INSURING INVESTMENTS ■ ENSURING OPPORTUNITIES

MIGA

ANNUAL REPORT 2012

MIGA'S MISSION

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

CONTENTS

ACRONYMS

BRICS	Brazil, the Russian Federation, India, China, South Africa
CAO	Compliance Advisor/Ombudsman
CAR	Capital Adequacy Ratio
CUP	Cooperative Underwriting Program
DIFC	Dubai International Financial Centre
FDI	Foreign Direct Investment
FIAS	Facility for Investment Climate Advisory Services
FMO	Dutch Development Bank
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
ICT	Information and Communication Technology
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IPP	Independent Power Producer
MD&A	Management's Discussion and Analysis
MENA	Middle East and North Africa
MOU	Memorandum of Understanding
NHSFO	Non-Honoring of Sovereign Financial Obligations
PRG	Partial Risk Guarantee
PRI	Political Risk Insurance
SIP	Small Investment Program
SSA	Sub-Saharan Africa

In fiscal year 2012, we issued a total of $2.7 billion in guarantees for projects in MIGA's developing member countries and an additional $10.6 million was issued under MIGA-administered trust funds. This is another record high for new issuance by the Agency, the second consecutive year of this trend, and was marked by increased regional and sectoral diversification. Fifty-eight percent of projects guaranteed, accounting for 70 percent of the total volume of new coverage, address at least one of MIGA's four strategic priority areas. Fiscal year 2012 also marks the fifth consecutive year of record levels in the Agency's gross portfolio.

FISCAL YEAR 2012 HIGHLIGHTS

Guarantees Issued	2008	2009	2010	2011	2012	FY90-12
Number of Projects Supported	24	26	19	38	50[1]	701
New Projects[2]	23	20	16	35	38	-
Projects Previously Supported[3]	1	6	3	3	12	-
Number of Guarantee Contracts Issued	38	30	28	50	66	1,096
Amount of New Issuance, Total ($B)[4]	2.1	1.4	1.5	2.1	2.7	27.2
Gross Exposure ($B)[4]	6.5	7.3	7.7	9.1	10.3	-
Net Exposure (less reinsurance) ($B)[5]	3.6	4.0	4.3	5.2	6.3	-

1. *Two additional projects were supported under the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund*
2. *Projects receiving MIGA support for the first time in FY12 (including expansions)*
3. *Projects supported by MIGA in FY12 as well as in previous years*
4. *Includes amounts leveraged through the Cooperative Underwriting Program (CUP)*
5. *Gross exposure is the maximum aggregate liability. Net exposure is the gross exposure less reinsurance*

Operational Highlights

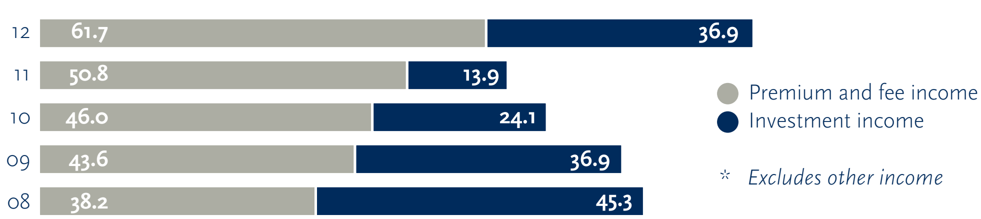
MIGA provided coverage for projects in the following areas in fiscal year 2012:

	Number of projects supported	Share of projects supported (%)	Amount of guarantees issued ($M)	Share of projects $ volume (%)
Priority area[1]				
IDA-eligible countries[2]	24	48	1,090.5	41
"South-South" investments[3,4]	11	22	589.4	22
Conflict-affected countries	9	18	340.7	13
Complex projects[5]	12	24	1,581.7	60
Region				
Asia and the Pacific	4	8	305.9	12
Europe and Central Asia	20	40	928.0	35
Latin America and the Caribbean	3	6	353.6	13
Middle East and North Africa[6]	6	12	432.9	16
Sub-Saharan Africa	17	34	636.4	24
Total[6]	**50**		**2,656.8**	
Sector				
Agribusiness, manufacturing, and services[6]	25	50	506.0	19
Financial	11	22	482.3	18
Infrastructure	13	26	1,549.0	58
Oil, gas, and mining	1	2	119.5	5
Total[6]	**50**		**2,656.8**	

1. *Some projects address more than one priority area*
2. *The world's poorest countries*
3. *Investments made from one MIGA developing member (category two) country to another*
4. *These figures represent projects involving one or more South-based investor*
5. *Complex projects including in infrastructure, extractive industries, and financial structure*
6. *Two projects totaling $8.7 million were also supported under the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund*

This year, MIGA's operating income was $17.8 million, compared with $9.7 million in fiscal year 2011 (see MD&A for details).

Earned Premium, Fees, and Investment Income* ($M)



* *Excludes other income*

WORLD BANK GROUP FISCAL YEAR 2012

HIGHLIGHTS

THE WORLD BANK GROUP, ONE OF THE WORLD'S LARGEST DEVELOPMENT INSTITUTIONS, IS A MAJOR SOURCE OF FINANCIAL AND TECHNICAL ASSISTANCE TO DEVELOPING COUNTRIES AROUND THE WORLD. ITS MEMBER INSTITUTIONS WORK TOGETHER AND COMPLEMENT EACH OTHER'S ACTIVITIES TO ACHIEVE THEIR SHARED GOALS OF REDUCING POVERTY AND IMPROVING LIVES. THE BANK GROUP SHARES KNOWLEDGE AND SUPPORTS PROJECTS IN AGRICULTURE, TRADE, FINANCE, HEALTH, POVERTY REDUCTION, EDUCATION, INFRASTRUCTURE, GOVERNANCE, CLIMATE CHANGE, AND IN OTHER AREAS TO BENEFIT PEOPLE IN DEVELOPING COUNTRIES.

The World Bank Group committed $53 billion in fiscal year 2012.

The World Bank, comprising IDA and IBRD, committed $35.3 billion in loans and grants to its member countries. Of this, IDA commitments to the world's poorest countries were $14.7 billion.

IFC committed $15 billion and mobilized an additional $5 billion for private sector development in developing countries. Nearly half of the total went to IDA countries.

MIGA issued $2.7 billion in guarantees in support of investments in developing countries. The Agency welcomed two new members, Niger and South Sudan, during the fiscal year.

World Bank Group Cooperation

Joint projects and programs of the Bank Group's institutions focus on promoting sustainable development by expanding financial markets, issuing guarantees to investors and commercial lenders, and providing advisory services to create better investment conditions in developing countries. Working together, the World Bank, IFC, and MIGA catalyze projects that make resources available to clients through greater innovation and responsiveness. A number of these are highlighted in this report.

The World Bank Group comprises five closely associated institutions:

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

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

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

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

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

Leadership Perspectives

Message from Robert B. Zoellick, World Bank Group President, 2007-2012

The past five years have been a time of testing for the World Bank Group, and our ability to respond to the needs of our clients. Developing and developed countries have been challenged by the triple threat of the food, fuel, and financial crises.

They've faced hunger, poverty, joblessness, and debt—an economic, social, and human crisis with political implications. Through these difficult times, the World Bank Group has stepped up to support our clients with flexibility, speed, innovation, and a focus on results. Out of challenge, we have looked for opportunity and hope.

The World Bank Group's shareholders have supported our priorities and performance with first-rate financial support. In 2007 and 2010, two record-breaking IDA replenishments raised more than $90 billion. In 2010, shareholders backed the IBRD's first capital increase in more than 20 years. Today, we have a well-resourced Bank with a AAA rating.

We have been modernizing multilateralism for a world economy with multiple poles of growth, and democratizing development through greater openness and accountability, sharing knowledge and information. We are laying the foundations for expanding social accountability, fighting corruption, and building better governance. We have maintained our focus on the poor in all regions, especially Africa, emphasizing the need for fiscally responsible human safety nets to protect the most vulnerable. At the same time, we have customized new products for middle-income countries that are increasingly important drivers of growth. Our agenda has included gender equality, food security, climate change and biodiversity, infrastructure investment, disaster prevention, financial innovation, and inclusion.

The World Bank Group has paid special attention to the central role of the private sector in development. We are supporting the enabling environment for investment and private sector activity; extending financing to small and medium businesses and microfinance; supporting trade finance; promoting greater attention to public-private partnerships; and encouraging investment in countries that need it the most, especially conflict-affected and fragile states.

This report highlights MIGA's active support for these objectives in fiscal year 2012. It demonstrates the Agency's ability to deliver on its mandate to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives. As the global investment environment becomes increasingly volatile, and MIGA's clients look for opportunities in frontier markets, there is greater interest in political risk-mitigation mechanisms. MIGA has positioned itself well to respond to these developments—especially as a result of its stronger field presence and internal reforms over the last two years.

In fiscal year 2012, MIGA issued $2.7 billion in new guarantees, 27 percent higher than the previous year. The

Agency supported 52 projects, including two under the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund, compared to 38 in fiscal year 2011. Its gross portfolio stands at an all-time high of $10.3 billion, 29 percent greater than its fiscal year 2009-2011 historical average, and 13 percent higher than the fiscal year 2011 level. Fifty-eight percent of projects MIGA supported in fiscal year 2012 addressed at least one of MIGA's four strategic priority areas: investments in the poorest countries; investments in countries affected by conflict; complex, transformational projects; and South-South investments. Almost half of new projects supported the poorest countries.

MIGA is committed to promoting projects that promise a strong development impact and are economically, environmentally, and socially sustainable. MIGA's projects this past year demonstrate this focus in a wide range of sectors, across all regions: an energy project in Ghana; a public-private partnership toll bridge in Côte d'Ivoire; a hydropower project in Albania; two independent power projects in Kenya; date farms in the West Bank; and telecommunications in Afghanistan. In all these projects, MIGA has shown its ability to catalyze private sector investment into high-priority areas and to draw on the complementary strengths of the World Bank Group—leveraging products and services across institutions for the benefit of host countries and private investors.

Economies in the Middle East and North Africa region are still under considerable stress: these countries face economic, financial, and in some cases political transition. MIGA's support to projects in Tunisia, Morocco, Jordan, and the West Bank and Gaza injected much-needed foreign investment in areas that will bring jobs, knowledge, and skills transfer.

MIGA's robust performance this year has contributed to our efforts to build a stronger and healthier World Bank Group, well-positioned for new challenges. It reflects the sound leadership and innovative approach of Izumi Kobayashi and her management team, and the professional commitment of MIGA's staff.

This marks my last message to you as President of the World Bank Group. I want to thank our Governors, Board of Directors, and other partners for their guidance and support in advancing the work of this vital institution. Most of all, I want to thank the Bank Group's leadership team and the committed, hard-working, and thoughtful staff. You are the ones who bring the work of development to life, in all quarters of the globe. It has been my privilege to serve with you.

Robert B. Zoellick

Robert B. Zoellick
June 30, 2012

Message from Dr. Jim Yong Kim, World Bank Group President

I am pleased to transmit the 2012 Annual Report of MIGA. This report highlights the achievements and effectiveness of the Agency despite a challenging global economic environment.

It also underscores the importance of collaboration across the World Bank Group and working with external partners to advance our shared goal of building prosperity and eradicating poverty.

Today, the World Bank Group has a unique opportunity to accelerate inclusive and sustainable growth and social progress. We are continuing to support our clients as they respond to immediate pressures, especially through helping countries develop cost-effective social safety nets. But we are also well-positioned to assist countries as they design and implement longer-term development strategies through our lending, knowledge, experience, and expertise.

I look forward to working with the Board, our partners and clients, as well as the Bank Group's dedicated staff in Washington, DC, and around the world. Our mission remains more important than ever—to help developing countries respond to immediate pressures, as well as look toward future opportunities. It is a privilege to undertake this great work.

Jim Yong Kim
July 1, 2012

Message from Izumi Kobayashi, MIGA Executive Vice President

This past year of global economic turbulence has also brought shifting growth patterns. We have seen tensions in Europe's developed countries erode gains while developing countries continued to drive growth, but at a slower pace.

The ongoing headwinds have prompted many businesses to reevaluate their investment and risk-mitigation strategies as they look for opportunity to achieve higher returns for the longer term in more challenging markets with greater risk and uncertainty.

The result has been an increase in the demand for MIGA guarantees in 2012 as perceptions of risks increased and investors looked for opportunities in developing markets where we could support them. The Agency issued $2.7 billion in new guarantee coverage this past fiscal year, a significant increase on last year given the current environment. I am pleased to note the strengthened diversification of the portfolio, with coverage spanning all regions and all sectors as highlighted in this report.

Underlying our strong business results is the transformational nature of many of the projects we support: they help bring power, transportation, and more efficient technologies into the world's poorest countries where investment is needed the most. By mobilizing private capital into sectors that have wide developmental impact, such as infrastructure, agribusiness, and manufacturing, the Agency not only fulfills its mandate to promote productive foreign direct investment (FDI) into developing countries, but also frees up the limited resources of host governments for use in providing other essential services.

This is particularly true in fragile and conflict-affected states. Our results in this priority area are testament to our efforts as new business volume supporting these countries grew by 48 percent to $351.3 million in fiscal year 2012, including two projects guaranteed by the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund, compared to $237.5 million in fiscal year 2011. By facilitating much-needed FDI the Agency plays a key role in the rebuilding effort for many of these countries, particularly during the crucial period of transition as they seek to establish stability after years of conflict.

MIGA also strengthened its commitment to development in sub-Saharan Africa, one of the fastest-growing developing regions with huge opportunities. In fiscal year 2012 the Agency's projects in the region accounted for 24 percent of volume, twice the level of the previous year. We showcase a number of these projects in this report.

Another area of focus this past fiscal year was support to the Middle East and North Africa region where the need for investments that create jobs and opportunity is greater than ever. We reached out in a number of ways, including through regional conferences and travel that allowed us to engage face-to-face and hear from people close to the issues in these countries. Our commitment led to strong projects in several countries and a marked improvement in the Agency's results in the region as we highlight in this report.

This report also notes our emphasis on partnerships, particularly with the World Bank and IFC, to strengthen alignment and relationships across the institution and lay the foundation for developing or pursuing joint opportunities. We spotlight independent power projects in Kenya, which brought together World Bank Group products in a complementary approach and demonstrate the effectiveness of joint solutions we can offer to mobilize funding in countries where investors remain hesitant to enter. In addition to working actively across the Group, MIGA maintains important partnerships with other institutions including other multilateral and bilateral development institutions, many of the world's export credit agencies, other insurers, and industry organizations such as the Berne Union. These partnerships play an important role in helping us identify and underwrite good projects, and in collaboratively managing risk.

I am pleased to note MIGA's Asia regional presence, our hub, had a productive first full fiscal year of operation. The hub's particular focus is to develop business with potential South-based investors, such as those from China, India, the Republic of Korea, and Singapore, as well as investors from Australia and Japan. This targeted outreach to investors, along with active participation in key regional business events in Asia, helps strengthen our ability to work with clients and pursue opportunities early in the project development process. Additionally, this fiscal year MIGA established the Europe, Middle East, and Africa hub in Paris to replicate what we did in Asia. The hub has had a promising start and is developing a strong pipeline of potential projects for its target areas.

Here in Washington, we welcomed Michel Wormser with the dual role of MIGA's new Vice President and Chief Operating Officer. Michel's long experience within the World Bank Group brings added strength to the Agency.

We also welcomed new staff, including under the MIGA Professionals Program, which has already proved a success in bringing new and diverse young talent from underrepresented countries into the Agency.

I want to thank all our staff for their professionalism and commitment over the last year. They stepped up to deliver during continued challenging times. I am excited about the prospects for the coming year as we continue to fulfill our mandate of facilitating investment that improves people's lives.

Finally, I would like to take this opportunity to thank the Board of Directors for their ongoing assistance and support. I would like to express my gratitude to former World Bank Group President Robert B. Zoellick for his leadership during the year and welcome his successor, President Jim Yong Kim.

Izumi Kobayashi
June 30, 2012

MIGA

MANAGEMENT TEAM

Izumi Kobayashi
Executive Vice President

Michel Wormser
Vice President and
Chief Operating Officer

Ana-Mita Betancourt
Director and General
Counsel, Legal Affairs and
Claims

Kevin W. Lu
Regional Director,
Asia-Pacific








Edith P. Quintrell
Director, Operations

Lakshmi Shyam-Sunder
Director and
Chief Financial Officer,
Finance and Risk
Management

Ravi Vish
Chief Economist and
Director, Economics and
Policy

Marcus S. D. Williams
Adviser, Strategy and
Operations

MIGA

BOARD

A Council of Governors and a Board of Directors, representing 177 member countries, guide the programs and activities of MIGA. Each country appoints one governor and one alternate. MIGA's corporate powers are vested in the Council of Governors, which delegates most of its powers to a Board of 25 directors.

Voting power is weighted according to the share of capital each director represents. The directors meet regularly at the World Bank Group headquarters in Washington, DC, where they review and decide on investment projects and oversee general management policies.

Directors also serve on one or more of several standing committees:

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

These committees help the Board discharge its oversight responsibilities through in-depth examinations of policies and procedures.

MIGA's Board of Executive Directors, as of June 30, 2012

Standing, from left to right: Rogerio Studart, Gino Alzetta, Ingrid G. Hoven, Agapito Mendes Dias, Merza H. Hasan, Piero Cipollone, Jorg Frieden, Vadim Grishin, Marie-Lucie Morin, Shaolin Yang, Marta Garcia, Hekinus Manao, Sid Ahmed Dib, Rudolf Treffers, In-Kang Cho, Hassan Ahmed Taha, Mukesh N. Prasad

Seated, from left to right: Ian H. Solomon, Felix Alberto Camarasa, Ambroise Fayolle, Susanna Moorehead, Abdulrahman M. Almofadhi, Anna Brandt, Renosi Mokate, Nobumitsu Hayashi

DEVELOPMENT IMPACT

After a slowdown in global activity in the second half of 2011 and then a marked improvement in market sentiment at the very beginning of 2012, in May euro-zone uncertainties again roiled financial markets around the world. This is a stark reminder that the after-effects of the global financial crisis have not yet fully played out. Financial market uncertainty and fiscal consolidation associated with the high deficits and debt levels of high-income countries are likely to be recurring sources of volatility.

Nevertheless, so far conditions in most developing countries are better than they were in the second half of 2011. This means that the real growth momentum remains there, as it was last year: according to the World Bank, in 2012 developing countries are expected to grow at 5.3 percent. This significant change to previous patterns of international economic growth is one of the fastest competitive transitions the world has ever witnessed.

FDI Trends

Foreign direct investment (FDI) inflows to developing countries rose by an estimated 23 percent to reach $625 billion in 2011. Most of the increase took place in the first half of the year. A decline is anticipated for 2012 to $518 billion, though the World Bank is forecasting a rebound in 2013.

Developing countries are also recipients of a bigger share of global FDI flows. Notably, many countries in sub-Saharan Africa are now regarded by investors as frontier emerging markets—Cape Verde, Ghana, Kenya, and Mozambique, to name a few. Over 50 percent of all FDI into developing countries in 2011 was directed into Asia, including destinations such as Bangladesh, Pakistan, and Sri Lanka.

In addition, South–South (one developing country to another) investment is outpacing traditional investment as a source of new FDI. As the traditional sources of investment in Europe and the United States have felt the brunt of the recent economic slowdown, a crop of new investors from countries such as Brazil, China, India, the Republic of Korea, Malaysia, Singapore, and South Africa has emerged. In 2011 outward FDI from Asia alone reached $127 billion.

MIGA's Role

These trends are particularly important to MIGA, as they dovetail with our mission to promote FDI in developing countries—and the Agency is actively tracking and responding accordingly. This year, we successfully delivered on recent product innovations that allow the Agency to underwrite different kinds of investments (see MIGA's Business). As we have seen increased opportunities in Africa, we have committed human resources to develop them. Noting the increase of public-private partnerships for infrastructure projects in Africa and Asia, MIGA has met with government authorities to make its value for these transactions known.

MIGA is also measuring investor sentiment. According to a recent MIGA survey, more than half of investors are contemplating an increase in their investments in emerging countries. Yet we note that, despite this enthusiasm, the awareness of noncommercial investment risk has also seen a resurgence.

This is not surprising. Shifts in opportunities toward riskier markets, in a generally more volatile world, come precisely at a time when shareholders and lenders—learning from events in the Middle East and North Africa and under the pressure of new regulations—have become much more aware of risk. How are these seemingly irreconcilable tensions on risk profiles playing out? The Agency's *World Investment and Political Risk 2011* report published in December found that investors were concerned primarily by the macroeconomic risk and the difficulty in obtaining financing, while their medium-term focus remains on political risk. More recently, some investors are paying closer attention to inequality and social tensions that can underlie apparent stability. Their risk analyses focus much more on political economy, jobs, and the availability of opportunities for the young.

In this context many investors are designing much more systematic risk-mitigation strategies. These involve local partnerships, better sourcing of information, more attention to fairness of contracts, environmental and social sustainability, returns to local communities, and engagement with organizations like MIGA that can help mitigate some of these risks. More than ever, our political risk insurance (PRI) can be leveraged to encourage the return of traditional investors and the entrance of new participants to a region.

Our volume of business in fiscal year 2012 reached a historically high level, continuing an upward trend from the previous year. From the Agency's perspective this points to the tendencies we just discussed: more interest in frontier markets coupled with greater awareness of risk results in increased business for political risk insurers.

Our *World Investment and Political Risk 2011* report underscores this trend, noting that the ratio of FDI to PRI grew from a low of 5 to 8 percent in the mid-1990s to a current level of 13 to 15 percent. MIGA plays an important role in this market, entering environments that may be off-cover for other insurers.

MIGA's Strategic Focus

Our focus is reflected in our four strategic priorities, which were shaped by the development needs of MIGA's member countries, the demands of a changing FDI environment and PRI market, and the need for the Agency to focus on its comparative advantage and complement other insurers.

Our first priority is encouraging FDI into the world's poorest countries and, in fiscal year 2012, 41 percent of our guarantee volume fell into this category. This year, the average size of MIGA-supported projects in the poorest countries increased significantly. Examples that address this priority include power-generation projects in Ghana, Kenya, and Rwanda.

Another MIGA priority is fostering South-South investments, which represented 22 percent of this year's volume. As with the previous strategic priority, the average size of MIGA-supported South-South projects increased significantly. Examples of MIGA-insured South-South investments include manufacturing in Turkmenistan and hydropower in Pakistan.

Our strategic focus on conflict-affected countries underlines MIGA's key role in these countries' rebuilding efforts, particularly during the crucial period of transition as they seek to establish stability after years of conflict. This focus also points to MIGA's ability to guarantee projects where other insurers may be off-cover. The development of Medjool date farms in the West Bank demonstrates MIGA's attention to this priority area, as does our continued support (through new guarantees issued this year) for MTN Afghanistan as it delivers essential telecommunications services despite the country's tenuous security situation. Projects in conflict-affected and fragile countries and territories represented 13 percent of MIGA's volume this year.

Examples of our work with complex projects, another priority area, include hydropower plants in Albania and Pakistan, a gas development project in Uzbekistan, a toll bridge in Côte d'Ivoire (see box 1), transportation in Panama, and three wastewater treatment plants in China. MIGA's support to complex projects accounted for 60 percent of 2012's volume.

Put together, projects in MIGA's priority areas accounted for 70 percent of new business volume.

MIGA is also committed to projects that are strongly aligned with the development goals and priorities of the World Bank, including sustained support to middle-income countries and to responsible agribusiness as the food crisis endures (see box 2). In all its activities MIGA actively draws on the complementary strengths of the Bank Group, leveraging knowledge, products, and services across the respective institutions for the benefit of host countries and private investors.

The impact on MIGA's business from this year's increased regional and sectoral diversification is discussed in more detail later in this report. Here, the development results are worth noting: in fiscal year 2012 MIGA's business in sub-Saharan Africa doubled to account for 24 percent of new business volume, and 14 out of the 17 projects supported are in IDA-eligible countries. This year's portfolio shows a substantial increase in infrastructure projects that can have a transformational nature, helping to bring power, transportation, and more efficient technologies to countries in need of sustained and sustainable investment. By mobilizing private capital that has wide developmental impact, MIGA not only fulfills its mandate, but it also frees up the limited resources of host governments—so that these resources can be used for the provision of other services.

MIGA Responds to Current Events

Encouraging and maintaining developing-country FDI when it might otherwise decline often requires nimble responses to events as they unfold. In many instances, MIGA plays a counter-cyclical role to accomplish this—for example, supporting banks that are tempted to deleverage in times of stress, entering projects when other insurers exit, and being among the first actors to engage as a country emerges from conflict.

This fiscal year we continued our focus on the Middle East and North Africa (MENA), given events in that region. Despite the region's uncertainties—compounded by the fact that many countries in the MENA region have traditionally relied on investment from Europe, which is grappling with its own financial challenges—the need for investments that create jobs and opportunity is greater than ever. MIGA views this as an important moment for the Agency to step up and fill in gaps that the private sector cannot address.

To demonstrate our commitment to the MENA region, we actively began our mobilization of $1 billion in insurance capacity to retain and encourage FDI there, an initiative the Agency announced at the end of fiscal year 2011. The Agency has targeted existing and inbound FDI in order to ensure that political risk insurance market capacity is maintained and to bolster the efforts of national export credit agencies. MIGA made significant progress on this front, as it issued guarantees in Jordan, Morocco, and Tunisia (see box 3) totaling $432.9 million. Our demonstrated ability to guarantee projects that are compliant with Islamic finance also bolsters our ability to support investments in the region.

In addition, MIGA's concerted efforts to promote its West Bank and Gaza Investment Guarantee Trust Fund yielded results this year, as the Agency issued guarantees in the agribusiness and manufacturing sectors in the West Bank and Gaza respectively.

We increased our efforts to reach out to investors, lenders, and governments around the world to make it clear we are open for business in the MENA region. The Agency has shared its global experience of managing political risks, in particular by sponsoring conferences in investment capitals that focus on the region. MIGA cosponsored a conference with the Dubai International Financial Centre and the Islamic Corporation for Insurance of Investments and Export Credits in Dubai that was particularly well-received. MIGA's Executive Vice President also visited countries in the region and met with government officials, private sector representatives, and others to underline the importance of developmentally beneficial FDI. In addition, MIGA surveyed investors doing business in the region for our *World Investment and Political Risk 2011* publication; the results are discussed later in this report.

In fiscal year 2012 MIGA also collaborated with the Deauville Partnership, an initiative among international financial institutions that aims to help create macroeconomic stability, social cohesion, and more equitable growth in the MENA region.

Another part of the world that received targeted attention from MIGA is Europe and Central Asia. While the effects of the euro-zone crisis on the largest economies of Western Europe have received most of the world's attention, the crisis has also affected populations in emerging European countries, particularly the poorest in Central and Southeastern Europe. As a result, MIGA joined the rest of the World Bank Group in an effort to expand support available to the region. As part of this effort, MIGA announced its plan to increase its exposure there by $1 billion over the next two years. As the Agency has already issued $928 million in guarantees in fiscal year 2012, we have nearly achieved that goal.

MIGA and the Environment

Sound environmental performance, sustainability with respect to natural resource management, and social responsibility are critical to an investment's success and its contribution to the host country's development. MIGA adheres to performance standards for these issues and the Agency's environmental and social specialists evaluate the potential impacts of MIGA-supported projects, advising clients as to how to minimize and mitigate them.

MIGA has also contributed to environmental and social policy initiatives within the World Bank Group, including the *Environment Strategy: Toward a Green, Clean and Resilient World for All*. This underscores an integrated approach in this area across all the institutions of the World Bank Group, and it sets out a new development path that supports growth while focusing on sustainability and inclusiveness. The strategy also brings a greater focus on private sector involvement in environmental management.

The Agency also hosted a panel discussion on the role of the private sector in sustainable growth as part of the World Bank Group's Sustainable Development Network Forum 2012. MIGA's initiative brought this angle to the forum's more general sustainable growth discussion.

MIGA's Development Effectiveness

MIGA uses three different pillars to assess the development impact of our work: development impact metrics, project self-evaluation, and original research.

MIGA recently introduced the following development impact metrics that can be measured portfolio-wide: new jobs directly created, the value of training budgets, the value of locally procured goods, taxes and fees paid to the government, the value of community investment, and the amount of investment leveraged.

Since fiscal year 2011, the Agency has required that guarantee holders report on their project's performance across these indicators on the third anniversary of the signing of a MIGA contract of guarantee. We look forward to having these results next fiscal year.

In addition, MIGA continues to emphasize drawing developmental lessons from its completed projects and apply them to current and future work by implementing a vigorous program for self-evaluations. This organizational learning tool is allowing the Agency to fully absorb the lessons of our work, while increasing accountability to shareholders and other stakeholders.

In fiscal year 2012, MIGA completed seven evaluations for guaranteed investments in Brazil, Burkina Faso, the Central African Republic, China, Costa Rica, the Russian Federation, and Senegal. The projects were rated on the following criteria: business performance, economic sustainability, private sector development impact, development outcome, environmental and social outcomes, strategic relevance, and MIGA's effectiveness.

Carried out by MIGA's economists, environmental and social specialists, and underwriters, and independently validated by the Independent Evaluation Group (IEG), the evaluations aim to increase awareness and learning among operational staff. These efforts are in addition to evaluations conducted by IEG discussed later in this report as well as ongoing monitoring of projects by MIGA staff.

The third pillar of assessing MIGA's development impact, our research and knowledge agenda, is detailed later in this report.

Box 1 — Rebuilding Côte d'Ivoire's Infrastructure

This year MIGA supported the construction and operation of the Henri Konan Bedié Toll Bridge and access roads in Côte d'Ivoire.

The project, which was originally initiated in 1996 but placed on hold due to the prolonged civil conflict in the country, represents an important milestone in the country's efforts to rebuild its infrastructure.

The project is structured as a public-private partnership and is being implemented under a 30-year build-operate-transfer concession agreement. It involves the financing, design, construction, operation, and maintenance of the bridge over the Ebrié lagoon and access roads to the north and south between the residential area of Riviera and the industrial area of Marcory. This is the first public-private partnership since the country's civil war.

MIGA is providing $145 million in guarantees covering equity investments and subordinated loans from Bouygues Travaux Publics of France and the Pan African Infrastructure Development Fund of South Africa, subordinated and senior loans from Africa Finance Corporation of Nigeria, and senior loans from BMCE Bank International Plc of the United Kingdom and FMO of the Netherlands. MIGA's coverage of the minimum revenue guarantee was essential to securing financing for the investment and the Agency is covering all private sector lenders to the project.

The construction of the bridge is a high priority for the country's government, as Abidjan's existing bridges and infrastructure are under severe strain and unable to manage the city's growing traffic. Once completed, the new bridge will significantly reduce travel times, improve overall mobility, and alleviate chronic traffic congestion in Abidjan. The project will also provide important demonstration effects for further private sector initiatives in a country that has been severely affected by prolonged civil strife.

Box 2 — Contributing to Food Security in Southern Africa

The pressing need for increased food production in sub-Saharan Africa is underscored in Zambia, where incomes and living standards have been on the rise, resulting in a growing consumer demand for meat and poultry products.

Trucks from the country's leading beef and poultry producer move up and down Zambian roads. According to a World Bank and UK AID study, Zambia's beef and dairy industries offer unrealized potential for wealth and job creation, but their success hinges on a variety of factors, including access to affordable, high-quality feedstock. MIGA client Chayton Africa, a producer of maize, wheat, and soya, is helping Zambia realize its potential to be the region's breadbasket.

Chayton Africa made its first investment in Zambia in 2010, acquiring two existing commercial farms and a contract farming business in the Mkushi farm block in the country's Central Province. To date, it has leased six existing commercial farms totaling just over 4,000 hectares with 1,250 hectares being farmed and 430 hectares under irrigation. The company, known as Chobe Agrivision, operates a fully-irrigated farming model, which allows double cropping: it achieves two harvests a year by growing wheat during the winter and a rotation of maize and soya in summer. Neil Crowder, Chayton Africa's Chief Executive Officer, notes, "Zambia has massive potential. But right now, only 1.1 percent of the potential fertile Guinea Savannah agricultural area is cropped. We believe that with more efficient agricultural practices such as crop rotation and zero tillage, soil and water management, and technological improvements, Zambia—and indeed all of Africa—can capitalize on an abundance of sunshine and fertile land to feed its growing population."

Chayton Africa, which started as a private equity vehicle, approached MIGA in 2009 to help mobilize resources for their investment in what remains a very challenging fundraising environment. "We had a vision for a sustainable agricultural business in Southern Africa and our challenge was to convince investors that there was a strong and viable market in the region," says Crowder. "We sought the MIGA cover to assuage any concerns investors may have had about political risk." In 2010, MIGA signed a conditional guarantee with Chayton Capital LLP in support of its planned investments in Zambia and Botswana. Under this contract, MIGA would provide political risk cover for the fund's planned investments. MIGA covered Chayton's first investment in Zambia in June 2011. And this year, MIGA provided an additional $9.5 million in investment guarantees covering Chayton's expansion and capital expenditures.

Now in its second year of production, Chobe Agrivision is hitting its stride and looking toward the future. The company is developing staff and skills so the venture can grow from a grassroots start-up to expanding production to 10,000 hectares under irrigation. It also has big plans for the community, including the construction of a new school.

BUSINESS

Operational Overview

MIGA issued $2.7 billion in new guarantee coverage in fiscal year 2012. An additional $10.6 million in guarantees was issued through MIGA-administered trust funds. This year's portfolio was highly diversified across regions and sectors and consisted of several innovative transactions. Contract cancellations continued to be lower than the years preceding the global financial crisis, with 22 contract cancellations totaling just $301 million. At the close of the fiscal year, the Agency's total gross exposure of $10.3 billion represented yet another historic high for MIGA (see figure 1).

MIGA's Operating Environment

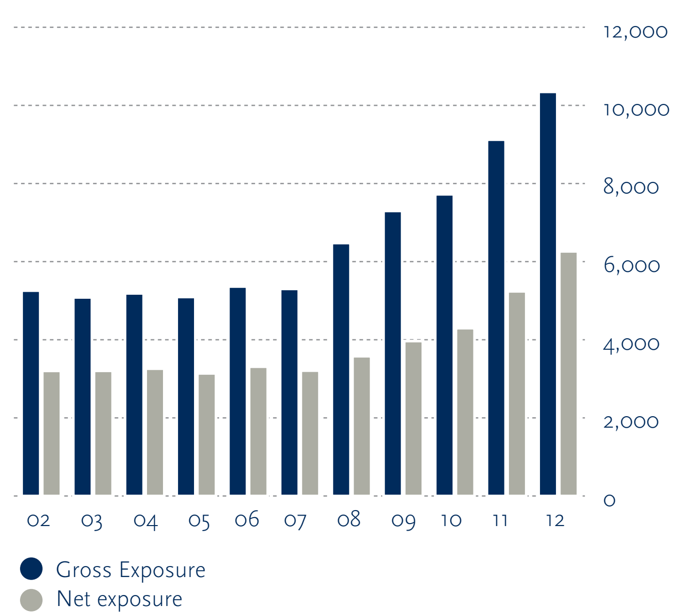
Global uncertainty spurred by the uneven and uncertain economic recovery, particularly in the euro-zone countries, and events in the Middle East and North Africa (MENA) region have led to increased awareness of political risk. While foreign direct investment (FDI) flows to developing countries rose by an estimated 11 percent in 2011, they were expected to decrease in 2012. MIGA paid close attention to this increasingly challenging environment by proactively reaching out to new clients and seeking ways to help investors manage risks and keep investments on track.

