

# 2008 ANNUAL REPORT



**World Bank Group**  
Multilateral Investment  
Guarantee Agency

# MIGA'S MISSION

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

## **GUARANTEES**

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

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

As part of its guarantees program, MIGA provides dispute resolution services for guaranteed investments to prevent disruptions to developmentally beneficial projects.

## **TECHNICAL ASSISTANCE**

MIGA helps countries define and implement strategies to promote investment through technical assistance services managed by the World Bank Group's Foreign Investment Advisory Services (FIAS).

## **ONLINE KNOWLEDGE SERVICES**

MIGA helps investors identify investment opportunities and manage risks through online investment information services—FDInet and PRI-Center—offering information on investment opportunities, business operating conditions, investment information, and political risk insurance.

\* This report uses the terms "guarantees" and "insurance" interchangeably. The terms "noncommercial risk" and "political risk" are also used interchangeably throughout the report.

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# SUMMARY OF WORLD BANK GROUP ACTIVITIES

THE FIVE INSTITUTIONS OF THE WORLD BANK GROUP WORK CLOSELY TOGETHER TO SUPPORT DEVELOPMENT PROJECTS WORLDWIDE WITH A VIEW TO ELIMINATING POVERTY AND ACHIEVING INCLUSIVE AND SUSTAINABLE GLOBALIZATION. THE ORGANIZATION IS THE WORLD'S LARGEST FUNDER OF EDUCATION, THE WORLD'S LARGEST EXTERNAL FUNDER OF THE FIGHT AGAINST HIV/AIDS, A LEADER IN THE FIGHT AGAINST CORRUPTION, A STRONG SUPPORTER OF DEBT RELIEF, AND THE LARGEST INTERNATIONAL FINANCIER OF BIODIVERSITY, WATER SUPPLY, AND SANITATION PROJECTS.

During fiscal year 2008, the Bank Group committed \$38.2 billion in loans, grants, equity investments and guarantees to its members and to private businesses in member countries—an increase of \$3.9 billion (11.4 percent) from fiscal year 2007.

The World Bank, comprising IDA and IBRD, committed \$24.7 billion in loans and grants to its member countries. IDA commitments to the world's poorest countries were \$11.2 billion, 5 percent lower than the previous year. IBRD commitments in fiscal 2008 totaled \$13.5 billion, 5 percent higher than the previous year.

IFC committed \$11.4 billion and mobilized an additional \$4.8 billion for private sector investments in developing countries, more than 40 percent of which were in IDA-eligible countries.

MIGA issued close to \$2.1 billion in guarantees in support of investments in the developing world, an increase of \$730 million over 2007. Of the total, \$689.6 million went to IDA-eligible countries.

## WORLD BANK GROUP COOPERATION

In fiscal year 2008, the World Bank, IFC and MIGA collaborated on:

- Potential projects to ensure full alignment of country and sectoral strategies
- A new regional integration strategy for Africa
- Country assistance strategies and interim strategy notes across all regions
- The Strategic Framework on Climate Change and Development for the World Bank Group, and the World Bank Group Sustainable Infrastructure Action Plan

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 technical assistance to stimulate private sector investment in developing countries



Multilateral Investment Guarantee Agency (MIGA), which provides political risk insurance or guarantees against losses caused by noncommercial 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

# MIGA FISCAL YEAR 2008 HIGHLIGHTS

IN FISCAL YEAR 2008, THE TOTAL AMOUNT OF GUARANTEES ISSUED FOR PROJECTS IN MIGA'S DEVELOPING MEMBER COUNTRIES REACHED \$2.1 BILLION, REPRESENTING THE LARGEST AMOUNT OF NEW GROSS EXPOSURE IN MIGA'S HISTORY AND THE FOURTH CONSECUTIVE YEAR OF GROWTH IN THE AMOUNT OF GUARANTEES ISSUED.

