

ANNUAL REPORT 2011



INSURING INVESTMENTS
ENSURING OPPORTUNITIES



MIGA's Mission

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

Abbreviations

ADC	AFRICAN DEVELOPMENT CORPORATION
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
EIB	EUROPEAN INVESTMENT BANK
FDI	FOREIGN DIRECT INVESTMENT
FEU	FINANCE, ECONOMICS AND URBAN DEPARTMENT
GDP	GROSS DOMESTIC PRODUCT
IBRD	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
IC	INVESTMENT CLIMATE ADVISORY SERVICES
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
MD&A	MANAGEMENT'S DISCUSSION AND ANALYSIS
MENA	MIDDLE EAST AND NORTH AFRICA
MMI	METROPOLITAN MUNICIPALITY OF ISTANBUL
MOU	MEMORANDUM OF UNDERSTANDING
ONDD	THE BELGIAN EXPORT CREDIT AGENCY
PCH	PROCREDIT HOLDING
PRI	POLITICAL RISK INSURANCE
SIP	SMALL INVESTMENT PROGRAM
SADC	SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
SSA	SUB-SAHARAN AFRICA

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MIGA

Fiscal Year 2011

Highlights



IN FISCAL YEAR 2011, WE ISSUED A TOTAL OF \$2.1 BILLION IN GUARANTEES FOR PROJECTS IN MIGA'S DEVELOPING MEMBER COUNTRIES. THIS IS A RECORD HIGH FOR THE AGENCY AND REPRESENTS A SIGNIFICANT INCREASE FROM LAST YEAR'S NEW ISSUANCE OF \$1.5 BILLION. WE ALSO SAW MUCH MORE DIVERSITY ACROSS REGIONS AND SECTORS IN THE NEW PROJECTS WE SUPPORTED THIS YEAR, INCLUDING FOUR NEW HOST COUNTRIES: IRAQ, KOSOVO, LIBERIA, AND THE REPUBLIC OF CONGO.

GUARANTEES ISSUED	2007	2008	2009	2010	2011	FY90-11
Number of Projects Supported	29	24	26	19	38	651
New Projects ¹	26	23	20	16	35	-
Projects Previously Supported ²	3	1	6	3	3	-
Number of Guarantee Contracts Issued	45	38	30	28	50	1,030
Amount of New Issuance, Gross (\$B)	1.4	2.1	1.4	1.5	2.1	23.8
Amount of New Issuance, Total (\$B) ³	1.4	2.1	1.4	1.5	2.1	24.5
Gross Exposure (\$B) ⁴	5.3	6.5	7.3	7.7	9.1	-
Net Exposure (less reinsurance) (\$B) ⁴	3.2	3.6	4.0	4.3	5.2	-

^{1.} Projects receiving MIGA support for the first time in FY11 (including expansions)

^{2.} Projects supported by MIGA in FY11 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

OPERATIONAL HIGHLIGHTS

MIGA provided coverage for projects in the following areas in fiscal year 2011:

	Number of projects supported	Share of projects supported (%)	Amount of guarantees issued (\$M)	Share of projects \$ volume (%)
Priority area¹				
IDA-eligible countries ²	21	55	421.4	20
"South-South" investments ^{3,4}	3	8	468.5	22
Conflict-affected countries	9	24	237.5	11
Complex projects ⁵	6	16	1,115.0	53
Region				
Asia and the Pacific	3	8	752.1	36
Europe and Central Asia	16	42	1,077.2	51
Latin America and the Caribbean	3	8	21.8	1
Middle East and North Africa	1	3	5.0	0
Sub-Saharan Africa	15	39	242.9	12
Sector				
Agribusiness, manufacturing, and services	15	39	471.5	23
Financial	17	45	512.5	24
Infrastructure	5	13	907.9	43
Oil, gas, and mining	1	3	207.0	10
Total	38		2,099.0	

^{1.} Some projects address more than one priority area

^{2.} The world's poorest countries

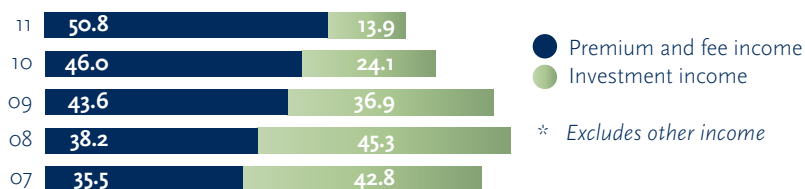
^{3.} Investments made from one MIGA developing member (category two) country to another

^{4.} These figures represent projects involving one or more South-based investor. The total volume of contracts issued to South-based investors was \$243.5 million

^{5.} Complex project in infrastructure or extractive industries

This year, MIGA's operating income was \$23.6 million, compared with \$33.9 million in fiscal year 2010 (see MD&A for details).

EARNED PREMIUM, FEES, AND INVESTMENT INCOME* (\$M)



World Bank Group Fiscal Year 2011 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, EDUCATION, INFRASTRUCTURE, GOVERNANCE, CLIMATE CHANGE, AND IN OTHER AREAS TO BENEFIT PEOPLE IN DEVELOPING COUNTRIES.

The World Bank Group committed \$57.3 billion in fiscal year 2011.

The World Bank, comprising IDA and IBRD, committed \$43 billion in loans and grants to its member countries. Of this, IDA commitments to the world's poorest countries were \$16.3 billion.

IFC committed \$12.2 billion and mobilized an additional \$6.5 billion for private sector development in developing countries. \$4.9 billion of the total went to IDA countries.

MIGA issued \$2.1 billion in guarantees in support of investments in developing countries.

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 and programs 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.

Message from World Bank Group President



THIS PAST YEAR, THE WORLD BANK GROUP HAS BEEN HELPING DEVELOPING COUNTRIES MEET CHALLENGES, MANAGE RISKS, AND SEIZE OPPORTUNITIES: HISTORIC CHANGES IN THE MIDDLE EAST AND NORTH AFRICA; HIGH AND VOLATILE FOOD AND FUEL PRICES; THE RAVAGES CAUSED BY NATURAL DISASTERS; RISING INFLATION IN EMERGING MARKETS WITH SOME RISKS OF OVERHEATING; THE RECOVERIES OF FRAGILE STATES, OFTEN COMING OUT OF CONFLICT; AND THE BENEFITS OF GREATER TRANSPARENCY AND OPENNESS.

A robust and engaged private sector is a key factor in helping economies adjust to these and other challenges. MIGA's Annual Report 2011 demonstrates the important role the agency plays in supporting sustainable growth and development through providing investment guarantees in countries where risk-mitigation tools are essential to securing private sector investment.

The report highlights MIGA's innovation, flexibility, and ability to deliver on its own modernization agenda. This year, the agency secured significant amendments to its Convention that enhance its value as a multilateral provider of political risk insurance. These amendments, approved by the Council of Governors in August, have already enabled MIGA to support projects that would not previously have been possible.

In fiscal year 2011, MIGA provided \$2.1 billion in new guarantee coverage—a record high for the agency, and a 43 percent increase over the previous year, which indicates renewed interest in political risk-mitigation products. MIGA has shown renewed diversification and regional outreach—from its support for a manufacturing plant in Iraq, to an agribusiness venture in Liberia, to a mining feasibility study in Indonesia, and to banking endeavors supporting small and medium enterprises in 14 countries. MIGA's concerted efforts to encourage foreign direct investment (FDI) into the Middle East and North Africa region have been especially important this year.

MIGA is also doing important work in countries affected by conflict and fragility. The agency supports investments in several of these countries, and uses its knowledge, research, and convening power to focus attention on

these much-underserved markets. The World Bank's recent *World Development Report on Conflict, Security, and Development* underscores the critical impact of FDI in these countries—to support service delivery and job creation, so important for early results as well as longer-term growth—and of MIGA's efforts. MIGA is in the process of establishing a specific political risk facility that can be deployed in countries affected by violence or fragility.

To further expand its outreach, MIGA established its Asia hub this year, signaling a strong emphasis on inbound and outbound Asian investment. We are seeing an increasing appetite from investors in Asian countries to venture into challenging markets, and MIGA's strengthened presence in the region will help facilitate their plans.

MIGA has also strengthened external and internal partnerships over the past year to further leverage its development impact. The agency signed memoranda of understanding with a Lebanese financial company to cooperate on promoting cross-border investment into developing countries and with the Indonesian Infrastructure Guarantee Fund to cooperate on building capacity and to co-insure a pipeline of infrastructure projects. Closer to home, MIGA's strengthened business and marketing relationship with IFC has already demonstrated results. In addition, this year the agency signed internal agreements with the World Bank's Finance, Economics and Urban Department and the Banking and Debt Management Department to cross-market products aimed at leveraging the strengths of MIGA and the World Bank.

I want to thank MIGA's staff for their commitment, contributions, and focus. MIGA's considerable achievements this year reflect the strong leadership and innovative spirit of Izumi Kobayashi and her management team. I also thank our Council of Governors, Board of Directors, and other partners for their guidance and support.



Robert B. Zoellick

Robert B. Zoellick
June 30, 2011

Message from MIGA Executive Vice President



TODAY THE WORLD IS STILL CAUTIOUSLY EMERGING FROM A SEVERE RECESSION. ON A POSITIVE NOTE, THE DEVELOPING WORLD IS DRIVING THE WORLD'S ECONOMIC RECOVERY—AND THERE WE ARE SEEING GROWTH RATES THAT ARE IMPRESSIVE. HOWEVER, HIGH UNEMPLOYMENT AND DEBT STILL CONCERN MANY INDUSTRIALIZED COUNTRIES, WHILE RISING AND VOLATILE FOOD PRICES AGAIN POSE SIGNIFICANT PROBLEMS FOR MILLIONS IN THE DEVELOPING WORLD. AT THE SAME TIME, WE ARE EXPERIENCING BOTH UNCERTAINTY AND ANTICIPATION PROMPTED BY THE TRANSFORMATIVE EVENTS IN THE MIDDLE EAST AND NORTH AFRICA. THE GLOBAL SCENARIO IS INDEED MIXED.

Following a sharp contraction during the financial crisis, foreign direct investment is beginning to pick up—although it could take three years to return to pre-crisis levels. Project sponsors and lenders are still nervous; investors rate political risk as being the most significant medium-term impediment to making new investments in developing countries.

Here we have a role to play. I am pleased to note that MIGA issued \$2.1 billion in new guarantee coverage in 2011, a record high for the agency and a significant increase from last year. As we note later in this report, nearly all of the coverage was issued to new clients. This indicates that our enhanced business development efforts, including our strengthened partnerships within the World Bank Group, are beginning to show results. Importantly, the portfolio was also significantly more diversified across sectors and regions. Portfolio runoff continued to be low, as in the past few years, and the agency's total gross exposure of \$9.1 billion represented yet another historic high for MIGA.

In this report we also note important amendments to MIGA's Convention, approved by the Council of Governors, which took effect in November 2010. These historic amendments greatly enhance our ability to support clients. We are now able to cover stand-alone debt and some existing investments, putting us in a better position to support investors in times of uncertainty. Clients have responded very positively to our expanded authority, which has also contributed to this year's increased business volume. I am particularly grateful for the strong support we received from our shareholders to move forward with these amendments.

I had the opportunity to travel to the Middle East in February, a most interesting time to be in the region as events unfolded. In Lebanon, Jordan, and Saudi Arabia, conversations with government officials and the private sector focused on ways to encourage continued investment into the region and to support local investors seeking opportunities in other developing countries. We are enhancing our partnerships and representation in the region and stand ready to assist project sponsors and lenders to bring developmentally beneficial investment into these countries.

One of MIGA's top strategic priorities continues to be investment into conflict-affected and fragile economies. To help facilitate this kind of investment, MIGA has again drawn on its role as a member of the World Bank Group to be a knowledge resource—and has devoted research to this particular topic. Our report, *World Investment and*

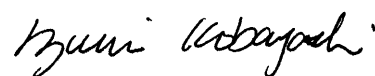
Political Risk 2010, which we discuss later in this review, focused on investment in conflict-affected and fragile economies. In addition, to complement our existing investment guarantee product, this year we proposed the establishment of a Conflict-Affected and Fragile Economies Facility to further promote investment and trade into these underserved markets.

This past year saw other advances at MIGA. We launched our Asia regional hub last August, placing representatives in Hong Kong SAR, China and Singapore, and augmenting our on-the-ground presence in Beijing and Tokyo. This move was important to allow us to get closer to our regional clients and assist Asia's emergence as a new center for outbound investment flows. We also expanded and strengthened our internal Bank Group and external partnerships, as we note later in this report.

Within MIGA, we welcomed several new staff, including those in the positions of general counsel, chief financial officer, and chief economist. We also inaugurated the MIGA Professionals Program, hiring two young professionals to join us for a period of two years. We believe the program has been successful in bringing in new and diverse talent from underrepresented countries, and we hope to bring three young professionals on board next fiscal year.

On a personal note, I happened to be in Tokyo when the earthquake and ensuing tsunami hit further to the north and left immediate and lasting devastation. It was beyond anything I had experienced growing up in Japan—and I knew immediately it would have serious repercussions for my country. But it also reminded me all the more about the people whom development institutions like the World Bank Group assist around the world, underserved people and communities hit by similar or other disasters, and without adequate support mechanisms. These are the people we at MIGA hope to reach and support by encouraging private sector investors to bring sustainable projects to countries that need it the most.

In conclusion, I would like to thank MIGA's committed and professional staff for their hard work in these continued challenging times. I know I can count on their support, as well as that of our shareholders and partners, as we continue to uphold our mission of facilitating investment that improves people's lives.



Izumi Kobayashi
June 30, 2011

MIGA Management Team

(From left to right, top to bottom)

IZUMI KOBAYASHI

Executive Vice President

JAMES P. BOND

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 175 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.

During fiscal year 2011, MIGA's Board of Directors reviewed and concurred with investment guarantees issued by MIGA. The board also approved MIGA's FY12-14 Strategy: *Achieving Value-Driven Volume*, MIGA's budget for fiscal year 2012, and increased exposure limits for MIGA's coverage at the project and country level. These increased exposure limits will be effective in fiscal year 2012. In addition, MIGA submitted quarterly financial reports and collaborated in drafting World Bank Group country assistance and partnership strategies that were considered by the board.

During fiscal year 2010, the board discussed and concurred with recommended amendments to MIGA's Convention. These amendments were subsequently approved by the Council of Governors last August and became effective this fiscal year.



MIGA's BOARD OF EXECUTIVE DIRECTORS, AS OF JUNE 30, 2011

Standing, from left to right: Gino Pierre Alzetta, Susanna Moorehead, Piero Cipollone, Felix A. Camarasa, Abdulrahman Almofadhi, Merza Hasan, Shaolin Yang, Pulok Chatterji, Jorg Frieden, Ian H. Solomon, Jim Hagan, Dyg Sadiah Binti Abg Bohan, Nobumitsu Hayashi, Rudolf Treffers, Ingrid Hoven, Rogerio Studart, Ambroise Fayolle

Seated, from left to right: Eugene Miagkov, Anna Brandt, Hassan A. Taha, Agapito Mendes Dias, Marie-Lucie Morin, Javed Talat, Marta Garcia, Renosi Mokate

MIGA Development Impact



THE WORLD ECONOMY IS SLOWLY EMERGING FROM A SEVERE RECESSION. BUT THE UNEVEN RECOVERY IS OCCURRING IN LARGE PART ON THE SHOULDERS OF THE DEVELOPING WORLD—WHICH IS CONTRIBUTING ALMOST HALF OF GLOBAL GROWTH. ACCORDING TO WORLD BANK ECONOMISTS, DEVELOPING ECONOMIES' GROSS DOMESTIC PRODUCT (GDP) EXPANDED BY 7.3 PERCENT IN 2010. THIS GDP GROWTH IS EXPECTED TO SLOW TO AROUND 6.3 PERCENT EACH YEAR FROM 2011-2013, BUT THIS STILL MORE THAN DOUBLES PROJECTIONS FOR HIGH-INCOME COUNTRIES.



This is a significant change to previous patterns of economic growth and even more remarkable because it mainly reflects an expansion of internal developing-country markets. This is good news for the global economic system—and particularly good news for development.

While, in general, the global recovery has broadened to encompass more firms, more countries, and more components of aggregate demand, there are several reasons to restrain unbridled optimism. The recovery in many economies in emerging Europe and Central Asia and in some high-income countries is tentative. Persistent financial sector problems and debt crises in some high-income countries still threaten growth. Unstable money flows chasing higher returns as well as the potential for overheating in developing economies could undermine development gains. And the sharp rise and volatility in food prices loom large for economies and livelihoods around the globe, affecting the people most in need of sustained growth and stability.

In addition, we note other unforeseeable factors that influence growth, and this year has had its share. Popular

uprisings in the Middle East and North Africa (MENA) have captured the world's attention. The social and developmental repercussions of these political sea-changes are still being analyzed, and their potential effect on oil prices has implications for the global economy. Also, the effects of Japan's tragic earthquake and resulting tsunami have contributed to a modest slowing in global industrial production and trade.

WHAT DOES THIS MEAN FOR FDI?

As the global economic outlook still remains mixed, prospects for foreign direct investment (FDI) appear brighter for developing countries. According to World Bank economists, inflows should continue growing by 20 percent and 13 percent a year in 2011 and 2012, respectively. In particular, FDI flows originating from developing countries have rebounded rapidly and are expected to continue this brisk pace. While the uptick in developing-country outbound FDI is led by Brazil, India, China, the Russian Federation, and South Africa (BRICS), others are gradually moving up the ranks as their multinational enterprises globalize operations.

The evolving role of FDI varies among regions. For example, sub-Saharan Africa is attracting new sources of FDI. Investment into Asia is spread more evenly across multiple industries and countries, though outbound investment will undoubtedly be affected by the earthquake in Japan. In Latin America, entrepreneurs are going global. Foreign banks have played a stabilizing role in Europe and Central Asia, but their large-scale presence also raises potential concerns. While the civil unrest in the MENA region worries many investors, some suggest that political changes sweeping the region may open up investment opportunities.

In June of 2010, MIGA surveyed 194 executives from multinational companies worldwide to inform our *World Investment and Political Risk* report. The survey found investors to be optimistic about their prospects, particularly in the medium term. Those from the extractive industries were particularly bullish in their investment intentions, as were South-South investors—confirming the trend we see in FDI data.

WHAT DOES THIS MEAN FOR MIGA?

Confirming the market's renewed optimism during this fiscal year, our volume of new business reached a record high and we saw a return to a more balanced portfolio across regions and sectors. Revolutions in MENA contributed to a resurging awareness of political risk in general, which led to increased business inquiries as MIGA entered the last quarter of our fiscal year (see MIGA Business for detailed portfolio results).

The historic amendments to MIGA's Convention approved by our Council of Governors in 2010 helped the agency catch the dual waves of FDI resurgence and investors' heightened sensitivity to political risk. By broadening our pool of eligible investments to include some types of existing projects and stand-alone debt, MIGA is better able to deliver on our mission of encouraging developmentally beneficial FDI.

We continue to leverage our foremost strength in the marketplace—attracting investors and private insurers into difficult operating environments. MIGA's operational strategy—which focuses on IDA-eligible countries, conflict-affected environments, complex projects in infrastructure and extractive industries, and encouraging investment between developing countries (South-South investments)—guides our work. For example, last year, under our Small Investment Program, we supported a project in Ethiopia that involves the privatization, rehabilitation, and expansion of an existing farm to cultivate and process passion fruit, mango, and papaya for juice exports. This project is already delivering solid results and is contributing to an economic revival in a region that has seen very high levels of poverty (see box 1).

This year, MIGA supported a number of projects in our priority areas, including our first contracts supporting investments into Iraq, Kosovo, Liberia, and the Republic of Congo. Of all contracts signed this year, 72 percent fell into one or more of the priority areas noted above.

MIGA focused intensely on conflict-affected and fragile economies this year, choosing to address conflict's impact on FDI in the *World Investment and Political Risk 2010* report. Our findings on constraints to growth were consistent with the World Bank's *World Development Report 2011 on Conflict, Security, and Development*. Apart from our guarantees to projects in fragile countries, we are also looking at innovative ways to address the gap between the exit of post-conflict official development assistance and the emergence of a resilient private sector. This year, MIGA has actively engaged member countries to enlist their support for a Conflict-Affected and Fragile Economies Facility that will combine a variety of products to mitigate risk and address market demand.

REAFFIRMING OUR PRIORITIES

MIGA's priorities of mobilizing investments into the world's poorest and conflict-affected countries, facilitating complex projects, and supporting South-South investment contribute to the goal of inclusive and sustainable globalization and are areas where we can make the most difference as a development agency. While these priority areas are not intended to be exclusive, they serve as an important operational compass for MIGA. These priorities have guided our work over the last several years and we recommitted our focus to them in *MIGA's FY12-14 Strategy: Achieving Value-Driven Volume*. Our priorities also dovetail with the World Bank Group's strategy laid out in *New World, New World Bank Group: (I) Post-Crisis Directions: to overcome poverty by targeting the poor and vulnerable, creating opportunities for growth, providing cooperative models, strengthening governance, managing risk, and preparing for crises*. In addition to these overarching goals, MIGA has taken important steps—as has the World Bank Group—to enhance our focus on client service and flexibility, particularly through the amendments to our Convention, implementing adjustments to our operational regulations, and streamlining underwriting processes. We talk more about this later in this report.

BOLSTERING INVESTMENTS IN THE MIDDLE EAST AND NORTH AFRICA

MIGA has made a concerted effort to preserve and encourage FDI into the MENA region during these challenging times. Here, MIGA's work is critical, as an increase in FDI would not only boost growth in the region but also help create much-needed jobs—an essential element of security and stability.

TROPICAL FRUIT JUICE PROJECT HELPING TO SPUR ECONOMIC REVIVAL IN ETHIOPIA



In Ethiopia's Upper Awash Valley, a company called africaJUICE is helping a community realize its income-earning potential from boundless sunshine and an abundant water supply from the Awash River. Despite these resources, the community often suffered from food shortages due to a lack of experience in using irrigation and limited earning potential from growing low-value crops.

The community's transformation began in April 2009, when africaJUICE Tibila Share Company, a joint venture between africaJUICE BV of the Netherlands and the Ethiopian government, took operational control of Tibila Farm. Under our Small Investment Program, MIGA is supporting the investment by providing \$10 million in guarantees to africaJUICE BV and to the Industrial Development Corporation of South Africa, a lender to the project.

The farm produces passion fruit, mangoes, papayas, and other tropical fruits. While some fruit is sold locally, most of the juice is processed in a new state-of-the-art facility built by africaJUICE. The processed juice is then transported to the port in neighboring Djibouti and on to markets in Europe and the Middle East. The plant's sterilization and packaging process means the product can endure the long journey to consumer markets—overcoming issues often blamed for food shortages and reduced earning potential from agriculture. The World Bank estimates that nearly half of Africa's total farm yield is lost between the harvest, warehousing, post-harvest marketing, and transport to the final consumer.

africaJUICE directly employs some 2,400 people in roles ranging from security guards to production line managers. It also manages an outgrower program that recruits local farmers to supply africaJUICE. The program's goal is to develop and support over 1,000 hectares of these local

farms, organized as cooperatives, to supplement the supply of fruit to the processing facility and extend community participation. The farmers participating in the program stand to earn a much higher income than they are currently earning producing primarily onions and tomatoes. Passion fruit can bring in nearly 135,000 Ethiopian birr (or about \$8,000) per hectare—a significant income in this poor community. Although passion fruit has never been produced in Ethiopia before, the climate and growing cycle is ideal for this sought-after product. The fruit grows on a trellis, so farmers can practice intercropping with their tomatoes and onions, while benefitting from irrigation systems maintained by africaJUICE.

The company is also tapping into MIGA's Environmental and Social Challenges Fund for Africa, financed by the Japanese government, which allows MIGA guarantee holders to receive expert advice from consultants to implement environmental and social enhancements to their investments. The grant proceeds are providing technical assistance to support the formation of the Outgrower Fair Trade Body. If successful, africaJUICE will be the first fair trade tropical juice producer in sub-Saharan Africa.

The surrounding community shows some early indications that the project is already spurring economic revitalization. The company has also made significant investments in improving access to clean drinking water and electricity for workers housed on the farm. This comprehensive approach to managing a business is in keeping with the company's stated vision to be a benchmark for how FDI is delivered in developing countries: "We aim to demonstrate that not only can growth be generated with positive effects on the environment and for poverty eradication but that it is 'good business' and should be the model of choice."

Executive Vice President Izumi Kobayashi visited the region as the revolutions in Tunisia and Egypt were unfolding and her experience helped lay the groundwork for MIGA's initiative to help encourage and support investment into the region.

MIGA's MENA initiative has two components. The first is knowledge sharing: in May 2011, we hosted a roundtable in Paris that convened investors, policymakers, and investment promotion authorities to discuss concerns and opportunities resulting from current events. Similar roundtable discussions will be held in the MENA region and in Washington.

The second element of the initiative is increased direct support to investors. MIGA is mobilizing \$1 billion in insurance capacity to retain and encourage FDI in MENA. We are reaching out to investors and lenders interested in the region, noting that we are open for business and highlighting our ability to guarantee projects under Islamic financing structures, our partnership with the Dubai International Financial Centre (DIFC), and our West Bank and Gaza Investment Guarantee Trust Fund. Our representative in the West Bank and Gaza, placed early this fiscal year, is focusing on business development for the trust fund as well as more broadly in the region.

MIGA is also consulting with the World Bank, IFC, and other regional partners with the aim of leveraging our collective resources to support FDI into MENA. These consultations include direct discussions with government agencies and state-owned enterprises in the region to understand their needs with respect to priority projects.

SUSTAINING ATTENTION TO ENVIRONMENTAL AND SOCIAL IMPACT

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 that help clients take a responsible approach to their projects' environmental and social aspects. Well-designed environmental and social programs can help manage reputational risks for project sponsors, protect the environment, and reduce political risks. Most importantly, attention to these issues ensures that the people and ecosystems that are most affected by a project will be taken into account during design and implementation.

MIGA administers the Environmental and Social Challenges Fund for Africa to provide technical advice to cross-border investors in the region. Financed by the Japanese government, the fund is open on a case-by-case basis to investors already receiving MIGA guarantees or being considered for support. Through the fund,

“Well-designed environmental and social programs can help manage reputational risks for project sponsors, protect the environment, and reduce political risks.”

investors can receive expert advice from MIGA and other consultants with an aim to ensure that projects comply with MIGA's environmental and social policies and investors receive best-practice advice on issues such as resettlement and local community benefits. As noted above, this fund is being used to support the africaJUICE project in Ethiopia.

An example of our close collaboration with clients on environmental and social issues is MIGA's guarantee to an exploration and feasibility study for the Weda Bay nickel mining project in Indonesia. The Weda Bay deposit is one of the world's largest undeveloped identified resources of nickel, with 5.1 million tons of nickel contained in measured, indicated, and inferred resources. Project sponsor Strand Minerals (Indonesia) Pte. Ltd. asked MIGA to provide a guarantee of \$207 million to support the detailed exploration and feasibility study stage of this complex project. Our involvement in the early phase helps the sponsors to identify the social and environmental impacts in detail, design mitigation measures, and test their effectiveness—using MIGA's performance standards, environmental guidelines, and good industry practices.

