

# ANNUAL REPORT 2010



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
CABEI	CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
CAO	COMPLIANCE ADVISOR/OMBUDSMAN
DIFC	DUBAI INTERNATIONAL FINANCIAL CENTRE
EIB	EUROPEAN INVESTMENT BANK
FDI	FOREIGN DIRECT INVESTMENT
GDP	GROSS DOMESTIC PRODUCT
IAB	INVESTING ACROSS BORDERS
IATA	INTERNATIONAL AIR TRANSPORT ASSOCIATION
IBRD	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ICSID	INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
IDA	INTERNATIONAL DEVELOPMENT ASSOCIATION
IEG	INDEPENDENT EVALUATION GROUP
IFC	INTERNATIONAL FINANCE CORPORATION
JBIC	JAPAN BANK FOR INTERNATIONAL COOPERATION
MD&A	MANAGEMENT'S DISCUSSION AND ANALYSIS
MENA	MIDDLE EAST AND NORTH AFRICA
MOU	MEMORANDUM OF UNDERSTANDING
NEXI	NIPPON EXPORT AND INVESTMENT INSURANCE
PRI	POLITICAL RISK INSURANCE
RDB	RWANDA DEVELOPMENT BOARD
SCADA	SUPERVISORY CONTROL AND DATA ACQUISITION
SEZ	SPECIAL ECONOMIC ZONE
SIP	SMALL INVESTMENT PROGRAM
SME	SMALL AND MEDIUM ENTERPRISE
SSA	SUB-SAHARAN AFRICA

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## Errata for print edition of MIGA's Annual Report 2010

The following errors appear in printed copies of MIGA's Annual Report 2010, but have been corrected in the online version. Any additional errors found will be noted here:

Page 7: the share of projects supported in the oil, gas, and mining sectors has been corrected and is 6 percent.

Page 28: Figure 4, the percent for agribusiness, manufacturing, and services sectors has been corrected to 9 percent.

Page 45: Reference to "International Financial Corporation" has been corrected to read "International Finance Corporation"

# Summary of World Bank Group Activities



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 trade, finance, health, poverty, education, infrastructure, governance, climate change, and in other areas to benefit people in developing countries.

The World Bank Group committed \$72.9 billion in fiscal year 2010.

The World Bank, comprising IDA and IBRD, committed \$58.7 billion in loans and grants to its member countries. Of this, IDA commitments to the world's poorest countries were \$14.5 billion.

IFC committed \$12.7 billion and mobilized an additional \$5.4 billion for private sector development in developing countries. \$4.9 billion of the total went to IDA countries.

MIGA issued \$1.5 billion in guarantees in support of investments in the developing world.

#### **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 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 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.

# Fiscal Year 2010 Highlights

IN FISCAL YEAR 2010, WE ISSUED A TOTAL OF \$1.5 BILLION IN GUARANTEES FOR PROJECTS IN MIGA'S DEVELOPING-MEMBER COUNTRIES. THIS REPRESENTS A SLIGHT INCREASE FROM LAST YEAR'S NEW ISSUANCE OF \$1.4 BILLION. AFTER A YEAR IN WHICH MIGA'S SUPPORT WAS HEAVILY FOCUSED ON THE FINANCIAL SECTOR IN EUROPE AND CENTRAL ASIA DUE TO THE GLOBAL ECONOMIC CRISIS, WE SAW A RETURN TO A MORE DIVERSIFIED PORTFOLIO. AGAIN THIS YEAR, MIGA EXPERIENCED A LOWER LEVEL OF CONTRACT CANCELLATIONS, INDICATING THE VALUE THAT INVESTORS PLACE IN MIGA'S COVERAGE DURING DIFFICULT TIMES. AS A RESULT, MIGA'S OUTSTANDING GROSS EXPOSURE GREW SIGNIFICANTLY TO \$7.7 BILLION, A RECORD HIGH.

GUARANTEES ISSUED	2006	2007	2008	2009	2010	FY90-10
Number of Guarantee Contracts Issued	66	45	38	30	28	980
Number of Projects Supported	41	29	24	26	19	616
New Projects <sup>1</sup>	34	26	23	20	16	-
Projects Previously Supported <sup>2</sup>	7	3	1	6	3	-
Amount of New Issuance, Gross (\$B)	1.3	1.4	2.1	1.4	1.5	21.7
Amount of New Issuance, Total (\$B) <sup>3</sup>	1.3	1.4	2.1	1.4	1.5	22.4
Gross Exposure (\$B) <sup>4</sup>	5.4	5.3	6.5	7.3	7.7	-
Net Exposure (\$B) <sup>4</sup>	3.3	3.2	3.6	4.0	4.3	-

<sup>1</sup> Projects receiving MIGA support for the first time in FY10 (including expansions)