TABLE 1 Guarantees Issued	2003	2004	2005	2006	2007	2008	FY90-08
Number of Guarantees Issued	59	55	62	66	45	38	922
Number of Projects Supported	40	41	41	41	29	24	580
New Projects <sup>1</sup>	37	35	33	34	26	23	-
Projects Previously Supported <sup>2</sup>	3	6	8	7	3	1	-
Amount of New Issuance, Gross (\$B)	1.4	1.1	1.2	1.3	1.4	2.1	18.8
Amount of New Issuance, Total (\$B) <sup>3</sup>	1.4	1.1	1.2	1.3	1.4	2.1	19.5
Gross Exposure (\$B) <sup>4</sup>	5.1	5.2	5.1	5.4	5.3	6.5	-
Net Exposure (less reinsurance) (\$B) <sup>4</sup>	3.2	3.3	3.1	3.3	3.2	3.6	-

<sup>1</sup> Projects receiving MIGA support for the first time in FY08 (including expansions).

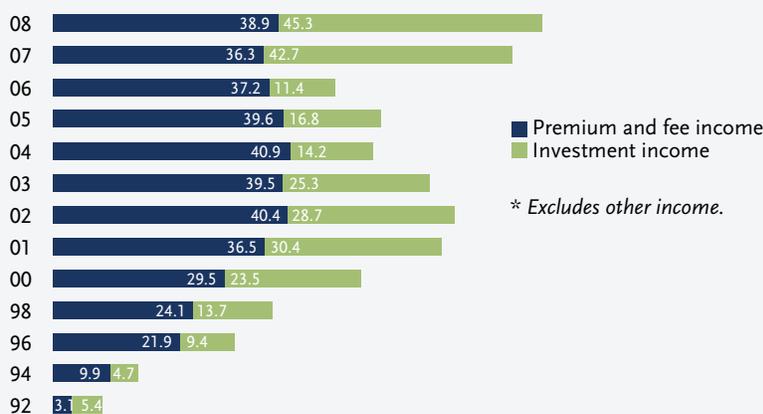
<sup>2</sup> Projects supported by MIGA in FY08 as well as in previous years.

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

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

This year, MIGA's operating income was \$55 million, compared with \$49 million in FY07. The increase of \$6 million was due to an increase in net premium income and investment income and a decrease in the agency's administrative expenses. FY08 net income increased by \$3.4 million compared to FY07, primarily due to higher guarantee income and investment income and translation gains. (See MD&A for details.)

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



## Membership

The agency's total membership stands at 172. In fiscal year 2008, MIGA welcomed one new member into the agency—New Zealand. Mexico and Iraq took important steps towards membership by ratifying the MIGA Convention. To become full members, they must make the initial capital contribution to the agency.

**TABLE 2 Operational Highlights**

MIGA provided coverage for projects in the following areas in FYo8:

	No. of projects supported	Share of projects supported (%)	Amount of guarantees issued (\$M)	Share of guarantees issued (%)
<b>Priority area<sup>1</sup></b>				
Conflict-affected countries	8	33	99.1	5
Infrastructure	6	25	757.2	36
“South-South” investments <sup>2</sup>	7	29	520.7	25
IDA-eligible countries <sup>3</sup>	15	63	689.6	33
<b>Region</b>				
Asia and the Pacific	3	13	36.6	2
Europe and Central Asia	9	38	1,254.6	60
Latin America and the Caribbean	1	4	158.5	8
Middle East and North Africa	2	8	430.7	21
Sub-Saharan Africa	9	38	218.0	10
<b>Sector</b>				
Agribusiness, manufacturing and services	8	33	71.2	3
Financial	10	42	1,269.9	61
Infrastructure	6	25	757.2	36
Oil, gas and mining	0	0	0	0
<b>Total</b>	<b>24</b>	<b>100</b>	<b>2,098.3</b>	<b>100</b>

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

<sup>2</sup> Investments between developing countries.

