



INSURING INVESTMENTS ■ ENSURING OPPORTUNITIES



# ANNUAL REPORT 2012



## **MIGA'S MISSION**

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

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## ACRONYMS

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

IN FISCAL YEAR 2012, WE ISSUED A TOTAL OF \$2.7 BILLION IN GUARANTEES FOR PROJECTS IN MIGA'S DEVELOPING MEMBER COUNTRIES AND AN ADDITIONAL \$10.6 MILLION WAS ISSUED UNDER MIGA-ADMINISTERED TRUST FUNDS. THIS IS ANOTHER RECORD HIGH FOR NEW ISSUANCE BY THE AGENCY, THE SECOND CONSECUTIVE YEAR OF THIS TREND, AND WAS MARKED BY INCREASED REGIONAL AND SECTORAL DIVERSIFICATION. FIFTY-EIGHT PERCENT OF PROJECTS GUARANTEED, ACCOUNTING FOR 70 PERCENT OF THE TOTAL VOLUME OF NEW COVERAGE, ADDRESS AT LEAST ONE OF MIGA'S FOUR STRATEGIC PRIORITY AREAS. FISCAL YEAR 2012 ALSO MARKS THE FIFTH CONSECUTIVE YEAR OF RECORD LEVELS IN THE AGENCY'S GROSS PORTFOLIO.

## FISCAL YEAR 2012 HIGHLIGHTS



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

<sup>1</sup> Two additional projects were supported under the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund

<sup>2</sup> Projects receiving MIGA support for the first time in FY12 (including expansions)

<sup>3</sup> Projects supported by MIGA in FY12 as well as in previous years

<sup>4</sup> Includes amounts leveraged through the Cooperative Underwriting Program (CUP)

<sup>5</sup> Gross exposure is the maximum aggregate liability. Net exposure is the gross exposure less reinsurance

## OPERATIONAL HIGHLIGHTS

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

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

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

<sup>2</sup> The world's poorest countries

<sup>3</sup> Investments made from one MIGA developing member (category two) country to another

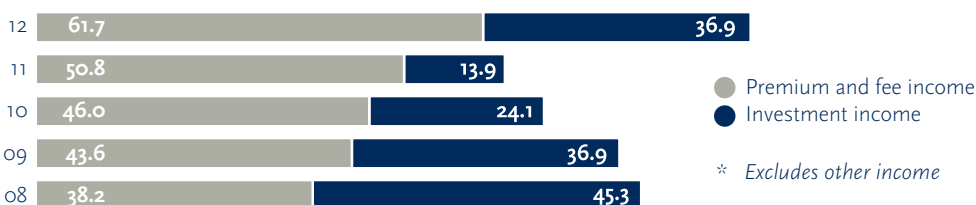
<sup>4</sup> These figures represent projects involving one or more South-based investor

<sup>5</sup> Complex projects including in infrastructure, extractive industries, and financial structure

<sup>6</sup> Two projects totaling \$8.7 million were also supported under the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund

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

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



## WORLD BANK GROUP FISCAL YEAR 2012

### HIGHLIGHTS



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

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

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

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

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

#### WORLD BANK GROUP COOPERATION

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

#### THE WORLD BANK GROUP COMPRISES FIVE CLOSELY ASSOCIATED INSTITUTIONS:

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

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

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

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

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

## LEADERSHIP PERSPECTIVES

### MESSAGE FROM ROBERT B. ZOELICK, WORLD BANK GROUP PRESIDENT, 2007-2012

THE PAST FIVE YEARS HAVE BEEN A TIME OF TESTING  
FOR THE WORLD BANK GROUP, AND OUR ABILITY  
TO RESPOND TO THE NEEDS OF OUR CLIENTS.  
DEVELOPING AND DEVELOPED COUNTRIES HAVE BEEN  
CHALLENGED BY THE TRIPLE THREAT OF THE FOOD,  
FUEL, AND FINANCIAL CRISES.

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

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

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



diversity, infrastructure investment, disaster prevention, financial innovation, and inclusion.