While there is ample capacity in the political risk insurance (PRI) market, this capacity does not always correlate with actual insurer appetite. MIGA's comparative advantage in this market remains our status as a member of the World Bank Group and our ability to support complex, higher-risk projects requiring long tenors and significant syndication. Despite available capacity, many providers of PRI are less willing to provide cover in countries where political risk is perceived to have increased. In these environments, MIGA is often the only insurer willing to provide coverage, especially for long tenors. This was the case in Tunisia, where MIGA provided cover for the financing of a passenger ferry in the wake of civil unrest (see box 3). MIGA, like other market participants, is also working to develop innovative solutions to meet client needs in a time of uncertainty.

MIGA's Portfolio

This year's portfolio reflected MIGA's stepped-up efforts to support investments in our strategic priority areas and address global development challenges. Thirty-one of the 52 projects we supported fell into one or more of our strategic priority areas: investment into IDA-eligible countries, support for complex projects, support for South-South investment, and investment into conflict-affected countries.

Figure 1 — Guarantees Portfolio, Gross and Net Outstanding Exposure ($M)



Notably, as a result of MIGA's efforts to support investment into the MENA region, the Agency signed contracts supporting eight projects there. This represents the largest number of projects and the highest volume of guarantees MIGA has ever issued in the region in a given fiscal year. Two of these projects were underwritten through the MIGA-administered West Bank and Gaza Investment Guarantee Fund.

MIGA also supported a wide variety of investments in sub-Saharan Africa, including critical infrastructure investments in Côte d'Ivoire, Ghana, Kenya, Rwanda, and Senegal. In Kenya, we are working closely with the World Bank and IFC to support the country's Least Cost Power Development Plan, which includes the construction of independent power producers (IPPs) using a diversified energy mix. This year the Agency supported the expansion of a geothermal IPP and the construction of a heavy fuel oil IPP (see box 4).

MIGA issued guarantees for several complex projects this year. In addition to supporting a number of infrastructure projects in sub-Saharan Africa, the Agency guaranteed hydropower projects in Albania and Pakistan and the construction of the Panama City metro line. In Uzbekistan, MIGA participated in the country's first project finance transaction through its guarantees for the LUKOIL Gas Development project.

Our increased focus on investments in infrastructure and extractive industries has had a significant impact on the volume of environmental and social due diligence and monitoring work that MIGA carried out this year. MIGA's early intervention can help ensure that investors effectively mitigate the environmental and social risks associated with projects. In fiscal year 2012, MIGA conducted environmental and social due diligence on more than 75 projects.

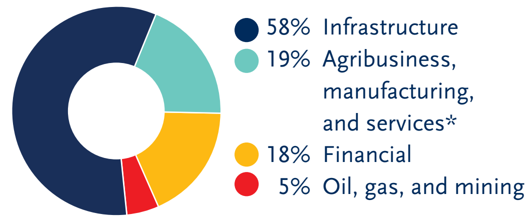
MIGA's Product Innovation

MIGA has introduced several new products in recent years to respond to the evolving needs of the market. Our ability to offer new solutions was greatly facilitated by amendments to MIGA's Convention in fiscal year 2011, which gave the Agency greater flexibility. Our ability to insure stand-alone debt and existing investments has been particularly important to supporting sustained investment in a time of economic uncertainty and increased risk aversion.

Supporting investments in infrastructure is a key development priority for the Agency and this is an area where we have been able to introduce several innovative approaches. Our ability to offer non-honoring of sovereign financial obligations (NHSFO) cover has resulted in MIGA's backing of several projects with significant development impact.

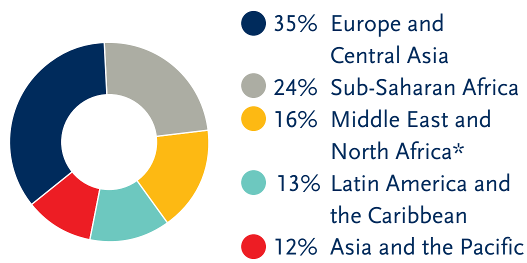
In Senegal, for example, MIGA supported a US dollar cross-currency swap arrangement between Standard Bank Plc and the government. Senegal's Ministry of Economy and Finance entered into the swap with

Figure 2 – Guarantees Issued in FY12, by Sector (by $ volume)



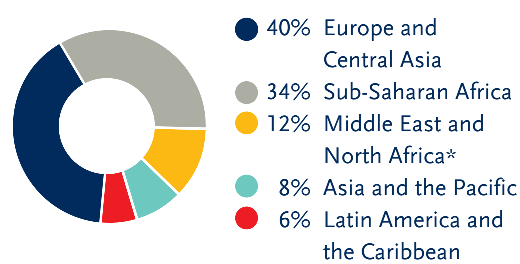
* *Excludes two projects supported under the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund*

Figure 3 – Guarantees Issued in FY12, by Region (by $ volume)



* *Excludes two projects supported under the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund*

Figure 4 – Guarantees Issued in FY 12, by Region (by number of projects)



* *Excludes two projects supported under the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund*

Standard Bank as a hedge against currency risk exposure related to a 10-year, $500 million Senegal Eurobond. The proceeds of the Eurobond are being used to finance new infrastructure projects, including a 19-kilometer extension of the Diamniadio Toll Road to the new Blaise Diagne International Airport and critical energy sector investments. This transaction marked the first time MIGA issued a guarantee for a hedging arrangement without covering the related financing.

In Ghana, MIGA provided NHSFO cover to Société Generale covering its loan to the government of Ghana to finance the completion of the Takoradi 3 power plant. The expansion of the power plant will allow it to feed more electricity to Ghana's national grid, granting broader and more reliable access to power.

Further, two award-winning transactions, involving the passenger ferry in Tunisia and the Istanbul metro (see box 3), involved NHSFO cover.

This year MIGA also focused on helping key banking clients meet their needs in difficult times. We reached out to less-constrained lenders in new markets, particularly in Asia and Africa. Of particular relevance, MIGA was able to offer several new products to help banks address risks and reduce the likelihood of deleveraging. These include portfolio cover for new and existing loans and a capital optimization program that helps manage the risk weighting of some assets, such as the mandatory reserves held by central banks regulating their subsidiaries.

We continued our support this year to the ProCredit group of Germany, a provider of finance to some 750,000 very small, small, and medium enterprises in Latin America, Eastern and Central Europe, and Africa. A MIGA master contract provides expropriation of funds coverage, which allows ProCredit to obtain capital relief, freeing up equity tied up at the parent holding level for regulatory purposes. This year we supported ProCredit banks in two new countries—Bolivia and El Salvador—and issued additional guarantees for ProCredit subsidiaries in Georgia, Serbia, and Ukraine.

Recently MIGA introduced a product to support private equity investment. This product, which offers private equity funds a master contract of guarantee that reserves capacity and provides up-front pricing to the general partners of the fund for a specific period, can help allay political risk concerns of institutional investors. This year, we used this product to support a portfolio of investments held by Spanish private equity fund Fons Mediterrània Capital, F.C.R. de Régimen Simplificado (FMC) of Spain. The Agency's support to these existing investments in the MENA region provides assurance to FMC's investors during a time of transition and allows continuity of important job-generating enterprises.

Increasing our Global Presence and Leveraging Partnerships

In the past several years, we have increased our outreach efforts in order to attract projects that align with MIGA's strategic priorities. Our efforts to expand our client base include: creating a structured presence outside of Washington; closer cooperation with the IFC, other parts of the World Bank Group, and multilateral development institutions; strategic partnerships; and a Marketing Agent and Business Finders Program established in 2010.

MIGA's Asia hub, established in fiscal year 2011, has representatives located with World Bank and IFC offices in Singapore, Beijing, Tokyo, and Hong Kong SAR, China. The hub has built a pipeline of guarantee operations with strong development impact, while supporting MIGA's underwriting and knowledge agendas in the region.

In fiscal year 2012, the hub focused on early engagement with investment destination countries and worked to support the priorities of host-country governments. For example, in the Philippines, with the assistance of the World Bank and IFC, the hub established an early and strong presence in the public-private partnership program that is being developed by the government. In Indonesia, MIGA has established a strong partnership with the newly developed Indonesian Investment Guarantee Fund (IIGF), both through knowledge transfer to IIGF and through discussions on deploying our guarantee capacity to contribute to IIGF's priority projects. MIGA also focused on partnerships with agencies in investor countries. For example, MIGA worked very closely with Singapore government entities such as International Enterprise Singapore and Monetary Authority of Singapore on assisting Singapore-based companies and banks to invest in infrastructure projects in developing countries in the region and beyond. And MIGA again teamed up with Korean agencies to promote investment in developing countries by Korean firms. MIGA signed memoranda of understanding (MOUs) with the country's Ministry of Land, Transport, and Maritime Affairs, its Ministry of Knowledge Economy, and the Korea Development Bank—three institutions instrumental to FDI initiatives.

This year, MIGA established the Europe, Middle East, and Africa hub co-located in the World Bank and IFC offices in Paris. The main objective of MIGA's presence there is to serve and develop a client base in Europe that is focused primarily on investments into sub-Saharan Africa and MENA. The proximity to clients has facilitated our ability to respond to the evolving demand for PRI both with European project sponsors in search of growth and commercial banks facing capital constraints due to the European sovereign debt crisis.

Our business development and marketing initiative with the IFC and the World Bank's guarantees unit has facilitated MIGA's ability to provide joint business solutions to clients involved in investments with high development impact (see box 4). In fiscal year 2012, IFC-MIGA jointly delivered nine projects amounting to $205.5 million of new business compared to $161.3 million in 2011. Half of these transactions were in the world's poorest countries. The presence of MIGA staff in the Asia and Paris hubs has also proved instrumental in expanding collaboration with IFC counterparts in these locations. This year, MIGA and IFC stepped up their cooperation by signing an MOU that will enable eligible commercial lenders participating in IFC B-loan syndications to obtain MIGA's PRI for war and civil disturbance.

We also collaborated with multilateral development banks on a number of levels, including several large project finance transactions. In Pakistan, the Star Hydro Power Ltd. project involved financing from the Asian Development Bank and the Islamic Development Bank. In Côte d'Ivoire, the Henri Konan Bédié Bridge received financing from the African Development Bank. This close collaboration allows development institutions to achieve economies of scale in addressing complex project issues, particularly on environmental and social sustainability.

MIGA's Marketing Agent and Business Finder Program established in fiscal year 2010 has also helped MIGA extend its global presence and is beginning to make a significant contribution to MIGA's pipeline. In fiscal year 2012, three projects introduced by Marketing Agents and Finders were signed, including two in sub-Saharan Africa.

Reinsurance Partners

MIGA uses reinsurance to increase the amount of coverage we can provide, to manage the risk profile of our portfolio, and to cooperate with other insurers as

Box 3
MIGA-Supported Investments Take Home Top Industry Honors

Four projects supported by MIGA during fiscal years 2011-2012 were recognized by leading industry magazines.

The KivuWatt power project in Rwanda, supported by MIGA in fiscal years 2011 and 2012, was named African Power Deal of the Year 2011 by *Project Finance* magazine. The project involves extraction and separation of methane gas from the bottom of Lake Kivu, eventually resulting in up to 100 megawatts of power-generation capacity. In addition to providing 20-year PRI cover for the transaction, MIGA led the environmental and social due diligence work for this highly complex project.

Trade Finance magazine and *Global Trade Review* both recognized the financing of the Tunisian Passenger Ferry project by BNP Paribas and Société Générale. MIGA provided 13-year non-honoring of sovereign financial obligations cover to the lenders for their financing of a passenger-car ferry to be acquired by the Compagnie Tunisienne de Navigation SA in Tunisia. In light of the political uprisings in the country, the original export credit agency had pulled out and no other insurer was willing to provide cover. MIGA stepped in following the "Jasmine Revolution"—bringing the crucial transport deal to a close in July 2011.

The construction of the Istanbul metro, supported by MIGA in fiscal year 2011, was also recognized by *Trade Finance*. The commercial bank financing, backed by MIGA's non-honoring of sovereign financial obligations cover, supports the construction of Istanbul's first underground metro system on the Asian side of the city, which will eventually connect to the network on the European side.

A telecommunications project in Indonesia also supported by MIGA in fiscal year 2011 was awarded *Euromoney's* Deal of the Year for Islamic Finance. MIGA's guarantees of $450 million cover a Murabaha financing facility by Deutsche Bank Luxembourg S.A. and Saudi British Bank for the expansion of PT Natrindo Telepon Seluler in Indonesia. The financing is aimed at increasing the quality on the existing network, increasing the population coverage, and building additional network capacity.

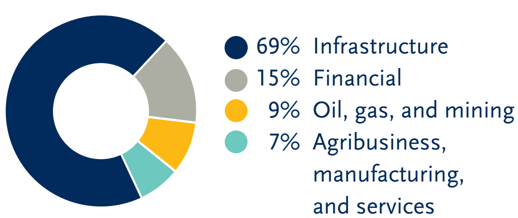
required under the Agency's Convention. The primary benefits of reinsurance accrue to our clients, the investors who gain access to increased capacity to insure projects in developing countries, and the recipient countries that benefit from higher levels of FDI.

Reinsurance arrangements increase our capacity to support large projects. As a result of its risk-mitigation effect, MIGA's involvement encourages other insurers to participate in projects in frontier markets. It also enables other insurers to underwrite transactions with longer tenors than they would normally consider. These insurers benefit from our expertise in risk analysis and dispute resolution, as well as claims handling and recovery procedures. As of June 30, 2012, $4.1 billion of MIGA's total gross exposure was reinsured.

MIGA is an active member of the Berne Union (BU), the leading international association for the export credit and investment insurance industry. In fiscal year 2012, MIGA participated in the BU's annual meetings and provided outward reinsurance to BU member SID Bank, the Slovenian export credit agency, for investments in Bosnia and Herzegovina, Croatia, and Serbia.

During the fiscal year, MIGA continued to work with its treaty reinsurance partners, ACE Bermuda Insurance Co. Ltd., XL Re Ltd, Hannover Re, and ONDD, the Belgian export credit agency.

Figure 5 – Consumption of MIGA's Economic Capital in FY12, by Sector (percent)



MIGA's Capital Position

Our measures of capital adequacy and risk-bearing capacity include economic capital consumed by the guarantee portfolio. Modeled economic capital is the portion of MIGA's capital that is placed at risk by the guarantee portfolio exposure. The guarantee portfolio as a whole consumed 41 percent of MIGA's available capital as of June 30 (see figure 5 for consumption of economic capital by sector). This underscores our commitment to supporting high-cost, complex projects while carefully managing the Agency's capital base.

Dispute Resolution and Pre-Claims Assistance

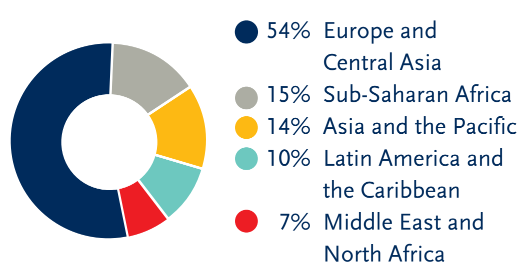
When problems or disputes have a potentially adverse impact on MIGA-supported investments or the host country's ability to attract future investment, we collaborate closely with all parties involved. In fiscal year 2012, we continued to effectively assist member governments and investors in resolving long-standing disputes, whether or not those disputes could have resulted in valid claims. Since inception, MIGA has participated in discussions on more than 90 disputes of this type. Our work on these matters has helped the parties to mitigate concerns that could have led to failure of the project, withdrawal of the investment and, possibly, a claim. Our management of potential claims enables MIGA-supported projects to continue operating in host countries, preserving value for the investor and ensuring that projects continue to contribute to the local economy.

While we encourage investors to seek a resolution of a dispute when possible, if a claim is made, MIGA's procedures assure that it is evaluated promptly and that the claimant is given an adequate opportunity to present an argument in full. As a result of this approach, MIGA has never had a dispute with a claimant regarding our determination.

The parties involved in one expropriation claim that was pending at the beginning of the year have been actively involved in settlement discussions with MIGA's assistance. MIGA maintains appropriate reserves for this matter.

There were no claims payments during fiscal year 2012.

Figure 6 – Outstanding Portfolio Distribution by Host Region (Percent of Gross Exposure)



Box 4
Innovative Application of World Bank Group Instruments Leverages Private Investment in Kenya's Power Sector

Kenya has been facing severe power shortages, putting pressure on the country's economic growth and its efforts to improve the day-to-day lives of Kenyans. Only 25 percent of the population has access to electricity, and rural grid access is only about 5 percent.

To address these shortfalls and an overreliance on hydropower, the government is implementing Kenya's Least Cost Power Development Plan, which calls for an increase in the number of independent power producers (IPPs) and a more diversified energy mix. The World Bank Group has joined forces to help leverage the nearly $1 billion in financing required to add 600 megawatts to the grid through IPPs.

The program is benefiting from a combination of IDA partial risk guarantees (PRGs), IFC financing, and MIGA guarantees. These complementary instruments are playing an important role in increasing investor confidence and mobilizing the long-term financing needed to construct the plants. In particular, the use of PRG and MIGA guarantees, where IDA will support the short-term liquidity of the IPPs and MIGA will cover termination payment obligations of the Kenya Power and Lighting Company (KPLC), is an innovative application of the World Bank Group's guarantee instruments that has generated competition among interested investors and bidders.

Thika Power Ltd., an 87-megawatt heavy fuel oil plant outside of Nairobi, is supported by MIGA guarantees of $61.5 million, an IDA partial risk guarantee of $35 million, and IFC financing of €28.1 million. The project is being developed by Melec PowerGen at an estimated cost of €112.3 million. Thika has entered into a 20-year power purchase agreement with KPLC. MIGA's guarantees are to commercial lender ABSA Capital of South Africa and cover breach of contract for a term of up to 15 years.

During times of drought, when hydropower drops in supply, Kenya has had to turn to costly emergency diesel-fired plants. Heavy fuel oil plants such as Thika offer a viable alternative to address the short-term energy deficit in Kenya, given the relatively long development period of other sources like geothermal energy and wind. Over time, as more renewable energy plants come on line, the heavy fuel plants are expected to transition from base to peak-load operation.

MIGA has been supporting the country's first geothermal IPP, OrPower 4, since 2000, and provided additional coverage this year for the plant's expansion to 84 megawatts. The expansion is also benefiting from an IDA partial risk guarantee of $31 million. Additional IPPs are expected to move forward with the backing of World Bank Group private sector instruments in the near term.

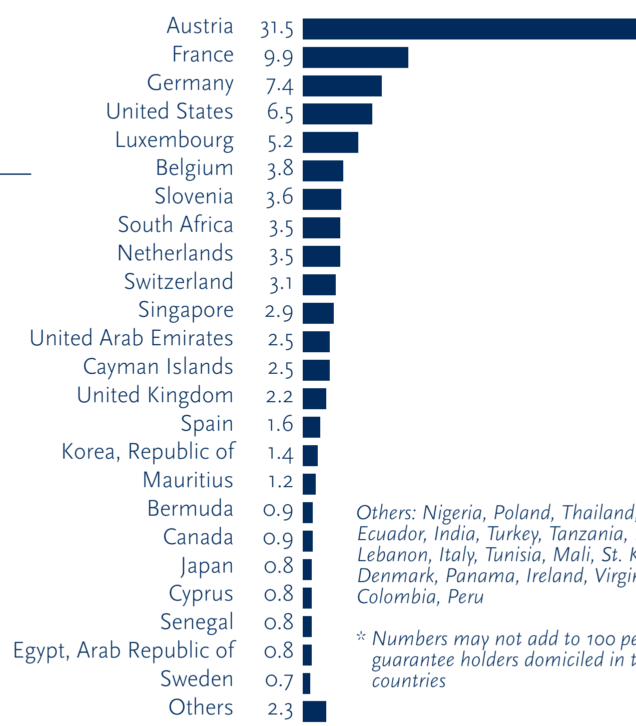
Table 1 — Outstanding Portfolio Distribution by Sector (Percent of Gross Exposure)

	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Infrastructure	41	41	41	35	30	33	38
Financial	33	29	37	47	52	49	41
Oil, gas, and mining	14	13	9	7	7	5	6
Agribusiness, manufacturing, and services	13	17	13	11	11	13	15
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Table 2 — Ten Largest Outstanding Country Exposures in MIGA Portfolio

Host Country	Gross Exposure ($M)	% of Gross	Net Exposure ($M)	% of Net
Ukraine	999.7	9.7	419.7	6.7
Croatia	917.7	8.9	384.7	6.1
Russian Federation	816.9	7.9	452.0	7.2
Turkey	735.3	7.1	298.9	4.8
Indonesia	627.0	6.1	320.3	5.1
Serbia	477.3	4.6	341.4	5.5
Kazakhstan	397.0	3.8	157.5	2.5
Hungary	358.5	3.5	303.7	4.9
Panama	320.0	3.1	220.0	3.5
Uruguay	300.0	2.9	108.0	1.7

Figure 7 — Outstanding Portfolio Distribution, by Investor Country (Percent of Gross Exposure)



Others: Nigeria, Poland, Thailand, Norway, Ecuador, India, Turkey, Tanzania, Romania, Lebanon, Italy, Tunisia, Mali, St. Kitts and Nevis, Denmark, Panama, Ireland, Virgin Islands (UK), Colombia, Peru

** Numbers may not add to 100 percent due to guarantee holders domiciled in two different countries*

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

IDA-eligible countries	Gross exposure ($M)	% of Gross	Net exposure ($M)	% of Net
Pakistan*	241.2	2.3	146.0	2.3
Kenya	210.7	2.0	150.4	2.4
Djibouti	202.5	2.0	78.2	1.2
Ghana	162.8	1.6	147.5	2.4
Uganda	155.9	1.5	80.2	1.3
Senegal	155.0	1.5	128.8	2.1
Afghanistan	150.8	1.5	102.1	1.6
Côte d'Ivoire	147.3	1.4	103.1	1.6
Mozambique	147.0	1.4	113.4	1.8
Rwanda	119.6	1.2	104.3	1.7
Uzbekistan*	119.5	1.2	80.0	1.3
Bosnia and Herzegovina*	115.6	1.1	115.1	1.8
Nigeria	103.7	1.0	89.6	1.4
Bangladesh	78.3	0.8	70.4	1.1
Lao People's Democratic Republic	75.4	0.7	37.7	0.6
Liberia	67.9	0.7	47.4	0.8
Guinea	49.9	0.5	44.9	0.7
Kosovo	47.8	0.5	47.8	0.8
Central African Republic	30.2	0.3	30.2	0.5
Congo, Democratic Republic of	29.9	0.3	29.9	0.5
Nepal	29.4	0.3	11.7	0.2
Zambia	28.1	0.3	28.1	0.4
Georgia*	22.5	0.2	22.5	0.4
Vietnam	19.6	0.2	5.9	0.1
Nicaragua	18.6	0.2	15.8	0.3
Madagascar	17.8	0.2	17.8	0.3
Sierra Leone	17.8	0.2	17.3	0.3
Ethiopia	16.8	0.2	16.8	0.3
Mali	16.2	0.2	14.6	0.2
Moldova	13.8	0.1	13.8	0.2
Guinea-Bissau	13.1	0.1	11.8	0.2
Angola	12.9	0.1	11.6	0.2
Bolivia	10.8	0.1	10.8	0.2
Benin	8.4	0.1	8.3	0.1
Kyrgyz Republic	7.7	0.1	7.5	0.1
Cameroon	6.5	0.1	6.5	0.1
Honduras	6.0	0.1	6.0	0.1
Mauritania	5.4	0.1	4.9	0.1
Congo, Republic of	4.9	0.0	4.9	0.1
Togo	4.0	0.0	4.0	0.1
Armenia*	3.6	0.0	3.6	0.1
Burkina Faso	1.6	0.0	1.4	0.0
Burundi	0.6	0.0	0.6	0.0
Grand Total	**2,697.3**	**26.1**	**1,993.1**	**31.8**

* *A blend country that is IDA-eligible, but creditworthy enough to borrow from IBRD*

Table 4 — Projects Supported in Fiscal Year 2012

Host Country	Guarantee Holder	Investor Country	Sector	Amount $M (Gross exposure)	Priority Area[1]
Asia and the Pacific					
Afghanistan	MTN Group Ltd.*	South Africa	Telecommun-ications	81.4[2]	CA, IDA, S-S
China	Standard Chartered Bank	Singapore	Water and Wastewater	57.0	COM, S-S
Pakistan	Korea Water Resources Corporation	Korea	Power	148.5	IDA (blend), COM, S-S
Thailand	Deutsche Bank AG	Germany	Banking	20.0	
Total				**305.9**	
Europe and Central Asia					
Albania	EVN AG	Austria	Power	159.4	COM
Bosnia and Herzegovina	SID - Slovenska Izvozna in Razvojna	Slovenia	Services	13.9	CA, IDA (blend)[3]
Bosnia and Herzegovina	SID - Slovenska Izvozna in Razvojna	Slovenia	Services	5.6	CA, IDA (blend)[3]
Bosnia and Herzegovina	SID - Slovenska Izvozna in Razvojna	Slovenia	Services	43.1	CA, IDA (blend)[3]
Bosnia and Herzegovina	SID - Slovenska Izvozna in Razvojna	Slovenia	Services	37.7	CA, IDA (blend)[3]
Croatia	SID - Slovenska Izvozna in Razvojna	Slovenia	Services	29.0	
Croatia	SID - Slovenska Izvozna in Razvojna	Slovenia	Services	5.9	
Croatia	SID - Slovenska Izvozna in Razvojna	Slovenia	Services	8.1	
Croatia	SID - Slovenska Izvozna in Razvojna	Slovenia	Services	8.2	
Croatia	UniCredit Bank Austria AG*	Austria	Banking	298.8	
Georgia	ProCredit Holding AG*	Germany	Banking	13.5	CA
Moldova	I.C.S. Raiffeisen Leasing S.R.L.*	Romania	Banking	6.5	IDA, S-S
Russian Federation	FG Volga Farming Ltd.	Cyprus	Agribusiness	49.5	

Table 4 — Projects Supported in Fiscal Year 2012 (cont'd)

Host Country	Guarantee Holder	Investor Country	Sector	Amount $M (Gross exposure)	Priority Area[1]
Europe and Central Asia (cont'd)					
Serbia	ProCredit Holding AG*	Germany	Banking	80.6	
Serbia	Mercator – Serbia	Slovenia	Services	12.8	
Serbia	Mercator – Serbia	Slovenia	Services	16.7	
Turkmenistan	Efes Sinai Yatirim Holding A.S*	Turkey	Manufacturing	8.7	S-S
Ukraine	n.v. Whirlpool Europe Coordination Center s.a.	Belgium	Manufacturing	6.6	
Ukraine	ProCredit Bank JSC*	Germany	Banking	4.0	
Uzbekistan	BNP Paribas SA	Switzerland	Oil and Gas	119.5	IDA (blend), COM, S-S
Total				**928.0**	
Latin America and the Caribbean					
Bolivia	ProCredit Holding AG	Germany	Banking	10.8	IDA
El Salvador	ProCredit Holding AG	Germany	Banking	22.8	
Panama	Citibank N.A.	United States	Transportation	320.0	COM
Total				**353.6**	
Middle East and North Africa					
Jordan	Albermarle Corporation	United States	Manufacturing	199.8	
Morocco	Fons Mediterrania Capital, F.C.R. de Regimen Simplificado	Spain	Agribusiness	2.7	
Morocco	Fons Mediterrania Capital, F.C.R. de Regimen Simplificado	Spain	Manufacturing	3.5	
Tunisia	BNP Paribas	France	Transportation	217.7	COM
Tunisia	Fons Mediterrania Capital, F.C.R. de Regimen Simplificado	Spain	Services	5.1	
Tunisia	Fons Mediterrania Capital, F.C.R. de Regimen Simplificado	Spain	Manufacturing	4.1	
West Bank and Gaza[4]	Palestine Industrial Estate Development Company; Al Mashriq Real Estate Company; The Palestinian Recycling Company; Siraj Palestine Fund	West Bank and Gaza	Agribusiness	6.6	CA, IDA, S-S
West Bank and Gaza[4]	National Beverage Company	West Bank and Gaza	Manufacturing	2.3	CA, IDA, S-S
Total				**441.7**	

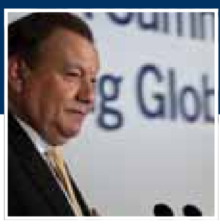
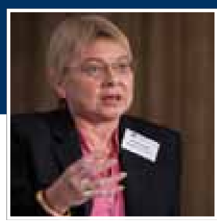
Table 4 — Projects Supported in Fiscal Year 2012 (cont'd)

Host Country	Guarantee Holder	Investor Country	Sector	Amount $M (Gross exposure)	Priority Area[1]
Sub-Saharan Africa					
Benin	Bureau Veritas SA	France	Services	7.1	IDA
Botswana	ADC Financial Services and Corporate Development	Mauritius	Banking	12.1	
Burundi	MXS NV	Belgium	Services	0.7	CA, IDA
Cameroon	4G Africa AG	Switzerland	Telecommunications	6.5	IDA
Côte d'Ivoire	Africa Finance Corporation; Pan African Infrastructure Development Fund; BMCE Bank International Plc; FMO; Bouygues Travaux Publics S.A.	Nigeria, South Africa, United Kingdom, Netherlands, France	Transportation	145	CA, IDA, COM, S-S
Ethiopia	Unifruit Limited	United Kingdom	Agribusiness	2.9	IDA
Ghana	Société Générale	France	Power	88.4	IDA, COM
Ghana	Africa Renewables Limited	Belgium, Côte d'Ivoire, United Kingdom	Manufacturing	9.2	IDA
Kenya	Absa Capital, a division of Absa Bank Limited	South Africa	Power	61.5	IDA, COM, S-S
Kenya	Ormat Holding Corp.*	Cayman Islands	Power	99.0	IDA, COM
Rwanda	S.S.A. Bakhresa, M.S. Bakhresa and A.S.S. Bakhresa	Tanzania	Agribusiness	14.8	IDA, S-S
Rwanda	KivuWatt Holdings*	Luxembourg	Power	66.8	IDA, COM
Senegal	Standard Bank Plc	United Kingdom	Infrastructure	99.0	IDA, COM
Sierra Leone	Kjaer Group A/S	Denmark	Services	0.9	IDA, CA
South Africa	Habib Bank AG Zurich*	Switzerland	Banking	12.5	
South Africa	ADC IT & Payment Solutions*	Mauritius	Banking	0.8	
Zambia	Chayton Atlas Investments*	Mauritius	Agribusiness	9.5	IDA, S-S
Total				**636.4**	

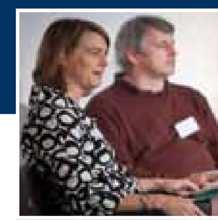
* *Additional coverage provided to projects underwritten in previous fiscal years and counted as a "new project" in previous fiscal years and as a "project supported" in FY12*

1. *Projects in priority areas as follows: CA: conflict-affected country; IDA: IDA-eligible country; COM: complex project in infrastructure or extractive industries; S-S: support to a South-South investment between MIGA's developing-member (category two) countries*
2. *Excludes $1.9 million underwritten through the MIGA-administered Afghanistan Investment Guarantee Facility*
3. *Blend countries: IDA-eligible but creditworthy enough to borrow from IBRD*
4. *Underwritten through the MIGA-Administered West Bank and Gaza Investment Guarantee Trust Fund*

Research and Knowledge






New report highlights the relationship between political regimes and the risk of expropriation

As part of its research and knowledge agenda, MIGA published its third annual *World Investment and Political Risk* report on political risk perceptions and management. The 2011 report focused on expropriation, a political risk with a long and recurring history. It examined the motivations of host-country governments in deciding whether or not to expropriate. A principal finding of the report was that the propensity to expropriate is significantly higher in countries with non-democratic regimes. This finding should be of interest to investors who are more concerned about political stability than about regime type and political institutions. The report highlighted the role of political or economic shocks in triggering expropriations and found that investor disputes are more likely to be resolved by democratically elected than non-democratic governments.

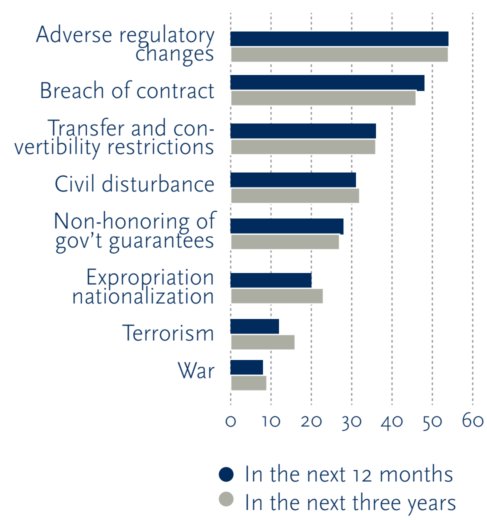
The report also addressed general trends in the global economy and trends in foreign direct investment (FDI), as well as corporate perceptions of political risk and risk-mitigation strategies through a foreign investor survey. The findings of the survey affirmed that political risk remains a salient constraint to investment in developing countries, becoming more prominent over the next three years as current concerns about the global economy subside. Special attention this year was paid to the reaction of multinational enterprises to the political turmoil and events in the Middle East and North Africa. The survey findings showed that while the crisis in that region has had a negative effect on FDI, a significant number of corporate investors surveyed had either not changed their investment plans or had adopted a "wait and see" approach. Stability was found to be critical for persuading investors to resume investments. The report also addressed the latest developments in the political risk insurance industry.

MIGA also continues to explore partnerships within the World Bank Group, as well as with external institutions, to address political economy issues associated with triggers of political risks, as well as operational aspects directly related to political risk insurance coverage. The findings of our research agenda will inform the Agency's upcoming *World Investment and Political Risk* report, which will focus on the issue of sovereign risk.