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

### Other highlights include

No claims paid in fiscal year 2008

Successfully resolved investment disputes related to guaranteed projects in three countries

Monitored situations in nine countries, some of which may lead to claims, and worked to facilitate amicable resolutions

First investments supported in the Central African Republic, Djibouti, and Rwanda

Six projects supported through MIGA's Small Investment Program

### Partnerships

Entered into facultative reinsurance agreements and leveraged additional capacity for MIGA projects, with 12 private sector insurance partners, one public sector insurer, and one multilateral insurer

Partnered for the first time with Hannover Re, Swiss Re, and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) on reinsurance of MIGA's portfolio

Partnered with the European Investment Bank, the Government of Japan, and the Palestinian Authority to redefine the West Bank and Gaza Investment Guarantee Trust Fund

# LETTER FROM THE PRESIDENT TO THE COUNCIL OF GOVERNORS

THIS YEAR MARKS MIGA'S 20<sup>TH</sup> ANNIVERSARY. THE AGENCY WAS FORMED TO CONTRIBUTE TO THE WORLD BANK GROUP'S MISSION OF OVERCOMING POVERTY BY ENCOURAGING FOREIGN DIRECT INVESTMENTS (FDI) INTO UNDERSERVED EMERGING MARKETS. MIGA'S POLITICAL RISK INSURANCE COMPLEMENTS THE PRODUCT OFFERINGS OF THE REST OF THE WORLD BANK GROUP, BY FACILITATING DEVELOPMENT PROJECTS IN ECONOMIES THAT DO NOT ATTRACT FOREIGN CAPITAL EASILY—COUNTRIES IN SUB-SAHARAN AFRICA, POST-CONFLICT STATES, AND THE WORLD'S POOREST STATES. FOR TWENTY YEARS, NOW, MIGA HAS BEEN A STEADFAST PARTNER FOR THE BANK GROUP.



In 2008, the Bank Group developed six strategic priorities to focus our effort. We are giving particular emphasis to the poorest countries, especially in Africa. Bringing opportunity to these countries means not only social development topics but a growth agenda: infrastructure, energy, regional integration linked to global markets, and a healthy private sector. The Bank Group is focused on fragile and post-conflict states—trying to help Liberia, Afghanistan, Haiti, Kosovo, and others. We are addressing the challenges of middle-income countries—developing a host of knowledge and financial services to help these important clients, and working with them as they expand their activities in other countries, so as to broaden and diversify the stakeholders in the international economic system. The Bank Group is increasing our work on global and regional public goods, from HIV/AIDS, avian influenza, malaria, TB, and health systems to pull this work together, to the challenges of global climate change. We are expanding

opportunity for the Arab world—advancing areas of cooperation, including Islamic finance, water, and education. And the Bank Group is becoming a more effective learning institution, gaining knowledge and valuable experience, and leveraging the best global knowledge to support development.

MIGA has played an important role in addressing these challenges. MIGA projects are responding to the need to compensate for low investment levels in the world's poorest countries, such as Djibouti and the Central African Republic. The agency is supporting economic development and reconstruction in frontier markets and in countries affected by conflict. MIGA has also offered diverse and innovative services to middle-income clients, such as a guarantee covering a Shariah-compliant project finance structure. And it is helping countries such as China to address environmental challenges, while encouraging investments into projects that exploit

renewable energy resources, support energy conservation, and increase efficiency.

During my travels over the past year, I have seen how MIGA projects can play a critical role in advancing social and economic development. These projects provide opportunities for our clients by engaging communities in partnership with the private sector; by creating jobs, providing water, electricity, and other basic services, transferring skills and technological know-how, and tapping natural resources in an environmentally sustainable way.

All these activities are guided by MIGA's commitment to results. Over the past twenty years, the agency has issued nearly \$20 billion in guarantees for investments going into 100 countries. More than \$6 billion of this has supported over 210 projects in IDA countries, including \$2.6 billion for nearly 100 projects in Africa. MIGA has supported reconstruction efforts in 24 post-conflict countries. The agency has facilitated an estimated \$80 billion in overall FDI.

2008 has been an exceptionally good year for MIGA. New guarantee issuance reached \$2.1 billion—a gauge of the need and demand for MIGA's investment guarantees. I want to thank those who made these achievements possible.

