA prides itself on its flexibility and drive to meet investor needs. For example, this fiscal year involved an important MIGA “first” in the area of Islamic financing, which is viewed as increasingly important to ensure that development gains from globalization are shared by the region. During FY07, the Board approved support for our first Sharia-compliant deal, which we expect to sign sometime this Fall. With the region seeking to raise business standards and increase technical know-how through inward investment, we hope this is just the first of many such transactions MIGA will support.

This groundbreaking deal was the result of outreach conducted by MIGA in the Middle East and North Africa,

where we co-sponsored an intra-regional investment summit earlier this year. The event, held jointly with The Islamic Corporation for the Insurance of Investments and Export Credit and the Dubai International Financial Center, brought together investors and financiers from across the region.

Other efforts made by MIGA this year to maintain its market niche include important changes on internal risk management and on country limits. We plan to introduce an updated pricing model in FY08, which will allow us to be more flexible in responding to market challenges and to remain competitive in the right areas. We have also increased our per-project limits—now up to \$180 million—as well as our country limits—now up to \$600 million. But these changes can take us only so far. Our ability to adapt our products to meet the demands of a changing PRI marketplace is constrained by limitations in our Convention, an issue we hope to move closer to resolving in the upcoming year.

In keeping with our focus on responsiveness and adaptability, this fiscal year we integrated our technical assistance services into the Foreign Investment Advisory Service (FIAS), a World Bank Group entity. Combining the investment climate reform work of FIAS with MIGA's investment promotion work will allow the World Bank Group to help countries get the framework right for investment, and then market the improved environment, from a single platform. The integration also creates a more coordinated, single interface for clients, donors, and other partners.

MIGA plays a unique role within the World Bank Group. Working hand-in-hand with our counterparts at the IBRD, IDA, and IFC, MIGA is able to help countries in desperate need of private capital flows by removing the noncommercial risks that impede investments. For example, this year the Bank Group brought to the table a full complement of development tools, from loans to guarantees, enabling the critical Bujagali hydropower project in Uganda to begin construction this year. This project is a classic example of how the World Bank Group can come together to address the most pressing development needs faced by our member countries, and is an important symbol of our increasing collaboration going forward.

Looking ahead, I look forward to another exciting and challenging year in MIGA, where we will continue our focus on underserved markets, particularly in Africa and in IDA-eligible countries. But we will also work to meet the development needs of our middle-income clients such as China, which have a specific need for products such as our coverage of sub-sovereign risks and support for outward investment flows. Above all, MIGA will continue to strive to meet its clients' needs by offering the best services in an ever-changing environment.



Yukiko Omura  
June 30, 2007



## MIGA OFFICERS AND MANAGERS



**PETER D. CLEARY**  
Director and General Counsel  
Legal Affairs and Claims

**MOINA VARKIE**  
Director  
External Outreach  
and Partners

**MARCUS WILLIAMS**  
Adviser  
Strategy and Operations

**YUKIKO OMURA**  
Executive Vice President

**FRANK J. LYSY**  
Chief Economist and Director  
Economics and Policy

**HASAN TULUY**  
Chief Operating Officer

**PHILIPPE VALAHU**  
Acting Director  
Operations

**KEVIN LU**  
Acting Chief Financial Officer  
and Director, Finance and Risk  
Management

**W. PAATII OFOSU-AMAAH**  
Vice President and  
Corporate Secretary



## DEVELOPMENT IMPACT: **MIGA** in Africa



SUB-SAHARAN AFRICA HOSTS JUST 10 PERCENT OF THE GLOBAL POPULATION, YET IT IS HOME TO 30 PERCENT OF THE WORLD'S POOR. THE REDUCTION OF EXTREME POVERTY, WHICH SPIKED TO ROUGHLY 50 PERCENT OF THE POPULATION (300 MILLION PEOPLE) IN 2000, HAS BEEN HAMPERED BY POOR GROWTH PERFORMANCE. BUT FOLLOWING SEVERAL "LOST" DECADES OF SLOW GROWTH, AFRICA TODAY IS ON THE CUSP OF MAJOR CHANGE, AS THE REGION BREAKS OUT OF THE LONG ECONOMIC STAGNATION OF THE 1970S AND 1980S.



## A REGION ON THE MOVE

Strong growth, improved macro-economic performance, and relative political stability helped the region's GDP expand by 5.6 percent in 2006—surpassing the 5 percent mark for the third consecutive year. Growth in the region as a whole is expected to remain strong in reform-minded economies, while robust government spending ahead of elections is boosting growth in others.

Recently, there has been a notable shift on the risk horizon, as democratic elections, economic stability, more peaceful relations, and regulatory reforms have begun to gain traction. But with many countries scheduled to hold presidential or legislative elections in 2007, there is potential for an upswing in political and social tensions.

Foreign direct investment (FDI) has also increased noticeably, with the region attracting \$13.8 billion in 2005, and \$18.5 billion in 2006. Nontraditional investors have contributed substantially to this surge. While China and India have caught headlines recently, South Africa has been a leader for many years, and there is potential for additional intra-regional investment.

## CHALLENGES REMAIN

But no one denies that formidable challenges remain. According to the World Bank's *Doing Business* report for 2007, countries in sub-Saharan Africa occupy 19 of the bottom 25 places in ease of doing business

rankings. Over a third of the countries in the region are still suffering from the legacy of past conflicts. And infrastructure needs are so great that the region needs to invest an additional \$40 billion a year if it is to accelerate growth and meet the Millennium Development Goals.

When it comes to increasing FDI into the region, the bottom line is that sub-Saharan Africa continues to be perceived as a high-risk, high-cost place to do business. For investors, the need to mitigate political risks, real and perceived, is great.

MIGA has an important role to play in this regard, by offering political risk insurance to protect investments against the risks of expropriation, transfer and inconvertibility, war and civil disturbance, and breach of contract. And supporting FDI into Africa is a strategic priority for the agency.

## MIGA MITIGATES RISKS TO GET INVESTMENT IN THE DOOR

MIGA's strategy builds on its market strengths: being able to encourage investments in the more difficult,

frontier markets; helping to structure financing for complex infrastructure deals while mitigating sub-sovereign risks; encouraging investment from one developing country into another (South-South); and facilitating investment in conflict-affected countries. As a multilateral agency and member of the World Bank Group, MIGA has the added value of deterring harmful government actions and mediating disputes to prevent claims situations from escalating and keep investments on track.

Since its inception in 1988, MIGA has issued \$2.3 billion in guarantees for projects in Africa. During fiscal year 2007 alone, MIGA issued \$311 million in guarantees (18 contracts) for 11 projects in the region. With \$964 million in gross exposure, Africa accounts for 18 percent of MIGA's outstanding portfolio.

MIGA has supported projects in 27 African countries—including projects involving investors from South Africa, Senegal, Mali, and Mauritius. Projects range in size from less than \$1 million to more than \$1 billion, and cover all sectors. (See Figure 2 for guarantees to Africa issued by sector.)

*When it comes to increasing FDI, sub-Saharan Africa continues to be perceived as a high-risk, high-cost place to do business. For investors, the need to mitigate political risks, real and perceived, is great.*



*Supporting FDI into Africa is a strategic priority for MIGA, which has issued \$2.3 billion in guarantees for projects in the region.*



### **Infrastructure**

Infrastructure brings more than water, electricity, sanitation, transportation, and telecommunications. Infrastructure brings opportunities, and opportunities transform lives. In Africa, the lack of infrastructure development is recognized as a key impediment to growth. But investment costs can be prohibitively high, as can commercial and noncommercial risks, making it hard for investors to secure the long-term financing needed for cash-heavy infrastructure undertakings.

**Telecommunications.** There is an exception to this predicament, and that is in the field of mobile telecommunications, where lower start-up and maintenance costs make it easier for projects to get off the ground. As a result, nations are moving directly to cell phones while leapfrogging the need for more expensive landline infrastructure. With developed countries approaching a market saturation point, the developing world is now expected to account for the majority of mobile telephone growth by 2010.

Africa too is a huge, largely untapped market for cell phone users. The demand is enormous, particularly in a continent where challenging geography and enormous cost limits landline installation. The market is broad and deep, extending into rural villages and rapidly growing cities, into economically and politically stable nations, as well as countries emerging from conflict.

The economic impact of telecommunications is widespread. The good news for Africa is that, according to recent research, whenever cell phone connectivity reaches ten phones for every 100 people, there is a 0.6 percent gain in gross domestic product (GDP). Small businesses, which communicate by cell phone with suppliers and sellers, are one of the primary beneficiary groups. The benefits are so vast that in the Democratic Republic of Congo, people are actually migrating to live near mobile stations.

Africans have been quite innovative in expanding the traditional use of cell

phones—a factor borne of necessity perhaps in areas where other forms of technology are not available. For example, cell phones are being used for tasks such as sharing minutes as a form of credit, a function not normally associated with cell phones. Mobile banking is also on the rise, wherein people can “e-bank” via cell phones. Throughout the continent, farmers are receiving commodity price and other market information on their phones.

Despite the relatively lower costs of mobile telecommunications investments, private investors in telecom projects know there are potentially significant and unique risks associated with these investments—relating, for example, to regulatory concerns, licensing, and frequency allocations. MIGA's guarantee coverage takes these particular risks into account, helping to allay investor concerns and encouraging investments in markets where they are most needed.

Since 1996, MIGA has issued \$536 million in guarantees for 16 telecommunications projects in Africa. Projects are located in Benin, Burundi, Ghana, Guinea, Mali, Mauritania, Nigeria, Sierra Leone, Tanzania, and Uganda.

In **Burundi**, for example, where teledensity is less than 1 percent, an investor from Mauritius sought out a business opportunity with MIGA's help. The company, Mauritius Telecom, a joint venture in which France Telecom owns a 40 percent stake, secured a MIGA guarantee to build, operate, and maintain a nationwide mobile telephony network using the GSM (Global System for Mobile Communication) standard. But any private investment in Burundi, an impoverished nation ravaged by a recent civil war, comes with challenges. MIGA is mitigating some of the risks with coverage to protect the company against transfer restriction, expropriation, and war and civil disturbance.

The West African nation of **Sierra Leone** has just one landline for every 250 people, one of the lowest teledensities in the world, and until recently, no broadband network. That was until Sierra-Com, an Israeli telecommunications company, opened up shop with a MIGA guarantee in fiscal year 2006 to provide inexpensive, reliable telecommunication services. Sierra-Com is bringing high-speed broadband wireless Internet and Voice Over IP communications (allowing phone calls to be made over the Internet) to Sierra Leone, through its subsidiary IPTEL. Prior to IPTEL's entry into the marketplace, Internet access was provided by a slow dial-up service plagued by poor management and broken infrastructure, and by a narrowband Internet service provider whose service was prone to stoppages due to electricity shortages. Sierra-Com's \$3 million investment is establishing a network using technologically advanced telecom equipment imported from Israel. Improved connectivity is expected to trigger additional new investment and catalyze overall economic growth.

In 2002, monthly Internet access in the poor, landlocked nation of **Mali** cost €1,830 a month. Today, reliable Internet service is available from €45 a month. At the same time, the number of mobile phone users has increased from 50,000 customers to over one million today. This dramatic change in Mali's telecommunications sector follows the government's decision to privatize the state-owned operator and open the sector to competition. When Senegalese company Sonatel was awarded a license to provide a broad range of telecommunications services in Mali in 2002, they turned to MIGA.

This MIGA-backed deal represents one of the largest foreign investments in Mali and has generated significant benefits through its diverse and affordable products offerings and by providing direct and indirect employment. Ninety-seven percent of Orange Mali's 250 employees are Malians with an average age of 32. Another 10,000 Malians are indirectly

employed through telecenters and distributors.

The benefits extend beyond the project itself. As is often the case in Africa, the private investor is funding good deeds, in this case through its charitable arm—La Fondation Orange Mali. The company has donated an optical scanner to a local hospital, financed cataract operations for elderly Malians, and supported a girls' education campaign in collaboration with UNICEF. In cooperation with Population Services International, Orange Mali has distributed 800,000 free text messages on health issues to its clients.

**Other infrastructure.** MIGA is also active in other infrastructure sub-sectors in Africa, with an additional \$443 million in guarantees issued for 11 projects involving transportation, power, and sanitation.

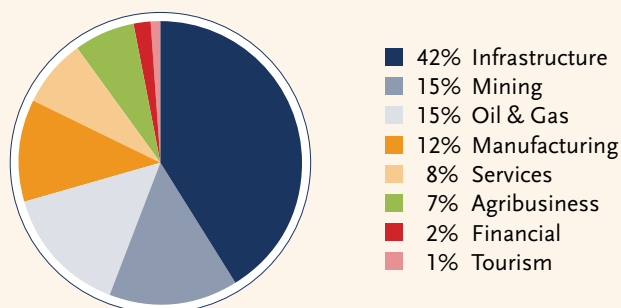
In **Uganda**, for example, an acute electricity crisis is impacting the livelihoods of millions of Ugandans and has stunted the country's economic

growth by an estimated 1 percent of GDP. To help address the crisis, MIGA has issued a total of \$195 million in guarantees supporting investments in electricity generation and distribution.

Among this support is a \$115 million MIGA guarantee for the Bujagali Hydropower Project in Uganda. The project consists of the construction and operation of a 250 megawatt, run-of-the-river hydropower plant on the Victoria Nile. The plant is expected to increase supply to the national power grid at the lowest cost compared to other power generation expansion options under Uganda's energy strategy, thereby reducing outages and costs. MIGA's guarantee is one element of the World Bank Group's support of Uganda's strategy to close its energy supply and distribution gap. The IFC is also supporting the project with \$130 million in loans and the International Development Association is providing a partial risk guarantee of up to \$115 million. MIGA's guarantee was considered essential to securing part of the investment.

*The good news for Africa is that when cell phone connectivity reaches ten phones for every 100 people, there is a 0.6 percent gain in GDP. Since 1996, MIGA has issued \$536 million in guarantees for 16 telecommunications projects in Africa.*

**FIGURE 2 Guarantees (Volume) Issued in Africa from FY90-07, by Sector**



Note: Percentages add up to more than 100 percent due to rounding.

MIGA is also supporting a Ugandan electricity distribution project with \$81 million in guarantees. The project consists of 13,000 km of overhead lines extending throughout the country and will provide up to 60,000 new connections, reduce losses, and improve collection rates within the first five years. Access to electricity is also expected to expand for households, schools, clinics, and hospitals, which suffer daily power shortages. The investor chose MIGA because of its ability to help the project obtain a competitive interest rate on the international commercial market.

### **Agribusiness**

MIGA also supports projects in other sectors, including agribusiness. Since 1994, the agency has issued \$162 million in guarantees for 16 agribusiness projects in nine sub-Saharan countries. MIGA's support has been pivotal in revitalizing moribund industries, in some cases reducing the need to import at higher cost

while also generating export revenues. Projects typically bring in critical technology that helps countries gain the tools needed to compete globally. Agribusiness investments also provide employment in rural areas and often help local farmers process and market their goods.

In **Kenya**, for example, where agricultural growth is helping to drive the country's economic recovery, MIGA is supporting the rejuvenation of an ailing sugar industry. Many sugar mills in Kenya face a host of problems, such as preferential pricing regimes, protected markets, and outdated technology. The lack of inward investment has led to the industry's decline, as local farmers, who relied on income from the cultivation of cane at one time, have turned to subsistence farming.

This fiscal year, the Industrial Development Corporation of South Africa Limited and a United Kingdom-based businessman, R. S. Chatthe, jointly established Kibos

Sugar and Allied Industries Limited, which includes a greenfield sugar factory and 3,000 hectares of irrigated sugarcane. The factory, set to open in late 2007, will support small local growers who currently experience high losses while transporting their cane to factories further afield. MIGA helped the investment go forward by providing \$13.7 million in guarantees to protect the investment against political risks.

Charles Midigo, who farms over 19 hectares of land in Kibos, had switched to subsistence crop farming (maize, cassava, and potato) after the closure of the local mill in Miwani. The move had proved to be volatile financially due to market and price fluctuations. Thanks to the Kibos sugar project and the switch back to cane cultivation, Mr. Midigo expects supply-side risks to be virtually eliminated and his profit margins to double. Many farmers like Charles Midigo have already signed contracts with the project.

### **Services**

In the services sector, MIGA has supported 12 projects with contracts totaling \$183.8 million in coverage. Contracts have ranged in size from \$1 million to \$12 million, and have supported projects in eight countries throughout the region.

*MIGA is also active in other infrastructure subsectors in Africa, with an additional \$443 million in guarantees issued for 11 projects involving transportation, power, and sanitation.*



In 2006, for example, supporting the post-conflict development of **Sierra Leone**, MIGA issued a \$5 million guarantee to the United Kingdom's (UK) Intertek for the installation of a scanner and the provision of scanning services for the port of Freetown, as well as for port security advice for the ports of Freetown, Nitti, and Kissy. The main objectives of the project are to scan all imports and exports at ports in Sierra Leone to reduce smuggling, enhance government revenues, and improve internal security. The project also aims to help Sierra Leone comply with new international security requirements prescribed by the International Maritime Organization's security code. Compliance with the international framework is expected to facilitate exports from Sierra Leone, which might otherwise be denied access to trading partners' port facilities.

Another example of MIGA's ability to facilitate important foreign investments in the services sector is in **Ghana**. In 2006, MIGA issued \$6.3 million in guarantees to Malaysia's Metro Ikram, covering its equity and shareholder loans to Meridian Development Limited. The project is the first step in a multi-pronged, government-backed approach to ease Ghana's housing crunch. The project involves the development of the first phase of a large affordable housing project as a joint venture with Ghana's Social Security National Insurance Trust. This first phase will result in the construction of approximately 1,000 homes in the crowded Accra-Tempra metropolis. Later stages of the project include the construction of up to 100,000 homes throughout Ghana. Meridian is demonstrating to other private investors that such projects can bring a strong rate of return when risks are properly mitigated.

### **Financial**

Since 1994, MIGA has supported seven financial projects in the region, totaling \$54.3 million in guarantee coverage. The financial sector is at the heart of a functioning economy.



The impact of foreign banks on the domestic banking scene can be highly beneficial from a commercial and developmental standpoint. The competition they introduce typically helps reduce interest rates, increase consumer confidence in the banking system, institute a more aggressive marketing approach with a wide range of services, and introduce new tools, such as leasing, which often benefit smaller businesses.

During this fiscal year, MIGA provided \$1.8 million in guarantees to cover an investment by a Mauritian company in the creation of a newly licensed commercial bank, National Financial Credit Bank S.A., in Cameroon. The new bank will provide micro-credit and other financial services to clients, including small and medium-size enterprises (SMEs), infusing critically needed funds into the local financial market. The project will also involve the transfer skills and services from the investor to the local institution.

### **Oil, gas, and mining**

Resource-rich Africa is an increasingly popular investment destination for extractive industries companies in

search of new opportunities. Since 1992, MIGA has provided \$671 million in guarantees for ten mining projects and five oil and gas projects in sub-Saharan Africa. Projects that have benefited from MIGA's support and environmental and social advice generate income and jobs in some of the world's poorest countries. They also are an important means of transferring skills and technological know-how, as well as providing critical infrastructure.

For example, people who live in remote areas often lack access to basic services, such as power, water, telecommunications, roads, health, and school facilities. For every extractive industries project it supports, MIGA encourages the contribution of these services. Infrastructure projects, in particular, are generally hard to finance because of risks and lack of commercial viability, and the only chance a rural citizen may have of getting these services for the time being is through extractive industry companies.

In **Mozambique**, for example, MIGA is supporting investments in a gas field and pipeline project with \$235 million in guarantee coverage. The project involves the development of





### MOZAMBIQUE: A CASE OF SUSTAINED MIGA SUPPORT AND DEVELOPMENT IMPACT

When Mozambique gained independence from Portugal in 1975, its economy was agriculture-based, with very little industrial development and an illiteracy rate of about 90 percent. Later, prolonged civil war ravaged the country, leaving Mozambique one of the poorest, most debt-ridden countries on earth. Since the war's end in 1992, the country has enjoyed a remarkable recovery. People today talk of the Mozambique miracle.

Thanks to an extensive economic reform and privatization program, as well as the reign of peace and political stability, Mozambique achieved an average annual growth rate of 8 percent between 1996 and 2006. Over the last few years Mozambique has made some substantial progress in fighting poverty and improving human development. Sustained growth and increased spending in the social sectors contributed to a decline in poverty by 15 percentage points (to 54 percent) from 1997 to 2003.

Despite these gains, the country is still in transition, with a large number of social and economic challenges, including unemployment, low agricultural production, and limited infrastructure and social services. Due to these and many other problems, Mozambique is still considered one of the world's poorest countries.

Since 1998, MIGA has been very active in Mozambique, where it has supported 14 projects with guarantees totaling \$495 million. (See table for details.) Mozambique is currently MIGA's fifth-largest host country and represents the agency's largest exposure in Africa. The outstanding portfolio consists of 19 guarantees totaling \$271 million in gross exposure, including \$122 million for the Sasol gas project, \$60 million for the Marromeu sugar project, and \$25 million for the Moma mining project. The Mozambique portfolio is well-diversified—consisting of seven projects in support of the country's agribusiness, infrastructure, manufacturing, mining, oil and gas, services and tourism sectors.

MIGA's first involvement in the country was in 1998, when it provided \$40 million in guarantee support

for the groundbreaking Mozal aluminium smelter. The project, with an original cost of \$1.3 billion, was the largest foreign investment in Mozambique's history and in many ways placed the country on a different development path. Implemented soon after the war's end, Mozal sent a powerful signal to the international business community about Mozambique's stability and potential as a business destination.

The project also played an important role in creating a blueprint for assessing and processing FDI proposals, strengthening the government's capacity, and encouraging it to develop a more responsive regulatory framework and investment climate. The Mozal project has had an important regional impact as well, enhancing the viability of the Maputo corridor, promoting regional trade integration, increasing traffic through ports, and benefiting the South African economy through exports, jobs, and government tax revenues.

Another MIGA-supported investment that is having a strong impact is the Marromeu sugar project. Located in the heart of the former conflict zone, the project has had a huge impact on the region's economy and social fabric. Marromeu helped bring important peace dividends by providing work for those seeking an alternative to conflict. MIGA's presence was critical to encouraging the investor to go ahead.

MIGA is also supporting the Kenmare Moma Mining project with \$25 million in guarantees. The project involves a 20-year contract for the dredge mining development of a large heavy mineral sands deposit located in the Nampula province in northeast Mozambique. The province is one of the poorest in the country and in an area that has not yet benefited from recent FDI flows. The Moma project is one of two titanium mineral projects under active consideration, which if fully developed, will establish the country as one of the world's foremost producer of titanium minerals. In fact, recent titanium discoveries in the Moma area have doubled the estimated reserves.

The project is expected to have a significant development impact, providing key infrastructure enhancements including improved access to roads,



## MIGA Operations in Mozambique, 1998-2007

Operation	Approval Date	Guarantee (\$ M) <sup>1</sup>	Sector	Status
Mozambique Aluminium S.a.r.l. (MOZAL)	1998	40.0	Primary Metals	Active
Salvintur - Sociedade de Investimentos Turisticos	1999	2.9	Tourism	Active
Motraco-Mozambique Transmission Company S.a.r.l.	2000	69.4	Energy	Active
BNP Nedbank (Mocambique) S.a.r.l.	2001	4.5	Financial Services	Active
Companhia de Sena S.a.r.l.	2001	65.0	Agribusiness	Active
Maputo Port Development Company S.a.r.l.	2002	6.6	Transport	Active
Motorcare Lda.	2002	2.0	Transport	Active
Kenmare Moma Mining	2003	20.8	Mining	Active
Maputo Port Development Company S.a.r.l.	2003	13.8	Transport	Cancelled
Sasol Petroleum Temane Limitada and Republic of Mozambique Pipeline investment Company	2003	72.0	Oil/Gas	Active
Sasol Petroleum Temane Limitada and Republic of Mozambique Pipeline investment Company	2004	113.5	Oil/Gas	Active
Auroz Limitada	2004	0.5	Agribusiness	Closed
Kenmare Moma Mining Ltd. and Kenmare Moma Processing Ltd.	2005	12.4	Mining	Active
Companhia de Sena S.a.r.l.	2007	22.1	Agribusiness	Active
Companhia Mozambique de Gasuduto S.a.r.l. and Republic of Mozambique Pipeline investment Company	2007	49.7	Oil/Gas	Active
<b>TOTAL</b>		<b>495.0</b>		

<sup>1</sup> Following the initial contract signing, guarantees typically undergo "reductions," wherein investors and lenders choose to reduce the amount of investment coverage they receive for their projects.

air strips, electricity, water supply, and telecommunications. The Moma project is also an important provider of jobs and is expected to generate \$70 million in export earnings annually and \$1.5 billion over its life. The project will also contribute significant taxes over the life of the mine, with revenues expected to hit about \$7 million by next year.