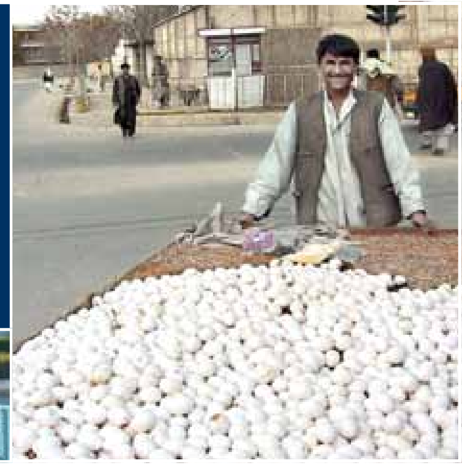
FIGURE 8 — RANKING OF THE MOST IMPORTANT CONSTRAINTS FOR FDI IN DEVELOPING COUNTRIES (PERCENT OF RESPONDENTS)

Source: MIGA-EIU Political Risk Survey 2011

FIGURE 9 — POLITICAL RISKS OF MOST CONCERN TO FOREIGN INVESTORS (PERCENT OF RESPONDENTS)



Source: MIGA-EIU Political Risk Survey 2011
Note: Percentages add up to more than 100 percent because of multiple selections


GUARANTEES

ASIA AND THE PACIFIC

In a global economy still facing considerable risks and uncertainties about the sustainability of its recovery, the East Asia and Pacific region has fared well. While the growth of GDP is estimated to have slowed to 8.3 percent in 2011, and is forecast to ease further to 7.6 percent in 2012, the East Asia and the Pacific region continues to be the fastest growing in the developing world. For China, the biggest economy in the region accounting for 80 percent of its GDP, growth is expected to slow again to 8.2 percent in 2012 (as compared with 10.4 percent in 2010). The region's industrial production has largely recovered from the negative effects of the earthquake and tsunami in Japan and more recently from the floods in Thailand. Following a moderate increase in 2011, net FDI inflows into East Asia and the Pacific are forecast to decline in 2012 to $230 billion.

South Asia has witnessed a significant slowdown in 2012, with GDP growth declining to an estimated 6.4 percent from 7.1 percent in 2011, the outcome of measures targeting high inflation and large fiscal deficits. The GDP growth of India, which accounts for 80 percent of the region's GDP, is projected to be 6.9 percent in the country's current fiscal year. In South Asia, net FDI inflows are projected to reach $45 billion in 2012, a decline from the $52 billion received in 2011.

For both regions, improvements in the external environment, especially in major export destination countries, would help strengthen GDP growth. While South Asia's exposure to euro-zone banks has been limited, in both regions contagion from the European debt crisis has had a negative effect on regional stock markets and foreign bank lending. Both regions, however, continue to be attractive destinations for FDI, with investors drawn mostly to the fast-growing economies of China, India, Indonesia, and Malaysia.

Responding to the region's dynamism with respect to FDI, in fiscal year 2012 MIGA built on its momentum in establishing an Asian hub and provided guarantees for four projects. At year-end, MIGA's gross guarantee exposure stood at $1.4 billion, equivalent to 13 percent of the Agency's outstanding portfolio.

Afghanistan

Project name: MTN Afghanistan

Guarantee holder: MTN Group Limited

On July 7, 2011, MIGA issued guarantees totaling $80.4 million to MTN Group Limited of South Africa for its investment in MTN Afghanistan (MTNA), formerly known as Areeba Afghanistan LLC. The coverage is for a period of up to 10 years against the risks of transfer restriction and expropriation.

This issuance replaces an earlier guarantee of $76.5 million issued by MIGA that covered investments into the first phase of the project. The additional coverage is supporting the expansion of operations by MTNA, which is being financed through a shareholder loan and an equity investment from its holding company MTN Dubai Limited (MTND). The purpose of the new investment is to improve MTNA's mobile communication services, increase geographical coverage, and enhance quality of signal. An additional amount of $1.9 million of first-loss coverage is insured under the Afghanistan Investment Guarantee Facility.

MTNA has contributed to the development of the telecommunications sector in Afghanistan and continues to do so by providing mobile telecommunication services, including the installation, operation, and maintenance of GSM network, wireless communication, and internet services. Afghanistan's mobile network has increased sevenfold in the past five years from two million mobile subscribers in 2006 to around 13.7 million in 2010, with a penetration rate of 47 per 100 inhabitants. MTNA is playing an important role in helping expand coverage in remote areas of the country, with the number of subscribers expected to grow to over 18 million by 2014.

This project is aligned with the World Bank Group's Interim Strategy for Afghanistan that includes "supporting growth of the private sector" as one of the three strategic pillars. Mobile telecommunications are fundamentally important to the operations of the wider private sector in Afghanistan. This project is also aligned with MIGA's objectives of encouraging investments in conflict-affected countries, promoting "South-South" investments, and facilitating investments in infrastructure, including telecommunications. 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.

China

Project name: SCB Wastewater Treatment Project

Guarantee holder: Standard Chartered Bank

On March 28, 2012, MIGA issued a guarantee of $57 million covering an investment by Standard Chartered Bank (SCB) in Singapore to support investment into three wastewater treatment plants in China. The coverage is for a period of up to six years against the risk of expropriation.

The project involves the acquisition, expansion, and upgrading of three wastewater treatment plants in Hebei Province. These plants are held by Maxrise Envirogroup Ltd (Maxrise) in Hong Kong SAR, China, which is owned by two Singaporean companies. The total investment for the project is estimated at $93 million.

Wastewater treatment is a critical environmental issue in China especially in the second and third level cities such as Tangshan and Bazhou in Hebei Province. Limited wastewater treatment capacity and the low grade of treated wastewater are major challenges for these cities and have significant public health implications. The project is part of the local governments' plan to expand wastewater treatment capacity and upgrade the quality of treated water. By introducing two international, professional, and experienced wastewater treatment companies, the project will be able to significantly improve its plants in these cities by increasing their treatment capacity and upgrading their water quality.

The project is aligned with the World Bank Group's Country Partnership Strategy for China, which calls for the use of MIGA guarantees to support infrastructure development through foreign direct investment. This project is also aligned with MIGA's strategic priorities of supporting South-South investments and complex infrastructure projects.

Pakistan

Project name: Star Hydro Power Ltd.

Guarantee holder: Korea Water Resources Corporation (K-water)

On June 29, 2012, MIGA issued a guarantee of $148.5 million to cover an equity investment by K-water, acting on behalf of itself and Daewoo Engineering and Construction Company, in Star Hydro Power Limited incorporated in Pakistan through KDS Hydro Private Limited of Singapore. The coverage is for a period of up to 20 years against the risk of breach of contract.

Star Hydro Power Limited will build, own, operate, and transfer a run-of-river hydropower plant situated 120 kilometers northeast of Islamabad near the village of Patrind in the city of Muzaffarabad. The capacity of the plant will be 147 megawatts with annual production of 575 GWh. The total project cost is approximately $409 million. Electricity generated by the plant will be sold under a 30-year power purchase agreement to the state-owned National Transmission and Dispatch Company Limited.

The project will help alleviate power shortages in Pakistan, lower the country's average electricity generation costs, and reduce reliance on imported fuel oil. Further, the project reduces the country's greenhouse gas emissions and it is also expected to generate new jobs during construction and operation periods.

The project is aligned with the World Bank Group's Country Partnership Strategy for Pakistan, which acknowledges that power is the country's most pressing infrastructure need. In particular, the strategy calls for the development of renewable power generation, such as hydropower.

This project is also aligned with MIGA's strategic priorities of supporting investments in complex infrastructure projects, South-South investments, as well as investments into countries eligible for assistance from the International Development Association.

Thailand

Project name: Deutsche Bank AG, Bangkok Branch

Guarantee holder: Deutsche Bank AG

On July 29, 2011, MIGA issued a guarantee of $20 million covering an investment by Deutsche Bank AG in its Bangkok branch in Thailand. The coverage is for a period of up to four years against the risk of transfer restriction.

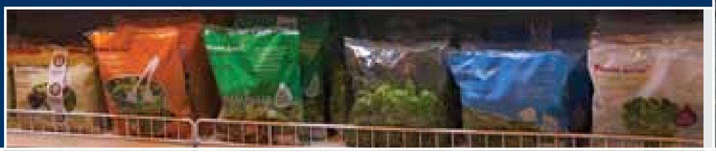
This project involves insurance of a revolving shareholder loan facility from Deutsche Bank AG to its Bangkok branch. Currently outstanding tranches will be repaid and the branch is expected to draw new tranches under the facility agreement before it expires. The loan serves as a capital injection to support Deutsche Bank's investment banking activities in Thailand as part of the bank's asset-liability management. MIGA's coverage is complementing and diversifying risk mitigation provided by other market participants. The branch is active in interbank market and investment banking thereby contributing to deepening and strengthening the local financial and capital markets.

The global financial crisis had a significant impact on the Thai economy in 2009. Although the economy rebounded strongly in 2010 due to a surge in exports and fiscal stimulus, Thailand's economy faces several long-term challenges to achieving higher and sustainable economic growth.

MIGA's support for this project is consistent with objectives of the government's Capital Market Development Master Plan for 2009-2013, which sets out a roadmap for finance sector development and reforms over the medium term. The master plan focuses on key dimensions of capital markets including developing the equity, bond, and money markets. The goal is to help the country transform from a middle-income to high-income economy through increased contribution of the domestic capital market to financing domestic investment and economic growth.

GUARANTEES

EUROPE AND CENTRAL ASIA



Owing to a deepening of the euro-zone debt crisis, GDP growth in Europe and Central Asia is projected to decline to 3.3 percent in 2012 (from 5.6 percent in 2011), but with important differences among the countries in the region. Robust domestic demand in some countries (for example, the Russian Federation, Lithuania, and Turkey) has led to strong growth despite the sovereign debt crisis and turmoil in the high-income countries of Europe. Resource-rich economies have also benefited from elevated commodity prices. Other countries in the region (Bulgaria, Macedonia FYR) have been more adversely affected by the euro-zone crisis, especially by the deleveraging of European banks with subsidiaries there.

Net FDI inflows in Europe and Central Asia increased by an estimated 21 percent in 2011 to $105 billion, but are projected to decline to $81 billion in 2012. The decline is driven by economic developments and ongoing deleveraging in the high-income economies in the region, which dampened their capacity to invest overseas. In addition, lower growth in the region's developing economies reduced their attractiveness to FDI. However, FDI performance among the developing countries in the region has been mixed: large declines in Bulgaria and Ukraine in 2011 were in sharp contrast to significant increases in Kazakhstan, Latvia, and Turkey.

MIGA's efforts in Europe and Central Asia sought to bolster investment in the region in a time of stress. During this fiscal year, MIGA provided guarantees for 20 projects in the region. At year-end, MIGA's gross guarantee exposure stood at $5.5 billion, or 54 percent of the Agency's total outstanding portfolio.

Albania

Project name: Energji Ashta Shpk (Ashta)

Guarantee holder: EVN AG

On February 1, 2012, MIGA issued guarantees totaling €121.4 million ($159.4 million) to EVN AG of Austria for its investments in Energji Ashta Shpk (Ashta) in Albania. MIGA's coverage is for a period of up to 20 years for its equity investment and up to 10 years for its loan guarantee. Coverage insures against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

The project involves the construction of a 52.9 megawatt (installed capacity) run-of-river hydropower plant on a build, own, operate, and transfer basis under a 35-year concession agreement originally entered into between VERBUND AG and the Ministry of Economy of Albania. In 2010, the two project sponsors, EVN AG and VERBUND AG, negotiated a shareholder agreement to jointly develop and operate the project.

The project is the fourth plant on the Drin River but the first to be built in 30 years. It is located in the district of Shkoder in northwestern Albania. The developers have also entered into power off-take and cascade agreements with the Albanian public wholesale electricity supplier, Korporate Elecktroenergjetike Shqiptare Sh.A (KESH).

The project is expected to have high developmental impact by providing clean, renewable energy while helping to alleviate the power shortage in the country in the medium and long term. The project will also reduce the country's load shedding and electricity imports.

The project also aligns well with the current World Bank Country Partnership Strategy for Albania. One of the three strategic objectives of the strategy is to accelerate Albania's economic recovery through improved and more financially sustainable infrastructure services such as roads, energy, and irrigation. In the energy sector, the strategy focuses on consolidating current reforms and completing ongoing investments while promoting new and private financing mechanisms.

Bosnia and Herzegovina

Project name: Mercator – BH Bosnia and Herzegovina (three projects)

Guarantee holder: SID – Slovenska Izvozna in Razvojna Banka, d.d., Ljubljana (SID Bank, Inc.; Ljubljana)

On August 4, 2011, MIGA issued guarantees of $5.6 million, $43.1 million, and $13.9 million for reinsurance of the SID Bank, Inc.; Ljubljana coverage to the Mercator retail group (Mercator) in Bosnia and Herzegovina. MIGA is reinsuring the investment for a period of up to six years against the risks of transfer restriction, expropriation, and war and civil disturbance.

MIGA's support to SID Bank, Inc.; Ljubljana is in accordance with the Agency's mandate to cooperate with national entities of its member countries, as stated in MIGA's Convention. By providing facultative reinsurance, MIGA is allowing SID Bank, Inc.; Ljubljana to reduce its net exposure to Mercator and to free up capacity for other investment insurance projects.

Mercator is helping to stimulate exports among Balkan countries by carrying goods from the other countries in each of its retail locations. As a result, Mercator is expanding the venue for suppliers to sell not only in their respective countries, but also in neighboring countries where Mercator has an established presence. In addition, Mercator's further expansion in the Balkans, supported by SID Bank, Inc.; Ljubljana and MIGA, will provide employment and retail training opportunities in these countries.

MIGA is also helping to establish best practices with respect to corporate governance as well as environmental and social policies in the host countries.

Bosnia and Herzegovina

Project name: Mercator – BL Bosnia and Herzegovina

Guarantee holder: SID – Slovenska Izvozna in Razvojna Banka, d.d., Ljubljana (SID Bank, Inc.; Ljubljana)

On August 4, 2011, MIGA issued a guarantee of $37.7 million for reinsurance of the SID Bank, Inc.; Ljubljana coverage to the Mercator retail group (Mercator) in Bosnia and Herzegovina. MIGA is reinsuring the investment for a period of up to six years against the risks of transfer restriction, expropriation, and war and civil disturbance.

This project is part of MIGA's overall support to SID Bank, Inc.; please refer to Mercator – BH Bosnia and Herzegovina above.

Croatia

Project name: Mercator – Croatia (four projects)

Guarantee holder: SID – Slovenska Izvozna in Razvojna Banka, d.d., Ljubljana (SID Bank, Inc.; Ljubljana)

On August 4, 2011, MIGA issued guarantees of $5.9 million, $29 million, $8.1 million, and $8.2 million for reinsurance of the SID Bank, Inc.; Ljubljana coverage to the Mercator retail group (Mercator) in Croatia. MIGA is reinsuring the investment for a period of up to six years against the risks of transfer restriction, expropriation, and war and civil disturbance.

This project brief comprises four projects in Croatia for the guarantee holder and is part of MIGA's overall support to SID Bank, Inc.; please refer to Mercator – BH Bosnia and Herzegovina above.

Croatia

Project name: Zagrebačka Banka d.d.

Guarantee Holder: UniCredit Bank Austria AG

On June 29, 2012, MIGA issued a guarantee of $298.8 million to cover UniCredit Bank Austria AG's (UBA) €250 million shareholder loan to its subsidiary, Zagrebačka Banka d.d. (ZABA) in Croatia. The coverage is for a period of up to three years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The guarantee represents MIGA's continued support to UBA in Croatia, as the Agency covered UBA's two previous shareholder loans to ZABA of €200 million in 2009 and €280 million in 2010.

The purpose of this shareholder loan is to support the development of ZABA's loan portfolio. Accordingly, UBA intends to use a part of the loan to improve ZABA's structural liquidity ratio by lengthening the tenor of ZABA's existing medium-term funding. The remaining amount is allocated to support new medium-term lending in the Croatian economy.

Several years after the global financial crisis, the state of Croatia's economy remains delicate as a result of spillover effects from over-indebted neighboring eurozone countries. This loan forms part of UBA's continuing efforts to support ZABA during a time of economic contraction and uncertainty, strengthen ZABA's balance sheet, and improve access to credit within the economy. Given ZABA's size and systemic importance in the Croatian banking sector, these measures will play critical roles in increasing market liquidity and lending activity in the general economy.

One of the main objectives of the World Bank Group's Country Partnership Strategy for Croatia for 2009-2012 is to strengthen private sector-led growth and accelerate convergence with the European Union. The project is fully consistent with this objective.

From a regional perspective, MIGA's support to this project forms part of the World Bank Group's current two-year plan to actively bolster countries in emerging Europe and Central Asia that are impacted by the eurozone crisis.

Georgia

Project name: ProCredit Group Central Bank Mandatory Reserves Coverage

Guarantee holder: ProCredit Holding AG & Co. KGaA

On December 22, 2011, MIGA issued a guarantee of $13.5 million to cover an investment by ProCredit Holding AG & Co. KGaA in its subsidiary in Georgia. The coverage is for a period of up to 10 years against the risk of expropriation of funds for mandatory reserves held by the subsidiary in the central bank of its jurisdiction.

MIGA provided coverage of $9 million under the project in fiscal year 2011. This additional coverage brings MIGA's exposure under the project to $22.9 million.

This project is part of a master contract that MIGA has issued. ProCredit Holding AG & Co. KGaA is headquartered in Germany and is the parent company of 21 banks (ProCredit group). The ProCredit group is a provider of finance to some 750,000 very small, small, and medium enterprises in Latin America, Eastern and Central Europe, and Africa. Throughout the world, banks are required to maintain mandatory reserves with the central banks of their respective jurisdictions. Currently, the ProCredit group's capital adequacy ratio (CAR) is calculated according to Basel II, but in the future it will also be calculated according to the German Banking Act. Under this act, at a consolidated level, reserves deposited at the various central banks can attract a risk weighting of 100 or even 150 percent depending on the country. This risk weighting determines the amount of equity required to maintain a specified CAR in accordance with the German Banking Act.

ProCredit Holding AG & Co. KGaA approached MIGA to obtain capital relief from the CAR requirements. By obtaining MIGA's insurance against the risk of expropriation of funds, the risk weighting for mandatory reserves held at the central bank can be reduced. A lower risk weighting would allow ProCredit Holding AG & Co. KGaA to free up equity currently tied up for CAR maintenance purposes, thereby allowing these funds to be injected into its subsidiary banks. This in turn will allow ProCredit Holding AG & Co. KGaA's emerging market subsidiary banks across its network to increase their lending activities.

MIGA's support will allow ProCredit Holding AG & Co. KGaA to direct equity to subsidiaries with the greatest need. The additional services these banks will be able to offer will help stimulate growth, generate employment, and reduce poverty.

MIGA's support for this project is aligned with the World Bank Group's microfinance strategy that includes improving the supply of microfinance in large, underserved markets, enhancing deposit capacity by assisting microfinance institutions in savings mobilization, capacity building, creating and shaping markets, and fostering innovation.

Moldova

Project name: I.C.S. Raiffeisen Leasing S.R.L.

Guarantee holder: Raiffeisen Bank S.A.

On October 21, 2011, MIGA issued a guarantee of €4.75 million ($6.5 million equivalent) to Raiffeisen Bank S.A. of Romania for its shareholder loan to I.C.S. Raiffeisen Leasing S.R.L in Moldova (RLMD). The coverage is for a period of up to five years against the risks of war and civil disturbance, transfer restriction, and expropriation.

Raiffeisen Bank S.A.'s shareholder loan of €5 million is aimed at enhancing the capacity of I.C.S. Raiffeisen Leasing S.R.L. to provide operating leases for motor vehicles, machinery, and equipment in the Moldovan market. Over 50 percent of the total number of lessees supported by this investment are expected to be small and medium enterprises (SMEs). MIGA has provided earlier support for RLMD's start up and expansion.

This project is expected to contribute to further development of the financial sector in Moldova by improving access to finance, particularly to segments of the economy that are currently underserved. The World Bank Group's

Country Partnership Strategy for Moldova emphasizes the need to enhance competitiveness of the country's enterprise sector, encourage more investment activity, and promote the expansion of the SME sector.

The project is also aligned with MIGA's strategy of promoting investments into countries eligible for concessional lending from the International Development Association and South-South investments.

The project is underwritten through MIGA's Small Investment Program.

Russian Federation

Project name: Volga Farming

Guarantee holder: FG Volga Farming Ltd.

On October 13, 2011, MIGA issued guarantees totaling $49.5 million to FG Volga Farming Ltd. (VF), a Cyprus-incorporated company, for its agriculture investment in central and southern Russia. The coverage is for a period of 15 years against the risks of expropriation, inconvertibility, and transfer restriction.

The project involves an investment by VF in agribusiness operations in Russia. VF plans to lease up to 90,000 hectares of agricultural land in the black-earth region in central and southern Russia, and purchase up to 50 hectares of non-agricultural land with buildings and/or facilities to be used for the farming business. VF also plans to operate, modernize, and expand farms and related agribusiness operations on this land in order to produce, store, process, and sell grain and other crops such as barley, sunflower, and peas.

The project is expected to have numerous developmental impacts. VF's investment will expand the land area under cultivation, since part of the leased land is currently fallow. The conversion of derelict agricultural land into modern production will increase soil fertility and result in an expansion of grain production.

In addition, VF's investments in management, equipment, storage, safety, technology, and infrastructure will establish a farming operation in line with international standards. In particular, the project is expected to transfer knowledge in the areas of agricultural technology, business processes, project management, organizational development, and land administration to employees. Dissemination of such knowledge and experience through local institutions of higher and professional education is also envisaged.

The project will impact regional development through the recruitment of local personnel, as well as the repair and maintenance of local road infrastructure. The project is also expected to support local processing industries, fodder industries for livestock and biotechnology, storage, logistics, and trade.

The project is in line with the World Bank Group's Country Partnership Strategy that notes a need to strengthen Russia's global competitiveness in traditional economic sectors, including agriculture.

Serbia

Project name: Mercator – Serbia (two projects)

Guarantee holder: SID – Slovenska Izvozna in Razvojna Banka, d.d., Ljubljana (SID Bank, Inc.; Ljubljana)

On July 15, 2011, MIGA issued guarantees of $12.8 million and $16.7 million for reinsurance of the SID Bank, Inc.; Ljubljana coverage to the Mercator retail group (Mercator) in Serbia. MIGA's reinsurance for the investment results in a gross exposure of $277.4 million. MIGA is reinsuring the investment for a period of up to six years against the risks of transfer restriction, expropriation, and war and civil disturbance.

This project brief comprises two projects in Serbia for the guarantee holder and is part of MIGA's overall support to SID Bank, Inc.; please refer to Mercator–BH Bosnia and Herzegovina above.

Serbia

Project name: ProCredit Group Central Bank Mandatory Reserves Coverage

Guarantee Holder: ProCredit Holding AG & Co. KGaA

On July 28, 2011, MIGA issued a guarantee of $80.6 million to ProCredit Holding (PCH) covering its investment in its subsidiary in Serbia. The coverage is for a period of up to 10 years against the risk of expropriation of funds for mandatory reserves held by the subsidiary in the central bank of its jurisdiction.

MIGA was previously covering a total of $4.4 million under the project. The additional coverage of $80.6 million complies with ProCredit's request to convert outstanding capacity to current coverage in order to consolidate all its political risk insurance requirements under the MIGA framework.

This project is part of a master contract that MIGA has issued. Please refer to the project description for ProCredit Georgia above.

Turkmenistan

Project name: Turkmenistan Coca-Cola Bottlers

Guarantee holder: Coca-Cola Icecek A.S.

On June 25, 2012, MIGA issued a guarantee of $8.7 million to cover an investment by by Coca-Cola Icecek A.S. (CCI) of Turkey in Turkmenistan Coca-Cola Bottlers (TCCB) in Turkmenistan. The coverage is for a period of up to seven years against the risks of expropriation, transfer restriction, and war and civil disturbance.

The project consists of the continued expansion and modernization of a soft drink bottling facility in the city of Ashgabat. TCCB bottles, distributes, and sells soft drink products throughout the country.

MIGA has supported this project since 1999. Since then, TCCB has continued to grow and meet growing local demand by installing three additional production lines. TCCB has widened its reach by increasing its distribution and warehousing network.

TCCB's expansion and modernization contribute to the strengthening of local businesses through the procurement of raw materials. Eighty percent of plastic pre-forms are sourced from a local supplier and TCCB procures pallets and propane from the local market. The project's investment in human capital has continued to grow—from 185 jobs in 1999 to approximately 360 jobs in 2011 with wages and benefits 10 percent higher than the country-wide standards; additional staff is also expected to be added. Workers also benefit from substantial transfer of technical and managerial expertise. There is anticipated employment growth among local suppliers of goods and services as TCCB's production increases.

The project is aligned with MIGA's strategic priority of supporting South-South investments.

Ukraine

Project name: ProCredit Group Central Bank Mandatory Reserves Coverage

Guarantee Holder: ProCredit Holding AG & Co. KGaA

On December 22, 2011, MIGA issued a guarantee of €3 million (about $4 million equivalent) to cover an investment by ProCredit Holding AG & Co. KGaA in its subsidiary in Ukraine. The coverage is for a period of up to 10 years against the risk of expropriation of funds for mandatory reserves held by the subsidiary in the central bank of its jurisdiction.

MIGA provided coverage of $5.6 million under the project in fiscal year 2011. This additional coverage brings MIGA's exposure under the project to $9.6 million.

This project is part of a master contract that MIGA has issued. Please refer to the project description for ProCredit Georgia above.

Ukraine

Project name: Whirlpool Ukraine LLC

Guarantee Holder: n.v. Whirlpool Europe Coordination Center s.a.

On June 22, 2012, MIGA issued a guarantee of $6.6 million to cover a non-shareholder loan from n.v. Whirlpool Europe Coordination Center s.a. of Belgium to Whirlpool Ukraine LLC. The coverage is for a period of up to three years against the risks of transfer restriction, expropriation, and war and civil disturbance.

Whirlpool Ukraine (WU) is the local sales office for Whirlpool Corporation, a global leader in the home appliance industry. It sells air conditioners, washing machines, microwaves, dishwashers, built-in stoves, hoods, and built-in ovens to distributors, wholesalers, and retailers in Ukraine. WU's operations comprise a sales office in downtown Kiev and a warehouse in the outskirts of the city. WU buys its inventory from other Whirlpool entities and from third-party vendors. The company receives the products fully assembled, stores them in its warehouse until they are sold, and delivers them to its customers. WU plans to serve the Moldova, Georgia, Uzbekistan, Armenia, and Azerbaijan markets in the future.

WU has had a positive development impact in Kiev since its conversion into a sales operation in 2011. The operation hired six additional employees for a total of 30 permanent positions and expects to open new positions as the company grows and expands into more markets. WU also participates in knowledge transfer by encouraging its employees to take courses at Whirlpool University, Whirlpool's internal training program. Courses are designed to help the company's personnel develop leadership, operational, and cross-functional competencies.

The project is aligned with the World Bank Group's Country Partnership Strategy for Ukraine, which advocates focusing on growth, competitiveness, job creation, improvements in the business climate, and the promotion of domestic and foreign direct investments to achieve productivity improvements.

The project was underwritten through MIGA's Small Investment Program.

Uzbekistan

Project name: LUKOIL Overseas Uzbekistan Ltd.

Guarantee Holder: BNP Paribas (Suisse) SA

On May 16, 2012, MIGA issued a guarantee of $119.5 million to BNP Paribas (Suisse) SA of Switzerland—acting for itself and Crédit Agricole Corporate and Investment Bank and the Korean Development Bank—to cover a non-shareholder loan to LUKOIL Overseas Uzbekistan Ltd. for the Khauzak-Shady Block and Kandym Field Group project. The coverage is for a period of up to seven years against the risks of transfer restriction, expropriation, breach of contract, and war and civil disturbance.

The project involves phase two of an upstream gas development of the Khauzak-Shady Block and the Kandym Field Group in Uzbekistan. The proceeds of the loan will be used to finance further development of gas production infrastructure at the Khauzak-Shady Block and the development of the Kandym Field Group, which will include a gas-processing facility. This project furthers development begun in 2005 under a production sharing agreement (PSA) between LUKOIL, the national holding company "Uzbekneftegaz," and the Republic of Uzbekistan represented by the Ministry of Economy.

This project represents one of the largest foreign investments in Uzbekistan and one of few foreign companies operating under a PSA together with Uzbekneftegaz.

Through this project, MIGA supports an investment by a strong technical company in a remote and relatively poor region of Uzbekistan. MIGA's involvement provides an external validation of the company's efforts to meet international best practice when it comes to managing the governance, environmental, and social impacts of oil and gas projects. This is particularly important as Uzbekistan has begun to attract large-scale foreign investment into its upstream gas sector.

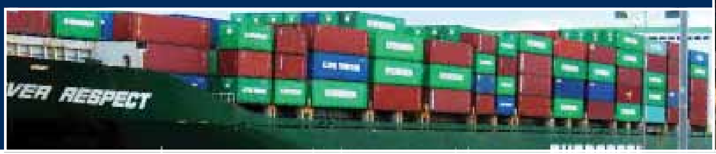
Benefits include significant direct and indirect employment. Locally-sourced employees will not be less than 80 percent of staff and locally-sourced contractors will not be less than 60 percent of all contractors. LUKOIL will provide training to all staff, with a specific focus on the training of managers. Local procurement of materials is also expected to be significant.

The project is expected to be a major source of foreign exchange and government revenues. In addition, as part as of the company's commitment to corporate social responsibility, LUKOIL supports social development projects for the community. Recent examples of these include the donation of medical equipment and supplies, construction of playgrounds, and support of education programs through provision of computers, books, and sports equipment.

At a broader level, MIGA is supporting an important investment in a developing economy that has been lagging behind its peers in the region in attracting foreign direct investment. MIGA's role in this project complements the World Bank's efforts to foster responsible and sustainable private sector-led growth in Uzbekistan. The project is also aligned with MIGA's commitment to support more investments in complex deals in infrastructure, as well as those in countries eligible for concessional lending from the International Development Association. As beneficial ownership of the project accrues to LUKOIL of Russia, it also addresses MIGA's commitment to support South-South investments.

GUARANTEES

LATIN AMERICA AND THE CARIBBEAN



Driven by strong domestic demand and elevated commodity prices, GDP growth in Latin America and the Caribbean increased robustly by an estimated 4.3 percent in 2011, though GDP growth is expected to decline to 3.5 percent in 2012. Elevated oil, metals, and mineral prices have benefited commodity exporters in the region and domestic demand has been an important driver of growth in other countries. In Brazil, the region's biggest economy, GDP growth is projected to decelerate to 2.9 percent in 2012 (from 7.5 percent in 2010) in response to slower growth in its trading partners (high-income countries and China, its biggest trading partner), earlier measures to address inflationary pressures, and slower growth in domestic demand.

Net FDI inflows jumped from $113 billion in 2010 to $155 billion in 2011 in Latin America and the Caribbean, the biggest increase of all developing regions, but are projected to decline to $119 billion in 2012. FDI into Latin America and the Caribbean continues to be driven by robust growth, large consumer markets, and natural resources.

During this fiscal year, MIGA provided guarantees for three projects in the region. At year-end, MIGA's gross guarantee exposure stood at $1.1 billion, equivalent to 10 percent of the Agency's outstanding portfolio.

Bolivia

Project name: ProCredit Group Central Bank Mandatory Reserves Coverage

Guarantee holder: ProCredit Holding AG & Co. KGaA

On December 22, 2011, MIGA issued a guarantee of $10.8 million to cover an investment by ProCredit Holding AG & Co. KGaA in its subsidiary in Bolivia. The coverage is for a period of up to 10 years against the risk of expropriation of funds for mandatory reserves held by the subsidiary in the central bank of its jurisdiction.

This project is part of a master contract that MIGA has issued. ProCredit Holding AG & Co. KGaA is headquartered in Germany and is the parent company of 21 banks (ProCredit group). The ProCredit group is a provider of finance to some 750,000 very small, small, and medium enterprises in Latin America, Eastern and Central Europe, and Africa. Throughout the world, banks are required to maintain mandatory reserves with the central banks of their respective jurisdictions. Currently, the ProCredit group's capital adequacy ratio (CAR) is calculated according to Basel II, but in the future it will also be calculated according to the German Banking Act. Under this act, at a consolidated level, reserves deposited at the various central banks can attract a risk weighting of 100 or even 150 percent depending on the country. This risk weighting determines the amount of equity required to maintain a specified CAR in accordance with the German Banking Act.

ProCredit Holding AG & Co. KGaA approached MIGA to obtain capital relief from the CAR requirements. By obtaining MIGA's insurance against the risk of expropriation of funds, the risk weighting for mandatory reserves held at the central bank can be reduced. A lower risk weighting would allow ProCredit Holding AG & Co. KGaA to free up equity currently tied up for CAR maintenance purposes, thereby allowing these funds to be injected into its subsidiary banks. This in turn will allow ProCredit Holding AG & Co. KGaA's emerging market subsidiary banks across its network to increase their lending activities.

MIGA's support will allow ProCredit Holding AG & Co. KGaA to direct equity to subsidiaries with the greatest need. The additional services these banks will be able to offer will help stimulate growth, generate employment, and reduce poverty.

MIGA's support for this project is aligned with the World Bank Group's microfinance strategy which includes improving the supply of microfinance in large, but underserved markets; enhancing deposit capacity by assisting microfinance institutions in savings mobilization; capacity building; creating and shaping markets; and fostering innovation.

El Salvador

Project name: ProCredit Group Central Bank Mandatory Reserves Coverage

Guarantee holder: ProCredit Holding AG & Co. KGaA

On December 22, 2011, MIGA issued a guarantee of $22.8 million to cover an investment by ProCredit Holding AG & Co. KGaA in its subsidiary in El Salvador. The coverage is for a period of up to 10 years against the risk of expropriation of funds for mandatory reserves held by the subsidiary in the central bank of its jurisdiction.

This project is part of a master contract that MIGA has issued. Please refer to the project description for ProCredit-Bolivia above.

Panama

Project name: Panama Metro Line One

Guarantee holders: Citibank, N.A.; Bank of Tokyo Mitsubishi UFJ Ltd; Mizuho Corporate Bank Ltd

On June 30, 2012, MIGA issued a guarantee of $320 million to Citibank, N.A. of the United States, Bank of Tokyo Mitsubishi UFJ Ltd of Japan, and Mizuho Corporate Bank Ltd of Japan. The guarantee covers a $250 million loan as well as interest and other financing costs associated with the construction of the Line One Metro project in Panama City. The coverage is for a period of up to 12 years against the risk of non-honoring of sovereign financial obligations.

The project consists of the greenfield construction (including the acquisition of rolling stock and the construction of depot and maintenance facilities) and operation of a 13.7 km Line One Metro between the northern Los Andes and southwest Albrook areas of Panama City.

The total cost of the Line One Metro is estimated at $1.9 billion, of which $1.5 billion is related to the turnkey EPC contract entered into by the government of Panama with the "Line One Consortium." The Line One Consortium comprises Construtora Norberto Odebrecht S.A. of Brazil (55 percent) and Fomento de Construcciones y Contratas S.A. (FCC) of Spain (45 percent).