In particular, I would like to express my appreciation for Ms. Yukiko

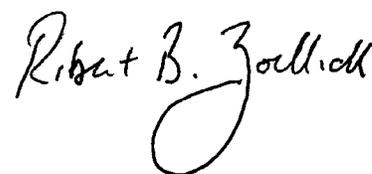
*Over the past twenty years, the agency has issued nearly \$20 billion in guarantees for investments going into 100 countries. More than \$6 billion of this has supported over 210 projects in IDA countries, including \$2.6 billion for nearly 100 projects in Africa.*

Omura's dedicated service to MIGA. Ms. Omura, whose term concluded at the end of this fiscal year, served as MIGA's Executive President for four years—a period of strong results for the agency, particularly in diversifying the portfolio and extending the agency's reach into the world's poorest countries. Her leadership and vision have helped MIGA to keep pace with evolving market demands in a rapidly changing environment.

We have built a good momentum this year, yet we have much to do. It remains important for us to look toward the challenges ahead—the ongoing efforts to overcome poverty and hunger amidst soaring food prices; to increase access to education, health care, and basic infrastructure; to increase energy efficiency and confront the climate change challenge; and to help states facing breakdown.

I know that MIGA's dedicated staff is committed to helping countries face these formidable challenges. I look

forward to the support of MIGA's shareholders and partners as we continue to work toward our collective goal of overcoming poverty and advancing an inclusive and sustainable globalization that offers opportunities for all our client countries and their peoples.



Robert B. Zoellick  
June 30, 2008

## BOARD ACTIVITIES HIGHLIGHTS

During fiscal year 2008, MIGA's Board of Directors reviewed and concurred with investment guarantees for 27 projects. The Board also oversaw and reviewed MIGA's budgeting and planning process for the upcoming fiscal year, and approved the agency's FY09-11 Operational Directions. During the year, the Board also approved the integration of the Small Investment Program (SIP) into MIGA's standard operations.

In this fiscal year, MIGA collaborated with the IBRD, IDA, and IFC in drafting several country assistance and partnership strategy documents that were considered by the Board. In addition to submitting quarterly financial reports, MIGA management presented one technical briefing to the Board discussing the World Bank Group's guarantee products. Finally, the Board discussed the Independent

Evaluation Group's MIGA 2007 and 2008 Annual Reports.

A Council of Governors and a Board of Directors, representing 172 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 24 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 five standing committees, which help the Board discharge its oversight responsibilities through in-depth

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



**MIGA'S BOARD OF EXECUTIVE DIRECTORS**, as of June 30, 2008

*From left to right: (standing) Gino Alzetta, Svein Aass, Giovanni Majnoni, Herman Wijffels, Alexey Kvasov, James Hagan, Sid Ahmed Dib, Michael Hofmann, Masato Kanda, Mohamed Kamel Amr, E. Whitney Debevoise, Ambroise Fayolle, Michel Mordasini, Samy Watson, Felix Alberto Camarasa; (seated) Dhanendra Kumar, Abdulrahman Almofadhi, Zou Jiayi, Mat Aron Deraman, Caroline Sergeant, Jorge Botero, Mulu Ketsela, Louis Phillippe Ong Seng, (absent) Jorge Familiar.*

## MESSAGE FROM THE EXECUTIVE VICE PRESIDENT



THIS PAST FISCAL YEAR WAS A BANNER YEAR FOR MIGA IN TERMS OF GUARANTEES ISSUED AND THE GROWTH OF THE OUTSTANDING PORTFOLIO. GUARANTEES PROVIDED BY THE AGENCY GREW FROM \$1.4 BILLION IN 2007 TO \$2.1 BILLION IN 2008, CLEARLY DEMONSTRATING MIGA'S RELEVANCE AS AN INSTITUTION WITH A NICHE PRODUCT. THIS WAS THE FOURTH CONSECUTIVE YEAR OF GROWTH FOR THE AGENCY, LEADING TO AN OUTSTANDING PORTFOLIO OF OVER \$6.5 BILLION. OUR FINANCIAL POSITION ALSO REMAINED STRONG WITH ROBUST OPERATING AND INVESTMENT INCOMES.

But we do not measure our development impact by volume of business alone. Equally important to us is our achievements in priority areas and results on the ground. Every dollar we guarantee is estimated to facilitate \$4 of foreign investment into a country, and the development benefits are far-reaching: providing basic infrastructure; getting financial sectors back on their feet; and allowing governments to allocate limited funds to critical social programs.