But the biggest contribution to the local community has been the cash injection through a community development program. By the end of 2007, the company expects to have spent more than \$300,000 on community development, helping some 2,500 people in six local villages. Projects include HIV/AIDs prevention, income-generating activities, and the installation of water points. Company representatives acknowledge that they are not development

experts and have therefore signed partnership agreements with proven nongovernmental organizations (NGOs) such as the World Wildlife Fund.

Beyond its guarantee services, MIGA has also been actively providing technical assistance to Mozambique. Under the four and a half-year, \$2.7 million MIGA-Swiss Partnership program, MIGA helped Mozambique identify opportunities to integrate better into the international economy and facilitated a \$1.5 million investment to help finance the Belulane Free Zone and Industrial Park. Over the past few years, MIGA has also cooperated with the World Bank Group on the Enterprise Development Project in Mozambique by providing assistance to and monitoring progress on the country's Investment Promotion Center (CPI).



### MIGA'S ONLINE SERVICES FOCUS ON AFRICAN INFRASTRUCTURE

Historically, Africa has seen phases of prolonged sluggish economic performance followed by periods of erratic growth. However, within the last decade or so, there has been renewed economic growth and improved governance across most of the continent.

Increased infrastructure investment is recognized as being key to sustained economic growth, while high perceived political risks, as well as the lack of timely and accurate information on the infrastructure environment in Africa, are widely acknowledged constraints to such investment. The latter was acknowledged in the World Bank's recent *Africa's Silk Road* report, which underscored both significant asymmetries across African countries in terms of the supply of information, while citing evidence of growing attention to sub-Saharan Africa by potential investors from all regions.

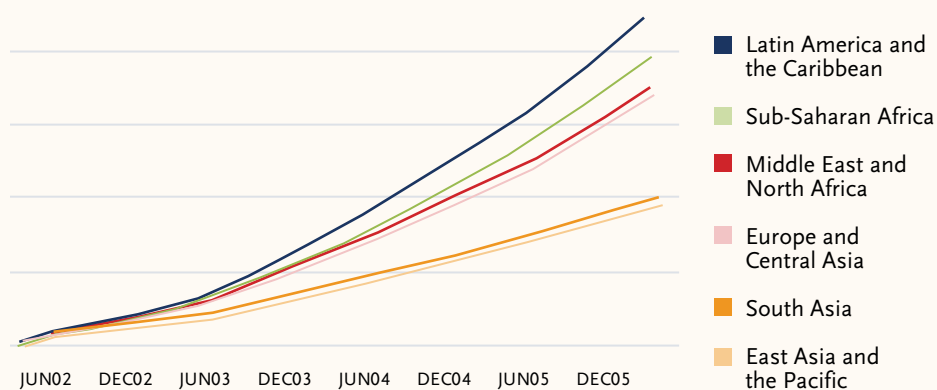
MIGA is committed to helping improve investor perceptions and understanding of Africa by the mobilization of quality information. To promote interest in the infrastructure sector, as well as MIGA's guarantee products, MIGA's foreign direct investment portal ([www.fdi.net](http://www.fdi.net)) provides information on infrastructure opportunities through a topical online feature. The "Spotlight on Infrastructure" feature page highlights

infrastructure trends, conditions, and opportunities. Information resources on Africa offered by MIGA include investment opportunity profiles, sectoral studies, and best practice reports related to contract structuring and project finance in infrastructure public-private partnerships (PPPs).

Through an independent project, the World Bank's Public-Private Infrastructure Advisory Facility (PPIAF) acquired a database of projects in Africa where private sector participation was being sought. MIGA partnered with PPIAF to conduct a program of extensive research and quality control, leading to the publication of 21 infrastructure and PPP project profiles across 13 African countries on FDI.net. These profiles remain among the top downloaded information resources on FDI.net.

In addition, the Washington-based Institute of Public Private Partnerships (IP3) has been a pioneer in the area of PPP training and institution-building. Through MIGA's partnership with IP3, their thematic repository of international case studies and global best practice reports on infrastructure PPPs are available via FDI.net. Many of the case studies focus on successful African PPPs.

**Demand for FDI Information on Sub-Saharan Africa, by Region**



Source: MIGA

the Temane and Pande gas fields, and the construction of an 865 km cross-border gas pipeline from Mozambique to South Africa. The guarantee also covers the construction of a central processing facility to clean and compress the gas.

Through the project's social development plan, extensive community consultation has taken place on issues such as access to clean water, electricity, and health care. To date, the company has spent \$5 million on improved drinking water systems, agricultural extension, establishment of health clinics serving some 20,000 local residents, and construction of three primary schools and a secondary school. Care and custody of these resources have been handed over to the local communities. (See Box 1 for more on MIGA's work in Mozambique.)

### **Manufacturing**

Africa has a number of advantages that increase its attractiveness as a manufacturing investment location, particularly its low labor costs, abundance of unskilled labor, and preferential access to a number of global markets. Given low current investment levels, a "first in" advantage awaits those investors ready to move into the region's relatively underdeveloped markets.

MIGA has been working with manufacturing companies investing in Africa since 1994. Since then, the agency has provided \$268 million in guarantee coverage for 17 manufacturing projects in the region. Factories are at particular risk of asset damage caused by war or civil disturbance, and of expropriation of assets by government entities, both of which are covered by MIGA's guarantees.

One investor supported by MIGA is Indian manufacturer Manaksia Limited. The company, known as MINL, was looking to start a metal processing plant to supply an existing project in Nigeria, as well as expand its product offerings. With galvanized

*The agency's outstanding guarantee portfolio in sub-Saharan Africa stands at \$964 million, supporting investments in all sectors across the continent.*

corrugated steel a popular choice of roofing material for Nigerians, MINL decided to expand production to include corrugated steel sheets, as well as aluminum sheets, and aluminum alloy ingots.

To get the project started, the company turned to MIGA, which extended political risk insurance covering equity investments and loans. With MIGA's guarantees in place, the decision was made to go forward with the project. Construction of the new facility is now underway on a greenfield site in Nigeria's Ogun state.

### **Tourism**

The tourism industry, one of the fastest-growing markets in the world, is a significant vehicle for economic progress. Tourism contributes to poverty reduction through the creation of jobs, foreign exchange, and tax revenues, and directly and indirectly impacts industries such as agriculture, catering, transportation, construction, and retail. The development of a hotel or resort, for example, can bring other benefits that are often overlooked, but which can have a profound impact on the development of local communities. These include improved access to power, transportation, telecommunications, water and sewage systems, and health services.

The natural beauty of Africa offers tremendous appeal to travelers searching for novel experiences and for investors on the lookout for the next "must go to" travel destination. But when part of the allure is the remoteness of the location or the novelty of travel to a previously overlooked developing nation, additional concerns may arise about the safety of the investment.

MIGA is sensitive to these concerns and tailors its guarantee products to meet the specific needs of this set of investors. In Africa, the agency has facilitated eight investments in the tourism sector through the provision of \$15.4 million in guarantees.

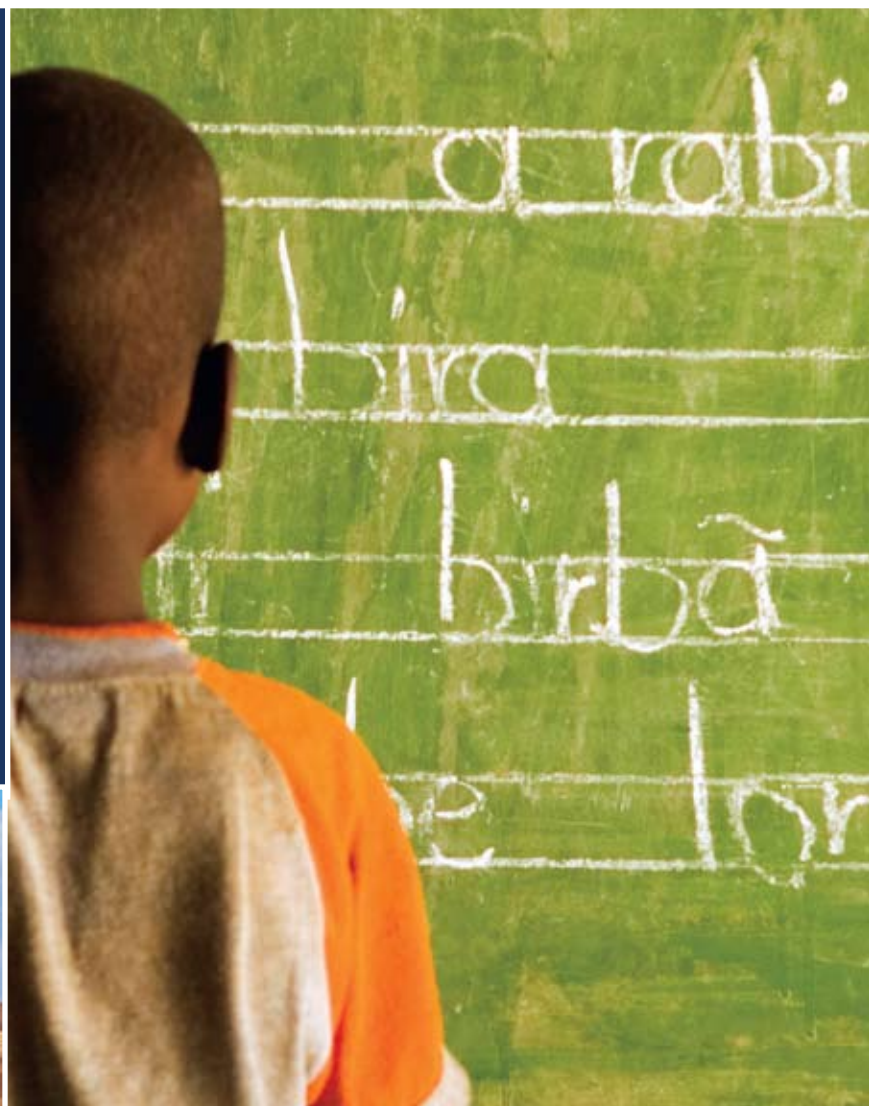
Among these is a project guaranteed this fiscal year, which involves leasing the existing Hôtel Indépendance in Burkina Faso's capital city of Ouagadougou from the government, as well as renovating, equipping, and expanding it into a three-star international business hotel. MIGA is providing \$2.9 million in coverage to a Malian investor, which is running the project jointly with local Burkinabé investors. The project is expected to enhance the capital city's hospitality infrastructure, while generating local jobs and supporting the growth of local SMEs. The project is also expected to transfer management expertise and training to local staff, as well as provide additional taxes and foreign exchange to the government.

## OPERATIONAL OVERVIEW

Guarantees

Technical Assistance

Online Investment Information and  
Knowledge Services





## Guarantees

MIGA SAW A SLIGHT UPSWING IN THE LEVEL OF GUARANTEES ISSUED IN FISCAL YEAR 2007, WITH COVERAGE REACHING \$1.4 BILLION AND THE OVERALL OUTSTANDING PORTFOLIO REMAINING STRONG AT \$5.3 BILLION. THE INCREASE IN COVERAGE REPRESENTS THE THIRD CONSECUTIVE YEAR OF GROWTH IN THE AMOUNT OF GUARANTEES ISSUED BY THE AGENCY. THE COVERAGE REFLECTED MIGA'S FOCUS ON SUPPORTING PROJECTS IN COUNTRIES THAT CARRY A HIGHER PERCEPTION OF RISK—including in Africa, frontier markets, and IDA-ELIGIBLE COUNTRIES—FACILITATING COMPLEX INFRASTRUCTURE TRANSACTIONS, AND WORKING WITH INVESTORS AND CLIENT COUNTRIES TO HELP THEM RESOLVE DISPUTES AND KEEP INVESTMENTS ON TRACK.



### FDI FLOWS TO DEVELOPING COUNTRIES KEEP PACE WITH GROWTH

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

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

### POLITICAL RISK INSURANCE MARKET SLOWS DOWN

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

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

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

### MIGA PLAYS TO STRENGTHS

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

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





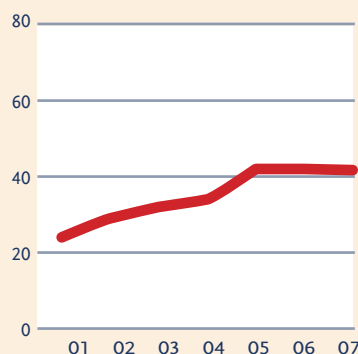
### MIGA's NICHE: ENCOURAGING FDI INTO THE POOREST COUNTRIES

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

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

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

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



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

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

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

## GUARANTEES PORTFOLIO GROWS

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

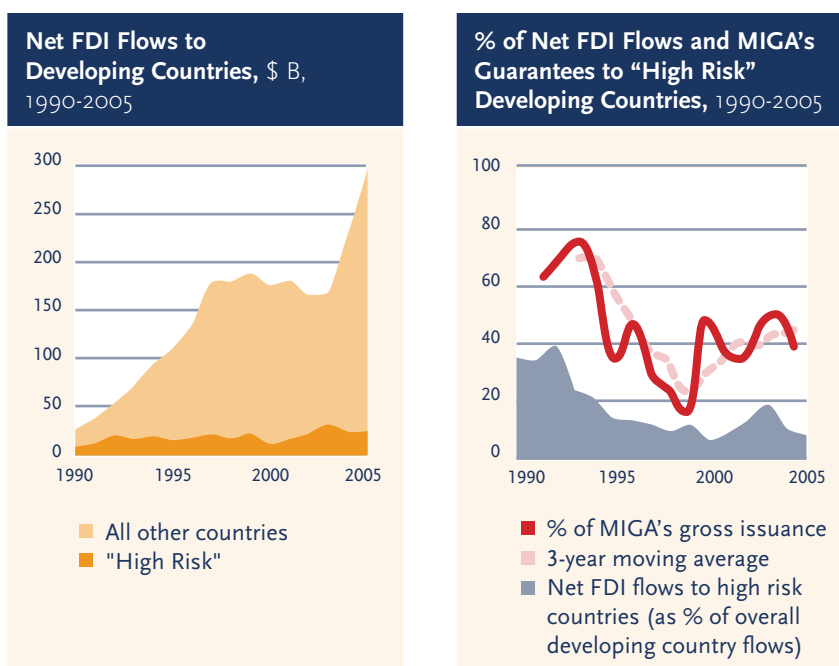
In general, increases in gross exposure due to new business are offset by contract reductions, replacements, cancellations, and expiries. In fiscal 2007, 54 contracts were cancelled. The majority of cancellations took place when the investment was successful from a financial standpoint, and in most cases,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

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

Now in its second year of a three-year pilot, MIGA's Small Investment Program (SIP), which provides a maximum coverage of \$5 million, continues to be in demand among

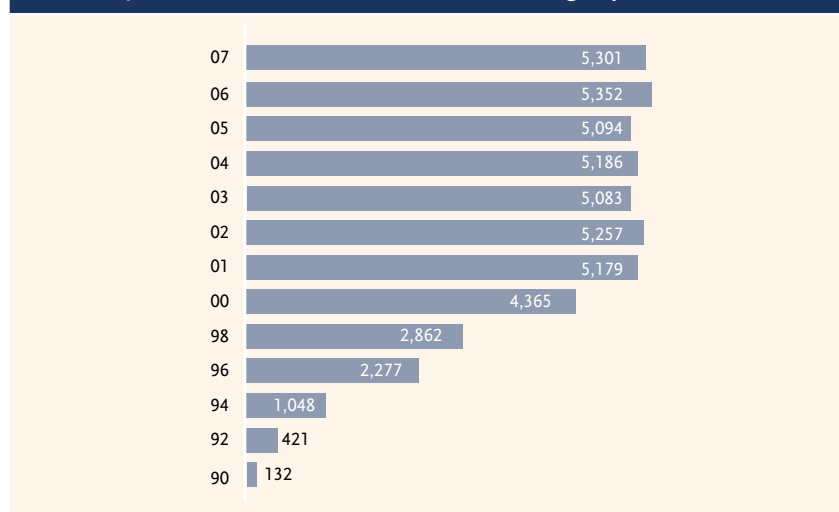
smaller investors who find the streamlined underwriting process more user-friendly and appropriate to their needs. The faster process also makes the underwriting of very

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



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

**FIGURE 4 Guarantees Portfolio, Gross Outstanding Exposure, \$ M**



**TABLE 2 Projects Supported in Fiscal 2007**

Host Country	Guarantee Holder	Investor Country	Sector	Amount \$ M	Priority/Area of Interest <sup>1</sup>
<b>Asia</b>					
Afghanistan	Business Humanitarian Forum Association (BHF)	Switzerland	Services	0.37	IDA, F, CA, SIP
Afghanistan	ShoreCap International Ltd.	United Kingdom	Financial	1.5	IDA, F, CA, SIP
Afghanistan	MTN Group	South Africa	Infrastructure	74.5	INF, IDA, F, CA, S-S
China	Mahindra Overseas Investment Company	Mauritius	Manufacturing	7.2	S-S
China	Darco Environmental Pte. Ltd.	Singapore	Infrastructure	7.56	INF, S-S
China	Golden State Waste Management Corporation	Cayman Islands	Infrastructure	25.0	INF
China	Golden State Water Group Corporation	Cayman Islands	Infrastructure	2.33	INF
China	Golden State Waste Management (Beijing) Corporation	Cayman Islands	Infrastructure	6.93	INF
<b>Europe and Central Asia</b>					
Kazakhstan	First Kazakh Securitization Company, B.V., ABN AMRO Bank N.V.	Netherlands	Financial	10.3	
Russian Federation	Raiffeisen Zentralbank Österreich AG	Austria	Financial	101.7	
Russian Federation	Raiffeisen Zentralbank Österreich AG	Austria	Financial	33.3	
Russian Federation	Société Générale S.A.	France	Financial	285.0	
<b>Latin America and the Caribbean</b>					
Brazil	Cobra Instalaciones y Servicios (Cobra)	Spain	Infrastructure	35.4	INF
Brazil	Cobra Instalaciones y Servicios (Cobra)	Spain	Infrastructure	20.6	INF
Brazil	Cobra Instalaciones y Servicios (Cobra)	Spain	Infrastructure	5.4	INF

**TABLE 2 Projects Supported in Fiscal 2007 (cont'd)**

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

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

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

<sup>2</sup> A portion of the guarantee coverage—\$15.9 million to the Singaporean investor—is considered South-South.

<sup>3</sup> A portion of the guarantee coverage—\$0.45 million to the Indian investor—is considered South-South.

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

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

Note: Numbers may not agree due to rounding.



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

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

#### DISPUTE RESOLUTION KEEPS INVESTMENTS—AND BENEFITS—ON TRACK

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

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

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

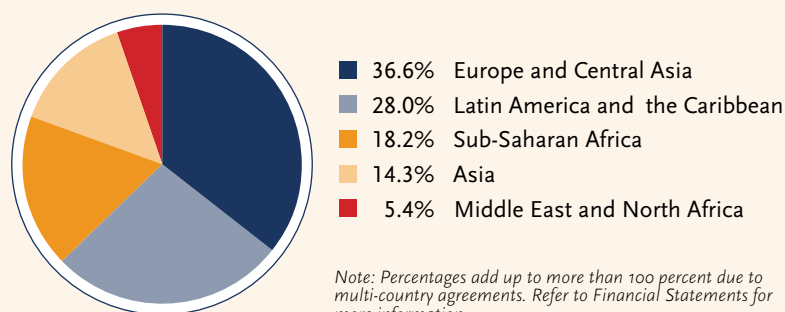
MIGA did not pay any claims during fiscal year 2007. Three claims were filed during this fiscal year. One of the disputes giving rise to a claim was settled between the investor and the host government. In another case, MIGA determined that the claim was

withdrawn. In addition, MIGA continued to seek a resolution on two pending claims—one of which was filed in fiscal 2006. In February 2005, MIGA partially paid a claim to an investor in Argentina. Notwithstanding MIGA's determination that the claim was valid, the investor withdrew the remaining claim for commercial reasons.

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

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

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



#### MIGA MAKES PROGRESS ON PORTFOLIO DIVERSIFICATION

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

##### *Regional Diversification*

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



### MIGA TARGETS SMALL INVESTORS

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

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

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

During FY07, MIGA continued its focus on supporting SMEs through the issuance of seven contracts amounting to \$7 million in gross exposure. The total portfolio supported through the Small

Investment Program (SIP) consists of 11 projects representing \$28 million in guarantees. All SIP transactions signed during the fiscal year were in frontier markets, including three projects in Africa and two in Afghanistan. Highlights include:

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

#### SIP Projects Supported in FY07

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

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

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

MIGA guaranteed eight projects, backed by ten contracts totaling \$125 million in coverage, in Asia (including East Asia and the Pacific and South Asia). Among these were three projects in Afghanistan, including a telecommunications project involving a \$75 million MIGA guarantee and an additional \$2 million in coverage underwritten through the special

Afghanistan Investment Guarantee Facility. The facility was created in 2005 to encourage foreign investment in the reconstruction and economic growth of this conflict-affected country.

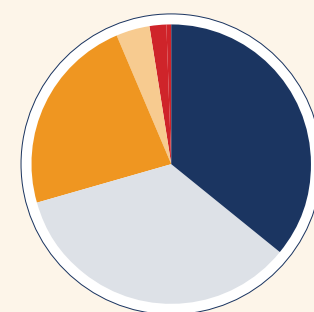
Europe and Central Asia accounted for four projects guaranteed by MIGA, which issued five contracts totaling \$430 million in coverage. One of these transactions involved the second tranche of a mortgage-backed securitization in Kazakhstan, widely considered to be an innovative instrument for encouraging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

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

## SECTORAL DIVERSIFICATION

MIGA focused much of its new business efforts in fiscal year 2007 on supporting infrastructure projects and diversifying its exposure in the financial services sector. As a result, infrastruc-

**FIGURE 6 Guarantees Issued by Sector in FY07**



- 36% Infrastructure
- 35% Financial
- 23% Manufacturing
- 4% Oil, gas, and mining
- 2% Agribusiness, tourism, and services

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

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

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

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

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

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

#### INVESTOR AND HOST COUNTRY DIVERSIFICATION

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

Among investor countries, South Africa moved from seventh to fourth position in terms of guarantees received, reflecting the agency's focus on intra-

regional and South-South investment in Africa. France overtook Austria as the second highest guarantee recipient, while Finland registered among MIGA's top five investor countries for the first time. (See Figure 7.)

#### AGENCY LAUNCHES NEW DISCLOSURE AND SOCIAL AND ENVIRONMENTAL SAFEGUARDS POLICIES

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

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

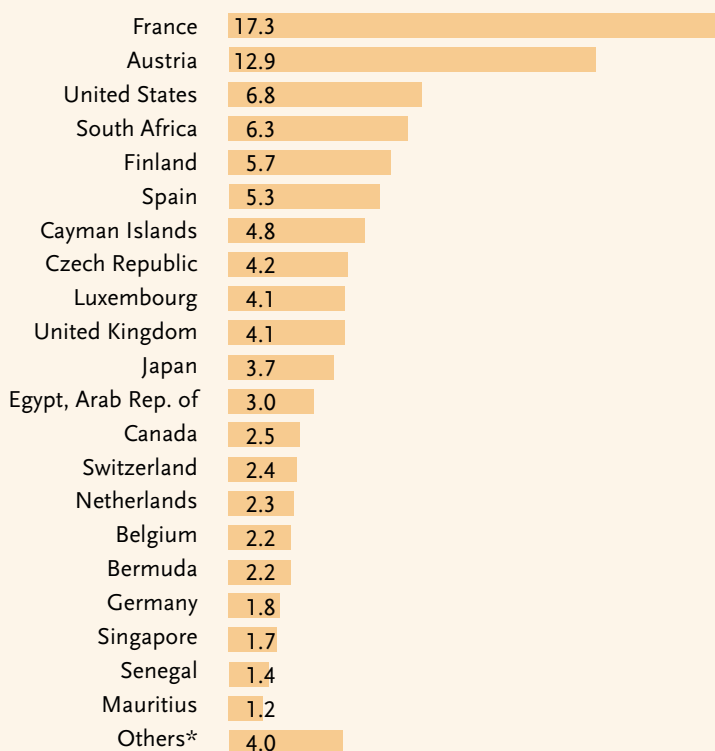
The proposed new policies define MIGA's roles and responsibilities in supporting project performance in partnership with clients. MIGA expects to ensure positive development outcomes relating to social and environmental sustainability by supporting investments that meet a comprehensive set of performance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

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

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



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



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

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

MIGA's new policies may be found on MIGA's website at [www.miga.org/](http://www.miga.org/) policies.