ENHANCING UNDERSTANDING OF DEVELOPMENT IMPACT

This year, MIGA expanded the program for self-evaluations we began in fiscal year 2010, stepping up our ability to gather developmental lessons from completed projects and apply them to current and future work. This organizational learning tool will allow the agency to more fully absorb lessons, while increasing accountability to shareholders and other stakeholders.

Since the program's inception, MIGA has completed eight evaluations for guaranteed investments, including in Afghanistan and Uruguay (see box 2). The projects are rated on criteria that measure development outcomes on the one hand, and MIGA's effectiveness on the other.

The evaluations, carried out by MIGA's economists, environmental and social specialists, and underwriters—and independently validated by the Independent Evaluation Group (IEG)—are aimed at increasing awareness and learning among operational staff. Going forward, MIGA intends to gradually expand the program to carry out more evaluations each year.

In addition, this fiscal year we introduced a series of development metrics that track direct employment, training budgets, the value of locally produced goods, taxes and fees paid, community investment amounts, and investment leveraged for all new MIGA-insured projects. Ongoing attention to this effort will eventually allow the agency to report on development indicators across the entire portfolio.

LEVERAGING DEVELOPMENT IMPACT THROUGH PARTNERSHIPS

This year, we continued to fortify existing relationships and also sought out new partners to promote and support developmentally beneficial FDI. Joint business development efforts and cross-marketing support between MIGA and IFC were particularly fruitful, resulting in the introduction of new clients to MIGA. These include the ProCredit group, a provider of finance to some 750,000 very small, small, and medium enterprises in Latin America, Eastern and Central Europe, and Africa.

This fiscal year MIGA and the World Bank's Finance, Economics and Urban (FEU) department signed an agreement to more effectively cross-market their political risk insurance and other guarantee products. MIGA and FEU are also working on structures that would allow clients to benefit from both MIGA's political risk insurance and World Bank guarantee products in a single transaction—significantly reducing processing time for critical investments. We also signed a similar business development cooperation agreement with the Banking and Debt Management Department in the World Bank's Treasury vice presidency. In addition, this year marked enhanced collaboration between MIGA and the World Bank's Investment Climate Advisory Services (IC) with the placement of a senior MIGA staff member in IC's Vienna office who focuses on business development in Eastern Europe and Central Asia.

Outside of the World Bank Group, we signed a Memorandum of Understanding (MOU) with Kafalat S.A.L., a Lebanese financial company that provides guarantees for small and medium enterprises to access bank loans. Through this agreement, MIGA and Kafalat will cooperate to promote Lebanese enterprises' cross-border investments into developing countries. The partners also committed to raising general awareness about risk-mitigation instruments such as political risk insurance through joint conferences and training—with the first training program conducted in Beirut in March by a MIGA team.

Additionally, MIGA signed an MOU with the Indonesian Infrastructure Guarantee Fund to collaborate on capacity building and to coinsure a pipeline of infrastructure projects.

These new agreements are additions to our recent strategic partnerships with organizations such as the Japan Bank for International Cooperation, the Central American Bank for Economic Integration, Korea's Eximbank, Nippon Export and Investment Insurance, and DIFC. Such partnerships leverage these regional players' in-depth knowledge of markets and MIGA's experience in political risk insurance to encourage sound investment in developing countries worldwide.

Also noteworthy is the partnership that was formed in the wake of the global financial crisis among the European Bank for Reconstruction and Development, the European Investment Bank, and the World Bank Group. In March 2011, the institutions observed the conclusion of the successful cooperation and pledged to collaborate again in the future, as needed. From October 2008 to March 2011, MIGA issued \$2 billion in guarantees to the financial sector in Central and Eastern Europe as part of the group's Joint International Financial Institution Action Plan.

LEARNING LESSONS, DEMONSTRATING IMPACT

MIGA has significantly expanded its attention to lessons learned and its ability to demonstrate the developmental impact of its guarantees through self evaluation. Here we highlight two projects in very different environments that were among the first to be formally evaluated with rigorous criteria developed jointly by MIGA and IEG: MTN in Afghanistan and Botnia South America (now UPM) in Uruguay.

CONNECTING AFGHANISTAN

When MIGA recently evaluated its support for MTN Group's telecommunications investment in Afghanistan, the project received the highest marks for its development outcome, including strong results for financial and economic sustainability, private sector impact, and MIGA's effectiveness.

After decades of armed conflict, Afghanistan's communications network was barely functioning. The country had no internet access. In fact, the state of the country's communications infrastructure was so poor that it hindered the government's ability to coordinate its own operations. In response, the World Bank Group mobilized to modernize the Afghan telecommunications sector. IDA credits and grants were used to provide key public infrastructure, and the joint World Bank/IFC Information and Communication Technology Sector Unit accessed trust funds to deliver technical assistance for reform of regulations needed to attract private investment.

In fiscal year 2007, MIGA issued a guarantee of \$74.5 million to MTN Group of South Africa covering its equity investment in Areeba Afghanistan LLC. MIGA chose to issue the guarantee despite clear risks for the project itself and for MIGA's covered risks, as the project was expected to have a significant development impact.

Crucially, an additional \$2 million "first loss" provision was insured under MIGA's Afghanistan Investment Guarantee

Facility designed to encourage foreign investment into the country. The facility is jointly funded by the government of Afghanistan, IDA, the government of the United Kingdom, and the Asian Development Bank.

The MIGA-supported project entailed the installation, operation, and maintenance of a GSM network, wireless communication services, internet and satellite services, and public pay phones. MTN Afghanistan's network implementation and maintenance was subcontracted to local businesses and network equipment was produced locally. As a result, the project created substantial opportunities for local companies.

Following a thorough evaluation, MIGA confirmed that this was a highly developmentally beneficial project. The evaluation also clearly demonstrated that the business model employed by the project works—even in an exceedingly difficult environment—as financial returns have been healthy, especially given the undeveloped market.

In fact, MTN Afghanistan exceeded most expectations. The project introduced the latest GSM technology covering over 80 percent of Afghan territory. Profitability margins are higher than expected. This, despite very real and grave risks: MTN faces daily security threats from insurgent forces, as well as a highly uncertain policy environment.

SUPPORTING URUGUAY'S LARGEST FOREIGN INVESTMENT

We also completed a self evaluation on the "green" technology UPM pulp mill project in Uruguay, which MIGA supported by issuing a \$300 million guarantee to its investors in 2007. The mill produces bleached eucalyptus kraft pulp that is exported to paper manufacturers in Europe, Asia, and North America.

The UPM mill is located on the bank of the River Uruguay, upstream of Fray Bentos, a town that had been economically depressed since its primary meat-packing industry closed down in 1979. High expectations were set for the project from the start—both within the community and more broadly: the project represents the largest foreign investment in Uruguay's history and has been watched closely at the national level.

MIGA's evaluation confirms the project's significant economic and developmental success. The mill boasts an



annual capacity of over one million tons of pulp. Employment creation and wages in excess of the national median are both higher than originally estimated. Moreover, the financial performance of the project is significantly better than had been expected.

As part of its commitment to operate with “green” technology, the mill has obtained a number of international environmental certificates, which are audited annually by an independent third party, the Forest Stewardship Council, as well as ISO Certifications 9001 and 14001. The mill generates its own energy and sells its excess to the national grid.

MIGA's guarantees were instrumental in the project's creation. The Finnish investor was initially concerned about establishing a presence in Uruguay, as the company had never ventured beyond Europe to build physical plants. The guarantees were also required by the investor's board considering the large equity exposure needed to fund the project.

The project did become controversial during MIGA's underwriting process and well into implementation since the mill uses the border river between Uruguay and Argentina to transport its pulp for onward shipment to Europe and Asia. Argentine civic associations opposed the project, arguing that

it posed a major environmental hazard to their communities, despite UPM's assurances to the contrary. These groups were able to orchestrate the closure of the General San Martín International Bridge, reducing economic activity. The issue eventually reached the International Court of Justice, which ruled in favor of the project. Since then, Uruguay and Argentina agreed in late 2010 to establish a bi-national commission of scientists to monitor the environmental impact on the Uruguay River.

The UPM project's benefits to the community include substantial linkages to other businesses, investment in local infrastructure, robust training programs, and the support of a foundation that disburses \$200,000 annually to community projects. The mill holds regular community consultation events to report environmental monitoring results and has strong community grievance mechanisms.

Apart from the benefits that UPM's mill brings to the local community, MIGA's evaluation notes that this project is likely to positively influence the way other private enterprises operate in the country, as well as foreign investors' perception of the national business climate.

MIGA Business



OPERATIONAL OVERVIEW

MIGA ISSUED \$2.1 BILLION IN NEW GUARANTEE COVERAGE IN FISCAL YEAR 2011. THIS REPRESENTS THE LARGEST AMOUNT OF NEW ISSUANCE IN MIGA'S HISTORY. NEARLY ALL OF THE COVERAGE WAS ISSUED TO NEW CLIENTS—INDICATING THAT OUR ENHANCED BUSINESS DEVELOPMENT EFFORTS, INCLUDING A MARKETING AGREEMENT WITH THE IFC, ARE BEGINNING TO SHOW RESULTS. IN ADDITION, A SIGNIFICANT VOLUME OF OUR 2011 BUSINESS RESULTED FROM RECENT AMENDMENTS TO MIGA'S CONVENTION.

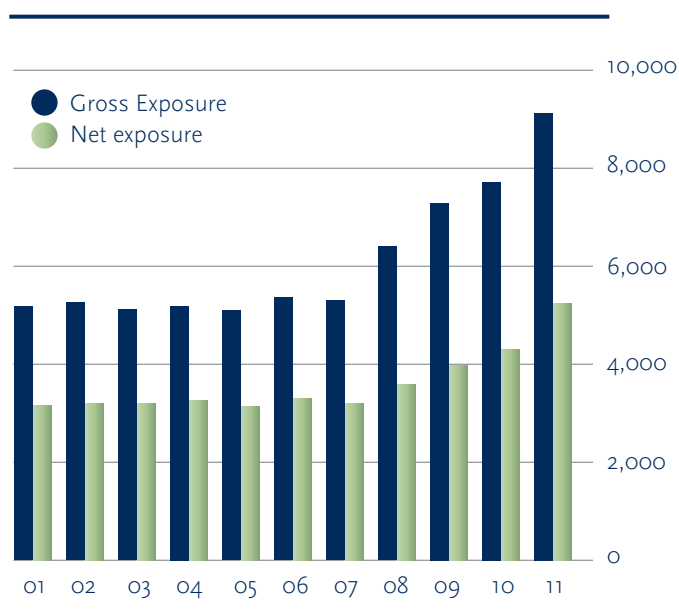


The portfolio was also more diversified across sectors and regions than in recent years. We insured investments in four new host countries—Iraq, Kosovo, Liberia, and the Republic of Congo—and supported investments in nearly all of our business sectors. With 36 contract cancellations totaling \$417 million, portfolio runoff continued to be relatively low, as in the past few years. At the close of the fiscal year, the agency's total gross exposure of \$9.1 billion represented yet another historic high for MIGA (see figure 1).

MIGA'S OPERATING ENVIRONMENT

Fiscal year 2011 was characterized by gradual economic recovery led by the developing world. As credit constraints eased and foreign direct investment (FDI) flows to developing countries began to recover, the demand for political risk insurance (PRI) products increased. In addition, as we mentioned earlier, events in the Middle East and North Africa contributed to a resurging awareness of political risk.

FIGURE 1
GUARANTEES PORTFOLIO,
GROSS AND NET OUTSTANDING EXPOSURE (\$M)



Yet, despite this increased interest, PRI seems to remain a discretionary purchase as margins become thinner and many established investors feel that their balance sheets are strong enough to warrant the risk of not insuring the investment. Competition in the industry is strong with adequate capacity to support investor demand.

Our comparative advantage in this competitive market lies in MIGA's 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. Indeed, we are taking this comparative advantage to the next level by proposing the establishment of a Conflict-Affected and Fragile Economies Facility to further promote investment and trade in these underserved markets. Supported by donors, the facility would offer investment and export credit insurance to address the unmet demand for risk-management products, as well as to fill the gap between the exit of post-conflict official development assistance and the emergence of a resilient private sector in these countries.

As a development institution, MIGA has many additional underwriting requirements that many other PRI providers do not, such as the need for economic impact analysis and environmental and social requirements. However, this is often a comparative advantage for MIGA, especially in projects that are facing difficult environmental or social

“Our comparative advantage in this competitive market lies in MIGA's status as a member of the World Bank Group and our ability to support complex, higher-risk projects requiring long tenors and significant syndication. ”

issues. Our presence is a public indication that the project sponsor is developing the project in accordance with MIGA's Policy on Social and Environmental Sustainability. This can help the client in a variety of ways—from managing community relations to attracting financing.

CONVENTION AMENDMENTS BOOST MIGA'S SUPPORT TO FDI

Significant amendments to MIGA's Convention, approved by MIGA's Council of Governors, took effect in November 2010. Two key modifications are that MIGA is now able to insure project debt even when we are not insuring a portion of the equity investment, and we may now insure some types of existing investments.

The ability to support non-shareholder loans supporting FDI was a critical milestone for MIGA. We frequently had to turn away projects where a lender wanted the benefit of MIGA's cover, but the equity investor did not meet MIGA's eligibility requirements or was not convinced of the need for PRI. This resulted in cases where prospective lenders to projects chose not to proceed, reducing the number of available financing options for the sponsors—and potentially increasing their financing costs. Our ability to insure stand-alone debt has also made it easier for us to provide non-honoring of sovereign financial obligations cover. Demand for this product has been substantial, coming primarily from lenders and involving transactions in the public finance area and sub-sovereign entities in frontier markets.

We can also provide PRI to projects in cases of the simple acquisition of existing investments. Previously, MIGA was unable to provide cover for brownfield acquisitions, despite the potential developmental benefits of having a new private sector operator. MIGA is also able to insure eligible investments in cases where an investor is seeking coverage for a pool of existing and new projects. Our ability to offer coverage for existing investments puts MIGA in a better position to support investors in times of uncertainty and is particularly timely given this year's events unfolding in the Middle East and North Africa. Coverage for temporary business interruption, which was authorized under the changes to our Operational Regulations in fiscal year 2009, offers an added layer of protection in conflict-affected environments.

MIGA'S BUSINESS DEVELOPMENT

This year we focused on raising awareness of our new flexibility and products among existing clients and developing new relationships with the banking industry. We also strengthened collaboration with the IFC to mobilize private investment into emerging markets. Building on the two organizations' natural synergy, the IFC/MIGA business development unit leveraged IFC's global

CONVENTION AMENDMENTS DELIVER RESULTS

Within weeks of the amended Convention's effective date, MIGA signed contracts for projects that would not have been possible under the previous Convention.



EASING TRAFFIC CONGESTION IN ISTANBUL

In Turkey, we are supporting the expansion of Istanbul's metro system, which will reduce traffic and congestion, provide better access to jobs, and improve the quality of life in the metropolis that is home to 18 percent of Turkey's population. In December 2010, MIGA issued a guarantee of \$19.6 million covering an investment by WestLB of Germany in the Otogar-Bâcılar-Ikitelli-Olympic Village Metro Project, insuring the Municipality of Istanbul's guarantee of WestLB's loan to Istanbul Electricity Tram and Tunnel. In addition to covering stand-alone debt, this project also represents the first use of our authority to provide non-honoring of sovereign financial obligations coverage. MIGA is also supporting sub-sovereign credit risk as the loan is to the Metropolitan Municipality of Istanbul.

In April 2011, MIGA provided further support to Istanbul's metro expansion through a guarantee of \$409.2 million. This larger guarantee was issued to WestLB, the facility agent for a consortium of lenders including UniCredit, ING, Crédit Agricole, Société Générale, and BNP Paribas. This financing is supporting the construction of Istanbul's metro on the Asian side of the city, including 16 metro stations.

EXTENDING THE REACH OF TELECOMS SERVICES IN INDONESIA

Another significant project signed in 2011 representing stand-alone debt is PT Natrindo Telepon Seluler in Indonesia. In this project, MIGA's guarantees are backing a \$450 million

"Murabaha" financing facility underwritten by Deutsche Bank and Saudi British Bank. The MIGA-backed Islamic finance facility is part of a larger \$1.2 billion financing package for the expansion of Indonesian telecom company PT Natrindo Telepon Seluler, known by the brand "Axis". Axis is a GSM and 3G cellular service provider offering wireless communication services in more than 400 cities across Indonesia. The new financing will help the company increase network quality, expand coverage, and build more network capacity. In particular, it will allow Axis to reach lower-income segments of the market as well as remote islands of the archipelago, where telecommunications is a particular challenge.

SUPPORTING BANKING SERVICES IN UNDERSERVED MARKETS

Our authority to cover a pool of new and existing investments allowed us to support the ProCredit Group Central Bank Mandatory Reserves Coverage project. Here, a MIGA master contract covers 14 fully licensed banks in 14 countries and a diverse portfolio of new and existing equity investments. MIGA's expropriation of funds coverage allows ProCredit to obtain capital relief, freeing up equity tied up at the parent holding level for regulatory purposes. This equity will be injected into ProCredit group's banks across emerging markets, allowing those banks to provide loans and financial services to very small, small, and medium enterprises. This is the first time we are providing a guarantee for funds held as mandatory reserves with host country central banks and is an innovation that can be replicated to support other financial institutions.

presence while offering IFC a clear financial incentive to bring bankable projects to MIGA. The landmark ProCredit transaction, which resulted from this relationship, led to the completion of 14 projects in 14 countries, of which nine are eligible for concessional lending from the International Development Association (IDA) (see box 3).

In August 2010, MIGA launched a hub in Asia and started operations in Hong Kong SAR, China and Singapore. We also augmented our representation in Beijing and Tokyo. The hub is geared toward providing better and more efficient access for MIGA's clients and other stakeholders in Asia. We felt a particularly acute need for a base in Asia due to the robustness of the region's inbound and outbound investment activities as well as practical challenges such as the geographical and time differences. The team has developed a strong pipeline of viable business leads and underwriting is underway on several projects.

Our marketing agents and finders program, launched in September 2009, now has five marketing agents and 41 business finders who have been selected to help us expand our marketing efforts in countries and regions where MIGA is less well-known. In fiscal year 2011, three projects in Africa, equivalent to \$14.2 million in guarantees, were generated through the program—and an additional seven projects totaling approximately \$500 million are in the business pipeline. The majority of these projects are in one or more of our strategic priority areas.

Underpinning all of this has been a concerted effort to improve efficiency within the agency. We have streamlined a number of internal processes and launched a new system to support coordinated management of client relationships.

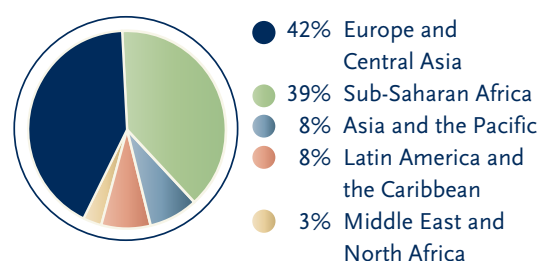
PRODUCT INNOVATION, NEW HOST COUNTRIES BROADEN MIGA'S PORTFOLIO

From a regional and country perspective, MIGA's guarantee volume showed significant diversification (see figure 2) as Europe and Central Asia accounted for 51 percent of the volume of guarantees issued, compared to 74 percent in fiscal year 2010 and 88 percent in fiscal year 2009. We supported 15 new projects in sub-Saharan Africa, spanning a variety of sectors. Seventy-two percent of the 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.

This year we issued guarantees in support of investments into Iraq, Kosovo, Liberia, and the Republic of Congo. These are new host countries for MIGA and all represent priority areas for us. Notably, all four countries are recognized by the World Bank as "conflict-affected."

Diversity also returned at the sector level (see figure 3). Since the onset of the global financial crisis, we focused heavily on supporting the recapitalization of banks in Eastern Europe and Central Asia as part of the World Bank Group's Financial Sector Initiative. This year we wound down those activities as demand subsided and investor needs shifted. As a result, 24 percent of the volume of guarantees we issued this year were in the financial sector, compared to 64 percent in fiscal year 2010. We covered 17 projects in this sector, including 14 projects with ProCredit Holding, a new client for MIGA focusing on small and medium enterprises. Through our Small Investment Program, we are supporting a health insurance provider in Kenya that is expanding its delivery of medical insurance in East Africa.

FIGURE 2
GUARANTEES ISSUED IN FY11, BY REGION
(BY NUMBER OF PROJECTS)



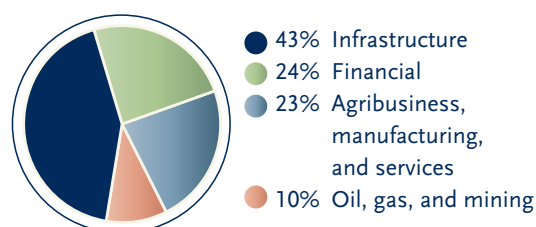
As noted earlier, demand by financial institutions for MIGA's cover against the risk of non-honoring of sovereign financial obligations resulted in robust support to the infrastructure sector, including two contracts covering the construction of Istanbul's metro system. Several additional infrastructure projects involving this cover are in MIGA's pipeline for fiscal year 2012. MIGA's increased value in the infrastructure sector has been recognized by the market: In polling undertaken by *Infrastructure Investor*, MIGA received Honorable Mention in the category of Global Infrastructure Insurance House of the Year (2010).

We also supported a number of new agribusiness transactions this year. This sector is an area of particular importance considering deepening concerns about food price volatility and supply. Our work in this sector is bolstering the World Bank Group's commitment to helping developing countries improve agriculture's contribution to food security, raising the incomes of the poor, and facilitating economic transformation. Notably, in Zambia, a MIGA guarantee backs a project that will cultivate maize, wheat, and soya for consumers in that country and the broader Southern African Development

Community (SADC). This project comes under the master contract we issued last year to Chayton Atlas Investments, an investment holding company within Chayton Atlas Agricultural Company, a private equity fund focused on investing in agribusiness in SADC countries.

Portfolio runoff due to cancelled contracts remained somewhat lower than the years preceding the global financial crisis, but is beginning to return to pre-crisis levels. Thirty-six contracts were cancelled this fiscal year compared to 32 in 2010, 11 in 2009, 50 in 2008, and 54 in 2007. The majority of these cancellations were due to the sale of the project enterprise by MIGA's guarantee holder. A significant number of cancellations also takes place each year as a result of changes in corporate strategy related to risk management. These generally occur when an investment is considered successful from a financial standpoint or when perceptions of political risk have improved.

FIGURE 3
GUARANTEES ISSUED IN FY11, BY SECTOR
(BY \$ VOLUME)



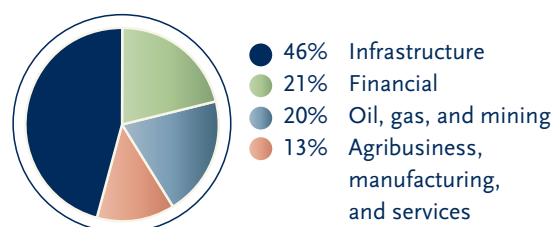
NEW EXPOSURE LIMITS REFLECT MIGA'S STRONG CAPITAL POSITION AND RISK-MANAGEMENT CAPACITY

In our fiscal year 2012-2014 strategy, we recommitted to supporting the four priority areas that have guided our work over the last several years. In keeping with our strategy of growth and continued strengthening of development impact, our Board of Directors has approved increases to our single country and single project exposure limits (net after reinsurance). Beginning in fiscal year 2012, we will be able to take on net exposure of up to \$220 million per project and up to \$720 million per country. This will allow us to extend our reach while continuing to maintain a strong 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 (see figure 4 for con-

sumption of economic capital by sector). The guarantee portfolio as a whole consumed approximately one-third of MIGA's available capital as of June 30. This underscores our commitment to supporting complex projects while carefully managing the agency's capital base.

FIGURE 4
CONSUMPTION OF MIGA'S ECONOMIC CAPITAL
IN FY11, BY SECTOR



DISPUTE RESOLUTION AND PRE-CLAIMS ASSISTANCE: KEEPING INVESTMENTS AND BENEFITS ON TRACK

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 2011, 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 to avoid dispute escalation, which could have led to failure of the project, withdrawal of the investment and, possibly, a claim. Our management of potential claims and similar matters 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. In fiscal year 2011, we received three claims. One claim under our expropriation coverage is being evaluated. The other claims, both for war and civil disturbance, were made to MIGA in its capacity as administrator of the donor-funded Afghanistan Investment Guarantee Facility. One of these claims was paid, and

MIGA is evaluating the other. In addition, we are continuing to work on a claim filed in fiscal year 2010 and have given the investor additional time to support its claim. MIGA maintains appropriate reserves for these matters.

REINSURING THE PORTFOLIO

MIGA uses reinsurance to increase the amount of coverage we can provide, to manage the risk profile of the portfolio, and to cooperate with other insurers as required under the agency's Convention. The primary benefits of reinsurance accrue to 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, 2011, \$3.9 billion of MIGA's total gross exposure was reinsured.

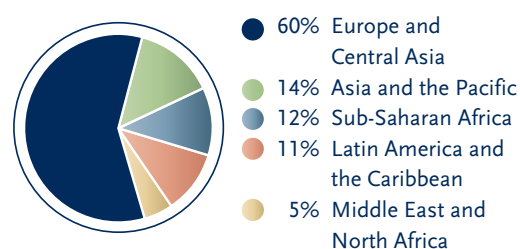
REINSURANCE PARTNERS

MIGA continues to work with both facultative and treaty reinsurance providers. During fiscal year 2011, we entered into facultative reinsurance agreements with a number of private sector and public sector insurance partners. These agreements supported infrastructure and telecommuni-

cations projects in the Middle East and Southeast Asia. MIGA also provided outward reinsurance to SID Bank, the Slovenian export credit agency, for investments in Serbia.