The main development impacts that will accrue from the project are reduced rush hour travel time between the residential and central areas of Panama City, primarily through reduced congestion and increased access to public transportation. The project is also expected to improve road safety and reduce vehicle operating costs for non-metro users.

The project is aligned with MIGA's commitment to supporting more investments in complex deals in infrastructure.

GUARANTEES

MIDDLE EAST AND NORTH AFRICA

Political turmoil, transitions, and conflict in the Middle East and North Africa continue to disrupt economic activity in select countries, affecting economic activity, trade, tourism, and FDI. As a result, the Middle East and North Africa's GDP growth in 2011 was only 1 percent and is projected to decline again to 0.6 percent in 2012. Oil-importing countries, especially those where political uncertainty remains, face significant challenges from the slowdown in economic activity, growing fiscal imbalances, depleting foreign exchange reserves, and spiking unemployment rates. A strong dependency on Europe for trade, where growth is also subdued, is contributing to these challenges.

Net FDI inflows to the Middle East and North Africa plummeted in 2011 to $9 billion from $23 billion in 2010, but a small rebound to $12 billion is projected for 2012. As the political turmoil subsides, stronger FDI flows are expected to resume, with $23 billion projected in 2014. However, a return to FDI growth for countries directly affected by the political turmoil will depend on returning to stability, rebuilding confidence, and ensuring that the business environment remains open to investment.

During this fiscal year, MIGA stepped up its efforts in the region to prevent flight from established investments and to encourage additional job-creating FDI. The Agency provided guarantees for eight projects, including two underwritten through the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund. At year-end, MIGA's gross guarantee exposure stood at $768 million, equivalent to 7 percent of the Agency's outstanding portfolio, a historically high representation for the region.

Jordan

Project name: Jordan Bromine Company Limited

Guarantee holder: Albemarle Corporation

On June 15, 2012, MIGA issued a guarantee of $199.8 million covering an equity investment by Albemarle Corporation of the United States in Jordan Bromine Company Limited (JBC). The coverage is for a period of 15 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves the expansion and operation of existing bromine and bromine derivatives manufacturing plants. The expansion will double the capacity of JBC's bromine production and increase the capacity of bromine derivatives and the size of its bromine ISO tank fleet in order to meet growing global demand for bromine and bromine derivatives. These materials are typically used in chemical synthesis, oil and gas well drilling and completion fluids, mercury control, paper manufacturing, water purification, beef and poultry processing, and various other industrial applications.

The expansion of the facility is expected to generate an additional 150 jobs and further economic benefits through increased local sourcing. Employees are trained in Albemarle's proprietary technology and technical know-how in the area of bromine extraction and processing.

JBC has also established the Caring for Jordan Foundation, which contributes to the well-being of Jordanians by helping them to improve their quality of life through support of sustainable community projects. Activities include the provision of computer labs in schools and support to a number of local community organizations.

The project is aligned with the World Bank Group's Country Partnership Strategy for Jordan, which commits to strengthening the country's foundation for sustainable growth with a focus on competitiveness. MIGA's support is also aligned with the Agency's efforts to mobilize $1 billion in insurance capacity to support foreign direct investment into the Middle East and North Africa.

Morocco

Project name: Soroa Pépinières, S.A.R.L.

Guarantee holder: Fons Mediterrània Capital, F.C.R. de Régimen Simplificado

On March 28, 2012, MIGA issued guarantees of €1.9 million ($2.7 million equivalent) covering an investment by Fons Mediterrània Capital, F.C.R. de Régimen Simplificado of Spain (FMC) in Soroa Pépinières, S.A.R.L. (Soroa) in Morocco. The coverage is for a period of up to five years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves coverage of Soroa, an existing portfolio company of FMC, a Spanish private equity fund. Soroa is dedicated to the production of potted flowers and ornamental potted plants for distribution in the Moroccan market. It focuses on spring and summer seasonal flowers such as geraniums; aromatic plants such as lavender, thyme, and rosemary; and bushes such as abelias, convolvulus, and junipers. The plants are grown in a greenhouse and exterior fields and sold to private individuals, businesses, and landscape professionals.

Soroa has had a positive impact on the local economy of Larache since 2008. The main impacts of FMC's involvement in the project are greater employment generation and knowledge transfer. Women make up 81 percent of FMC's staff. FMC has introduced new social responsibility, corporate governance, and management best practices into the company, which should have a positive demonstration effect on other enterprises in Larache. Moreover, Soroa has supported the development of its workforce by sponsoring external educational courses for its best employees.

MIGA's support to FMC and this project is consistent with the first pillar of the World Bank Group's Country Partnership Strategy for Morocco, which emphasizes employment, growth, and competitiveness.

In addition, the project is consistent with MIGA's efforts to mobilize $1 billion in insurance capacity to support foreign direct investment into the Middle East and North Africa. The project was underwritten through MIGA's Small Investment Program.

Tunisia

Project name: Bitaka S.A.

Guarantee holder: Fons Mediterrània Capital, F.C.R. de Régimen Simplificado

On December 7, 2011, MIGA issued guarantees of €3.8 million ($5.1 million equivalent) to Fons Mediterrània Capital, F.C.R. de Régimen Simplificado of Spain (FMC) covering its equity investment in, and shareholder loan to, Bitaka S.A. (Bitaka) in Tunisia. The coverage is for a period of up to five years against the risks of transfer restriction, expropriation, and war and civil disturbance.

Bitaka is an existing portfolio company of FMC, a Spanish private equity fund. It provides E-vouchers (mobile electronic recharge), scratch cards, and SIM cards for telecom operators in Tunisia. The equity investment and shareholder loan being provided by FMC will help Bitaka develop its operations and expand its distribution network to cope with the growth of Tunisia's mobile sector (the main client of Bitaka's solutions).

Bitaka provides low-cost, innovative solutions to mobile operators in Tunisia. The mobile sector is mainly pre-paid (above 90 percent of overall connections) and relies on payment solutions to connect the majority of the population. Indirectly the project contributes to the continued growth of the mobile sector in Tunisia, which has an impact on GDP growth (a 10 percentage point increase in mobile penetration generates a 0.81 percentage-point increase in economic growth for low and middle-income economies).

MIGA's support to this project is consistent with the first pillar of the World Bank Group's Country Partnership Strategy for Tunisia, which focuses on employment, growth, and competitiveness. The telecommunications sector has been identified as a key driver of the country's growth.

In addition, the project is consistent with MIGA's efforts to mobilize $1 billion in insurance capacity to support foreign direct investment into the Middle East and North Africa. The project was underwritten through MIGA's Small Investment Program.

Tunisia

Project name: HHW, S.A.

Guarantee holder: Fons Mediterrània Capital, F.C.R. de Régimen Simplificado

On December 7, 2011, MIGA issued a guarantee of €3.07 million ($4.1 million equivalent) to Fons Mediterrània Capital, F.C.R. de Régimen Simplificado of Spain (FMC) for its investment in HHW, S.A. (HHW) in Tunisia. The coverage is for a period of up to five years against the risks of transfer restriction, expropriation, and war and civil disturbance.

HHW is an existing portfolio company of FMC, a Spanish private equity fund. HHW specializes in the assembly and marketing of Haier brand household appliances in Tunisia. HHW's main products are refrigerators, freezers, air conditioners, and washing machines. Its operations are based in an industrial zone in the town of Ben Arous seven kilometers from Tunis.

This existing investment has also created 148 permanent employment positions and contributed to the economic growth of the community of Ben Arous.

MIGA's support to this project is consistent with the first pillar of the World Bank Group's Country Partnership Strategy for Tunisia, which focuses on employment, growth, and competitiveness. In addition, the project is consistent with MIGA's efforts to mobilize $1 billion in insurance capacity to support foreign direct investment into the Middle East and North Africa. The project was underwritten through MIGA's Small Investment Program.

Tunisia

Project name: Passenger-Car Ferry TANIT

Guarantee holders: BNP Paribas, Société Générale

On August 23, 2011, MIGA issued guarantees totaling $217.7 million covering an investment through financing by BNP Paribas and Société Générale of France in a passenger-car ferry to be acquired by the Compagnie Tunisienne de Navigation SA (CTN) in Tunisia. The coverage is for a period of up to 13 years against the risks of non-honoring of sovereign financial obligations.

The project involves the financing of a ferry with a capacity of 3,200 passengers and 1,060 cars to be built by Daewoo Shipbuilding & Marine Engineering (Daewoo) of Korea for CTN of Tunisia. CTN will be the borrower of a loan to be provided by BNP Paribas and Société Générale that will be used to finance the purchase of the vessel. MIGA has been asked to provide non-honoring of sovereign financial obligations cover on a guarantee provided by the Tunisian Ministry of Finance.

The project will help secure Tunisia's main transportation link with Europe, key to the country's continued economic development.

MIGA's support is particularly important in the current Tunisian context following the events that occurred in January 2011. No other political insurance cover was available for the project.

MIGA's efforts complement the World Bank Group's commitment to the country at this time of transition.

West Bank and Gaza

Project name: Nakheel Palestine for Agricultural Investment

Guarantee holders: Al Mashriq Real Estate Company, Palestine Industrial Estate Development Company, the Palestinian Recycling Company (Tadweer), Siraj Palestine Fund

On September 29, 2011 and June 14, 2012, the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund issued guarantees supporting Nakheel Palestine for Agriculture Development. The guarantee holders are Mashriq Real Estate Company, Palestine Industrial Estate Development Company, the Palestinian Recycling Company (Tadweer), and Siraj Palestine Fund. The guarantees, totaling $6.6 million, are covering the investors' $5.03 million equity investment in Nakheel for a period of up to 10 years against the risks of expropriation and war and civil disturbance.

The project involves the development of two Medjool palm farms in Jericho by Nakheel. The two main products that will be produced by the farms are Medjool dates and seedlings. Nakheel will plant the palm trees and harvest them. The company plans to have its own packing and storage house by 2012. It is envisaged that 20 percent of the project's production will be supplied to the local market while the remaining 80 percent will be exported mainly to the European market.

The project will help revitalize the agriculture sector in the West Bank and Gaza. It will be the first large-scale project for Medjool dates. Currently, most Palestinians who are cultivating Medjool dates and palms are small-holder farmers. It will also contribute to the West Bank and Gaza's foreign exchange earnings as it is expected to export a large portion of the production internationally. The project will be employing 33 permanent workers and 130 temporary workers.

This project is also aligned with MIGA's objective of facilitating investments in conflict-affected environments as well as entities eligible for assistance from the International Development Association.

West Bank and Gaza

Project name: National Beverage Company - Gaza Branch

Guarantee holder: National Beverage Company

On December 13, 2011, MIGA issued a guarantee of $2.3 million to National Beverage Company of West Bank and Gaza for its equity investment in its distribution branch in the Gaza Strip. The coverage is for a period of up to 10 years against the risks of expropriation and war and civil disturbance. The guarantee was underwritten through the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund.

National Beverage Company Limited (NBC) produces and distributes beverages (carbonated soft drinks, juice, and water) in the West Bank and Gaza. The investment involves the expansion of a NBC branch in the Gaza Strip (Gaza Branch) and enhancement of its distribution by renovating a warehouse, installing new distribution equipment, and purchasing new trucks. The Gaza Branch, located in the Gaza Industrial Estate, was established in 1999 as a distribution center. The products are manufactured in West Bank, then delivered and stored in a warehouse in the Gaza Strip for distribution to retailers.

The guarantee is in line with the World Bank's interim strategy for the West Bank and Gaza to support economic and private sector development, and to contribute to economic diversification. MIGA's support will help sustain NBC's ongoing operations in Gaza, employing approximately 40 full-time staff at a time when job opportunities are extremely limited due to the ongoing blockade of the Gaza Strip. The guarantee is also in line with MIGA's strategy of supporting investments in conflict-affected environments.

GUARANTEES

SUB-SAHARAN AFRICA

In sub-Saharan Africa, GDP growth estimates indicate an expansion of 5 percent in 2012, following another expansion of 4.7 percent in 2011. The region is projected to sustain this rate of expansion over the next couple of years. Excluding South Africa, the largest economy in sub-Saharan Africa, the projected growth rates exceed 6 percent. Nigeria, the second largest economy in the region, is projected to grow at 7 percent in 2012, driven by both oil and non-oil sectors. Elevated oil and mineral prices, coupled with recovery in Côte d'Ivoire, have been important drivers of growth so far, but the region is also facing headwinds from a slowdown in the global economy, especially with its trading partners in Europe and China.

Net FDI inflows into sub-Saharan Africa decreased marginally in 2012 to $31 billion, but are projected to rise further over the next two years. Elevated commodity prices have contributed to the growth of FDI in the extractive industries. Investment in non-extractive industries has also been rising thanks to improvements in regulatory frameworks, governance, and the overall ease of doing business in the region—as well as a growing middle class that is attractive to investors seeking new markets.

Given sub-Saharan Africa's increased opportunities for investors, during this fiscal year MIGA provided guarantees for 17 projects in the region. At year-end, MIGA's gross guarantee exposure stood at $1.6 billion, equivalent to 15 percent of the Agency's outstanding portfolio.

Benin

Project name: Société d'Exploitation du Guichet Unique du Bénin, SA

Guarantee holder: Bureau Veritas Inspection Valuation Assessment and Control B.I.V.A.C. B.V.

On July 22, 2011, MIGA issued a guarantee of $7.1 million to Bureau Veritas Inspection Valuation Assessment and Control B.I.V.A.C. B.V. of the Netherlands covering its equity investment in Société d'Exploitation du Guichet Unique du Bénin, SA in Benin. The coverage is for a period of up to 10 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project entails the purchase and maintenance of licenses, development of software, computer and network hardware, and office equipment for the creation of a virtual port single window (PSW). The PSW will manage all processes and procedures related to the passage of ships and cargo for import, export, and in transit at the Port of Cotonou under a 10-year concession from the government of Benin. The PSW will serve as an online one-stop-shop for ship itinerary reports and docking requests, customs declarations, and billing and collections. It will also function as a database to store, process, and disseminate related information for statistical and quality-control purposes.

The main development impact of the project is the anticipated improvement in competitiveness of the Port of Cotonou. This will be achieved mainly through increased interconnectivity and ease of processes and procedures related to the passage of ships and cargo through the port; increased efficiency in the exchange of information among participants in the passage process; and decreased costs and time at port for ships and cargo.

This will likely result in a higher volume of cargo processed, which would increase import duty revenue. The PSW will also improve the transparency and reliability of information involved in port procedures, which can facilitate the collection of import duties and monitoring the quality of services provided at the port. Additionally, the project will transfer knowledge and technology to the direct users of the PSW. This will extend to other members of the port community as well as the trade industry through a national awareness and educational campaign that will be implemented in conjunction with the PSW's development.

This project is aligned with the World Bank's Country Assistance Strategy to strengthen Benin's competitiveness and accelerate private sector-led growth. It is also aligned with MIGA's objective of supporting investments in countries eligible for concessional lending from the International Development Association. The project was underwritten through MIGA's Small Investment Program.

Botswana

Project name: ABC Holdings

Guarantee holder: ADC Financial Services and Corporate Development

On April 1, 2012, MIGA issued a guarantee of $12.1 million to ADC Financial Services and Corporate Development of Mauritius for its investment in ABC Holdings (ABCH) in Botswana. The coverage is for a period of up to 10 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves ADC's acquisition of approximately 20 percent of the shares in ABCH. ABCH is the holding company of a number of banks in sub-Saharan Africa, with independent banking licenses operating under the BancABC brand. The banks offer a diverse range of financial services including personal, business, and corporate banking—as well as investment/merchant banking, asset management, stock-broking, and treasury services.

ADC's investment will strengthen and diversify ABCH's funding base and bring about a transfer of technical know-how and best practices to the banking group. This will enable the group to develop a solid platform from which to expand banking services to segments of the market that are generally underserved by foreign banks in Southern and Eastern Africa. Of particular development interest, it is expected that the investment will result more loans to small and medium enterprises.

ABCH is committed to offering above average wages and benefits to staff, as well as ongoing training to ensure a modern workforce.

The project is in line with the World Bank's Country Partnership Strategy for Botswana, which underlines a need for the country to diversify its economy and identifies international financial services as a key sector in new value chains.

Burundi

Project name: Open-IT SPRL

Guarantee holder: MXS SA

On December 13, 2011, MIGA issued a guarantee of €509,200 ($672,782 equivalent) to Medical Exchange Solution SA (MXS) of Belgium covering its shareholder loan to Open-IT SPRL in Burundi. MIGA's coverage is for a period of up to 10 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves the establishment of a greenfield company, Open-IT SPRL (Open-IT). Open-IT will develop and implement health information management systems for health facilities and health-management organizations and deliver technical support and training services. Open-IT will act as a medical information, communication, and technology (ICT) solutions and consultancy service provider for the Burundian health care sector.

The ICT solution will provide knowledge transfer and job opportunities to Burundians and improve the efficiency and cost-effectiveness of hospital operations. It will also support the effective use of scarce medical knowledge in the region, through medical information exchange. Data hosted by Open-IT can be used for research, remote diagnosis for medical institutes, remote education for universities, statistics, and epidemiological input for local governments, non-governmental organizations, and others.

The project is aligned with the World Bank Group's Country Assistance Strategy for Burundi, which calls for an improved business environment and stepped-up private sector investment. The project is also aligned with MIGA's commitment to support investments in the world's poorest countries as well as countries affected by conflict. The project was underwritten through MIGA's Small Investment Program.

Cameroon

Project name: HTT Telecom S.A.

Guarantee holder: 4G Africa AG

On June 29, 2012, MIGA issued guarantees of $6.5 million covering investments by 4G Africa AG of Switzerland in HTT Telecom S.A. in Cameroon. The coverage is for a period of up to 10 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves an equity investment and a shareholder loan totaling €5.5 million from 4G Africa AG to its subsidiary HTT Telecom S.A. in Cameroon. The investment will support the establishment of a wireless network to deliver Internet broadband services in three major cities in Cameroon (Douala, Yaoundé, and Edéa).

The main developmental impact would be an improvement in broadband Internet provision in Cameroon's main cities. The development of HTT Telecom S.A. will lower Internet tariffs and increase service reliability and availability in Cameroon.

Indirectly the project contributes to the continued growth of the Internet sector in Cameroon, which has an impact on GDP growth. It is estimated that a 10-percentage-point increase in broadband Internet penetration generates a 1.38 percentage-point increase in economic growth for low and middle-income economies.

MIGA's support to this project is consistent with the first theme of the World Bank Group's Country Assistance Strategy for Cameroon, which focuses on increasing Cameroon's competitiveness through increased investment in infrastructure, including telecommunications.

Côte d'Ivoire

Project name: Henri Konan Bédié Bridge

Guarantee holders: Bouygues Travaux Publics S.A., PAIDF, BMCE Bank International Plc, Africa Finance Corporation, FMO

On June 28, 2012, MIGA issued $145 million in guarantees covering equity investments and subordinated loans from Bouygues Travaux Publics of France and the Pan African Infrastructure Development Fund of South Africa, subordinated and senior loans from the Africa Finance Corporation of Nigeria, and senior loans from BMCE Bank International Plc of the United Kingdom and FMO of the Netherlands. MIGA's coverage is for a period of 15 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

The investments are supporting the design, construction, and operation of the Henri Konan Bédié Toll Bridge (HKB Bridge), over the Ebrié lagoon in Abidjan, with access roads to the north and south between the residential area of Riviera and the industrial area of Marcory. The total length of the full road connection will be around 6.6 kilometers, with the bridge itself spanning 1.5 kilometers. To the north, construction will consist of a 2x2 lane dual carriageway that will connect with the junction of the Boulevard Mitterrand and Est-Ouest roads and on which will be the toll plaza. To the south, construction will consist of a 2x3 lane dual carriageway with lateral access roads that will connect to Boulevard Giscard d'Estaing, the main road that joins Abidjan airport. There will be an interchange (VGE Interchange) built, not part of this project, which will connect the access road to the bridge with Boulevard Giscard d'Estaing. Pont Houphouët-Boigny (HB Bridge), one of the existing two bridges that cross the lagoon, will close for urgent repairs after the HKB Bridge opens. Initial work on the project, funded by the government of Côte d'Ivoire, started in October 2011.

The bridge will help address significant congestion and pollution in Abidjan. The existing bridges and infrastructure are under severe strain and unable to manage the city's growing traffic. The bridge is also expected to reduce congestion and pollution in Abidjan and will result in a reduction of carbon dioxide emissions due to lower fuel consumption. The project will also provide important demonstration effects for future initiatives in the transport sector. It is one of the first private-sector led foreign direct investments in the country since the civil strife. Approximately 840 direct jobs will be created during the construction phase.

MIGA's participation in the project is aligned with the Agency's commitment to supporting investment into the world's poorest countries, investment in infrastructure, investment in conflict-affected countries, and South-South investments.

Ethiopia

Project name: Fruitful Valley

Guarantee holder: UniFruit Ltd.

On March 29, 2012, MIGA issued a guarantee of $2.9 million to UniFruit Limited of the United Kingdom covering its investment in Fruitful Valley in Ethiopia. The coverage is for a period of up to 10 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project consists of the establishment of the "Fruitful Valley" fruit and vegetable farm by UniFruit Limited (Ethiopia Branch) in Tigray Province. Fruitful Valley plans to cultivate vegetables and fruits such as garlic, onions, pumpkin, strawberries, asparagus, raspberries, boysenberries, and grapes on 1,000 hectares of land leased from the government. The majority of fruits and vegetables will be exported to European and Middle Eastern countries and some will be supplied to local markets.

The project is expected create about 300 local jobs during phase one and provide public services and amenities to surrounding villages. It will also generate tax revenues for the government and transfer skills and modern agricultural equipment to local farmers.

The project is aligned with the World Bank's Country Assistance Strategy for Ethiopia, which calls for fostering economic growth. By providing jobs and service in rural communities, it will help contribute to the reduction of rural-urban migration. It is also aligned with MIGA's strategic objective of promoting investment into the world's poorest countries. The project was underwritten through MIGA's Small Investment Program.

Ghana

Project name: Takoradi 3 Power Plant

Guarantee holder: Société Générale (Canada Branch)

On February 3, 2012, MIGA issued a guarantee of $88.4 million to Société Générale Canada Branch (SGCB) covering its loan to the government of Ghana to finance the completion of the Takoradi 3 Power Plant. The coverage is for a period of up to 15 years against the risk of non-honoring of sovereign financial obligations.

The project, located within the existing Takoradi T1/T2 power plant complex in the Ghanaian district of Sharma Ahanta East, will expand the existing combined-cycle gas turbine power-generation facility. The proposed expansion will furnish power to the national grid during peak demand and provide base load capacity in times of low water levels when hydroelectric generation is affected.

The expansion of the Takoradi 3 Power Plant will allow it to feed more electricity to Ghana's national grid, allowing broader and more reliable access to power. Efforts to bolster the energy sector are essential to avoid blackouts, such as the ones Ghana experienced in 2008.

The project fits into the government's power sector plans, which specifically seek to increase installed capacity from 2,000 megawatts to 5,000 megawatts and enable Ghana to become a net exporter of electricity to neighboring countries by 2015.

MIGA's support for the project is also aligned with the World Bank Group's Country Assistance Strategy for Ghana, which urges the strengthening and expansion of the country's power generation and distribution systems. In addition, the project is aligned with MIGA's strategic objectives of supporting complex infrastructure projects and investments into countries eligible for concessional financing from the International Development Association.

Ghana

Project name: Takoradi Renewable Energy Ltd.

Guarantee holders: Africa Renewables Group, Africa Renewables Limited, Mr. Jean-Francois Guillon, Mr. David Billon

On May 24, 2012, MIGA issued guarantees totaling $9.2 million to support Takoradi Renewable Energy Ltd. in Ghana. The guarantees cover an equity investment by Africa Renewables Group of Belgium, non-shareholder loans by Africa Renewables Limited of the United Kingdom, and a personal loan guarantee by Mr. Jean-Francois Guillon of France and Mr. David Billon of Côte d'Ivoire. The coverage is for a period of up to 10 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves the establishment of a greenfield company, Takoradi Renewable Energy Ltd. in Ghana, that will produce biomass from rubber trees in plantations in the country's western region. The woodchips produced from the trees will be exported through the Takoradi port to European markets for biomass power generation.

The project will benefit the local community by providing about 70 additional jobs and alleviating primary forest deforestation. The introduction of biomass to Ghana's economy will introduce new business opportunities. The project will also facilitate the replanting and rehabilitation of rubber trees, thereby improving the sector's sustainability.

MIGA's support is aligned with the first pillar of the World Bank's Country Assistance Strategy for Ghana, which calls for raising private sector competitiveness through engagements in private and financial sector development, modernization of agriculture, sustainable natural resource management, and investment in infrastructure.

The project is also aligned with MIGA's commitment to support investments in countries eligible for concessional lending from the International Development Association and South-South investments. It was underwritten through MIGA's Small Investment Program.

Kenya

Project name: OrPower 4, Inc.

Guarantee holder: Ormat Holding Corporation

On September 22, 2011, MIGA issued a guarantee of $99 million to Ormat Holding Corporation of the Cayman Islands for its equity investment in OrPower 4, Inc. in Kenya. The guarantee is for a period of up to 15 years and covers the risks of transfer restriction, expropriation, and war and civil disturbance. This guarantee replaces an earlier MIGA guarantee that covered investments into the first and second phases of the project. The new guarantee also covers an additional equity investment of $110 million for phase three of the project.

The project involves the expansion of a base-load geothermal power plant in the Olkaria geothermal fields of the Rift Valley, 90 kilometers northwest of Nairobi. The expansion will provide additional capacity of 36 megawatts. The new plant is scheduled to come online in 2013 and will result in a combined generation capacity of 84 megawatts. Electricity generated by the plant is sold under a power purchase agreement with the national power transmission and distribution utility—the Kenya Power & Lighting Company Limited.

The project is helping alleviate the severe power shortages that have hampered economic growth in Kenya. The World Bank Group's Country Partnership Strategy notes that investment in electricity is a key element of unlocking Kenya's growth potential. It also commits to strengthening the Bank Group's support for government efforts to diversify electricity generation away from hydroelectricity to other green sources such as geothermal. The government's recently announced National Electricity Supply Master Plan has ambitious plans to identify new generation and supply sources with the goals of tripling the national electricity supply of dependable energy to 3,000 megawatts by 2018 and improving access from 29 percent to 40 percent by 2020, with an emphasis on the development of alternative power sources—especially geothermal.

This project is also aligned with MIGA's strategic priorities of supporting investments in complex infrastructure projects as well as investments into countries eligible for assistance from the International Development Association.

Kenya

Project name: Thika Power Ltd

Guarantee holder: ABSA Capital

On May 25, 2012, MIGA issued guarantees of up to $61.5 million covering ABSA Capital of South Africa's non-shareholder loan (including estimated swap exposure) to Thika Power Ltd. in Kenya. The guarantees will have a term of up to 15 years, providing coverage against the risk of breach of contract.

The project consists of the construction (on a build, own, and operate basis) of an 87 megawatt heavy fuel oil plant located at Thika, approximately 35 kilometers from Nairobi. Melec PowerGen Inc. was awarded the contract following a competitive bidding process for the development of the Thika plant. The total project cost is estimated at €112.3 million ($151 million). Thika has entered into a 20-year power purchase agreement with Kenya Power and Lightning Co. The project is supported by a standby letter of credit from a commercial bank and is further guaranteed by an International Development Association partial risk guarantee to cover short-term liquidity.

Kenya is facing ongoing energy shortages driven in part by the economy's rapid growth. A recent World Bank study found that unreliable electricity supply lowers the annual sale revenues of Kenyan firms by about 7 percent and reduces Kenyan annual GDP growth by about 1.5 percent. The additional 87 megawatts provided by the plant will reduce the energy shortfall that threatens economic growth and provide a power supply consistent with the country's Least Cost Power Development Plan. Moreover, the project should reduce the country's excessive dependence on hydropower that has exposed Kenya to concentration risk in the past, most recently during the extreme droughts of 2007-09. Finally, the project is consistent with the World Bank Group's priority of unleashing Kenya's growth potential by expanding electricity infrastructure based on the participation of the private sector.

The project is also aligned with MIGA's priorities of encouraging investments in countries eligible for assistance from International Development Association, promoting South-South investments, and facilitating complex infrastructure investments.

Rwanda

Project name: Bakhresa Grain Milling (Rwanda) Limited

Guarantee holder: Bakhresa Group

On July 8, 2011, MIGA issued guarantees totaling $14.8 million covering an equity investment in, and shareholder loans to, Bahkresa Grain Milling (Rwanda) Limited. The coverage is for a period of 10 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The individual investors, Said Salim Awadh Bakhresa, Mohamed Said Salim Bakhresa, and Abubakar Said Salim Bakhresa, are from Tanzania. The investors are the shareholders of Said Salim Bakhresa & Co Ltd and other Bakhresa Group companies, based in east and southeast Africa. The Bakhresa Group companies primarily operate in the agribusiness, food, and beverages sector.

Bakhresa Rwanda was incorporated in January 2009 to expand the Bakhresa Group's grain-milling business in Rwanda and its export potential to neighboring countries such as Burundi and the Democratic Republic of Congo. In June 2011, Bakhresa Rwanda set up the grain-milling factory in the Kigali Industrial Park located at Bumbogo. The mill, with a total milling capacity of 250 tons per day, is now operational.

Rwanda is currently dependent on two milling companies and imports from neighboring countries for its supply of wheat flour. The current consumption of 120,000 tons per annum is projected to grow annually by about 5 percent because of urbanization and population growth. While the project will initially largely use imported grain for milling, building capacity in the food-processing sector can also help spur the domestic production of grain. With an estimated 52 percent of households food insecure or vulnerable, an increase in grain-milling capacity can contribute to improved supply—possibly easing pressure on food prices, which is a key concern identified in the World Bank's Country Assistance Strategy. The project will also create jobs and contribute to the government's revenues through increased corporate taxes.

The project is aligned with MIGA's strategic priorities of supporting South-South investments and investments into countries eligible for concessional lending from the International Development Association. The International Finance Corporation (IFC) is also supporting the investment through IFC A-Loans.

Rwanda

Project name: KivuWatt Ltd.

Guarantee holder: ContourGlobal Africa Holdings S.a.r.l.

On February 3, 2012, MIGA issued a guarantee of $66.8 million to ContourGlobal Africa Holdings S.a.r.l. of Mauritius for its equity investment in KivuWatt Ltd. in Rwanda. The coverage is for a period of up to 20 years against the risks of expropriation, transfer restriction, war and civil disturbance, and breach of contract. This replaces a contract issued in fiscal year 2011 and reflects additional coverage of $66.8 million.

The investment is for the construction and operation of a 25 megawatt power-generation facility using methane gas extracted from Lake Kivu (the Phase 1 Pilot Project). The entire project (Phase 1 and Phase 2) involves extraction and separation of methane gas from the bottom of Lake Kivu and up to 100 megawatts of power-generation capacity to be implemented in two phases. The Phase 1 Pilot Project will involve gas extraction using a floating barge located approximately 13 kilometers offshore from the city of Kibuye. The extracted gas will be further processed and pumped to the shore for use in a power plant via submerged floating pipeline. Power will be produced by methane-powered reciprocating engine generator sets with combined capacity of 25 megawatts, net output. Based on successful implementation of Phase 1, Phase 2 will comprise three additional gas extraction barges and three more power production blocks with 75 megawatt capacity resulting in 100 megawatts of overall power generation.

The output will be sold to the Rwandan state-owned utility, Rwanda Electricity Corporation (RECO), formerly known as Electrogaz. Phase 1 output will be connected to the national grid via a new dedicated 11 kV transmission line installed by RECO. Phase 2 will be connected to the existing 220 kV transmission system via two new transformers to be installed by RECO.

Over the last decade, Rwanda's economy has nearly doubled in size, growing at an average rate of 7 percent per year. Nevertheless, the country's electricity infrastructure (the generation, transmission, and distribution network) has failed to develop in pace with the broader economy. Rwanda's total installed power generation capacity is 55 megawatts and only 6 percent of the population is serviced by the national power grid. To keep up with demand, expensive diesel power generators have been rented and brought online, raising the power tariff per kilowatt hour to twenty-one cents, one of the highest in Africa.

The project's primary development impact will be the generation of additional electricity capacity produced at a significantly lower cost than alternatives currently in the local market. Tapping the considerable methane reserves stored in Lake Kivu will offer the small, highly populated, and land-locked country with a secure, domestic, cheap, and renewable source of power supply. The project is being developed in conjunction with a $400 million initiative (supported by Rwanda and international donors) to simultaneously expand and overhaul Rwanda's power transmission and distribution network.

One of the main objectives of the World Bank's Country Assistance Strategy for Rwanda for 2009-2012 is to improve access to and quality of key infrastructure services. The project is fully consistent with this objective and is also aligned with MIGA's strategic priority of supporting investments into countries eligibles for assistance from the International Development Association and investments in complex infrastructure projects.

Senegal

Project name: Senegal Eurobond – Cross Currency Swap Arrangement

Guarantee holder: Standard Bank Plc

On November 16, 2011, MIGA issued a guarantee of $99 million supporting a US dollar cross-currency swap arrangement between Standard Bank Plc (SB) and the government of Senegal. Senegal's Ministry of Economy and Finance has entered into the swap with SB as a hedge against currency risk exposure related to the 10-year tenor, $500 million Senegal Eurobond issued in May 2011. The MIGA guarantee to SB provides coverage against non-honoring of sovereign financial obligations for a period of 10 years. Specifically, it insures against a failure by the government of Senegal to honor its obligation to make requisite payments under the swap contracts.

The proceeds of the Eurobond will be used to finance new infrastructure projects as well as to redeem a $200 million bond issued in 2009. The Senegalese government expects to use these proceeds to finance a 19-kilometer extension of the Diamniadio Toll Road to the new Blaise Diagne International Airport project and critical energy sector investments under the government's emergency energy sector strategy.

The projected development impacts of SB's swap arrangement with the government are twofold. The direct benefits relate to the elimination of the currency mismatch risk the government of Senegal is exposed to under the Eurobond, which removes a potential source of instability to government finances; and improved terms on the swap, which contribute to a reduced cost of servicing the USD Eurobond.

Indirect benefits of the investment relate to the government of Senegal's commitment to use the net proceeds from the Eurobond to finance the infrastructure projects noted above. The World Bank's Country Assistance Strategy for Senegal emphasizes the need to consolidate public resources on infrastructure, road, and electricity networks.

The project is aligned with MIGA's priorities of supporting investments in infrastructure and investments into countries eligible for concessional lending from the International Development Association.

Sierra Leone

Project name: Motorcare Sierra Leone Limited

Guarantee holder: Kjaer Group A/S

On April 23, 2012, MIGA issued a guarantee of $0.9 million to Kjaer Group A/S of Denmark for their equity investment in Motorcare Sierra Leone Limited (MSL). The coverage is for a period of 10 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

Kjaer Group's investment will support the expansion of MSL, which began operations in 2001. MSL's business lines include new vehicle sales and after-sales services in Freetown and Makeni. The expansion will focus on improving sales and after-sales services in the existing branches as well as the establishment of new sales offices and workshops in Bo and Lungi.