#### COLLABORATING WITH THE WORLD BANK GROUP

The institutions of the World Bank Group provide a broad array of products and services to contribute to growth and poverty reduction in member countries, ranging from financing and credit enhancements, to policy and advisory support, to analytical and risk management tools. As one of the institutions working directly

to mitigate risks relating to foreign investment in developing countries, MIGA's role within the group is distinct and vital.

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

#### REINSURING THE PORTFOLIO

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

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

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



### MIGA GUARANTEES SUPPORT RISING SOUTH-SOUTH INVESTMENT

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

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

Supporting South-South investment is a key element of MIGA's strategy. In 2007, the number of South-South investments supported by MIGA reg-

istered an important increase, rising from 14 percent of business underwritten in the previous year to 18 percent, for a total of \$249 million. The majority of these investments are intra-regional, meaning that the development impact rests locally.

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

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

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

**South-South Investments Supported in FY07**

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

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

### Partners

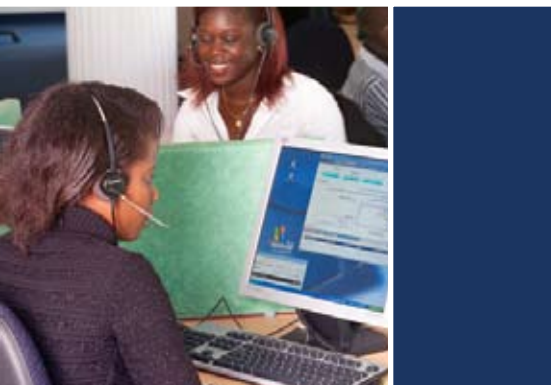
During fiscal 2007, MIGA entered into facultative reinsurance agreements, and thus leveraged additional capacity for MIGA projects, with nine private insurance partners and two public reinsurers. Finnerva provided MIGA with \$100 million in facultative reinsurance for the Botnia project in Uruguay, representing the second largest amount MIGA has ever insured with a public partner. Together with the facultative insurance amounts ceded to private partners on the same project (\$80 million), this was also the second largest amount

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

in absolute terms ever to be ceded by MIGA to insurance partners. Also, during the year, MIGA signed reinsurance agreements with Coface North America, Inc. and ONDD, the national export credit agency of Belgium. In Afghanistan, MIGA was supported by four private reinsurers on a facultative reinsurance agreement for the Areeba Afghanistan telecommunications project.

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





## Technical Assistance

MIGA PROVIDES TECHNICAL ASSISTANCE TO HELP GOVERNMENTS AND OTHER INTERMEDIARIES INVOLVED IN PROMOTING INVESTMENT IMPROVE THEIR ABILITY TO RESPOND EFFECTIVELY TO INVESTOR NEEDS. IN FISCAL 2007, THE AGENCY'S ACTIVE TECHNICAL ASSISTANCE (TA) PORTFOLIO CONTAINED 44 PROJECTS COVERING 29 COUNTRIES, ALONG WITH SEVERAL REGIONAL AND GLOBAL INITIATIVES.

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

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

geting, and improving responsiveness to investor needs through information services.

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

### MIGA's TA SERVICES INTEGRATED INTO FIAS

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

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

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

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

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

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



## AGENCY CONDUCTS NEW IPA PERFORMANCE REVIEW

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

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

The study's results reflect a wide spectrum of performance. There were encouraging performances by some IPAs in nearly all developing regions, although all regions still lagged behind global best practices. The developing-economy IPAs scored considerably better in the website assessment than in the two inquiry-handling exercises. Overall, the results suggest that at least half of the surveyed developing-economy IPAs are not yet providing the levels of service and information

that investors expect. Most would benefit from a focus on improving both the systems and skills used in interfacing with investors and the quantity and quality of information provided.

## SNAPSHOT SERIES BENCHMARKS FDI COMPETITIVENESS IN AFRICA AND THE CARIBBEAN

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

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

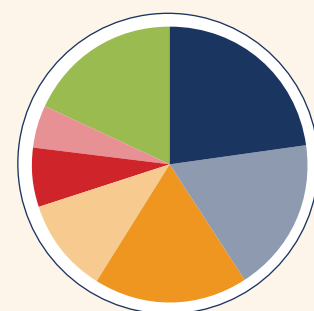
The study examines numerous thriving investments, underscoring the untapped potential of these sectors. For prospective investors, *Snapshot Africa* provides hard-to-find comparable information on investor costs and conditions in the above-mentioned sectors, and can help them develop their site selection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

Among the study's main findings are that investors have yet to take full advantage of the region's mobile

investment opportunities; a large proportion of foreign investments originate in neighboring countries, spurred by ongoing regional economic integration; most of the countries studied still find themselves in the pre-site selection stage; accurate, relevant, and timely investment information is still relatively hard to come by; and last, attractive investment opportunities do exist, offering a "first move" advantage to those looking to invest in these relatively untapped markets.

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

**FIGURE 8 Technical Assistance Portfolio Distribution by Region**



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

To view the studies, visit [www.fdi.net/snapshot\\_africa](http://www.fdi.net/snapshot_africa) and [www.fdi.net/snapshot\\_caribbean](http://www.fdi.net/snapshot_caribbean).

### **MIGA-SWISS PARTNERSHIP PROGRAM WRAPS UP**

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

The \$2.7 million program supported the design and implementation of

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

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

### **OTHER INITIATIVES YIELD RESULTS**

#### ***Ex-Post Evaluation***

In recent years, MIGA has implemented two long-term TA work programs, one in Armenia (with the Armenian Development Agency) and one in Nicaragua (with ProNicaragua),

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

#### ***Sector-focused FDI intelligence reports and E-Learning***

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



## Online Investment Information and Knowledge Services

DURING THE FISCAL YEAR, MIGA LAUNCHED A NEW SERVICE ON POLITICAL RISK MANAGEMENT AND INSURANCE, THE PRI-CENTER ([WWW.PRI-CENTER.COM](http://www.pri-center.com)). THE MOVE FURTHER ALIGNED MIGA'S ONLINE INVESTMENT SERVICES WITH THE AGENCY'S CORE BUSINESS AND STRATEGIC PRIORITIES. MIGA ALSO CONSOLIDATED EXISTING INVESTOR-ORIENTED WEBSITES INTO A SINGLE PORTAL SITE, FDI.NET ([WWW.FDI.NET](http://www.fdi.net)). THROUGH THESE INITIATIVES, MIGA CONTINUES TO CONTRIBUTE TO ITS MANDATE OF CONDUCTING RESEARCH AND EXTENDING KNOWLEDGE ABOUT INVESTMENT-RELATED ISSUES. THESE SITES FURTHER POSITION MIGA AS A THOUGHT LEADER ON PRI- AND FDI-RELATED ISSUES.

### PRI-CENTER SERVES NICHE AUDIENCE

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

Filling a documented information gap, the site establishes MIGA as a knowledge center, which commissions written contributions on important issues relating to political risk and disseminates them globally via special features on the PRI-Center. During this fiscal year, MIGA rolled out three topical features that addressed political risk in the context of terrorism; resource nationalism in

the extractive industries sector; and disputes and claims. The site has also highlighted three regional focuses, on the Middle East and North America, Latin America and the Caribbean, and sub-Saharan Africa.

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

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



### FDI.NET PROVIDES SINGLE ENTRY POINT FOR ALL THINGS FDI

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

**TABLE 6 MIGA's Online Services**

Host country	Description	Audience	Services
FDI.net	Global portal on FDI information and opportunities	Investors, researchers, advisors, financial institutions, investment promotion practitioners	<ul style="list-style-type: none"> <li>■ Sector and country research</li> <li>■ Business environment &amp; regulatory guides</li> <li>■ Privatization and Investment opportunities</li> <li>■ Directories</li> <li>■ Newsletters and customized email alerts</li> </ul>
PRI-Center	One-stop shop on political risk insurance	Investors, political risk practitioners, brokers, researchers	<ul style="list-style-type: none"> <li>■ Information resources on political risk mitigation</li> <li>■ Country research and ratings</li> <li>■ In-depth features on political risk topics</li> <li>■ Latest news and events</li> <li>■ Directories</li> </ul>
FDI Promotion Center	Capacity-building toolkit for investment promotion	Investment promotion professionals	<ul style="list-style-type: none"> <li>■ Information and resources on how to attract and retain FDI</li> <li>■ Learning modules for capacity building of investment promotion agencies</li> <li>■ Newsletters</li> </ul>
MIGA.org	Corporate site	MIGA clients, general public (NGOs, media, etc.)	<ul style="list-style-type: none"> <li>■ Information on products and services</li> <li>■ Portfolio by country, sector, and region</li> <li>■ News and events</li> <li>■ Online guarantee application</li> </ul>

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

In addition to some 90 national investment promotion intermediaries and privatization agencies that are content partners, FDI.net relies on featured partnerships to bring timely and unique information to the investor community. Significant among these are Business Monitor International (BMI), providing specialist business information on global emerging

markets; Business News Americas, providing news and information about investment opportunities in the infrastructure, energy, mining and financial services sectors in Latin America and the Caribbean; the Institute for Public Private Partnerships (IP3), which has provided case studies and reports on structuring public private partnerships; and PPIAF, a multi-donor technical assistance facility in the World Bank, which collaborates closely with MIGA on matching private investors with investment opportunities in Africa.



## ASIA

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



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

Net FDI flows into East Asia and the Pacific remained strong in 2006, at \$88.3 billion, although slightly lower than flows in 2005 (\$96 billion). China

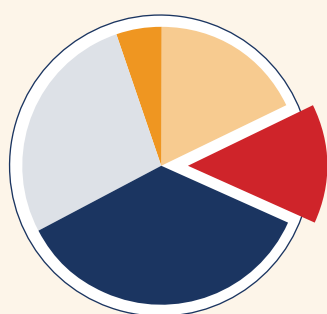
continued to dominate these flows, taking in \$76 billion of the region's total. China's net FDI flows accounted for almost a quarter of total flows to all developing countries, down from one-third in 2002.

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

net flows rising from \$6.6 billion in 2005 to \$8 billion in 2006.

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

Regional Distribution of Outstanding Guarantees Portfolio



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

Regional Development Indicators, Asia

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

Source: World Development Indicators, 2005 data

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

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

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

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



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

Guarantees	
Country	Activities
CHINA	<p>(cont'd) After restructuring and expansion, the water plant is expected to provide better service and higher quality water. It will also lay the groundwork for the company to construct phase two of the project, which will double the amount of water supplied.</p> <p>China's 11th five-year plan, for the period 2006-2010, estimates that the country needs more than \$128.2 billion in investment in the areas of water supply, wastewater treatment, and solid waste treatment. One of the key themes of the World Bank Group's country partnership strategy for China is managing resource scarcity and environmental challenges. Within this theme, constructing water supply and wastewater treatment facilities is a World Bank Group priority in China. MIGA's guarantee support was particularly important for the investor to help mitigate the risks associated with sub-sovereign investment.</p>
Technical Assistance	
Country	Activities
BANGLADESH	MIGA is supporting the new Bangladesh Investment Climate Facility. The facility, funded by a number of donors and managed by FIAS, is designed to improve the overall investment climate in Bangladesh. MIGA also undertook an institutional assessment of the Bangladesh Export Processing Zones Authority (BEPZA), in support of a FIAS-South Asia Enterprise Development Facility pilot program that aims to reform the investment climate through the development and management of economic zones. The assessment was designed to identify and explore BEPZA's institutional development needs in the context of ongoing discussions on the development of economic zones in Bangladesh, and to identify the support that BEPZA would require to develop the capacity to adapt to its new roles.
CAMBODIA	MIGA and FIAS are working with the Council for the Development of Cambodia to support a program that has been incorporated into a World Bank private sector development project. The MIGA-FIAS effort involves the formulation and supervision of an investment promotion strategy and the development of an action plan to enhance investment generation, investor servicing, and aftercare services.
CHINA	<p>MIGA continued supporting China's efforts to attract new investment to lesser-developed regions of the country. MIGA and FIAS held a workshop with the Ministry of Commerce and China's Investment Promotion Agency to define a development framework for a national investment promotion strategy and to develop detailed plans for a National Investment Promotion Resource Center. The investment promotion strategy, which includes plans to upgrade sub-national investment promotion and climate reform capacity, will be piloted in six provinces in central China.</p> <p>In addition, building on a recent MIGA-Private Enterprise Partnership (PEP) China benchmarking study of five sectors in Sichuan Province, MIGA conducted a survey of industrial clusters in Sichuan to identify the scope for potential World Bank Group assistance.</p>
INDONESIA	In support of PEP-Indonesia and FIAS, MIGA provided advice and training to support a program designed to develop institutional capacity for investment promotion intermediaries in Aceh and other provinces of Indonesia. MIGA is now working with PEP-Indonesia and FIAS on the design of the second phase of this program.
NEPAL	MIGA participated in a World Bank Group-sponsored mini-diagnostic on Nepal's investment climate. The diagnostic was designed to quickly understand the critical regulatory constraints to private investment in the country, to propose reform options, to gauge whether conditions exist for sustainable implementation of proposed solutions, and to assess the scope for investment promotion in Nepal. The diagnostic formed the basis for a strategic dialogue with the government on the reform agenda and on its technical assistance needs. FIAS and MIGA are now developing proposals with the government for a technical assistance program.
PHILIPPINES	In the Philippines, a joint World Bank-IFC-MIGA-FIAS advisory project was implemented to help improve the country's ability to attract and retain mobile foreign investment. MIGA led a review of investment promotion arrangements, which involved an assessment of the institutional framework and functional capabilities of the country's national and sub-national investment promotion entities, as well as initiating and supporting policy dialogue on investment promotion reform. (cont'd)

## Technical Assistance

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



## EUROPE AND CENTRAL ASIA

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

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

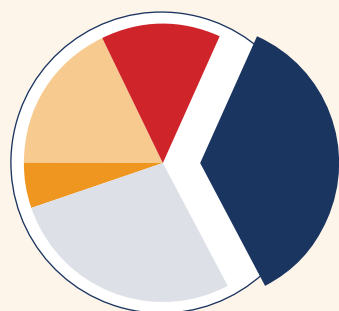
Net FDI flows to the region reached a record \$116 billion in 2006, up from

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

thirds of the total to all developing countries.

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

**Regional Distribution of Outstanding Guarantees Portfolio**



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

**Regional Development Indicators, Europe and Central Asia**

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

Source: World Development Indicators, 2005 data

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

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



Guarantees	
Country	Activities
RUSSIAN FEDERATION	(cont'd) The project is in line with the World Bank's country partnership strategy for the Russian Federation, one of the key objectives of which is to increase effective financial intermediation and opportunities for the entry and growth of new enterprises.
RUSSIAN FEDERATION	<p><b>Project Name: ZAO Raiffeisenbank Austria</b> Guarantee Holder: Raiffeisen Zentralbank Österreich AG</p> <p>MIGA has issued a guarantee of \$102 million to Raiffeisen Zentralbank Österreich AG (RZB) for a subordinated shareholder loan to its subsidiary ZAO Raiffeisenbank Austria (Raiffeisenbank) in the Russian Federation. The coverage is for a period of up to seven years against the risks of expropriation and transfer restriction.</p> <p>RZB has lent \$107 million under a subordinated loan agreement to its Russian subsidiary, Raiffeisenbank, a fully licensed commercial bank offering its clients a complete range of domestic and cross-border operations. The loan will be used by Raiffeisenbank to increase its Tier II capital, support private sector operations, and finance anticipated loan growth in the country.</p> <p>This project supports a leading foreign bank in Russia and is expected to contribute to the strengthening of the country's financial sector, which has a low level of foreign investment. Foreign banks, such as Raiffeisenbank, can introduce international best practices, advanced risk management systems, operational know-how and training in countries with relatively weak and fragmented financial sectors. By supporting the expansion of Raiffeisenbank's high-quality services, this project will benefit consumers and have a demonstration effect on Russian banks.</p>
Technical Assistance	
Country	Activities
CROATIA	MIGA's Croatia Investment Promotion Outreach Alliance project concluded in 2006. The alliance was supported through a formal partnership between MIGA, USAID, and the Istrian Development Agency. The project's goals were to increase investor awareness of Croatia's investment potential, encourage investors to undertake site visits, and ultimately to support actual investment in the country. As a result of the project, three companies have confirmed their intention to invest in Croatia. The investments are expected to total €20 million and create 350 new jobs over the next three years.
MACEDONIA	MIGA's support to Macedonia's new investment promotion intermediary, MACinvest, was completed this fiscal year. This technical assistance project was launched in 2005 and was funded by the Austrian Development Agency. The project included capacity building for the new agency, installation of information technology systems, and a contribution to MIGA's Southeastern Europe enterprise benchmarking study. The new government has requested further MIGA/FIAS assistance in implementing targeted investor outreach activities.
MONTENEGRO	A joint project between MIGA and the European Agency for Reconstruction was carried out this fiscal year. Under the eight-month program, MIGA provided technical assistance to the government of Montenegro to support the establishment of the Montenegrin Investment Promotion Agency (MIPA). MIGA helped equip MIPA with the requisite skills, tools, resources, and strategic direction to raise the profile of Montenegro as a competitive investment location and to stimulate and sustain a sufficient flow of FDI to catalyze economic growth. A follow-on technical assistance project is being considered.
RUSSIA	At the request of the government of the Rostov Region, MIGA conducted an institutional needs assessment of the region's investment promotion agency and proposed a program to strengthen the agency's institutional capacity. A training plan has been prepared and discussed with the agency and the administration of the Rostov Region.
SERBIA	MIGA is implementing the Serbia Investment Promotion Program (SIPP), an initiative funded by the European Agency for Reconstruction. Under the two-and-a-half year project, MIGA is implementing a range of capacity-building and investment promotion activities. The program's overall objective is to increase FDI flows into Serbia, thereby accelerating the country's transition to a market economy, underpinning the European Union accession process, and creating long-term sustainable private-sector development. A status review of SIPP was recently carried out, revealing several challenges that need to be addressed with the new government.

## Technical Assistance

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



## LATIN AMERICA AND THE CARIBBEAN

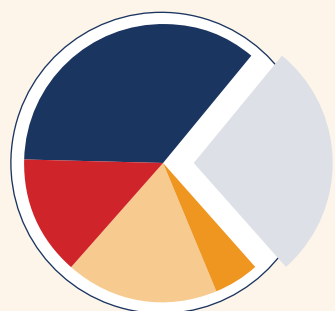
ANTIGUA AND BARBUDA ARGENTINA BAHAMAS BARBADOS BELIZE BOLIVIA  
BRAZIL CHILE COLOMBIA COSTA RICA DOMINICA DOMINICAN REPUBLIC  
ECUADOR EL SALVADOR GRENADA GUATEMALA GUYANA HAITI HONDURAS  
JAMAICA NICARAGUA PARAGUAY PANAMA PERU ST. KITTS & NEVIS ST. LUCIA  
ST. VINCENT SURINAME TRINIDAD & TOBAGO URUGUAY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

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

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

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

Regional Distribution of Outstanding Guarantees Portfolio



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

Regional Development Indicators, Latin America and the Caribbean

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

Source: World Development Indicators, 2005 data

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

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

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



Guarantees	
Country	Activities
URUGUAY	<p>(cont'd) The project involves the construction of a new pulp mill in Fray Bentos, Uruguay, to produce bleached eucalyptus kraft pulp, which will be exported to paper manufacturers in Europe, Asia and North America. The project is expected to produce one million tons of pulp per year and consume 3.5 million cubic meters of wood annually. Approximately 140,000 ha of eucalyptus plantations will be used to supply this wood. For the most part, these plantations are developed on soils that are not suitable for agriculture and are used primarily for cattle grazing.</p> <p>The mill is designed to implement best available techniques as identified by the European Union (EU) in a 2002 directive. The techniques and control measures used will ensure that emissions and effluents comply fully with EU and US Environmental Protection Agency standards, and are therefore acceptable under MIGA's environmental guidelines.</p> <p>The mill is located on a site on the east bank of the River Uruguay about 5 km upstream of the town of Fray Bentos. Established in 1859, the town's economy was closely associated with a well-known meat processing plant until the plant closed in 1979. As a result of the closure, the local economy became depressed; families were forced to rely on public sector employment and pensions; and unemployment rates jumped substantially higher than the national average.</p> <p>The project will help the country move further up the value chain beyond the export of raw materials. The plant will generate value added equivalent to 1.6 percent of Uruguay's entire GDP (based on 2005 figures) and slightly more than 8 percent of the country's exports for each year of full-capacity production. The direct and indirect employment is especially significant for the region's unemployed and low-income residents. During the peak construction phase the plant will employ 4,500 workers, of which 80 percent are Uruguayan. In the operational stage, direct and indirect employment is estimated to exceed 6,000 new jobs.</p> <p>Expected regional environmental improvements related to the mill include treating wastewater from the nearby town of Fray Bentos; generating electricity from mill operations that will offset 68,000 tons a year of carbon dioxide and reduce acid rain by replacing oil burned in public generating plants; treating the untreated effluent of an older, unrelated pulp mill in the nearby town of Mercedes; and producing sufficient sodium chlorate to allow local mills in Argentina and Uruguay to move to elemental chlorine-free pulp production.</p> <p>MIGA's participation in the project complements the World Bank Group's long-term strategy in Uruguay, which supports the expansion of the private sector in areas where the country is internationally competitive. MIGA's participation in the project also complements the work of the IFC, which is providing \$170 million in debt financing.</p>
Technical Assistance	
Country	Activities
COLOMBIA	<p>MIGA's assistance to the Chamber of Commerce of Bogotá in the creation of an investment promotion agency for the Bogotá/Cundinamarca region reached a turning point this year. Invest in Bogota, the new investment promotion agency, was formally inaugurated in September 2006. This initiative represents MIGA's first sub-national promotion effort in Latin America. During the past year, the focus has been on establishing the institutional structure, building capacity among staff, completing studies aimed at defining sectors to be targeted over the next three years, and initiating outreach operations. MIGA also completed a short-term project with ProBarranquilla that began in fiscal year 2006. This included an assessment of the agency's operations, improving its tracking and management of investors, facilitation and site visit capacity, and links with partners.</p>
GUATEMALA	<p>MIGA's support to Guatemala's national investment promotion agency has been closely coordinated with the World Bank's lending operations. MIGA's technical assistance to Invest in Guatemala (IIG) involves staff training, strategic planning, partner development, and guidance on executing proactive investment promotion campaigns. These campaigns emphasize the attraction of employment-generating FDI and export-oriented operations. MIGA has worked with IIG to develop sector promotion programs in light manufacturing, agribusiness and forestry, tourism, and services. During calendar year 2006, IIG was responsible for facilitating over \$425 million in new FDI in the above sectors, far surpassing their target of \$100 million. MIGA's support to the agency concluded in June 2007.</p>

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

## MIDDLE EAST AND NORTH AFRICA

ALGERIA SAUDI ARABIA KUWAIT LIBANON LIBYA MOROCCO OMAN QATAR SAUDI ARABIA

SYRIAN ARAB REPUBLIC TUNISIA UNITED ARAB EMIRATES YEMEN

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

Booming oil revenues have fueled strong intra-regional financial flows. Net FDI flows to the region increased from \$13.8 billion in 2005 to \$19.2 billion in 2006, driven mainly by

foreign investments from oil-exporting Gulf countries in the energy, infrastructure, real estate, and tourism sectors.

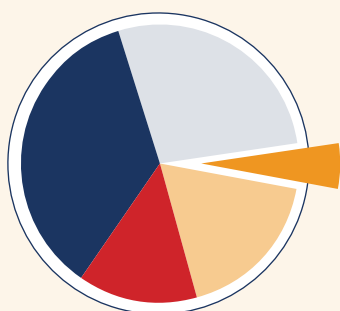
Although MIGA did not guarantee any projects in the region during the fiscal year, important groundwork was laid, enabling the agency to begin guaranteeing projects backed by an Islamic financing structure. At year-end, MIGA's gross guarantee exposure in the region stood at \$285 million, equivalent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



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

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

Regional Distribution of Outstanding Guarantees Portfolio



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

Regional Development Indicators, Middle East and North Africa

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

Source: World Development Indicators, 2005 data

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

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

## SUB-SAHARAN AFRICA

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



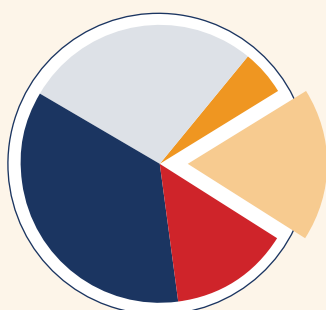
GDP in sub-Saharan Africa is estimated to have grown by 5.6 percent in 2006, down marginally from 5.8 percent in 2005. This robust performance has been broadly based, with about half the countries in the region growing by 5 percent or more and only seven growing by less than 2 percent. High commodity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

macroeconomic performance, and the cumulative effect of several years of microeconomic policy reform have been key contributing factors to the region's expansion.