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

FIGURE 5
OUTSTANDING PORTFOLIO DISTRIBUTION BY HOST REGION, PERCENT OF GROSS EXPOSURE*



** Totals exceed 100 percent due to master contracts covering more than one region*

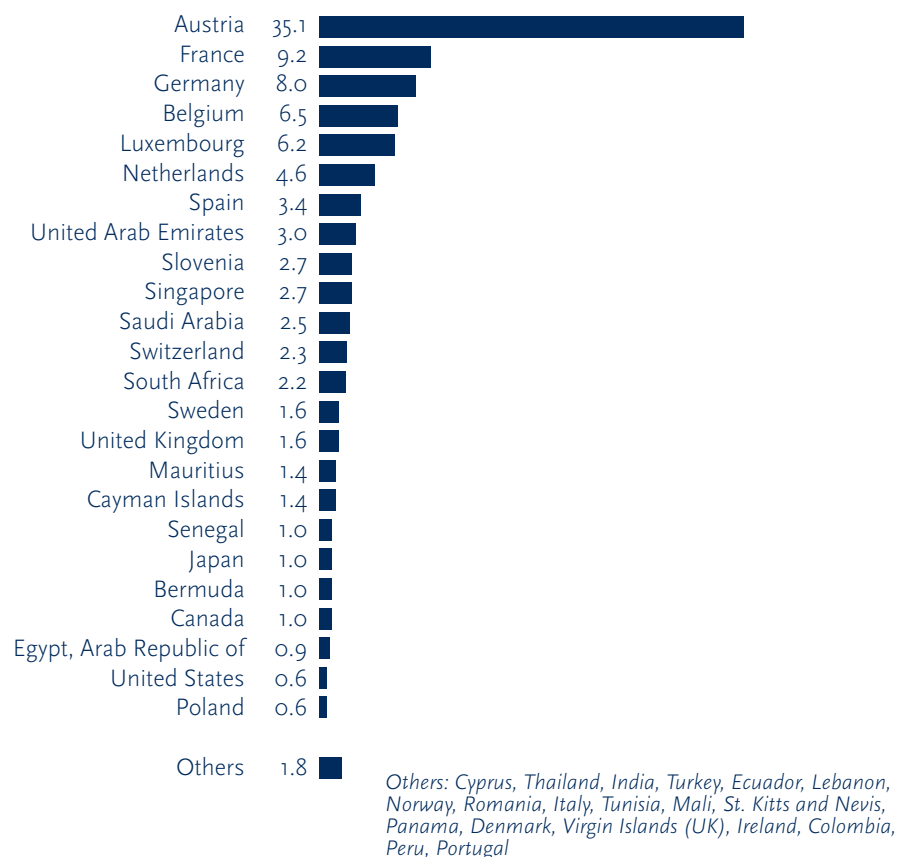
TABLE 1
OUTSTANDING PORTFOLIO DISTRIBUTION BY SECTOR
PERCENT OF GROSS EXPOSURE

	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Infrastructure	39	41	41	41	35	30	33
Financial	39	33	29	37	47	52	49
Oil, gas, and mining	9	14	13	9	7	7	5
Agribusiness, manufacturing, and services	13	13	17	13	11	11	13
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	999.1	11.0	384.1	7.3
Turkey	952.7	10.4	379.1	7.2
Russian Federation	916.8	10.0	455.3	8.7
Croatia	660.1	7.2	309.5	5.9
Indonesia	657.0	7.2	327.0	6.2
Serbia	446.7	4.9	290.4	5.5
Hungary	412.6	4.5	349.4	6.7
Kazakhstan	401.5	4.4	162.0	3.1
Uruguay	300.1	3.3	108.1	2.1
China	230.0	2.5	210.7	4.0

FIGURE 6
OUTSTANDING PORTFOLIO DISTRIBUTION, BY INVESTOR COUNTRY
PERCENT OF GROSS EXPOSURE*



* Numbers may not add up to 100 percent due to investors for the same guarantee contract domiciled in 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
Djibouti	224.9	2.5	73.1	1.4
Mozambique	165.8	1.8	127.2	2.4
Uganda	156.0	1.7	80.2	1.5
Liberia	148.8	1.6	96.8	1.9
Nigeria	108.9	1.2	94.6	1.8
Pakistan*	106.1	1.2	55.0	1.1
Nicaragua	99.8	1.1	56.4	1.1
Senegal	83.8	0.9	73.9	1.4
Bangladesh	78.3	0.9	70.4	1.3
Lao People's Democratic Republic	77.9	0.9	38.9	0.7
Afghanistan	76.2	0.8	35.1	0.7
Moldova	72.7	0.8	42.2	0.8
Ghana	65.3	0.7	58.3	1.1
Guinea	59.9	0.7	54.2	1.0
Kosovo	55.0	0.6	55.0	1.1
Kenya	50.2	0.6	43.6	0.8
Bosnia and Herzegovina*	45.0	0.5	41.7	0.8
Vietnam	40.9	0.5	10.3	0.2
Rwanda	39.9	0.4	39.9	0.8
Central African Republic	34.7	0.4	34.7	0.7
Congo, Democratic Republic of	30.7	0.3	30.7	0.6
Nepal	29.4	0.3	11.7	0.2
Madagascar	22.0	0.2	22.0	0.4
Guinea-Bissau	20.1	0.2	18.1	0.4
Zambia	18.6	0.2	18.6	0.4
Sierra Leone	17.2	0.2	16.7	0.3
Mali	16.2	0.2	14.6	0.3
Ethiopia	14.0	0.2	14.0	0.3
Angola	12.9	0.1	11.6	0.2
Georgia*	9.0	0.1	9.0	0.2
Kyrgyz Republic	8.9	0.1	8.6	0.2
Honduras	6.9	0.1	6.9	0.1
Congo, Republic of	5.6	0.1	5.6	0.1
Mauritania	5.4	0.1	4.9	0.1
Togo	4.6	0.1	4.6	0.1
Armenia*	4.1	0.1	4.1	0.1
Benin	2.4	0.0	2.3	0.0
Burkina Faso	1.8	0.0	1.6	0.0
Côte d'Ivoire	1.8	0.0	1.8	0.0
Grand Total	2,021.7	22.2	1,388.8	26.5

* IDA-eligible, but creditworthy enough to borrow from IBRD

TABLE 4
PROJECTS SUPPORTED IN FISCAL YEAR 2011

Host Country	Guarantee Holder	Investor Country	Sector	Amount \$M (Gross exposure)	Priority/ Area of Interest ¹
ASIA AND THE PACIFIC					
Indonesia	Strand Minerals (Indonesia) Pte. Ltd.	Singapore	Mining	207.0	COM
Indonesia	Deutsche Bank Luxembourg S.A.; Saudi British Bank	Luxembourg; Saudi Arabia	Telecommunications	450.0	S-S, COM
Pakistan	Habib Bank AG Zurich*	Switzerland	Banking	95.1	IDA (blend) ²
EUROPE AND CENTRAL ASIA					
Albania	ProCredit Holding AG	Germany	Banking	25.0	
Armenia	ProCredit Holding AG	Germany	Banking	3.7	IDA (blend)
Bosnia and Herzegovina	ProCredit Holding AG	Germany	Banking	12.5	IDA (blend), CA
Georgia	ProCredit Holding AG	Germany	Banking	9.0	IDA (blend), CA
Hungary	UniCredit Bank Austria AG*	Austria	Banking	259.4	
Kosovo	ProCredit Holding AG	Germany	Banking	50.0	IDA, CA
Macedonia, FYR	ProCredit Holding AG	Germany	Banking	12.5	
Moldova	ProCredit Holding AG	Germany	Banking	4.1	IDA
Poland	Linx Telecommunications B.V.; ABN Amro	Netherlands	Services	3.7	SIP
Russian Federation	Linx Telecommunications B.V.; ABN Amro	Netherlands	Services	10.1	SIP
Serbia	ProCredit Holding AG	Germany	Banking	4.4	
Serbia	SID Bank, Inc. Ljubljana	Slovenia	Services	247.9	
Turkey	Troy AB*	Sweden	Transportation	0.5	COM
Turkey	WestLB AG, Istanbul Branch	Germany	Transportation	19.6	COM
Turkey	WestLB AG, London Branch	Germany	Transportation	409.2	COM
Ukraine	ProCredit Holding AG	Germany	Banking	5.6	

PROJECTS SUPPORTED IN FY11 (cont'd)

Host Country	Guarantee Holder	Investor Country	Sector	Amount \$M (Gross exposure)	Priority/ Area of Interest ¹
LATIN AMERICA AND THE CARIBBEAN					
Colombia	ProCredit Holding AG	Germany	Banking	2.6	
Honduras	ProCredit Holding AG	Germany	Banking	6.2	IDA
Nicaragua	ProCredit Holding AG	Germany	Banking	12.9	IDA
MIDDLE EAST AND NORTH AFRICA					
Iraq	Karo Dis Ticaret ve Sanayi Ltd. Sti.	Turkey	Manufacturing	5.0	CA, S-S, SIP
SUB-SAHARAN AFRICA					
Congo, Democratic Republic of	ProCredit Holding AG	Germany	Banking	5.0	CA, IDA
Congo, Republic of	Cotecna Inspection S.A.	Switzerland	Services	5.6	CA, IDA
Ethiopia	SGI Ethiopia Cement Limited	Virgin Islands (UK)	Manufacturing	4.0	IDA
Kenya	ADC Financial Services and Corporate Development	Mauritius	Financial Services	2.0	IDA, SIP
Liberia	Vattenfall AB	Sweden	Agribusiness	142.2	CA, IDA
Mozambique	ProCredit Holding AG	Germany	Banking	2.5	IDA
Mozambique	Sojitz Corporation	Japan	Manufacturing	9.1	IDA, SIP
Rwanda	KivuWatt Holdings	Mauritius	Power	28.6	IDA, COM
Sierra Leone	Geogas Trading S.A.	Switzerland	Services	3.6	CA, IDA, SIP
South Africa	MKV Holdings, LLC	Mauritius	Agribusiness	10.0	SIP
South Africa	Tulbagh Holdings LLC	United States	Agribusiness	5.0	SIP
Togo	Cotecna Inspection S.A.	Switzerland	Services	4.6	CA, IDA
Uganda	Icam SpA, Giovanni Aletti	Italy	Agribusiness	2.1	IDA, SIP
Zambia	Chayton Atlas Investments	Mauritius	Agribusiness	5.2	IDA
Zambia	Hitachi Construction Machinery Africa Pty. Ltd.; Hitachi Construction Machinery Southern Africa Co., Ltd.	South Africa	Manufacturing	13.5	IDA, S-S

* 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 FY11

¹ Projects in priority areas and other areas of interest, 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; SIP: project underwritten through the Small Investment Program

² Blend countries: IDA-eligible but creditworthy enough to borrow from IBRD

Guarantees

Asia and the Pacific



MIGA DEVELOPING MEMBER COUNTRIES

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

The East Asia and Pacific region rebounded quickly from the recession prompted by the financial crisis, with overall growth estimated to have reached 9.6 percent in 2010. Supported by a fiscal stimulus, China was the principal driver, with GDP growth estimated at 10.3 percent in 2010. Also driven by China, exports of goods and services rebounded robustly in 2010 having declined in the previous year. Excluding China, the East Asia and Pacific region grew by 1.5 percent in 2009 and an estimated 6.8 percent in 2010. GDP growth rates for China and the region as a whole are expected to slow somewhat in 2011 and 2012, but remain elevated.

The effects of the March 2011 earthquake and tsunami in Japan are expected to have a negative impact on that country's growth rate in the short term, but as reconstruction begins growth is expected to accelerate. This temporary slowdown in Japan is expected to have a modest short-term effect on the region through subdued trade and FDI flows, as well as disruptions in regionally integrated supply chain production.

South Asia also recovered quickly from the recession, mostly due to strong domestic demand, stimulus measures, and improved exports. As a result, GDP growth for the region is estimated at 9.3 percent in 2010, with India alone expected to grow at 8.8 percent. Excluding India, South Asia's rate of growth for 2010 is estimated at 5 percent.

The strong rebound of the Asia-Pacific region, coupled with asset price increases, spiking food and oil prices, and a surge in portfolio inflows, has also raised the specter of inflation in a number of countries. This has prompted increases in interest rates to control inflationary pressures, new measures aimed at stemming price increases in overheated sectors, and currency appreciations in some countries.

Net private and official capital flows increased in 2010 to an estimated \$378.2 billion in East Asia and the Pacific. Following a sizable decline in 2009, net FDI inflows jumped by 63 percent to an estimated \$225.2 billion in 2010, and are projected to increase further to \$267.7 billion in 2012. In South Asia, net private and official flows increased to an estimated \$88.3 billion in 2010, but FDI flows declined for the second consecutive year from a peak of \$48.7 billion in 2008 to an estimated \$24.2 billion.

During the fiscal year, MIGA provided guarantees for three projects in the region. At year-end, MIGA's gross guarantee exposure stood at \$1.3 billion, equivalent to 14 percent of the agency's outstanding portfolio.

INDONESIA

PROJECT NAME: PT NATRINDO TELEPON SELULER

GUARANTEE HOLDERS: DEUTSCHE BANK LUXEMBOURG S.A.; SAUDI BRITISH BANK

On June 15, 2011, MIGA issued guarantees totaling \$450 million covering a "Murabaha" financing facility by Deutsche Bank Luxembourg S.A. and Saudi British Bank (SABB) for PT Natrindo Telepon Seluler (NTS) in Indonesia. MIGA's coverage is for a period of up to seven and a half years against the risks of transfer restriction, expropriation, and war and civil disturbance.

This investment is part of a larger \$1.2 billion Islamic financing package for NTS, holder of the registered brand "Axis". The company is a national GSM and 3G cellular service provider in Indonesia, offering wireless communication services. The financing is aimed at increasing the quality on the existing network, increasing the population coverage, and building additional network capacity.

The portion of the financing that MIGA is insuring is a dual currency term "Murabaha" facility with Deutsche Bank Luxembourg S.A. as political risk insurance agent acting on behalf of itself, SABB, and other financial institutions to be identified. The initial participants are SABB and Deutsche Bank Luxembourg S.A. The facility will be syndicated following the financial close. The facility may be taken out at a later stage in whole or part by a Sukuk capital markets issue for which the primary obligor will be NTS.

NTS contributes to the development of a competitive telecommunications industry in Indonesia by providing mobile telecommunication services, including the installation, operation, and maintenance of a GSM network; wireless communication services; internet; and satellite services. NTS is focusing its growth on lower-income segments of the market, so the beneficiaries of these services will be lower income households and remote islands. The spread of mobile telecommunications has been shown to stimulate local entrepreneurship and provide significant employment opportunities.

This widespread availability of telecommunications networks also provides a platform for the private sector and the government to deliver important services to under-served communities throughout Indonesia.

This project will contribute to the objectives of the World Bank Group's Country Partnership Strategy for Indonesia by facilitating important private infrastructure investment in a sector, which promotes the growth of private sector enterprises. The project is also aligned with MIGA's strategic priority of promoting South-South investment.

INDONESIA

PROJECT NAME: PT WEDA BAY NICKEL PROJECT EXPLORATION AND FEASIBILITY STUDIES

**GUARANTEE HOLDER: STRAND MINERALS (INDONESIA)
PTE. LTD.**

On August 11, 2010, MIGA issued a guarantee of \$207 million to Strand Minerals (Indonesia) Pte. Ltd. of Singapore for its equity investment in the PT Weda Bay Nickel Project. Strand Minerals is jointly owned by Eramet S.A. of France and Mitsubishi Corporation of Japan. The coverage is for a period of up to three years against the risks of transfer restriction, expropriation, breach of contract, and war and civil disturbance.

During this period it is anticipated that approximately \$230 million will be invested for the engineering and feasibility studies necessary to conclude a bankable feasibility study for the operation of a nickel-cobalt mine with a hydrometallurgical processing plant on Halmahera Island. Once the studies are complete, an investment decision will be taken on whether to continue developing the mine and building a processing plant. It is anticipated that the final investment decision should be made before the end of 2012.

The core project will require large capital expenditure to develop the mine and the processing plant. In addition, in order for the mine to be commercially feasible, additional capital expenditure will have to be undertaken on the associated transportation infrastructure including roads, airport, and port.

The Weda Bay deposit is one of the largest undeveloped nickel projects with 5.1 million tons of nickel contained in measured, indicated, and inferred ore resources. Should this project be developed it will allow Indonesia to become one of the world's major nickel producers. It will provide significant employment, both during construction and when in operation, major government revenues, and will contribute substantially to the local economy, in particular to the North Maluku Province. It will also provide an important demonstration of how a major natural resource project can bring benefits to the Indonesian people and be developed in a socially and environmentally sustainable way.

MIGA's support for this investment is aligned with the World Bank Group's Country Partnership Strategy for Indonesia for 2009-2012, particularly with regard to making Indonesia's private sector a driver in broad-based growth, and increasing the country's competitiveness regionally and globally.

PAKISTAN

PROJECT NAME: HABIB METROPOLITAN BANK LIMITED

GUARANTEE HOLDER: HABIB BANK AG ZURICH

On June 24, 2011, MIGA issued a guarantee to Habib Bank AG Zurich (HBZ) of Switzerland covering its investment in its subsidiary, Habib Metropolitan Bank (HMB) in Pakistan. The coverage is for 80 million Swiss Francs (\$95.1 million equivalent) for a period of up to 20 years against the risks of transfer restriction and expropriation. This new coverage augments and replaces several MIGA guarantees issued to HBZ between fiscal years 2001-2008.

HMB is one of the 10 largest banks in Pakistan. The bank was formed in 2006 as a result of a merger between the Pakistani branches of HBZ and Metropolitan Bank Limited, a local bank. HBZ currently holds 51 percent of the shares, with the remaining shares owned by local and foreign investors. MIGA's additional coverage to HBZ, as well as the denomination of MIGA's contract in Swiss Francs, will help HBZ meet its obligations to the Financial Markets Supervisory Authority (FINMA), the Swiss banking regulator.

HMB plays a major role in offering financial services to Pakistan's population. It operates more than 120 branches in 19 cities throughout the country, including four full-service Islamic banking branches. Moreover, the bank's network connectivity has been substantially upgraded, including a 17 percent increase in ATM rollout across the country and various internal control process enhancements. Investment in human capital has also continued, bringing the total number of staff to nearly 2,700.

HBZ's expansion and modernization continues to contribute to the strengthening of the local banking sector through the transfer of know-how, expertise, and technology as HMB's policies, directives, and business practices are aligned with those of its parent company, which is subject to the supervisory authority of FINMA. The impact of this is to introduce international best practices to both HMB and to the local industry. Moreover, foreign presence in the banking sector is considered to play a positive role in strengthening the banking sector against systemic risk.

MIGA's support is aligned with the World Bank Group's strategy in Pakistan's financial sector, which aims at increasing competition and expanding access to financial services to different segments of the population. The sector still suffers from low banking penetration and limited access to finance, especially with respect to the provision of banking services to underserved segments, including small and medium enterprises, consumer and

housing finance, microfinance, and rural finance. The project is also aligned with MIGA's strategic priority of supporting investments into countries eligible for lending from the International Development Association.

Guarantees

Europe and
Central Asia



MIGA DEVELOPING MEMBER COUNTRIES

ALBANIA ARMENIA AZERBAIJAN BELARUS
BOSNIA AND HERZEGOVINA BULGARIA 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

Severely affected by the financial crisis, most of Europe and Central Asia rebounded in 2010, with GDP growth estimated to have reached 5.2 percent, following a 6.4 percent decline in 2009, but still below pre-crisis growth levels. The recovery was mainly driven by merchandise exports, as well as official aid and fiscal stimulus packages in some cases. The recovery of domestic demand and imports, however, has been weak. This, in conjunction with structural imbalances (fiscal deficits, high unemployment, high household indebtedness, and banking sector restructuring), has contributed to slower growth and larger output gaps than other regions.

Net private and official capital inflows, which had plummeted in 2009, increased by 47 percent in 2010 to an estimated \$132.1 billion. Net FDI inflows, which had almost halved in 2009, declined again in 2010 to an estimated \$76.4 billion, but are projected to pick up and reach \$107.1 billion in 2012, aided by renewed interest in privatization in a number of countries.

During fiscal year 2011, MIGA provided guarantees for 16 projects in this region. At year-end, MIGA's gross guarantee exposure stood at \$5.4 billion, or 60 percent of the agency's total outstanding portfolio.

ALBANIA

PROJECT NAME: PROCREDIT GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCREDIT HOLDING

On December 22, 2010, MIGA issued a guarantee of \$25 million to ProCredit Holding (PCH) covering its investment in its subsidiary in Albania. 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. PCH 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. The ProCredit group's capital adequacy ratio (CAR) is 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.

The guarantee issued by MIGA will help PCH 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 will allow PCH 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 PCH's emerging market subsidiary banks to increase their lending activities.

MIGA's support will help PCH optimize its capital management across its 21 banks, allowing PCH to direct equity to subsidiaries with the greatest need. These banks will be able to offer additional financial services to very small, small, and medium enterprises at a time of macroeconomic challenges. Supporting productive small businesses 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, but under-served markets; enhancing deposit capacity by assisting microfinance institutions in savings mobilization; capacity building; creating and shaping markets; and fostering innovation.

ARMENIA

PROJECT NAME: PROCREDIT GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCREDIT HOLDING

On December 22, 2010, MIGA issued a guarantee of \$3.7 million to ProCredit Holding (PCH) covering its investment in its subsidiary in Armenia. 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 project description for "Albania" above.*

BOSNIA AND HERZEGOVINA

PROJECT NAME: PROCredit GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCredit HOLDING

On December 22, 2010, MIGA issued a guarantee of \$12.5 million to ProCredit Holding (PCH) covering its investment in its subsidiary in Bosnia and Herzegovina. 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 project description for "Albania" above.*

GEORGIA

PROJECT NAME: PROCredit GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCredit HOLDING

On December 22, 2010, MIGA issued a guarantee of \$9 million to ProCredit Holding (PCH) covering its investment 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.

This project is part of a master contract that MIGA has issued. *Please refer to project description for "Albania" above.*

HUNGARY

PROJECT NAME: UniCredit BANK HUNGARY ZRT.

GUARANTEE HOLDER: UniCredit BANK AUSTRIA AG

On September 30, 2010, MIGA issued a guarantee of \$259.4 (€190) million to UniCredit Bank Austria AG's (UBA), covering its €200 million shareholder loan to its Hungarian subsidiary, UniCredit Bank Hungary Zrt. (UCBH). The guarantee is for a period of 10 years against the risks of transfer restriction, expropriation, and war and civil disturbance. This long-term shareholder loan is expected to serve a dual purpose: support the recovery and growth of corporate lending, and improve further UCBH's long-term liquidity profile.

MIGA's coverage for this loan falls under the framework of the Financial Sector Initiative, intended to support financial institutions' cross-border investments into their emerging market subsidiaries, at a time when Hungary's economy is recovering from economic shocks. Hungary, like many other countries in the Europe and Central Asia region, is currently facing difficult fiscal adjustments along with the need for external financing. This shareholder loan from UBA to UCBH will support an institution of systemic importance to the financial sector, while contributing to the growth of new lending in the economy.

The project will help increase the availability of credit for Hungary's corporate, retail, and sub-national borrowers and help UCBH strengthen its structural liquidity profile, enabling UCBH to maintain a higher level of financial intermediation than it would have been able to otherwise accomplish. It will also help provide job opportunities in a consolidating sector and a soft labor market. Despite financial sector consolidation and cost-cutting, UCBH has continued to pursue an approach of strategic expansion, resulting in the opening of 19 new branches and the direct creation of resultant jobs.

KOSOVO

PROJECT NAME: PROCredit GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCredit HOLDING

On December 22, 2010, MIGA issued a guarantee of \$50 million to ProCredit Holding (PCH) covering its investment in its subsidiary in the Republic of Kosovo. 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 project description for "Albania" above.*

FORMER YUGOSLAV REPUBLIC OF MACEDONIA

PROJECT NAME: PROCredit GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCredit HOLDING

On December 22, 2010, MIGA issued a guarantee of \$12.5 million to ProCredit Holding (PCH) covering its investment in its subsidiary in the Former Yugoslav Republic of Macedonia. 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 project description for “Albania” above.*

MOLDOVA

PROJECT NAME: PROCREDIT GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCREDIT HOLDING

On December 22, 2010, MIGA issued a guarantee of \$4.1 million to ProCredit Holding (PCH) covering its investment in its subsidiary in Moldova. 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 project description for “Albania” above.*

POLAND

PROJECT NAME: LINXTELECOM WARSAW DATA CENTER

GUARANTEE HOLDERS: LINX TELECOMMUNICATIONS B.V.; ABN AMRO

On November 22, 2010, MIGA issued a guarantee of €100,000 (\$136,995) to Linx Telecommunications B.V. (Linx) of the Netherlands covering its equity investment in its subsidiary Warsaw DC Sp. z o.o. of Poland. MIGA also issued a guarantee of €2.6 million (\$3.5 million) for ABN Amro's non-shareholder loan to the project. The coverage is for up to six years against the risks of transfer restriction, expropriation, and war and civil disturbance.

This project consists of the establishment and operation of a data center in Warsaw that will provide state-of-the-art data center and connectivity services primarily to international customers.

The project hopes to leverage shared infrastructure and data management in order to reach economies of scale—thereby stimulating growth of technology-intensive and knowledge-based industries in Poland. Specifically, the project expects the following development results: improvement of information and communication technology (ICT) infrastructure and access to information; a

lower cost of entry into the ICT market; increased competition in the ICT market; rapidly expanding data/telecom networks; and local employment opportunities.

The World Bank Group's Country Partnership Strategy for Poland for 2009-2013 notes a need for continued progress in developing the country's knowledge economy. In fact, Poland's European Union accession has driven the liberalization of the ICT sector, of which this project is a part.

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

RUSSIAN FEDERATION

PROJECT NAME: LINXTELECOM MODULE 5 AND SKYTRADE DATA CENTERS

GUARANTEE HOLDERS: LINX TELECOMMUNICATIONS B.V.; ABN AMRO

On November 22, 2010, MIGA issued a guarantee of €500,000 (\$684,975) to Linx Telecommunications B.V. (Linx) of the Netherlands covering its shareholder loan to its subsidiary, Linx LLC Svyaz VSD of the Russian Federation. MIGA also issued two guarantees for a total of €6.9 million (\$9.5 million) covering ABN Amro's non-shareholder loans to the subsidiary. The coverage is for up to six years against the risks of transfer restriction, expropriation, and war and civil disturbance.

This project consists of the construction and operation of a Tier 3 data center in St. Petersburg and operation of Module 5 of a data center in Moscow that will provide state-of-the-art data center and connectivity services primarily to international customers.

The project hopes to leverage shared infrastructure and data management in order to reach economies of scale—thereby stimulating growth of technology-intensive and knowledge-based industries in Russia. Specifically, the project expects the following development results: improvement of information and communication technology (ICT) infrastructure and access to information; a lower cost of entry into the ICT market; increased competition in ICT market; rapidly expanding data/telecom networks; and local employment opportunities.

The World Bank Group's current Country Partnership Strategy for Russia notes a need for increased private sector development and diversification of the economy—to which this project will contribute.

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

SERBIA

PROJECT NAME: PROCredit GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCredit HOLDING

On December 22, 2010, MIGA issued a guarantee of \$4.4 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.

This project is part of a master contract that MIGA has issued. *Please refer to project description for "Albania" above.*

SERBIA

PROJECT NAME: MERCATOR – S SERBIA

GUARANTEE HOLDER: SLOVENSKA IZVOZNA IN RAZVOJNA BANKA, D.D., LJUBLJANA (SID BANK, INC. LJUBLJANA)

On June 29, 2011, MIGA issued a guarantee to reinsure SID Bank, Inc. Ljubljana's coverage to the Mercator retail group (Mercator) in Serbia. MIGA's reinsurance for the investment results in a gross exposure of \$247.9 million. MIGA's reinsurance is for a period of up to two 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 MIGA'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.

TURKEY

PROJECT NAME: BANDIRMA PORT

GUARANTEE HOLDER: TROY AB

On October 6, 2010, MIGA issued a guarantee of \$522,000 to cover Troy AB of Sweden's equity investment in the privatization of Bandirma Port in Turkey under a 36-year transfer-of-operating-rights scheme. MIGA's guarantee covers against the risks of currency inconvertibility and transfer restriction, as well as expropriation of funds, for a period of 14 years.