Kjaer Group has been operating in Sierra Leone since 2001 and has expanded its operations by reinvesting its earnings in the project. Through the provision of quality automobiles and services MSL has supported the country's commercial development and ensured the availability of emergency vehicles supporting relief operations. When the planned expansion is completed, the project is expected to employ 100 permanent skilled local workers by end of 2015. As an authorized Ford dealer, MSL must comply with certification and training requirements set by Ford.

The project also contributes significant tax revenues to the government. In 2010, MSL was recognized as the best taxpayer of the year by the government of Sierra Leone. The award underlines the financial transparency and high social responsibility of the company. KG has been a member of UN Global Compact since 2003.

MIGA's support for this investment is aligned with the World Bank Group's Country Partnership Strategy for Sierra Leone, particularly with regard to supporting the development of a competitive private sector.

MIGA's participation is also aligned with key Agency priorities, which include encouraging investment in post-conflict and countries eligible for assistance from the International Development Association. The project was underwritten through MIGA's Small Investment Program.

Zambia

Project name: Chobe Agrivision Company Ltd

Guarantee holder: Chayton Atlas Investments

On June 29, 2012, MIGA issued guarantees totaling $9.5 million covering an equity investment by Chayton Atlas Investments (CAI) of Mauritius in Chobe Agrivision Company Ltd. in Zambia. The coverage is for a period of up to 10 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

The project involves the expansion of "Project Psi" supported by MIGA in fiscal year 2011. The original project involved the acquisition of two farms in the Mkushi farm block in Zambia's Central Province, with a combined land area of 2,517 hectares, and a "contract farming" business. The farms cultivate maize, wheat, and soya for consumption in Zambia and eventually neighboring countries, while the contract farming operation provides machinery and equipment services to the two farms as well as third-party farms. CAI has now made a further investment in Chobe to install pivot irrigation systems on the undeveloped part of Project Psi.

CAI has also acquired four adjacent farms in the same farm block as the existing Project Psi, with a combined land area of 1,589 hectares. Additional capital expenditure is planned for improvements to the four newly-acquired farms including installing irrigation systems and constructing a water storage dam (Project Beta). When fully operational, the Amasenga Farm will grow approximately 4,500 metric tons per annum (mta) of wheat and 2,500 mta of soya under winter and supplementary summer irrigation. Alternatively, some 4,500 mta of commercial or seed maize could be grown as part of a seasonal rotation in line with current market demand in Zambia and the region.

The agricultural sector has been identified by both the Zambian government (in its national development plan) and in the World Bank's Country Partnership Strategy as a key area where there is potential to contribute to development and economic growth. In Zambia, CAI estimates that only 1.1 percent of the potential fertile Guinea Savannah agricultural area is cropped. Moreover, CAI believes that introducing highly efficient agricultural practices such as crop rotation and zero tillage, soil and water management, and certain technological improvements will result in increased productivity and sustainable crop yield enhancement. As well as improving productivity of the land, the introduction of new technologies and methods offers the chance for substantial demonstration effects. The project will also contribute to increased food security within Zambia and the broader Southern African Development Community—the target market for consumption.

The project is aligned with MIGA's strategic priorities of supporting investments into countries eligible for assistance from the International Development Association and South-South investments.

Technical Assistance

MIGA's technical assistance mandate is implemented under the umbrella of FIAS, the World Bank Group's multi-donor Facility for Investment Climate Advisory Services.

Through its financial support to this partnership and funding vehicle, MIGA contributed to advisory services projects that help developing countries level the playing field for business entry, expansion, and exit and facilitate international trade and investment.

In calendar year 2011 FIAS projects contributed to 41 significant investment climate reforms in 27 countries. Of these investment climate reforms 49 percent were in the world's poorest countries and 29 percent in conflict-affected states—MIGA priority areas. The new FIAS strategy for fiscal years 2012-2016 emphasizes sector-specific investment climate reform and is designed to unlock investment opportunities in MIGA and World Bank Group priority sectors and industries, especially in fragile and conflict-affected countries where MIGA's guarantee services are of particular relevance to investors. Currently, the Agency and FIAS are exploring how the synergies between FIAS' investment climate advisory services and MIGA's guarantee programs can be further deepened, with a view to support investment flows into economies that undertake concerted efforts to strengthen their business environment.

In fiscal year 2012, MIGA also participated in investor conferences showcasing improved investment climates in FIAS-supported countries and offering platforms to familiarize potential investors with MIGA's political risk insurance services. A joint MIGA-FIAS staff appointment in Vienna, Austria, helped further leverage FIAS' field presence to support the Agency's business outreach, donor relations, and client relationship management objectives in the European and Central Asia region.

Finally, a new political risk work stream is being piloted as part of the restructured investment policy product under FIAS that will explicitly address MIGA's core coverage areas and focus on strengthening investor confidence.

Independent Evaluation Group

The Independent Evaluation Group (IEG) assesses MIGA's strategies, policies, and projects to improve MIGA's development results. IEG reports its findings to MIGA's Board of Directors and the Committee on Development Effectiveness and is independent of MIGA management.

IEG continues to integrate MIGA's activities in its evaluations. IEG's fiscal year 2012 review of the World Bank Group's results and performance noted that MIGA has made progress in areas in which IEG has made recommendations, such as in institutional learning (in particular through the introduction of self-evaluation), business development, and client relationship management. IEG has also highlighted areas for MIGA to focus on looking ahead including measuring financial results to inform strategy development and furthering efficiencies that address internal processes and responding to client demand.

MIGA continues to conduct selective self-evaluations of its guarantee projects, which IEG validates using a methodology that was jointly developed by IEG and MIGA.

In fiscal year 2012, IEG received and validated seven MIGA self-evaluations and additionally completed four direct evaluations. This coming year, IEG and MIGA will be evaluating the regular guarantee projects that were approved three years ago, in fiscal year 2010.

IEG and MIGA established a joint working group committed to streamlining and strengthening MIGA's self-evaluation system. IEG also provided several dissemination events for staff on topics covering findings and lessons from its evaluation work. IEG and MIGA also began work on refining practice standards for MIGA evaluations, using the Good Practice Standards from the Evaluation Cooperation Group.

In fiscal year 2012 IEG gave MIGA two Good Practice Awards, highlighting excellence in self-evaluation. MIGA won awards for the Termoguayas Generation S.A. and the Aarti Steel Nigeria Ltd. project evaluations.

IEG's reports and recommendations are publicly disclosed on IEG's website at ieg.worldbankgroup.org.

Compliance Advisor/Ombudsman

The Office of the Compliance Advisor/Ombudsman (CAO) is the independent accountability mechanism for MIGA and IFC and reports directly to the President of the World Bank Group. The CAO responds to complaints from people affected by MIGA and IFC-supported business activities, with the goal of enhancing social and environmental outcomes on the ground and fostering greater public accountability of both agencies.

The CAO has three roles. CAO's dispute resolution arm works to identify the causes of conflict and helps stakeholders resolve concerns using a flexible, problem-solving approach. CAO's compliance arm oversees investigations of MIGA's and IFC's social and environmental performance to ensure compliance with applicable policies, guidelines, procedures, and systems. In its advisory role, the CAO provides independent advice to the World Bank Group President as well as MIGA and IFC management on policies, systemic environmental and social issues, and emerging trends.

In July 2010, a complaint from Indonesian nongovernmental organizations and concerned citizens was filed with the CAO regarding environmental impacts to water, fields, and forests due to the development of the PT Weda Bay Nickel mine on Halmahera Island in eastern Indonesia.

In June 2011, the CAO Ombudsman concluded its involvement in the case and released its assessment report. However, in accordance with CAO's operational guidelines, and to provide assurance that there were no outstanding concerns regarding MIGA's compliance with applicable social and environmental requirements related to the project, the case was transferred to CAO Compliance for appraisal. The CAO concluded that the case currently did not merit an audit of MIGA, and the case was closed in October 2011.

In March and May of 2011, the CAO received two complaints regarding the Bujagali power plant, a project supported by MIGA and IFC in Uganda. The CAO is working with the parties to each complaint—former employees involved in the project and construction and local community members—to help them resolve the issues raised.

Visit www.cao-ombudsman.org for more information about these cases and CAO's activities.

Management's Discussion and Analysis (FY12)

Financial Statements

Overview

Established in 1988, the Multilateral Investment Guarantee Agency (MIGA or "the Agency") is a member of the World Bank Group. The World Bank Group also includes the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the International Centre for Settlement of Investment Disputes (ICSID). MIGA is a legal entity separate and distinct from IBRD, IDA, IFC, and ICSID, with its own charter (the "Convention"), share capital, financial structure, management, and staff. Membership in the Agency, which currently stands at 177 countries, is open to all members of IBRD.

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

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

Since its inception, MIGA has issued $27.2 billion of guarantees (including amounts issued under the Cooperative Underwriting Program), in support of 701 projects in 105 member countries. The Agency has also supported numerous technical assistance activities, as well as multiple programs at regional and global levels in member countries.

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

Development Activities

Summary of Business Segments

MIGA seeks to fulfill its mission in developing member countries by offering PRI, investment dispute resolution, technical assistance, and research and knowledge services.

Political Risk Insurance

MIGA provides investment guarantees against certain non-commercial and sovereign risks to eligible foreign investors for qualified investments in developing member countries. MIGA covers against the risks of 1) transfer restriction and inconvertibility, 2) expropriation, 3) breach of contract, 4) war and civil disturbance, and, 5) the non-honoring of a sovereign financial obligation. Investors may choose any combination of these covers [1] (see Box 1). MIGA insures new cross-border investments originating in any MIGA member country, destined for any developing member country. Types of investments that can be covered include equity, shareholder and non-shareholder loans, and loan guarantees (provided the loans have a minimum maturity of more than one year). 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.

Box 1 – Risks Covered by MIGA Guarantees

MIGA provides PRI to eligible investors and lenders against the following non-commercial risks:

- **Transfer restriction and inconvertibility** – the risk of inconvertibility of local currency into foreign exchange for transfer outside the host country. Currency depreciation is not covered.
- **Expropriation** – the 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** – the 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** – the risk of being unable to obtain or enforce an arbitral or judicial decision recognizing the breach of an obligation by the host government.
- **Non-honoring of a sovereign financial obligation** – the risk that a sovereign may fail to honor an unconditional financial payment obligation or guarantee, where the underlying project meets all of MIGA's normal eligibility requirements. Unlike MIGA's breach of contract coverage, this coverage does not require a final arbitral award or court decision as a precondition to payment of a claim.

[1] *Smaller guarantees may be underwritten through the MIGA's Small Investment Program (SIP), but SIP coverage is limited to the risks of transfer restriction, expropriation, and war and civil disturbance.*

Table 1 — Cumulative Guarantees Issued in Member Countries

	FY12	FY11	FY10	FY09	FY08
Cumulative Guarantees Issued ($B)*	27.2	24.5	22.4	20.9	19.5
Host Countries	105	104	100	99	99

* *Includes amounts from Cooperative Underwriting Program.*

The total gross and net exposures at June 30, 2012 amounted to $10.3 billion and $6.3 billion compared to $9.1 billion and $5.2 billion respectively at the end of FY11. During FY12, MIGA supported 50 projects[2] of which 29 projects were in one or more priority areas identified in the Agency's business strategy. This includes guarantees issued for $1,090.5 million in support of 24 projects in IDA-eligible countries, $1,581.7 million in support of 12 complex projects, $340.7 million in support of 9 projects in conflict affected countries and $589.4 million in support of 11 projects with South-South investments.

Table 2 details the regional distribution of MIGA's gross and net guarantee exposures over the past three years. The percentage of net exposure in the Africa and Middle East & North Africa regions increased by 3.2 percent and 3.0 percent, respectively, from the previous fiscal year while the Europe and Central Asia region decreased by 6.1 percent in FY12. The increase in Africa and MENA's percentage of net exposure can be attributed to several projects supporting financial, infrastructure and manufacturing clients in these regions.

Table 2 — Regional Distribution of Gross and Net Exposure ($M)

	Gross			Net			% of Total Net Exposure		
	FY12	FY11	FY10	FY12	FY11	FY10	FY12	FY11	FY10
Africa	**1,574**	1,102	1,103	**1,258**	886	888	**20.1**	16.9	20.7
Asia	**1,392**	1,296	706	**861**	759	505	**13.7**	14.5	11.7
Europe and Central Asia	**5,543**	5,432	4,419	**3,018**	2,844	2,021	**48.2**	54.3	47.0
Latin America and the Caribbean	**1,069**	1,006	1,130	**642**	569	638	**10.3**	10.8	14.9
Middle East and North Africa	**768**	416	494	**483**	246	310	**7.7**	4.7	7.2
Adjustment for Dual Country and Master Agreements*	**-**	-130	-130	**-**	-65	-65	**-**	-1.2	-1.5
Total	**10,346**	9,122	7,723	**6,262**	5,239	4,296	**100.0**	100.0	100.0

Note: numbers may not add up due to rounding.

* *Master Agreements are guarantee contracts that cover projects in more than two host countries, up to a single maximum exposure amount. The adjustment compensates for counting the same exposure more than once.*

Table 3 shows the sector distribution of MIGA's gross and net guarantee exposures over the past three years. The percentage of net exposure in the Infrastructure and Tourism, Construction and Services sectors increased by 6.6 percent and 4.1 percent respectively from the previous fiscal year while the Financial sector decreased by 8.4 percent in FY12.

Table 3 — Sector Distribution of Gross and Net Exposure ($M)

	Gross			Net			% of Total Net Exposure		
	FY12	FY11	FY10	FY12	FY11	FY10	FY12	FY11	FY10
Agribusiness	**224**	246	80	**197**	187	73	**3.1**	3.6	1.7
Financial	**4,297**	4,456	4,022	**2,270**	2,341	1,855	**36.3**	44.7	43.2
Infrastructure	**3,920**	2,961	2,302	**2,436**	1,694	1,475	**38.9**	32.3	34.3
Manufacturing	**774**	790	587	**457**	472	341	**7.3**	9.0	7.9
Mining	**241**	243	105	**171**	172	40	**2.7**	3.3	0.9
Oil & Gas	**336**	234	468	**261**	195	369	**4.2**	3.7	8.6
Tourism, Const and Services	**554**	193	159	**469**	177	145	**7.5**	3.4	3.4
Total	**10,346**	9,122	7,723	**6,262**	5,239	4,296	**100.0**	100.0	100.0

Note: numbers may not add up due to rounding.

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

[2] *In addition MIGA is supporting two projects executed through the West Bank and Gaza Trust Fund during FY12.*

Technical Assistance (TA)
MIGA supports the multi-donor Investment Climate Advisory Services of the World Bank Group, which helps governments design and implement reforms to improve their business environment and attract domestic and foreign investment. Investment Climate Advisory Services remains focused on IDA and conflict-affected countries.

MIGA's financial contribution has supported projects that reduce policy impediments and provide support to governments in attracting new investors as well as retaining and expanding existing investments.

Research and Knowledge Services
MIGA carries out research and disseminates information to promote investment in its developing member countries. This year MIGA's flagship report *World Investment and Political Risk* provided an in-depth analysis on the risk of expropriation—perceived risk, actual dimensions, and preferred containment strategies. It found that the probability of disputes between governments and foreign investors is materially increased by an economic shock and/or significant political shift. It also addressed FDI in the Middle East and North Africa in light of the Arab Spring, as well as the reaction of multinational enterprises to those developments.

Investment Dispute Resolution
Consistent with Article 23 of the MIGA Convention, the Agency seeks both to remove impediments to the flow of investment to developing member countries and to encourage the settlement of disputes between investors and host governments. MIGA actively pursues the resolution of disputes affecting MIGA-supported projects. In many cases, these efforts focus on situations in which either a claim has been or is expected to be filed, but MIGA will also assist in resolving problems that are not related to its cover. During FY12, MIGA engaged with investors or governments in relation to projects located in Argentina, Guinea, Senegal, Rwanda, Sierra Leone, and Uganda.

In appropriate circumstances, the Agency will mediate disputes between states and investors not guaranteed by MIGA if such disputes inhibit the flow of additional investment to the country. In such circumstances, MIGA may seek compensation for these services and reimbursement for its costs in conducting the mediation.

Outlook and Challenges

Market Trends
The contraction and low-growth in developed countries, especially in the euro zone, has prompted a shift in global investment patterns, with more investors and lenders seeking opportunities in riskier markets. More generally, the ongoing global volatility has prompted many investors to reevaluate their risk-mitigation strategies. MIGA's guarantee holders continue to show a certain level of caution and risk aversion by maintaining their political risk coverage for existing projects for longer periods than in years prior.

Operational Priorities
In FY11, MIGA's Board of Directors, endorsed an updated Operational Directions paper, *FY12-14 Strategy: Achieving Value-Driven Volume*. This strategy reaffirmed MIGA's commitments to the operational priorities that have guided the Agency since FY05:

- *Investments in IDA countries,* a key area of comparative advantage for MIGA.
- *Investments in conflict-affected countries,* an area of increased engagement for the Agency over the past few years and where MIGA remains strongly relevant.
- *Investments in complex projects,* mostly in infrastructure and the extractive industries, often involving government intervention and resulting in a delicate balance of risk-sharing by stakeholders.
- *Support for investments between MIGA Category Two countries*[3] (South-South investments), given the growing proportion of FDI coming from developing countries and the need to provide underserved corporations with PRI

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

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

Funding Sources

Subscribed Capital
MIGA derives its financial strength primarily from the capital it receives from its shareholders and its retained earnings.

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, 2012 the total authorized shares increased to 186,259, equivalent to $2,015.3 million subscribed by 177 member countries. South Sudan and Niger completed their membership requirement during FY12.

As of June 30, 2012, the initial subscribed shares increased to 107,700, equivalent to $1,165.3 million. Of the initial membership shares subscribed, 20 percent or $233.1 million had been paid-in and the remaining 80 percent or $932.2 million was subject to call when needed by MIGA to meet its obligations. At June 30, 2012, $113.8 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.

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[3] *MIGA's categorization for developing countries; see MIGA Member Countries list in the Appendices section of the Annual Report*

As of June 30, 2012, cumulative subscriptions to the General Capital Increase (GCI) totaled 69,303 shares, equivalent to $749.8 million, and General Capital Increase (GCI) shares reserved through instruments of contribution totaled 6,959 shares, equivalent to $75.3 million. Of the GCI shares subscribed, $132.3 million has been paid-in and $617.5 million is callable.

As of June 30, 2012, MIGA's total subscribed capital amounted to $1,915.1 million, of which $365.4 million was paid-in and $1,549.7 million was callable. Since its inception, no call has been made on MIGA's callable capital. Any calls on unpaid subscriptions are uniform on all shares. If the amount received by MIGA on a call is insufficient to meet the obligations which necessitated the call, MIGA may make further calls until the amounts received are sufficient to meet such obligations. The liability of a member on a call or calls is limited to the unpaid balance of its capital subscription.

Equity

Total shareholders' equity as reported in MIGA's balance sheet as of June 30, 2012 was $905.2 million compared with $924.0 million as of June 30, 2011. This amount consists of subscribed capital, less uncalled portions of subscriptions, plus retained earnings and accumulated other comprehensive income (loss). The decrease of $18.8 million in FY12 reflects increased retained earnings of $5.9 million, an increase in accumulated other comprehensive loss of $25.1 million and an increase in subscribed capital $0.4 million.

Capital Management

Underwriting Capacity

MIGA's equity base ensures the financial sustainability of the Agency, over both the short-term and long-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, 2012, MIGA's underwriting capacity was $13,093 million, as follows:

Table 4 – Current Underwriting Capacity ($M) – June 30, 2012

Subscribed Capital	1,915
Retained Earnings	572
Accumulated Other Comprehensive Income (loss)	(32)
Insurance Portfolio Reserve (net)	220
Total	**2,675**
350% of Subscribed Capital, Retained Earnings, Other Comprehensive Income and Reserve	9,361
90% of Reinsurance Ceded with Private Insurers	3,176
100% of Reinsurance Ceded with Public Insurers	555
Statutory Underwriting Capacity - June 30, 2012	**13,093**

As of June 30, 2012, MIGA's gross exposure was $10,345.9 million and represented 79 percent of MIGA's statutory underwriting capacity.

Capital Adequacy

Following the adoption of its formal Economic Capital-based capital adequacy framework in FY07, MIGA's measures of capital adequacy and risk-bearing capacity include economic capital consumed by the guarantee portfolio. It provides an analytically rigorous measure for assessing the consumption of risk capital by the core guarantee business, and incorporates the effects from portfolio diversification and concentration. In addition, MIGA estimates the minimum amount of capital that should be held against operational risk in the Agency. Total economic capital defined as capital consumption from both the guarantee portfolio and operational risk represents a broader measure of MIGA's capital adequacy. As of June 30, 2012, the economic capital consumed by the guarantee portfolio amounted to $459 million and the total economic capital for the Agency amounted to $562 million. This compared to $374 million and $465 million, respectively, as of June 30, 2011.

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

Throughout the year, MIGA's management monitors the level and utilization of available operating capital. This includes paid-in-capital, retained earnings, and the insurance portfolio reserve, net of the corresponding reinsurance recoverable. MIGA management's objective is to have sufficient operating capital to sustain losses associated with claims and to support the ongoing business without facing a significant risk of having to avail itself of the callable capital. As measures of the current utilization of this capital, by the guarantee portfolio and by the Agency as a whole, Table 5 shows the ratios of guarantee portfolio and total economic capital to operating capital over the past three years. These ratios have increased to 40.8 percent and 50.0 percent, respectively, in FY12 compared with 34.0 percent and 42.3 percent in FY11. Table 5 also shows the ratio of guarantee portfolio economic capital to portfolio net exposure, to gauge year-on-year changes to the relative risk-level of the guarantee portfolio. As of end-FY12, this ratio stood at 7.3 percent compared to 7.1 percent at end-FY11. The ratios indicate a strong and stable capital position for the Agency at the end of FY12.

Table 5 – Capital Adequacy Summary (FY10-12, $M)

	FY12	FY11	FY10
Guarantee Portfolio Economic Capital	**459**	**374**	**323**
Total Economic Capital	**562**	**465**	**400**
Insurance Portfolio Reserve (net)	220	175	157
Retained Earnings and Accumulated Other Comp. Income	540	559	510
Paid-in Capital	365	365	365
Operating Capital	**1,125**	**1,099**	**1,033**
Net Exposure	**6,262**	**5,239**	**4,296**
Guarantee Portfolio Economic Capital/Operating Capital	**40.8%**	**34.0%**	**31.3%**
Total Economic Capital/Operating Capital	**50.0%**	**42.3%**	**38.8%**
Guarantee Portfolio Economic Capital/Net Exposure	**7.3%**	**7.1%**	**7.5%**

Note: numbers may not add up due to rounding

Investment Management

MIGA's investment policy sets the objectives and constraints for managing MIGA's investment account assets, in consideration of the guarantees it issues. As claims arise, MIGA's invested assets will be liquidated to pay claims on a pre-recovery basis.

The portfolio consists of two tranches. Tranche 1 is managed with target duration between 1 to 2 years to support potential claims, and consists of investments in cash, treasury securities, agency securities, mortgage-backed securities (MBS), asset-backed securities (ABS) and sovereign securities. Tranche 2 supports long-term capital growth, by investing in long-term fixed income assets and passively managed broad-based global equity indexes. Portfolio management activities for MIGA's fixed income assets, as well as trading, risk analytics and reporting, are provided by IBRD's Treasury Department.

At the end of FY12, the portfolio held cash, treasury securities, agency securities, MBS, ABS, sovereign and government guaranteed securities, global equities, and derivatives. Also, the portfolio held cash and government securities denominated in currencies other than USD. The annual portfolio yield was 3.6 percent in FY12 versus 1.4 percent in FY11. And the market value of MIGA's asset portfolio was $1,090 million as of June 30, 2012, of which $94 million resided in non-US dollar denominated investments.

Figure 1 – Portfolio Composition of MIGA's Total Holdings as of June 30, 2012

Critical Accounting Policies

The footnotes to MIGA's financial statements contain a detailed summary of MIGA's accounting policies. Described below are those significant policies where MIGA management is required to form estimates when preparing the Agency's financial statements and accompanying notes to conform to both US GAAP and IFRS. Accounting estimates generally involve the establishment of parameters by management based on judgments about the probable outcome of future conditions, transactions, or events. Because these are projections, actual results may differ from those estimates in a variety of areas. The area which management deems 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 that 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.[4]

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.

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

Pension and Other Postretirement Benefits

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

Results of Operations

Operating Income and Net Income

FY12 operating income was $17.8 million, an increase of $8.1 million versus FY11 primarily due to higher net premium income of $10.9 million, offset by higher administrative expenses of $2.8 million. FY12 net income of $5.9 million represented a decrease of $37.2 million compared to net income of $43.1 million in FY11, due to higher provisioning for FY12 issued guarantees. Table 6 below shows the breakdown of MIGA's operating income and net income over the past three years.

Table 6 – Analysis of Operating Income and Net Income ($M)

	FY12	FY11	FY10
Total Guarantees Issued[1]	2,657	2,099	1,464
Gross Exposure	10,346	9,122	7,723
Net Exposure	6,262	5,239	4,296
Premium Income	89.2	75.2	71.8
Premium Ceded	(33.7)	(30.6)	(30.6)
Fees and Commissions	6.2	6.3	4.8
Net Premium Income	**61.7**	**50.8**	**46.0**
Income from Investments	36.9	13.9	24.1
Administrative and Other Expenses	(43.9)	(41.1)	(36.2)
Operating Income[2]	**17.8**	**9.7**	**9.8**
Translation Gain (Loss)	(11.5)	17.8	(19.5)
Release of (Provision for) Claims[3]	(37.3)	1.7	(30.9)
Net Income (Loss)	**5.9**	**43.1**	**(16.5)**
Operating Capital	**1,125**	**1,099**	**1,033**
Guarantee Portfolio Economic Capital (EC)	459	374	323
ROOC[4] **(before provisions)**	**3.8%**	**3.8%**	**1.4%**
ROOC (after provisions)	**0.5%**	**3.9%**	**-1.6%**
ROCU[5]	**3.9%**	**2.6%**	**3.0%**

Note: numbers may not add up due to rounding

1 *Including Cooperative Underwriting Program contracts.*

2 *Operating Income = Net Premium Income less Administrative and Other Expenses; Prior FY calculations were adjusted to reflect this definition, and now exclude Investment Income*

3 *Provisions are net of currency translation effect*

4 *Return on Operating Capital = Net Income/Operating Capital*

5 *Return on Capital Utilized = (Net Premium Income less Administrative and Other Expenses)/Economic Capital Utilized by the Guarantee Portfolio*

FY12 versus FY11

MIGA issued $2.657 billion in guarantees during FY12, $558 million higher than in FY11. New issues when combined with lower policy cancellations resulted in overall growth of MIGA's guarantee portfolio and premium income. In FY12, gross exposure and gross premium income increased by $1,224 million and $14 million, respectively. Premium amounts ceded to reinsurers increased by $3.1 million.

MIGA's investment portfolio generated $36.9 million of investment income in FY12, compared with $13.9 million in FY11. The yield was 3.6 percent in FY12, compared with 1.4 percent in FY11. Interest income and dividend income contributed $19.0 million to investment income. This was supplemented by valuation gains of $13.4 million on MIGA's Long Term Fixed Income holdings and gains on MBS holdings of $4.0 million plus gains on all other asset holdings of $0.5 million.

Administrative and other expenses increased to $43.9 million in FY12, compared with $41.1 million in FY11.

Corporate Governance

General Governance

Board Membership

MIGA's Board of Directors consists of 25 members. In accordance with the Convention establishing MIGA, all members of the Board are elected. Directors are neither officers, nor staff of MIGA. The President serves as the presiding officer, is the only management member of the Board of Directors, and ordinarily has no vote except a deciding vote in the case of an equal division. The Board has established five standing committees which are each chaired by a Director: (i) Committee on Development Effectiveness or CODE, (ii) Audit Committee, (iii) Budget Committee, (iv)

Human Resources Committee or HRC, and (v) Committee on Governance and Administrative Matters or COGAM. The Directors maintain an Ethics Committee to consider matters relating to the interpretation or application of the Code of Conduct for Board Officials which took effect in November 1, 2007.

The Directors and their committees operate in continuous session at the principal offices of the World Bank Group, and meet in accordance with the Agency's business needs. Each committee's terms of reference establishes its respective roles and responsibilities. Their role is primarily to help the full Board of Directors discharge its oversight responsibilities through in-depth examination of policies and practices.

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, the composition 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 wishes to attend, and non-Committee members of the Board may participate in the discussion but cannot vote. 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 at the Audit Committee.

Key Responsibilities

The Audit Committee has a mandate to assist the Board of Directors in overseeing MIGA's finances, accounting, risk management, and internal controls. This mandate includes the review and oversight of MIGA's financial statements and financial reporting related to trust funds. The Audit Committee is also responsible for recommending to the Board of Directors the appointment of the external auditor, as well as monitoring the performance and independence of the external auditor. The Audit Committee oversees the internal audit function, including reviewing the responsibilities, staffing, annual internal audit plan, and effectiveness of internal audit. In the execution of its role, the Committee discusses with management, the external auditors, and internal auditors, financial issues and policies which have an impact on the Agency's financial position and risk-bearing capacity. The Audit Committee monitors the evolution of developments in corporate governance and encourages continuous improvement of, and adherence to MIGA's policies, procedures, and practices.

Communications

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

- 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 Directors, World Bank Group Senior Management, and MIGA Senior Management.
- "Statement(s) of the Chairman" and state ments issued by other members of the Audit Committee.
- The Annual Report to the Board of Directors, which provides an overview of the main issues addressed by the com mittee over the year.

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

Executive Sessions

Under the Audit Committee's Terms of Reference, members of the Audit Committee shall meet periodically in separate executive or, where specifically required, closed sessions with management, the Auditor General, the External Auditor, and the Vice President for Institutional Integrity, to discuss any matters that the Committee or any of the foregoing believes should be discussed privately.

Access to Resources and to Management

Throughout the year, the Audit Committee receives a large volume of information, with respect to financial position, financial statement presentations, risk assessment, and risk management, as well as matters regarding governance and controls. The Audit Committee meets both formally and informally throughout the year to discuss finance, accounting, risk management, and internal controls matters. The Directors have unrestricted 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 these 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 Conduct and Business Conduct Framework

Staff members' ethical obligations to the institution are embodied in its Core values and Principles of Staff Employment. As a member organization, MIGA has adopted the updated World Bank Group Code of Conduct, Living our Values, which is a practical guide to assist staff in making the Bank Group's Core Values a part of what staff does every day. The Code applies to all staff worldwide and is available on IBRD's website, www.worldbank.org. All MIGA staff has completed the mandatory training course which includes an acknowledgement from staff to abide by the tenets of the Code.

In addition to the Code, the business conduct obligations of staff are articulated in the Staff Manual (Principles of Staff Employment, Staff Rules), Administrative Manual, and other guidelines. The Principles and Staff Rules require that all staff avoid or properly manage conflicts of interest. To protect individual staff in MIGA from apparent and real (potential or actual) conflicts of interest, senior managers are required to complete an annual financial disclosure statement 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 business conduct framework. The following World Bank Group units assist in communicating business conduct expectations to staff:

- The Office of Ethics and Business Conduct (EBC) provides leadership, management and oversight for MIGA's ethics infrastructure including the Ethics HelpLine, a consolidated conflicts of interest disclosure/resolu tion system, financial disclosure, ongoing training to both internal and external audi ences, and communication resources. This office has the mandate to review and assist in the resolution of allegations of staff misconduct.
- The Integrity Vice Presidency (INT) is charged with investigating allegations of fraud and corruption in projects benefiting from World Bank Group funding or guarantees. It also trains and educates staff and clients in detecting and reporting fraud and corruption.

Both EBC and INT report 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. These units maintain comprehensive websites to provide guidance on how to handle concerns.

Auditor Independence

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 recom mendation by the Audit Committee
- 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

The external auditor is appointed to a five-year term of service. This is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Executive Directors. The Board of Executive Directors approved the appointment of KPMG as the World Bank Group's auditors for a five-year term commencing FY09.

As standard practice, the external auditor is invited as an observer to attend 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 sessions without the presence of management. Communication between the external auditor and the Audit Committee is ongoing, as frequently as is deemed necessary by either party. MIGA's external 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 Internal Control over Financial Reporting (ICFR) 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.

Multilateral Investment Guarantee Agency
World Bank Group

Management's Report Regarding Effectiveness of Internal Control over External Financial Reporting

August 9, 2012

The management of the Multilateral Investment Guarantee Agency (MIGA) is responsible for the preparation, integrity, and fair presentation of its published financial statements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and International Financial Reporting Standards as issued by the International Accounting Standards Board, and include amounts based on informed judgments and estimates made by management.

The financial statements have been audited by an independent audit firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and their Committees. Management believes that all representations made to the independent auditors during their audit of MIGA's financial statements and attestation of its internal control over financial reporting were valid and appropriate. The independent auditors' reports accompany the audited financial statements.

Management is responsible for establishing and maintaining effective internal control over external financial reporting for financial statement presentations in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. The system of internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal control over external financial reporting, which is subject to scrutiny by management and the internal auditors, and is revised as considered necessary, supports 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 controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

MIGA assessed its internal control over external financial reporting for financial statement presentation in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards as of June 30, 2012. This assessment was based on the criteria for effective internal control over external financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that MIGA maintained effective internal control over external financial

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- 2 -

reporting presented in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards as issued by the International Accounting Standards Board as of June 30, 2012. The independent audit firm that audited the financial statements has issued an attestation report on management's assertion on MIGA's internal control over external financial reporting.

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 financial 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.

Jim Yong Kim
President

Lakshmi Shyam-Sunder
Acting Executive Vice President

Thomas Ho Quen Hum
Controller

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Report of Independent Auditors on Management Assertion Regarding Effectiveness of Internal Controls Over External Financial Reporting

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

President and Board of Directors
Multilateral Investment Guarantee Agency

We have examined management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*, that the Multilateral Investment Guarantee Agency (MIGA) maintained effective internal control over financial reporting as of June 30, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). MIGA's management is responsible for maintaining effective internal control over financial reporting, and for its assertion on the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and International Financial Reporting Standards as issued by the International Accounting Standards Board. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

KPMG

Multilateral Investment Guarantee Agency
August 9, 2012
Page 2 of 2

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that MIGA maintained effective internal control over financial reporting as of June 30, 2012 is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing, the balance sheet of MIGA as of June 30, 2012 and 2011, including the statement of subscriptions to capital stock and voting power and the statement of guarantees outstanding as of June 30, 2012, and the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the fiscal years in the two-year period ended June 30, 2012, and our report dated August 9, 2012 expressed an unqualified opinion on those financial statements.