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

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

Regional Distribution of Outstanding Guarantees Portfolio



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

Regional Development Indicators, Sub-Saharan Africa

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

Source: World Development Indicators, 2005 data

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



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

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

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

Guarantees	
Country	Activities
MOZAMBIQUE	<p>(cont'd) The additional coverage of \$49.7 million is for SCMB's \$27 million loan to the project enterprise, Companhia Mozambique de Gasuduto S.a.r.l. (CMG) and a \$13 million loan guarantee on behalf of CMG. The risks covered are transfer restriction, expropriation, and war and civil disturbance for a period of 15 years. The guaranteed loan will be used by the CMG to acquire an equity stake in the investment project. The project consists of an 865 km gas pipeline for the central processing facility in Mozambique to South Africa. The pipeline is owned and operated by the Republic of Mozambique Pipeline Investment Company.</p> <p>For project details, please refer to <a href="http://www.miga.org/sasol1">www.miga.org/sasol1</a> and <a href="http://www.miga.org/sasol2">www.miga.org/sasol2</a>.</p>
NIGERIA	<p><b>Project Name: Aarti Steel Nigeria Ltd.</b> Guarantee Holders: Rockland Steel Trading (P) Ltd.; State Bank of India</p> <p>MIGA has issued guarantee coverage in the amount of \$11.4 million to Rockland Steel Trading (P) Limited of India and to the State Bank of India. The guarantees cover \$0.45 million of Rockland Steel's equity investment in Aarti Steel (Nigeria) Limited (ASNL), and \$10.9 million of non-shareholder loans made by the State Bank India to ASNL. The MIGA guarantees provide coverage against the risks of transfer restriction, expropriation, and war and civil disturbance.</p> <p>Aarti Steel Nigeria Limited has constructed a greenfield manufacturing plant for steel galvanizing in Ogun State. The new facility has a manufacturing capacity of 50,000 tons a year, with a provision to expand this capacity, and produces galvanized steel coils, galvanized plain steel sheets, and galvanized corrugated (roofing) steel sheets. When the facility is fully online, it is expected to be the largest local manufacturer, employing about 200 individuals onsite, with an additional 1,000 individuals expected to be employed indirectly in the provision of support and ancillary services. The plant uses piped compressed natural gas as its main energy source. Natural gas will be used to produce electric power for captive consumption through a gas generator, as well as for all heating and melting furnaces. This approach will avoid the emission of CO<sub>2</sub> and also supports the government's policy of using gas for productive purposes instead of flaring. Flaring and venting of natural gas in oil wells is a significant source of greenhouse gas emissions.</p> <p>Nigeria's increasing wealth and population is driving market demand for galvanized plain and galvanized corrugated steel sheets. Galvanized corrugated sheets are used as roofing material on nearly all houses in Nigeria and the surrounding region. The plain metal sheeting will also be used in a variety of industries including agricultural implements, consumer durable goods, hardware for domestic and industrial construction, railways, and machinery manufacturing. The project will also bring modernized and efficient processes to Nigeria's relatively weak manufacturing sector.</p> <p>This project meets MIGA's priorities of supporting South-South investments and investments in frontier markets. It is also consistent with the World Bank Group's country partnership strategy for Nigeria, which builds on the government's strategy of promoting private sector-led growth, particularly in the non-oil sector.</p>
UGANDA	<p><b>Project Name: Umeme Limited</b> Guarantee Holder: Globeleq Holdings (ConCo) Limited</p> <p>MIGA has issued a guarantee of \$39.6 million to Globeleq Holdings (ConCo) Limited of Bermuda, covering its equity investments in and shareholder loan to Umeme Limited of Uganda. This is a modification of a previous contract signed in fiscal year 2005.</p> <p>The modification of the previous contract reflects the restructuring of this project due to current power sector problems in Uganda. The guaranteed percentage is 90 percent for both the equity and shareholder loans. The modification is for a period of 18 years and two months against the risks of transfer restriction, breach of contract, and war and civil disturbance.</p> <p>The project involves the operation of the electricity distribution system in Uganda. The government of Uganda leases the electricity grid to the joint venture partners (Globeleq and Eskom) in exchange for periodic lease payments. In turn, Umeme buys bulk electricity from the government-owned transmission company, UETCL, under an agreed tariff arrangement. (cont'd)</p>

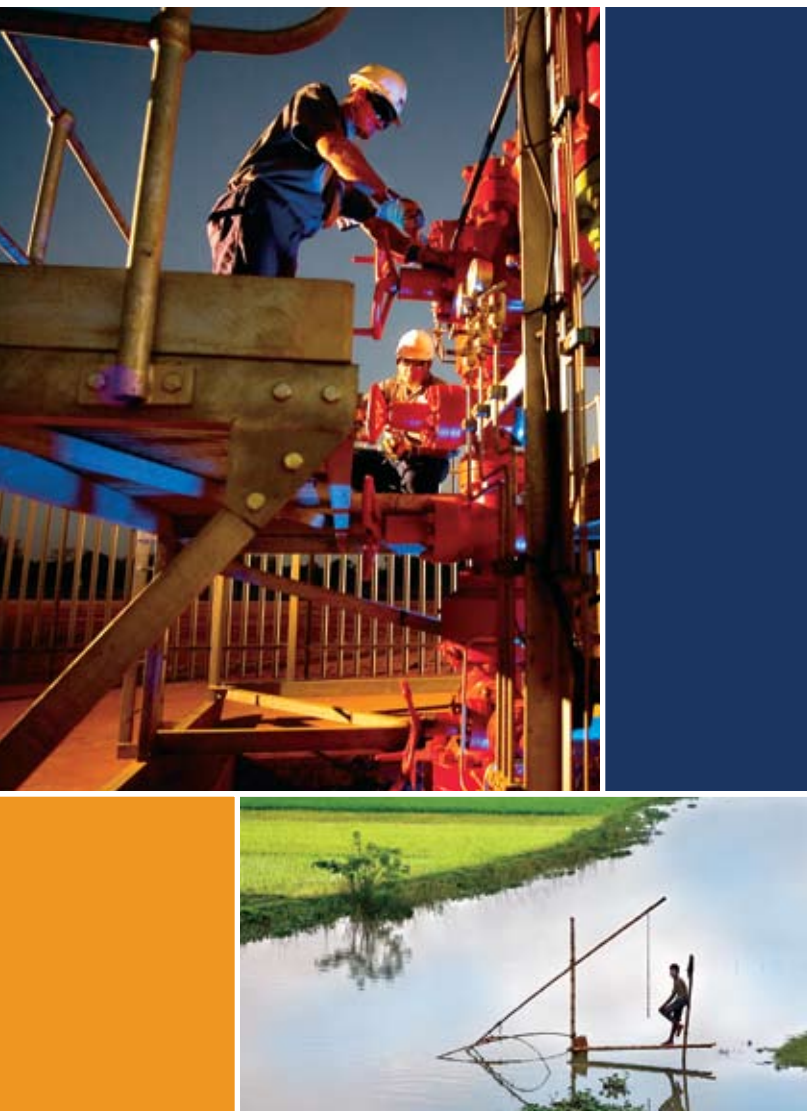
Guarantees	
Country	Activities
UGANDA	<p>(cont'd) Umeme and the government of Uganda have negotiated a new agreement on required energy supply levels for 2007-2013, as well as an agreement on how to share the risk (and benefits) related to losses and collections.</p> <p>MIGA's participation in the project will support critically needed investments in the power sector in Uganda and strengthen the government's capacity to manage reform, privatization, and development in the sector. The project addresses two of MIGA's priority areas: an investment in an IDA-eligible country and in sub-Saharan Africa. MIGA's participation in the project also complements the World Bank's country assistance strategy for Uganda, which focuses on directly increasing the ability of the poor to raise their incomes; improving the quality of life of the poor; creating an enabling environment for economic growth; and ensuring good governance and security.</p>
UGANDA	<p><b>Project Name: Bujagali Energy Ltd.</b> Guarantee Holder: World Power Holdings Luxembourg S.à.r.l.</p> <p>As part of its ongoing support for Uganda's power sector, MIGA has issued \$115 million in guarantee coverage for the Bujagali hydropower project. The guarantee is insuring an investment by World Power Holdings Luxembourg S.à.r.l., a subsidiary of Sithe Global (USA), against the risk of breach of contract. The insurance is for up to 20 years.</p> <p>The project consists of the construction and operation of a 250 megawatt, run-of-the-river hydropower plant on the Victoria Nile by Bujagali Energy Ltd. (BEL), of which Sithe Global is a partner. The project will be developed on a build-own-operate-transfer basis. Once commissioned in 2011, the plant will re-use water flowing from two existing upstream facilities to generate electricity. The project also includes an associated Interconnection Project, which consists of a series of transmission lines to be owned and operated by the Uganda Electricity Transmission Company.</p> <p>Reliable and accessible electricity is critical for Uganda's social and economic development. Yet today, only five percent of Ugandan's have access to electricity. Daily power shortages have stunted economic growth by an estimated one percent of the country's gross domestic product. The Bujagali project is expected to increase supply to the national power grid at the lowest cost compared to other power generation expansion options under Uganda's energy strategy, thereby reducing outages and costs.</p> <p>Total project cost is estimated at \$799 million. In addition to MIGA's guarantee, the World Bank Group is supporting the project with \$130 million in loans from the IFC and a partial risk guarantee of up to \$115 million from the International Development Association. MIGA's guarantee was considered essential to securing Sithe Global's investment. This is the second electricity project supported by MIGA in Uganda in two years.</p>
Technical Assistance	
Country	Activities
GHANA	<p>Ghana participated in the MIGA-Swiss Partnership, an investment facilitation program co-funded by the Swiss government. Under the initiative, MIGA helped Ghana identify opportunities to integrate better into the international economy, for example, by leveraging opportunities generated by preferential trade access agreements. Follow-up being provided includes technical assistance to the country's investment promotion agency, as well as co-sponsorship of a major study of the country's information and communication technology sector. Ghana participated in MIGA's Enterprise Benchmarking Program (see details above).</p>
LESOTHO	<p>MIGA provided capacity-building assistance to the Lesotho National Development Corporation, with the goal of diversifying incoming investment. Lesotho also participated in MIGA's Enterprise Benchmarking Program.</p>
LIBERIA	<p>MIGA recently carried out an institutional needs assessment of the National Investment Commission of Liberia. The assessment is part of a multi-year joint MIGA-FIAS-PEP program to enhance the country's investment climate. The program includes components such as facilitation of a public-private dialog mechanism and development of an investment promotion strategy and a business plan for the commission.</p>



## Technical Assistance

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

INDEPENDENT EVALUATION GROUP  
COMPLIANCE ADVISOR/OMBUDSMAN



## Independent Evaluation Group

**MIGA'S INDEPENDENT EVALUATION GROUP (IEG) ASSESSES THE DEVELOPMENT EFFECTIVENESS OF MIGA PROGRAMS, GUARANTEE PROJECTS, AND COMPLEMENTARY SERVICES. THE GROUP REPORTS TO MIGA'S BOARD OF DIRECTORS AND THE COMMITTEE ON DEVELOPMENT EFFECTIVENESS, AND IS INDEPENDENT FROM MIGA MANAGEMENT AND OPERATIONS.**

Established in fiscal year 2003, the Independent Evaluation Group's objectives are to contribute to learning in MIGA from existing operations and to ensure accountability for results. IEG evaluates the outcomes and work quality of MIGA guarantee projects and services, which form the basis of IEG annual reports and thematic studies. The Group formulates lessons and recommendations for MIGA management and staff based on its evaluations of MIGA programs, projects, and services.

In its fifth year of operation, IEG presented its 2007 Annual Report to the Committee on Development Effectiveness and the Board of Directors. The report looks at the quality of MIGA's work in assessing and underwriting recent guarantee

projects to ensure the development effectiveness in its operations. For this purpose, IEG has reviewed how well MIGA has implemented its own policies and guidelines in its recent guarantees. This analysis also provides the basis for reviewing the implementation of IEG recommendations by MIGA management. The 2007 report also provides feedback on two topics of particular strategic interest to MIGA: It analyzes how new guarantees are expected to contribute to MIGA's financial soundness, and provides an early assessment of the implementation of the new MIGA program in support of small and medium-sized enterprises.

Under a revised mandate strengthening its independence, fiscal 2007 marked a change in how

IEG operates. The Group is also increasingly working with the evaluation groups of the World Bank and the IFC on joint evaluations, to provide a common perspective on strategic themes. To this effect, in fiscal 2007, IEG provided input into joint studies on the transport sector, the World Bank Group's role in middle-income countries, and on environmental sustainability.

IEG's annual reports and recommendations, as well as joint evaluation studies IEG has contributed to, are disclosed and can be accessed at [www.miga.org/ieg](http://www.miga.org/ieg).

## Compliance Advisor/Ombudsman

**THE IFC/MIGA COMPLIANCE ADVISOR/OMBUDSMAN (CAO) IS AN INDEPENDENT RECOURSE MECHANISM THAT REPORTS DIRECTLY TO THE PRESIDENT OF THE WORLD BANK GROUP. THE POST WAS ESTABLISHED IN 1999. ITS MANDATE IS TO HELP MIGA AND THE INTERNATIONAL FINANCE CORPORATION ADDRESS COMPLAINTS BY PEOPLE AFFECTED BY PROJECTS IN A MANNER THAT IS FAIR, OBJECTIVE AND CONSTRUCTIVE, AND TO ENHANCE THE SOCIAL AND ENVIRONMENTAL OUTCOMES OF PROJECTS IN WHICH THESE ORGANIZATIONS PLAY A ROLE.**

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

and the advisory role, which provides a source of independent advice to the President and the management of IFC and MIGA in relation to broader environmental and social policies, guidelines, procedures, strategic issues, trends and systemic issues.

During FY07, the CAO did not receive any new complaints requesting investigation of any MIGA-supported projects. The CAO did, however, work

with local stakeholders to close a complaint relating to the Antamina mine in Peru. During the year, the CAO's office published a retrospective analysis of interventions, trends, outcomes and effectiveness of the office. It also conducted consultations with stakeholders and subsequently revised its Operational Guidelines. Details on these activities can be found on the CAO website, [www.cao-ombudsman.org](http://www.cao-ombudsman.org).



## MANAGEMENT'S DISCUSSION AND ANALYSIS (FY07)

### FINANCIAL STATEMENTS



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (FY07)**

Overview  
Development Activities  
Funding Sources  
Capital Management  
Investment Management  
Risk Management  
Critical Accounting Policy  
Results of Operations  
Corporate Governance

## **FINANCIAL STATEMENTS**

Report of Independent Accountants  
Balance Sheet  
Statement of Income  
Statement of Changes in Shareholders' Equity  
Statement of Cash Flows  
Statement of Subscriptions to Capital Stock and Voting Power  
Statement of Guarantees Outstanding  
Notes to Financial Statements



## MANAGEMENT'S DISCUSSION AND ANALYSIS (FY07)

### OVERVIEW

Established in 1988, the Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank Group. The Bank Group also includes the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the International Centre for Settlement of Investment Disputes (ICSID). MIGA is a legal entity separate and distinct from IBRD, IDA, IFC, and ICSID, with its own charter (the "Convention"), share capital, financial structure, management, and staff. MIGA's membership, which currently stands at 171, is open to all countries that are members of the IBRD.

MIGA's mission is to promote foreign direct investment (FDI) into developing countries, support economic growth, reduce poverty, and improve people's lives. To this end, the agency's vision is to be a multilateral risk mitigator, providing products and services that encourage potential investors to enter developing countries and provide the necessary comfort to alleviate concerns over political (noncommercial) risks. The agency's core business is the provision of political risk insurance. In addition, MIGA has a mandate to carry out complementary activities—including technical assistance,<sup>1</sup> mediation, and online services—to support productive FDI.

MIGA is committed to promoting projects that are economically, environmentally, and socially sustainable, and promise a strong development impact. The agency is also dedicated to working with governments that are committed to policies and actions that improve their countries' investment climates. By providing political risk insurance for foreign direct investment and other activities, MIGA is able to play a critical role in supporting the World Bank Group's broad strategic priorities.

Since its creation in 1988 and through the end of fiscal year 2007 (FY07), MIGA has issued \$17.4 billion in guarantee coverage (including amounts issued under the Cooperative Underwriting Program), in support of 556 projects in 96 member developing countries. The agency has also conducted hundreds of technical assistance activities in member countries, as well as multiple programs at regional and global levels.

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

### DEVELOPMENT ACTIVITIES

#### Summary of Business Segments

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

#### Political Risk Insurance (PRI)

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

#### RISKS COVERED BY MIGA'S GUARANTEES

MIGA provides political risk insurance to eligible investors and lenders against the following noncommercial risks:

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

<sup>1</sup> MIGA's technical assistance function is operationally integrated with the Foreign Investment Advisory Service, a World Bank Group entity.

**TABLE 1 Cumulative Guarantees Issued in Member Countries**

	FY07	FY06	FY05	FY04
Cumulative Guarantees Issued (\$ B) <sup>1</sup>	17.4	16.0	14.7	13.5
Host Countries <sup>2</sup>	96	95	91	85

<sup>1</sup> Includes Cooperative Underwriting Program contracts.

<sup>2</sup> FY07 includes one new host country: Guinea-Bissau.

During FY07, MIGA supported 14 projects in IDA-eligible countries and 11 projects in sub-Saharan Africa, which are special areas of focus for the agency. In terms of exposure, IDA-eligible countries accounted for 44 percent of the net portfolio as of June 30, 2007, while coverage for projects in sub-Saharan Africa accounted for 22 percent.

Table 2 details the regional distributions of MIGA's gross and net guarantee exposures over the past three years. The total gross and net exposures at June 30, 2007, amounted to \$5.3 billion and \$3.2 billion compared to \$5.4 billion and \$3.3 billion respectively at the end of FY06.

**TABLE 2 Regional Distribution of Gross and Net Exposure**

	Gross (\$ M)			Net (\$ M)			Total Net Exposure (%)		
	FY07	FY06	FY05	FY07	FY06	FY05	FY07	FY06	FY05
Asia	757	740	670	523	540	471	16.3	16.3	15.0
Europe & Central Asia	1,941	2,500	2,303	902	1,185	1,225	28.1	35.8	39.0
Latin America & the Caribbean	1,484	1,095	1,257	876	738	757	27.3	22.3	24.1
Middle East & North Africa	285	285	154	262	262	144	8.2	7.9	4.6
Sub-Saharan Africa	964	873	840	711	651	606	22.2	19.7	19.3
Adjustment for Master Agreement	-130	-130	-130	-65	-65	-65	-2.0	-2.0	-2.0
<b>Total</b>	<b>5,301</b>	<b>5,362</b>	<b>5,094</b>	<b>3,209</b>	<b>3,310</b>	<b>3,138</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note: Figures might not add up due to rounding.

MIGA cooperates with national and private investment insurance schemes through coinsurance and reinsurance arrangements to provide investors broader investment insurance coverage and to enhance capacity and effectiveness. MIGA cedes exposure to reinsurers to mobilize public and private participation in long-term political risk insurance, to manage the risk profile of its portfolio, and to leverage its underwriting capacity. Under the Cooperative Underwriting Program, MIGA does not assume the credit risk of the private or public reinsurer. In addition, MIGA may act as a reinsurer, assuming exposure from public and private investment insurers (e.g., export credit agencies). This type of relationship helps extend the capacity of the other insurers and can be done on the basis of whole portfolios or individual projects.

#### Technical Assistance (TA)

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

#### Online Dissemination of Information

In FY06, MIGA's online information services were repositioned to contribute to the agency's new strategic direction, particularly to support proactive marketing of the guarantees program and disseminate knowledge on FDI issues. The process resulted in the consolidation of MIGA's online services under four pillars: (1) the redevelopment of [www.miga.org](http://www.miga.org), the corporate website, (2) the development of FDI.net, an integrated site aimed at investors, (3) the refinement and localization (translation) of FDI Promotion Center, a specialized website aimed at investment promotion intermediaries, and (4) the development of the PRI Center, a pilot site aimed at investors, political risk practitioners, and other interested users. These changes also responded to the findings of an evaluation review by the Independent Evaluation Group (IEG), which highlighted the importance of redefining the objectives of the services, and recommended repositioning and consolidating MIGA's various sites.

### **Investment Dispute Mediation**

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

### **Outlook and Challenges**

#### **Market Trends**

MIGA has focused on building and diversifying the guarantee portfolio—both in terms of sectors and regions—by undertaking proactive global marketing efforts that target both traditional and new investors, particularly those from middle income countries (including south-south investments). The challenge for MIGA is to identify and reach out to the latter group of investors. The agency has developed a range of initiatives to this effect, such as the Broader MENA Investment Summit, held in Dubai in February 2007, as well as the launch of the PRI Center website.

#### **Operational Priorities**

In 2007, MIGA continued to implement the strategy that was endorsed by its Board of Directors (as outlined in the Strategic Directions 2006-2008 paper), and which focuses on:

- **Supporting investments between MIGA Category Two countries<sup>2</sup> (South-South investments).** Companies from developing countries are increasingly contributing to the FDI flows into other developing countries. For these investors, political risk insurance can make a difference in the decision to proceed, and MIGA has thus targeted these South-South investments.
- **Supporting investments in infrastructure expansion and rehabilitation.** Ongoing and near-term efforts are focused on growing the pipeline of business in the infrastructure sector to increase the proportion of new business in infrastructure.
- **Supporting growth in other frontier markets.** The near-term emphasis is in growing the business in the Middle East and North Africa, diversifying the base of the guarantee business in Europe and Central Asia, supporting investors from key countries such as Brazil, China, India, and Turkey, and supporting client countries' abilities to seize investment opportunities created by regional trade liberalization efforts in Latin America and the Caribbean.

MIGA focused much of its new business efforts in FY07 on supporting infrastructure projects and diversifying its exposure from the financial services sector. The results of this can be seen in the sector composition of MIGA's guarantee portfolio. By the end of FY07, infrastructure's share of the net portfolio had grown by 2.5 percent and financial services had decreased by 4.9 percent.

### **FUNDING SOURCES**

#### **Subscribed Capital**

MIGA derives its financial strength primarily from the capital it receives from its shareholders and its retained earnings. In FY07, Djibouti, Guinea-Bissau, Liberia, and Montenegro completed their membership requirements, bringing the total number of member countries to 171.

MIGA's Convention established MIGA's authorized capital stock (membership shares) at 100,000 shares—equivalent to \$1,082 million—with a provision that the authorized capital stock shall automatically increase upon the admission of a new member to the extent that the total number of authorized shares are sufficient to allow subscription by the new member. As of June 30, 2007, the authorized shares increased to 105,332, equivalent to \$1,139.7 million, subscribed by 171 member countries. Of the membership shares subscribed, 20 percent or \$227.9 million had been paid-in and the remaining 80 percent or \$911.8 million was subject to call when needed by MIGA to meet its obligations. At June 30, 2007, \$110.1 million is in the form of nonnegotiable, non-interest bearing demand obligations (promissory notes). The notes are denominated in freely convertible currencies and are due on demand to meet MIGA's obligations. Since inception, MIGA has not encashed any of the promissory notes.

On March 29, 1999, MIGA's Council of Governors approved a General Capital Increase (GCI) of 78,559 shares, equivalent to \$850 million. The subscription period ended on March 28, 2003. On March 17, 2003, the Council of Governors approved an amendment to the GCI resolution allowing eligible countries to reserve the GCI shares allocated to them by submitting an instrument of contribution before the end of the GCI subscription period, and requesting such countries to subscribe to their GCI shares as soon as possible. The reserved shares are issued and corresponding voting power accrues when the subscription process reaches completion, i.e. when the requisite payment has been received. No time limit has been set for the payment of the reserved shares. As of June 30, 2007, cumulative subscriptions to the GCI totaled 68,934 shares, equivalent to \$745.8 million, and GCI shares reserved through instruments of contribution totaled 7,328 shares, equivalent to \$79.3 million. Of the GCI shares subscribed, \$131.6 million has been paid-in and \$614.2 million is callable.

<sup>2</sup> MIGA's classification of developed and developing countries; see Schedule A of the Convention.

**TABLE 3 Summary of General Capital Increase, as of June 30, 2007**

	Category One <sup>1</sup>		Category Two <sup>1</sup>		All Countries	
	Number	\$ M	Number	\$ M	Number	\$ M
Fully Subscribed	22	329.1	86	286.4	108	615.5
Partly Subscribed	1	130.3			1	130.3
<b>Total Subscribed</b>	<b>23</b>	<b>459.4</b>	<b>86</b>	<b>286.4</b>	<b>109</b>	<b>745.8</b>
Reserved through Instrument of Contribution		38.9	25	40.4	25	79.3
<b>Total Subscribed and Reserved</b>	<b>23</b>	<b>498.3</b>	<b>111</b>	<b>326.8</b>	<b>134</b>	<b>825.1</b>
Allocated	23	498.3	138	351.7	161	850.0
Subscribed (percent)		92.2		81.4		87.7
Subscribed and Reserved (percent)		100.0		92.9		97.1

<sup>1</sup> MIGA's classification of developed and developing countries; see Schedule A of the Convention.