Following a competitive tender, Celebi Joint Venture Group was named the preferred bidder in May 2008, offering an up-front operating rights fee of \$175.5 million.

The project represents an ongoing process of privatization started by the government of Turkey in the early 1980s. It aims to introduce openness and competitiveness into the country, increase efficiency in former state-owned enterprises and promote economic growth.

The privatization of Bandirma Port will introduce a new and experienced management team and best market practices that will improve the productivity and efficiency of the port. In turn, this will strengthen the competitiveness of local exporters by decreasing transportation costs. In particular, better port operations will further stimulate the growth of the region's automotive manufacturing industry as a hub for Central and Eastern Europe. The local economy will also benefit from improved connectivity to international markets, a key infrastructure requirement to attract foreign direct investment. Finally, the new operators of the port will introduce higher standards of operation, including environmental and safety rules in line with national and European Union guidelines.

The project is also aligned with the World Bank Group's Country Partnership Strategy for Turkey. Improving transportation infrastructure is a key component of the World Bank Group's focus on helping Turkey improve its competitiveness and employment opportunities.

TURKEY

PROJECT NAME: OTOĞAR-BAGCILAR-İKİTELLİ-OLİMPİK VILLAGE METRO PROJECT

GUARANTEE HOLDER: WESTLB, ISTANBUL BRANCH

On December 27, 2010, MIGA issued a guarantee of \$19.6 million to cover an investment by WestLB of Germany in the Otogar-Bağcılar-Ikitelli-Olimpic Village Metro

Project in Turkey. MIGA's guarantee is for a period of up to three years against the risk of non-honoring of sovereign financial obligations. It covers a guarantee by the Metropolitan Municipality of Istanbul (MMI) on a loan amount of up to \$21 million that WestLB AG's branch office in Istanbul (WestLB, Istanbul Branch) has extended to Istanbul Electricity, Tram and Tunnel, a general directorate of MMI, which is financing the expansion of the project.

The project consists of two parts. The first section of the project, "Otogar-Kirazlı LRT", will extend the existing Light Rail Transit from the Otogar (intercity bus terminal) to densely developed residential areas in Bağcılar and Kirazlı. The second phase of the project, "Kirazlı-Ikitelli-Başak Konut/Olimpic Village Metro" will create a new metro line that will connect the Ikitelli Organized Industrial Area and the new residential areas developed at Ikitelli to the rail network of Istanbul.

Section one, Otogar-Kirazlı LRT, which consists of a double-track system of 5,510 meters to serve five stations, is the western extension of the existing LRT track operating between Aksaray and the International Airport. Section two, Kirazlı-Ikitelli-Başak Konut/Olimpic Village Metro, which consists of a double track system of 15,834 meters to serve 11 stations, will be the western extension of the metro track planned to operate between Yenikapı and Kirazlı.

By extending coverage of the metro system to the suburban and light manufacturing areas to the west, the project will help improve urban mobility, and reduce travel times and traffic, thereby contributing to urban productivity and private sector-led growth. In addition, the expansion of public transportation in the city will reduce dependence on roads and motorways, which will help reduce the growth of transport-related greenhouse gases and, through the reduction in pollution, help make Istanbul a more attractive business location.

The project is also aligned with the World Bank Group's Country Partnership Strategy for Turkey. Improving transportation infrastructure is a key component of the Bank Group's focus on helping Turkey improve its competitiveness and employment opportunities.

TURKEY

PROJECT NAME: KADIKOY-KARTAL-KAYNARCA METRO PROJECT

GUARANTEE HOLDER: WESTLB AG, LONDON BRANCH

On April 21, 2011, MIGA issued a guarantee of \$409.2 million for an investment by WestLB AG, London Branch,

for itself and as agent for a consortium of lenders, in the Kadikoy-Kartal-Kaynarca Metro Project in Istanbul, Turkey. MIGA's guarantee covers principal and interest for a period of up to nine and a half years against the risk of non-honoring of sovereign financial obligations.

The project will be the first underground metro system on the Asian side of Istanbul. It will also eventually connect with the European side of city. The first phase of the project involves finishing the construction of 22 kilometers of the line from Kadikoy to Kartal, which includes 16 metro stations. The second phase consists of extending the metro line by 4.5 kilometers from Kartal to Kaynarca, the construction of a parking and maintenance area, and the construction of pedestrian subways.

By extending coverage of Istanbul's metro system, the project will help improve urban mobility, and reduce travel times and traffic—thereby contributing to increased productivity and private sector-led growth. In addition, the expansion of public transportation in the city will reduce dependence on roads and motorways. This will help reduce pollution and help make Istanbul a more attractive location for residents and business.

The project is aligned with the World Bank Group's Country Partnership Strategy for Turkey. Improving transportation infrastructure is a key component of the Bank Group's focus on helping Turkey improve its competitiveness and employment opportunities.

UKRAINE

PROJECT NAME: PROCREDIT GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCREDIT HOLDING

On December 22, 2010, MIGA issued a guarantee of \$5.6 million to ProCredit Holding (PCH) covering its investment 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.

This project is part of a master contract that MIGA has issued. *Please refer to project description for "Albania" above.*

Guarantees

Latin America and
the Caribbean



MIGA DEVELOPING MEMBER COUNTRIES

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)

With GDP growth rebounding to an estimated 6 percent in 2010, having contracted by 2.1 percent in 2009, Latin America and the Caribbean have weathered the financial crisis well, for the most part reflecting sound macro-economic fundamentals prior to the crisis. In particular, most countries took advantage of higher commodity prices preceding the crisis to reduce their external vulnerabilities through a reduction of external debt and an increase of international reserves. Furthermore, stronger fiscal balances left room for countercyclical fiscal easing. During the crisis, countries with close links to the U.S. economy were more vulnerable, due to either reductions in remittances or reductions in the trade account.

Concerns going forward relate to inflationary pressures and appreciating exchange rates in light of the strong rebound in both growth and capital flows, as well as rising commodity and food prices. GDP growth is expected to moderate to 4.5 percent over 2011 and to 4.1 percent in 2012 as monetary policy tightens.

Net private and official flows recovered too, increasing by 44 percent in 2010 to an estimated \$240.4 billion. Net FDI inflows also jumped to \$115.9 billion, having declined by 42 percent in 2009. They are projected to increase in both 2011 and 2012 and to reach \$132.3 billion in the latter.

During the fiscal year, MIGA provided guarantees for three projects in the region. At year-end, MIGA's gross guarantee exposure stood at \$1.0 billion, equivalent to 11 percent of the agency's outstanding portfolio.

COLOMBIA

PROJECT NAME: PROCredit GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCredit HOLDING

On December 22, 2010, MIGA issued a guarantee of \$2.6 million to ProCredit Holding (PCH) covering its investment in its subsidiary in Colombia. 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. PCH 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. The ProCredit group's capital

adequacy ratio (CAR) is 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.

The guarantee issued by MIGA will help PCH 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 will allow PCH 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 PCH's emerging market subsidiary banks to increase their lending activities.

MIGA's support will help PCH optimize its capital management across its 21 banks, allowing PCH to direct equity to subsidiaries with the greatest need. These banks will be able to offer additional financial services to very small, small, and medium enterprises at a time of macro-economic challenges. Supporting productive small businesses 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, but underserved markets; enhancing deposit capacity by assisting microfinance institutions in savings mobilization; capacity building; creating and shaping markets; and fostering innovation.

HONDURAS

PROJECT NAME: PROCredit GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCredit HOLDING

On December 22, 2010, MIGA issued a guarantee of \$6.2 million to ProCredit Holding (PCH) covering its investment in its subsidiary in Honduras. 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 project description for "Colombia" above.*

NICARAGUA

PROJECT NAME: PROCREDIT GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCREDIT HOLDING

On December 22, 2010, MIGA issued a guarantee of \$12.9 million to ProCredit Holding (PCH) covering its investment in its subsidiary in Nicaragua. 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 project description for “Colombia” above.*

Guarantees

Middle East and
North Africa



MIGA DEVELOPING MEMBER COUNTRIES

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)

The Middle East and North Africa grew by an estimated 3.1 percent in 2010, marginally higher than the 2.8 percent GDP growth registered in 2009. The financial crisis had a much smaller impact on economic growth owing to the region's limited global financial integration. Increased oil prices contributed to growth in oil-exporting countries. The recent political turmoil in the region, however, is expected to lead to a slippage in projected growth in 2011 to 1.9 percent, but a rebound to 3.5 percent is expected in 2012.

Compared with 2009, net private and official capital flows into the Middle East and North Africa remained steady in 2010 at \$28 billion. Net FDI inflows are estimated to have declined in 2010 by 18 percent to \$20.1 billion, and are projected to decline further in light of recent political turmoil to \$10.7 billion in 2011, but rebound to \$17.4 billion in 2012.

MIGA provided guarantees for one project in the region. At year-end, MIGA's gross guarantee exposure stood at \$415.8 billion, equivalent to 5 percent of the agency's outstanding portfolio.

important signal to other potential investors into Iraq and into Baghdad specifically. The project will demonstrate the available returns from supplying the large and growing domestic market in Iraq, and help aid the continued progress towards stability and economic growth. The factory will provide employment for 46 staff, almost all of whom will be recruited locally.

The project is aligned with the World Bank Group's Interim Strategy Note for Iraq, which includes supporting policies and institutions that promote broad-based, private-sector-led growth with the goal of revitalizing the private sector and facilitating job creation. It is also aligned with MIGA's commitment to supporting South-South investments as well as investments in conflict-affected countries. The project was underwritten through MIGA's Small Investment Program.

IRAQ

PROJECT NAME: SEBEEL AL SAFA MANUFACTURING PETROCHEMICALS AND WATER FILLING COMPANY

GUARANTEE HOLDER: KARO DIS TICARET VE SANAYI LTD. STI.

On September 23, 2010, MIGA issued a guarantee of \$5 million to Karo Dis Ticaret ve Sanayi Ltd. Sti. of Turkey covering their shareholder loan to the Sebeel Al Safa Manufacturing Petrochemicals and Water Filling Company in Iraq. The coverage is for a period of five years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves the establishment of a manufacturing plant in the Baghdad area to produce polyethylene terephthalate (PET) preforms. PET preforms are the raw material used to manufacture bottles for the beverage industry. The first machine will produce preforms for half-liter water bottles. The general demand in Iraq for preforms is estimated to be more than six billion annually for different bottle sizes. Currently, nearly all of PET preforms are imported from neighboring countries.

This project will have a positive and significant development impact for Iraq. The economy is currently heavily dependent on the oil and gas extractive sectors and the government is making efforts to diversify, including through attracting foreign direct investment into other sectors. This South-South investment can provide an



Guarantees

Sub-Saharan Africa



MIGA DEVELOPING MEMBER COUNTRIES

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 NIGERIA RWANDA SENEGAL SEYCHELLES
SIERRA LEONE SOUTH AFRICA SUDAN SWAZILAND
TANZANIA TOGO UGANDA ZAMBIA ZIMBABWE

Having declined to 2 percent in 2009, the GDP growth rate of sub-Saharan Africa rebounded in 2010 to an estimated 4.8 percent and is projected to accelerate to 5.1 percent in 2011 and 5.7 percent in 2012. The main drivers have been the recovery of the global economy, supported by growth in domestic demand, oil price increases for the oil-exporting countries, and public expenditures to improve infrastructure in selected countries.

Net private and official flows rebounded in 2010 by 13 percent to an estimated \$51.1 billion. Net FDI inflows declined in 2010 by 21 percent to an estimated \$23.8 billion, but they are projected to increase during 2011 and 2012 and reach \$35.2 billion in the latter.

MIGA provided guarantees for 15 projects in the region. At year-end, MIGA's gross guarantee exposure stood at \$1.1 billion, equivalent to 12 percent of the agency's outstanding portfolio.

DEMOCRATIC REPUBLIC OF CONGO

PROJECT NAME: PROCredit GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCredit HOLDING

On December 22, 2010, MIGA issued a guarantee of \$5 million to ProCredit Holding (PCH) covering its investment in its subsidiary in the Democratic Republic of Congo. 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. PCH 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. The ProCredit group's capital adequacy ratio (CAR) is 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.

The guarantee issued by MIGA will help PCH 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 will allow PCH 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 PCH's emerging market subsidiary banks to increase their lending activities.

MIGA's support will help PCH optimize its capital management across its 21 banks, allowing PCH to direct equity to subsidiaries with the greatest need. These banks will be able to offer additional financial services to very small, small, and medium enterprises at a time of macro-economic challenges. Supporting productive small businesses 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, but underserved markets; enhancing deposit capacity by assisting microfinance institutions in savings mobilization; capacity building; creating and shaping markets; and fostering innovation.

REPUBLIC OF CONGO

PROJECT NAME: COTECNA INSPECTION CONGO S.A.R.L.

GUARANTEE HOLDER: COTECNA INSPECTION S.A.

On June 30, 2011, MIGA issued a guarantee of \$5.6 million covering an investment by Cotecna Inspection S.A. of Switzerland, as sole shareholder, in Cotecna Inspection Congo S.A.R.L located in the Republic of Congo. The coverage is for a period of three years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

The project involves the provision of import verification services to importers on behalf of the government of Congo under a build, operate, and transfer concession between Cotecna Inspection S.A. and the government. The service contract involves the supply, installation, and operation of an X-ray scanner and Cotecna's Computerized Risk Management System, as well as the overall management of the import verification system for goods entering Congo through the port of Pointe Noire.

The project will contribute to trade facilitation, as well as the development of the private sector, by speeding up the customs clearance of goods needed by the industrial and service sectors in Congo. In addition, it will help the government secure revenues through the elimination of opportunities for fraud and fiscal evasion due to the transparent audit trail provided by scanning

data. Security at the port will also be strengthened by ensuring that containerized goods are not illegal.

This project is aligned with MIGA's strategic priorities of supporting investments into countries eligible for assistance from the International Development Association as well as countries affected by conflict. It is also the first MIGA-supported project in Republic of Congo.

ETHIOPIA

PROJECT NAME: NATIONAL CEMENT SHARE COMPANY

GUARANTEE HOLDER: SGI ETHIOPIA CEMENT LIMITED

On June 30, 2011, MIGA issued a guarantee covering an equity investment by Schulze Global Investments (SGI) into the National Cement Share Company of Ethiopia. The project is being implemented by SGI Ethiopia Cement Limited, an intermediary company incorporated in the British Virgin Islands. MIGA's guarantee of \$4 million provides coverage for a period of up to 15 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

SGI has invested into National Cement Share Company (NCSC) for a minority equity stake in the company. NCSC currently operates a 500 ton-per-day (tpd) clinker plant in Dire Dawa. NCSC recently began construction of a new 3,000 tpd clinker plant. The new plant is also located in Dire Dawa, near the existing plant. In order to accelerate the construction of the new plant, NCSC engaged SGI for a round of equity financing.

The expansion of the plant is expected to result in additional significant tax revenue to the government and the creation of up to 600 new local jobs directly, and potentially an additional 2,500 indirect jobs. It will also provide an increased supply of domestic cement to meet the growing demand in Ethiopia—reducing the country's reliance on expensive imports and reducing the drain on foreign exchange reserves.

MIGA's support for this investment is consistent with the first pillar of the World Bank Group's Country Assistance Strategy for Ethiopia for 2008-2011, which focuses on fostering economic growth in order to sustain the emerging economic "take-off". The project is also aligned with MIGA's commitment to supporting more investments in IDA-eligible (the world's poorest) countries.

KENYA

PROJECT NAME: RESOLUTION HEALTH EAST AFRICA LIMITED

GUARANTEE HOLDER: ADC FINANCIAL SERVICES AND CORPORATE DEVELOPMENT

On June 8, 2011, MIGA issued a guarantee covering an equity investment by ADC Financial Services and Corporate Development (ADC) of Mauritius in Resolution Health East Africa Limited (RHEAL) in Kenya. MIGA's coverage of \$2.0 million is for a period of up to 10 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

ADC is planning to take a 39.4 percent equity stake in RHEAL, an existing Kenyan Health Insurance Provider. ADC's investment is aimed at improving the performance of the company through the introduction of new sales techniques and products; international best practice in processing and management; improved procurement and supplier management; and improved financial controls and corporate governance. The medical insurance sector in Kenya and other East African economies offers attractive growth opportunities. ADC's investment will help RHEAL achieve its growth objectives in the region.

ADC's investment in RHEAL will allow the company to expand its delivery of medical insurance both in Kenya and Tanzania, as well as other East African countries in the future. RHEAL structures medical insurance packages that offer insurance for pre-existing conditions such as HIV/AIDS. Additionally, RHEAL offers access to quality healthcare through offering affordable medical insurance.

This project is aligned with the World Bank Group's Country Partnership Strategy for Kenya. The Bank Group has committed to working together to increase access to financial services, further regulatory reform, and develop capital and local securities markets, with a goal of supporting key economic and social development needs, including infrastructure and housing development, and investments for pension and insurance funds. The project is also aligned with MIGA's objective of supporting investments into countries eligible for concessional lending from the International Development Association. The project was underwritten through MIGA's Small Investment Program.

LIBERIA

PROJECT NAME: BUCHANAN RENEWABLES FUEL INC.

GUARANTEE HOLDER: VATTENFALL AB

On December 28, 2010, MIGA issued guarantees totaling \$142.2 million to Vattenfall AB of Sweden covering its investment in Buchanan Renewables Fuel Inc. in Liberia. The guarantees are for a period of 15 years and provide coverage against the risks of expropriation and war and civil disturbance.

Buchanan Renewables Fuel Inc. (BRF) is a Liberian biomass cultivator that collects and processes non-productive rubber trees for export to Vattenfall's power plants in Europe. Vattenfall's investment will result in an expansion of the current operation from 500,000 tons of biomass per annum to 2 million tons.

Vattenfall's investment will bring experience and technology to Liberia's most important industry. The rubber industry employs over 40,000 Liberians directly, plus an additional 5,000 in related industries. Rubber sales currently constitute 90 percent of the country's export revenues. As a labor-intensive industry in which Liberia has proven its global competitiveness, rubber is Liberia's best available option for generating wide-scale sustainable employment and poverty alleviation.

Vattenfall's investment will help develop a sustainable biomass source from unproductive trees (an agricultural waste product), as well as help Liberia rehabilitate its rubber industry. Even though rubber plantations continued to operate during the war, there was limited replanting and the inventory is old. An estimated 60-75 percent of rubber trees have been slaughter-tapped and/or left to ruin during 15 years of civil conflict. This backlog amounts to nearly 60 million tons of biomass that can be harvested and exported. This project will help farmers by removing unproductive trees that provide no income and accelerate the farm-rejuvenation cycle. It also turns a liability into an asset for the farmers because they are compensated for the biomass.

MIGA's guarantee is aligned with the World Bank Group's strategy of improving Liberia's agriculture and natural resources management in ways that generate pro-poor growth. It is also aligned with MIGA's commitment to supporting investments in the world's poorest countries, as well as countries affected by conflict.

MOZAMBIQUE

PROJECT NAME: PROCREDIT GROUP CENTRAL BANK MANDATORY RESERVES COVERAGE

GUARANTEE HOLDER: PROCREDIT HOLDING

On December 22, 2010, MIGA issued a guarantee of \$2.5 million to ProCredit Holding (PCH) covering its investment in its subsidiary in Mozambique. 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 project description for "Democratic Republic of Congo" above.*

MOZAMBIQUE

PROJECT NAME: SOJITZ MAPUTO CELLULOSE LIMITADA

GUARANTEE HOLDER: SOJITZ CORPORATION

On April 14, 2011, MIGA issued a guarantee covering an investment by Sojitz Corporation of Japan in Sojitz Maputo Cellulose Limitada in Mozambique (SOMACEL). Two additional guarantees were issued on June 15, 2011. The total coverage is for \$9.1 million 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 development of a greenfield wood-chipping operation. The facility will be located on the territory of the Maputo port and the raw material will be sourced from eucalyptus plantations in the northeast region of South Africa and from the Northern region of Swaziland. SOMACEL is expected to process and export wood chips. The output will be sold to a paper manufacturer in Japan.

The project is expected to generate local jobs and annual tax revenues for the government of Mozambique. This project is aligned with the third pillar of Mozambique's development strategy, which includes job creation and integrating the country into the international economy.

The project is also aligned with MIGA's operational priority to support investments into countries eligible for concessional lending from the International Development Association. The project was underwritten through MIGA's Small Investment Program.

RWANDA

PROJECT NAME: KIVUWATT LTD.

GUARANTEE HOLDER: KIVUWATT HOLDINGS

On May 4, 2011, MIGA issued a guarantee of \$28.6 million to KivuWatt Holdings 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.

The investment is for the construction and operation of a 25 megawatt power-generation facility using methane gas extracted from Lake Kivu. 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 IDA-eligible (the world's poorest) countries and investments in complex infrastructure projects.

SIERRA LEONE

PROJECT NAME: AFRIGAS (SL) LIMITED

GUARANTEE HOLDER: GEOGAS TRADING S.A.

On September 17, 2010, MIGA issued guarantees totaling \$3.6 million to Geogas Trading S.A. of Switzerland covering its investment in a liquefied petroleum gas (LPG) storage and distribution project in Sierra Leone. The coverage is for a period five years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The aim of the project is to introduce permanent LPG bulk storage facilities to supply the local market with LPG. The LPG would be used primarily for cooking, but could also be used for industrial practices such as welding and cooling. In addition to constructing the storage facilities, the project will establish four filling stations for five-kilogram LPG gas bottles.

The project will establish the first permanent LPG storage facility in Sierra Leone and is expected to result in a price reduction of 60 percent for LPG. LPG offers several advantages over traditional biomass fuels, such as wood and charcoal, including the reduction of deforestation and fewer respiratory illnesses resulting from indoor pollution. It can also improve productivity, particularly for women, by reducing the amount of time spent gathering firewood. LPG can also be used in microenterprises such as food preparation and processing and metal works.

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 in the project is also aligned with key agency priorities, which include encouraging investment in post-conflict and IDA-eligible countries. The guarantees were underwritten through MIGA's Small Investment Program.

SOUTH AFRICA

PROJECT NAME: BON VIEW TRADING 92 (PROPRIETARY) LIMITED

GUARANTEE HOLDER: MKV HOLDINGS, LLC

On May 27, 2011, MIGA issued guarantees totaling \$10 million covering an equity investment and shareholder loan from MKV Holdings, LLC of Mauritius to Bon View Trading 92 (Proprietary) Limited in South Africa. Bon View intends to engage in the manufacturing and export of wine and related products through the acquisition of the assets of an existing winery. 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 investment in MKV's wholly owned subsidiary, Bon View, for the purposes of acquiring the assets of the Mulderbosch winery, which consists of inventory, winemaking equipment, brand, and the Kanu winery building and farms located in Stellenbosch, Western Cape. The sponsors intend to invest in wine-making equipment to upgrade the existing winery and employ more rigorous viticulture.

The Stellenbosch region's main economic sectors comprise agriculture (vineyards and soft fruit), tourism, and the services industry. Despite continuing economic growth, there remains a great deal of unemployment, especially within the lower income groups in the Stellenbosch/Somerset West region. The project will have a significant socioeconomic benefit to the area through the creation of temporary jobs during the construction phase and permanent jobs in the operational phase. Staff will receive specialized training to build on their existing skills. The project will generate rates and taxes for the Stellenbosch Municipality, and will contribute to increased tourism in the area.

MIGA's support for the project is aligned with the World Bank Group's Country Partnership Strategy for South Africa, which calls for the use of MIGA instruments to support small and medium-scale enterprises and increase foreign direct investment. The project was underwritten through MIGA's Small Investment Program.

SOUTH AFRICA

PROJECT NAME: AUSTIN SCOTT FARMS

GUARANTEE HOLDER: TULBAGH HOLDINGS LLC

On December 16, 2010, MIGA issued guarantees totaling \$5 million to Tulbagh Holdings LLC of the United States for their investment in Austin Scott Farms winery in South Africa. The coverage is for a period of seven years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project consists of the acquisition of Austin Scott Farms situated on the southwestern flank of Tulbagh Mountain. The acquisition includes land (184 hectares), buildings, equipment, existing crops and stock, bottling plants, intellectual property, water rights, and all other assets or rights required for continued business operation. The investor intends to improve the quality of wines through investment and incorporating industry best practices into the vineyards, winemaking process, and structures. Wine production is expected to increase from 4,700 cases of premium wines for the 2011 vintage to approximately 13,500 cases in 2015, and 18,700 cases in 2017.

Tulbagh town's main economic sectors consist of agriculture (vineyards and soft fruit), tourism, and services. It has experienced significant diversification of its economy with the emergence of a number of new small, medium, and micro businesses—particularly in the personal services, financial, and business sectors. Notwithstanding this economic growth there remains a great deal of unemployment, especially within the lower-income groups in the greater region. The project will have a significant socioeconomic benefit to Tulbagh and the surrounding communities by creating jobs (temporary in the construction phase and permanent in the operational phase) in various sectors, investing in staff training, and generating taxes for the Tulbagh Municipality. Workers will also be trained with the industry's current standards and best practices to promote and build upon their skills. The investors intend to adhere to the principles underlying the Broad-Based Black Economic Empowerment Act of 2004.

MIGA's support for the project is aligned with the World Bank Group's Country Partnership Strategy for South Africa, which calls for the use of MIGA instruments to support small and medium-scale enterprises and increase developmentally sound foreign direct investment. The project was underwritten through MIGA's Small Investment Program.

Togo

PROJECT NAME: COTECNA INSPECTION S.A., BUREAU DE LIAISON DU TOGO

GUARANTEE HOLDER: COTECNA INSPECTION S.A.

On June 30, 2011, MIGA issued a guarantee of \$4.6 million covering an investment by Cotecna Inspection S.A. of Switzerland in Cotecna Inspection S.A., Bureau de Liaison du Togo (COINS-Togo). The coverage is for a period of five years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

COINS-Togo is providing import verification services on behalf of the government of Togo under a build, operate, and transfer concession between Cotecna Inspection S.A. and the government of Togo. The service contract involves the supply, installation, and operation of an x-ray scanner and GPS-based container tracking equipment, as well as the management of the import verification system for goods entering Togo through the Port of Lomé.

The project will improve Togo's position as a trading partner by introducing greater transparency and efficiency into the Port of Lomé's operations. This will help Togo realize the benefits of a deepwater port that can serve neighboring land-locked countries. The transparent audit trail provided by scanning data will also help the government secure revenues through the elimination of opportunities for fraud and fiscal evasion. Security at the port will also be enhanced by ensuring that containerized goods are not illegal.

This project is aligned with MIGA's strategic priorities of supporting investments into countries eligible for assistance from the International Development Association as well as countries affected by conflict.

cocoa-producing regions. These facilities will source organically grown green cocoa beans directly from local farmers. Icam Uganda will use a bean-drying and fermentation process that will dry the beans faster and more thoroughly to meet the stringent standards of Icam Italy. This process reduces the risk of mold and fungi, and preserves the cocoa's desirable taste and aroma. The project intends to source a combined 3,900 tons of dry cocoa from the three facilities by the fifth year of operation.