KPMG LLP

August 9, 2012

KPMG

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

President and Board of Directors
Multilateral Investment Guarantee Agency:

We have audited the accompanying balance sheet of the Multilateral Investment Guarantee Agency (MIGA) as of June 30, 2012 and 2011, including the statement of subscriptions to capital stock and voting power and the statement of guarantees outstanding as of June 30, 2012, and the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the fiscal years in the two-year period ended June 30, 2012. These financial statements are the responsibility of MIGA'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, the financial statements referred to above present fairly, in all material respects, the financial position of MIGA as of June 30, 2012 and 2011, and the results of its operations and its cash flows for each of the fiscal years in the two-year period ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America and International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants, management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*, that MIGA maintained effective internal control over financial reporting as of June 30, 2012, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 9, 2012 expressed an unqualified opinion on management's assertion.

KPMG LLP

August 9, 2012

Balance Sheet

June 30, 2012 and June 30, 2011, expressed in thousands of US dollars

	FY12	FY11
ASSETS		
CASH	$10,485	$11,049
INVESTMENTS - Trading (including securities transferred under repurchase agreements) - Note B	1,091,326	1,105,559
Securities purchased under resale agreements - Note B	13,000	-
Derivative Assets - Note B	282,918	115,120
NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS - Note C	113,794	115,088
OTHER ASSETS		
Receivable for investment securities sold - Note B	1,475	12,646
Estimated reinsurance recoverables - Note E	52,900	40,300
Prepaid premiums ceded to reinsurers	34,384	33,327
Net assets under retirement benefits plans - Note F	9,248	27,546
Miscellaneous	12,908	2,017
	110,915	115,836
TOTAL ASSETS	**$1,622,438**	**$1,462,652**
Liabilities and Shareholders' Equity		
LIABILITIES		
Payable for investment securities purchased - Note B	$4,641	$57,185
Securities sold under repurchase agreements - Note B	15,190	26,674
Derivative liabilities - Note B	282,050	115,342
Accounts payable and accrued expenses	43,695	43,294
Unearned premiums and commitment fees	93,432	67,811
Reserve for claims - Note E		
Specific reserve for claims	7,700	17,100
Insurance portfolio reserve	270,500	211,200
Reserve for claims - gross	278,200	228,300
Total liabilities	717,208	538,606
CONTINGENT LIABILITIES – Note D		
SHAREHOLDERS' EQUITY		
Capital stock – Note C		
Authorized capital (186,259 shares - June 30, 2012; 186,042 shares-June 30, 2011)		
Subscribed capital (177,003 shares- June 30, 2012; 176,786 shares-June 30, 2011)	1,915,172	1,912,825
Less uncalled portion of subscriptions	1,549,759	1,547,882
	365,413	364,943
Payments on account of pending subscriptions	-	67
	365,413	365,010
Retained earnings	572,271	566,376
Accumulated other comprehensive loss	(32,454)	(7,340)
Total shareholders' equity	905,230	924,046
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$1,622,438**	**$1,462,652**

See accompanying notes to the financial statements

Statement of Income

For the fiscal years ended June 30, 2012 and June 30, 2011, expressed in thousands of US dollars

	FY12	FY11
INCOME		
Income from guarantees		
Premium income - Note D	$89,179	$75,195
Premium ceded - Note D	(33,681)	(30,630)
Fees and commissions	6,206	6,260
Total	61,704	50,825
Income from investments - Note B	36,898	13,850
Translation (losses) gains	(11,523)	17,843
Total income	87,079	82,518
EXPENSES		
Provision for (release of) claims - Note E	37,300	(1,700)
Administrative expenses	43,884	41,079
Total expenses	81,184	39,379
NET INCOME	**$5,895**	**$43,139**

Statement of Comprehensive Income

For the fiscal years ended June 30, 2012 and June 30, 2011, expressed in thousands of US dollars

	FY12	FY11
NET INCOME	$5,895	$43,139
OTHER COMPREHENSIVE (LOSS) INCOME		
Change in unrecognized net actuarial (losses) gains on benefit plans	(23,758)	5,449
Change in unrecognized prior service (costs) credits on benefit plans	(1,356)	118
Total other comprehensive (loss) income	(25,114)	5,567
COMPREHENSIVE (LOSS) INCOME	**$(19,219)**	**$48,706**

See accompanying notes to the financial statements

Statement of Changes in Shareholders' Equity

For the fiscal years ended June 30, 2012 and June 30, 2011, expressed in thousands of US dollars

	FY12	FY11
CAPITAL STOCK		
Balance at beginning of the fiscal year	$365,010	$365,010
Paid-In subscriptions	403	-
Ending Balance	$365,413	365,010
RETAINED EARNINGS		
Balance at beginning of the fiscal year	566,376	523,237
Net income	5,895	43,139
Ending Balance	572,271	566,376
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of the fiscal year	(7,340)	(12,907)
Other comprehensive (loss) income	(25,114)	5,567
Ending Balance	(32,454)	(7,340)
TOTAL SHAREHOLDERS' EQUITY	**$905,230**	**$924,046**

Statement of Cash Flows

For the fiscal years ended June 30, 2012 and June 30, 2011, expressed in thousands of US dollars

	FY12	FY11
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$5,895	$43,139
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for (release of) claims - Note E	37,300	(1,700)
Translation losses/(gains)	11,523	(17,843)
Net changes in:		
Investments - Trading	(52,951)	(56,197)
Other assets, excluding investment receivables	(2,424)	(13,882)
Accounts payable and accrued expenses	(29,371)	21,462
Unearned premiums and commitment fees	30,254	26,400
Net cash provided by operating activities	226	1,379
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital subscription payments	168	-
Net cash provided by financing activities	168	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(958)	748
Net (decrease) increase in cash	(564)	2,127
Cash at beginning of the fiscal year	11,049	8,922
CASH AT END OF THE FISCAL YEAR	**$10,485**	**$11,049**

See accompanying notes to the financial statements

Statement of Subscriptions to Capital Stock and Voting Power

As of June 30, 2012, expressed in thousands of US dollars

Members	Shares[1]	Subscriptions – Note C Total Subscribed	Amount Paid-in	Amount Subject to Call	Voting power Number of Votes	% of Total
Afghanistan	118	$1,277	$255	$1,022	354	0.16
Albania	102	1,104	210	894	338	0.15
Algeria	1,144	12,378	2,350	10,028	1,380	0.63
Angola	187	2,023	405	1,618	423	0.19
Antigua and Barbuda	50	541	108	433	286	0.13
Argentina	2,210	23,912	4,539	19,373	2,446	1.12
Armenia	80	866	173	693	316	0.14
Australia	3,019	32,666	6,201	26,465	3,255	1.49
Austria	1,366	14,780	2,806	11,974	1,602	0.73
Azerbaijan	115	1,244	249	995	351	0.16
Bahamas, The	176	1,904	362	1,542	412	0.19
Bahrain	136	1,472	279	1,193	372	0.17
Bangladesh	599	6,481	1,230	5,251	835	0.38
Barbados	120	1,298	246	1,052	356	0.16
Belarus	233	2,521	504	2,017	469	0.21
Belgium	3,577	38,703	7,347	31,356	3,813	1.74
Belize	88	952	181	771	324	0.15
Benin	108	1,169	222	947	344	0.16
Bolivia	220	2,380	452	1,928	456	0.21
Bosnia and Herzegovina	80	866	173	693	316	0.14
Botswana	88	952	181	771	324	0.15
Brazil	2,606	28,197	5,353	22,844	2,842	1.30
Bulgaria	643	6,957	1,321	5,636	879	0.40
Burkina Faso	61	660	132	528	297	0.14
Burundi	74	801	160	641	310	0.14
Cambodia	164	1,774	337	1,437	400	0.18
Cameroon	107	1,158	232	926	343	0.16
Canada	5,225	56,535	10,732	45,803	5,461	2.50
Cape Verde	50	541	108	433	286	0.13
Central African Rep.	60	649	130	519	296	0.14
Chad	60	649	130	519	296	0.14
Chile	855	9,251	1,756	7,495	1,091	0.50
China	5,530	59,835	11,359	48,476	5,766	2.64
Colombia	770	8,331	1,582	6,749	1,006	0.46
Congo, Dem. Rep. of	596	6,449	1,224	5,225	832	0.38
Congo, Republic of	115	1,244	236	1,008	351	0.16
Costa Rica	206	2,229	423	1,806	442	0.20
Côte d'Ivoire	310	3,354	637	2,717	546	0.25
Croatia	330	3,571	678	2,893	566	0.26
Cyprus	183	1,980	376	1,604	419	0.19
Czech Republic	784	8,483	1,610	6,873	1,020	0.47
Denmark	1,265	13,687	2,598	11,089	1,501	0.69
Djibouti	50	541	108	433	286	0.13
Dominica	50	541	108	433	286	0.13
Dominican Republic	147	1,591	318	1,273	383	0.18
Ecuador	321	3,473	659	2,814	557	0.25
Egypt, Arab Republic of	809	8,753	1,662	7,091	1,045	0.48
El Salvador	122	1,320	264	1,056	358	0.16
Equatorial Guinea	50	541	108	433	286	0.13
Eritrea	50	541	108	433	286	0.13
Estonia	115	1,244	236	1,008	351	0.16
Ethiopia	123	1,331	253	1,078	359	0.16

See accompanying notes to the financial statements

Statement of Subscriptions to Capital Stock and Voting Power *(cont'd)*

As of June 30, 2012, expressed in thousands of US dollars

Members	Shares[1]	Subscriptions – Note C Total Subscribed	Amount Paid-in	Amount Subject to Call	Voting power Number of Votes	% of Total
Fiji	71	768	154	614	307	0.14
Finland	1,057	11,437	2,171	9,266	1,293	0.59
France	8,565	92,673	17,593	75,080	8,801	4.02
Gabon	169	1,829	347	1,482	405	0.19
Gambia, The	50	541	108	433	286	0.13
Georgia	111	1,201	240	961	347	0.16
Germany	8,936	96,688	18,355	78,333	9,172	4.19
Ghana	432	4,674	887	3,787	668	0.31
Greece	493	5,334	1,013	4,321	729	0.33
Grenada	50	541	108	433	286	0.13
Guatemala	140	1,515	303	1,212	376	0.17
Guinea	91	985	197	788	327	0.15
Guinea-Bissau	50	541	108	433	286	0.13
Guyana	84	909	182	727	320	0.15
Haiti	75	812	162	650	311	0.14
Honduras	178	1,926	366	1,560	414	0.19
Hungary	994	10,755	2,042	8,713	1,230	0.56
Iceland	90	974	195	779	326	0.15
India	5,371	58,114	11,032	47,082	5,607	2.56
Indonesia	1,849	20,006	3,798	16,208	2,085	0.95
Iran, Islamic Rep	1,659	17,950	3,590	14,360	1,895	0.87
Iraq	350	3,787	757	3,030	586	0.27
Ireland	650	7,033	1,335	5,698	886	0.40
Israel	835	9,035	1,715	7,320	1,071	0.49
Italy	4,970	53,775	10,208	43,567	5,206	2.38
Jamaica	319	3,452	655	2,797	555	0.25
Japan	8,979	97,153	18,443	78,710	9,215	4.21
Jordan	171	1,850	351	1,499	407	0.19
Kazakhstan	368	3,982	756	3,226	604	0.28
Kenya	303	3,278	622	2,656	539	0.25
Korea, Republic of	791	8,559	1,625	6,934	1,027	0.47
Kosovo	96	1,039	208	831	332	0.15
Kuwait	1,639	17,734	3,367	14,367	1,875	0.86
Kyrgyz Republic	77	833	167	666	313	0.14
Lao People's Dem	60	649	130	519	296	0.14
Latvia	171	1,850	351	1,499	407	0.19
Lebanon	250	2,705	514	2,191	486	0.22
Lesotho	88	952	181	771	324	0.15
Liberia	84	909	182	727	320	0.15
Libya	549	5,940	1,188	4,752	785	0.36
Lithuania	187	2,023	384	1,639	423	0.19
Luxembourg	204	2,207	419	1,788	440	0.20
Macedonia, FYR of	88	952	181	771	324	0.15
Madagascar	176	1,904	362	1,542	412	0.19
Malawi	77	833	167	666	313	0.14
Malaysia	1,020	11,036	2,095	8,941	1,256	0.57
Maldives	50	541	108	433	286	0.13
Mali	143	1,547	294	1,253	379	0.17
Malta	132	1,428	271	1,157	368	0.17
Mauritania	111	1,201	228	973	347	0.16
Mauritius	153	1,655	314	1,341	389	0.18

See accompanying notes to the financial statements

Statement of Subscriptions to Capital Stock and Voting Power *(cont'd)*

As of June 30, 2012, expressed in thousands of US dollars

Members	Shares[1]	Subscriptions – Note C Total Subscribed	Amount Paid-in	Amount Subject to Call	Voting power Number of Votes	% of Total
Mexico	1,192	12,897	2,579	10,318	1,428	0.65
Micronesia, Fed. States of	50	541	108	433	286	0.13
Moldova	96	1,039	208	831	332	0.15
Mongolia	58	628	126	502	294	0.13
Montenegro	61	660	132	528	297	0.14
Morocco	613	6,633	1,259	5,374	849	0.39
Mozambique	171	1,850	351	1,499	407	0.19
Namibia	107	1,158	232	926	343	0.16
Nepal	122	1,320	251	1,069	358	0.16
Netherlands	3,822	41,354	7,850	33,504	4,058	1.85
New Zealand	513	5,551	1,110	4,441	749	0.34
Nicaragua	180	1,948	370	1,578	416	0.19
Niger	62	671	134	537	298	0.14
Nigeria	1,487	16,089	3,054	13,035	1,723	0.79
Norway	1,232	13,330	2,531	10,799	1,468	0.67
Oman	166	1,796	341	1,455	402	0.18
Pakistan	1,163	12,584	2,389	10,195	1,399	0.64
Palau	50	541	108	433	286	0.13
Panama	231	2,499	474	2,025	467	0.21
Papua New Guinea	96	1,039	208	831	332	0.15
Paraguay	141	1,526	290	1,236	377	0.17
Peru	657	7,109	1,350	5,759	893	0.41
Philippines	853	9,229	1,752	7,477	1,089	0.50
Poland	764	8,266	1,653	6,613	1,000	0.46
Portugal	673	7,282	1,382	5,900	909	0.42
Qatar	241	2,608	495	2,113	477	0.22
Romania	978	10,582	2,009	8,573	1,214	0.55
Russian Federation	5,528	59,813	11,355	48,458	5,764	2.63
Rwanda	132	1,428	271	1,157	368	0.17
St. Kitts & Nevis	50	541	108	433	286	0.13
St. Lucia	88	952	181	771	324	0.15
St. Vincent & the Grenadines	88	952	181	771	324	0.15
Samoa	50	541	108	433	286	0.13
Saudi Arabia	5,528	59,813	11,355	48,458	5,764	2.63
Senegal	256	2,770	526	2,244	492	0.22
Serbia	407	4,404	836	3,568	643	0.29
Seychelles	50	541	108	433	286	0.13
Sierra Leone	132	1,428	271	1,157	368	0.17
Singapore	272	2,943	559	2,384	508	0.23
Slovak Republic	391	4,231	803	3,428	627	0.29
Slovenia	180	1,948	370	1,578	416	0.19
Solomon Islands	50	541	108	433	286	0.13
South Africa	1,662	17,983	3,414	14,569	1,898	0.87
South Sudan	155	1,677	335	1,342	391	0.18
Spain	2,265	24,507	4,652	19,855	2,501	1.14
Sri Lanka	478	5,172	982	4,190	714	0.33
Sudan	206	2,229	446	1,783	442	0.20
Suriname	82	887	177	710	318	0.15
Swaziland	58	628	126	502	294	0.13
Sweden	1,849	20,006	3,798	16,208	2,085	0.95

See accompanying notes to the financial statements

Statement of Subscriptions to Capital Stock and Voting Power *(cont'd)*

As of June 30, 2012, expressed in thousands of US dollars

Members	Shares[1]	Subscriptions – Note C			Voting power	
		Total Subscribed	Amount Paid-in	Amount Subject to Call	Number of Votes	% of Total
Switzerland	2,643	28,597	5,429	23,168	2,879	1.32
Syrian Arab Republic	296	3,203	608	2,595	532	0.24
Tajikistan	130	1,407	267	1,140	366	0.17
Tanzania	248	2,683	509	2,174	484	0.22
Thailand	742	8,028	1,524	6,504	978	0.45
Timor-Leste	50	541	108	433	286	0.13
Togo	77	833	167	666	313	0.14
Trinidad and Tobago	358	3,874	735	3,139	594	0.27
Tunisia	275	2,976	565	2,411	511	0.23
Turkey	814	8,807	1,672	7,135	1,050	0.48
Turkmenistan	66	714	143	571	302	0.14
Uganda	233	2,521	479	2,042	469	0.21
Ukraine	1,346	14,564	2,765	11,799	1,582	0.72
United Arab Emirates	656	7,098	1,347	5,751	892	0.41
United Kingdom	8,565	92,673	17,593	75,080	8,801	4.02
United States	32,564	352,342	67,406	284,936	32,800	14.99
Uruguay	202	2,186	437	1,749	438	0.20
Uzbekistan	175	1,894	379	1,515	411	0.19
Vanuatu	50	541	108	433	286	0.13
Venezuela, R.B. de	1,427	15,440	3,088	12,352	1,663	0.76
Vietnam	388	4,198	797	3,401	624	0.29
Yemen, Republic of	155	1,677	335	1,342	391	0.18
Zambia	318	3,441	688	2,753	554	0.25
Zimbabwe	236	2,554	511	2,043	472	0.22
Total – June 30, 2012[2]	**177,003**	**$1,915,172**	**$365,413**	**$1,549,759**	**218,775**	**100.00**
Total – June 30, 2011	**176,786**	**$1,912,825**	**$364,943**	**$1,547,882**	**218,961**	**100.00**

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

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

See accompanying notes to the financial statements

Statement of Guarantees Outstanding

As of June 30, 2012, expressed in thousands of US dollars

Host Country	Gross Exposure – Note D US Dollars	Euro	Japanese Yen	Swiss Franc	British Pound	Total	Reinsurance – Note D	Net Exposure
Afghanistan	$150,750	$ -	$ -	$ -	$ -	$150,750	$48,676	$102,074
Albania	1,565	176,630	-	-	-	178,195	76,064	102,132
Algeria	-	3,247	-	-	-	3,247	-	3,247
Angola	12,900	-	-	-	-	12,900	1,290	11,610
Argentina	24,119	-	-	-	-	24,119	12,059	12,059
Armenia	-	3,585	-	-	-	3,585	-	3,585
Bangladesh	78,265	-	-	-	-	78,265	7,826	70,438
Benin	1,026	7,417	-	-	-	8,443	103	8,340
Bolivia	10,777	-	-	-	-	10,777	-	10,777
Bosnia and Herzegovina	-	115,638	-	-	-	115,638	517	115,121
Botswana	12,068	-	-	-	-	12,068	-	12,068
Brazil	-	19,598	-	-	-	19,598	9,799	9,799
Bulgaria	-	108,727	-	-	-	108,727	54,363	54,363
Burkina Faso	-	1,571	-	-	-	1,571	157	1,414
Burundi	-	641	-	-	-	641	-	641
Cameroon	-	6,468	-	-	-	6,468	-	6,468
Central African Republic	-	30,198	-	-	-	30,198	-	30,198
China	81,698	68,399	-	-	-	150,097	2,821	147,276
Colombia	-	2,510	-	-	-	2,510	-	2,510
Congo, Dem. Republic of	25,150	4,781	-	-	-	29,931	-	29,931
Congo, Republic of	-	4,855	-	-	-	4,855	-	4,855
Costa Rica	135,931	-	-	-	-	135,931	79,582	56,349
Cote d'Ivoire	80,251	67,075	-	-	-	147,326	44,225	103,101
Croatia	-	917,698	-	-	-	917,698	533,043	384,655
Djibouti	202,532	-	-	-	-	202,532	124,292	78,240
Dominican Republic	99,635	-	-	-	-	99,635	14,945	84,690
Ecuador	12,084	-	-	-	-	12,084	19	12,065
El Salvador	22,837	-	-	-	-	22,837	-	22,837
Ethiopia	13,960	-	-	-	2,809	16,769	-	16,769
Georgia	22,496	-	-	-	-	22,496	-	22,496
Ghana	161,224	1,577	-	-	-	162,801	15,325	147,476
Guinea	-	49,932	-	-	-	49,932	4,993	44,939
Guinea-Bissau	-	13,089	-	-	-	13,089	1,309	11,780
Honduras	-	5,976	-	-	-	5,976	-	5,976
Hungary	-	358,544	-	-	-	358,544	54,854	303,690
Indonesia	627,000	-	-	-	-	627,000	306,667	320,333
Iran, Islamic Republic of	90,810	-	-	-	-	90,810	9,081	81,729
Iraq	3,678	-	-	-	-	3,678	-	3,678
Jamaica	72,191	-	-	-	-	72,191	14,438	57,753
Jordan	203,895	-	-	-	-	203,895	80,210	123,686
Kazakhstan	396,992	-	-	-	-	396,992	239,530	157,462
Kenya	149,194	61,529	-	-	-	210,723	60,315	150,409
Kosovo	-	47,806	-	-	-	47,806	-	47,806
Kyrgyz Republic	7,653	-	-	-	-	7,653	189	7,464
Lao People's Dem. Republic	75,428	-	-	-	-	75,428	37,714	37,714
Latvia	4,104	149,393	-	-	-	153,498	410	153,087
Liberia	-	67,935	-	-	-	67,935	20,520	47,415
Macedonia, FYR	-	11,951	-	-	-	11,951	-	11,951
Madagascar	-	17,775	-	-	-	17,775	-	17,775
Mali	16,200	-	-	-	-	16,200	1,620	14,580

See accompanying notes to the financial statements

Statement of Guarantees Outstanding *(cont'd)*

As of June 30, 2012, expressed in thousands of US dollars

Host Country	Gross Exposure – Note D							
	US Dollars	**Euro**	**Japanese Yen**	**Swiss Franc**	**British Pound**	**Total**	**Reinsurance – Note D**	**Net Exposure**
Mauritania	5,400	-	-	-	-	5,400	540	4,860
Moldova	-	13,825	-	-	-	13,825	-	13,825
Morocco	-	5,791	-	-	-	5,791	-	5,791
Mozambique	144,630	2,390	-	-	-	147,020	33,635	113,385
Nepal	29,394	-	-	-	-	29,394	17,671	11,722
Nicaragua	18,619	-	-	-	-	18,619	2,850	15,770
Nigeria	103,739	-	-	-	-	103,739	14,091	89,647
Pakistan	156,690	766	-	83,730	-	241,186	95,209	145,976
Panama	320,000	-	-	-	-	320,000	100,000	220,000
Peru	24,271	-	-	-	-	24,271	1,254	23,017
Poland	-	2,978	-	-	-	2,978	-	2,978
Romania	-	43,708	-	-	-	43,708	10,022	33,686
Russian Federation	747,750	69,146	-	-	-	816,896	364,879	452,017
Rwanda	119,643	-	-	-	-	119,643	15,378	104,265
Senegal	99,000	56,017	-	-	-	155,017	26,243	128,773
Serbia	-	477,299	-	-	-	477,299	135,915	341,384
Sierra Leone	17,770	-	-	-	-	17,770	500	17,270
South Africa	15,825	-	-	11,775	-	27,600	-	27,600
Swaziland	20,831	-	-	-	-	20,831	10,416	10,416
Syrian Arab Republic	75,000	-	-	-	-	75,000	7,500	67,500
Thailand	90,428	-	-	-	-	90,428	35,214	55,214
Togo	-	4,008	-	-	-	4,008	-	4,008
Tunisia	-	183,263	-	-	-	183,263	64,155	119,108
Turkey	391,872	343,474	-	-	-	735,346	436,405	298,941
Turkmenistan	11,477	-	-	-	-	11,477	-	11,477
Uganda	155,470	478	-	-	-	155,948	75,797	80,151
Ukraine	990,456	9,203	-	-	-	999,658	579,976	419,682
Uruguay	300,000	-	-	-	-	300,000	192,000	108,000
Uzbekistan	119,500	-	-	-	-	119,500	39,500	80,000
Vietnam	19,604	-	-	-	-	19,604	13,723	5,881
Zambia	28,140	-	-	-	-	28,140	-	28,140
	6,801,921	3,536,890	-	95,505	2,809	10,437,124	4,129,831	6,307,294
Adjustment for Dual-Country Contracts:[1]								
Lao PDR/Thailand	(70,428)	-	-	-	-	(70,428)	(35,214)	(35,214)
Mozambique/Swaziland	(20,831)	-	-	-	-	(20,831)	(10,416)	(10,416)
	(91,259)	-	-	-	-	(91,259)	(45,629)	(45,629)
Total – June 30, 2012[2]	**6,710,662**	**3,536,890**	**-**	**95,505**	**2,809**	**10,345,866**	**4,084,201**	**6,261,664**
Total – June 30, 2011	**5,990,855**	**3,034,453**	**497**	**95,906**	**-**	**9,121,712**	**3,883,074**	**5,238,638**

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

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

See accompanying notes to the financial statements

Notes to Financial Statements

Purpose

The Multilateral Investment Guarantee Agency (MIGA), established on April 12, 1988 and located in Washington D.C., is a member of the World Bank Group which also includes the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the International Development Association (IDA), and the International Center for Settlement of Investment Disputes (ICSID). 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 accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) 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 9, 2012, the acting Executive Vice President and the Chief Financial Officer authorized the financial statements for issue. MIGA has evaluated subsequent events through August 9, 2012, the date of issue.

Accounting and Reporting Developments

The IASB issued IFRS 4, *Insurance Contracts* in March 2004 to achieve convergence of widely varying insurance industry accounting practices around the world. The 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. In July 2010, the IASB released an exposure draft on Phase 2 of the project addressing issues on insurance accounting. The Financial Accounting Standard Board (FASB) is deliberating the accounting for insurance contracts in a joint effort with the IASB and is expected to issue an exposure draft in 2012.

In November 2009, IASB issued IFRS 9, *Financial Instruments* as a first step as part of a wider project to replace International Accounting Standards (IAS) 39, *Financial Instruments: Recognition and Measurement*. The November 2009 issuance of IFRS 9 focuses on the classification and measurement of financial assets where it retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Requirements for financial liabilities were added to IFRS 9 in October 2010, most of which were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The standard is effective for annual periods beginning on or after January 1, 2015. MIGA is currently assessing the impact of this standard on its financial statements.

In June 2011, the IASB issued an amended employee benefits standard IAS 19 *Employee Benefits*, which has an effective date of annual periods beginning on or after January 1, 2013. The amended standard is expected to impact accounting around the funded defined benefit plans primarily driven by a new approach to calculating and presenting the net interest income or expense on the net defined benefit liability or asset. The standard will require entities to present the net interest income or expense on the net defined benefit liability or asset as a single net interest figure, based on the discount rate that is used to measure the defined benefit obligations. MIGA is currently assessing the impact of this standard on its financial statements.

In May 2011, the FASB issued Accounting Standard Update (ASU) 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). The amendments result in common fair value measurement and disclosure requirements in IFRS and U.S. GAAP. While many of the amendments are changes in wording that do not significantly impact current practice, some of the amendments change the existing fair value measurement and disclosure requirements. This ASU is effective for interim and annual periods beginning after December 15, 2011. MIGA has adopted this ASU in the quarter ended March 31, 2012. For the related additional fair value disclosures, see Note B – Investments.

Differences between US GAAP and IFRS

The Compensation Retirement Benefits Topic of the FASB Accounting Standards Codification (ASC) 715-30 requires employers to recognize on their balance sheets the funded status of their defined benefit post retirement 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, ASC 715-30 requires unrecognized net actuarial gains or losses 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.

MIGA's accounting policy under IAS 19, Employee Benefits is 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. ASC 715-30 and IAS 19 differ in the treatment of amortization of unrecognized actuarial gains or losses. ASC 715-30 requires that the unrecognized actuarial gains or losses to be amortized through the Statement of Income, and IAS 19 requires the unrecognized actuarial gains or losses to be recognized in Other Comprehensive Income and immediately recognized in Retained earnings. MIGA does not believe the differences are material.

Use of Estimates

The preparation of financial statements in conformity with IFRS and U.S. GAAP 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 cost/income from pension and other post retirement benefits plans, and the present value of benefit obligations.

Investments

MIGA manages its investment portfolio both for the purpose of providing liquidity for potential claims and for capital growth. MIGA invests in equity securities, time deposits, asset backed securities (ABS) 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 makes use of derivatives contracts such as exchange traded futures, options and covered forward contracts to manage its investment portfolio. The purposes of these transactions are to enhance the return and manage the overall duration of the portfolio. With respect to futures and options, MIGA generally closes out most open positions prior to expiration. Futures are settled on a daily basis.

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

For trading securities, unrealized net gains and losses are recognized in earnings. Income from investments includes net gains and losses, dividend income and interest income.

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

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

Impairment of Reinsurance Assets

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

Reserve for Claims

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

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

Assumptions and parameters used in the calculations are intended to serve as the basis for an objective reserve for probable claims. 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. 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 parameters are reviewed periodically. Short-term risk changes are captured by changes in internal risk ratings for countries and contracts on a quarterly basis. For the purpose of claims provisioning, MIGA factors in the time value of money of potential cash flows, using representative risk-free interest rates as the discount rates.

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 reserves are shown on a gross basis on the liability side of the balance sheet, while establishing reinsurance recoverable assets on the asset side. Reinsurance does not relieve MIGA of its primary liability to the insured.

Currency Translation

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

MIGA's Investment Policy approved by the Board of Directors includes the establishment of a system for active management of MIGA's exposures to foreign currencies, whereby the amounts of non dollar assets would be matched to non dollar reserve components. The objective is to align the currency compositions of MIGA's assets and liabilities, and to thereby minimize the sensitivity of MIGA's net income to movements in foreign currency exchange rates.

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 to reinsurers 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 follow the same approach as for direct insurance contracts and are recognized as expenses on a pro rata basis over the contract period.

Fee and commissions income for MIGA primarily consists of administrative fees, arrangement fees, facility fees, renewal fees, commitment (offer) fees, and ceding commissions. Fees and commissions received upon renewal are recognized as income on a pro rata basis over the contract period.

Note B: Investments

A summary of MIGA's investment portfolio at June 30, 2012 and June 30, 2011 are as follows:

	Fair Value	
In thousands of US dollars	June 30, 2012	June 30, 2011
Equity securities	$145,605	$93,287
Comingled funds	9,062	6,600
Government obligations	399,730	352,483
Time deposits	306,418	418,038
Asset backed securities	230,511	235,151
Total Investments - Trading	$1,091,326	$1,105,559

MIGA manages its investments on a net portfolio basis. The following table summarizes MIGA's net portfolio position as of June 30, 2012 and June 30, 2011:

	Fair Value	
In thousands of US dollars	June 30, 2012	June 30, 2011
Investments – trading	$1,091,326	$1,105,559
Cash held in investment portfolio[a]	2,868	1,406
Securities purchased under resale agreements	13,000	-
Receivable for investment securities sold	1,475	12,646
Derivative assets		
Currency forward contracts	282,732	115,086
Others[b]	186	34
Derivative liabilities		
Currency forward contracts	(282,031)	(115,093)
Others[b]	(19)	(249)
Payable for investment securities purchased	(4,641)	(57,185)
Securities sold under repurchase agreements	(15,190)	(26,674)
Net investment portfolio	$1,089,706	$1,035,530

a. *This amount is included under Cash in the Balance Sheet*

b. *These relate to To-Be-Announced (TBA) securities*

Investments are denominated primarily in United States dollars with instruments in non-dollar currencies representing 8.6 percent (8.3 percent – June 30, 2011) of the portfolio.

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 net gains/(losses) included in the Income from investments for the fiscal years ended June 30, 2012 and June 30, 2011 amounted to $7,420,000 and ($838,000) respectively.

The following table summarizes MIGA's Income from investments in the Statement of Income.

	Year ended	
In thousands of US dollars	June 30, 2012	June 30, 2011
Interest income	$15,074	$15,551
Dividend income	4,050	480
Gains - realized/unrealized	28,233	13,924
Losses - realized/unrealized	(10,459)	(16,105)
	$36,898	$13,850

Income/(losses) from derivatives instruments related to interest income, realized and unrealized gains and losses and included in the table above, for the fiscal years ended June 30, 2012 and June 30, 2011 amounted to $409,000 and ($776,000), respectively. Income/(losses) from derivative instruments mainly relates to interest rate futures, options and covered forwards.

Securities sold under repurchase agreements

MIGA may engage in securities lending and repurchases, against adequate collateral, as well as securities borrowing and reverse repurchases (resales). Transfers of securities by MIGA to counterparties are not accounted for as sales as the accounting criteria for the treatment as sale have not been met. Counterparties are permitted to repledge these securities until the repurchase date.

The following is a summary of the carrying amount of the securities transferred under repurchase agreements, and the related liabilities:

	Year ended	
In thousands of US dollars	June 30, 2012	June 30, 2011
Securities transferred under repurchase agreements	$15,190	$26,674
Liabilities relating to securities transferred under repurchase agreements	$15,190	$26,674

In the case of resale agreements, MIGA receives collateral in the form of liquid securities and is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded as Investments on MIGA's Balance Sheet as the accounting criteria for treatment as a sale have not been met. As of June 30, 2012, MIGA had received securities with a fair value of $13,000,000 (Nil - June 30, 2011).

Fair Value Measurements

The *Fair Value Measurements and Disclosure Topic* of the FASB ASC 820-10 and IFRS 7 *Financial Instruments: Disclosures*, define fair value, establish a consistent framework for measuring fair value, establish a fair value hierarchy based on the quality of inputs used to measure fair value and expand disclosure requirements about fair value measurements.

MIGA has an established process for determining fair values. Fair value is based upon quoted market prices, where available. Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models. These models primarily use market-based or independently sourced market parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves. To ensure that the valuations are appropriate where internally-developed models are used, MIGA has various controls in place, which include both internal and periodic external verification and review.