As of June 30, 2007, MIGA's total subscribed capital amounted to \$1,886 million, of which \$360 million was paid-in and \$1,526 million was callable. Since its inception, no call has been made on MIGA's callable capital. Any calls on unpaid subscriptions are uniform on all shares. If the amount received by MIGA on a call is insufficient to meet the obligations that necessitated the call, MIGA may make further calls until the amounts received are sufficient to meet such obligations. The liability of a member on a call or calls is limited to the unpaid balance of its capital subscription.

### Equity

Total shareholders' equity as reported in MIGA's balance sheet as of June 30, 2007, was \$831 million compared with \$743 million as of June 30, 2006. This amount consists of subscribed capital, less uncalled portions of subscriptions, plus retained earnings and accumulated other comprehensive income. The increase of \$88 million in FY07 primarily reflects the increase in retained earnings.

## CAPITAL MANAGEMENT

### Underwriting Capacity

MIGA's equity base ensures the financial sustainability of the agency, over both the short term and longer term. The subscribed capital and retained earnings determine the agency's statutory underwriting capacity. The Council of Governors and the Board of Directors have set the maximum amount of contingent liability that may be assumed by MIGA as 350 percent of the sum of its unimpaired subscribed capital and reserves and retained earnings, 90 percent of reinsurance obtained by MIGA with private insurers, and 100 percent of reinsurance obtained with public insurers. In other words, the maximum amount of net guarantee exposure is determined by the amount of available capital, and is expressed on a gross exposure basis by adding the current amount of portfolio reinsurance. As of June 30, 2007, MIGA's underwriting capacity was \$10,570 million, as follows:

**TABLE 4 Current Underwriting Capacity, \$ M**

Subscribed Capital	1,886
Retained Earnings	443
Accumulated Other Comprehensive Income	29
Insurance Portfolio Reserve (net)	118
<b>Total</b>	<b>2,476</b>
350% of Subscribed Capital, Retained Earnings, Other Comprehensive Income and Reserve	8,664
90% of Reinsurance Ceded with Private Insurers	1,680
100% of Reinsurance Ceded with Public Insurers	226
<b>Statutory Underwriting Capacity - June 30, 2007</b>	<b>10,570</b>

As of June 30, 2007, MIGA's gross exposure stood at \$5,301 million and represented 50.2 percent of MIGA's statutory underwriting capacity.

## Capital Adequacy

MIGA measures its risk-bearing capacity by taking the ratio of operating capital over net exposure. Operating capital includes paid-in-capital, retained earnings, and the insurance portfolio reserve, net of the corresponding reinsurance recoverable. MIGA management's objective is to have sufficient operating capital to sustain losses associated with claims and to support the ongoing business without facing a significant risk of having to avail of the callable capital. Table 5 shows the ratio of operating capital to net exposure over the past three years. This ratio has increased to 29.6 percent in FY07 compared with 26.1 percent in FY06 and 26.4 percent in FY05. The FY07 ratio increase is due to higher retained earnings and lower net exposure.

	<b>FY07</b>	<b>FY06</b>	<b>FY05</b>
<b>Net exposure</b>	<b>3,209</b>	<b>3,310</b>	<b>3,138</b>
Insurance Portfolio Reserve (net)	118	120	120
Retained Earnings and Accumulated Other Comprehensive Income	472	384	361
<b>Paid-in Capital</b>	<b>360</b>	<b>359</b>	<b>349</b>
<b>Operating Capital</b>	<b>950</b>	<b>863</b>	<b>830</b>
<b>Operating Capital/Net Exposure</b>	<b>29.6%</b>	<b>26.1%</b>	<b>26.4%</b>

During FY07, MIGA began to use Economic Capital (EC) as a more complete and analytically rigorous measure for assessing the capital adequacy of the agency. This incorporates the effects on the risk-bearing capacity from diversification and concentration risk in the guarantee portfolio. The modeling approach and the capital adequacy framework are described in the section on risk management below.

The new capital adequacy framework was approved by the Board in April 2007. Modeled EC is the portion of MIGA's capital that is placed at risk by the guarantee portfolio exposure. As the primary gauge of capital adequacy, the current amount of EC consumed provides a quantitative measure of how much of the operating capital is currently utilized. In addition, as part of the framework, MIGA also assesses how much EC is projected to be utilized in the future under various scenarios of growth of the guarantee portfolio. These are stressed scenarios, estimating over five years the EC consumed under assumptions of continued growth to MIGA's portfolio, in combination with country rating downgrades and regional contagion effects.

As of June 30, 2007, the Economic Capital consumed by the guarantee portfolio amounted to \$297 million. Two ratios are utilized to assess this from the perspective of available capital and risk-bearing capacity: (1) EC / Operating Capital and (2) EC / Portfolio Net Exposure. As of June 30, 2007 the first ratio, EC / Operating capital, was 31.4 percent, and the second ratio, EC / Portfolio Net Exposure, was 9.3 percent. These ratios reflect a strong capital adequacy position and a low to moderate risk level of the current guarantee business at the end of FY07.

## INVESTMENT MANAGEMENT

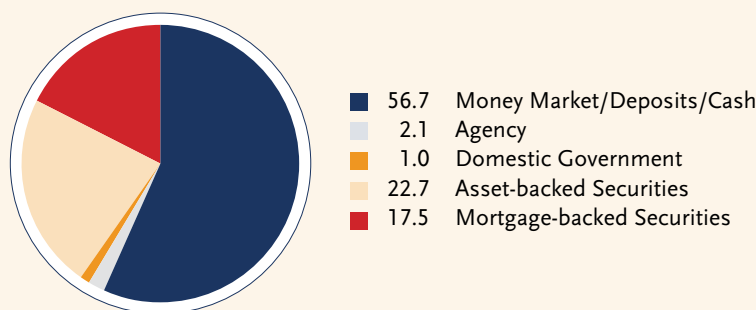
MIGA's investment policy sets the objectives and constraints that must be considered in managing MIGA's investment strategy (long term) and tactics (short term) in light of its contingent liabilities, which are the investment guarantees it issues. Given the nature of these contingent liabilities, MIGA's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

At present MIGA's investment portfolio is managed in two tranches subject to the constraints in the investment authorization approved by the Board in June 2004. Tranche 1 is managed with a risk tolerance of 1 percent probability of annual capital loss over a one-year horizon, reflecting the main objective of this tranche to provide for near-term liquidity needs described above. Tranche 2 is managed with a 1 percent probability of annual capital loss over a three-year horizon, reflecting the objective of providing more long-term capital growth. A management review of MIGA's investment policy is expected to occur in FY08 and may result in subsequent further tranching or modification to the level of risk tolerance and asset allocation. Portfolio management activities, including trading, risk analytics and reporting, are executed by IBRD's Treasury Department under an Investment Management Agreement and the associated Investment Management Guidelines between MIGA and IBRD.

MIGA's investment portfolio consists mainly of US dollar-denominated assets. The composition of the portfolio is shown in Figure 1. During FY07, the investment portfolio held cash, treasury securities, agency securities, mortgage-backed securities, and asset-backed securities. Also, the portfolio included cash and government securities denominated in other currencies. The portfolio yield was 5.4 percent in FY07 vs. 1.5 percent in FY06 and the market value of MIGA's asset portfolio was \$841 million as of June 30, 2007, of which \$716 resided in US dollar investments. MIGA's asset portfolio is classified as a "trading" portfolio for accounting purposes and MIGA no longer maintains any credit facilities for the purposes of managing liquidity.



**FIGURE 1 Portfolio Composition of MIGA's US \$ Holdings, in percent**



## Risk Management

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

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

### Risk Landscape

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

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

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

**Credit Risk** Counter-party credit risk in MIGA's portfolio is the risk that reinsurers would fail to pay their share of a claim. MIGA requires that reinsurers, with which it conducts business, be rated by at least two of the four major rating agencies (Standard & Poor's, A.M. Best, Moody's and Fitch), and that the ratings be above a minimum threshold. Also, MIGA has established limits at both the project and portfolio levels, which restrict the amount of reinsurance. In a few cases MIGA takes on negligible counterparty credit risk when MIGA places reinsurance with public insurers of member countries that operate under and benefit from the full faith and credit of their governments.

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

**Interest Rate Risk** Interest rate changes affect the market values of MIGA's invested assets. A need to liquidate assets to pay for claims in an unfavorable interest rate environment may generate trading losses and reduce investment income. Changes in interest rates will also affect prepayment speeds of mortgage and asset-backed security holdings, which may affect the duration of the asset portfolio. The sensitivity of assets' market values and investment income to changes in interest rates will be examined during an asset liability management review.

**Foreign Exchange Rate Risk** The majority of MIGA's assets and contingent liabilities are denominated in US dollars, but some guarantee contracts are issued in other currencies such as Euros. To the extent that a claim is made in a non-US dollar currency and requires payment in excess of MIGA's holdings of that currency, MIGA may face a foreign exchange related loss in converting to the needed currency to pay for a claim.

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

MIGA attempts to mitigate operational risks by maintaining a sound internal control system. Since 2000, MIGA has adopted COSO integrated internal control framework, in line with IBRD/IDA and IFC, to regularly evaluate the effectiveness of its internal control system. In addition, MIGA has introduced an operational risk management system to strengthen monitoring of the operational risks and controls in the financial reporting process, and the effectiveness of key controls in the financial reporting process are assessed through the internal quality assurance review process. In 2007, MIGA launched a business process review to cover all significant business processes.

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

MIGA management has issued its annual assertion that during FY07 MIGA has maintained an adequate system of internal control over external financial reporting. The work underlying MIGA management assertion has been consistent with the auditing standard (AT501) of the American Institute of Certified Public Accountants (AICPA). Currently, MIGA has been taking a number of steps to strengthen the scope and depth of work done to support the management assertion, and is considering adopting the best practice suggested by the new auditing standards.

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

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

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

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

### Economic Capital and Portfolio Risk Modeling

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

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

MIGA employs the EC model to manage its insurance portfolio risks as the cornerstone of its capital adequacy framework. In addition, it provides the analytical basis for risk-based pricing of its products. An extensive review of MIGA's EC and pricing models was conducted in FY07, to be completed in early FY08, with the objective to validate critical parameters and to complete the integration of both models. Moreover, in FY07, a risk-based reporting package was developed, which will be circulated to MIGA management on a quarterly basis in order to provide important decision support from a risk perspective.

### CRITICAL ACCOUNTING POLICY

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

#### Reserve for Claims

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

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

#### Pension and Other Postretirement Benefits

Along with IBRD and IFC, MIGA participates in a number of pension and postretirement benefit plans that cover almost all of their staff members. All costs, assets and liabilities associated with these plans are allocated between IBRD, IFC, and MIGA based upon their employees' respective participation in the plans. The underlying actuarial assumptions, fair value of plan assets, and funded status associated with these plans are based on financial

<sup>3</sup> The Insurance Portfolio Reserve is calculated as the 95th percentile loss less the mean loss from the Economic Capital Model.

market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. For further details, please refer to Notes to Financial Statements – Note F.

## RESULTS OF OPERATIONS

### Operating Income and Net Income

FY07 operating income was at \$49.1 million. The increase of \$31.9 million in the FY07 operating income was primarily due to an increase in investment income. And FY07 net income increased by \$39.1 million to \$62.3 million as a result of a higher investment income and translation gains as compared to FY06. Table 6 below shows the breakdown of MIGA's operating income and net income.

<b>TABLE 6 Analysis of Operating Income and Net Income, \$ M</b>			
	<b>FY07</b>	<b>FY06</b>	<b>FY05</b>
Total Guarantees Issued <sup>1</sup>	1,368	1,302	1,226
Gross Exposure	5,301	5,362	5,094
Net Exposure	3,209	3,310	3,138
Premium Income	49.0	52.9	57.1
Premium Ceded	(17.3)	(20.5)	(23.9)
Fees and Commissions	4.6	4.8	6.4
<b>Net Premium Income</b>	<b>36.3</b>	<b>37.2</b>	<b>39.6</b>
Income from Investments	42.8	11.4	16.8
Administrative and Other Expenses	(30.1)	(31.3)	(32.3)
<b>Operating Income</b>	<b>49.0</b>	<b>17.2</b>	<b>24.1</b>
Translation Gain	8.8	2.7	...
Release of Provision for Claims	4.6	3.4	106.8
<b>Net Income</b>	<b>62.3</b>	<b>23.2</b>	<b>131.0</b>
<b>Operating Capital</b>	<b>950</b>	<b>863</b>	<b>830</b>
<b>ROOC<sup>2</sup> (before provisions)</b>	<b>6.1%</b>	<b>2.3%</b>	<b>2.9%</b>
<b>ROOC (after provisions)</b>	<b>6.6%</b>	<b>2.7%</b>	<b>15.7%</b>

Note: Numbers may not add up due to rounding.

<sup>1</sup> Including Cooperative Underwriting Program contracts.

<sup>2</sup> Return on Operating Capital.

### FY07 versus FY06

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

During FY07, MIGA's investment portfolio generated \$42.8 million of investment income, compared with \$11.4 million in FY06. On an economic basis, the return reached 5.39 percent in FY07, compared with 1.50 percent in FY06. This increase in investment return was primarily due to a more favorable interest rate environment and performance related to mortgage/asset-backed securities.

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

### FY06 versus FY05

MIGA issued \$1.3 billion of guarantees during FY06, \$76 million higher than in FY05. However, the premium income decreased by \$4.3 million despite an increase of \$268 million in gross exposure. This was primarily due to expiries and cancellations of aged contracts that were written at higher premium rates in prior years. Similarly, the premium amount ceded to reinsurers decreased by \$3.4 million in FY06—in line with the decrease in premium income—despite an increase in the reinsurance portfolio of \$96 million. Fees and commissions, a function of premium income, also decreased during FY06.

During FYo6, MIGA's investment portfolio generated \$11.4 million of investment income, compared with \$16.8 million in FYo5. On an economic basis, the return reached 1.5 percent in FYo6, compared with 2.7 percent in FYo5. This decrease in investment return was primarily due to sharply rising interest rates, which pushed down prices on fixed-income securities.

In FYo6, administrative and other expenses decreased marginally to \$31.3 million, compared to \$32.3 million in FYo5. Net income in FYo6 was \$23.2 million compared with \$131 million in FYo5.<sup>4</sup>

## CORPORATE GOVERNANCE

### General Governance

#### Board Membership

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

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

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

### Audit Committee

#### Membership

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

#### Key Responsibilities

The Audit Committee is appointed by the Board to assist it in the oversight and assessment of MIGA's finances and accounting, including the effectiveness of financial policies, the integrity of financial statements, the system of internal controls regarding finance, accounting and ethics (including fraud and corruption), and financial and operational risks. The Audit Committee also has the responsibility for reviewing the performance and recommending to the Board the appointment of the external auditor, as well as monitoring the independence of the external auditor and meeting with it in executive session. The Audit Committee participates in oversight of the internal audit function, including reviewing the responsibilities, staffing and effectiveness of internal audit. The committee likewise reviews the annual internal audit plan. In the execution of its role, the committee discusses with management as well as the external and internal auditors financial issues and policies which have an impact on the institution's financial position and risk-bearing capacity. The Audit Committee monitors the evolution of developments in corporate governance and the role of audit committees on an ongoing basis and revised its terms of reference in FYo4 to reflect this responsibility.

#### Communications

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

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

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

#### Executive Sessions

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

<sup>4</sup> In FYo5, net income was substantially higher, largely as a result of a release of provision for claims of \$106.8 million due to the adoption of the provisioning methodology.

### **Access to Resources and to Management**

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

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

### **Code of Ethics**

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

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

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

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

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

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

### **Auditor Independence**

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

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

In FY04, MIGA's external auditor, Deloitte and Touche, began a new five-year term and will have served 11 years as auditor upon completion of that term, pursuant to a one-time grandfathered exemption from the above-referenced ten-year limit. Even within a five-year term, the service of the external auditors is subject to recommendation by the Audit Committee for annual reappointment and approval of a resolution by the Board of Directors.

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

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

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





**World Bank Group**  
Multilateral Investment Guarantee Agency

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

August 2, 2007

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

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

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

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

MIGA assessed its internal control over external financial reporting for financial presentations in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards as of June 30, 2007. This assessment was based on the criteria for effective internal control over external financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that MIGA

1818 H Street, NW Washington, DC 20433 [www.miga.org](http://www.miga.org)

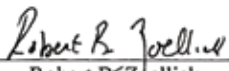
MANAGEMENT'S ASSERTION REGARDING COSO (CONT'D)

-2-

maintained effective internal control over external financial reporting presented in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards, as of June 30, 2007.

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

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

  
Robert B. Zoellick  
President

  
Yukiko Omura  
Executive Vice President

  
Kevin Lu  
Acting Director and Chief Financial Officer

1818 H Street, NW Washington, DC 20433 [www.miga.org](http://www.miga.org)

## FINANCIAL STATEMENTS

### Report of Independent Accountants

# Deloitte.

Deloitte & Touche LLP  
Suite 500  
555 12th Street NW  
Washington, DC 20004-1207  
USA  
Tel: +1 202 879 5600  
Fax: +1 202 879 5309  
www.deloitte.com

#### INDEPENDENT AUDITORS' REPORT

President and Board of Governors  
Multilateral Investment Guarantee Agency

We have audited the accompanying balance sheets of the Multilateral Investment Guarantee Agency as of June 30, 2007 and 2006, including the statement of subscriptions to capital stock and voting power and the statement of guarantees outstanding as of June 30, 2007, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Multilateral Investment Guarantee Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Multilateral Investment Guarantee Agency, as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America and International Financial Reporting Standards.

As discussed in Note A to the financial statements Multilateral Investment Guarantee Agency adopted the provisions of Statement of Financial Accounting Standard No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. As further discussed in Note A MIGA changed its accounting policy under IAS 19, *Employee Benefits*.

*Deloitte & Touche LLP*

August 2, 2007

Member of  
Deloitte Touche Tohmatsu

## BALANCE SHEET

June 30, 2007 and June 30, 2006, expressed in thousands of US dollars

	FY07	FY06
<b>Assets</b>		
CASH	\$ 6,105	\$ 5,771
INVESTMENTS—Note B	880,284	772,835
NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS	110,089	108,960
OTHER ASSETS		
Receivable for investment securities sold	40,559	337,255
Estimated reinsurance recoverables	35,800	26,052
Asset under retirement benefits plans—Note F	49,618	20,283
Miscellaneous	13,079	11,288
	139,056	394,878
<b>TOTAL ASSETS</b>	<b>\$ 1,135,534</b>	<b>\$ 1,282,444</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>LIABILITIES</b>		
Payable for investment securities purchased	\$ 60,611	\$ 327,004
Accounts payable and accrued expenses—Note F	42,890	18,226
Unearned premiums and commitments fees	16,515	16,003
Reserve for claims—Note E		
Specific reserve for claims	58,400	57,299
Insurance portfolio reserve	125,800	120,879
Reserve for claims—gross	184,200	178,178
Total liabilities	304,216	539,411
 CONTINGENT LIABILITIES—Note D		
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock—Note C		
Authorized capital (183,891 shares—June 30, 2007; 183,646 shares—June 30, 2006)		
Subscribed capital (174,266 shares—June 30, 2007; 173,965 shares—June 30, 2006)	1,885,558	1,882,301
Less uncalled portion of subscriptions	1,525,974	1,523,354
	359,584	358,947
Payments on account of pending subscription	67	175
	359,651	359,122
Retained earnings	442,824	380,476
Accumulated other comprehensive income	28,843	3,435
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>831,318</b>	<b>743,033</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,135,534</b>	<b>\$ 1,282,444</b>

## STATEMENT OF INCOME

For the fiscal years ended June 30, 2007 and June 30, 2006, expressed in thousands of US dollars

	FY07	FY06
<b>INCOME</b>		
Income from guarantees		
Premium income	\$ 48,960	\$ 52,879
Premium ceded	(17,289)	(20,488)
Fees and commissions	4,617	4,772
Total	36,288	37,163
Income from investments	42,747	11,352
Translation gains	8,848	2,673
<b>TOTAL INCOME</b>	<b>87,883</b>	<b>51,188</b>
<b>EXPENSES</b>		
Release of provision for claims—Note E	(3,726)	(3,374)
Release of provision due to withdrawal of claims	(837)	-
Total	(4,563)	(3,374)
Administrative expenses—Note F and G	29,103	30,846
Other expenses	995	484
<b>TOTAL EXPENSES</b>	<b>25,535</b>	<b>27,956</b>
<b>NET INCOME</b>	<b>\$ 62,348</b>	<b>\$ 23,232</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal years ended June 30, 2007 and June 30, 2006, expressed in thousands of US dollars

	FY07	FY06
<b>CAPITAL STOCK</b>		
Balance at beginning of the fiscal year	\$ 359,122	\$ 349,140
New subscriptions	637	9,874
Payments on account of pending subscriptions	(108)	108
Ending Balance	359,651	359,122
<b>RETAINED EARNINGS</b>		
Balance at beginning of the fiscal year	380,476	357,244
Net income	62,348	23,232
Ending Balance	442,824	380,476
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Balance at beginning of the fiscal year	3,435	3,435
Adjustment to initially apply FAS 158—Note F		
Unrecognized actuarial gain on benefit plans	26,192	-
Unrecognized prior service costs on benefit plans	(784)	-
Ending Balance	28,843	3,435
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 831,318</b>	<b>\$ 743,033</b>

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



## STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2007 and June 30, 2006, expressed in thousands of US dollars

	FY07	FY06
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 62,348	\$ 23,232
Adjustments to reconcile net income to net cash used in operating activities:		
Release of provision for claims	(3,726)	(3,374)
Release of provision due to withdrawal of claims	(837)	-
Translation gains	(8,848)	(2,673)
Changes in:		
Investments—Trading	(69,491)	(24,767)
Other assets, excluding investment receivables	(4,864)	(192)
Accounts payable and accrued expenses	429	(7,332)
Unearned premiums and commitment fees	327	(3,266)
Net cash used in operating activities	(24,662)	(18,372)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in overdraft—Note B	24,272	-
Capital subscription payments	330	9,899
Net cash provided by financing activities	24,602	9,899
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>		
Net increase (decrease) in cash	394	(67)
Cash at beginning of the fiscal year	5,771	14,311
<b>CASH AT END OF THE FISCAL YEAR</b>	<b>\$ 6,105</b>	<b>\$ 5,771</b>

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

## STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

As of June 30, 2007, expressed in thousands of US dollars

Members	Shares <sup>1</sup>	Subscriptions—Note C			Voting power	
		Total Subscribed	Amount Paid-in	Amount Subject to Call	Number of Votes	% of Total
Afghanistan	118	\$ 1,277	\$ 255	\$ 1,022	376	0.17
Albania	102	1,104	210	894	360	0.16
Algeria	1,144	12,378	2,350	10,028	1,402	0.64
Angola	187	2,023	405	1,618	445	0.20
Antigua and Barbuda	50	541	108	433	308	0.14
Argentina	2,210	23,912	4,539	19,373	2,468	1.13
Armenia	80	866	173	693	338	0.15
Australia	3,019	32,666	6,201	26,465	3,277	1.50
Austria	1,366	14,780	2,806	11,974	1,624	0.74
Azerbaijan	115	1,244	249	995	373	0.17
Bahamas, The	176	1,904	362	1,542	434	0.20
Bahrain	136	1,472	279	1,193	394	0.18
Bangladesh	599	6,481	1,230	5,251	857	0.39
Barbados	120	1,298	246	1,052	378	0.17
Belarus	233	2,521	504	2,017	491	0.22
Belgium	3,577	38,703	7,347	31,356	3,835	1.76
Belize	88	952	181	771	346	0.16
Benin	108	1,169	222	947	366	0.17
Bolivia	220	2,380	452	1,928	478	0.22
Bosnia and Herzegovina	80	866	173	693	338	0.15
Botswana	88	952	181	771	346	0.16
Brazil	2,606	28,197	5,353	22,844	2,864	1.31
Bulgaria	643	6,957	1,321	5,636	901	0.41
Burkina Faso	61	660	132	528	319	0.15
Burundi	74	801	160	641	332	0.15
Cambodia	164	1,774	337	1,437	422	0.19
Cameroon	107	1,158	232	926	365	0.17
Canada	5,225	56,535	10,732	45,803	5,483	2.51
Cape Verde	50	541	108	433	308	0.14
Central African Rep	60	649	130	519	318	0.15
Chad	60	649	130	519	318	0.15
Chile	855	9,251	1,756	7,495	1,113	0.51
China	5,530	59,835	11,359	48,476	5,788	2.65
Colombia	770	8,331	1,582	6,749	1,028	0.47
Congo, Democratic Republic of	596	6,449	1,224	5,225	854	0.39
Congo, Republic of	115	1,244	236	1,008	373	0.17
Costa Rica	206	2,229	423	1,806	464	0.21
Cote d'Ivoire	310	3,354	637	2,717	568	0.26
Croatia	330	3,571	678	2,893	588	0.27
Cyprus	183	1,980	376	1,604	441	0.20
Czech Republic	784	8,483	1,610	6,873	1,042	0.48
Denmark	1,265	13,687	2,598	11,089	1,523	0.70
Djibouti	50	541	108	433	308	0.14
Dominica	50	541	108	433	308	0.14
Dominican Republic	147	1,591	318	1,273	405	0.19
Ecuador	321	3,473	659	2,814	579	0.27
Egypt, Arab Republic of	809	8,753	1,662	7,091	1,067	0.49
El Salvador	122	1,320	264	1,056	380	0.17
Equatorial Guinea	50	541	108	433	308	0.14
Eritrea	50	541	108	433	308	0.14
Estonia	115	1,244	236	1,008	373	0.17
Ethiopia	123	1,331	253	1,078	381	0.17
Fiji	71	768	154	614	329	0.15
Finland	1,057	11,437	2,171	9,266	1,315	0.60
France	8,565	92,673	17,593	75,080	8,823	4.04

