MIGA’S MISSION

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

Guarantees

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

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

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

Technical Assistance and Online Investment Services

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

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

FDI Flows and MIGA Guarantees to Developing Countries

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

**MIGA’s Mission**

- Fiscal Year 2007 Highlights ......................................................... 2
- Letter from the President to the Council of Governors ............ 5
- Board Activities Highlights ......................................................... 6
- Message from the Executive Vice President ............................. 7

**Development Impact**

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

**Operational Overview**

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

**Regional Activities**

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

**Independent Evaluation Group and Compliance Advisor/Ombudsman** ........................................... 65

**Management’s Discussion and Analysis (FY07) and Financial Statements** .............................................. 67

**Appendices** ............................................................................. 101
In fiscal year 2007, the total amount of guarantees issued for projects in MIGA’s developing member countries reached $1.4 billion, representing the third consecutive year of steady growth in guarantees issued. Commitments approved by the Board of Directors totalled $1.9 billion.

<table>
<thead>
<tr>
<th>TABLE 1 Guarantees Issued</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>FY90-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Guarantees Issued</td>
<td>59</td>
<td>59</td>
<td>55</td>
<td>62</td>
<td>66</td>
<td>45</td>
<td>884</td>
</tr>
<tr>
<td>Number of Projects Supported</td>
<td>41</td>
<td>40</td>
<td>41</td>
<td>41</td>
<td>41</td>
<td>29</td>
<td>556</td>
</tr>
<tr>
<td>New Projects¹</td>
<td>33</td>
<td>37</td>
<td>35</td>
<td>33</td>
<td>34</td>
<td>26</td>
<td>-</td>
</tr>
<tr>
<td>Projects Previously Supported²</td>
<td>8</td>
<td>3</td>
<td>6</td>
<td>8</td>
<td>7</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Amount of New Issuance, Gross ($ B)</td>
<td>1.2</td>
<td>1.4</td>
<td>1.1</td>
<td>1.2</td>
<td>1.3</td>
<td>1.4</td>
<td>16.7</td>
</tr>
<tr>
<td>Amount of New Issuance, Total ($ B)³</td>
<td>1.4</td>
<td>1.4</td>
<td>1.1</td>
<td>1.2</td>
<td>1.3</td>
<td>1.4</td>
<td>17.4</td>
</tr>
<tr>
<td>Gross Exposure ($ B)⁴</td>
<td>5.3</td>
<td>5.1</td>
<td>5.2</td>
<td>5.1</td>
<td>5.4</td>
<td>5.3</td>
<td>-</td>
</tr>
<tr>
<td>Net Exposure ($ B)⁴</td>
<td>3.2</td>
<td>3.2</td>
<td>3.3</td>
<td>3.1</td>
<td>3.3</td>
<td>3.2</td>
<td>-</td>
</tr>
</tbody>
</table>

¹ Projects receiving MIGA support for the first time in FY07 (including expansions).
² Projects supported by MIGA in FY07 as well as in previous years.
³ Includes amounts leveraged through the Cooperative Underwriting Program (CUP).
⁴ Gross exposure is the maximum aggregate liability. Net exposure is the gross exposure less reinsurance.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium and fee income</th>
<th>Investment income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>36.3</td>
<td>19.9</td>
</tr>
<tr>
<td>2006</td>
<td>37.2</td>
<td>18.6</td>
</tr>
<tr>
<td>2005</td>
<td>39.8</td>
<td>16.3</td>
</tr>
<tr>
<td>2004</td>
<td>40.0</td>
<td>16.2</td>
</tr>
<tr>
<td>2003</td>
<td>39.5</td>
<td>23.3</td>
</tr>
<tr>
<td>2002</td>
<td>40.4</td>
<td>10.8</td>
</tr>
<tr>
<td>2001</td>
<td>36.5</td>
<td>10.4</td>
</tr>
<tr>
<td>2000</td>
<td>29.5</td>
<td>13.7</td>
</tr>
<tr>
<td>1998</td>
<td>24.1</td>
<td>11.3</td>
</tr>
<tr>
<td>1996</td>
<td>21.9</td>
<td>9.4</td>
</tr>
<tr>
<td>1994</td>
<td>9.3</td>
<td>9.4</td>
</tr>
<tr>
<td>1992</td>
<td>1.5</td>
<td>11.6</td>
</tr>
<tr>
<td>1990</td>
<td>0.7</td>
<td>11.6</td>
</tr>
</tbody>
</table>

* Excludes other income.

**Membership**

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

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

<table>
<thead>
<tr>
<th>Priority area</th>
<th>No. of projects supported</th>
<th>Share of projects supported (%)</th>
<th>Amount of guarantees issued $ (M)</th>
<th>Share of guarantees issued (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frontier markets</td>
<td>14</td>
<td>48</td>
<td>387</td>
<td>28</td>
</tr>
<tr>
<td>Conflict-affected countries</td>
<td>8</td>
<td>28</td>
<td>302</td>
<td>22</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>12</td>
<td>41</td>
<td>494</td>
<td>36</td>
</tr>
<tr>
<td>“South-South” investments¹</td>
<td>12</td>
<td>41</td>
<td>249</td>
<td>18</td>
</tr>
<tr>
<td>IDA-eligible countries²</td>
<td>14</td>
<td>48</td>
<td>387</td>
<td>28</td>
</tr>
</tbody>
</table>

Region:

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of projects supported</th>
<th>Share of projects supported (%)</th>
<th>Amount of guarantees issued $ (M)</th>
<th>Share of guarantees issued (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>8</td>
<td>28</td>
<td>125</td>
<td>9</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>4</td>
<td>14</td>
<td>430</td>
<td>31</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>6</td>
<td>21</td>
<td>501</td>
<td>37</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>11</td>
<td>38</td>
<td>311</td>
<td>23</td>
</tr>
</tbody>
</table>