Fair Value Hierarchy

ASC 820-10 and IFRS 7 establish a three-level fair value hierarchy under which financial instruments are categorized based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to observable market-based inputs or inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs that are not corroborated by market data (Level 3). When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable and unobservable. Additionally, ASC 820-10 requires that the valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets and liabilities at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1: Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following tables present MIGA's summary of the trading portfolio measured at fair value on a recurring basis as of June 30, 2012 and June 30, 2011:

	Fair Value Measurements on a Recurring Basis, as of June 30, 2012			
In thousands of US dollars	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities	$145,605	$-	$-	$145,605
Commingled funds	-	9,062	-	9,062
Government obligations	323,741	75,989	-	399,730
Time deposits	122,300	184,118	-	306,418
Asset backed securities	-	228,397	2,114	230,511
Total investments - trading	**591,646**	**497,566**	**2,114**	**1,091,326**
Securities purchased under resale agreements	13,000	-	-	13,000
Derivative assets				
Currency forward contracts	-	282,732	$-	282,732
Others[a]	-	186	-	186
Total Derivative assets	-	282,918	-	282,918
Total	**$604,646**	**$780,484**	**$2,114**	**$1,387,244**
Liabilities:				
Securities sold under repurchase agreements	$3,544	$11,646	$-	$15,190
Derivative liabilities				
Currency forward contracts	-	282,031	-	282,031
Others[a]	-	19	-	19
Total Derivative liabilities	-	282,050	-	282,050
Total	**$3,544**	**$293,696**	**$-**	**$297,240**

[a] *These relate to To-Be-Announced (TBA) securities*

	Fair Value Measurements on a Recurring Basis, as of June 30, 2011			
In thousands of US dollars	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities	$93,287	$-	$-	$93,287
Commingled funds	-	6,600	-	6,600
Government obligations	230,381	122,102	-	352,483
Time deposits	206,052	211,986	-	418,038
Asset backed securities	-	231,146	4,005	235,151
Total investments - trading	**529,720**	**571,834**	**4,005**	**1,105,559**
Derivative assets				
Currency forward contracts	-	115,086	-	115,086
Others[a]	-	34	-	34
Total Derivative assets	-	115,120	-	115,120
Total	**$529,720**	**$686,954**	**$4,005**	**$1,220,679**
Liabilities:				
Securities sold under repurchase agreements	$-	$26,674	$-	$26,674
Derivative liabilities				
Currency forward contracts	-	115,093	-	115,093
Others[a]	-	249	-	249
Total Derivative liabilities	-	115,342	-	115,342
Total	**$ -**	**$142,016**	**$ -**	**$142,016**

[a] *These relate to To-Be- Announced (TBA) securities*

MIGA's policy is to recognize transfers in and transfers out of levels as of the end of the reporting period in which they occur. The table below provides the details of inter-level transfers for the fiscal year ended June 30, 2012 and June 30, 2011.

	Year ended June 30, 2012		
In thousands of US dollars	Level 1	Level 2	Level 3
Asset backed securities			
Transfers (out of) into	$-	$(1,036)	$1,036
Transfers into (out of)	-	2,463	(2,463)
	$-	**$1,427**	**$(1,427)**

	Year ended June 30, 2011		
In thousands of US dollars	Level 1	Level 2	Level 3
Asset-backed Securities			
Transfers (out of) into	$-	$(47)	$47

The following table provides a summary of changes in the fair value of MIGA's Level 3 financial assets during the fiscal years ended June 30, 2012 and June 30, 2011.

	Year ended June 30, 2012	
In thousands of US dollars	2012	2011
Asset-backed Securities		
Beginning of the period	$4,005	$3,552
Total realized/unrealized income in Income from investments	(174)	87
Purchases	-	1,019
Transfers (out)/in	(1,427)	47
Settlements/Maturity	(290)	(700)
End of the period	**$2,114**	**$4,005**

Unrealized (losses)/gains on Level 3 asset backed securities was ($174,000) for the year ended June 30, 2012 and $87,000 for the year ended June 30, 2011.

The fair value of Level 3 instruments (ABS) in the investment portfolio are estimated using valuation models that incorporate observable market inputs and unobservable inputs. The significant unobservable inputs include constant prepayment rate, probability of default, and loss severity. The constant prepayment rate is an annualized expected rate of principal prepayment for a pool of asset-backed securities. The probability of default is an estimate of the expected likelihood of not collecting contractual amounts owed. Loss severity is the present value of lifetime losses (both interest and principal) as a percentage of the principal balance.

Significant increases (decreases) in the assumptions used for these inputs in isolation, would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for constant prepayment rates.

The following table provides a summary of the valuation technique applied in determining fair values of these Level 3 instruments and quantitative information regarding the significant unobservable inputs used:

In thousands of US dollars

Portfolio	Fair value at June 30, 2012	Valuation technique	Unobservable input	Range (weighted average)
Investments (Asset backed securities)	2,114	Discounted Cash Flow	Constant Prepayment Rate Probability of Default Loss Severity	0.5%– 4% (2.05%) 1.0%– 10% (6.01%) 35.0% - 75.0% (57.3%)

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

The following table provides information on the credit exposure and notional amounts of the derivative instruments.

Type of contracts	Year ended June 30	
In thousands of US dollars	2012	2011
Currency Forward Contract		
Credit Exposure	$2,431	$140
Exchange traded Options and Futures[a]		
Notional Long Position	31,025	121,000
Notional Short Position	93,800	464,000
Others[b]		
Notional Long Position	53,000	50,000
Notional Short Position	3,000	2,000
Credit Exposure	186	34

a. *Exchange traded instruments are generally subject to daily margin requirements and are deemed to have no material credit risk. Primarily outstanding options and future contracts as of June 30, 2012 and June 30, 2011 are interest rate contracts*

b. *These relate to To-Be- Announced (TBA) securities*

Asset-backed securities (ABS) are diversified among credit cards, student loans, home equity loans and mortgage-backed securities. Since these holdings are primarily investment grade, neither concentration risk nor credit risk represents a significant risk to MIGA as of June 30, 2012. However, market deterioration could cause this to change in future periods.

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, 2012, the initial authorized capital stock was 186,259 (186,042 – June 30, 2011) 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 fiscal year ended June 30, 2012, 217 shares (Nil shares - June 30, 2011) were subscribed. At June 30, 2012, MIGA's authorized capital stock comprised 186,259 (186,042 – June 30, 2011) shares of which 177,003 (176,786 – June 30, 2011) 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, $365,413,000($364,943,000 – June 30, 2011) has been paid in; and the remaining $1,549,759,000 ($1,547,882,000 - June 30, 2011) is subject to call. At June 30, 2012, $113,794,000 ($115,088,000 – June 30, 2011) is in the form of nonnegotiable, non interest bearing demand obligations (promissory notes). A summary of MIGA's authorized and subscribed capital at June 30, 2012 and June 30, 2011 is as follows:

	Initial Capital		Capital Increase		Total	
	Shares	(US$000)	Shares	(US$000)	Shares	(US$000)
At June 30, 2012						
Authorized	107,700	$1,165,314	78,559	$850,008	186,259	$2,015,322
Subscribed	107,700	$1,165,314	69,303	$749,858	177,003	$1,915,172
At June 30, 2011						
Authorized	107,483	$1,162,966	78,559	$850,008	186,042	$2,012,974
Subscribed	107,483	$1,162,966	69,303	$749,858	176,786	$1,912,825

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 five different categories of risk: currency inconvertibility and transfer restriction, expropriation, war and civil disturbance, breach of contract, and non-honoring of a sovereign financial obligation. 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 covered 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. Non-honoring of a sovereign financial obligation coverage protects the investor against the failure of a sovereign to honor an unconditional financial payment obligation or guarantee, where the underlying project meets all of MIGA's normal eligibility requirements. Unlike MIGA's breach of contract coverage, this coverage does not require a final arbitral award or court decision as a precondition to payment of a claim. Investors may insure projects by purchasing any combination of the five coverage types.

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. Contract of guarantees issued by MIGA on behalf of trust funds at June 30, 2012 amounts to $14,731,000 ($2,503,000 – June 30, 2011).

Contingent Liability

The maximum amount of contingent liability (gross exposure) of MIGA under guarantees issued and outstanding at June 30, 2012 totaled $10,345,866,000 ($9,121,712,000 – June 30, 2011). 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, 2012, MIGA's actual exposure to insurance claims, exclusive of standby coverage is $8,447,510,000 ($7,956,484,000 – June 30, 2011).

Reinsurance

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

Of the $10,345,866,000 outstanding contingent liability (gross exposure) as at June 30, 2012 ($9,121,712,000 – June 30, 2011), $4,084,201,000 was ceded through contracts of reinsurance ($3,883,074,000 – June 30, 2011). Net exposure amounted to $6,261,664,000 as at June 30, 2012 ($5,238,638,000– June 30, 2011).

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of June 30, 2012, total insurance assumed by MIGA, primarily with official investment insurers, amounted to $496,169,000 ($368,716,000 – June 30, 2011).

Premiums relating to direct, assumed, and ceded contracts for the fiscal years ended June 30, 2012 and June 30, 2011 were as follows:

In thousands of US dollars	June 30, 2012	June 30, 2011
Premiums Written		
Direct	105,308	$103,009
Assumed	3,315	1,660
Ceded	(34,738)	(47,473)
Premiums Earned		
Direct	86,340	74,111
Assumed	2,839	1,084
Ceded	(33,681)	(30,630)

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, capital adequacy assessment and provisioning for claims.

Project-specific risk assessment is performed by a cross-functional team. Based on the analysis of project-specific risk factors within the country context, the final project risk ratings can be higher or lower than the country ratings of a specific coverage. The decision to issue an insurance contract is subject to approval by MIGA's Senior Management and concurrence by the Board of Directors. In order to avoid excessive risk concentration, MIGA sets exposure limits per country and per project. The maximum net exposure which may be assumed by MIGA is $720 million ($600 million – June 30, 2011) in each host country and $220 million ($180 million – June 30, 2011) 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, 2012, the maximum level of guarantees outstanding (including reinsurance) may not exceed $13,093 million ($12,817 million – June 30, 2011).

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 an indicator of concentration risk. The gross and net exposures of the top five and top ten countries at June 30, 2012 and June 30, 2011 are as follows:

In thousands of US dollars	June 30, 2012		June 30, 2011	
	Exposure in Top Five Countries	Exposure in Top Ten Countries	Exposure in Top Five Countries	Exposure in Top Ten Countries
Gross Exposure	**$4,096,598**	**$5,949,433**	**$4,185,685**	**$5,976,636**
% of Total Gross Exposure	39.6	57.5	45.9	65.5
Net Exposure	**$1,918,072**	**$3,051,252**	**$1,894,936**	**$3,043,052**
% of Total Net Exposure	30.6	48.7	36.2	58.1

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, 2012 and June 30, 2011 is as follows:

In thousands of US dollars	June 30, 2012			June 30, 2011		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Africa	$1,573,908	$1,257,866	20.1	$1,101,887	$885,715	16.9
Asia	1,391,723	861,415	13.8	1,295,724	759,163	14.5
Europe and Central Asia	5,543,471	3,017,803	48.2	5,432,561	2,843,859	54.3
Latin America and Caribbean	1,068,547	641,601	10.2	1,005,684	569,132	10.9
Middle East and North Africa	768,217	482,979	7.7	415,751	245,717	4.7
Adjustment for Master Agreement *				(129,895)	(64,948)	(1.3)
	$10,345,866	**$6,261,664**	**100.0**	**$9,121,712**	**$5,238,638**	**100.0**

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

The sectoral distribution of MIGA's portfolio at June 30, 2012 and June 30, 2011 is shown in the following table:

In thousands of US dollars	June 30, 2012			June 30, 2011		
	Gross Exposure	**Net Exposure**	**% of Total Net Exposure**	**Gross Exposure**	**Net Exposure**	**% of Total Net Exposure**
Infrastructure	$3,920,267	$2,435,811	38.9	$2,960,549	$1,694,069	32.3
Financial	4,297,098	2,270,426	36.3	4,455,795	2,340,578	44.7
Tourism, Construction and Services	553,545	469,062	7.5	192,547	177,239	3.4
Manufacturing	774,027	457,205	7.3	790,406	471,818	9.0
Oil and Gas	335,879	260,573	4.2	233,527	195,188	3.7
Mining	241,368	171,221	2.7	243,265	172,359	3.3
Agribusiness	223,682	197,366	3.1	245,623	187,387	3.6
Total	**$10,345,866**	**$6,261,664**	**100.0**	**$9,121,712**	**$5,238,638**	**100.0**

Note E: Claims

Reserve for Claims

MIGA's gross reserve for claims at June 30, 2012 amounted to $278,200,000 ($228,300,000- June 30, 2011) and estimated reinsurance recoverables amounted to $52,900,000 ($40,300,000 -June 30, 2011).

An analysis of the changes to the gross reserve for claims for the fiscal years ended June 30, 2012 and June 30, 2011 appears in the table below:

In thousands of US dollars	**June 30, 2012**	**June 30, 2011**
Gross reserve balance	$228,300	$207,800
Less: Estimated reinsurance recoverables	40,300	18,100
Net reserve balance, beginning of the period	188,000	189,700
Increase (decrease) to net reserves before translation adjustments	48,700	(14,000)
Foreign currency translation adjustments	(11,400)	12,300
Provision for (release of) claims - net of reinsurance	37,300	(1,700)
Net reserve balance	225,300	188,000
Add: Estimated reinsurance recoverables	52,900	40,300
Gross reserve balance, end of the period	**$278,200**	**$228,300**

The provision for claims of $37,300,000 for the fiscal year ended June 30, 2012 (release of claims of $1,700,000 – June 30, 2011) is the result of an increase in the net insurance portfolio reserve (IPR) of $44,500,000 ($17,900,000 – June 30, 2011) and a decrease in the specific reserve of $7,200,000 ($19,600,000 – June 30, 2011).

Estimated reinsurance recoverables increased by $12,600,000 ($22,200,000 – June 30, 2011) during the fiscal year ended June 30, 2012.

The foreign currency translation adjustment reflects the impact on MIGA's reserves arising from the revaluation of guarantee contracts denominated in currencies other than US dollar. The translation gain of $11,400,000 for the fiscal year ended June 30, 2012 is mainly the result of the Euro depreciating against the U.S dollar. The translation loss of $12,300,000 for the fiscal year ended June 30, 2011 is mainly the result of the Euro appreciating against the U.S dollar. The foreign currency translation impact on reserve is effectively managed through MIGA's system for managing exposures to foreign currencies. The amount by which the reserve decreased as a result of translation adjustment is offset by the translation loss on MIGA's investment portfolio assets, reported on the Statement of Income.

Specific Reserve for Claims

The specific reserve for claims is composed of reserves for pending claims and reserves for contracts where a claimable event, or events that may give rise to a claimable event, may have occurred, but in relation to which no claim has been filed, but where a loss is probable. 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, 2012, the specific reserves amounted to $7,700,000 ($17,100,000 – June 30, 2011) on a gross basis and $5,600,000 ($12,800,000 – June 30, 2011) net of reinsurance.

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

In thousands of US dollars

Specific Reserve development over past ten fiscal years

Reporting Period	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Est. of Cumulative Claims: at end of reporting period	121,800	9,900	37,800	27,610	1,062	-	2,800	13	30,300	5,000	4,200
One year later	68,600	4,600	23,550	40,380	-	-	1,491	13	2,900	-	
Two years later	3,000	4,530	8,343	45,900	-	-	2,291	13	-		
Three years later	5,650	3,279	6,800	45,600	-	-	2,500	13			
Four years later	5,775	700	1,300	15,100	-	-	491				
Five years later	5,700	700	1,200	-	-	-					
Six years later	5,500	700	-	-	-						
Seven years later	7,200	700	-	-							
Eight years later	7,000	700	-								
Nine years later	6,700	700									
Ten years later	3,500										

Specific reserves at June 30, 2012

Fiscal Year	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	Total
Estimate of cumulative claims at June 30, 2012	3,500	700	-	-	-	-	491	13	-	-	4,200	8,904
Cumulative payments	-	(700)	-	-	-	-	(491)	(13)	-	-	-	(1,204)
Specific reserves at June 30, 2012	**3,500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,200**	**7,700**

Pending Claims

During the fiscal year ended June 30, 2012, MIGA did not receive any claims. One claim relating to a project in Kenya, which was originally filed in December 2009, was denied. The determination of claim filed in December 2010, for US$5 million in connection to a project in Sierra Leone has been suspended with the consent of the claimant. MIGA received a notice from a guarantee holder that it intends to file a claim for losses suffered in Mali, which it asserts are covered by MIGA's War and Civil Disturbance provisions. Appropriate reserves are maintained for these matters.

Note F: Pension and Other Post Retirement Benefits

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

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

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

All costs, assets and liabilities associated with these pension 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, 2012 and June 30, 2011:

	SRP		RSBP		PEBP	
In thousands of US dollars	2012	2011	2012	2011	2012	2011
Benefit Cost						
Service cost	$3,456	$3,143	$830	$702	$370	$324
Interest cost	5,540	5,506	902	831	374	316
Expected return on plan assets	(8,604)	(7,954)	(941)	(813)	-	-
Amortization of prior service cost	99	99	-	12	7	7
Amortization of net loss	309	1,009	178	202	290	187
Net periodic pension cost	**$800**	**$1,803**	**$969**	**$934**	**$1,041**	**$834**

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

The following table summarizes the projected benefit obligations, fair value of plan assets, and funded status associated with the SRP, RSBP and PEBP for MIGA for the fiscal years ended June 30, 2012 and June 30, 2011. The assets for the PEBP are included in IBRD's investment portfolio.

In thousands of US dollars	SRP		RSBP		PEBP	
Projected Benefit Obligation	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Beginning of year	$107,784	$97,829	$16,518	$13,968	$7,418	$5,662
Service cost	3,456	3,143	830	702	370	324
Interest cost	5,540	5,506	902	831	374	316
Participant contributions	1,009	964	96	77	20	9
Retiree drug subsidy received	n.a.	n.a.	30	29	n.a.	n.a.
Early Retiree Reinsurance Program received	n.a.	n.a.	2	22	n.a.	n.a.
Plan amendments	n.a .	n.a.	1,462	-	n.a.	n.a.
Benefits paid	(4,945)	(4,407)	(377)	(344)	(231)	(197)
Actuarial loss (gain)	17,017	4,749	2,277	1,233	1,434	1,304
End of year	**$129,861**	**$107,784**	**$21,740**	**$16,518**	**$9,385**	**$7,418**

In thousands of US dollars	SRP		RSBP		PEBP	
Fair value of plan assets	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Beginning of year	$135,330	$118,513	$13,700	$11,252		
Participant contributions	1,009	964	96	77		
Actual return on assets	5,450	18,344	288	1,760		
Employer contributions	2,265	1,916	964	955		
Benefits paid	(4,945)	(4,407)	(377)	(344)		
End of year	**$139,109**	**$135,330**	**$14,671**	**$13,700**	**$-**	**$ -**
Funded status [1]	**$9,248**	**$27,546**	**$(7,069)**	**$(2,818)**	**$(9,385)**	**$(7,418)**
Accumulated Benefit Obligation	**$103,986**	**$84,614**	**$21,740**	**$16,518**	**$8,115**	**$6,459**

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

Currently MIGA is enrolled in the U.S. Government Retiree Drug Subsidy (RDS) program. Effective January 1, 2013, MIGA will be moving from RDS to an Employer Group Waiver Plan (EGWP), an employer-sponsored prescription drug plan that further enhances coordination with Medicare prescription drug coverage under Medicare Part D.

During the fiscal year ended June 30, 2012, amendments were made to the RSBP. These include the integration of the prescription drug coverage with EGWP providing reimbursements for standard and income related premiums paid for medical insurance under Medicare Part B to all eligible plan participants effective on July 1, 2012, and providing reimbursements of Medicare Part D income-related premium amounts once the plan is integrated with EGWP, for all eligible plan participants effective January 1, 2013. The effect of these changes is a $1,462,000 increase to the projected benefit obligation at June 30, 2012.

The $9,248,000 relating to SRP at June 30, 2012 ($27,546,000 – June 30, 2011) is included in Net assets under retirement benefits plans on the Balance Sheet.

The following tables present the amounts included in Accumulated Other Comprehensive Income relating to Pension and Other Post Retirement Benefits.

In thousands of US dollars	SRP	RSBP	PEBP	Total
Amounts included in Accumulated Other Comprehensive Loss at June 30, 2012				
Net actuarial loss	$22,916	$6,212	$5,117	$34,245
Prior service cost	165	1,462	17	1,644
Net amount recognized in Accumulated Other Comprehensive Loss	**$23,081**	**$7,674**	**$5,134**	**$35,889**
Amounts included in Accumulated Other Comprehensive Loss at June 30, 2011				
Net actuarial loss	$3,054	$3,460	$3,973	$10,487
Prior service cost	264	-	24	288
Net amount recognized in Accumulated Other Comprehensive Loss	**$3,318**	**$3,460**	**$3,997**	**$10,775**

The estimated amounts that will be amortized from Accumulated Other Comprehensive Loss into net periodic benefit cost in the fiscal year ending June 30, 2013 are as follows:

In thousands of US dollars	SRP	RSBP	PEBP	Total
Net actuarial loss	$1,761	$361	$445	$2,567
Prior service cost	75	135	7	217
Net amount recognized in Accumulated Other Comprehensive Loss	**$1,836**	**$496**	**$452**	**$2,784**

Assumptions

The actuarial assumptions used are based on financial market interest rates, inflation expectations, 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 yields of 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, 2012 and June 30, 2011:

	SRP		RSBP		PEBP	
In percent	2012	2011	2012	2011	2012	2011
Weighted average assumptions used to determine projected benefit obligations						
Discount rate	3.90	5.30	4.10	5.50	3.90	5.20
Rate of compensation increase	5.40	5.90			5.40	5.90
Health care growth rates-at end of fiscal year			6.30	6.90		
Ultimate health care growth rate			3.60	4.00		
Year in which ultimate rate is reached			2022	2022		
Weighted average assumptions used to determine net periodic pension cost						
Discount rate	5.30	5.75	5.50	6.00	5.20	5.75
Expected return on plan assets	6.40	6.75	6.70	7.75		
Rate of compensation increase	5.90	6.20			5.90	6.20
Health care growth rates - at end of fiscal year			6.90	7.00		
Ultimate health care growth rate			4.00	4.25		
Year in which ultimate rate is reached			2022	2022		

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	$400	$(300)
Effect on postretirement benefit obligation	4,600	(3,600)

Investment Strategy

The investment policy establishes the framework for investment of the plan assets based on long-term investment objectives and the trade-offs inherent in seeking adequate investment returns within acceptable risk parameters. A key component of the investment policy is to establish a strategic asset allocation (SAA) representing the policy portfolio (i.e., neutral mix of assets) around which the plans are invested. The SAA for the plans are reviewed in detail and reset about every three to five years, with an annual review of key assumptions.

The key long-term objective is to target and secure asset performance that is reasonable in relation to the growth rate of the underlying liabilities and the assumed sponsor contribution rates. This is particularly so in the case of the SRP, which has liabilities that can be projected with a reasonable level of confidence based on the actuarial assumptions. Given the relatively long investment horizons of the SRP and RSBP, and the relatively modest liquidity needs over the short-term to pay benefits and meet other cash requirements, the focus of the investment strategy is on generating sustainable long-term investment returns through various assets classes and strategies including equity, quasi-equity, private equity and real estate.

The SAA is derived using a mix of quantitative analysis that incorporates expected returns and volatilities by asset class as well as correlations across the asset classes, and qualitative considerations such as the desired liquidity needs of the plans. The strategic asset allocation is comprised of a diversified portfolio drawn from among fixed income, equity, real assets and absolute return strategies.

The revised target asset allocations for the SRP and RSBP were approved in December 2010 and April 2011, respectively. The following table presents the actual and target asset allocation at June 30, 2012 and June 30, 2011 by asset category for the SRP and RSRP. The portfolios are still in a period of transition to the new SAA, especially with regard to private equity, hedge funds and real assets, which explains for the most part, the differences between the target allocation and the actual allocation as of June 2012.

In percent	SRP			RSBP		
	Target allocation 2012	% of Plan Assets		Target allocation 2012	% of Plan Assets	
Asset Class	**(%)**	**2012**	**2011**	**(%)**	**2012**	**2011**
Fixed income & cash	31	33	33	24	32	33
Public equity	27	24	24	29	27	27
Private equity	15	20	20	20	24	25
Hedge funds	15	11	11	15	8	8
Real assets[a]	12	12	12	12	9	7
Total	**100**	**100**	**100**	**100**	**100**	**100**

[a] *Real assets comprise primarily of Real estate and Real estate investment trusts (REITs) with a small allocation to infrastructure and timber*

Significant Concentrations of Risk in Plan Assets

The assets of the SRP and RSBP are diversified across a variety of asset classes. Investments in these asset classes are further diversified across funds, managers, strategies, geographies and sectors to limit the impact of any individual investment. In spite of such level of diversification, equity market risk remains the primary source of the plans' overall return volatility.

Risk Management Practices

Managing investment risk is an integral part of managing the assets of the Plan. Liability-driven investment management and asset diversification are central to the overall investment strategy and risk management approach for the SRP. The surplus volatility risk (defined as the annualized standard deviation of asset returns relative to that of liabilities) is considered the primary indicator of the Plan's overall investment risk. It is used to define the risk tolerance level and establish the overall level of investment risk.

Investment risk is regularly monitored at the absolute level, as well as at the relative levels with respect to the investment policy, manager benchmarks, and liabilities of the Plan. Stress tests are performed periodically using relevant market scenarios to assess the impact of extreme market events. Monitoring of performance (at both manager and asset class levels) against benchmarks and compliance with investment guidelines is carried out on a regular basis as part of the risk monitoring process. Risk management for different asset classes is tailored to their specific characteristics and is an integral part of the external managers' due diligence and monitoring processes.

Credit risk is monitored on a regular basis and assessed for possible market event impacts. The liquidity position of the Plans is analyzed at regular intervals and periodically tested using various stress scenarios to ensure that the Plans have sufficient liquidity to meet all cash flow requirements. In addition, the long-term cash flow needs of the Plans are considered during the SAA exercise and are one of the main drivers in determining maximum allocation to the illiquid investment vehicles.

Fair Value Measurements

All plan assets are measured at fair value on recurring basis. The following table presents the fair value hierarchy of major categories of plans assets as of June 30, 2012 and June 30, 2011.

Fair Value Measurements on a Recurring Basis as of June 30, 2012

In thousands of US dollars	SRP				RSBP			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt Securities								
Time deposits	$-	$468	$-	$468	$-	$188	$-	$188
Securities purchased under resale agreements	859	-	-	859	171	-	-	171
Government and agency securities	34,079	5,963	-	40,042	1,940	2,564	-	4,504
Corporate and convertible bonds	-	1,566	13	1,579	-	159	-	159
Asset-backed securities	-	455	20	475	-	22	8	30
Mortgage-backed securities	-	2,813	18	2,831	-	62	2	64
Total Debt Securities	**34,938**	**11,265**	**51**	**46,254**	**2,111**	**2,995**	**10**	**5,116**
Equities								
US common stocks	4,196	-	-	4,196	370	-	-	370
Non-US common stocks	13,756	-	-	13,756	1,644	-	-	1,644
Mutual funds	6,118	-	-	6,118	449	-	-	449
Real estate investment trusts (REITs)	3,228	-	-	3,228	167	-	-	167
Total Equity Securities	**27,298**	**-**	**-**	**27,298**	**2,630**	**-**	**-**	**2,630**
Commingled funds	-	7,994	-	7,994	-	1,178	-	1,178
Real estate (including infrastructure and timber)	-	3,705	9,974	13,679	-	105	1,101	1,206
Private equity	-	-	28,053	28,053	-	-	3,421	3,421
Hedge funds	-	9,929	3,913	13,842	-	772	339	1,111
Derivative assets/ liabilities	(7)	(77)	-	(84)	13	(26)	-	(13)
Other assets/liabilities	-	-	-	2,073	-	-	-	22
Total Assets	**$62,229**	**$32,816**	**$41,991**	**$139,109**	**$4,754**	**$5,024**	**$4,871**	**$14,671**

Fair Value Measurements on a Recurring Basis as of June 30, 2011

In thousands of US dollars	SRP				RSBP			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt Securities								
Time deposits	$-	$2,465	$-	$2,465	$-	$203	$-	$203
Securities purchased under resale agreements	3,099	-	-	3,099	179	-	-	179
Government and agency securities	27,105	10,262	-	37,367	558	2,460	-	3,018
Corporate and convertible bonds	-	2,705	25	2,730	-	1,081	-	1,081
Asset backed securities	-	1,253	268	1,521	-	57	17	74
Mortgage backed securities	-	4,458	154	4,612	-	72	7	79
Total Debt Securities	**30,204**	**21,143**	**447**	**51,794**	**737**	**3,873**	**24**	**4,634**
Equities								
US common stocks	3,575	-	-	3,575	327	-	-	327
Non-US common stocks	12,640	-	-	12,640	1,330	-	-	1,330
Mutual Funds	2,723	-	-	2,723	332	-	-	332
Real estate investment trusts (REITs)	2,731	-	-	2,731	22	-	-	22
Total Equity Securities	**21,669**	**-**	**-**	**21,669**	**2,011**	**-**	**-**	**2,011**
Commingled funds	-	7,941	-	7,941	-	1,593	-	1,593
Real estate (including infrastructure and timber)	-	3,384	8,024	11,408	-	92	889	981
Private equity	-	-	27,394	27,394	-	-	3,413	3,413
Hedge funds	-	12,578	3,518	16,096	-	807	298	1,105
Derivative assets/liabilities	188	(257)	-	(69)	3	(57)	-	(54)
Other assets/liabilities	-	-	-	(903)	-	-	-	17
Total Assets	**$52,061**	**$44,789**	**$39,383**	**$135,330**	**$2,751**	**$6,308**	**$4,624**	**$13,700**

Valuation Methods and Assumptions

The following are general descriptions of asset categories, as well as the valuation methodologies and inputs used to determine the fair value of each major category of Plan assets. It is important to note that the investment amounts in the asset categories shown in the table above are different from the asset category allocation shown in the Investment Strategy section of the note. Asset classes in the table above are grouped by the characteristics of the investments held. The asset class break-down in the Investment Strategy section is based on management's view of the economic exposures after considering the impact of derivatives and certain trading strategies.

Debt securities include time deposits, U.S. treasuries and agencies, debt obligations of foreign governments and debt obligations in corporations of domestic and foreign issuers. Fixed income also includes investments in asset-backed securities such as collateralized mortgage obligations and mortgage-backed securities. These securities are valued by independent pricing vendors at quoted market prices for the same or similar securities, where available. If quoted market prices are not available, fair values are based on discounted consistently from period to period. Unless quoted prices are available, money market instruments and securities purchased under resale agreements are reported at face value, which approximates fair value.

Equity securities (including REITs) are invested in companies in various industries and countries. Investments in public equity listed on securities exchanges are valued at the last reported sale price on the last business day of the fiscal year.

Commingled funds are typically common or collective trusts reported at NAV as provided by the investment manager or sponsor of the fund based on valuation of underlying investments, and reviewed by management.

Private equity includes investments primarily in leveraged buyouts, distressed investments and venture capital funds across North America, Europe and Asia in a variety of sectors. A large number of these funds are in the investment phase of their life cycle. Private equity investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, and reviewed by management, taking into consideration the latest audited financial statements of the funds. The underlying investments are valued using inputs such as cost, operating results, discounted future cash flows and trading multiples of comparable public securities.

Real estate includes several funds which invest in core real estate as well as non-core types of real estate investments such as debt, value add, and opportunistic equity investments. Real estate investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, and reviewed by management, taking into consideration the latest audited financial statements of the funds. The valuations of underlying investments are based on income and/or cost approaches or comparable sales approach, and taking into account discount and capitalization rates, financial conditions, local market conditions among others.

Hedge fund investments include those seeking to maximize absolute returns using a broad range of strategies to enhance returns and provide additional diversification. Hedge Funds include investments in equity, event driven, fixed income, multi strategy and macro relative value strategies. These investments do not have a readily determinable fair market value and are reported at NAVs provided by external managers or fund administrators (based on the valuations of underlying investments) on a monthly basis, and reviewed by management, taking into consideration the latest audited financial statements of the funds.

Investments in hedge funds and commingled funds can typically be redeemed at NAV within the near term while investments in private equity and most real estate are inherently long term and illiquid in nature with a quarter lag in reporting by the fund managers. For the reporting of those asset classes with a reporting lag, management estimates are based on the latest available information taking into account underlying market fundamentals and significant events through the balance sheet date.

Investment in derivatives such as equity or bond futures, to-be-announced (TBA) securities, swaps, options and currency forwards are used to achieve a variety of objectives that include hedging interest rates and currency risks, gaining desired market exposure of a security, an index or currency exposure and rebalancing the portfolio. Over-the-counter derivatives are reported using valuations based on discounted cash flow methods incorporating market observable input.

The following tables present a reconciliation of Level 3 assets held during the year ended June 30, 2012 and June 30, 2011. Investment in certain real estate funds that were identified as redeemable within 90 days of the period end were transferred out of Level 3 into Level 2.

In thousands of US dollars	SRP - Fair Value Measurements Using Significant Unobservable Inputs (Level 3), Year Ended June 30, 2012						
	Corporate and convertible Debt	**Asset-backed Securities**	**Mortgage-backed Securities**	**Private Equity**	**Real Estate**	**Hedge Funds**	**Total**
Balance as of July 1, 2011	$25	$268	$154	$27,394	$8,024	$3,518	$39,383
Actual return on plan assets:							-
Relating to assets still held at the reporting date	1	(7)	51	(2,497)	207	(69)	(2,314)
Relating to assets sold during the period	1	2	(46)	2,231	313	(35)	2,466
Purchases, issuance and settlements, net	(14)	(239)	(89)	925	1,430	590	2,603
Transfers in	-	-	9	-	-	224	233
Transfers out	-	(4)	(61)	-	-	(315)	(380)
Balance as of June 30, 2012	**$13**	**$20**	**$18**	**$28,053**	**$9,974**	**$3,913**	**$41,991**

In thousands of US dollars	RSBP - Fair Value Measurements Using Significant Unobservable Inputs (Level 3), Year Ended June 30, 2012						
	Corporate and convertible Debt	Asset-backed Securities	Mortgage-backed Securities	Private Equity	Real Estate	Hedge Funds	Total
Balance as of June 30, 2011	$-	$17	$7	$3,413	$889	$298	$4,624
Actual return on plan assets:							
Relating to assets still held at the reporting date	-	-	0	(292)	159	(9)	(142)
Relating to assets sold during the period	-	(0)	-	297	97	(1)	393
Purchases, issuance and settlements, net	-	(8)	(4)	4	(45)	86	33
Transfers in	-	-	-	-	-	17	17
Transfers out	-	(0)	(2)	-	-	(53)	(55)
Balance as of June 30, 2012	**$-**	**$8**	**$2**	**$3,421**	**$1,101**	**$339**	**$4,871**

In thousands of US dollars	SRP - Fair Value Measurements Using Significant Unobservable Inputs (Level 3), Year Ended June 30, 2011						
	Corporate and convertible Debt	Asset-backed Securities	Mortgage-backed Securities	Private Equity	Real Estate	Hedge Funds	Total
Balance as of July 1, 2010	$42	$545	$248	$23,557	$7,892	$4,499	$36,782
Actual return on plan assets:							-
Relating to assets still held at the reporting date	3	55	11	619	1,627	491	2,805
Relating to assets sold during the period	-	(34)	(7)	2,823	181	276	3,239
Purchases, issuance and settlements, net	3	26	(20)	395	1,678	(1,815)	267
Transfers in (out)	(23)	(324)	(77)	-	(3,354)	66	(3,710)
Balance as of June 30, 2011	**$25**	**$268**	**$154**	**$27,394**	**$8,024**	**$3,518**	**$39,383**

In thousands of US dollars	RSBP - Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Year Ended June 30, 2011						
	Corporate and convertible Debt	Asset-backed Securities	Mortgage-backed Securities	Private Equity	Real Estate	Hedge Funds	Total
Balance as of July 1, 2010	$3	$18	$6	$2,888	$633	$367	$3,914
Actual return on plan assets:							
Relating to assets still held at the reporting date	0	4	2	172	111	32	321
Relating to assets sold during the period	(0)	(3)	(1)	351	24	40	412
Purchases, issuance and settlements, net	(3)	13	1	1	205	(145)	72
Transfers in (out)	-	(15)	-	-	(84)	4	(95)
Balance as of June 30, 2011	**$-**	**$17**	**$7**	**$3,413**	**$889**	**$298**	**$4,624**

Estimated Future Benefits Payments

The following table shows the benefit payments expected to be paid in each of the next five years and subsequent five years. The expected benefit payments are based on the same assumptions used to measure the benefit obligation at June 30, 2012.