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

**STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER** *(cont'd)*

As of June 30, 2007, expressed in thousands of US dollars

Members	Shares <sup>1</sup>	Subscriptions—Note C			Voting power	
		Total Subscribed	Amount Paid-in	Amount Subject to Call	Number of Votes	% of Total
Gabon	169	1,829	347	1,482	427	0.20
Gambia, The	50	541	108	433	308	0.14
Georgia	111	1,201	240	961	369	0.17
Germany	8,936	96,688	18,355	78,333	9,194	4.21
Ghana	432	4,674	887	3,787	690	0.32
Greece	493	5,334	1,013	4,321	751	0.34
Grenada	50	541	108	433	308	0.14
Guatemala	140	1,515	303	1,212	398	0.18
Guinea	91	985	197	788	349	0.16
Guinea-Bissau	50	541	108	433	308	0.14
Guyana	84	909	182	727	342	0.16
Haiti	75	812	162	650	333	0.15
Honduras	178	1,926	366	1,560	436	0.20
Hungary	994	10,755	2,042	8,713	1,252	0.57
Iceland	90	974	195	779	348	0.16
India	5,371	58,114	11,032	47,082	5,629	2.58
Indonesia	1,849	20,006	3,798	16,208	2,107	0.96
Iran, Islamic Rep	1,659	17,950	3,590	14,360	1,917	0.88
Ireland	650	7,033	1,335	5,698	908	0.42
Israel	835	9,035	1,715	7,320	1,093	0.50
Italy	4,970	53,775	10,208	43,567	5,228	2.39
Jamaica	319	3,452	655	2,797	577	0.26
Japan	8,979	97,153	18,443	78,710	9,237	4.23
Jordan	171	1,850	351	1,499	429	0.20
Kazakhstan	368	3,982	756	3,226	626	0.29
Kenya	303	3,278	622	2,656	561	0.26
Korea, Republic of	791	8,559	1,625	6,934	1,049	0.48
Kuwait	1,639	17,734	3,367	14,367	1,897	0.87
Kyrgyz Republic	77	833	167	666	335	0.15
Lao People's Dem	60	649	130	519	318	0.15
Latvia	171	1,850	351	1,499	429	0.20
Lebanon	250	2,705	514	2,191	508	0.23
Lesotho	88	952	181	771	346	0.16
Liberia	84	909	182	727	342	0.16
Libya	549	5,940	1,188	4,752	807	0.37
Lithuania	187	2,023	384	1,639	445	0.20
Luxembourg	204	2,207	419	1,788	462	0.21
Macedonia, FYR of	88	952	181	771	346	0.16
Madagascar	176	1,904	362	1,542	434	0.20
Malawi	77	833	167	666	335	0.15
Malaysia	1,020	11,036	2,095	8,941	1,278	0.59
Maldives	50	541	108	433	308	0.14
Mali	143	1,547	294	1,253	401	0.18
Malta	132	1,428	271	1,157	390	0.18
Mauritania	111	1,201	228	973	369	0.17
Mauritius	153	1,655	314	1,341	411	0.19
Micronesia, Fed. States of	50	541	108	433	308	0.14
Moldova	96	1,039	208	831	354	0.16
Mongolia	58	628	126	502	316	0.14
Montenegro	61	660	132	528	319	0.15
Morocco	613	6,633	1,259	5,374	871	0.40
Mozambique	171	1,850	351	1,499	429	0.20
Namibia	107	1,158	232	926	365	0.17
Nepal	122	1,320	251	1,069	380	0.17
Netherlands	3,822	41,354	7,850	33,504	4,080	1.87

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

# STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER (cont'd)

As of June 30, 2007, expressed in thousands of US dollars

Members	Shares <sup>1</sup>	Subscriptions—Note C			Voting power	
		Total Subscribed	Amount Paid-in	Amount Subject to Call	Number of Votes	% of Total
Nicaragua	180	1,948	370	1,578	438	0.20
Nigeria	1,487	16,089	3,054	13,035	1,745	0.80
Norway	1,232	13,330	2,531	10,799	1,490	0.68
Oman	166	1,796	341	1,455	424	0.19
Pakistan	1,163	12,584	2,389	10,195	1,421	0.65
Palau	50	541	108	433	308	0.14
Panama	231	2,499	474	2,025	489	0.22
Papua New Guinea	96	1,039	208	831	354	0.16
Paraguay	141	1,526	290	1,236	399	0.18
Peru	657	7,109	1,350	5,759	915	0.42
Philippines	484	5,237	1,047	4,190	742	0.34
Poland	764	8,266	1,653	6,613	1,022	0.47
Portugal	673	7,282	1,382	5,900	931	0.43
Qatar	241	2,608	495	2,113	499	0.23
Romania	978	10,582	2,009	8,573	1,236	0.57
Russian Federation	5,528	59,813	11,355	48,458	5,786	2.65
Rwanda	132	1,428	271	1,157	390	0.18
St. Kitts & Nevis	50	541	108	433	308	0.14
St. Lucia	88	952	181	771	346	0.16
St. Vincent and the Grenadines	88	952	181	771	346	0.16
Samoa	50	541	108	433	308	0.14
Saudi Arabia	5,528	59,813	11,355	48,458	5,786	2.65
Senegal	256	2,770	526	2,244	514	0.24
Serbia	407	4,404	836	3,568	665	0.30
Seychelles	50	541	108	433	308	0.14
Sierra Leone	132	1,428	271	1,157	390	0.18
Singapore	272	2,943	559	2,384	530	0.24
Slovak Republic	391	4,231	803	3,428	649	0.30
Slovenia	180	1,948	370	1,578	438	0.20
Solomon Islands	50	541	108	433	308	0.14
South Africa	1,662	17,983	3,414	14,569	1,920	0.88
Spain	2,265	24,507	4,652	19,855	2,523	1.16
Sri Lanka	478	5,172	982	4,190	736	0.34
Sudan	206	2,229	446	1,783	464	0.21
Suriname	82	887	177	710	340	0.16
Swaziland	58	628	126	502	316	0.14
Sweden	1,849	20,006	3,798	16,208	2,107	0.96
Switzerland	2,643	28,597	5,429	23,168	2,901	1.33
Syrian Arab Republic	296	3,203	608	2,595	554	0.25
Tajikistan	130	1,407	267	1,140	388	0.18
Tanzania	248	2,683	509	2,174	506	0.23
Thailand	742	8,028	1,524	6,504	1,000	0.46
Timor-Leste	50	541	108	433	308	0.14
Togo	77	833	167	666	335	0.15
Trinidad and Tobago	358	3,874	735	3,139	616	0.28
Tunisia	275	2,976	565	2,411	533	0.24
Turkey	814	8,807	1,672	7,135	1,072	0.49
Turkmenistan	66	714	143	571	324	0.15
Uganda	233	2,521	479	2,042	491	0.22
Ukraine	1,346	14,564	2,765	11,799	1,604	0.73
United Arab Emirates	656	7,098	1,347	5,751	914	0.42
United Kingdom	8,565	92,673	17,593	75,080	8,823	4.04
United States	32,564	352,342	67,406	284,936	32,822	15.03
Uruguay	202	2,186	437	1,749	460	0.21
Uzbekistan	175	1,894	379	1,515	433	0.20

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

## STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER *(cont'd)*

As of June 30, 2007, expressed in thousands of US dollars

Members	Shares <sup>1</sup>	Subscriptions—Note C			Voting power	
		Total Subscribed	Amount Paid-in	Amount Subject to Call	Number of Votes	% of Total
Vanuatu		50	541	108 433	308	0.14
Venezuela, R.B. de	1,427	15,440	3,088	12,352	1,685	0.77
Vietnam	388	4,198	797	3,401	646	0.30
Yemen, Republic of	155	1,677	335	1,342	413	0.19
Zambia	318	3,441	688	2,753	576	0.26
Zimbabwe	236	2,554	511	2,043	494	0.23
<b>Total—June 30, 2007<sup>2</sup></b>	<b>174,266</b>	<b>\$ 1,885,558</b>	<b>\$ 359,584</b>	<b>\$ 1,525,974</b>	<b>218,384</b>	<b>100.00</b>
<b>Total—June 30, 2006</b>	<b>173,965</b>	<b>\$ 1,882,301</b>	<b>\$ 358,947</b>	<b>\$ 1,523,354</b>	<b>218,888</b>	<b>100.00</b>

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

<sup>1</sup> Subscribed shares pertaining to the General Capital Increase include only those shares for which the subscription process has been completed, i.e., for which required payment has been received.

<sup>2</sup> May differ from the sum of individual figures shown because of rounding.

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

## STATEMENT OF GUARANTEES OUTSTANDING

As of June 30, 2007, expressed in thousands of US dollars, unless otherwise noted

Gross Exposure—Note D						
Host Country	US Dollars	Euro	Japanese Yen	Total	Reinsurance— Note D	Net Exposure <sup>3</sup>
Afghanistan	76,365	1,008		77,373	41,262	36,111
Albania	8,585			8,585		8,585
Angola	14,700			14,700	1,470	13,230
Argentina	38,168			38,168	17,513	20,655
Azerbaijan	530			530	53	477
Bangladesh	78,265			78,265	7,826	70,438
Belarus	20,118			20,118	2,012	18,106
Benin	1,026			1,026	103	923
Bolivia	14,250			14,250	1,425	12,825
Bosnia and Herzegovina		202,794		202,794	71,206	131,587
Brazil	125,399	155,032		280,431	39,610	140,821
Bulgaria		161,811		161,811	69,332	92,479
Burkina Faso		44,820		44,820	4,482	40,338
Burundi	911			911	91	820
Cameroon	1,770			1,770	177	1,593
Chile	13,635			13,635		13,635
China	173,765	6,394		180,159	28,992	151,167
Colombia	62,415			62,415	31,208	31,208
Congo, Democratic Republic	3,330			3,330	333	2,997
Costa Rica	75,168			75,168	12,036	63,131
Cote d'Ivoire		10,493		10,493		10,493
Croatia		24,829		24,829	17,383	7,447
Czech Republic		5,780		5,780	578	5,202
Dominican Republic	127,946			127,946	16,140	111,805
Ecuador	135,266			135,266	51,326	83,941
Egypt, Arab Republic of	6,401			6,401	640	5,761
El Salvador	4,950			4,950	495	4,455
Ghana	178,522			178,522	24,159	154,363
Guatemala	104,629			104,629	51,958	52,670
Guinea	2,462	59,277		61,739	5,928	55,811
Guinea-Bissau		645		645	65	581
Indonesia	50,000			50,000		50,000
Iran, Islamic Republic	127,192			127,192	12,719	114,473
Jamaica	169,242			169,242	20,335	148,907
Jordan	4,095			4,095	410	3,686
Kazakhstan	14,340			14,340	1,949	12,392
Kenya	58,293			58,293	23,219	35,074
Kuwait	50,000			50,000		50,000
Kyrgyz Republic	9,196			9,196	831	8,365
Lao PDR	88,825			88,825	44,413	44,413
Latvia	4,104			4,104	410	3,694
Madagascar	670	5,686		6,356	904	5,452
Mali	16,200			16,200	1,620	14,580
Mauritania	10,188	4,240		14,428	1,443	12,985
Moldova	61,092			61,092	30,546	30,546
Mozambique	263,175		8,189	271,364	95,210	176,154
Nepal	30,001			30,001	15,941	14,061
Nicaragua	101,764			101,764	49,704	52,060
Nigeria	102,861			102,861	15,429	87,432
Pakistan	101,261	32,136	327	133,724	22,554	111,169
Peru	48,601			48,601	17,592	31,009
Philippines	5,100			5,100		5,100
Romania		138,115		138,115	69,422	68,694
Russian Federation	778,489	67,199		845,687	530,163	315,524
Senegal		1,815		1,815	181	1,633

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



## STATEMENT OF GUARANTEES OUTSTANDING (cont'd)

As of June 30, 2007, expressed in thousands of US dollars, unless otherwise noted

Gross Exposure—Note D						
Host Country	US Dollars	Euro	Japanese Yen	Total	Reinsurance— Note D	Net Exposure <sup>3</sup>
Serbia		272,092		272,092	171,563	100,529
Sierra Leone	5,000			5,000	500	4,500
South Africa	12,300			12,300		12,300
Swaziland	27,993		8,189	36,182	18,091	18,091
Syrian Arab Republic	97,445			97,445	9,745	87,701
Thailand	83,825			83,825	41,913	41,913
Turkey	135,000			135,000	67,500	67,500
Turkmenistan	2,826			2,826		2,826
Uganda	157,570			157,570	77,597	79,973
Ukraine	34,195			34,195	6,039	28,156
Uruguay	300,938			300,938	192,094	108,844
Venezuela, R.B. de	19,800			19,800	5,940	13,860
Vietnam	113,699			113,699	72,949	40,750
	4,353,856	1,194,166	16,704	5,564,726	2,216,727	3,347,999
Adjustment for Dual-Country Contracts <sup>1</sup>						
Argentina/Chile	-13,635			-13,635		-13,635
Lao PDR/Thailand	-83,825			-83,825	-41,913	-41,913
Mozambique/Swaziland	-27,993		-8,189	-36,182	-18,091	-18,091
	-125,453		-8,189	-133,641	-60,003	-73,638
Adjustment for Master Agreement <sup>2</sup>						
	-129,895			-129,895	-64,948	-64,948
Total—June 30, 2007 <sup>3</sup>	4,098,509	1,194,166	8,515	5,301,190	2,091,776	3,209,414
Total—June 30, 2006	3,725,575	1,627,859	8,972	5,362,405	2,052,228	3,310,177

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

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

<sup>3</sup> May differ from the sum of individual figures shown because of rounding.

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

## NOTES TO FINANCIAL STATEMENTS

### PURPOSE

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

## NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

### Basis of Preparation

MIGA's financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) and with accounting principles generally accepted in the United States of America (U.S. GAAP). The policy adopted is that considered most appropriate to the circumstances of MIGA having regard to its legal requirements and to the practices of other international insurance entities. On August 2, 2007, MIGA's Board of Directors approved the financial statements for issue.

### Accounting & Reporting Developments

The International Accounting Standard Board (IASB) issued International Financial Reporting Standard (IFRS) 4 "Insurance Contracts" in March 2004 to achieve convergence of widely varying insurance industry accounting practices around the world. IASB has divided the insurance project into two phases. In line with the requirements of Phase 1, MIGA included additional disclosures beginning the quarter ended September 30, 2005 that identify and explain the amounts in the financial statements arising from insurance contracts. Phase 2 of the project, originally scheduled for 2007, is expected to come into effect in September 2009 with the implementation date of 2011. This will address issues relating to insurance accounting.

The IASB issued a new standard (IFRS 7) "Financial Instruments: Disclosures" and revised standard (IAS 1) "Presentation of Financial Statements" that are to be applied for fiscal years beginning on or after January 1, 2007. MIGA is currently examining the impact that these standards may have on MIGA's financial statements.

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

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

MIGA has changed its accounting policy under International Accounting Standards (IAS) 19, Employee Benefits to recognize all actuarial gains and losses in the period in which they occur—but outside profit or loss—"in a statement of changes in shareholder's equity." This is a permitted alternative available under IAS 19 and MIGA considers that this will allow it to show the over/under funded position on the balance sheet thereby making its financial statements more relevant and complete.

SFAS 158 requires prospective application of the standard, while the change in approach under IAS 19 requires retrospective application. This resulted in one time difference of \$16.7 million in both Equity and Total Assets side at the end of FY06 as reported under US GAAP compared to IFRS. In addition, SFAS 158 and IAS 19 differ in the treatment of amortization of unrecognized actuarial gains or losses. SFAS 158 requires the unrecognized actuarial gains or losses to be amortized to the Income Statement, and IAS 19 requires the unrecognized actuarial gains or losses to remain in Accumulated Other Comprehensive Income. As a result, Net Income is lower by \$187,000 and \$851,000 for FY07 and FY06 respectively as reported under US GAAP compared to IFRS. MIGA does not believe these differences are material.

In February 2007, the FASB issued the Statement of Financial Accounting Standard No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This standard is effective for annual periods beginning on or after November 15, 2007. MIGA is assessing the impact of this standard on its financial statements.

### Use of Estimates

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

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

The significant accounting policies employed by MIGA are summarized below.

### **Investments**

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

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

For trading securities, unrealized gains and losses are both recognized in earnings.

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

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

### **Impairment of reinsurance assets**

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

### **Reserve for Claims**

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

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

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

The historical and econometric analyses cover periods that are over 30 years, and the derived parameters are considered stable in the short term; however the analyses are reviewed annually. Short-term risk changes are captured by changes in internal risk ratings for countries and contracts on a quarterly basis.

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

### **Currency Translation**

Assets and liabilities not denominated in US dollars are expressed in US dollars at the exchange rate prevailing at June 30, 2007. Income and expenses are translated at the rates of exchange prevailing at the time of the transaction. Translation gains and losses are credited or charged to income.

### **Valuation of Capital Stock**

Under the MIGA Convention, all payments from members subscribing to the capital stock of MIGA shall be settled on the basis of the average value of the Special Drawing Rights (SDR) introduced by the International Monetary Fund, as valued in terms of United States dollars for the period January 1, 1981 to June 30, 1985, such value being equal to \$1.082 for one SDR.

### **Revenue Recognition**

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

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

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

## NOTE B—INVESTMENTS

MIGA classifies all investment securities as trading. Investments classified as trading securities are reported at fair value with unrealized gains or losses included in earnings. The unrealized gains included in the investment income for the fiscal year ended June 30, 2007 is \$6,538,710 (unrealized losses of \$5,052,880—June 30, 2006).

A summary of the trading portfolio at June 30, 2007 and at June 30, 2006 is as follows (in thousands of US dollars):

	Fair Value	
	2007	2006
Government obligations	\$ 22,395	\$ 114,436
Time deposits	571,995	334,314
Asset-backed securities	285,894	324,085
Total	\$ 880,284	\$ 772,835

MIGA manages its investments on a net portfolio basis. The following table summarizes MIGA's net portfolio position as of June 30, 2007 and June 30, 2006 (in thousands of US Dollars):

	Fair Value	
	2007	2006
Investments—trading	\$ 880,284	\$ 772,835
Cash held in investment portfolio <sup>1</sup>	106	24
Receivable from investment securities sold	40,559	337,255
Accrued Interest <sup>2</sup>	5,237	3,455
Cash overdraft due to over-invested position <sup>3</sup>	(24,272)	-
Payable for investment securities purchased	(60,611)	(327,004)
Net Investment Portfolio	\$ 841,303	\$ 786,565

<sup>1</sup> This amount is included under Cash in the Balance Sheet.

<sup>2</sup> This amount is included under Miscellaneous assets in the Balance Sheet.

<sup>3</sup> This amount is included under Accounts payable and accrued expenses in the Balance Sheet.

Investments are denominated primarily in United States dollars with instruments in non-dollar currencies representing 14.90 percent (13.50 percent - June 30, 2006) of the portfolio.

## NOTE C—CAPITAL STOCK

The MIGA Convention established MIGA's authorized capital stock at 100,000 shares with a provision that the authorized capital stock shall automatically increase on the admission of a new member to the extent that the then authorized shares are insufficient to provide the shares to be subscribed by such member. At June 30, 2007, the initial authorized capital stock increased to 183,891 (183,646—June 30, 2006) shares. The Convention further states that 10 percent of the members' initial subscription be paid in cash, in freely convertible currencies, except that developing member countries may pay up to a quarter of the 10 percent in their own currencies. An additional 10 percent of the initial subscription shall be paid in the form of non-negotiable, non-interest bearing promissory notes. The notes are denominated in freely convertible currencies and are due on demand to meet MIGA's obligations. The remaining 80 percent is subject to call when required by MIGA to meet its obligations.

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

During the year ended June 30, 2007, 301 shares were subscribed by member countries. At June 30, 2007, MIGA's authorized capital stock comprised 183,891 shares of which 174,266 (173,965—June 30, 2006) shares had been subscribed. Each share has a par value of SDR10,000, valued at the rate of \$1.082 per SDR. Of the subscribed capital, \$359,584,000 (\$358,947,000—June 30, 2006) has been paid in; and the remaining \$1,525,974,000 (\$1,523,354,000—June 30, 2006) is subject to call. At June 30, 2007, \$110,089,000 is in the form of nonnegotiable, non-interest bearing demand obligations (promissory notes). A summary of MIGA's capital stock at June 30, 2007 and June 30, 2006 is as follows:

	Initial Capital		Capital Increase		Total	
	Shares	(US\$000)	Shares	(US\$000)	Shares	(US\$000)
<b>As of June 30, 2007</b>						
Authorized	105,332	\$ 1,139,692	78,559	\$ 850,008	183,891	\$ 1,989,701
Subscribed	105,332	\$ 1,139,692	68,934	\$ 745,866	174,266	\$ 1,885,558
<b>At June 30, 2006</b>						
Authorized	105,087	\$ 1,137,041	78,559	\$ 850,008	183,646	\$ 1,987,049
Subscribed	105,087	\$ 1,137,041	68,878	\$ 745,260	173,965	\$ 1,882,301

## NOTE D—GUARANTEES

### Guarantee Program

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

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

MIGA also acts as administrator of some investment guarantee trust funds. MIGA, on behalf of the trust funds, issues guarantees against loss caused by non-commercial risks to eligible investors on qualified investments in the countries specified in the trust fund agreements. Under the trust fund agreements, MIGA, as administrator of the trust funds, is not liable on its own account for payment of any claims under contracts of guarantees issued by MIGA on behalf of such trust funds.

### Contingent Liability

The maximum amount of contingent liability of MIGA under guarantees issued and outstanding at June 30, 2007 totaled \$5,301,190,000 (\$5,362,405,000—June 30, 2006). A contract of guarantee issued by MIGA may permit the guarantee holder, at the start of each contract period, to elect coverage and place amounts both on current and standby. MIGA is currently at risk for amounts placed on current. The maximum amount of contingent liability is MIGA's maximum exposure to insurance claims, which includes "standby" coverage for which MIGA is committed but not currently at risk. At June 30, 2007, MIGA's actual exposure to insurance claims, exclusive of standby coverage is \$3,379,228,000 (\$3,002,964,000—June 30, 2006).

### Reinsurance

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

Of the \$5,301,190,000 outstanding contingent liability (gross exposure) as at June 30, 2007 (\$5,362,405,000—June 30, 2006), \$2,091,776,000 was ceded through contracts of reinsurance (\$2,052,228,000—June 30, 2006). Net exposure amounted to \$3,209,414,000 as at June 30, 2007 (\$3,310,177,000—June 30, 2006).

As of June 30, 2007, total reinsurance provided by MIGA amounted to \$28,933,000 (\$30,723,000—June 30, 2006).

Premiums relating to direct, assumed, and ceded contracts for the fiscal years ended June 30, 2007 and June 30, 2006 were as follows:

In thousands of US dollars

	2007	2006
Premiums Written		
Direct	\$49,017	\$48,923
Assumed	351	279
Ceded	(17,185)	(19,831)
Premiums Earned		
Direct	48,609	52,545
Assumed	351	334
Ceded	(17,289)	(20,488)

## Portfolio Risk Management

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

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

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

Project-specific risk assessment is performed by a cross-functional team. Based on the analysis of project-specific risk factors within the country context, the final project risk ratings can be higher or lower than the country ratings of a specific coverage. The decision to issue an insurance contract is subject to approval by MIGA's Senior Management and concurrence by the Board of Directors. In order to avoid excessive risk concentration, MIGA sets exposure limits per country and per project. During the fourth quarter of FY07, the maximum net exposure which may be assumed by MIGA has been revised from \$420 million to \$600 million in each host country and from \$110 million to \$180 million for each project.