During my travels, I have seen first-hand how we make a difference. For example, a small run-of-the-river hydropower project in Madagascar is helping the country meet its increasing demand for power in a cost-effective and environment-friendly manner. Not only is the project providing close to 10 percent of the country's electricity needs, but the sponsors are supporting schools in a neighboring village by distributing supplies.

MIGA first got involved in the project in 2002, providing guarantees for the investor's equity investment and shareholder loan. This was the first private foreign energy project in Madagascar, and had such a positive demonstration effect that the same investor came back to MIGA in 2008 for another power project in the country. This is precisely MIGA's raison d'être—encouraging foreign direct investment into developing countries, especially the poorest countries that lose out due to market risk perceptions.

Introducing the 2007 annual report last year, I had emphasized that in 2008 we would intensify our focus on underserved markets, particularly in IDA-eligible countries and in sub-

Saharan Africa. I am pleased to report that these targets were met and, in some cases, exceeded. For instance, this year our support for investments in IDA-eligible countries increased from \$387 million in fiscal year 2007 to \$690 million. And sub-Saharan Africa accounts for 38 percent of new projects supported by MIGA this year.

We have remained committed to our mandate in a radically evolving global environment, focusing on areas where we have the greatest impact: frontier markets; conflict-affected countries; complex infrastructure projects; and South-South investment. This year, we issued over \$100 million in guarantees for conflict-affected countries. We continued to ramp up our support for infrastructure projects, which represent 36 percent of guarantees issued in 2008.

These results have come in at a time of financial turmoil in high-income countries and amidst high food and energy prices globally. The disturbance in the financial markets stemming from the tightening of liquidity has impacted not only the availability of credit, but also the capacity of the political risk insurance industry to underwrite coverage. At the same time, there was a general increase in perceptions of noncommercial risk. At times like this more than ever, MIGA can add value by improving a project's risk profile, lowering borrowing costs, and helping good projects materialize.

MIGA's ability to attract profitable and developmentally beneficial foreign direct investment has held up strongly in the face of the financial turbulence over the past year. The new guarantee issuance of \$2.1 billion in fiscal year

2008 was the largest amount of new gross exposure in MIGA's history.

During the past year, we continued to strive to be very responsive to a changing environment and our clients' demands. We took steps to offer more diverse and innovative services to clients. For the first time, MIGA issued a guarantee for a Shariah-compliant project in response to the growing demand for products supporting transactions deemed permissible by Islamic jurisprudence. These types of innovations help us to fulfill our mandate by supporting critical, developmentally beneficial projects in countries that investors normally perceive as too risky.

Internally, we worked hard at improving the way we do business.

We are focused on reinforcing MIGA's role as a multilateral development agency with a business model built around openness and transparency. A good start was made this year with the implementation of two policies relating to our standards on social and environmental sustainability, and disclosure of information.

We also continued our efforts to improve the agency's operational efficiency and relevance. This year, MIGA implemented a new portfolio risk management framework, which provides a comprehensive approach to the measurement and management of risk in its guarantees portfolio.

The results of fiscal year 2008 are a testimony to the hard work, dedication, and professionalism of MIGA's

staff. I thank them for their support and commitment. I would also like to express my thanks to our Board of Directors and all our partners for their continued support.

I have come to the end of my tenure at MIGA. As I leave, I feel confident that MIGA is well positioned to continue to make a strong development impact. It has been a great honor to serve in an institution that is dedicated to promoting economic growth and improving the lives of the poor. I wish MIGA continued success in its mission.

Yukiko Omura  
June 30, 2008

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## MIGA OFFICERS AND MANAGERS



**YUKIKO OMURA**  
Executive Vice President



**JAMES P. BOND**  
Chief Operating Officer



**EDITH QUINTRELL**  
Director, Operations



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



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



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



**MOINA VARKIE**  
Director, External Outreach and Partners



**MARCUS WILLIAMS**  
Adviser, Strategy and Operations



**KRISTALINA GEORGIEVA**  
Vice President and Corporate Secretary