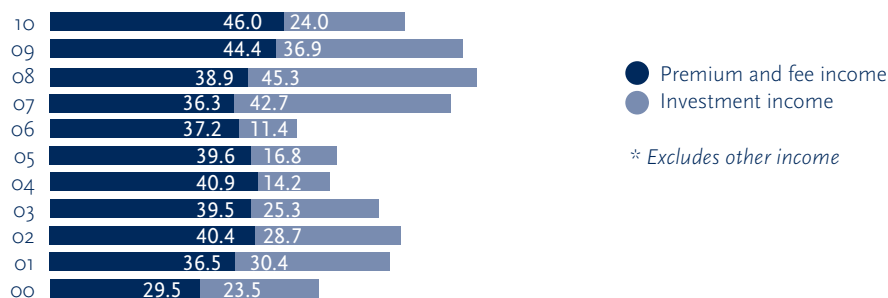
<sup>2</sup> Projects supported by MIGA in FY10 as well as in previous years

<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 \$33.9 million, compared with \$50.6 million in fiscal year 2009 (see MD&A for details).

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





# Fiscal Year 2010 Highlights

## MEMBERSHIP

In fiscal year 2010, MIGA welcomed Mexico as its newest member. The agency's total membership stands at 175.

## OPERATIONAL HIGHLIGHTS

MIGA provided coverage for projects in the following areas in FY10:

	Number of projects supported	Share of projects supported (%)	Amount of guarantees issued (\$M)
<b>Priority area<sup>1</sup></b>			
Conflict-affected countries	2	11	2.9
Infrastructure	4	21	178.3
"South-South" investments <sup>2,3</sup>	6	32	159.1
IDA-eligible countries <sup>4</sup>	6	32	342.6
<b>Region</b>			
Asia and the Pacific	2	11	24.2
Europe and Central Asia	10	52	1,084.7
Latin America and the Caribbean	2	11	18.1
Middle East and North Africa	0	0	0
Sub-Saharan Africa	5	26	336.9
<b>Sector</b>			
Agribusiness, manufacturing, and services	5	26	123.7
Financial	9	47	936.8
Infrastructure	4	21	178.3
Oil, gas, and mining	1	6	225.0
<b>Total</b>	<b>19</b>		<b>1,463.8</b>

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

<sup>2</sup> Investments made from one MIGA developing-member (Category Two) country to another

<sup>3</sup> This figure represents the total volume of projects involving a South-South investor. The total volume of contracts issued to South-South investors was \$56.6 million

<sup>4</sup> The world's poorest countries

## Message from the World Bank Group President



THIS HAS BEEN AN EXTRAORDINARY YEAR FOR THE WORLD BANK GROUP. AS THE GLOBAL ECONOMIC RECOVERY HAS SLOWLY GAINED STRENGTH, THE BANK GROUP HAS STEPPED UP TO SOFTEN THE IMMEDIATE IMPACT OF THE CRISIS ON THE NEEDIEST AND CONTINUED INVESTING IN THE LONG-TERM DEVELOPMENT AND GROWTH OF OUR CLIENTS. DEVELOPING AND EMERGING COUNTRIES HAVE HELPED PULL THE WORLD OUT OF THE CRISIS AND ARE INCREASINGLY PROVIDING THE DEMAND DRIVING THE GLOBAL ECONOMY. THEY ARE ALSO TAKING ON A ROLE AS KEY PLAYERS IN GLOBAL GOVERNANCE COMMENSURATE TO THEIR GROWING INFLUENCE.

As a modern multilateralism that reflects the new multipolar global economy is taking shape, the Bank Group is also evolving.

At our Spring Meetings, our shareholders endorsed a historic package of reforms. The World Bank will receive its first major capital increase in more than 20 years. Our shareholders also fulfilled the commitment made in Istanbul last October to increase voting power at the IBRD for developing and transition countries by at least 3 percentage points, bringing them to 47.19 percent—a total shift of 4.59 percent since 2008. Developing and transition countries' shares at IFC will increase by 6.07 percent to 39.48 percent.

MIGA is also undergoing an important transformation. It is changing its procedures and is seeking to modify its Convention to be more flexible and expand its range of services.

MIGA's 2010 Annual Report highlights the agency's continued commitment to fulfilling its mission.

MIGA's mandate to promote foreign direct investment into developing countries to improve people's lives and create more opportunities remains more important than ever. Despite a challenging business climate, during the past year MIGA sought out and supported projects that contributed to its mission and growth.

In fiscal year 2010, MIGA provided \$1.5 billion in new guarantee coverage. This amount targeted a wide range of projects across all regions—from bank liquidity in Serbia and Latvia to guarantees on complex port projects in Turkey, China, and Senegal. Over the past year MIGA supported investments in frontier markets, such as Sierra Leone and Ethiopia. And as was the case last year, MIGA experienced a lower-than-usual level of cancellation.