As approved by the Board of Directors and the Council of Governors, the maximum aggregate amount of contingent liabilities that may be assumed by MIGA is 350 percent of the sum of MIGA's unimpaired subscribed capital and its retained earnings, and insurance portfolio reserve plus such portion of the insurance ceded by MIGA through contracts of reinsurance as the Board of Directors may determine. Accordingly, at June 30, 2007, the maximum level of guarantees outstanding (including reinsurance) may not exceed \$10,570,000,000.

## Portfolio Diversification

MIGA aims to diversify its guarantee portfolio so as to limit the concentration of exposure to loss in a host country, region, or sector. The portfolio shares of the top five and top ten largest exposure countries provide a convenient indicator of concentration risk. The gross and net exposures of the top five and top ten countries at June 30, 2007 and June 30, 2006 are as follows:

In thousands of US dollars

	June 30, 2007		June 30, 2006	
	Exposure in Top Five Countries	Exposure in Top Ten Countries	Exposure in Top Five Countries	Exposure in Top Ten Countries
<b>Gross Exposure</b>	\$ 1,970,512	\$ 2,863,040	\$ 1,851,275	\$ 2,833,571
% of Total Gross Exposure	37.2	54.0	34.5	52.8
<b>Net Exposure</b>	\$ 946,116	\$ 1,555,972	\$ 827,359	\$ 1,467,334
% of Total Net Exposure	29.5	48.5	25.0	44.3

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

The regional distribution of MIGA's portfolio at June 30, 2007 and June 30, 2006 is as follows:

In thousands of US dollars

	June 30, 2007			June 30, 2006		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Africa	\$ 964,143	\$ 711,234	22.2	\$ 872,891	\$ 650,826	19.7
Asia	757,147	523,209	16.3	739,562	540,023	16.3
Europe & Central Asia	1,941,095	902,108	28.1	2,499,502	1,184,634	35.8
Latin America & Caribbean	1,483,567	876,191	27.3	1,094,857	737,703	22.3
Middle East & North Africa	285,133	261,620	8.1	285,488	261,939	7.9
Adjustment for Master Agreement <sup>1</sup>	(129,895)	(64,948)	(2.0)	(129,895)	(64,948)	(2.0)
	\$ 5,301,190	\$ 3,209,414	100.0	\$ 5,362,405	\$ 3,310,177	100.0

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



The sectoral distribution of MIGA's portfolio as of June 30, 2007 and June 30, 2006 is shown in the following table:

In thousands of US dollars

	June 30, 2007			June 30, 2006		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Infrastructure	\$ 2,196,276	\$ 1,415,725	44.1	\$ 2,197,496	\$ 1,377,203	41.6
Financial	1,523,797	766,392	23.9	1,744,761	952,193	28.8
Tourism, Construction & Services	288,083	250,569	7.8	336,056	289,575	8.7
Manufacturing	541,434	318,216	9.9	266,698	233,146	7.0
Oil and Gas	358,216	268,731	8.4	338,538	230,118	7.0
Mining	310,078	115,491	3.6	400,218	155,827	4.7
Agribusiness	83,306	74,290	2.3	78,638	72,115	2.2
	\$ 5,301,190	\$ 3,209,414	100.0	\$ 5,362,405	\$ 3,310,177	100.0

## NOTE E—CLAIMS

### Reserve for Claims

MIGA's gross reserve for claims at June 30, 2007 amounted to \$184,200,000 (\$178,178,000—June 30, 2006) and estimated reinsurance recoverables amounted to \$35,800,000 (\$26,052,000—June 30, 2006). Accordingly, a release of provision for claims of \$3,726,000 was recorded for the fiscal year ended June 30, 2007.

An analysis of the changes to the gross reserve for claims for the fiscal year ended June 30, 2007 and for the fiscal year ended June 30, 2006 appears below.

In thousands of US dollars

	June 30, 2007	June 30, 2006
Gross reserve balance	\$ 178,178	\$179,800
Less: Estimated reinsurance recoverables	26,052	24,300
Net reserve balance, beginning of the period	152,126	155,500
Release of provision for claims—net of reinsurance	(3,726)	(3,374)
Net reserve balance	148,400	152,126
Add: Estimated reinsurance recoverables	35,800	26,052
Gross reserve balance, end of the period	\$ 184,200	\$ 178,178

### Specific Reserve for Claims

The specific reserve for claims is composed of reserves for pending claims and reserves for contracts where a claimable event has been reported but no claim has been filed. The parameters used in calculating the specific reserves, i.e., claims probability, severity and expected recovery, are assessed for each contract placed in the specific reserves on a quarterly basis. At June 30, 2007, the specific reserves amounted to \$58,400,000 (\$57,299,000—June 30, 2006).

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

In thousands of US dollars

Reporting Period	FY02	FY03	FY04	FY05	FY06	FY07	Total
Estimate of Cumulative Claims:							
At end of reporting period	121,800	9,900	37,800	27,610	1,062		
One year later	68,600	4,600	23,550	40,380			
Two years later	3,000	4,530	8,343				
Three years later	5,650	3,279					
Four years later	5,775						
Estimate of cumulative claims at June 30, 2007	5,700	700	6,800	45,900	-	-	59,100
Cumulative payments		(700)					(700)
Specific reserves at June 30, 2007	5,700	-	6,800	45,900	-	-	58,400

### Pending Claims

Included in Specific Reserve for Claims at June 30, 2007 are two claims, which MIGA received prior to the end of the last quarter. MIGA's liability for these claims has not yet been determined.

On November 29, 2006, MIGA received a claim for expropriation of a project in Nicaragua, in the amount of \$54.0 million. The Guarantee Holder has asserted that the project has been expropriated due its inability to obtain approvals for tariff adjustments in accordance with the terms of the concession agreements for distribution of electricity and other acts of the Government of Nicaragua, which have rendered the project unviable. MIGA is reviewing the claim and has commenced discussions with the Government in accordance with its procedures.

On October 6, 2004, MIGA received claims for expropriation of projects in Kyrgyz Republic. A Settlement Agreement has been negotiated, but is not yet effective due to delays on the part of the Government of Kyrgyzstan (GOK). However, the GOK has released the sequestered shares and has taken steps to meet the other requirements as agreed. The Guarantee Holder has said that it may reassert the claim if matters are not resolved soon.

### Claims Payable

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

## NOTE F—PENSION AND OTHER POST RETIREMENT BENEFITS

MIGA, IBRD and IFC participate in a defined benefit Staff Retirement Plan (SRP), a Retired Staff Benefits Plan (RSBP) and a Post-Employment Benefits Plan (PEBP) that cover substantially all of their staff members. The SRP provides regular pension benefits and includes a cash balance plan. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides pension benefits administered outside the SRP.

In December 2003, the United States Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was enacted. The Act established a prescription drug benefit under Medicare (Medicare Part D) and a federal subsidy to sponsors of retiree health care benefit plans that provided a benefit that is at least actuarially equivalent to Medicare Part D. During the fiscal year ended June 30, 2006, the U.S. Center for Medicare and Medicaid Services (CMS) approved IBRD's participation in the Medicare Retiree Drug Subsidy Program. The effects of the subsidy and the related disclosures have been reflected in the financial statements for the fiscal year ended June 30, 2007, the year in which IBRD received its first subsidy payment of \$0.7 million for Medicare Part D. This payment is for the joint benefit of IBRD, IFC and MIGA.

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

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

The following table summarizes the benefit costs associated with the SRP, RSBP, and PEBP for MIGA for the fiscal years ended June 30, 2007 and June 30, 2006:

In thousands of US dollars

	SRP		RSBP		PEBP	
	2007	2006	2007 <sup>1</sup>	2006	2007	2006
<b>Benefit Cost</b>						
Service cost	2,953	3,506	469	520	213	189
Interest cost	4,703	5,995	618	534	203	139
Expected return on plan assets	(8,806)	(9,343)	(712)	(643)		
Amortization of prior service cost	85	85	(10)	(10)	5	5
Amortization of unrecognized net loss		517	128	260	59	74
Net periodic pension cost	(1,065)	760	493	661	480	407

<sup>1</sup> The Medicare prescription Drug, Improvement and Modernization Act of 2003 resulted in \$44,000 reduction in net periodic pension cost.

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

As described in Note A under Accounting and Reporting Developments, on June 30, 2007, MIGA prospectively adopted FAS158 as required, which resulted in a credit to Accumulated Other Comprehensive Income of \$25,408,000. Further details are provided in the related disclosures below.

The following table summarizes the projected benefit obligations, fair value of plan assets, and funded status associated with the SRP, RSBP and PEBP for MIGA for the fiscal years ended June 30, 2007 and June 30, 2006. The assets for the PEBP are included in IBRD's investment portfolio.

In thousands of US dollars

	SRP		RSBP		PEBP	
	2007	2006	2007 <sup>1</sup>	2006	2007	2006
<b>Projected Benefit Obligation</b>						
Beginning of year	73,695	98,084	9,578	5,587	3,238	1,662
Service cost	2,953	3,506	469	520	213	189
Interest cost	4,703	5,995	618	534	203	139
Employee contributions	721	735	89	68	5	4
Benefits paid	(5,824)	(2,802)	(247)	(191)	(203)	(189)
Actuarial loss (gain)	3,384	(31,823)	(110)	3,060	(1,104)	1,434
End of year	79,632	73,695	10,397	9,578	2,352	3,239
<b>Fair value of plan assets</b>						
Beginning of year	113,706	100,698	8,455	3,435		
Employee contributions	721	735	89	68		
Actual return on assets	18,728	12,365	1,429	4,300		
Employer contributions	1,816	2,710	774	843		
Benefits paid	(5,824)	(2,802)	(247)	(191)		
End of year	129,147	113,706	10,500	8,455		
<b>Funded status</b>						
Unrecognized amounts:	49,515	40,011	103	(1,123)	(2,352)	(3,238)
Net actuarial loss (gain)	n.a. <sup>2</sup>	(20,232)	n.a. <sup>2</sup>	900	n.a. <sup>2</sup>	1,896
Prior service cost	n.a. <sup>2</sup>	571	n.a. <sup>2</sup>	157	n.a. <sup>2</sup>	36
Amount reported in the Balance Sheet <sup>3</sup>	49,515	20,350	103	(66)	(2,352)	(1,306)
Accumulated benefit obligation	59,992	55,814	10,397	9,578	1,992	2,749

<sup>1</sup> The Medicare Prescription Drug, Improvement and Modernization Act of 2003 resulted in \$241,000 reduction in RSBP's Accumulated Benefit Obligation.

<sup>2</sup> Under FAS 158, and as noted in the following table, amounts that were previously reported as part of Prepaid Pension Costs or Accounts Payable and Accrued Expenses are now reported within Accumulated Other Comprehensive Income on the Balance Sheet.

<sup>3</sup> Net amount recognized is reported as Assets under retirement benefits plans under Other Assets or Liabilities under accounts payable and accrued expenses under Total Liabilities on the Balance Sheet.

The amounts reported for SRP and RSBP are included in Assets under retirement benefits plans on the balance sheet.

The following tables present the amounts recognized in Accumulated Other Comprehensive Income and the incremental effect of applying FAS158 on individual line items on the Balance Sheet on June 30, 2007:

#### Amounts recognized in Accumulated Other Comprehensive Income on adoption of FAS 158

In thousands of US dollars

	SRP	RSBP	PEBP	TOTAL
Net actuarial (gain) loss	(26,770)	(155)	733	(26,192)
Prior service cost	486	267	31	784
Net amount recognized in Accumulated Other Comprehensive Income	(26,284)	112	764	(25,408)

#### Incremental effect of applying FAS 158 on individual line items on the Balance Sheet

In thousands of US dollars

	Before Application of FAS 158	FAS 158 Adoption Adjustments	After Application of FAS 158
<b>Line Item</b>			
Assets under retirement benefit plans	23,446	26,172	49,618
Other Assets	112,884	26,172	139,056
Total Assets	1,109,362	26,172	1,135,534
Accounts payable and accrued expenses	42,126	764	42,890
Total liabilities	303,452	764	304,216
Accumulated other comprehensive income	3,435	25,408	28,843
Total shareholders' equity	805,910	25,408	831,318
Total Liabilities and Shareholders' Equity	1,109,362	26,172	1,135,534

The estimated amounts that will be amortized from Accumulated Other Comprehensive Income into net periodic benefit cost in the fiscal year ending June 30, 2008 are as follows:

	SRP	RSBP	PEBP	Total
Net actuarial (gain) loss	-	(3)	39	36
Prior service cost	85	85	5	17
Amount to be amortized into net periodic benefit cost	85	82	44	211

## Assumptions

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

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

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

The following tables present the weighted-average assumptions used in determining the projected benefit obligations and the net periodic pension costs for the fiscal years ended June 30, 2007 and June 30, 2006:

Weighted average assumptions used to determine projected benefit obligation

In percent

	SRP		RSBP		PEBP	
	2007	2006	2007	2006	2007	2006
Discount rate	6.25	6.50	6.25	6.50	6.25	6.50
Rate of compensation increase	6.50	6.80				
Health care growth rates-at end of fiscal year			6.80	7.60		
Ultimate health care growth rate			4.75	5.00		
Year in which ultimate rate is reached			2012	2012		

Weighted average assumptions used to determine net periodic pension cost

In percent

	SRP		RSBP		PEBP	
	2007	2006	2007	2006	2007	2006
Discount rate	6.50	5.25	6.50	5.25	6.50	5.25
Expected return on plan assets	7.75	7.75	8.25	8.25		
Rate of compensation increase	6.80	5.90				
Health care growth rates - at end of fiscal year			7.60	6.80		
- to year 2012 and thereafter			4.25	4.25		

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

In thousands of US dollars

	One percentage point increase	One percentage point decrease
Effect on total service and interest cost	\$ 200	\$ (200)
Effect on postretirement benefit obligation	2,100	(1,800)

## Investment Strategy

The investment policy for the SRP and the RSBP is to optimize the risk-return relationship as appropriate to the respective plan's needs and goals, using a global diversified portfolio of various asset classes. Specifically, the long-term asset allocation is based on an analysis that incorporates expected returns by asset class as well as volatilities and correlations across asset classes and the liability profile of the respective plans. This analysis, referred to as an asset-liability analysis, also provides estimates of potential future contributions and future asset and liability balances. Plan assets are managed by external investment managers and monitored by IBRD's pension investment department. The pension plan assets are invested in diversified portfolios of public equity, fixed income, and alternative investments. The fixed-income and public equity asset classes are rebalanced on a monthly basis.

The following table presents the weighted-average asset allocation as of June 30, and the respective target allocation by asset category for the SRP and RSBP:

In percent

Asset Class	SRP			RSBP		
	Target Allocation	Plan Assets		Target Allocation	Plan Assets	
	2007	2007	2006	2007	2007	2006
Fixed Income	40	40	40%	30	30	30%
Public Equity	35	32	35	30	32	33
Alternative Investments	25	28	25	40	38	37
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100%</b>	<b>100</b>	<b>100</b>	<b>100%</b>
Alternative Investments include:						
Private Equity	up to 12%	10.5%	8.3%	up to 28%	14.3%	12.3%
Real Estate	up to 8%	5.7	4.7	up to 18%	5.0	4.1
Hedge Funds	up to 12%	11.2	12.0	up to 23%	18.3	20.5

### Estimated Future Benefits Payments

The following table shows the benefit payments expected to be paid in each of the next five years and subsequent five years. The expected benefit payments are based on the same assumptions used to measure the benefit obligation as of June 30, 2007.

In thousands of US dollars

	SRP	RSBP		PEBP
		Before Medicare Part D Subsidy	Medicare Part D Subsidy	
July 1, 2007—June 30, 2008	3,151	214	3	165
July 1, 2008—June 30, 2009	3,466	249	4	174
July 1, 2009—June 30, 2010	3,773	286	4	187
July 1, 2010—June 30, 2011	4,017	327	5	198
July 1, 2011—June 30, 2012	4,339	376	6	206
July 1, 2012—June 30, 2017	27,417	2,715	45	1,337

### Expected Contributions

MIGA's contribution to the SRP and RSBP varies from year to year, as determined by the Pension Finance Committee, which bases its judgment on the results of annual actuarial valuations of the assets and liabilities of the SRP and RSBP. The best estimate of the amount of contributions expected to be paid to the SRP and RSBP for MIGA during the fiscal year beginning July 1, 2007 is \$1,301,000 and \$500,000, respectively.

## NOTE G—SERVICE AND SUPPORT FEE

MIGA contributes its share of the World Bank Group's corporate costs which include the Council of Governors and the Board of Directors, the President's office, the Corporate Secretariat, the Internal Auditing Department, the Department of Institutional Integrity, and the Conflict Resolution Services. In addition, MIGA obtains certain administrative and support services from IBRD in those areas where services can be most efficiently provided by IBRD. These include human resources, information systems, and administrative services as well as investment management and treasury operations. Payments for these services are made by MIGA to IBRD based on negotiated fees, charge backs and allocated charges where charge back is not feasible. Total fees paid by MIGA to IBRD for the fiscal year ended June 30, 2007 was \$6,394,000 (\$6,429,000—June 30, 2006).

## NOTE H—ESTIMATED FAIR VALUES

The estimated fair values of MIGA's cash and non-negotiable, non interest-bearing demand obligations approximate their carrying values. The estimated fair value of MIGA's investments shown in Note B is based on market quotations. The estimated fair values are only indicative of individual financial instruments' values and should not be considered an indication of MIGA's fair value.

## APPENDICES





## **APPENDICES**

Governors and Alternates  
Directors and Alternates: Voting Power  
Signatories to MIGA's Convention  
Subscriptions to the General Capital Increase  
MIGA Member Countries  
Facultative Reinsurance Obtained by MIGA  
Facultative Reinsurance Provided by MIGA  
Cooperative Underwriting Program Participants  
Guarantee Clients  
Contacts  
Abbreviations  
Photo Credits

## Governors and Alternates, as of June 30, 2007

Member	Governor	Alternate
Afghanistan	Anwar ul-Haq Ahady	Wahidullah Shahrani
Albania	Adrian Fullani	Fatos Ibrahim
Algeria	Karim Djoudi	Abdelhak Bedjaoui
Angola	Ana Dias Lourenco	Job Graca
Antigua and Barbuda	Errol Cort	Whitfield Harris
Argentina	Felisa Josefina Miceli	Martin Redrado
Armenia	Vahram Nercissiantz	Karen Chshmarityan
Australia	Peter Costello	Greg Hunt
Austria	Wilhelm Molterer	Kurt Bayer
Azerbaijan	Elman S. Rustamov	Heydar Babayev
Bahamas, The	James H. Smith	Ruth R. Millar
Bahrain	Ahmed Bin Mohammed Al-Khalifa	Yousif Abdulla Humood
Bangladesh	A.B. Mirza Md. Azizul Islam	Khawaja Ghulam Ahmed
Barbados	Mia A. Mottley	Grantley W. Smith
Belarus	Andrei V. Kobayakov	Andrei M. Kharkovets
Belgium	Didier Reynders	Franciscus Godts
Belize	Mark A. Espat	Carla Barnett
Benin	Pascal I. Koupaki	Soule Mana Lawani
Bolivia	Gabriel Loza Telleria	Luis Alberto Arce Catacora
Bosnia and Herzegovina	Nikola Spiric	Dragan Doko
Botswana	Baledzi Gaolathe	Wilfred Jiwa Mandlebe
Brazil	Guido Mantega	Henrique de Campos Meirelles
Bulgaria	Plamen Oresharski	Dimitar Kostov
Burkina Faso	Hamade Ouedraogo	Lene Sebgo
Burundi	Denise Sinankwa	Leon Nimbona
Cambodia	Keat Chhon	Aun Porn Moniroth
Cameroon	Polycarpe Abah Abah	Daniel Njankouo Lamere
Canada	James Michael Flaherty	Robert Greenhill
Cape Verde	Cristina Duarte	Leonesa Lima Fortes
Central African Republic	Sylvain Maliko	Edmond Gbegouda Gnikpingo
Chad	Ousmane Matar Breme	Moctar Moussa
Chile	Andres Velasco Branes	Alberto Arenas de Mesa
China	Jin Renqing	Li Yong
Colombia	Oscar Ivan Zuluaga	Carolina Renteria
Congo, Democratic Republic of	Athanase Matenda Kyelu	Jean-Claude Masangu Mulongo
Congo, Republic of	Pierre Moussa	Pacifique Isoibeka
Costa Rica	Guillermo Zuniga Chaves	Francisco de Paula Gutierrez
Cote d'Ivoire	Paul Antoine Bohoun Bouabre	Koffi Charles Diby
Croatia	Branko Vukelic	Ana Hrstovic
Cyprus	Michael Sarris	Christos Patsalides
Czech Republic	Miroslav Kalousek	Miroslav Singer
Denmark	Ulla Toernaes	Ib Petersen
Djibouti	(vacant)	(vacant)

**Governors and Alternates, as of June 30, 2007 (cont'd)**

Member	Governor	Alternate
Dominica	Roosevelt Skerit	Rosamund Edwards
Dominican Republic	Juan Temistocles Montas	Vicente Bengoa Albizu
Ecuador	Ricardo Patino Aroca	Fausto Ortiz de la Cadena
Egypt, Arab Republic of	Mahmoud Mohieldin	Fayza Abulnaga
El Salvador	Eduardo Zablah-Touche	William J. Handal
Equatorial Guinea	Jaime Ela Ndong	Jose Ela Oyana
Eritrea	Berhane Abrehe Kidane	Martha Woldegiorghis
Estonia	Ivari Padar	Renaldo Mandmets
Ethiopia	Sufian Ahmed	Abi Woldemeskel
Fiji	Mahendra Pal Chaudhry	Peceli V. Vocea
Finland	Jyrki Katainen	Peter Nyberg
France	Christine Lagarde	Xavier Musca
Gabon	Casimir Oye-Mba	Christian Bongo Ondimba
Gambia, The	Mousa G. Bala Gaye	Abdou B. Touray
Georgia	Aleksi Aleksishvili	Irakli Chogovadze
Germany	Heidemarie Wieczorek-Zeul	Thomas Mirow
Ghana	Kwadwo Baah-Wiredu	Anthony Akoto Osei
Greece	George Alogoskoufis	Plutarchos Sakellaris
Grenada	Anthony Boatswain	Lennox J. Andrews
Guatemala	Luis Estrada	Hugo Eduardo Beteta Mendez-Ruiz
Guinea	Madikaba Camara	Eugene Camara
Guinea-Bissau	Abubacar Demba Dahaba	Pedro Ucaim Lima
Guyana	Bharrat Jagdeo	Ashni Singh
Haiti	Daniel Dorsainvil	Raymond Magloire
Honduras	Rebeca Patricia Santos	Yani Rosenthal Hidalgo
Hungary	Miklos Tatrai	Zsuzsanna Varga
Iceland	Ingibjorg Solrun Gisladdottir	Arni M. Mathiesen
India	P. Chidambaram	D. Subba Rao
Indonesia	Mulyani Indrawati	Burhanuddin Abdullah
Iran, Islamic Republic of	Davoud Danesh Ja'fari	Mohammad Khazaei Torshizi
Ireland	Brian Cowen	David Doyle
Israel	Stanley Fischer	Yaron Zelekha
Italy	Mario Draghi	Ignazio Angeloni
Jamaica	Omar Lloyd Davies	Wesley George Hughes
Japan	Koji Omi	Mitoji Yabunaka
Jordan	Suhair Al-Ali	Nasser S.H. Shraideh
Kazakhstan	Karim Massimov	Marat A. Kusainov
Kenya	Amos Kimunya	Joseph Kanja Kinyua
Korea, Republic of	Okyu Kwon	Seongtae Lee
Kuwait	Bader Meshari Al-Humaidhi	Bader Mohamed Al-Saad
Kyrgyz Republic	Akylbek Japarov	Asamat S. Dikambaev
Lao People's Democratic Republic	Chansy Phosikham	Somphao Phaysith
Latvia	Oskars Spurdzins	Jurijs Strods