In thousands of US dollars	SRP	RSBP		PEBP
		Before Medicare Part D Subsidy	Medicare Part D Subsidy	
July 1, 2012 - June 30, 2013	$5,171	$366	$8	$457
July 1, 2013 - June 30, 2014	5,378	406	-	492
July 1, 2014 - June 30, 2015	5,745	448	-	526
July 1, 2015 - June 30, 2016	6,207	492	-	606
July 1, 2016 - June 30, 2021	6,554	544	-	641
July 1, 2017 - June 30, 2022	38,541	3,741	-	3,797

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, 2012 is $2,606,000 and $938,000, respectively.

Note G: Transactions with Affiliated Organizations

MIGA obtains certain administrative and support services from IBRD and IFC. These include human resources, information systems, and administrative services as well as investment management and treasury operations. MIGA also contributes its share of the World Bank Group's corporate costs. Payments for these services are made by MIGA to IBRD and IFC based on negotiated fees, charge backs and allocated charges where charge back is not feasible. Total fees paid by MIGA for the fiscal year ended June 30, 2012 and June 30, 2011 are as follows:

In thousands of US dollars	June 30, 2012	June 30, 2011
Fees charged by IBRD	$11,373	$9,758
Fees charged by IFC	3,544	3,389

At June 30, 2012 and June 30, 2011, MIGA had the following receivables from (payables to) its affiliated organizations with regard to administrative services and pension and other postretirement benefits.

In thousands of US dollars	June 30, 2012			June 30, 2011		
	Administrative Services	Pension and Other Postretirement Benefits	Total	Administrative Services	Pension and Other Postretirement Benefits	Total
IBRD	$(2,165)	$5,374	$3,209	$(3,040)	$4,541	$1,501
IFC	(1,546)	-	(1,546)	(1,043)	-	(1,043)
	$(3,711)	**$5,374**	**$1,663**	**$(4,083)**	**$4,541**	**$458**

Note H: Fair Value Measurement

Fair value is defined as the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. MIGA uses observable market data, when available, and minimizes the use of unobservable inputs when determining fair value. The fair values of MIGA's cash and non-negotiable, non interest-bearing demand obligations, receivables for investment securities sold, payables for investment securities purchased, accounts payable and accrued expenses approximate their carrying values. The fair values of government obligations are based on quoted market prices and the fair values of asset backed securities are based on pricing models for which market observable inputs are used. The degree to which management judgment is involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. Substantially all of MIGA's financial instruments use either of the foregoing methodologies to determine fair values that are recorded on its financial statements.

Note I: Risk Management

The responsibility for approving MIGA's risk management policies lies with the Board of Directors. The Audit Committee of the Board deals with risk management issues. While the Executive Vice President assumes the responsibility for overall risk management with the support of the senior management team, the responsibility for the design and operational implementation of the risk management framework lies with the Finance and Risk Management Group with coordination from the Legal Affairs and Claims Group, the Operations Group and the Economics and Policy Group.

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

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

Economic Capital and Portfolio Risk Modeling
For portfolio risk management purposes, MIGA currently utilizes an Economic Capital Model, based on best practices framework used in risk modeling. The Economic Capital concept is a widely recognized risk management tool in the banking and insurance industries, defining the minimum amount of capital an organization needs to hold in order to sustain larger than expected losses with a high degree of confidence, 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. In order to prevent excessive risk concentration, MIGA uses the Economic Capital model to set exposure limits per country and per project, and to support decision making in terms of pricing and exposure retention for new projects. MIGA's reinsurance program, including treaty and facultative reinsurance, is linked to the portfolio risk modeling and helps manage the risk profile of the portfolio.

The Economic Capital model also serves as the cornerstone of MIGA's capital adequacy framework, and provides the analytical basis for risk-based pricing of its products as well as quantification of the need for prudent technical provisions for claims. In addition, the model-based capital adequacy assessment determines the size and duration targets for MIGA's liquidity holdings. The economic capital, pricing models and underlying parameters are reviewed periodically.

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

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

■ **Interest Rate Risk** Interest rate changes affect the market values of MIGA's invested assets. A need to liquidate assets to pay for claims in an unfavorable interest rate environment may generate trading losses and reduce investment income. Changes in interest rates will also affect prepayment speeds of mortgage and asset backed security holdings, which may affect the duration of the asset portfolio. A 100 basis point parallel shift in the yield curve would impact the net income for the year ended June 30, 2012, by approximately $19.9 million ($21.3 million – June 30, 2011). This interest rate sensitivity is illustrative only and is based on simplified scenarios. The impact of a parallel shift in interest rates is determined using market value weighted portfolio duration applied to invested asset balance at year end.

■ **Foreign Exchange Rate Risk** The majority of MIGA's assets and contingent liabilities are denominated in USD, but some guarantee contracts are issued in other currencies such as EUR. To the extent that a claim is made in a non-USD currency and requires payment in excess of MIGA's holdings of that currency, MIGA may face a foreign exchange related loss in converting to the needed currency to pay for a claim. A 10% change in the USD/Euro year end exchange rate would impact net income for the year ended June 30, 2012, by approximately $9.0 million ($8.1million – June 30, 2011) and net guarantee exposure by approximately $229.7 million ($203.4 million – June 30, 2011). The impact on the net income is mitigated by an offsetting effect due to exchange rate movement on provision for claims. This foreign exchange rate sensitivity is illustrative only and is based on simplified scenarios.

■ **Liquidity Risk** Adequate liquidity resources need to be maintained to sustain the Agency over prolonged periods of cash payouts due to claims. MIGA assesses and monitors the availability of its liquid assets on a periodic basis and analyzes the impact on its finances (capital and liquidity) under stress scenarios where claims situations propagate through contagion across countries and regions. As of June 30, 2012, there were no claims ($10 million – June 30, 2011) filed with the Agency.

■ **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, processes, systems and corporate governance.

MIGA mitigates operational risks by maintaining a sound internal control system. Since 2000, MIGA has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s integrated internal control framework, in line with IBRD/IDA and IFC, to regularly evaluate the effectiveness of internal control system. In addition, MIGA has introduced an integrated risk management process to strengthen monitoring of the operational risks and controls in financial reporting, and the effectiveness of key controls in the financial reporting process are assessed through the internal quality assurance review process.

MIGA's internal controls are regularly evaluated through independent review by the Internal Audit Department (IAD) of the World Bank Group.

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 Group has allowed MIGA to gain access to a larger pool of specialized skill sets to support its 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 Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) database service. MIGA redesigned its core information and financial system for managing and reporting data on activities supporting the guarantee process and implemented a new Guarantee Database on a SAP-based platform in March 2010. A new Lead Information Officer has been appointed to assess future information technology requirements at MIGA.

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.

APPENDICES

APPENDICES

MIGA Member Countries – 177

Industrialized Countries – 25

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

Developing Countries – 152

ASIA AND THE PACIFIC

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

EUROPE AND CENTRAL ASIA

Albania • Armenia • Azerbaijan • Belarus • Bulgaria • Bosnia and Herzegovina • Croatia • Cyprus • Estonia • Georgia • Hungary • Kazakhstan • Kosovo • Kyrgyz Republic • Latvia • Lithuania • Macedonia (former Yugoslav Republic of) • Malta • Moldova • Montenegro • Poland • Romania • Russian Federation • Serbia • Slovak Republic • Tajikistan • Turkey • Turkmenistan • Ukraine • Uzbekistan

LATIN AMERICA AND CARIBBEAN

Antigua and Barbuda • Argentina • Bahamas (The) • Barbados • Belize • Bolivia • Brazil • Chile • Colombia • Costa Rica • Dominica • Dominican Republic • Ecuador • El Salvador • Grenada • Guatemala • Guyana • Haiti • Honduras • Jamaica • Mexico • Nicaragua • Panama • Paraguay • Peru • St. Kitts and Nevis • St. Lucia • St. Vincent and the Grenadines • Suriname • Trinidad and Tobago • Uruguay • Venezuela (República Bolivariana de)

MIDDLE EAST AND NORTH AFRICA

Algeria • Bahrain • Djibouti • Egypt (Arab Republic of) • Iran (Islamic Republic of) • Iraq • Israel • Jordan • Kuwait • Lebanon • Libya • Morocco • Oman • Qatar • Saudi Arabia • Syrian Arab Republic • Tunisia • United Arab Emirates • Yemen (Republic of)

SUB-SAHARAN AFRICA

Angola • Benin • Botswana • Burkina Faso • Burundi • Cameroon • Cape Verde • Central African Republic • Chad • Congo (Democratic Republic of) • Congo (Republic of) • Côte d'Ivoire • Equatorial Guinea • Eritrea • Ethiopia • Gabon • Gambia (The) • Ghana • Guinea • Guinea-Bissau • Kenya • Lesotho • Liberia • Madagascar • Malawi • Mali • Mauritania • Mauritius • Mozambique • Namibia • Niger • Nigeria • Rwanda • Senegal • Seychelles • Sierra Leone • South Africa • South Sudan · Sudan • Swaziland • Tanzania • Togo • Uganda • Zambia • Zimbabwe

Countries in the Process of Fulfilling Membership Requirements – Developing Countries – 3

Comoros • Myanmar • São Tomé and Principe

Governors and Alternates, as of June 30, 2012

Member	Governor	Alternate
Afghanistan	Omar Zakhilwal	Mohammad M. Mastoor
Albania	Ardian Fullani	Elisabeta Gjoni
Algeria	Karim Djoudi	Abdelhak Bedjaoui
Angola	Ana Afonso Dias Lourenco	Manuel Neto da Costa
Antigua and Barbuda	Harold E. Lovelle	Whitfield Harris, Jr.
Argentina	Hernan Lorenzino	Mercedes Marco del Pont
Armenia	Tigran Davtyan	Vardan Aramyan
Australia	Wayne Swan	Bernie Ripoll
Austria	Maria Fekter	Edith Frauwallner
Azerbaijan	Elman Siradjogly Rustamov	Shahin Mustafayev
Bahamas, The	Perry G. Christie	Ehurd Cunningham
Bahrain	Ahmed Bin Mohammed Al-Khalifa	Yousif Abdulla Humood
Bangladesh	Abul Maal A. Muhith	Arastoo Khan
Barbados	Christopher P. Sinckler	Grantley W. Smith
Belarus	Sergey Nikolayevich Rumas	Andrei M. Kharkovets
Belgium	Steven Vanackere	Franciscus Godts
Belize	Dean O. Barrow	Yvonne Sharman Hyde
Benin	Marcel A. de Souza	Jonas A. Gbian
Bolivia	Elba Viviana Caro Hinojosa	Luis Alberto Arce Catacora
Bosnia and Herzegovina	Vjekoslav Bevanda	Aleksandar Dzombic
Botswana	Ontefetse Kenneth Matambo	Solomon M. Sekwakwa
Brazil	Guido Mantega	Alexandre Antonio Tombini
Bulgaria	Simeon Djankov	Dimitar Kostov
Burkina Faso	Frank Tapsoba	Lene Sebgo
Burundi	Tabu Abdallah Manirakiza	Leon Nimbona
Cambodia	Chhon Keat	Porn Moniroth Aun
Cameroon	Emmanuel Nganou Djoumessi	Dieudonne Evou Mekou
Canada	James Michael Flaherty	Margaret Biggs
Cape Verde	Cristina Duarte	Sandro de Brito
Central African Republic	Abdou Karim Meckassoua	Sylvain Ndoutingai
Chad	Bedoumra Kordje	Bichara Doudoua
Chile	Felipe Larrain Bascunan	Rosanna Costa Costa
China	Xuren Xie	Xiaosong Zheng
Colombia	Juan Carlos Echeverry Garzon	Mauricio Santamaria
Congo, Democratic Republic of	Patrice Kitebi Kibol Mvul	Jean-Claude Masangu Mulongo
Congo, Republic of	Pierre Moussa	Leon Raphael Mokoko
Costa Rica	Edgar Ayales Esna	Rodrigo Bolanos Zamora
Cote d'Ivoire	Charles Koffi Diby	Moussa Dosso
Croatia	Slavko Linic	Boris Lalovac
Cyprus	Vassos Shiarly	Christos Patsalides
Czech Republic	Miroslav Kalousek	Tomas Zidek
Denmark	Christian Friis Bach	Ib Petersen
Djibouti	Ilyas Moussa Dawaleh	Amareh Ali Said

Governors and Alternates, as of June 30, 2012 *(cont'd)*

Member	Governor	Alternate
Dominica	Roosevelt Skerrit	Rosamund Edwards
Dominican Republic	Juan Temistocles Montas	Daniel Toribio
Ecuador	Patricio Rivera Yanez	Jeannette Sanchez Zurita
Egypt, Arab Republic of	Fayza Aboulnaga	Gouda Abdel Khalek
El Salvador	Alexander Ernesto Segovia	Carlos Enrique Caceres
Equatorial Guinea	Jose Ela Oyana	Montserat Afang Ondo
Eritrea	Berhane Abrehe Kidane	Martha Woldegiorghis
Estonia	Jurgen Ligi	Tanel Ross
Ethiopia	Sufian Ahmed	Abi Woldemeskel Bayou
Fiji	Josaia Voreqe Bainimarama	Filimone Waqabaca
Finland	Jutta Urpilainen	Pentti Pikkarainen
France	Pierre Moscovici	Ramon Fernandez
Gabon	Luc Oyoubi	Roger Owono Mba
Gambia, The	Abdou Kolley	Mod A.K. Secka
Georgia	Dimitri Gvindadze	Vera Kobalia
Germany	Dirk Niebel	Thomas Steffen
Ghana	Kwabena Duffuor	Seth Terkper
Greece	Ioannis Stournaras	Ioannis Drymoussis
Grenada	V. Nazim Burke	Timothy Antoine
Guatemala	Luis Antonio Velazquez Quiroa	Pavel V. Centeno
Guinea	Kerfalla Yansane	Souleymane Cisse
Guinea-Bissau	(vacant)	(vacant)
Guyana	Ashni Kumar Singh	Clyde Roopchand
Haiti	Marie Carmelle Jean-Marie	Charles Castel
Honduras	Hector Guillermo Guillen Gomez	Maria Elena Mondragon Ordonez
Hungary	Roland Natran	Laszlo Orlos
Iceland	Ossur Skarphedinsson	Oddny G. Hardardottir
India	Pranab Mukherjee	R. Gopalan
Indonesia	Agus D.W. Martowardojo	Darmin Nasution
Iran, Islamic Republic of	Seyyed Shams Al-din Hosseini	Behrouz Alishiri
Iraq	Rafe H. Al-Eissawi	Ali Gh. Baban
Ireland	Michael Noonan	(vacant)
Israel	Stanley Fischer	Michal Abadi-Boiangiu
Italy	Ignazio Visco	Carlo Monticelli
Jamaica	Peter Phillips	Wesley George Hughes
Japan	Jun Azumi	Shinichi Nishimiya
Jordan	Jafar Hassan	Saleh Al-Kharabsheh
Kazakhstan	Yerbol Orynbayev	Madina Abylkassymova
Kenya	Robinson Githae	Joseph Kanja Kinyua
Korea, Republic of	Jaewan Bahk	Choongsoo Kim
Kosovo	Bedri Hamza	(vacant)
Kuwait	Nayef Falah Mubarak Al Hajraf	Bader Mohamed Al-Saad
Kyrgyz Republic	Djoomart Otorbayev	Akylbek Japarov

Governors and Alternates, as of June 30, 2012 *(cont'd)*

Member	Governor	Alternate
Lao People's Democratic Republic	Phouphet Khamphounvong	Bounsong Sommalavong
Latvia	Andris Vilks	Daniels Pavluts
Lebanon	Nicolas Nahas	Mohammad Safadi
Lesotho	Timothy T. Thahane	Mosito Khethisa
Liberia	Amara M. Konneh	(vacant)
Libya	Hasan Mukhtar Zaklam	(vacant)
Lithuania	Ingrida Simonyte	Rolandas Krisciunas
Luxembourg	Luc Frieden	Arsene Joseph Jacoby
Macedonia, former Yugoslav Republic of	Zoran Stavreski	Vladimir Pesevski
Madagascar	(vacant)	(vacant)
Malawi	Atupele Muluzi	Randson Mwadiwa
Malaysia	Mohd. Najib Abdul Razak	Wan Abdul Aziz Wan Abdullah
Maldives	Abdulla Jihad	Ismail Ali Maniku
Mali	Tiena Coulibaly	Marimpa Samoura
Malta	Tonio Fenech	Alfred S. Camilleri
Mauritania	Sidi Ould Tah	Mohamed Lemine Ould Ahmed
Mauritius	Charles Gaetan Xavier Luc Duval	Ali Michael Mansoor
Mexico	Jose Antonio Meade-Kuribrena	Gerardo Rodriguez Regordosa
Micronesia, Federated States of	(vacant)	Rose Nakanaga
Moldova	Veaceslav Negruta	Veaceslav Mamaliga
Mongolia	Damdin Khayankhyarvaa	Purevdorj Lkhanaasuren
Montenegro	Milorad Katnic	Nemanja Pavlicic
Morocco	Nizar Baraka	Mohamed Najib Boulif
Mozambique	Aiuba Cuereneia	Ernesto Gouveia Gove
Namibia	Saara Kuugongelwa-Amadhila	Ipumbu Shiimi
Nepal	Barshaman Pun	Krishnahari Baskota
Netherlands	Jan Kees De Jager	Ben Knapen
New Zealand	Bill English	Gabriel Makhlouf
Nicaragua	Ivan Acosta Montalvan	Francisco J. Mayorga
Niger	(vacant)	(vacant)
Nigeria	Ngozi Okonjo-Iweala	Danladi Kifasi
Norway	Heikki Holmas	Arvinn Gadgil
Oman	Darwish bin Ismail Al Balushi	(vacant)
Pakistan	Abdul Wajid Rana	Rana Asaad Amin
Palau	Kerai Mariur	Dennis Oilouch
Panama	Frank De Lima	Mahesh Khemlani
Papua New Guinea	Don Polye	Simon Tosali
Paraguay	Dionisio Borda	Manuel Vidal Caballero Gimenez
Peru	Luis Miguel Castilla Rubio	Carlos Augusto Oliva Neyra
Philippines	Cesar V. Purisima	Amando M. Tetangco, Jr.
Poland	Michal Baj	Andrzej Ciopinski
Portugal	Vitor Gaspar	Maria Luis Albuquerque
Qatar	Yousef Hussain Kamal	Abdullah Bin Saoud Al-Thani
Romania	Florin Georgescu	Cristian Popa
Russian Federation	Anton Siluanov	Elvira S. Nabiullina

Governors and Alternates, as of June 30, 2012 *(cont'd)*

Member	Governor	Alternate
Rwanda	John Rwangombwa	Kampeta Sayinzoga
Samoa	Faumuina Tiatia Liuga	Iulai Lavea
Saudi Arabia	Ibrahim A. Al-Assaf	Fahad A. Almubarak
Senegal	Amadou Kane	Abdoulaye Daouda Diallo
Serbia	Mirko Cvetkovic	Verica Kalanovic
Seychelles	Steve Fanny	Sherin Renaud
Sierra Leone	Samura Mathew Wilson Kamara	Sheku S. Sesay
Singapore	Tharman Shanmugaratnam	Peter Ong Boon Kwee
Slovak Republic	Peter Kazimir	Viliam Ostrozlik
Slovenia	Janez Sustersic	Mitja Mavko
Solomon Islands	Rick Nelson Houenipwela	Shadrach Fanega
South Africa	Pravin J. Gordhan	Lungisa Fuzile
South Sudan	Kosti Manibe Ngai	Kornelio Koryom
Spain	Luis De Guindos	Fernando Jimenez Latorre
Sri Lanka	Mahinda Rajapaksa	P. B. Jayasundera
St. Kitts and Nevis	Denzil Douglas	Janet Harris
St. Lucia	Kenny D. Anthony	Isaac Anthony
St. Vincent and the Grenadines	Ralph E. Gonsalves	Len Ishmael
Sudan	Ali Mahmoud Mohamed Abdelrasoul	Elfatih Ali Siddig
Suriname	Gillmore Hoefdraad	Adelien Wijnerman
Swaziland	Bheki Sibonangaye Bhembe	Sicelo M. Dlamini
Sweden	Anders Borg	Gunilla Carlsson
Switzerland	Beatrice Maser Mallor	Olivier Burki
Syrian Arab Republic	Mohamad Nedal Al-Chaar	(vacant)
Tajikistan	Abdughaffor A. Rahmonov	Djamoliddin Nuraliev
Tanzania	William A. Mgimwa	Ramadhan Mussa Khijjah
Thailand	Kittiratt Na-Ranong	Areepong Bhoocha-Oom
Timor-Leste	Emilia Pires	Joao Goncalves
Togo	Dede Ahoefa Ekoue	Aheba Johnson
Trinidad and Tobago	Larry Howai	Bhoendradatt Tewarie
Tunisia	Riadh Bettaieb	Lamia Zribi
Turkey	Ibrahim H. Canakci	Evren Dilekli
Turkmenistan	Dovletgeldy Sadykov	Merdan Annadurdyyev
Uganda	Maria Kiwanuka	Chris M. Kassami
Ukraine	Sergiy Tigipko	Vasyl Tsushko
United Arab Emirates	(vacant)	Obaid Humaid Al Tayer
United Kingdom	Andrew Mitchell	George Osborne
United States	Timothy F. Geithner	Robert D. Hormats
Uruguay	Fernando Lorenzo	Pedro Buonomo
Uzbekistan	Ravshan Gulyamov	Shukhrat Vafaev
Vanuatu	Moana Kalosil Carcasses	George Maniuri
Venezuela, Republica Bolivariana de	Jorge Giordani	(vacant)
Vietnam	Binh Van Nguyen	Minh Hung Le
Yemen, Republic of	Mohammed Saeed Al-Sadi	Mutahar Abdulaziz Al-Abbasi
Zambia	Alexander B. Chikwanda	Fredson K. Yamba
Zimbabwe	Tendai Biti	Gideon Gono

Directors and Alternates: Voting Power, as of June 30, 2012

Director	Alternate	Casting votes of	Total votes	% of total
Elected by the votes of the six largest shareholders				
Ian H. Solomon	Sara M. Aviel	United States	32,800	15.09
Nobumitsu Hayashi	Takaya Kishi	Japan	9,215	4.24
Ingrid G. Hoven	Wilhelm M. Rissmann	Germany	9,172	4.22
Ambroise Fayolle	Anne Touret-Blondy	France	8,801	4.05
Susanna Moorehead	Stewart James	United Kingdom	8,801	4.05
Shaolin Yang	Bin Han	China	5,766	2.65
Elected by the votes of other shareholders				
Rudolf Treffers (Netherlands)	Stefan Nanu (Romania)	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Montenegro, Netherlands, Romania, Ukraine	11,721	5.39
Gino Alzetta (Belgium)	Konstantin Huber (Austria)	Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovak Republic, Slovenia, Turkey	10,999	5.06
Marie-Lucie Morin (Canada)	Kelvin Dalrymple (Barbados)	Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines	10,106	4.65
Merza H. Hasan (Kuwait)	Ayman Alkaffas (Arab Republic of Egypt)	Bahrain, Egypt (Arab Republic of), Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)	8,536	3.93
Anna Brandt (Sweden)	Jens Haarlov (Denmark)	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden	7,854	3.61
Piero Cipollone (Italy)	Nuno Mota Pinto (Portugal)	Albania, Greece, Italy, Malta, Portugal, Timor-Leste	7,836	3.61
Marta Garcia (Spain)	Juan Jose Bravo (Mexico)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Venezuela (República Bolivariana de)	7,598	3.50
Rogerio Studart (Brazil)	Vishnu Dhanpaul (Trinidad and Tobago)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, Trinidad and Tobago	7,567	3.48
Hassan Ahmed Taha (Sudan)	Denny H. Kalyalya (Zambia)	Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Rwanda, Seychelles, Sierra Leone, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	7,548	3.47
John Whitehead (New Zealand)	In-Kang Cho (Republic of Korea)	Australia, Cambodia, Korea (Republic of), Micronesia (Federated States of), Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Vanuatu	7,487	3.44

Directors and Alternates: Voting Power, as of June 30, 2012 *(cont'd)*

Director	Alternate	Casting votes of	Total votes	% of total
Elected by the votes of other shareholders *(cont'd)*				
Mukesh N. Prasad (India)	Kazi M. Aminul Islam (Bangladesh)	Bangladesh, India, Sri Lanka	7,156	3.29
Javed Talat (Pakistan)	Sid Ahmed Dib (Algeria)	Afganistan, Algeria, Ghana, Iran (Islamic Republic of), Morocco, Pakistan, Tunisia	7,056	3.25
Jorg Frieden (Switzerland)	Wieslaw Szczuka (Poland)	Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, Uzbekistan	6,869	3.16
Agapito Mendes Dias (São Tomé and Principe)	Mohamed Sikieh Kayad (Djibouti)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Congo (Democratic Republic of), Congo (Republic of), Cote d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea-Bissau, Mali, Mauritania, Mauritius, Senegal, Togo	6,774	3.12
Hekinus Manao (Indonesia)	Dyg Sadiah Binti Abg Bohan (Malaysia)	Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Nepal, Singapore, Thailand, Vietnam	6,412	2.95
Vadim Grishin (Russian Federation)	Eugene Miagkov (Russian Federation)	Russian Federation	5,764	2.65
Abdulrahman M. Almofadhi (Saudi Arabia)	Ibrahim Alturki (Saudi Arabia)	Saudi Arabia	5,764	2.65
Felix Alberto Camarasa (Argentina)	Varinia Cecilia Daza Foronda (Bolivia)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay	5,701	2.62
Renosi Mokate (South Africa)	Mansur Muhtar (Nigeria)	Angola, Nigeria, South Africa	4,044	1.86

In addition to the directors and alternates shown in the foregoing list, the following also served after June 30, 2011:

Director	End of period of service	Alternate director	End of period of service
Pulok Chatterji (India)	September 26, 2011	Michal Tomasz Krupinski (Poland)	May 1, 2011
James Hagan (Australia)	July 31, 2011	Tamara Solyanyk (Ukraine)	July 31, 2011
		Ruediger von Kleist (Germany)	August 4, 2011
		Ciyong Zou (China)	October 14, 2011

Note: Guinea (332 votes) and Madagascar (417 votes) did not participate in the 2010 Regular Election of Directors. South Sudan (391 votes) and Niger (303 votes) became members after that Election.

Signatories to MIGA's Convention, as of June 30, 2012

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

* Non-member country

Subscriptions to the General Capital Increase, as of June 30, 2012

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

CATEGORY 2	Shares Subscribed	Amount $
Albania	44	476,080
Algeria	495	5,355,900
Argentina	956	10,343,920
Bahamas, The	76	822,320
Bahrain	59	638,380
Bangladesh	259	2,802,380
Barbados	52	562,640
Belize	38	411,160
Benin	47	508,540
Bolivia	95	1,027,900
Botswana	38	411,160
Brazil	1,127	12,194,140
Bulgaria	278	3,007,960
Cambodia	71	768,220
Chile	370	4,003,400
China	2,392	25,881,440
Colombia	333	3,603,060
Congo, Dem. Rep. of	258	2,791,560
Congo, Republic of	50	541,000
Costa Rica	89	962,980
Côte d'Ivoire	134	1,449,880
Croatia	143	1,547,260
Cyprus	79	854,780
Ecuador	139	1,503,980
Egypt, Arab Rep. of	350	3,787,000
Estonia	50	541,000
Ethiopia	53	573,460
Gabon	73	789,860
Ghana	187	2,023,340
Honduras	77	833,140
Hungary	430	4,652,600
India	2,323	25,134,860
Indonesia	800	8,656,000
Israel	361	3,906,020
Jamaica	138	1,493,160
Jordan	74	800,680
Kazakhstan	159	1,720,380
Kenya	131	1,417,420
Korea, Republic 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

Subscriptions to the General Capital Increase, as of June 30, 2012 *(cont'd)*

CATEGORY 2 *(cont'd)*	Shares Subscribed	Amount $
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
Paraguay	61	660,020
Peru	284	3,072,880
Philippines	369	3,992,580
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
Subtotal	**26,842**	**290,430,440**
Grand Total	**69,303**	**749,858,460**

SUMMARY	Shares Subscribed	Amount $
% of Total GCI	88.22%	
Completed-Cat. 1	30,416	329,101,120
Completed-Cat. 2	26,842	290,430,440
Completed	57,258	619,531,560
Partial-Cat. 1	12,045	130,326,900
Partial-Cat. 2	–	–
Partial	12,045	130,326,900
Total Cat. 1	**42,461**	**459,428,020**
Total Cat. 2	**26,842**	**290,430,440**
TOTAL	**69,303**	**749,858,460**

Facultative Reinsurance Obtained by MIGA

Investment Insurer	Country
ACE European Group Ltd	United Kingdom
ACE Global Markets, Lloyd's Syndicate 2488	United Kingdom
A.F. Beazley, Esq., and Others, Lloyd's Syndicates 2623 and 623	United Kingdom
African Trade Insurance Agency	Kenya
Ark Syndicate Management Limited, Lloyd's Syndicate 4020	United Kingdom
AXIS Specialty Ltd.	Bermuda
Catlin Insurance Company Limited	Bermuda
Coface North America	United States
Finnvera Plc	Finland
Garanti-Institutte for Eksportkreditt (GIEK)	Norway
Great Northern Insurance Company (Chubb & Son)	United States
Hannover Rückversicherung AG	Germany
Hiscox Syndicates Limited, Lloyd's Syndicate 33	United Kingdom
Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)	Saudi Arabia
M.D. Reith and Others, Lloyd's Syndicate 1414	United Kingdom
Münchener Rückversicherungs-Gesellschaft	Germany
National Union Fire Insurance Co. of Pittsburgh (AIG)	United States
Nippon Export Investment Insurance (NEXI)	Japan
Office Nationale du Ducroire (ONDD)	Belgium
QBE Insurance Corporation	United States
S.J. Catlin, Esq., and Others, Lloyd's Syndicates 1003 and 2003	United Kingdom
Sovereign Risk Insurance Ltd.	Bermuda
Starr Underwriting Agents on behalf of Lloyd's Syndicate 1919	United Kingdom
Steadfast Insurance Company (Zurich)	United States
Swiss Reinsurance Company	Switzerland
Servizi Assicurativi del Commercio Estero (SACE)	Italy
Talbot Underwriting Limited, Lloyd's Syndicate 1183	United Kingdom

Facultative Reinsurance Provided by MIGA

Investment Insurer	Country
Office Nationale du Ducroire (ONDD)	Belgium
Slovenska izvozna in razvozna banka (SID)	Slovenia

Guarantee Clients

ABN AMRO Bank NV
ADC Financial Services & Corporate Development
AES Bulgaria Holdings BV
Africa Juice BV
Agro-Industrial Investment and Development SA
Antoine & Gabriel Boulos
Aqualyng Holding AS
Autopistas del Nordeste (Cayman) Limited
Baltic American Enterprise Fund (BalAEF)
Banco Universal S.A.
Bank of Nova Scotia
Banque Nationale de Paris
Barloworld Equipment UK Limited
Bartrac Equipment GBL
Bergenshalvoens Kommunale Kraftselskap AS
Botnia B.V.
Byblos Bank SAL
Caja Madrid
Calyon Corporate & Investment Bank
Campestres Holdings Limited
Can Pack S. A.
CCB Management Services G,bH
Cementhai Chemicals Co., Ltd.
Chayton Atlas Investments
Coastal Aruba Investor N.V.
Cobra Instalaciones y Servicios, S. A.
Compagnie Generale des Eaux
Cotecna Inspection S.A.
Darco Environmental Pte.Ltd
Deutsche Bank Luxembourg S.A.
Dole Food Company, Inc
DP World FZCO
Dragados-Servicios Portuarios y Logisticos
Dubai Islamic Bank
East West Gold Corporation
EDF International
Energy Engineering Investment Ltd
Eskom
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Fraport AG
GE.POR.TUR. s.a.s.
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Golden State Waste Management (Beijing) Corp
Grodco Panama
Grupo ACP Inversiones y Desarrollo
Habib Bank AG Zurich
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Hitachi Construction Machinery Southern Africa Co., Ltd.
Icam SPA
Industrial Development Corp. of South Africa
Infilco Degremeont, Inc.
ING Bank
International Home Finance & Development, LLC
International Water Services (Guayaquil) B.V.
Intertek International Ltd
Investcom Global Ltd.
Itochu Corporation
Karo Dis Ticaret ve Sanayi Ltd. Sti.
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Kingdom 5 KR 71 Limited
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Kjaer Group AS
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Kreditanstalt fur Wiederaufbau
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MKV Holdings, LLC
Mobile Telephone Networks International Ltd.
Mr. Giovanni Aletti
New Age Beverage Limited
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Office National de Telcomms. "TUNISIE TELECOM"
ONDD
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Orascom Telecom
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Organization de Ingenieria Internacional S.A.
Ormat Holding Corp.
POL-AM-Pack S.A.
ProCredit Holding AG
Prodenvases Crown S.A.
Promofin Outremer S.A.
PTT Chemical Public Company Ltd
Raghbir Sineh Chatthe
Raiffeisen a.s., Prague/Czech Republic
Rockland Steel Trading Ltd.
Rodeo Power Pte Ltd
Sasol Gas Holdings (Pty) Ltd.
Sena Development Limited
SGI Ethiopia Cement Limited
SGS SA
SGS Société Générale de Surveillance SA
Shore Cap International Ltd.
SID - Slovenska Izvozna in Razvojna
Sierra Investment Fund Ltd.
SN Power Holding Singapore PTE Ltd.
Société Malienne de Promotion Hôtelière S.A.
Sojitz Corporation
Sonatel
Splash Mobile Money UK
Standard Chartered Bank
State Bank of India
Sté de Promotion Financière & Investissement
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ISBN 978-0-8213-9735-0

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ISBN 978-0-8213-9735-0