Technical assistance will be provided by agronomists to support local farmers in improving farming practices, which could increase productivity by up to 100 percent. Furthermore, by sourcing the cocoa beans before they have been dried and fermented by the farmers, the project will substantially reduce harvest failure due to bad weather (heavy rains) during the drying and fermenting process.

The project is expected to help boost and diversify Uganda's agricultural exports. Although the cacao plant was introduced to the country in the early 1900s, it has never become a major export crop like coffee. Uganda is specifically encouraging cocoa-growing as part of a plan to diversify its exports.

Growing cocoa beans also offers small-scale farmers in Uganda and other tropical countries a livelihood from a product that has strong foreign demand and local environmental benefits, according to researchers at the International Food Policy Research Institute. Cacao bushes can grow alongside food crops on small parcels of land and on poor soils, which makes production more feasible for small farms and women growers.

This project is consistent with the World Bank Group's Country Assistance Strategy for Uganda, which includes increased productivity and commercialization of agriculture as an outcome. The project was underwritten through MIGA's Small Investment Program.

UGANDA

PROJECT NAME: ICAM CHOCOLATE UGANDA LIMITED

GUARANTEE HOLDERS: ICAM SPA; GIOVANNI ALETTI

On January 14, 2011, MIGA issued guarantees supporting investments by Icam SpA and Giovanni Aletti of Italy in Icam Chocolate Uganda Limited. The guarantees total \$2.1 million and provide coverage for a period of up to six years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project consists of the establishment of a new company, Icam Chocolate Uganda Limited, that will set up collection, storage, and processing facilities in three

ZAMBIA

PROJECT NAME: CHOBÉ AGRIVISION COMPANY LIMITED

GUARANTEE HOLDER: CHAYTON ATLAS INVESTMENTS

On June 30, 2011, MIGA issued a guarantee of \$5.2 million to Chayton Atlas Investments of Mauritius for its equity in Chobe Agrivision Company Limited 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 acquisition of two adjacent farms in the Mkushi farm block in the Central Province of Zambia. These are commercial farms currently cultivating

maize, wheat, and soya. The investor plans to increase the amount of land under irrigation from 210 to 580 hectares through increased capital expenditure. The farms are located in an area that has abundant renewable water resources for irrigation development and a climate that supports two crops per year with irrigation. A “contract farming” business was acquired in addition to the two farms. The contract farming operation provides machinery and equipment services to the two farms as well as third party farms.

The agricultural sector has been identified by the Zambian government and by the World Bank (in its Country Partnership Strategy) as a key area where there is potential to contribute to development and economic growth. Chayton estimates that only 1.1 percent of the country’s potential fertile Guinea Savannah agricultural area is cropped. Moreover, the introduction of highly efficient agricultural practices (for instance, crop rotation and zero tillage), soil and water management, and certain technological improvements will result in increased productivity and sustainable crop-yield enhancement. The introduction of new technologies and methods also offers the chance for substantial demonstration effects for local farmers. The proposed 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.

The project involves the construction and operation of a remanufacturing plant in Lusaka, Zambia. The facility will recondition used parts and components from heavy-duty earth-moving machinery, primarily in the mining sector, to provide a more cost-effective maintenance solution to serve clients within Zambia as well as in adjacent countries.

The project’s expected developmental impacts include job creation, state-of-the-art technology transfer, and technical skills transfer through structured training programs. In addition, the project’s focus on the reconditioning of old parts will reduce the demand for scarce resources that are used to manufacture new complex machinery and equipment.

MIGA’s support for the project is aligned with the World Bank Group’s Country Partnership Strategy, which calls for improving competitiveness in order to accelerate economic growth. The project addresses this goal through its expected technology and skills transfer. MIGA’s participation in the project is also aligned with key agency priorities, which include supporting South-South investment and investment into IDA-eligible countries.

ZAMBIA

PROJECT NAME: HITACHI CONSTRUCTION MACHINERY ZAMBIA CO. LTD.

GUARANTEE HOLDERS: HITACHI CONSTRUCTION MACHINERY AFRICA PTY. LTD; HITACHI CONSTRUCTION MACHINERY SOUTHERN AFRICA CO., LTD.

On March 31, 2011, MIGA issued guarantees totaling \$13.5 million to Hitachi Construction Machinery Africa Pty. Ltd. and Hitachi Construction Machinery Southern Africa Co., Ltd. of South Africa. The coverage is for a period of up to 20 years against the risks of transfer restriction, expropriation, and war and civil disturbance.

Research and Knowledge



KNOWLEDGE GENERATION AND DISSEMINATION ARE KEY TO MIGA'S MANDATE TO SUPPORT FOREIGN DIRECT INVESTMENT (FDI) INTO EMERGING MARKETS. THEY UNDERScore OUR POSITION AS A THOUGHT LEADER AND SOURCE OF PERTINENT INFORMATION FOR THE POLITICAL RISK INSURANCE (PRI) COMMUNITY.

WORLD INVESTMENT AND POLITICAL RISK 2010 HIGHLIGHTS HOW POLITICAL RISK PERCEPTION AFFECTS INVESTMENT INTO CONFLICT-AFFECTED ECONOMIES

This year MIGA's flagship report *World Investment and Political Risk* again looked at general trends in the global economy and FDI, corporate perceptions of political risk and risk-mitigation strategies, as well as the latest developments in the PRI industry's public and private investment insurance providers. This year's report also focused on political risk perceptions and management in conflict-affected and fragile economies. The report sought to juxtapose investment trends, risk perceptions, and risk-mitigation tools in these countries with the same trends and perceptions in countries not experiencing conflict or

fragility. This analysis permitted a more detailed understanding of the differences and similarities of investment decisions in both environments.

The report found that corporate investors are most concerned about political risk when asked to choose among a variety of constraints to foreign investments in emerging markets over the next three years (see figure 1).

Investors also remain preoccupied by the global downturn and pace of recovery for the immediate future. Government intervention (including breaching contractual obligations to private firms) continues to be the political risk of greatest concern (see figure 2).

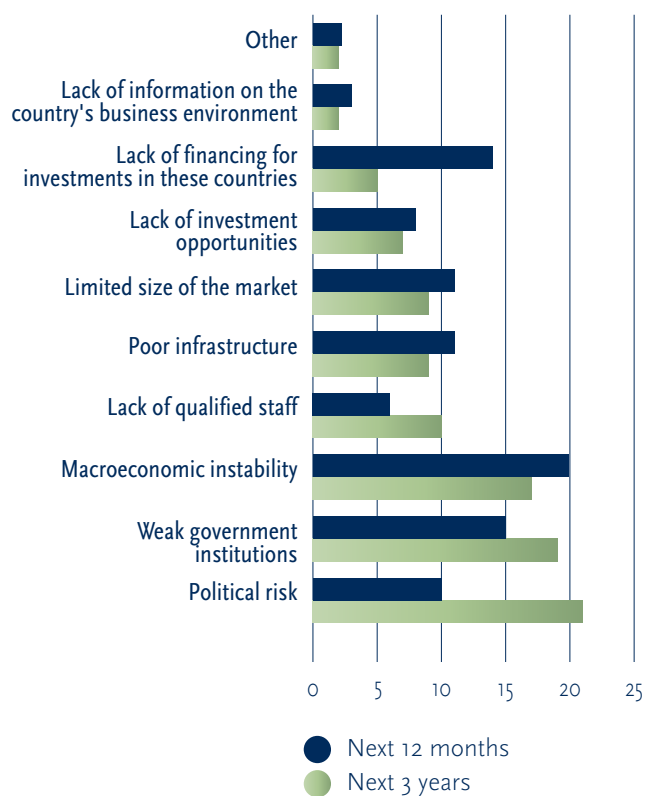
World Investment and Political Risk 2010 also found that foreign investors in developing countries use a wide range of techniques to mitigate and manage political perils, mostly informal or non-contractual in nature. PRI remains a niche product used by a minority of foreign investors.

With respect to conflict-affected and fragile economies, political risk perceptions are pervasive, but *World Investment and Political Risk 2010* noted that, even in these destinations, foreign investors are more concerned about risks arising from government interventions than those from political violence. Adverse changes in regulations rank as the top political risk facing foreign investors in conflict-affected and fragile economies as shown in figure 2, and this is also the risk most frequently responsible for losses. A statistical analysis of investment trends over time revealed that investors from different industries can have different levels of risk tolerance in relation to the presence of conflict in a host country.

Only a handful of conflict-affected and fragile economies account for the majority of outstanding PRI cover by the members of the Berne Union. These are mostly countries with large extractive industries. The report underlined that, while some public insurers are restricted from doing business there by these economies' risk ratings, a number of private insurers have been active in selected destinations, mainly in energy and the extractive sectors. At the same time, because of their ownership structures and mandates, multilateral PRI providers such as MIGA are well-placed to provide coverage to investors in conflict-affected and fragile economies.

The findings of the report were widely shared through panel discussion events, first in London and followed by regional events in Johannesburg, Vienna, Washington, and Singapore, that brought together a broad range of views and provided for rich and topical debate. The report was also disseminated through other presentations, media coverage, and feature stories on MIGA's website, www.miga.org.

FIGURE 1
RANKING OF THE MOST IMPORTANT CONSTRAINTS
FOR FDI IN DEVELOPING COUNTRIES
PERCENT OF RESPONDENTS



Source: MIGA-EIU Political Risk Survey 2010

NEW RESEARCH AGENDA TACKLES TOPICS OF INTEREST FOR MIGA'S BUSINESS

In this fiscal year, MIGA embarked on a number of initiatives to support the agency's research and knowledge agenda. Specifically, topics addressed include a new framework for analyzing the causes of expropriation; the relationship between sovereign defaults and restrictions on transfer and convertibility; and political risk as it relates to state-owned enterprises. These research topics will be used as inputs in MIGA's *World Investment and Political Risk 2011* report, in addition to being disseminated through MIGA's websites and other channels.

MIGA has formed partnerships with outside academic institutions, such as the Paris School of Economics and Washington University in St. Louis, to analyze probable causes of expropriation as well as the impact of political institutions on governmental decision-making with regards to private investors. This allows MIGA's research agenda to cover both operational aspects directly related

to PRI coverage, as well as political economy issues that are associated with political risk triggers.

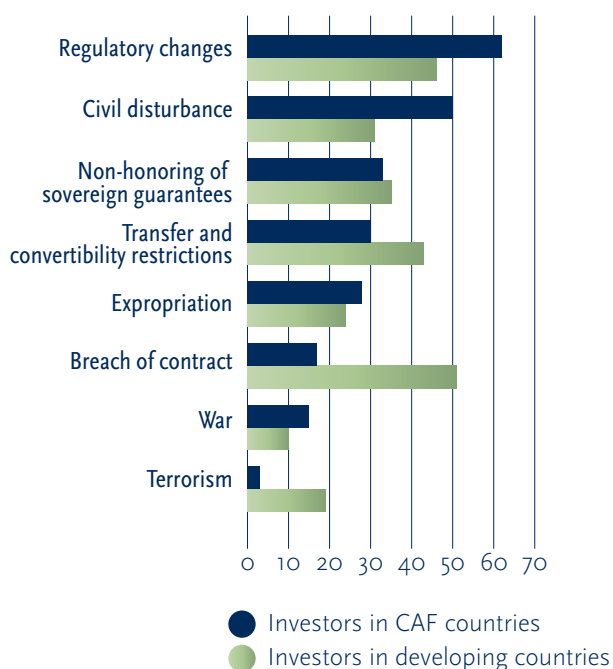
MIGA REFOCUSES WEB PRESENCE ON POLITICAL RISK ISSUES

This fiscal year, MIGA decided to warehouse FDI.net—its investor-focused web portal for disseminating and promoting investment opportunities and information about business conditions in developing countries—and to redeploy its resources to research on political risk issues. We will continue to maintain and update PRI Center (www.pri-center.com), our online information service disseminating knowledge on the political risk environment, risk-management issues, as well as PRI industry news and events. PRI Center will also serve as a forum for discussion of emerging original research produced by MIGA. We will also continue to extend our reach through MIGA's bi-monthly newsletter, the PRI Briefing.

We also focused heavily on using social media to engage audiences interested in FDI and political risk. MIGA's blog "Political Risk and Emerging Markets" has generated a very high readership and offers a platform for MIGA staff to share views on topical issues such as the political dynamic in the Middle East and North Africa, growth in sub-Saharan Africa, and carbon credits. MIGA also disseminates information through Twitter and YouTube. These platforms are helping us reach new audiences and raise our profile in the investor and academic communities.

We also began revamping our website, www.miga.org, this fiscal year. This will allow clients to conduct business with us in a more user-friendly manner. In addition, all MIGA stakeholders will have improved access to project information, news, features, publications, policies and procedures, as well as MIGA's social media platforms.

FIGURE 2
POLITICAL RISKS OF MOST CONCERN TO FOREIGN INVESTORS



Source: MIGA-EIU Political Risk Survey 2010 and MIGA-EIU CAF Investors Survey

Note: Percentages add up to more than 100 because of multiple selections

MIGA'S ONLINE PRESENCE

WWW.MIGA.ORG

MIGA's corporate website is home to the latest news and information about our business, from press releases and project information to our policies and publications. At www.miga.org you will find:

- Information on how to apply for a MIGA guarantee and an online application form
- Projects being considered for MIGA's support (Summary of Proposed Guarantees) and related environmental and social impact assessments
- A database of all projects supported by MIGA; users may search by region, host country, investor country, sector, and project status
- News, feature stories, annual reports, sector briefs, case studies, and more
- MIGA policies and procedures on environmental and social safeguards, disclosure, and anti-corruption
- MIGA's social media channels, including blogs and videos on YouTube
- Current job vacancies
- Google search technology and sign-up for automatic RSS feeds

WWW.PRI-CENTER.COM

PRI-Center provides political risk-management information and offers various services. At www.pri-center.com you will find:

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



Technical Assistance



MIGA CONTRIBUTES FINANCIAL SUPPORT TO THE MULTI-DONOR INVESTMENT CLIMATE ADVISORY SERVICES (IC) OF THE WORLD BANK GROUP, WHICH FOSTERS COMPETITIVE MARKETS, GROWTH, AND JOB CREATION BY HELPING GOVERNMENTS DESIGN AND IMPLEMENT REFORMS TO THEIR BUSINESS ENVIRONMENT.

In the first half of fiscal year 2011, IC supported economy-wide results¹ in client countries across the globe. Sixty-seven percent of IC's fiscal year 2011 advisory portfolio supported reforms in IDA countries and 30 percent were in fragile and conflict-affected countries. IC helped level the playing field by advising governments on reducing barriers to business entry, expansion, and exit. It also facilitated international trade and investment by identifying constraints and supporting improvements in policies, laws, and regulations that influence domestic and foreign firms' business decisions.

Building the government's investment promotion capacity through the Bangladesh Investment Climate Fund, IC facilitated \$203 million of foreign direct investment (FDI) and 17,000 new jobs to export-processing zones in the country. This has increased labor compliance in zone companies to more than 90 percent. In the Dhaka export-processing zone where the number of grievances dropped from 2,400 in 2006 to 400 in 2009, the program is also facilitating a water treatment plant that is expected to increase the amount of properly treated industrial water from zero to 15,000 cubic meters by August 2011.

In Yemen, for example, IC assistance facilitated the passage of a new income tax law that reduced the general tax rate from 35 to 20 percent and created a simplified filing process for micro, small and medium-sized corporate taxpayers. These moves encouraged participation in the formal economy and increased tax revenues by expanding reporting compliance. The project successfully streamlined six procedures to reduce corruption and will result in an estimated \$3.1 million in direct cost savings over the next three years.

Brazil is attracting investment into its frontier states through a fully client-funded IC project that has linked up the country's national and state investment promotion agencies. Investors have announced plans for eight projects in the states of Pernambuco and Para following IC assistance. The team also assisted Apex-Brasil, the national agency, in developing investor-friendly strategies, resulting in seven announced investments since IC support began in May 2009. To date, it has recorded about \$100 million of new actual investment and 1,200 actual jobs, mostly in Pernambuco, but Para is also showing good potential.

IC is also drawing on a range of experience in national reforms to address binding constraints and market failures in a bid to encourage sustainable investments in key strategic industries such as agribusiness. For example, Ukraine's agricultural export potential and ability to play a global role in food security prompted IC to join forces with IFC's Ukraine Advisory Services to address regulatory and policy constraints to the sector's development. As a result, the government abolished mandatory state certification of food products, with the exception of tobacco, alcohol, and baby food. The mandatory certification represented the single most burdensome requirement for food processors, which were already subject to regular food safety controls. Its abolition has enabled the government to open up new export opportunities for Ukrainian agricultural producers through greater harmonization of national food safety legislation with European Union standards and regulations.

IC also helps countries foster "green" development by setting standards and attracting much-needed private investment into low carbon, more resource-efficient economic activities. IC is assisting Indonesia's Jakarta Province as it develops a green building code in line with national standards, and in consultation with private sector stakeholders. The implementation of a "green" building code in Indonesia has very significant carbon reduction potential.

In fiscal year 2011, IC responded to increased demand and devoted considerable resources to IDA countries in sub-Saharan Africa. An independent external evaluation found that programs in Burkina Faso, Liberia, Sierra Leone, and Rwanda helped ease regulatory burdens that enabled the registration of 23,000 new firms and led to the creation of additional private sector investment ranging between \$75 to \$90 million and 51,500 jobs. With IC support, 16 West African countries are moving to increase access to credit and reduce hurdles to business startup. In fact, for the first time since it was created in 1993, the Organization for the Harmonization of Business Law in Africa has amended its laws on secured lending and commerce, creating a simplified legal regime for small entrepreneurs. This will facilitate access to credit in its member states and encourage thousands of informal entrepreneurs to join the formal economy.

¹ An IC result is defined as "a change implemented by a client with support from an IC-supported project that significantly improves the investment climate in a given country, region, or sector. These changes are tangible achievements brought about with IC assistance and for which there is wide technical and expert consensus regarding their relevance in including private sector-led development."

Independent Evaluation Group



THE INDEPENDENT EVALUATION GROUP (IEG)
EVALUATES MIGA'S STRATEGIES, POLICIES, AND
GUARANTEE PROJECTS TO IMPROVE MIGA'S
DEVELOPMENT RESULTS. IEG IS INDEPENDENT OF
MIGA MANAGEMENT AND REPORTS ITS FINDINGS
TO MIGA'S BOARD OF DIRECTORS.

IEG's mandate is to generate lessons learned from MIGA's operations and to ensure corporate accountability for results. In a rapidly changing business context, IEG aims to strengthen MIGA's operational performance and inform its strategy and future directions. It provides MIGA's Board of Directors, management, and other stakeholders with relevant and timely evaluations assessing the adequacy and quality of MIGA's strategy, programs, policies, and projects, and makes recommendations for their continuous improvement.

IEG evaluations contribute to MIGA's overall development and institutional effectiveness. For example, in its report on the World Bank Group guarantee instruments, IEG recommended that MIGA propose to its shareholders amendments to its Convention, expanding its mandate to include coverage for stand-alone debt, existing assets, and brownfield investments.

IEG has supported MIGA's self-evaluation of its guaranteed projects to strengthen institutional learning and the focus on development results. IEG's role is to independently validate the results of MIGA's self-evaluations according to methods and guidelines jointly agreed to by IEG and MIGA. In fiscal year 2010, IEG received three pilot self-evaluations from MIGA for validation followed by five additional self evaluations in fiscal year 2011.

IEG's report, *Achieving Value-Driven Volume—MIGA's Development Results and Institutional Effectiveness 2010*, provided an updated assessment of MIGA's institu-

tional effectiveness. IEG also commented on MIGA's overall performance in a Bank Group report—*Results and Performance of the World Bank Group: IEG Annual Report 2010*. Among other things, this report evaluated the World Bank Group's response to the global financial crisis and explored select issues on institutional effectiveness. MIGA operations have also been highlighted in several other evaluations, including *The World Bank Group's Response to the Global Economic Crisis; Climate Change and the World Bank Group Phase II: The Challenge of Low-Carbon Development; Safeguards and Sustainability Policies in a Changing World*; and *Peru: Country Program Evaluation for the World Bank Group, 2003–09*.

Development effectiveness is a core part of MIGA's mission to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives. MIGA's strength lies in attracting investors and private insurers into difficult operating environments, including conflict-affected environments. IEG seeks to help MIGA achieve its goal to support investments that are developmentally sound, meet high social and environmental standards, and are integrated with the sector and thematic strategies and programs of the entire World Bank Group.

Consistent with corporate transparency, IEG's reports and recommendations are publicly disclosed on IEG's website at ieg.worldbankgroup.org.

Compliance Advisor/ Ombudsman



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/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 and management of MIGA and IFC in relation to policies, systemic environmental and social issues, and emerging trends.

In July 2010, the CAO accepted a complaint related to a MIGA-supported nickel mining project in Indonesia (see project brief on page 38). Another complaint concerning

a water privatization project in Ecuador that MIGA guaranteed in 2001 was closed following a final meeting of the stakeholders in December 2010. After the complaint was filed by residents in the city of Guayaquil in 2008, the CAO worked with MIGA's client, water users' associations, and affected parties to create agreements for debt reduction to help the poorest customers get the water they need. The company used lessons learned from a collaborative review of water users' concerns to strengthen its grievance processes to enable individuals to resolve water service issues on a sustained basis.

Visit www.cao-ombudsman.org for more information about the CAO's activities.

Management's Discussion and Analysis (FY11)

Financial Statements



MANAGEMENT'S DISCUSSION AND ANALYSIS (FY11)

- Overview
- Development Activities
 - Summary of Business Segments
- Outlook and Challenges
- Funding Sources
- Capital Management
- Investment Management
- Critical Accounting Policies
- Results of Operations
- Corporate Governance



FINANCIAL STATEMENTS

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 Report of Independent Auditors on Management Assertion
 Regarding Effectiveness of Internal Controls Over External
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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 175 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.

This year, MIGA's Council of Governors approved amendments to MIGA's Convention. These amendments have expanded MIGA's eligibility criteria, allowing the Agency to support a broader range of developmentally beneficial investments.

In August 2010, MIGA launched a hub in Asia and started operations in Hong Kong SAR, China and Singapore. The hub is geared toward providing better and more efficient access for MIGA's clients and other stakeholders in Asia. The regionally based team has developed a strong pipeline of viable business leads and underwriting has commenced on several projects.

Since its inception, MIGA has issued \$24.5 billion of guarantees (including amounts issued under the Cooperative Underwriting Program), in support of 651 projects in 104 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.

TABLE 1
CUMULATIVE GUARANTEES ISSUED IN MEMBER COUNTRIES

	FY11	FY10	FY09	FY08	FY07
Cumulative Guarantees Issued (\$B) *	24.5	22.4	20.9	19.5	17.4
Host Countries	104	100	99	99	96

* Includes amounts from Cooperative Underwriting Program.

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

The total gross and net exposures at June 30, 2011 amounted to \$9.1 billion and \$5.2 billion compared to \$7.7 billion and \$4.3 billion respectively at the end of FY10. During FY11, MIGA supported 27 projects in the priority areas identified in the Agency's business strategy. This includes guarantees issued for \$421 million in support of 21 projects in IDA-eligible countries. In terms of exposure, IDA-eligible countries accounted for 27 percent of the total net portfolio as of June 30, 2011.

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 Europe and Central Asia region increased by 7.3 percent in FY11, as a result of supporting financial, infrastructure, and services sector clients in the region.

TABLE 2
REGIONAL DISTRIBUTION OF GROSS AND NET EXPOSURE (\$M)

	Gross			Net			% of Total Net Exposure		
	FY11	FY10	FY09	FY11	FY10	FY09	FY11	FY10	FY09
Africa	1,102	1,103	939	886	888	752	16.9	20.7	19.0
Asia	1,296	706	754	759	505	541	14.5	11.7	13.6
Europe and Central Asia	5,432	4,419	3,802	2,844	2,021	1,658	54.3	47.0	41.8
Latin America and the Caribbean	1,006	1,130	1,256	569	638	711	10.8	14.9	17.9
Middle East and North Africa	416	494	677	246	310	369	4.7	7.2	9.3
Adjustment for Dual Country and Master Agreements ¹	-130	-130	-130	-65	-65	-65	-1.2	-1.5	-1.6
Total	9,122	7,723	7,297	5,239	4,296	3,966	100.0	100.0	100.0

Note: numbers may not add up due to rounding.

¹ 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.

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.

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.

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* looked at general trends in the global economy and FDI, corporate perceptions of political risk and risk-mitigation strategies, as well as the latest developments in the PRI industry's public and private investment insurance providers. This year's report also focused on political risk perceptions and management in conflict-affected and fragile economies.

Effective June 30, 2011, MIGA warehoused its online service "FDI.net" and redeployed its resources to research on political risk issues. In addition to producing *World Investment and Political Risk*, MIGA will continue to maintain and update the PRI Center (www.pri-center.com).

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 FY11, MIGA engaged with investors or governments in relation to projects located in Argentina, Guinea, Guinea-Bissau, Senegal, and Sierra Leone.

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

FY11 was characterized by gradual economic recovery led by the developing world. As credit constraints eased and FDI flows to developing countries began to recover, the demand for PRI products increased. In addition, events in the Middle East and North Africa contributed to a resurging awareness of political risk. MIGA's guarantee holders continue to show a certain level of caution and risk aversion by maintaining their political risk coverage for existing projects at longer periods than in the years prior to the global financial crisis.

Operational Priorities

This year 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 countries¹ (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, 2011, the initial authorized shares are 107,483, equivalent to \$1,163.0 million, and authorized capital increase shares are 78,559, equivalent to \$850 million. The total authorized shares are 186,042,

¹ MIGA's categorization for developing countries; see MIGA Member Countries list in the Appendices section of the Annual Report

equivalent to \$2,013 million subscribed by 175 member countries. Of the initial membership shares subscribed, 20 percent or \$232.6 million had been paid-in and the remaining 80 percent or \$930.4 million was subject to call when needed by MIGA to meet its obligations. At June 30, 2011, \$115.1 million is in the form of non-negotiable, 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.

As of June 30, 2011, cumulative subscriptions to the General Capital Increase (GCI) totaled 69,303 shares, equivalent to \$749.8 million, and 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, 2011, MIGA's total subscribed capital amounted to \$1,912.8 million, of which \$364.9 million was paid-in and \$1,547.9 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, 2011 was \$924 million compared with \$875 million as of June 30, 2010. This amount consists of subscribed capital, less uncalled portions of subscriptions, plus retained earnings and accumulated other comprehensive income (loss). The increase of \$49 million in FY11 primarily reflects increased retained earnings of \$43 million and the decrease in accumulated other comprehensive loss of \$6 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, 2011, MIGA's underwriting capacity was \$12,817 million, as follows:

TABLE 3
CURRENT UNDERWRITING CAPACITY (\$M) – JUNE 30, 2011

Subscribed Capital	1,913
Retained Earnings	566
Accumulated Other Comprehensive Income	(7)
Insurance Portfolio Reserve (net)	175
Total	2,647
350% of Subscribed Capital, Retained Earnings, Other Comprehensive Income and Reserve	9,265
90% of Reinsurance Ceded with Private Insurers	2,977
100% of Reinsurance Ceded with Public Insurers	575
Statutory Underwriting Capacity - June 30, 2011	12,817

As of June 30, 2011, MIGA's gross exposure was \$9,121.7 million and represented 71.2 percent of MIGA's statutory underwriting capacity.