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

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

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

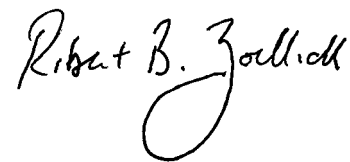
Agency supported 52 projects, including two under the MIGA-administered West Bank and Gaza Investment Guarantee Trust Fund, compared to 38 in fiscal year 2011. Its gross portfolio stands at an all-time high of \$10.3 billion, 29 percent greater than its fiscal year 2009-2011 historical average, and 13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

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

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

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

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

A handwritten signature in black ink, reading "Robert B. Zoellick". The signature is fluid and cursive, with a large, stylized 'Z' and 'L'.

*Robert B. Zoellick  
June 30, 2012*



## MESSAGE FROM DR. JIM YONG KIM, WORLD BANK GROUP PRESIDENT

I AM PLEASED TO TRANSMIT THE 2012 ANNUAL  
REPORT OF MIGA. THIS REPORT HIGHLIGHTS THE  
ACHIEVEMENTS AND EFFECTIVENESS OF THE AGENCY  
DESPITE A CHALLENGING GLOBAL ECONOMIC  
ENVIRONMENT.



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

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

I look forward to working with the Board, our partners and clients, as well as the Bank Group's dedicated staff in Washington, DC, and around the world. Our mission

remains more important than ever—to help developing countries respond to immediate pressures, as well as look toward future opportunities. It is a privilege to undertake this great work.

A handwritten signature in black ink, appearing to read 'J. Kim', with a stylized flourish at the end.

Jim Yong Kim  
July 1, 2012

## MESSAGE FROM IZUMI KOBAYASHI, MIGA EXECUTIVE VICE PRESIDENT

THIS PAST YEAR OF GLOBAL ECONOMIC TURBULENCE  
HAS ALSO BROUGHT SHIFTING GROWTH PATTERNS.  
WE HAVE SEEN TENSIONS IN EUROPE'S DEVELOPED  
COUNTRIES ERODE GAINS WHILE DEVELOPING  
COUNTRIES CONTINUED TO DRIVE GROWTH, BUT AT  
A SLOWER PACE.



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

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

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

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

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

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

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

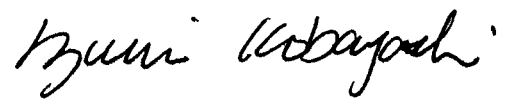
I am pleased to note MIGA's Asia regional presence, our hub, had a productive first full fiscal year of operation. The hub's particular focus is to develop business with potential South-based investors, such as those from China, India, the Republic of Korea, and Singapore, as well as investors from Australia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

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

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

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

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



*Izumi Kobayashi*  
June 30, 2012

MIGA

## MANAGEMENT TEAM

**IZUMI KOBAYASHI**  
Executive Vice President



**MICHEL WORMSER**  
Vice President and  
Chief Operating Officer



**ANA-MITA BETANCOURT**  
Director and General  
Counsel, Legal Affairs and  
Claims



**KEVIN W. LU**  
Regional Director,  
Asia-Pacific



**EDITH P. QUINTRELL**  
Director, Operations



**LAKSHMI SHYAM-SUNDER**  
Director and  
Chief Financial Officer,  
Finance and Risk  
Management



**RAVI VISH**  
Chief Economist and  
Director, Economics and  
Policy



**MARCUS S. D. WILLIAMS**  
Adviser, Strategy and  
Operations

MIGA

## BOARD

A COUNCIL OF GOVERNORS AND A BOARD OF DIRECTORS, REPRESENTING 177 MEMBER COUNTRIES, GUIDE THE PROGRAMS AND ACTIVITIES OF MIGA. EACH COUNTRY APPOINTS ONE GOVERNOR AND ONE ALTERNATE. MIGA'S CORPORATE POWERS ARE VESTED IN THE COUNCIL OF GOVERNORS, WHICH DELEGATES MOST OF ITS POWERS TO A BOARD OF 25 DIRECTORS.

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

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

- Audit Committee
- Budget Committee

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

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



### MIGA'S BOARD OF EXECUTIVE DIRECTORS, AS OF JUNE 30, 2012

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

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