**Governors and Alternates, as of June 30, 2007 (cont'd)**

Member	Governor	Alternate
Lebanon	Sami Haddad	Fadi Makki
Lesotho	Timothy T. Thahane	Moeketsi Majoro
Liberia	Antoinette M. Sayeh	Toga McIntosh
Libya	Mohamed A. Al-Huwaij	Ali Ramadan Shnebish
Lithuania	Rimantas Sadzius	Ramune Vilija Zabuliene
Luxembourg	Luc Frieden	Jean Guill
Macedonia, former Yugoslav Republic of	Trajko Slaveski	Zoran Stavreski
Madagascar	Haja Nirina Razafinjatovo	Henri Bernard Razakariasa
Malawi	Goodall E. Gondwe	Patrick Chaukakumanda Kamwendo
Malaysia	Abdullah Ahmad Badawi	Wan Abdul Aziz Wan Abdullah
Maldives	Qasim Ibrahim	Abdullah Jihad
Mali	Abou-Bakar Traore	Mahamadou Zibo Maiga
Malta	Tonio Fenech	Alfred S. Camilleri
Mauritania	Mohamed Ould El Abed	Isselmou Ould Sidi El Moctar
Mauritius	Rama Krishna Sithanen	Ali Michael Mansoor
Micronesia, Federated States of	Nick L. Andon	Lorin Robert
Moldova	Igor Dodon	Dumitru Ursu
Mongolia	Nadmid Bayartsaikhan	Alag Batsukh
Montenegro	Igor Luksic	Milorad Katnic
Morocco	Fathallah Oualalou	Rachid Talbi Alami
Mozambique	Aiuba Cuereneia	Ernesto Gouveia Gove
Namibia	Andrew Ndishishi	Ericah Brave Shafudah
Nepal	Ram Sharan Mahat	Vidyadhar Mallik
Netherlands	Wouter Bos	Bert Koenders
Nicaragua	Alberto Jose Guevara Obregon	Antenor Rosales Bolanos
Nigeria	Nenadi E. Usman	Akin S. Arikawe
Norway	Erik Solheim	Anne Margareth Fagertun Stenhammer
Oman	Ahmed Macki	Mohammed bin Nasser Al-Khasibi
Pakistan	Tanwir Ali Agha	Mushtaq Malik
Palau	Casmir E. Remengesau	Lawrence Alan Goddard
Panama	Hector E. Alexander	Orcila Vega de Constable
Papua New Guinea	Rabbie Namaliu	Simon Tosali
Paraguay	Ernst F. Bergen S.	Jorge von Horoch
Peru	Luis Carranza Ugarte	Jose Arista Arbildo
Philippines	Margarito B. Teves	Manuel A. Roxas II
Poland	Arkadiusz Huzarek	Katarzyna Dziemara-Rzucidlo
Portugal	Fernando Teixeira dos Santos	Carlos Costa Pina
Qatar	Yousef Hussain Kamal	Abdullah Bin Soud Al-Thani
Romania	Varujan Vosganian	Cristian Popa
Russian Federation	Aleksei Kudrin	German O. Gref
Rwanda	James Musoni	Monique Nsanzabaganwa
St. Kitts and Nevis	Denzil Douglas	Janet Harris
St. Lucia	John G.M. Compton	Ausbert d'Auvergne

**Governors and Alternates, as of June 30, 2007** *(cont'd)*

Member	Governor	Alternate
St. Vincent and the Grenadines	Ralph E. Gonsalves	Laura Anthony-Browne
Samoa	Nickel Lee Hang	Hinauri Petana
Saudi Arabia	Ibrahim A. Al-Assaf	Hamad Al-Sayari
Senegal	Abdoulaye Diop	Cheikh Hadjibou Soumare
Serbia	Mladjan Dinkic	Vesna Arsic
Seychelles	Lekha Nair	Joseph Nourrice
Sierra Leone	John O. Benjamin	Sheku S. Sesay
Singapore	Tharman Shanmugaratnam	Peter Ong
Slovak Republic	Jan Pociatek	(vacant)
Slovenia	Andrej Bajuk	Andrej Kavcic
Solomon Islands	Gordon Darcy Lilo	Shadrach Fanega
South Africa	Trevor Andrew Manuel	Elias Lesetja Kganyago
Spain	Pedro Solbes M.	David Vegara Figueras
Sri Lanka	Mahinda Rajapaksa	P. B. Jayasundera
Sudan	El Zubair Ahmed El Hassan	Lual A. Deng
Suriname	Humphrey S. Hildenberg	(vacant)
Swaziland	Meshack M.L. Shongwe	Ephraim Mandla Hlophe
Sweden	Anders Borg	Gunilla Carlsson
Switzerland	Joerg Reding	Christina Grieder
Syrian Arab Republic	Amer Husni Lutfi	(vacant)
Tajikistan	Negmatdzhon K. Buriyev	Maruf N. Saifiyev
Tanzania	Juma Alifa Ngasongwa	Gray S. Mgonja
Thailand	Chalongphob Sussangkarn	Suparut Kawatkul
Timor-Leste	Maria Madalena Brites Boavida	Aicha Bassarewan
Togo	Daniel Koboe Kloutse	Gilbert Bawara
Trinidad and Tobago	Conrad Enill	Alison Lewis
Tunisia	Mohamed Nouri Jouini	Abdelhamid Triki
Turkey	Ibrahim H. Canakci	Memduh Aslan Akcay
Turkmenistan	Geldymurad Abilov	(vacant)
Uganda	Ezra Suruma	C. M. Kassami
Ukraine	Mykola Azarov	Anatoly Kinakh
United Arab Emirates	Mohammed Khalfan Bin Khirbash	Jamal Nasser Lootah
United Kingdom	Douglas Alexander	Alistair Darling
United States	Henry M. Paulson, Jr.	(vacant)
Uruguay	Danilo Astori	Carlos Viera
Uzbekistan	Fakhritdin A. Saidakhmedov	Bakhrom B. Ashrafkhanov
Vanuatu	Willie Jimmy Tapangararua	Simeon Athy
Venezuela, Republica Bolivariana de	Maria Cristina Iglesias	Jorge Giordani
Vietnam	Le Duc Thuy	Phung Khac Ke
Yemen, Republic of	Abdulkarim I. Al-Arhabi	Mutahar Abdulaziz Al-Abbasi
Zambia	Ng'andu Peter Magande	Chibiliti Evans Chibiliti
Zimbabwe	Samuel C. Mumbengegwi	Willard L. Manungo

## Directors and Alternates: Voting Power, as of June 30, 2007

Director	Alternate	Casting votes of	Total votes	% of total
<b>Elected by the votes of the six largest shareholders</b>				
E. Whitney Debevoise	(vacant)	United States	32,822	15.14
Makoto Hosomi	Kenichi Tomiyoshi	Japan	9,237	4.26
Eckhard Deutscher	Ruediger Von Kleist	Germany	9,194	4.24
Pierre Duquesne	Alexis Kohler	France	8,823	4.07
Alex Gibbs	Caroline Sergeant	United Kingdom	8,823	4.07
Zou Jiayi	Yang Jinlin	China	5,788	2.67
<b>Elected by the votes of other shareholders</b>				
Herman Wijffels (Netherlands)	Claudiu Doltu (Romania)	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Netherlands, Romania, Ukraine	11,688	5.39
Gino Alzetta (Belgium)	Melih Nemli (Turkey)	Austria, Belarus, Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey	11,491	5.30
Mulu Ketsela (Ethiopia)	Mathias Sinamenye (Burundi)	Angola, Botswana, Burundi, Ethiopia, The Gambia, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	11,058	5.10
Samy Watson (Canada)	Ishmael Lightbourne (The Bahamas)	Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines	10,392	4.79
Merza H. Hasan (Kuwait)	Mohamed Kamel Amr (Arab Republic of Egypt)	Bahrain, Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)	8,214	3.79
Louis Philippe Ong Seng (Mauritius)	Agapito Mendes Dias (Sao Tome and Principe)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Congo (Democratic Republic of), Congo (Republic of), Cote d'Ivoire, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Rwanda, Senegal, Togo	8,035	3.71
Svein Aass (Norway)	Pauli Kariniemi (Finland)	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden	8,030	3.70
Giovanni Majnoni (Italy)	Nuno Mota Pinto (Portugal)	Albania, Greece, Italy, Malta, Portugal, Timor-Leste	7,968	3.68
Dhanendra Kumar (India)	Zakir Ahmed Khan (Bangladesh)	Bangladesh, India, Sri Lanka	7,222	3.33
Shuja Shah (Pakistan)	Sid Ahmed Dib (Algeria)	Afganistan, Algeria, Ghana, Iran (Islamic Republic of), Morocco, Pakistan, Tunisia	7,210	3.33
Rogério Studart (Brazil)	Jorge Humberto Botero (Colombia)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Trinidad and Tobago	7,056	3.26
Joong-Kyung Choi <sup>2</sup> (Republic of Korea)	Terry O'Brien (Australia)	Australia, Cambodia, Korea (Republic of), Micronesia (Federated States of), Mongolia, Palau, Papua New Guinea, Samoa, Solomon Islands, Vanuatu	6,958	3.21



### Directors and Alternates: Voting Power, as of June 30, 2007 (cont'd)

Director	Alternate	Casting votes of	Total votes	% of total
<b>Elected by the votes of other shareholders (cont'd)</b>				
Mat Aron Deraman (Malaysia)	Chularat Suteethorn (Thailand)	Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Nepal, Singapore, Thailand, Vietnam	6,588	3.04
Michel Mordasini (Switzerland)	Jakub Karnowski (Poland)	Azerbaijan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, Uzbekistan	6,441	2.97
Jorge Familiar (Mexico)	Jose Alejandro Rojas Ramirez (Rep. Bol. de Venezuela)	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Spain, Venezuela (Republica Bolivariana de)	6,324	2.92
Felix Alberto Camarasa (Argentina)	Francisco Bernasconi (Chile)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay	5,833	2.69
Abdulrahman M. Almofadhi (Saudi Arabia)	Abdulhamid Alkhalifa (Saudi Arabia)	Saudi Arabia	5,786	2.67
Alexey G. Kvasov (Russian Federation)	Eugene Miagkov (Russian Federation)	Russian Federation	5,786	2.67

### In addition to the directors and alternates shown in the foregoing list, the following also served after November 1, 2006

Director	End of period of service	Alternate director	End of period of service
Otaviano Canuto (Brazil)	May 31, 2007	Maria Ines Agudelo (Colombia)	February 28, 2007
Jennifer Dorn (United States)	February 16, 2007	Nursiah Arshad (Malaysia)	May 14, 2007
Clay Lowery (United States)	April 6, 2007	Walter Hermann (Germany)	January 26, 2007
Tom Scholar (United Kingdom)	June 26, 2007		

Note: Eritrea (308 votes) and Suriname (340 votes) did not participate in the 2006 Regular Election of Directors. Djibouti (308 votes), Liberia (342 votes) and Montenegro (319 votes) became members after that election.

<sup>1</sup> Toru Shikibu (Japan) elected effective July 24, 2007.

<sup>2</sup> To be succeeded by James Hagan (Australia) effective August 1, 2007.

## Signatories to MIGA's Convention, as of June 30, 2007

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

\* Non-member country

## Subscriptions to the General Capital Increase, as of June 30, 2007

CATEGORY 1	Shares Subscribed	Amount \$
Australia	1,306	14,130,920
Austria	591	6,394,620
Belgium	1,547	16,738,540
Canada	2,260	24,453,200
Czech Republic	339	3,667,980
Denmark	547	5,918,540
Finland	457	4,944,740
France	3,705	40,088,100
Germany	3,865	41,819,300
Greece	213	2,304,660
Ireland	281	3,040,420
Italy	2,150	23,263,000
Japan	3,884	42,024,880
Luxembourg	88	952,160
Netherlands	1,653	17,885,460
Norway	533	5,767,060
Portugal	291	3,148,620
Slovenia	78	843,960
Spain	980	10,603,600
Sweden	800	8,656,000
Switzerland	1,143	12,367,260
United Kingdom	3,705	40,088,100
United States	12,045	130,326,900
<b>SUBTOTAL</b>	<b>42,461</b>	<b>459,428,020</b>
CATEGORY 2	Shares Subscribed	Amount \$
Albania	44	476,080
Algeria	495	5,355,900
Argentina	956	10,343,920
Bahamas, The	76	822,320
Bahrain	59	638,380
Bangladesh	259	2,802,380
Barbados	52	562,640
Belize	38	411,160
Benin	47	508,540
Bolivia	95	1,027,900
Botswana	38	411,160
Brazil	1,127	12,194,140
Bulgaria	278	3,007,960
Cambodia	71	768,220
Chile	370	4,003,400
China	2,392	25,881,440
Colombia	333	3,603,060

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

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

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

## MIGA Member Countries (171)

<b>Industrialized Countries (24)</b>	Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States
<b>Developing Countries (147)</b>	<b>ASIA</b>
	Afghanistan, Bangladesh, Cambodia, China, East Timor, Fiji, India, Indonesia, Korea (Republic of), Lao People's Democratic Rep., Malaysia, Maldives, Micronesia, Mongolia, Nepal, Pakistan, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, Sri Lanka, Thailand, Vanuatu, Vietnam
	<b>EUROPE AND CENTRAL ASIA</b>
	Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Bosnia-Herzegovina, Croatia (Republic of), Cyprus, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Macedonia, Malta, Moldova, Montenegro, Poland, Romania, Russian Federation, Serbia, Slovak Republic, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan
	<b>LATIN AMERICA AND CARIBBEAN</b>
	Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Paraguay, Panama, Peru, St. Kitts & Nevis, St. Lucia, St. Vincent, Suriname, Trinidad and Tobago, Uruguay, Venezuela (R. B. de)
	<b>MIDDLE EAST AND NORTH AFRICA</b>
	Algeria, Bahrain, Egypt, Iran (Islamic Republic of), Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Tunisia, United Arab Emirates, Yemen
	<b>SUB-SAHARAN AFRICA</b>
	Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Congo (Democratic Republic of), Congo (Republic of), Côte d'Ivoire, Djibouti, Equatorial Guinea, Ethiopia, Eritrea, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, Seychelles, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe

## Countries in the Process of Fulfilling Membership Requirements (2)

	<b>INDUSTRIALIZED COUNTRIES</b>
	New Zealand
	<b>DEVELOPING COUNTRIES</b>
	Niger

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

Facultative Reinsurance <i>Provided</i> by MIGA	
Investment Insurer	Country
Compañía Española de Seguros de Crédito a la Exportación (CESCE)	Spain
Export Development Canada (EDC)	Canada
Export Credit Insurance Organization (ECIO) of Greece	Greece
Nippon Export Investment Insurance (NEXI)	Japan
Nordia Insurance Company (Pan Financial, Inc.)	USA
Österreichische Kontrollbank A.G. (OeKB) <sup>1</sup>	Austria
Overseas Private Investment Corporation (OPIC)	USA
Slovenska izvozna in razvojna banka (SID)	Slovenia

<sup>1</sup> MIGA's facultative reinsurance was from the EU trust fund for Bosnia and Herzegovina.

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

Guarantee Clients
Abengoa
ABN AMRO Bank NV
AES Bulgaria Holdings BV
Agro Industrial Investment and Development SA
Alstom Power Norway AS
Ama International
Antoine Boulos and Gabriel Boulos
Anvil Mining Limited
Autopistas del Nordeste (Cayman) Limited
Baltic-American Enterprise Fund (BalAEF)
Baltic-American Mortgage Trust 2004-1
Banco de Credito del Peru
Bank Austria Aktiengesellschaft
Bank Austria Creditanstalt AG
Bank Hapoalim BM
Bank of Nova Scotia, The
Barloworld Equipment UK Limited
Bema Gold Corporation
Bergenshalvoens Kommunale Kraftselskap AS
Biothermica Energie Inc.
BNP PARIBAS
Business Humanitarian Forum, The
Calyon Corporate & Investment Bank
CAN-PACK SA
CEFLA Capital Services SpA
Cementhai Chemicals Co., Ltd.
Cesur Packaging Corporation
Cobra Instalaciones y Servicios, SA
Compagnie Générale des Eaux
Conduit Capital Partners
Control y Montajes Industriales CYMI, SA
Cooperative Centrale Raiffeisen
Corporación Interfin, SA
Cotecna SA
DAGRIS
Darco Environmental Pte. Ltd
Dole Food Company, Inc.
Dragados Industrial SA
EDF International
Efes Breweries International BV
Efes Breweries International NV



Guarantee Clients (cont'd)
Efes Sinai Yatirim Holding AS
El Paso Energy International Corp.
Elecnor, SA
Emporia Bank of Greece SA
Energy Investors Funds II, LP
EPED Holding Company
Eskom Enterprises
Export Credit Insurance Organization (ECIO)
Fatoglu Gida Sanayi Ve Ticaret AS
FINREP HANDEL Ges.m.b.H.
First Kazakh Securitisation Company BV
Fortis Bank
Fraport AG
GE Energy (Norway) AS
GE.POR.TUR. s.a.s.
Geosurvey International, LLC
Globeleq Holdings (ConCO) Limited
Golden State Waste Management Corporation
Grodco Panama
Grodco SCA
Grupo Isolux Co. Corsan SA
Habib Bank AG Zurich
HYDELEC
Hydra-Co Enterprises, Inc.
I.T.I. S.R.L.
ICICI Bank
Industrial Development Corporation of South Africa Ltd.
Infilco Degrémeont, Inc.
ING Bank
ING Bank NV
International Energy Partners
International Water Services (Guayaquil) BV
International Wireless Communications, Inc.
Intertek International Ltd.
Investcom Global Ltd.
Investcom Holding (Luxembourg) S.A.
Itochu Corporation
Kenmare Resources PLC
Kimberly-Clark Corporation
Kingdom 5 KR 71 Limited

Guarantee Clients (cont'd)
Kjaer Group AS
Komatsu Ltd.
KfW Kreditanstalt für Wiederaufbau
Loita Capital Partners International Limited
Louvre International Limited
Mahindra Overseas Investment Company Ltd.
Manaksia Limited
Marubeni Corporation
Marvin M. Schwan Charitable Foundation, The
Mauritius Commercial Bank Ltd., The
Mauritius Telecom Ltd.
Mediocredito Centrale SpA
Middenbank Curacao NV
Millco Limited
Mitsubishi Corporation
Mitsubishi Corporation (UK) Plc
Mitsubishi International Corporation
Mitsui and Co., Ltd.
MTN Group (Pty) Ltd.
New Energy Industrial Limited
Odinsa Holding Inc.
Office National de Télécommunications - Tunisie Telecom
Orascom Telecom
Organización de Ingeniería Internacional SA
Ormat Holding Corp.
Ormat International, Inc.
Ormat International, Ltd.
Oy Metsa-Botnia Ab
Pol-Am-Pack SA
Prodenvases Crown SA
Promofin Outremer SA
PROPARCO
PTT Chemical Public Company Ltd.
Raghbir Sineh Chatthe
Raiffeisen a.s., Prague/Czech Republic
Raiffeisen Leasing GmbH
Raiffeisen Zentralbank Österreich AG
Raiffeisenbank a.s.
Raiffeisenverband Salzburg

Guarantee Clients (cont'd)
Rockfort Power Associates, Inc.
Rockland Steel Trading Ltd.
Rodeo Power Pte Ltd
RZB Vienna
Salvintur—Soc. de Inwestimentos Turísticos
Sasol Gas Holdings (Pty) Ltd.
Sasol Petroleum International (Pty) Ltd.
Scotia Bank (Cayman Islands) Ltd.
Scotiabank & Trust (Cayman) Ltd.
Scudder Latin America Power II
Scudder Latin American Power I.C. L.D.C.
SembCorp Utilities Pte Ltd.
Sena Holdings Limited
SGS Société Générale de Surveillance SA
Shore Cap International Ltd.
SMPH SA
SN Power Holding Singapore PTE Ltd.
Société Générale
Société Malienne de Promotion Hôtelière S.A.
Sonatel
Standard Corporate and Merchant Bank
State Bank of India
Société de Promotion Financière & Investissement
Standard Bank of South Africa Limited, The
Suez Environment SA
Sunnen Products Company
Teleinvest Limited
Tokyo Electric Power Company International BV
Touton S.A.
Union Carbide Corporation and/or Affiliates
Union Fenosa Desarrollo y Accion Exterior SA
Union Fenosa Internacional SA
Urbaser, SA (Dragados Group)
West African Gas Pipeline Company Ltd.
WestLB AG
World Power Holdings Luxembourg S.a.r.l.
WTE Wassertechnik GmbH

Contacts	
Executive Vice President	Yukiko Omura yomura@worldbank.org
Chief Operating Officer	Hasan Tuluy htuluy@worldbank.org
Acting Director, Operations	Philippe Valahu pvalahu@worldbank.org
Director and General Counsel, Legal Affairs and Claims	Peter D. Cleary pcleary@worldbank.org
Acting Chief Financial Officer and Director, Finance and Risk Management	Kevin Lu klu@worldbank.org
Chief Economist and Director, Economics and Policy	Frank J. Lysy flysy@worldbank.org
Director, External Outreach and Partners	Moina Varkie mvarkie@worldbank.org
GUARANTEES	
Agribusiness, Manufacturing, Services, and Tourism	Nabil Fawaz nfawaz@worldbank.org
Financial	Ileana Boza iboza@worldbank.org
Infrastructure	Philippe Valahu pvalahu@worldbank.org
Oil, Gas, Mining, and Chemicals	Mamadou Barry mbarry2@worldbank.org
Reinsurance	Marc Roex mroex@worldbank.org
Small Investment Program	Hal G. Bosher hbosher@worldbank.org
BUSINESS INQUIRIES	
	Michael Durr migainquiry@worldbank.org
TECHNICAL ASSISTANCE	
	Cecilia Sager csager@worldbank.org

## Abbreviations

BEPZA	Bangladesh Export Processing Zones Authority
BMI	Business Monitor International
BOI	Board of Investment
BOT	Build-Operate-Transfer
CAO	Compliance Advisor/Ombudsman
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPI	Investment Promotion Agency, Mozambique
ECA	Europe and Central Asia
EU	European Union
FIAS	Foreign Investment Advisory Service
FDI	Foreign Direct Investment
FIDE	Foundation of Investment and Development of Exports
GAFI	General Authority for Free Zones and Investment
GCI	General Capital Increase
GDP	Gross Domestic Product
GSM	Global System for Mobile Communication
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group
ICIEC	Islamic Corporation for the Insurance of Investments and Export Credit
IFC	International Finance Corporation
IIG	Invest in Guatemala
IIWB	Invest in the Western Balkans
IMF	International Monetary Fund
IP	Internet Protocol
IPA	Investment Promotion Agencies
MENA	Middle East and North Africa
NGO	Nongovernmental Organization
OECD	Organization for Economic Cooperation and Development
PEP	Private Enterprise Partnership
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public-Private Partnership
PRI	Political Risk Insurance
PSD	Private Sector Development
SIPP	Serbia Investment Promotion Program
SIP	Small Investment Program
SME	Small and Medium-Size Enterprise
SSA	Sub-Saharan Africa
TA	Technical Assistance
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WTO	World Trade Organization

## Photo Credits

Cover	Sasol; Arne Hoel, World Bank Group
page 5	Goldman Sachs; Deborah Campos, World Bank Group
page 6	Deborah Campos, World Bank Group
page 7	MIGA staff; Suzanne Pelland, MIGA
page 8	MIGA staff
page 9	Suzanne Pelland, MIGA
page 10	World Bank Photo Library; Arne Hoel, World Bank Group
page 11	World Bank Photo Library
page 12	Arne Hoel, World Bank Group
page 14	Arne Hoel, World Bank Group
page 15	Arne Hoel, World Bank Group; Sasol
page 16	Keith Martin, MIGA
page 18	Keith Martin, MIGA
page 20	Sasol; Arne Hoel, World Bank Group
page 21	World Bank Photo Library
page 22	Sasol
page 28	Keith Martin, MIGA
page 32	Sasol
page 33	Sasol; Arne Hoel, World Bank Group
page 34	Société des Grands Moulins de Guinée, SA
page 36	The Bank of Nova Scotia Jamaica Ltd.; Michael Foley, World Bank Group
page 37	World Bank Photo Library
page 39	Michael Foley, World Bank Group
page 46	IFC Photo Library
page 50	Biothermica Energy, Inc.
page 55	Arne Hoel, World Bank Group
page 57	Arne Hoel, World Bank Group
page 64	Sasol; Arne Hoel, World Bank Group; Michael Foley, World Bank Group
page 66	World Bank Photo Library; Michael Foley, World Bank Group; Keith Martin, MIGA
page 100	Arne Hoel, World Bank Group; Sasol; Michael Foley, World Bank Group

© 2007 Multilateral Investment Guarantee Agency  
 Manufactured in the United States of America  
 All rights reserved

Printed on recycled paper with soy-based ink.

ISBN 10        0-8213-7322-6  
 ISBN 13        978-0-8213-7322-4  
 e-ISBN 10      0-8213-7323-4  
 e-ISBN 13      978-0-8213-7323-1

DOI: /10.1596/978-0-8213-7322-4





**World Bank Group**

Multilateral Investment Guarantee Agency  
1818 H Street, NW  
Washington, DC 20433 USA

t. 202.458.4798

f. 202.522.0316

ISBN 13 978-0-8213-7322-4