Capital Adequacy

Following the adoption of its formal Economic Capital-based capital adequacy framework in FY07, MIGA's measures of capital adequacy and risk-bearing capacity include economic capital consumed by the guarantee portfolio. Modeled economic capital (EC) is the portion of MIGA's capital that is placed at risk by the guarantee portfolio exposure. It provides an analytically rigorous measure for assessing the Agency's consumption of risk capital, and incorporates the effects from portfolio diversification and concentration. As of June 30, 2011, the economic capital consumed by the guarantee portfolio amounted to \$374 million, compared to \$323 million as of June 30, 2010.

Through an annual exercise of gauging the capital adequacy position, the current amount of EC 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 EC 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 EC 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 a measure of the current utilization of this capital by the guarantee portfolio, Table 4 shows the ratio of EC to operating capital over the past three years. This ratio has increased to 34.0 percent in FY11 compared with 31.3 percent in FY10. Table 4 also shows the ratio of EC to portfolio net exposure, to gauge year-on-year changes to the relative risk-level of the portfolio. As of end-FY11, this ratio stood at 7.1, percent compared to 7.5 percent at end-FY10. Together, the two ratios indicate a strong and stable capital position at the end of FY11.

TABLE 4
CAPITAL ADEQUACY SUMMARY (FY09-11, \$M)

	FY11	FY10	FY09
Guarantee Portfolio Economic Capital (EC)	374	323	310
Insurance Portfolio Reserve (net)	175	157	145
Retained Earnings and Accumulated Other Comprehensive Income	559	510	536
Paid-in Capital	365	365	362
Operating Capital	1,099	1,033	1,044
Net Exposure	5,239	4,296	3,966
EC / Operating Capital	34.0%	31.3%	29.7%
EC / Net Exposure	7.1%	7.5%	7.8%

Note: numbers may not add up due to rounding

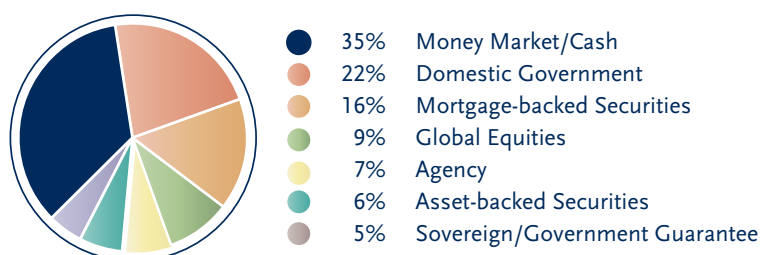
INVESTMENT MANAGEMENT

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 a target duration between 2 to 3 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 FY11, 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 portfolio yield was 1.4 percent in FY11 versus 2.5 percent in FY10. The market value of MIGA's asset portfolio was \$1,036 million as of June 30, 2011, of which \$950 million resided in US dollar-denominated investments.

FIGURE 1
PORTFOLIO COMPOSITION OF MIGA'S TOTAL HOLDINGS AS OF JUNE 30, 2011



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 Reserve¹. These components are defined based on the degree of probability and the basis of estimation.

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

Pension and Other Postretirement Benefits

Along with IBRD and IFC, MIGA participates in a number of pension and 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

FY11 operating income was \$23.6 million, a decrease of \$10.3 million versus FY10 primarily due to lower investment income and higher administrative expenses offset by an increase in net premium income. FY11 net income of \$43.1 million, an increase of \$59.6 million compared to the loss of \$16.5 million in FY10, is mainly on account of the release of provisions for claims. Table 5 below shows the breakdown of MIGA's operating income and net income.

TABLE 5
ANALYSIS OF OPERATING INCOME AND NET INCOME (\$M)

	FY11	FY10	FY09
Total Guarantees Issued ¹	2,099	1,464	1,377
Gross Exposure	9,122	7,723	7,297
Net Exposure	5,239	4,296	3,966
Premium Income	75.2	71.8	64.1
Premium Ceded	(30.6)	(30.6)	(27.0)
Fees and Commissions	6.3	4.8	6.5
Net Premium Income	50.8	46.0	43.6
Income from Investments	13.9	24.1	36.9
Administrative and Other Expenses	(41.1)	(36.2)	(29.8)
Operating Income	23.6	33.9	50.6
Translation Gain (Loss)	17.8	(19.5)	(17.6)
Release of (Provision for) Claims	1.7	(30.9)	(1.9)
Net Income (Loss)	43.1	(16.5)	31.2
Operating Capital	1,099	1,033	1,044
Economic Capital (EC)	374	323	310
ROOC² (before provisions)	3.8%	1.4%	3.2%
ROOC (after provisions)	3.9%	(1.6)%	3.0%
ROCU³	2.6%	3.0%	4.5%

Note: numbers may not add up due to rounding

¹ Including Cooperative Underwriting Program contracts

² Return on Operating Capital = Net Income/Operating Capital

³ Return on Capital Utilized = (Net Premium Income-Administrative and Other Expenses)/Economic Capital Utilized

¹ The Insurance Portfolio Reserve is calculated as the 95th percentile loss less the mean loss from the Economic Capital Model

FY11 versus FY10

MIGA issued \$2,099 billion in guarantees during FY11, \$635 million higher than in FY10. New issues when combined with lower policy cancellations resulted in overall growth of MIGA's guarantee portfolio and premium income. In FY11, gross exposure and gross premium income increased by \$1,399 million and \$3.4 million, respectively. Premium amounts ceded to reinsurers remained stable at \$30.6 million.

MIGA's investment portfolio generated \$13.9 million of investment income in FY11, compared with \$24.1 million in FY10. The yield was 1.4 percent in FY11, compared with 2.5 percent in FY10. Investment income was lower this fiscal year due to a lower overall interest rate environment.

Administrative and other expenses increased to \$41.1 million in FY11, compared with \$36.2 million in FY10.

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 oversight of the integrity of MIGA 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 that 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 at all levels.

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, World Bank Group Senior Management, and the Senior Management of MIGA
- "Statement(s) of the Chairman" and statements 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 committee 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 condition, financial statement presentations, risk assessment, and risk management, as well as governance and controls. The Audit Committee meets both formally and informally throughout the year to discuss finance, accounting, risk management, and internal controls matters. Directors have complete access to management. The Audit Committee reviews and discusses with management the quarterly and annual financial statements. The committee also reviews with the external auditor the financial statements prior to their publication and recommends 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 do every day. The Code applies to all staff worldwide and is available on IBRD's website, www.worldbank.org. All MIGA staff have 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 (actual or potential) conflicts of interest, senior managers are required to file an annual confidential 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/resolution system, financial disclosure, ongoing training to both internal and external audiences, 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 are 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 recommendation by the Audit Committee
- Mandatory rebidding of the external audit contract every five years
- Prohibition of any firm serving as external auditors for more than two consecutive five-year terms
- Mandatory rotation of the senior partner after five years
- An evaluation of the performance of the external auditor at the mid-point of the five year term

External auditors are appointed to a five-year term of service. This is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Executive Directors. Following a mandatory re-bidding of the external audit contract during FY08, IBRD's 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 present as an observer at virtually all Audit Committee meetings and is frequently asked to present its perspective on issues. In addition, the Audit Committee meets periodically with the external auditor in private 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.



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

August 4, 2011

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.

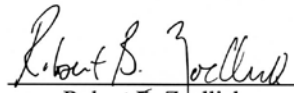
MIGA assessed its internal control over external financial reporting for financial statement presentation in conformity with both accounting principles generally accepted

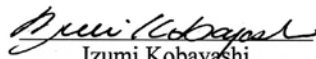
1818 H Street, NW Washington, DC 20433 www.miga.org


MANAGEMENT'S REPORT REGARDING EFFECTIVENESS OF INTERNAL CONTROLS OVER EXTERNAL FINANCIAL REPORTING
(cont'd)

in the United States of America and International Financial Reporting Standards as of June 30, 2011. This assessment was based on the criteria for effective internal control over external financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that MIGA maintained effective internal control over external financial reporting presented in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards as issued by the International Accounting Standards Board as of June 30, 2011. 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.


Robert B. Zoellick
President


Izumi Kobayashi
Executive Vice President


Lakshmi Shyam-Sunder
Director and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS ON MANAGEMENT ASSERTION REGARDING
EFFECTIVENESS OF INTERNAL CONTROLS OVER EXTERNAL FINANCIAL REPORTING



KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

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, 2011, 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 LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

REPORT OF INDEPENDENT AUDITORS ON MANAGEMENT ASSERTION REGARDING
EFFECTIVENESS OF INTERNAL CONTROLS OVER EXTERNAL FINANCIAL REPORTING (cont'd)



Multilateral Investment Guarantee Agency
August 4, 2011
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, 2011 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 sheets of MIGA as of June 30, 2011 and 2010, including the statement of subscriptions to capital stock and voting power and the statement of guarantees outstanding as of June 30, 2011, and the related statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for each of the fiscal years in the two-year period ended June 30, 2011, and our report dated August 4, 2011 expressed an unqualified opinion on those financial statements.

KPMG LLP

August 4, 2011



KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

President and Board of Directors
Multilateral Investment Guarantee Agency:

We have audited the accompanying balance sheets of the Multilateral Investment Guarantee Agency (MIGA) as of June 30, 2011 and 2010, including the statement of subscriptions to capital stock and voting power and the statement of guarantees outstanding as of June 30, 2011, and the related statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for each of the fiscal years in the two-year period ended June 30, 2011. These financial statements are the responsibility of the 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, 2011 and 2010, and the results of its operations and its cash flows for each of the fiscal years in the two-year period ended June 30, 2011, in conformity with U.S. generally accepted accounting principles 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, 2011, 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 4, 2011 expressed an unqualified opinion on management's assertion.

KPMG LLP

August 4, 2011

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

BALANCE SHEET

June 30, 2011 and June 30, 2010, expressed in thousands of US dollars

	FY11	FY10
ASSETS		
CASH	\$11,049	\$8,922
INVESTMENTS – Trading (including securities transferred under repurchase agreements) - Note B	1,105,559	958,012
Derivative Assets - Note B	115,120	585
NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS - Note C	115,088	112,203
OTHER ASSETS		
Receivable for investment securities sold - Note B	12,646	18,280
Estimated reinsurance recoverables - Note E	40,300	18,100
Prepaid premiums ceded to reinsurers	33,327	16,484
Net assets under retirement benefits plans - Note F	27,546	20,684
Miscellaneous	2,017	12,743
	115,836	86,291
TOTAL ASSETS	\$1,462,652	\$1,166,013
Liabilities and Shareholders' Equity		
LIABILITIES		
Payable for investment securities purchased - Note B	\$57,185	\$15,250
Securities sold under repurchase agreements - Note B	26,674	-
Derivative liabilities - Note B	115,342	23
Accounts payable and accrued expenses	43,294	27,131
Unearned premiums and commitment fees	67,811	40,469
Reserve for claims - Note E		
Specific reserve for claims	17,100	39,100
Insurance portfolio reserve	211,200	168,700
Reserve for claims - gross	228,300	207,800
Total liabilities	538,606	290,673
CONTINGENT LIABILITIES – Note D		
SHAREHOLDERS' EQUITY		
Capital stock – Note C		
Authorized capital (186,042 shares- June 30, 2011; 186,042 shares-June 30, 2010)		
Subscribed capital (176,786 shares- June 30, 2011; 176,786 shares-June 30, 2010)	1,912,825	1,912,825
Less uncalled portion of subscriptions	1,547,882	1,547,882
	364,943	364,943
Payments on account of pending subscriptions	67	67
	365,010	365,010
Retained earnings	566,376	523,237
Accumulated other comprehensive loss	(7,340)	(12,907)
Total shareholders' equity	924,046	875,340
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,462,652	\$1,166,013

See accompanying notes to the financial statements

STATEMENT OF OPERATIONS

For the fiscal years ended June 30, 2011 and June 30, 2010, expressed in thousands of US dollars

	FY11	FY10
INCOME		
Income from guarantees		
Premium income - Note D	\$75,195	\$71,814
Premium ceded - Note D	(30,630)	(30,574)
Fees and commissions	6,260	4,749
Total	50,825	45,989
Income from investments - Note B	13,850	24,058
Translation gains (losses)	17,843	(19,464)
TOTAL INCOME	82,518	50,583
EXPENSES		
Provision for (release of) claims - Note E	(1,700)	30,900
Administrative expenses	41,079	36,163
TOTAL EXPENSES	39,379	67,063
NET INCOME (LOSS)	\$43,139	\$(16,480)

STATEMENT OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2011 and June 30, 2010, expressed in thousands of US dollars

	FY11	FY10
NET INCOME (LOSS)	\$43,139	\$(16,480)
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in unrecognized net actuarial gains (losses) on benefit plans	5,449	(9,331)
Change in unrecognized prior service credits on benefit plans	118	192
Total other comprehensive income (loss)	5,567	(9,139)
COMPREHENSIVE INCOME (LOSS)	\$48,706	\$(25,619)

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal years ended June 30, 2011 and June 30, 2010, expressed in thousands of US dollars

	FY11	FY10
CAPITAL STOCK		
Balance at beginning of the fiscal year	\$365,010	\$363,721
New subscriptions		1,289
Ending Balance	365,010	365,010
RETAINED EARNINGS		
Balance at beginning of the fiscal year	523,237	539,717
Net income (loss)	43,139	(16,480)
Ending Balance	566,376	523,237
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of the fiscal year	(12,907)	(3,768)
Other comprehensive income (loss)	5,567	(9,139)
Ending Balance	(7,340)	(12,907)
TOTAL SHAREHOLDERS' EQUITY	\$924,046	\$875,340

STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2011 and June 30, 2010, expressed in thousands of US dollars

	FY11	FY10
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$43,139	\$(16,480)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Provision for (release of) claims - Note E	(1,700)	30,900
Translation (gains)/losses	(17,843)	19,464
Net changes in:		
Investments - Trading	(56,197)	(41,062)
Other assets, excluding investment receivables	(13,882)	2,630
Accounts payable and accrued expenses	21,462	(5,094)
Unearned premiums and commitment fees	26,400	1,333
Net cash provided by (used in) operating activities	1,379	(8,309)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	748	266
Net increase (decrease) in cash	2,127	(8,043)
Cash at beginning of the fiscal year	8,922	16,965
CASH AT END OF THE FISCAL YEAR	\$11,049	\$8,922

See accompanying notes to the financial statements

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

As of June 30, 2011, 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
Afghanistan	118	\$1,277	\$255	\$1,022	359	0.16
Albania	102	1,104	210	894	343	0.16
Algeria	1,144	12,378	2,350	10,028	1,385	0.63
Angola	187	2,023	405	1,618	428	0.20
Antigua and Barbuda	50	541	108	433	291	0.13
Argentina	2,210	23,912	4,539	19,373	2,451	1.12
Armenia	80	866	173	693	321	0.15
Australia	3,019	32,666	6,201	26,465	3,260	1.50
Austria	1,366	14,780	2,806	11,974	1,607	0.74
Azerbaijan	115	1,244	249	995	356	0.16
Bahamas, The	176	1,904	362	1,542	417	0.19
Bahrain	136	1,472	279	1,193	377	0.17
Bangladesh	599	6,481	1,230	5,251	840	0.38
Barbados	120	1,298	246	1,052	361	0.16
Belarus	233	2,521	504	2,017	474	0.22
Belgium	3,577	38,703	7,347	31,356	3,818	1.75
Belize	88	952	181	771	329	0.15
Benin	108	1,169	222	947	349	0.16
Bolivia	220	2,380	452	1,928	461	0.21
Bosnia and Herzegovina	80	866	173	693	321	0.15
Botswana	88	952	181	771	329	0.15
Brazil	2,606	28,197	5,353	22,844	2,847	1.30
Bulgaria	643	6,957	1,321	5,636	884	0.40
Burkina Faso	61	660	132	528	302	0.14
Burundi	74	801	160	641	315	0.14
Cambodia	164	1,774	337	1,437	405	0.18
Cameroon	107	1,158	232	926	348	0.16
Canada	5,225	56,535	10,732	45,803	5,466	2.51
Cape Verde	50	541	108	433	291	0.13
Central African Rep.	60	649	130	519	301	0.14
Chad	60	649	130	519	301	0.14
Chile	855	9,251	1,756	7,495	1,096	0.50
China	5,530	59,835	11,359	48,476	5,771	2.64
Colombia	770	8,331	1,582	6,749	1,011	0.46
Congo, Dem. Rep. of	596	6,449	1,224	5,225	837	0.38
Congo, Republic of	115	1,244	236	1,008	356	0.16
Costa Rica	206	2,229	423	1,806	447	0.20
Cote d'Ivoire	310	3,354	637	2,717	551	0.25
Croatia	330	3,571	678	2,893	571	0.26
Cyprus	183	1,980	376	1,604	424	0.19
Czech Republic	784	8,483	1,610	6,873	1,025	0.48
Denmark	1,265	13,687	2,598	11,089	1,506	0.69
Djibouti	50	541	108	433	291	0.13
Dominica	50	541	108	433	291	0.13
Dominican Republic	147	1,591	318	1,273	388	0.18
Ecuador	321	3,473	659	2,814	562	0.26
Egypt, Arab Republic of	809	8,753	1,662	7,091	1,050	0.48
El Salvador	122	1,320	264	1,056	363	0.17
Equatorial Guinea	50	541	108	433	291	0.13
Eritrea	50	541	108	433	291	0.13
Estonia	115	1,244	236	1,008	356	0.16
Ethiopia	123	1,331	253	1,078	364	0.17

See accompanying notes to the financial statements

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

As of June 30, 2011, 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
Fiji	71	768	154	614	312	0.14
Finland	1,057	11,437	2,171	9,266	1,298	0.59
France	8,565	92,673	17,593	75,080	8,806	4.02
Gabon	169	1,829	347	1,482	410	0.19
Gambia, The	50	541	108	433	291	0.13
Georgia	111	1,201	240	961	352	0.16
Germany	8,936	96,688	18,355	78,333	9,177	4.19
Ghana	432	4,674	887	3,787	673	0.31
Greece	493	5,334	1,013	4,321	734	0.34
Grenada	50	541	108	433	291	0.13
Guatemala	140	1,515	303	1,212	381	0.17
Guinea	91	985	197	788	332	0.15
Guinea-Bissau	50	541	108	433	291	0.13
Guyana	84	909	182	727	325	0.15
Haiti	75	812	162	650	316	0.14
Honduras	178	1,926	366	1,560	419	0.19
Hungary	994	10,755	2,042	8,713	1,235	0.56
Iceland	90	974	195	779	331	0.15
India	5,371	58,114	11,032	47,082	5,612	2.56
Indonesia	1,849	20,006	3,798	16,208	2,090	0.95
Iran, Islamic Republic of	1,659	17,950	3,590	14,360	1,900	0.87
Iraq	350	3,787	757	3,030	591	0.27
Ireland	650	7,033	1,335	5,698	891	0.41
Israel	835	9,035	1,715	7,320	1,076	0.49
Italy	4,970	53,775	10,208	43,567	5,211	2.38
Jamaica	319	3,452	655	2,797	560	0.26
Japan	8,979	97,153	18,443	78,710	9,220	4.21
Jordan	171	1,850	351	1,499	412	0.19
Kazakhstan	368	3,982	756	3,226	609	0.28
Kenya	303	3,278	622	2,656	544	0.25
Korea, Republic of	791	8,559	1,625	6,934	1,032	0.47
Kosovo	96	1,039	208	831	337	0.15
Kuwait	1,639	17,734	3,367	14,367	1,880	0.86
Kyrgyz Republic	77	833	167	666	318	0.15
Lao People's Dem. Rep.	60	649	130	519	301	0.14
Latvia	171	1,850	351	1,499	412	0.19
Lebanon	250	2,705	514	2,191	491	0.22
Lesotho	88	952	181	771	329	0.15
Liberia	84	909	182	727	325	0.15
Libya	549	5,940	1,188	4,752	790	0.36
Lithuania	187	2,023	384	1,639	428	0.20
Luxembourg	204	2,207	419	1,788	445	0.20
Macedonia, FYR of	88	952	181	771	329	0.15
Madagascar	176	1,904	362	1,542	417	0.19
Malawi	77	833	167	666	318	0.15
Malaysia	1,020	11,036	2,095	8,941	1,261	0.58
Maldives	50	541	108	433	291	0.13
Mali	143	1,547	294	1,253	384	0.18
Malta	132	1,428	271	1,157	373	0.17
Mauritania	111	1,201	228	973	352	0.16
Mauritius	153	1,655	314	1,341	394	0.18

See accompanying notes to the financial statements

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

As of June 30, 2011, 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
Mexico	1,192	12,897	2,579	10,318	1,433	0.65
Micronesia, Fed. States of	50	541	108	433	291	0.13
Moldova	96	1,039	208	831	337	0.15
Mongolia	58	628	126	502	299	0.14
Montenegro	61	660	132	528	302	0.14
Morocco	613	6,633	1,259	5,374	854	0.39
Mozambique	171	1,850	351	1,499	412	0.19
Namibia	107	1,158	232	926	348	0.16
Nepal	122	1,320	251	1,069	363	0.17
Netherlands	3,822	41,354	7,850	33,504	4,063	1.86
New Zealand	513	5,551	1,110	4,441	754	0.34
Nicaragua	180	1,948	370	1,578	421	0.19
Nigeria	1,487	16,089	3,054	13,035	1,728	0.79
Norway	1,232	13,330	2,531	10,799	1,473	0.67
Oman	166	1,796	341	1,455	407	0.19
Pakistan	1,163	12,584	2,389	10,195	1,404	0.64
Palau	50	541	108	433	291	0.13
Panama	231	2,499	474	2,025	472	0.22
Papua New Guinea	96	1,039	208	831	337	0.15
Paraguay	141	1,526	290	1,236	382	0.17
Peru	657	7,109	1,350	5,759	898	0.41
Philippines	853	9,229	1,752	7,477	1,094	0.50
Poland	764	8,266	1,653	6,613	1,005	0.46
Portugal	673	7,282	1,382	5,900	914	0.42
Qatar	241	2,608	495	2,113	482	0.22
Romania	978	10,582	2,009	8,573	1,219	0.56
Russian Federation	5,528	59,813	11,355	48,458	5,769	2.63
Rwanda	132	1,428	271	1,157	373	0.17
St. Kitts & Nevis	50	541	108	433	291	0.13
St. Lucia	88	952	181	771	329	0.15
St. Vincent and the Grenadines	88	952	181	771	329	0.15
Samoa	50	541	108	433	291	0.13
Saudi Arabia	5,528	59,813	11,355	48,458	5,769	2.63
Senegal	256	2,770	526	2,244	497	0.23
Serbia	407	4,404	836	3,568	648	0.30
Seychelles	50	541	108	433	291	0.13
Sierra Leone	132	1,428	271	1,157	373	0.17
Singapore	272	2,943	559	2,384	513	0.23
Slovak Republic	391	4,231	803	3,428	632	0.29
Slovenia	180	1,948	370	1,578	421	0.19
Solomon Islands	50	541	108	433	291	0.13
South Africa	1,662	17,983	3,414	14,569	1,903	0.87
Spain	2,265	24,507	4,652	19,855	2,506	1.14
Sri Lanka	478	5,172	982	4,190	719	0.33
Sudan	206	2,229	446	1,783	447	0.20
Suriname	82	887	177	710	323	0.15
Swaziland	58	628	126	502	299	0.14
Sweden	1,849	20,006	3,798	16,208	2,090	0.95
Switzerland	2,643	28,597	5,429	23,168	2,884	1.32
Syrian Arab Republic	296	3,203	608	2,595	537	0.25

See accompanying notes to the financial statements

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

As of June 30, 2011, 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
Tajikistan	130	1,407	267	1,140	371	0.17
Tanzania	248	2,683	509	2,174	489	0.22
Thailand	742	8,028	1,524	6,504	983	0.45
Timor-Leste	50	541	108	433	291	0.13
Togo	77	833	167	666	318	0.15
Trinidad and Tobago	358	3,874	735	3,139	599	0.27
Tunisia	275	2,976	565	2,411	516	0.24
Turkey	814	8,807	1,672	7,135	1,055	0.48
Turkmenistan	66	714	143	571	307	0.14
Uganda	233	2,521	479	2,042	474	0.22
Ukraine	1,346	14,564	2,765	11,799	1,587	0.72
United Arab Emirates	656	7,098	1,347	5,751	897	0.41
United Kingdom	8,565	92,673	17,593	75,080	8,806	4.02
United States	32,564	352,342	67,406	284,936	32,805	14.98
Uruguay	202	2,186	437	1,749	443	0.20
Uzbekistan	175	1,894	379	1,515	416	0.19
Vanuatu	50	541	108	433	291	0.13
Venezuela, R. B. de	1,427	15,440	3,088	12,352	1,668	0.76
Vietnam	388	4,198	797	3,401	629	0.29
Yemen, Republic of	155	1,677	335	1,342	396	0.18
Zambia	318	3,441	688	2,753	559	0.26
Zimbabwe	236	2,554	511	2,043	477	0.22
Total – June 30, 2011²	176,786	\$1,912,825	\$364,943	\$1,547,882	218,961	100.00
Total – June 30, 2010	176,786	\$1,912,825	\$364,943	\$1,547,882	218,961	100.00