Sector:

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of projects supported</th>
<th>Share of projects supported (%)</th>
<th>Amount of guarantees issued $ (M)</th>
<th>Share of guarantees issued (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agribusiness, manufacturing and tourism</td>
<td>8</td>
<td>28</td>
<td>352</td>
<td>25</td>
</tr>
<tr>
<td>Financial</td>
<td>8</td>
<td>28</td>
<td>472</td>
<td>35</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>12</td>
<td>41</td>
<td>494</td>
<td>36</td>
</tr>
<tr>
<td>Oil, gas, and mining</td>
<td>1</td>
<td>3</td>
<td>50</td>
<td>4</td>
</tr>
</tbody>
</table>

¹ Some projects address more than one priority area.
² Investments made from one MIGA Category Two member country to another.
³ The world’s poorest countries.

Other highlights include:

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

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

No claims paid in fiscal year 2007

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

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

Five projects supported through MIGA’s Small Investment Program

One new host country: Guinea-Bissau

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

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

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

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

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

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

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

World Bank Group Cooperation

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

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

Joint projects represent one-third of FY07 portfolio

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

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

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

Several records stand out from fiscal year 2007: Nearly half (48 percent) of projects supported by MIGA were in IDA-eligible countries, bringing MIGA’s outstanding exposure in IDA countries to 41 percent. In addition, 38 percent of the projects supported during the year were in Africa, where MIGA has supported critical investments with a total of $2.3 billion in guarantees since 1991. The 2007 review also illustrates MIGA’s commitment to supporting developing country investors, which represent a growing source of foreign direct investment in the developing world. These achievements point to the institution’s strong dedication to confronting poverty—especially where it is most dire.

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

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

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

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

In all of this work, the World Bank Group is fortunate to have an exceptionally dedicated and qualified professional staff. The team at MIGA ranks with the best, and I am most appreciative of their dedication and commitment to the World Bank Group’s mission: to end poverty. It is a privilege to get to know them and work with them.
During fiscal year 2007, MIGA’s Board of Directors reviewed and concurred with investment guarantees for 27 projects. The Board also oversaw and reviewed MIGA’s budgeting and planning process for the upcoming fiscal year, as well as the integration of the agency’s technical assistance services with the World Bank Group’s Foreign Investment Advisory Service. During the fiscal year, MIGA collaborated with the IBRD, IDA, and IFC in drafting several country assistance and partnership strategies that were discussed by the Board, as well as the Independent Evaluation Group’s MIGA 2007 Annual Report, which reviews and assesses the agency’s activities. In addition to submitting quarterly financial reports, MIGA management presented technical briefings to the Board discussing the World Bank Group’s guarantee products, MIGA’s technical assistance program, and various projects.

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

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

MIGA’s Board of Executive Directors, as of June 30, 2007

*From left to right: (standing) Samy Watson, Svein Aass, Alexey Kvasov, Terry O’Brien, Eli Whitney Debevoise, Tom Scholar, Pierre Duquesne, Herman Wijffels, Michel Mordasini, Eckhard Deutscher, Gino Alzetta, Makoto Hosomi, Jorge Familiar, Merza Hasan, Dhanendra Kumar, Felix Alberto Camarasas, Jorge Botero; (seated) Sid Ahmed Dib, Giovanni Majnoni, Abdulrahman Almofadhi, Mulu Ketsela, Mat Aron Deraman, Louis Philippe, Ong Seng, Jiayi Zou  (Absent) Luis Marti.*
This past fiscal year in MIGA was one marked by progress on many fronts, beginning with the continued, steady growth in the amount of guarantees issued in support of foreign direct investment (FDI) in our developing member countries. This year, guarantee commitments reached $1.9 billion, of which $1.4 billion in coverage was signed. This represents the third consecutive year of growth in the amount of guarantees issued. The agency’s overall outstanding guarantees portfolio remained strong at $5.3 billion.

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

For example, our support for investments in Africa increased both as a percentage of projects supported (38 percent) and volume of guarantees issued (23 percent). I am also proud of our record in IDA countries, where nearly half of the projects we supported this year were located, and which now represent 41 percent of our overall outstanding portfolio. We also registered gains in support for projects in conflict-affected countries, and for complex, critical infrastructure projects, which represented 41 percent of projects guaranteed this year.

These results came at a time of record foreign direct investment into developing countries. But in a world of inequity, not all countries were winners when it came to FDI. In fact, the poorest countries continued to lose out due to market perceptions of higher risk. At the same time, a “softening” of the political risk insurance market led to a slowdown in the rate of coverage sought by investors. In this environment, MIGA’s
MIGA’s strategy is to continue to focus on its strengths: serving markets and encouraging FDI where investors and other insurers shy away from.

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

This groundbreaking deal was the result of outreach conducted by MIGA in the Middle East and North Africa, where we co-sponsored an intra-regional investment summit earlier this year. The event, held jointly with The Islamic Corporation for the Insurance of Investments and Export Credit and the Dubai International Financial Center, brought together investors and financiers from across the region.

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

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

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

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

Yukiko Omura
June 30, 2007
MIGA OFFICERS AND MANAGERS

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

MOINA VARKIE
Director
External Outreach and Partners

MARCUS WILLIAMS
Adviser
Strategy and Operations

YUKIKO OMURA
Executive Vice President

FRANK J. LYSY
Chief Economist and Director
Economics and Policy

HASAN TULUY
Chief Operating Officer

PHILIPPE VALAHU
Acting Director
Operations

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

W. PAATII OFOSU-AMAHAH
Vice President and Corporate Secretary