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

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

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

See accompanying notes to the financial statements

STATEMENT OF GUARANTEES OUTSTANDING

As of June 30, 2011, expressed in thousands of US dollars

Host Country	Gross Exposure – Note D				Total	Reinsurance – Note D	Net Exposure
	US Dollars	Euro	Japanese Yen	Swiss Franc			
Afghanistan	76,203	-	-	-	76,203	41,125	35,078
Albania	1,565	27,503	-	-	29,068	-	29,068
Algeria	-	3,736	-	-	3,736	-	3,736
Angola	12,900	-	-	-	12,900	1,290	11,610
Argentina	24,119	-	-	-	24,119	12,059	12,059
Armenia	-	4,126	-	-	4,126	-	4,126
Bangladesh	78,265	-	-	-	78,265	7,826	70,438
Benin	1,026	1,368	-	-	2,394	103	2,292
Bosnia and Herzegovina	-	45,044	-	-	45,044	3,324	41,720
Brazil	50,000	35,705	-	-	85,705	17,852	67,852
Bulgaria	-	143,100	-	-	143,100	71,550	71,550
Burkina Faso	-	1,808	-	-	1,808	181	1,627
Central African Republic	-	34,747	-	-	34,747	-	34,747
China	134,698	95,346	-	-	230,044	19,321	210,723
Colombia	-	2,888	-	-	2,888	-	2,888
Congo, Democratic Republic of	25,150	5,501	-	-	30,651	-	30,651
Congo, Republic of	-	5,586	-	-	5,586	-	5,586
Costa Rica	149,525	-	-	-	149,525	87,540	61,985
Côte d'Ivoire	-	1,765	-	-	1,765	-	1,765
Croatia	-	660,083	-	-	660,083	350,622	309,461
Djibouti	224,876	-	-	-	224,876	151,806	73,070
Dominican Republic	99,635	-	-	-	99,635	14,945	84,690
Ecuador	31,937	-	-	-	31,937	1,135	30,802
Ethiopia	13,960	-	-	-	13,960	-	13,960
Georgia	9,025	-	-	-	9,025	-	9,025
Ghana	65,250	-	-	-	65,250	6,975	58,275
Guatemala	96,570	-	-	-	96,570	48,285	48,285
Guinea	2,462	57,453	-	-	59,915	5,745	54,170
Guinea-Bissau	-	20,094	-	-	20,094	2,009	18,084
Honduras	-	6,876	-	-	6,876	-	6,876
Hungary	-	412,552	-	-	412,552	63,117	349,435
Indonesia	657,000	-	-	-	657,000	330,000	327,000
Iran, Islamic Republic of	99,769	-	-	-	99,769	9,977	89,792
Iraq	4,842	-	-	-	4,842	-	4,842
Jamaica	72,191	-	-	-	72,191	14,438	57,753
Jordan	4,095	-	-	-	4,095	410	3,686
Kazakhstan	401,520	-	-	-	401,520	239,530	161,990
Kenya	50,194	-	-	-	50,194	6,588	43,606
Kosovo	-	55,007	-	-	55,007	-	55,007
Kyrgyz Republic	8,913	-	-	-	8,913	315	8,598
Lao People's Dem. Rep.	77,878	-	-	-	77,878	38,939	38,939
Latvia	4,104	171,897	-	-	176,001	410	175,591
Liberia	70,600	78,168	-	-	148,768	51,972	96,796
Macedonia, FYR	-	13,752	-	-	13,752	-	13,752
Madagascar	-	22,018	-	-	22,018	-	22,018
Mali	16,200	-	-	-	16,200	1,620	14,580
Mauritania	5,400	-	-	-	5,400	540	4,860
Moldova	61,092	11,652	-	-	72,744	30,546	42,198
Mozambique	163,076	2,750	-	-	165,826	38,639	127,187
Nepal	29,394	-	-	-	29,394	17,671	11,722
Nicaragua	99,799	-	-	-	99,799	43,440	56,360

See accompanying notes to the financial statements

STATEMENT OF GUARANTEES OUTSTANDING (cont'd)

As of June 30, 2010, expressed in thousands of US dollars

Host Country	Gross Exposure – Note D				Total	Reinsurance – Note D	Net Exposure
	US Dollars	Euro	Japanese Yen	Swiss Franc			
Nigeria	107,364	1,527	-	-	108,892	14,323	94,569
Pakistan	8,768	881	497	95,906	106,053	51,056	54,997
Peru	24,464	-	-	-	24,464	1,293	23,171
Poland	-	3,895	-	-	3,895	-	3,895
Romania	-	79,564	-	-	79,564	22,798	56,765
Russian Federation	836,000	80,810	-	-	916,810	461,529	455,281
Rwanda	39,920	-	-	-	39,920	-	39,920
Senegal	-	83,834	-	-	83,834	9,889	73,945
Serbia	-	446,741	-	-	446,741	156,388	290,353
Sierra Leone	17,172	-	-	-	17,172	500	16,672
South Africa	15,320	-	-	-	15,320	-	15,320
Swaziland	22,956	-	-	-	22,956	11,478	11,478
Syrian Arab Republic	78,434	-	-	-	78,434	7,843	70,591
Thailand	72,878	-	-	-	72,878	36,439	36,439
Togo	-	4,612	-	-	4,612	-	4,612
Turkey	547,363	405,326	-	-	952,690	573,595	379,094
Turkmenistan	2,826	-	-	-	2,826	-	2,826
Uganda	155,470	550	-	-	156,020	75,797	80,223
Ukraine	992,914	6,188	-	-	999,102	614,976	384,126
Uruguay	300,095	-	-	-	300,095	192,000	108,095
Venezuela, R. B. de	11,880	-	-	-	11,880	3,564	8,316
Vietnam	40,890	-	-	-	40,890	30,623	10,267
Zambia	18,640	-	-	-	18,640	-	18,640
	6,216,584	3,034,453	497	95,906	9,347,441	3,995,939	5,351,502
Adjustment for Dual-Country Contracts: ¹							
Lao PDR/Thailand	(72,878)	-	-	-	(72,878)	(36,439)	(36,439)
Mozambique/Swaziland	(22,956)	-	-	-	(22,956)	(11,478)	(11,478)
	(95,834)	-	-	-	(95,834)	(47,917)	(47,917)
Adjustment for Master Agreement: ²							
Guatemala, Moldova, Nicaragua	(129,895)	-	-	-	(129,895)	(64,948)	(64,948)
Total – June 30, 2011³	5,990,855	3,034,453	497	95,906	9,121,712	3,883,074	5,238,638
Total – June 30, 2010	5,822,513	1,899,816	451	-	7,722,780	3,426,406	4,296,374

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 correct for double-counting.

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

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

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 4, 2011, the Executive Vice President and the Chief Financial Officer authorized the financial statements for issue. MIGA has evaluated subsequent events through August 4, 2011, 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 and is expecting to issue a standard in 2011. 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 and a standard in 2012.

In November 2009, IASB issued IFRS 9, *Financial Instruments* as a first step as part of a wider project to replace 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 asset. 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, but may be applied earlier. MIGA is currently assessing the impact of this standard on its financial statements.

In May 2011, the FASB issued 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 U.S. GAAP and IFRS. While many of the amendments are changes in wording that are not expected to 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 is currently evaluating the impact 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 will be assessing the impact of this standard on its financial statements.

Differences between US GAAP and IFRS

The *Compensation Retirement Benefits Topic* of the FASB ASC 715-30 requires employers to recognize on their balance sheets the funded status of their defined benefit postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation. Gains or losses and prior service costs or credits that arise during the period are recognized as part of Other Comprehensive Income, to the extent they

are not recognized as components of the net periodic benefit cost. Additionally, 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 *International Accounting Standards (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 to the Statement of Operations, 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 postretirement benefits plans, and the present value of benefit obligations.

The significant accounting policies employed by MIGA are summarized below.

Investments

MIGA manages its investment portfolio both for the purpose of providing liquidity for potential claims and for capital growth. MIGA invests in equity securities, time deposits, mortgage/asset-backed securities and government and agency obligations based on its investment policy approved by the Board. Government and agency obligations include highly rated fixed rate bonds, notes, bills and other obligations issued or unconditionally guaranteed by governments of countries or other official entities including government agencies or by multilateral organizations. MIGA makes limited 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 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 Operations.

Reserve for Claims

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

The Specific Reserve is calculated based on contract-specific parameters that are reviewed every quarter by MIGA Management for contracts that have known difficulties. The Insurance Portfolio Reserve is calculated based on the long-term historical experiences of the political risk 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 (OPIC). The historical analysis of the data from those sources is further augmented by an internal econometric scoring analysis in order to derive risk-differentiated parameters with term structure effects over time. The historical and econometric analyses cover periods that are over 30 years, and the derived parameters are considered stable in the short term; however the 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 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 reserve is 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 Operations.

Changes to MIGA's Investment Policy approved by the Board of Directors in June 2010 included 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 reinsurance in the normal course of business by obtaining treaty and facultative reinsurance to augment its underwriting capacity and to mitigate its risk by protecting portions of its insurance portfolio. Premiums ceded 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 trading portfolio at June 30, 2011 and June 30, 2010 is as follows:

In thousands of US dollars	Fair Value	
	June 30, 2011	June 30, 2010
Equity Securities	\$93,287	\$ -
Comingled Funds	6,600	-
Government Obligations	352,483	322,544
Time Deposits	418,038	446,516
Asset-backed Securities	235,151	188,952
Total Investments - Trading	\$1,105,559	\$958,012

MIGA manages its investments on a net portfolio basis. The following table summarizes MIGA's net portfolio position as of June 30, 2011 and June 30, 2010:

In thousands of US dollars	Fair Value	
	June 30, 2011	June 30, 2010
Investments – trading	\$1,105,559	\$958,012
Cash held in investment portfolio ^a	1,406	2,514
Receivable from investment securities sold	12,646	18,280
Derivative assets		
Currency forward contracts	115,086	-
Others ^b	34	585
Derivative liabilities		
Currency forward contracts	(115,093)	-
Others ^b	(249)	(23)
Payable for investment securities purchased	(57,185)	(15,250)
Securities sold under repurchase agreements	(26,674)	-
Net Investment Portfolio	\$1,035,530	\$964,118

^{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 8.3 percent (14.9 percent – June 30, 2010) 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 losses/gains included in the Income from investments for the fiscal years ended June 30, 2011 and June 30, 2010 amounted to (\$838,000) and \$3,230,000 respectively.

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

In thousands of US dollars	Year ended	
	June 30, 2011	June 30, 2010
Interest Income	\$15,551	\$14,151
Dividend Income	480	-
Gains - Realized / Unrealized	13,924	14,360
Losses - Realized / Unrealized	(16,105)	(4,453)
	\$13,850	\$24,058

Losses/Income 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, 2011 and June 30, 2010 amounted to (\$776,000) and \$1,285,000, respectively. Losses/Income 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:

In thousands of US dollars	Year ended	
	June 30, 2011	June 30, 2010
Securities transferred under repurchase agreements	\$26,674	-
Liabilities relating to securities transferred under repurchase agreements	\$26,674	-

Fair Value Measurements

The *Fair Value Measurements and Disclosure Topic* of the FASB Accounting Standards Codification (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, 2011 and June 30, 2010:

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

Fair Value Measurements on a Recurring Basis, as of June 30, 2010

In thousands of US dollars	Level 1	Level 2	Level 3	Total
Assets:				
Government Obligations	\$46,986	\$275,558	\$ -	\$322,544
Time Deposits	138,493	308,023	-	446,516
Asset-backed Securities	-	185,400	3,552	188,952
	\$185,479	\$768,981	\$3,552	\$958,012
Derivative assets				
Others ^a	-	585	-	585
Total Derivative assets	-	585	-	585
Total	\$185,479	\$769,566	\$3,552	\$958,597
Liabilities:				
Derivative liabilities				
Others ^a	-	23	-	23
Total Derivative liabilities	-	23	-	23
Total	\$ -	\$23	\$ -	\$23

^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, 2011 and June 30, 2010.

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
Year ended June 30, 2010			
In thousands of US dollars	Level 1	Level 2	Level 3
Government Obligations			
Transfers (out of) into	\$13,018	\$(13,018)	-
Asset-backed Securities			
Transfers (out of) into	-	(2,201)	2,201

The following table provides a summary of changes in the fair value of MIGA's Level 3 financial assets and liabilities during the years ended June 30, 2011 and June 30, 2010.

Year ended June 30, 2011		
In thousands of US dollars	2011	2010
Asset-backed Securities		
Beginning of the period	\$3,552	\$1,121
Total realized/unrealized income in Income from investments	87	230
Purchases	1,019	-
Transfers in	47	2,201
Settlements/Maturity	(700)	-
End of the period	\$4,005	\$3,552

The entire amount of \$87,000 for the year ended June 30, 2011 (\$230,000 for the year ended June 30, 2010) included in the above table is attributable to unrealized gains on Level 3 asset-backed securities.

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, 2011	
	In thousands of US dollars	
	2011	2010
Currency Forward Contract		
Credit Exposure	\$140	\$ -
Exchange traded Options and Futures ^a		
Notional Long Position	121,000	190,000
Notional Short Position	464,000	624,000
Others ^b		
Notional Long Position	50,000	58,000
Notional Short Position	2,000	-
Credit Exposure	34	585

^a Exchange traded instruments are generally subject to daily margin requirements and are deemed to have no material credit risk. All outstanding options and future contracts as of June 30, 2011 and June 30, 2010 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, 2011. 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, 2011, the initial authorized capital stock was 186,042 (186,042 – June 30, 2010) 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, 2011, no shares (June 30, 2010, 1,192 shares) were subscribed. At June 30, 2011, MIGA's authorized capital stock comprised 186,042 (186,042 – June 30, 2010) shares of which 176,786 (176,786 – June 30, 2010) 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, \$364,943,000 (\$364,943,000 – June 30, 2010) has been paid in and the remaining \$1,547,882,000 (\$1,547,882,000 - June 30, 2010) is subject to call. At June 30, 2011, \$115,088,000 (\$112,203,000 – June 30, 2010) is in the form of non-negotiable, non-interest bearing demand obligations (promissory notes). A summary of MIGA's capital stock at June 30, 2011 and June 30, 2010 is as follows:

	Initial Capital		Capital Increase		Total	
	Shares	(US\$'000)	Shares	(US\$'000)	Shares	(US\$'000)
As of 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
At June 30, 2010						
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, which at June 30, 2011 amounts to \$2,503,000 (\$2,503,000 – June 30, 2010).

Contingent Liability

The maximum amount of contingent liability of MIGA under guarantees issued and outstanding at June 30, 2011 totaled \$9,121,712,000 (\$7,722,780,000 – June 30, 2010). 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, 2011, MIGA's actual exposure to insurance claims, exclusive of standby coverage is \$7,956,484,000 (\$6,469,101,000 – June 30, 2010).

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 \$9,121,712,000 outstanding contingent liability (gross exposure) as at June 30, 2011 (\$7,722,780,000 – June 30, 2010), \$3,883,074,000 was ceded through contracts of reinsurance (\$3,426,406,000 – June 30, 2010). Net exposure amounted to \$5,238,638,000 as at June 30, 2011 (\$4,296,374,000 – June 30, 2010).

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of June 30, 2011, total insurance assumed by MIGA, primarily with official investment insurers, amounted to \$368,716,000 (\$120,000,000 – June 30, 2010).

Premiums relating to direct, assumed and ceded contracts for the fiscal years ended June 30, 2011 and June 30, 2010 were as follows:

In thousands of US dollars	June 30, 2011	June 30, 2010
Premiums Written		
Direct	\$103,009	\$69,604
Assumed	1,660	1,080
Ceded	(47,473)	(29,615)
Premiums Earned		
Direct	74,111	70,734
Assumed	1,084	1,080
Ceded	(30,630)	(30,574)

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 \$600 million in each host country and \$180 million for each project.

As approved by the Board of Directors and the Council of Governors, the maximum aggregate amount of contingent liabilities that may be assumed by MIGA is 350 percent of the sum of MIGA's unimpaired subscribed capital and its retained earnings, and insurance portfolio reserve plus such portion of the insurance ceded by MIGA through contracts of reinsurance as the Board of Directors may determine. Accordingly, at June 30, 2011, the maximum level of guarantees outstanding (including reinsurance) may not exceed \$12,817,000,000.

Portfolio Diversification

MIGA aims to diversify its guarantee portfolio so as to limit the concentration of exposure to loss in a host country, region or sector. The portfolio shares of the top five and top ten largest exposure countries provide an indicator of concentration risk. The gross and net exposures of the top five and top ten countries at June 30, 2011 and June 30, 2010 are as follows:

In thousands of US dollars	June 30, 2011		June 30, 2010	
	Exposure in Top Five Countries	Exposure in Top Ten Countries	Exposure in Top Five Countries	Exposure in Top Ten Countries
Gross Exposure	\$4,185,685	\$5,976,636	\$3,606,053	\$4,874,683
% of Total Gross Exposure	45.9	65.5	46.7	63.1
Net Exposure	\$1,894,936	\$3,043,052	\$1,480,551	\$2,254,203
% of Total Net Exposure	36.2	58.1	34.5	52.5

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

The regional distribution of MIGA's portfolio at June 30, 2011 and June 30, 2010 is as follows:

In thousands of US dollars	June 30, 2011			June 30, 2010		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Africa	\$1,101,887	\$885,715	16.9	\$1,102,841	\$887,695	20.7
Asia	1,295,724	759,163	14.5	706,421	504,618	11.7
Europe and Central Asia	5,432,561	2,843,859	54.3	4,419,058	2,021,127	47.0
Latin America and Caribbean	1,005,684	569,132	10.9	1,129,865	638,214	14.9
Middle East and North Africa	415,751	245,717	4.7	494,490	309,668	7.2
Adjustment for Master Agreement ¹	(129,895)	(64,948)	(1.3)	(129,895)	(64,948)	(1.5)
	\$9,121,712	\$5,238,638	100.0	\$7,722,780	\$4,296,374	100.0

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

The sectoral distribution of MIGA's portfolio at June 30, 2011 and June 30, 2010 is shown in the following table:

In thousands of US dollars	June 30, 2011			June 30, 2010		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Infrastructure	\$2,960,549	\$1,694,069	32.3	\$2,302,120	\$1,475,131	34.3
Financial	4,455,795	2,340,578	44.7	4,021,610	1,854,609	43.2
Tourism, Construction and Services	192,547	177,239	3.4	159,000	144,893	3.4
Manufacturing	790,406	471,818	9.0	587,472	340,628	7.9
Oil and Gas	233,527	195,188	3.7	468,071	368,719	8.6
Mining	243,265	172,359	3.3	105,017	39,798	0.9
Agribusiness	245,623	187,387	3.6	79,490	72,596	1.7
	\$9,121,712	\$5,238,638	100.0	\$7,722,780	\$4,296,374	100.0

NOTE E: CLAIMS

Reserve for Claims

MIGA's gross reserve for claims at June 30, 2011 amounted to \$228,300,000 (\$207,800,000 - June 30, 2010) and estimated reinsurance recoverables amounted to \$40,300,000 (\$18,100,000 - June 30, 2010).

An analysis of the changes to the gross reserve for claims for the fiscal year ended June 30, 2011 and for the fiscal year ended June 30, 2010 appears in the tables below.

In thousands of US dollars	June 30, 2011	June 30, 2010
Gross reserve balance	\$207,800	\$171,400
Less: Estimated reinsurance recoverables	18,100	12,600
Net reserve balance, beginning of the period	189,700	158,800
Increase (decrease) to net reserves before translation adjustments	(14,000)	41,100
Foreign currency translation adjustments	12,300	(10,200)
(Release of) Provision for claims - net of reinsurance	(1,700)	30,900
Net reserve balance	188,000	189,700
Add: Estimated reinsurance recoverables	40,300	18,100
Gross reserve balance, end of the period	\$228,300	\$207,800

The release of provision for claims of \$1,700,000 for the fiscal year ended June 30, 2011 (provision for claims of \$30,900,000 – fiscal year ended June 30, 2010) is the result of an increase in the insurance portfolio reserve (IPR) of \$17,900,000 and a decrease in the specific reserve of \$19,600,000.

Estimated reinsurance recoverables increased by \$22,200,000 during the fiscal year ended June 30, 2011 primarily due to refinements in the methodology to estimate the gross insurance portfolio reserve.

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 loss of \$12,300,000 for the fiscal year ended June 30, 2011 is mainly the result of the Euro appreciating against the US 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 increased as a result of translation adjustment is offset by the translation gains on MIGA's investment portfolio assets, reported on the Statement of Operations.

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, 2011, the specific reserves amounted to \$17,100,000 (\$39,100,000 – June 30, 2010) on a gross basis and \$12,800,000 (\$32,400,000 – June 30, 2010) net of reinsurance.

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

In thousands of US dollars		Specific Reserve development over past nine fiscal years									
Reporting Period	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	
Estimate 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	
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	-			
Three years later	5,650	3,279	6,800	45,600	-	-	2,500				
Four years later	5,775	700	1,300	15,100	-	-					
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	-									
Nine years later	6,700										
Specific Reserve at June 30, 2011											
Fiscal Year	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	Total
Estimate of cumulative claims at June 30, 2011	6,700	700	-	-	-	-	2,991	13	2,900	5,000	18,304
Cumulative payments	-	(700)	-	-	-	-	(491)	(13)	-	-	(1,204)
Specific reserves at June 30, 2011	6,700	-	-	-	-	-	2,500	-	2,900	5,000	17,100

Pending Claims

In December, 2010, MIGA received a claim for \$5 million under its expropriation cover in connection with a contract supporting a project in Sierra Leone. The claim is for the maximum aggregate liability under this contract. This claim arises from the failure of the government to make payments for services provided and other breaches of the contract. The claimant asserts that the government's defaults constitute expropriation. MIGA is evaluating the claim.

In December 2009, MIGA received an initial claim for \$1.8 million under contracts supporting loans to a project in Kenya. Subsequently, in August 2010 a second claim was made for an additional amount of \$3.2 million. The maximum aggregate liability under the contracts is \$13.1 million.

This claim asserts that debt service payments were missed due to war and civil disturbance, which occurred in 2007 and 2008. MIGA's liability for the claim has not yet been determined.

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 among 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, 2011 and June 30, 2010:

	SRP		RSBP		PEBP	
In thousands of US dollars	2011	2010	2011	2010	2011	2010
Benefit Cost						
Service cost	\$3,143	\$2,166	\$702	\$457	\$324	\$230
Interest cost	5,506	5,431	831	758	316	343
Expected return on plan assets	(7,954)	(8,172)	(813)	(757)	-	-
Amortization of prior service cost	99	99	12	85	7	8
Amortization of net loss	1,009	562	202	114	187	180
Net periodic pension cost	\$1,803	\$86	\$934	\$657	\$834	\$761

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, 2011 and June 30, 2010. The assets for the PEBP are included in IBRD's investment portfolio.

	SRP		RSBP		PEBP	
In thousands of US dollars	2011	2010	2011	2010	2011	2010
Projected Benefit Obligation						
Beginning of year	\$97,829	\$79,501	\$13,968	\$10,941	\$5,662	\$5,070
Service cost	3,143	2,166	702	457	324	230
Interest cost	5,506	5,431	831	758	316	343
Participant contributions	964	915	77	105	9	14
Retiree drug subsidy received	n/a	n/a	29	24	n/a	n/a
Early Retiree Reinsurance Program received	n/a	n/a	22	-	n/a	n/a
Benefits paid	(4,407)	(3,957)	(344)	(305)	(197)	(155)
Actuarial loss (gain)	4,749	13,773	1,233	1,988	1,304	160
End of year	\$107,784	\$97,829	\$16,518	\$13,968	\$7,418	\$5,662

	SRP		RSBP		PEBP	
In thousands of US dollars	2011	2010	2011	2010	2011	2010
Fair value of plan assets						
Beginning of year	\$118,513	\$106,185	\$11,252	\$9,567		
Participant contributions	964	915	77	105		
Actual return on assets	18,344	13,494	1,760	1,169		
Employer contributions	1,916	1,876	955	716		
Benefits paid	(4,407)	(3,957)	(344)	(305)		
End of year	\$135,330	\$118,513	\$13,700	\$11,252	\$ -	\$ -
Funded status ¹	\$27,546	\$20,684	\$(2,818)	\$(2,716)	\$(7,418)	\$(5,662)
Accumulated Benefit Obligation	\$84,614	\$77,883	\$16,518	\$13,968	\$6,459	\$5,169

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.

The \$27,546,000 relating to SRP at June 30, 2011 (\$20,684,000 – June 30, 2010) 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 in fiscal year ended June 30, 2011				
Net actuarial loss	\$3,054	\$3,460	\$3,973	\$10,487
Prior service cost	264	-	24	288
Net amount recognised in Accumulated Other Comprehensive Loss	\$3,318	\$3,460	\$3,997	\$10,775
Amounts included in Accumulated Other Comprehensive Loss in fiscal year ended June 30, 2010				
Net actuarial loss	\$9,704	\$3,376	\$2,856	\$15,936
Prior service cost	363	12	31	406
Net amount recognised in Accumulated Other Comprehensive Loss	\$10,067	\$3,388	\$2,887	\$16,342

The estimated amounts that will be amortized from Accumulated Other Comprehensive Loss into net periodic benefit cost in the fiscal year ending June 30, 2012 are as follows:

In thousands of US dollars	SRP	RSBP	PEBP	Total
Net actuarial loss	\$309	\$178	\$290	\$777
Prior service cost	99	-	7	106
Net amount recognised in Accumulated Other Comprehensive Loss	\$408	\$178	\$297	\$883

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, 2011 and June 30, 2010:

In percent	SRP		RSBP		PEBP	
	2011	2010	2011	2010	2011	2010
Weighted average assumptions used to determine projected benefit obligations						
Discount rate	5.30	5.75	5.50	6.00	5.20	5.75
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		
Weighted average assumptions used to determine net periodic pension cost						
Discount rate	5.75	7.00	6.00	7.00	5.75	7.00
Expected return on plan assets	6.75	7.75	7.75	7.75		
Rate of compensation increase	6.20	6.70			6.20	6.70
Health care growth rates - at end of fiscal year			7.00	7.00		
Ultimate health care growth rate			4.25	4.75		
Year in which ultimate rate is reached			2022	2017		

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	3,200	(2,500)

Investment Strategy

The investment policies establish 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 of approximately 10 years, 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, and the portfolio is currently in transition to the new SAA. The following table presents the actual and target asset allocation at June 30, 2011 and June 30, 2010 by asset category for the SRP and RSRP.

In percent		SRP		RSBP		
Asset Class	Target Allocation Effective January 2011 (%)	% of Plan Assets 2011	% of Plan Assets 2010	Target Allocation Effective May 2011 (%)	% of Plan Assets 2011	% of Plan Assets 2010
Fixed Income & Cash	31	32.6	40.6	24	33.2	35.7
Public Equity	27	23.9	15.5	29	26.6	22.6
Private Equity	15	20.2	19.8	20	24.9	25.6
Hedge Funds	15	10.8	13.3	15	8.1	10.4
Real Assets	12	12.5	10.8	12	7.2	5.7
Total	100	100	100	100	100	100

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

Risk management is an integral part of managing the assets of the plans. Liability-driven 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 SRP overall investment risk in the asset allocation process. The investment risk is regularly monitored at the absolute level, as well as at the relative levels with respect to policy benchmarks, and in the case of the SRP, to the liabilities. To assess the impact of extreme market events, stress tests are performed periodically using relevant market scenarios. Credit risk is controlled through the application of the eligibility criteria and concentration limits for transactions with individual issues. Counterparty risk exposure on over-the-counter derivatives is mitigated through the use of master netting arrangements and collateral. The Plan manages its liquidity risk primarily by investing a portion of the asset base in securities that are either very liquid or can be liquidated at a fairly short notice at a reasonable price and by maintaining an adequate cash cushion. The level of illiquid asset classes appropriate in the portfolio also takes into account projected liquidity requirements.

Risk management for different asset classes is tailored to their specific characteristics and is an integral part of external manager due diligence. In addition, monitoring of performance (both manager and asset class) against benchmarks and compliance with investment guidelines are carried out as part of the risk monitoring process.

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, 2011 and June 30, 2010.

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

Fair Value Measurements on a Recurring Basis as of June 30, 2010

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	\$ -	\$1,864	\$ -	\$1,864	\$ -	\$149	\$ -	\$149
Securities purchased under resale agreements	2,452	-	-	2,452	291	-	-	291
Government and agency securities	29,491	2,267	-	31,759	1,016.7	1,549	-	2,566
Corporate and convertible bonds	-	4,962	42	5,004	-	853	3	856
Asset-backed securities	-	1,288	545	1,832	-	53	18	70
Mortgage-backed securities	-	7,384	248	7,632	-	140	6	145
Total Debt Securities	31,943	17,765	834	50,542	1,308	2,743	26	4,077
Equities								
US common stocks	2,969	-	-	2,969	253	-	-	253
Non-US common stocks	9,435	-	-	9,435	1,009	-	-	1,009
Mutual funds	532	-	-	532	48	-	-	48
Real estate investment trusts (REITS)	1,890	-	-	1,890	12	-	-	12
Total Equity Securities	14,826	-	-	14,826	1,323	-	-	1,323
Commingled funds	-	6,001	-	6,001	-	1,179	-	1,179
Real estate (including infrastructure and timber)	-	-	7,892	7,892	-	-	632	632
Private equity	-	-	23,557	23,557	-	-	2,888	2,888
Hedge funds	-	12,378	4,499	16,877	-	800	367	1,167
Derivative assets/liabilities	48	(146)	-	(98)	1	61	-	62
Other assets/liabilities	-	-	-	(1,083)	-	-	-	(76)
Total Assets	\$46,816	\$35,997	\$36,782	\$118,513	\$2,632	\$4,783	\$3,913	\$11,252

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 may be 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 cash flow models using market-based parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves. Some debt securities are valued using

techniques that require significant unobservable inputs. The selection of these inputs may involve some judgment. Plan management believes its estimates of fair value are reasonable given its processes for obtaining securities prices from multiple independent third-party vendors, ensuring that valuation models are reviewed and validated, and applying its approach 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 that 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.

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 inputs.

The following tables present a reconciliation of Level 3 assets held during the years ended June 30, 2011 and June 30, 2010. 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, 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	3,240
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	39,384

In thousands of US dollars

**RSBP - Fair Value Measurements Using Significant Unobservable Inputs (Level 3),
Year Ended June 30, 2011**

	Corporate and con- vertible 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	632	367	3,913
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	25	40	413
Purchases, issuance and set- tlements, net	(3)	13	1	1	205	(145)	72
Transfers in (out)	-	(15)	-	-	(84)	4	(95)
Balance as of June 30, 2011	-	17	8	3,412	889	298	4,624

In thousands of US dollars

**SRP - Fair Value Measurements Using Significant Unobservable Inputs (Level 3),
Year Ended June 30, 2010**

	Corporate and con- vertible Debt	Asset- backed Securities	Mortgage- backed Securities	Private Equity	Real Estate	Hedge Funds	Total
Balance as of July 1, 2009	49	352	1,811	18,560	6,553	18,447	45,772
Actual return on plan assets:							
Relating to assets still held at the reporting date	10	50	210	2,901	(183)	3,404	6,392
Relating to assets sold during the period	6	53	7	1,342	124	476	2,008
Purchases, issuance and set- tlements, net	(8)	140	(178)	754	1,398	(6,539)	(4,432)
Transfers in (out)	(15)	(50)	(1,603)	-	-	(11,289)	(12,957)
Balance as of June 30, 2010	42	545	248	23,557	7,892	4,499	36,782

In thousands of US dollars

**RSBP - Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Year Ended June 30, 2010**

	Corporate and con- vertible Debt	Asset- backed Securities	Mortgage- backed Securities	Private Equity	Real Estate	Hedge Funds	Total
Balance as of July 1, 2009	1	35	75	2,281	518	1,348	4,258
Actual return on plan assets:							
Relating to assets still held at the reporting date	0	(1)	6	355	(32)	91	419
Relating to assets sold during the period	-	6	(0)	133	7	30	176
Purchases, issuance and set- tlements, net	(0)	(26)	(5)	119	139	(473)	(246)
Transfers in (out)	2	4	(70)	-	-	(629)	(693)
Balance as of June 30, 2010	3	18	6	2,888	632	367	3,913

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, 2011.

In thousands of US dollars	SRP	RSBP		PEBP
		Before Medicare Part D Subsidy	Medicare Part D Subsidy	
July 1, 2011 - June 30, 2012	\$4,895	\$313	\$8	\$433
July 1, 2012 - June 30, 2013	5,209	358	9	432
July 1, 2013 - June 30, 2014	5,500	404	10	456
July 1, 2014 - June 30, 2015	5,907	449	11	516
July 1, 2015 - June 30, 2016	6,273	495	13	557
July 1, 2016 - June 30, 2021	37,020	3,380	88	3,342

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, 2011 is \$2,388,000 and \$999,000, 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, 2011 and June 30, 2010 are as follows:

In thousands of US dollars	June 30, 2011	June 30, 2010
Fees charged by IBRD	\$9,758	\$8,046
Fees charged by IFC	3,389	514

At June 30, 2011 and June 30, 2010, 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, 2011			June 30, 2010		
	Administrative Services	Pension and Other Postretirement Benefits	Total	Administrative Services	Pension and Other Postretirement Benefits	Total
IBRD	\$(3,040)	\$4,541	\$1,501	\$(2,867)	\$3,992	\$1,125
IFC	(1,043)	-	(1,043)	(314)	-	(314)
	\$(4,083)	\$4,541	\$458	\$(3,181)	\$3,992	\$811

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

The model helps evaluate concentration risk in the guarantee portfolio and facilitates active, risk-based exposure management by allocating the Economic Capital to particular regions, countries, sectors, covers, or individual contracts, based on their respective risk contribution. 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. EC-based risk measures are combined with nominal exposures and income information in a comprehensive portfolio exposure and risk report prepared for MIGA management on a monthly basis.

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

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

■ **Interest Rate Risk** Interest rate changes affect the market values of MIGA's invested assets. A need to liquidate assets to pay for claims in an unfavorable interest rate environment may generate trading losses and reduce investment income. Changes in interest rates will also affect prepayment speeds of mortgage and asset-backed security holdings, which may affect the duration of the asset portfolio. A 100 basis point parallel shift in the yield curve would impact the net income in FY11 by approximately \$21.3 million (FY10: \$6.1 million). This interest rate sensitivity is illustrative only and is based on simplified scenarios. The impact of a parallel shift in interest rates is determined using market value weighted portfolio duration applied to invested asset balance at year end.

■ **Foreign Exchange Rate Risk** The majority of MIGA's assets and contingent liabilities are denominated in USD, but some guarantee contracts are issued in other currencies such as EUR. To the extent that a claim is made in a non-USD currency and requires payment in excess of MIGA's holdings of that currency, MIGA may face a foreign exchange-related loss in converting to the needed currency to pay for a claim. A 10% change

in the USD/Euro year-end exchange rate would impact net income in FY11 by approximately \$8.1 million (FY10: \$11.6 million) and net guarantee exposure by approximately \$203.4 million (FY10: \$132.2 million). 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 severe stress scenarios where claims situations propagate through contagion across countries and regions. As of June 30, 2011, there were claims filed with the Agency for \$10 million. It is estimated that a claims payout would be made within a year, provided that the claim is valid.

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

MIGA 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 operational risk management system to strengthen monitoring of the operational risks and controls in the financial reporting process, and the effectiveness of key controls in the financial reporting process are assessed through the internal quality assurance review process.

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.

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

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



GOVERNORS AND ALTERNATES, AS OF JUNE 30, 2011

Member	Governor	Alternate
Afghanistan	Omar Zakhilwal	Mohammad M. Mastoor
Albania	Ardian Fullani	Fatos Ibrahim
Algeria	Karim Djoudi	Abdelhak Bedjaoui
Angola	Ana Dias Lourenco	Job Graca
Antigua and Barbuda	Harold E. Lovell	Whitfield Harris, Jr.
Argentina	Amado Boudou	Mercedes Marco del Pont
Armenia	Tigran Davtyan	Vardan Aramyan
Australia	Wayne Swan	David Bradbury
Austria	Maria Fekter	Edith Frauwallner
Azerbaijan	Elman S. Rustamov	Shahin Mustafayev
Bahamas, The	Hubert A. Ingraham	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 N. Rumas	Andrei M. Kharkovets
Belgium	Didier Reynders	Franciscus Godts
Belize	Dean Barrow	Yvonne Sharman Hyde
Benin	Marcel de Souza	Adidjatou A. Mathys
Bolivia	Elba Viviana Caro Hinojosa	Luis Alberto Arce Catacora
Bosnia and Herzegovina	Nikola Spiric	Boris Tihi
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	Clotilde Nizigama	Leon Nimbona
Cambodia	Keat Chhon	Aun Porn Moniroth
Cameroon	Louis Paul Motaze	Dieudonne Evou Mekou
Canada	James Michael Flaherty	Margaret Biggs
Cape Verde	Cristina Duarte	Leonesa Lima Fortes
Central African Republic	Sylvain Maliko	Bendert Bokia
Chad	Mahamat Ali Hassan	Bichara Doudoua
Chile	Felipe Larrain Bascunan	Rosanna Costa Costa
China	Xie Xuren	Li Yong
Colombia	Juan Carlos Echeverry Garzon	Hernando Jose Gomez Restrepo
Congo, Democratic Republic of	Mapon Matata Ponyo	Jean-Claude Masangu Mulongo
Congo, Republic of	Pierre Moussa	Leon Raphael Mokoko
Costa Rica	Fernando Herrero Acosta	Rodrigo Bolaños Zamora
Côte d'Ivoire	Charles Koffi Diby	Moussa Dosso
Croatia	Martina Dalic	Zdravko Maric
Cyprus	Charilaos Stavrakis	Christos Patsalides
Czech Republic	Miroslav Kalousek	Tomas Zidek
Denmark	Soren Pind	Ib Petersen
Djibouti	Ali Farah Assoweh	Simon Mibrathu

GOVERNORS AND ALTERNATES, AS OF JUNE 30, 2011 *(cont'd)*

Member	Governor	Alternate
Dominica	Roosevelt Skerrit	Rosamund Edwards
Dominican Republic	Juan Temistocles Montas	Daniel Toribio
Ecuador	Patricio Rivera Yanez	Katiuska King Mantilla
Egypt, Arab Republic of	Fayza Abounnaga	Mounir Fakhry Abdelnour
El Salvador	Alexander Ernesto Segovia	Juan Ramon Carlos Enrique Caceres
Equatorial Guinea	Jose Ela Oyana	Montserrat Afang Ondo
Eritrea	Berhane Abrehe Kidane	Martha Woldegiorgis
Estonia	Jurgen Ligi	Tanel Ross
Ethiopia	Sufian Ahmed	Abi Woldemeskell Bayou
Fiji	Josaia Voreqe Bainimarama	Filimone Waqabaca
Finland	Jyrki Katainen	Pentti Pikkarainen
France	Francois Baroin	Ramon Fernandez
Gabon	Magloire Ngambia	Roger Owono Mba
Gambia, The	Mambrury Njie	Mod A.K. Secka
Georgia	Dimitri Gvindadze	Vera Kobalia
Germany	Dirk Niebel	Joerg Asmussen
Ghana	Kwabena Duffuor	Seth Terkper
Greece	Michalis Chrisochoidis	Ioannis Drymoussis
Grenada	V. Nazim Burke	Timothy Antoine
Guatemala	Erick Coyoy Echeverria	Alfredo Del Cid Pinillos
Guinea	Kerfalla Yansane	Souleymane Cisse
Guinea-Bissau	Helena Nosolini Embalo	Jose Carlos Varela Casimiro
Guyana	Bharrat Jagdeo	Ashni Singh
Haiti	Ronald Baudin	Charles Castel
Honduras	William Chong Wong	Maria Elena Mondragon Ordonez
Hungary	Roland Natran	Laszlo Orlos
Iceland	Ossur Skarphedinnsson	Steingrímur J. Sigfússon
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	Kevin Cardiff
Israel	Stanley Fischer	Michal Abadi-Boiangiu
Italy	Mario Draghi	Carlo Monticelli
Jamaica	Audley Shaw	Wesley George Hughes
Japan	Yoshihiko Noda	Shinichi Nishimiya
Jordan	Jafar Hassan	Saleh Al-Kharabsheh
Kazakhstan	Erbol Orynbayev	Timur Suleimenov
Kenya	Uhuru Kenyatta	Joseph Kanja Kinyua
Korea, Republic of	Jaewan Bahk	Choongsoo Kim
Kosovo	Bedri Hamza	(vacant)
Kuwait	Mustafa Al-Shamali	Bader Mohamed Al-Saad
Kyrgyz Republic	Melis T. Mambetjanov	Uchkunbek Tashbaev

GOVERNORS AND ALTERNATES, AS OF JUNE 30, 2011 *(cont'd)*

Member	Governor	Alternate
Lao People's Democratic Republic	Somdy Douangdy	Somphao Phaysith
Latvia	Andris Vilks	Artis Kampars
Lebanon	Nicolas Nahas	Mohammad Safadi
Lesotho	Timothy T. Thahane	Mosito Khethisa
Liberia	Augustine Kpehe Ngafuan	Amara Konneh
Libya	(vacant)	(vacant)
Lithuania	Ingrida Simonyte	Rolandas Krisciunas
Luxembourg	Luc Frieden	Arsene Jacoby
Macedonia, former Yugoslav Republic of	Zoran Stavreski	Vladimir Pesevski
Madagascar	(vacant)	(vacant)
Malawi	Ken Edward Kandodo	Abi Marambika Shawa
Malaysia	Mohd. Najib Abdul Razak	Wan Abdul Aziz Wan Abdullah
Maldives	Ali Hashim	Ahmed As-ad
Mali	Lassine Bouare	Sambou Wague
Malta	Tonio Fenech	Alfred S. Camilleri
Mauritania	Sidi Ould Tah	Mohamed Lemine Ould Ahmed
Mauritius	Pravind Kumar Jugnauth	Ali Michael Mansoor
Mexico	Ernesto Cordero Arroyo	Gerardo Rodriguez Regordosa
Micronesia, Federated States of	(vacant)	Rose Nakanaga
Moldova	Veaceslav Negruta	Dumitru Ursu
Mongolia	Bayartsogt Sangajav	Purevdorj Lkhanaasuren
Montenegro	Milorad Katnic	Nemanja Pavlicic
Morocco	Salaheddine Mezouar	Nizar Baraka
Mozambique	Aiuba Cuereneia	Ernesto Gouveia Gove
Namibia	Saara Kuugongelwa-Amadhila	Ipumbu Shiimi
Nepal	Bharat Mohan Adhikari	Krishnahari Baskota
Netherlands	Jan Kees de Jager	Ben Knapen
New Zealand	Bill English	Gabriel Makhoul
Nicaragua	Alberto Jose Guevara Obregon	Antenor Rosales Bolanos
Nigeria	Olusegun O. Aganga	Danladi Kifasi
Norway	Erik Solheim	Ingrid Fiskaa
Oman	Ahmed Macki	Darwish bin Ismail Al Balushi
Pakistan	Salman Siddique	Muhammad Saleem Sethi
Palau	Kerai Mariur	Dennis Oilouch
Panama	Alberto Vallarino Clement	Dulcidio De La Guardia
Papua New Guinea	Patrick Pruiatch	Simon Tosali
Paraguay	Dionisio Borda	Manuel Vidal Caballero Gimenez
Peru	Ismael Alberto Benavides Ferreyros	Luis Miguel Castilla Rubio
Philippines	Cesar V. Purisima	Amando M. Tetangco, Jr.
Poland	Michal Baj	Andrzej Ciopinski
Portugal	Fernando Teixeira dos Santos	Carlos Costa Pina
Qatar	Yousef Hussain Kamal	Abdullah Bin Saoud Al-Thani
Romania	Gheorghe Ialomitanu	Cristian Popa
Russian Federation	Aleksei Kudrin	Elvira S. Nabiullina

GOVERNORS AND ALTERNATES, AS OF JUNE 30, 2011 *(cont'd)*

Member	Governor	Alternate
Rwanda	John Rwangombwa	Kampeta Sayinzoga
St. Kitts and Nevis	Denzil Douglas	Janet Harris
St. Lucia	Stephenson King	Isaac Anthony
St. Vincent and the Grenadines	Ralph E. Gonsalves	Laura Anthony-Browne
Samoa	Faumuina Tiatia Liuga	Iulai Lavea
Saudi Arabia	Ibrahim A. Al-Assaf	Muhammad S. Al-Jasser
Senegal	Abdoulaye Diop	Mamadou Abdoulaye Sow
Serbia	Mirko Cvetkovic	Verica Kalanovic
Seychelles	Ahmed Afif	Sherin Renaud
Sierra Leone	Samura Mathew Wilson Kamara	Sheku S. Sesay
Singapore	Tharman Shanmugaratnam	Peter Ong Boon Kwee
Slovak Republic	Ivan Miklos	Viliam Ostrozlik
Slovenia	Franc Krizanic	Mitja Mavko
Solomon Islands	Gordon Darcy Lilo	Shadrach Fanega
South Africa	Pravin Jumnadas Gordhan	Lesetja Kganyago
Spain	Elena Salgado	Jose Manuel Campa Fernandez
Sri Lanka	Mahinda Rajapaksa	P. B. Jayasundera
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 Chave
Syrian Arab Republic	Mohamad Nedal Al-Chaar	(vacant)
Tajikistan	Abdughaffor A. Rahmonov	Djamoliddin Nuraliev
Tanzania	Mustafa Haidi Mkulo	Ramadhani Mussa Khijjah
Thailand	Korn Chatikavanij	Areepong Bhoocha-Oom
Timor-Leste	Emilia Pires	Joao Goncalves
Togo	Dede Ahoefa Ekoue	Aheba Johnson
Trinidad and Tobago	Winston Dookeran	Alison Lewis
Tunisia	Abdelhamid Triki	Lamia Zribi
Turkey	Ibrahim H. Canakci	Evren Dilekli
Turkmenistan	Annamuhammet Gochyev	Gochmyrat A. Myradov
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, República Bolivariana de	Jorge Giordani	(vacant)
Vietnam	Nguyen Van Giau	Nguyen Van Binh
Yemen, Republic of	Abdulkarim I. Al-Arhabi	Mutahar Abdulaziz Al-Abbasi
Zambia	Situmbeko Musokotwane	Likolo Ndalamei
Zimbabwe	Tendai Biti	Gideon Gono

DIRECTORS AND ALTERNATES: VOTING POWER, AS OF JUNE 30, 2011

Director	Alternate	Casting votes of	Total votes	% of total
Elected by the votes of the six largest shareholders				
Ian H. Solomon	(Vacant)	United States	32,805	15.03
Nobumitsu Hayashi	Takaya Kishi	Japan	9,220	4.23
Ingrid G. Hoven	Ruediger Von Kleist	Germany	9,177	4.21
Ambroise Fayolle	Anne Touret-Blondy	France	8,806	4.04
Susanna Moorehead	Stewart James	United Kingdom	8,806	4.04
Yang Shaolin	Zou Ciyong	China	5,771	2.64
Elected by the votes of other shareholders				
Rudolf Treffers (Netherlands)	Tamara Solyanyk (Ukraine)	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Montenegro, Netherlands, Romania, Ukraine	11,786	5.40
Gino Alzetta (Belgium)	Konstantin Huber (Austria)	Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovak Republic, Slovenia, Turkey	11,049	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	10,171	4.66
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)	8,601	3.94
Anna Brandt (Sweden)	Jens Haarlov (Denmark)	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden	7,894	3.62
Piero Cipollone (Italy)	Nuno Mota Pinto (Portugal)	Albania, Greece, Italy, Malta, Portugal, Timor-Leste	7,866	3.60
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	7,648	3.50
Marta Garcia (Spain)	Juan Jose Bravo Moises (Mexico)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Venezuela (República Bolivariana de)	7,638	3.50
Rogério Studart (Brazil)	Vishnu Dhanpaul (Trinidad and Tobago)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, Trinidad and Tobago	7,612	3.49
James Hagan (Australia)	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	7,542	3.46

DIRECTORS AND ALTERNATES: VOTING POWER, AS OF JUNE 30, 2011 *(cont'd)*

Director	Alternate	Casting votes of	Total votes	% of total
Elected by the votes of other shareholders <i>(cont'd)</i>				
Pulok Chatterji (India)	Kazi M. Aminul Islam (Bangladesh)	Bangladesh, India, Sri Lanka	7,171	3.29
Javed Talat (Pakistan)	Sid Ahmed Dib (Algeria)	Afghanistan, Algeria, Ghana, Iran (Islamic Republic of), Morocco, Pakistan, Tunisia	7,091	3.25
Jorg Frieden (Switzerland)	Michal Krupinski (Poland)	Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, Uzbekistan	6,914	3.17
Agapito Mendes Dias (São Tomé and Príncipe)	Mohamed Sikie Kayad (Djibouti)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Congo (Democratic Republic of), Congo (Republic of), Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea-Bissau, Mali, Mauritania, Mauritius, Senegal, Togo	6,864	3.15
Hekinus Manao (Indonesia)	Dyg Sadiha Binti Abg Bohan (Malaysia)	Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Nepal, Singapore, Thailand, Vietnam	6,452	2.96
Vadim Grishin (Russian Federation)	Eugene Miagkov (Russian Federation)	Russian Federation	5,769	2.64
Abdulrahman M. Almofadhi (Saudi Arabia)	Ibrahim Alturki (Saudi Arabia)	Saudi Arabia	5,769	2.64
Felix Alberto Camarasa (Argentina)	Varinia Cecilia Daza Foronda (Bolivia)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay	5,731	2.63
Renosi Mokate (South Africa)	Mansur Muhtar (Nigeria)	Angola, Nigeria, South Africa	4,059	1.86

In addition to the directors and alternates shown in the foregoing list, the following also served after November 1, 2010:

Director	End of period of service	Alternate director	End of period of service
Michel Mordasini (Switzerland)	March 14, 2011	Irfa Ampri (Indonesia)	May 1, 2011
		Chang Junhong (China)	November 9, 2010
		Michihiro Kishimoto (Japan)	February 7, 2011
		Do-Hyeong Kim (Republic of Korea)	April 26, 2011

Note: Guinea (332 votes) and Madagascar (417 votes) did not participate in the 2010 Regular Election of Directors.

MIGA MEMBER COUNTRIES – 175

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 – 150

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 • Nigeria • Rwanda • Senegal • Seychelles • Sierra Leone • South Africa • Sudan • Swaziland • Tanzania • Togo • Uganda • Zambia • Zimbabwe

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

Comoros, Niger, and São Tomé and Príncipe

SIGNATORIES TO MIGA'S CONVENTION, AS OF JUNE 30, 2011

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

* Non-member country

SUBSCRIPTIONS TO THE GENERAL CAPITAL INCREASE, AS OF JUNE 30, 2011

CATEGORY 1	Shares Subscribed	Amount \$	CATEGORY 2	Shares Subscribed	Amount \$
Australia	1,306	14,130,920	Albania	44	476,080
Austria	591	6,394,620	Algeria	495	5,355,900
Belgium	1,547	16,738,540	Argentina	956	10,343,920
Canada	2,260	24,453,200	Bahamas, The	76	822,320
Czech Republic	339	3,667,980	Bahrain	59	638,380
Denmark	547	5,918,540	Bangladesh	259	2,802,380
Finland	457	4,944,740	Barbados	52	562,640
France	3,705	40,088,100	Belize	38	411,160
Germany	3,865	41,819,300	Benin	47	508,540
Greece	213	2,304,660	Bolivia	95	1,027,900
Ireland	281	3,040,420	Botswana	38	411,160
Italy	2,150	23,263,000	Brazil	1,127	12,194,140
Japan	3,884	42,024,880	Bulgaria	278	3,007,960
Luxembourg	88	952,160	Cambodia	71	768,220
Netherlands	1,653	17,885,460	Chile	370	4,003,400
Norway	533	5,767,060	China	2,392	25,881,440
Portugal	291	3,148,620	Colombia	333	3,603,060
Slovenia	78	843,960	Congo, Dem. Rep. of	258	2,791,560
Spain	980	10,603,600	Congo, Republic of	50	541,000
Sweden	800	8,656,000	Costa Rica	89	962,980
Switzerland	1,143	12,367,260	Côte d'Ivoire	134	1,449,880
United Kingdom	3,705	40,088,100	Croatia	143	1,547,260
United States	12,045	130,326,900	Cyprus	79	854,780
Subtotal	42,461	459,428,020	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, 2011 (cont'd)

CATEGORY 2 (cont'd)	Shares Subscribed	Amount \$	SUMMARY	Shares Subscribed	Amount \$
Mozambique	74	800,680	% of Total GCI	88.22%	
Nepal	53	573,460	Completed-Cat. 1	30,416	329,101,120
Nicaragua	78	843,960	Completed-Cat. 2	26,842	290,430,440
Nigeria	643	6,957,260	Completed	57,258	619,531,560
Oman	72	779,040	Partial-Cat. 1	12,045	130,326,900
Pakistan	503	5,442,460	Partial-Cat. 2	—	—
Panama	100	1,082,000	Partial	12,045	130,326,900
Paraguay	61	660,020			
Peru	284	3,072,880	Total Cat. 1	42,461	459,428,020
Philippines	369	3,992,580			
Qatar	104	1,125,280	Total Cat. 2	26,842	290,430,440
Romania	423	4,576,860			
Russian Fed.	2,391	25,870,620	TOTAL	69,303	749,858,460
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			

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	Grodco Panama	PTT Chemical Public Company Ltd
ADC Financial Services & Corporate Development	Grupo ACP Inversiones y Desarrollo	Raghibir Sineh Chatthe
AES Bulgaria Holdings BV	Habib Bank AG Zurich	Raiffeisen a.s., Prague/Czech Republic
Africa Juice BV	Hitachi Construction Machinery Africa Pty. Ltd	Rockland Steel Trading Ltd.
Agro-Industrial Investment and Development SA	Hitachi Construction Machinery Southern Africa Co., Ltd.	Rodeo Power Pte Ltd
Antoine & Gabriel Boulos	Icam SPA	Sasol Gas Holdings (Pty) Ltd.
Aqualyng Holding AS	Industrial Development Corp. of South Africa	Sena Development Limited
Autopistas del Nordeste (Cayman) Limited	Infilco Degreemont, Inc.	SGI Ethiopia Cement Limited
Baltic American Enterprise Fund (BaAEF)	ING Bank	SGS SA
Banco Universal S.A.	International Home Finance & Development, LLC	SGS Société Générale de Surveillance SA
Bank of Nova Scotia	International Water Services (Guayaquil) B.V.	Shore Cap International Ltd.
Banque Nationale de Paris	Intertek International Ltd	SID - Slovenska Izvozna in Razvojna
Barloworld Equipment UK Limited	Investcom Global Ltd.	Sierra Investment Fund Ltd.
Bartrac Equipment GBL	Itochu Corporation	SN Power Holding Singapore PTE Ltd.
Bergenshalvoens Kommunale Kraftselskap AS	Karo Dis Ticaret ve Sanayi Ltd. Sti.	Société Malienne de Promotion Hôtelière S.A.
Botnia B.V.	Kenmare Resources PLC	Sojitz Corporation
Byblos Bank SAL	Kingdom 5 KR 71 Limited	Sonatel
Caja Madrid	KivuWatt Holdings	Splash Mobile Money UK
Calyon Corporate & Investment Bank	Kjaer Group AS	Standard Chartered Bank
Campestres Holdings Limited	Klaus Nikolaus Kohler	State Bank of India
Can Pack S. A.	Komatsu Limited	Sté de Promotion Financière & Investissement
CCB Management Services G, bH	Kreditanstalt für Wiederaufbau	Stichting Triodos-Doen
Cementhai Chemicals Co., Ltd.	Linx Telecommunications B.V	Strand Minerals (Indonesia) Pte. Ltd
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