MIGA also continued to support financial flows from banks to their subsidiaries in Europe and Central Asia that were harmed by the financial crisis. Beyond the financial sector, MIGA supported clients seeking political risk insurance for energy and infrastructure investments with a strong development impact. The projects that MIGA supports create jobs; provide water, electricity, and other basic services; strengthen financial systems; generate tax revenues; transfer skills and technological know-how; and help countries tap natural resources in an environmentally sustainable way.

MIGA also entered the emerging-market private equity business by providing conditional guarantees for funds seeking to raise private capital. The agency signed its third contract with a private equity fund this year. All three funds focus on small-scale investments in sub-Saharan Africa. MIGA's presence as a risk mitigator acts as a stimulus to those raising funds from investors anxious about political uncertainties.



MIGA again demonstrated thought leadership in the political risk insurance arena. I want to commend the agency's successful launch of its *World Investment and Political Risk* report. The report fills an information gap and underlines that investors view political risk as the most important short- and medium-term obstacle to investing in developing countries.

MIGA's management continues to focus on change to increase effectiveness and improve efficiency for investors and lenders. This year the agency recommended that the Board of Directors take the necessary next steps to amend MIGA's Convention to strengthen its value as a multilateral provider of political risk insurance in a constantly evolving marketplace.

MIGA has also worked more closely with other units of the World Bank Group to ensure the best use of the Bank Group's expertise, products, and services. I am particularly pleased to see a strengthened relationship between MIGA and IFC through the creation of a joint unit to oversee business development and provide cross-marketing support. The unit will offer enhanced and more seamless service to our private-sector clients, provide development to countries that need it the most, and leverage the strengths of both institutions.

We will experience uncertainty in the coming months as the fragile economic recovery is tested. But we can be sure that our efforts as one World Bank Group—working with all our partners as a “global connector”—are contributing to an inclusive and sustainable globalization and assisting our clients to overcome poverty and create opportunity for their people.

I thank MIGA's staff for their hard work and dedication this year. They continued to show professionalism and commitment in reaching out to clients and strengthening relationships that lead to projects with strong development impact. These accomplishments also reflect the strong leadership, judgment, and experience of MIGA's Executive Vice President, Izumi Kobayashi. I also thank our Board of Governors, Directors, and many partners for their support of MIGA.

*Robert B. Zoellick*

Robert B. Zoellick  
June 30, 2010

# Board Highlights

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 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 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 2010, MIGA's Board of Directors reviewed and concurred with investment guarantees for 13 projects. The Board also approved MIGA's budget for fiscal year 2011. MIGA submitted quarterly financial reports and collaborated in drafting World Bank Group country assistance and partnership strategies that were considered by the Board.

In addition, the Board discussed and concurred with recommended amendments to MIGA's Convention. These amendments are currently under consideration by the Council of Governors.



#### **MIGA'S BOARD OF EXECUTIVE DIRECTORS, AS OF JUNE 30, 2010**

*Standing, from left to right:* Merza Hasan, Abdulrahman Almofadhi, Dante Contreras, Gino Alzetta, Alexey Kvasov, Toru Shikibu, Ambroise Fayolle, Sid Dib, Susanna Moorehead, Ruud Treffers, Michael Hofmann, Toga McIntosh, Jim Hagan, Samy Watson, Pulok Chatterji, Philippe Ong Seng

*Seated, from left to right:* Jose Rojas, Sun Vithespongse, Giovanni Majnoni, Carolina Renteria, Ian Solomon, Anna Brandt, Shaolin Yang, Michel Mordasini

## Message from MIGA's Executive Vice President



AS SUBDUED INVESTOR CONFIDENCE AND REDUCED FOREIGN DIRECT INVESTMENT (FDI) FLOWS CHARACTERIZED THE ECONOMIC LANDSCAPE THIS PAST YEAR, THE WORLD FACED UNDENIABLY CHALLENGING TIMES. NEVERTHELESS, TRUE TO OUR MISSION, MIGA STEPPED UP TO ASSIST RECOVERY AND GROWTH IN DEVELOPING COUNTRIES BY INSURING INVESTMENTS THAT CREATE JOBS, PROVIDE BASIC INFRASTRUCTURE, AND OFFER LENDING SERVICES TO THE REAL ECONOMY IN THOSE REGIONS MOST AFFECTED.



While the global economy is slowly emerging from some of the most difficult challenges of last year, the impact of the European sovereign debt crisis is still unclear. Certainly many developed and emerging countries are still suffering the effects of the crisis and will continue to do so for some time. Indeed, our own economists, among others, predict that the fallout from the crisis will change the landscape for finance and growth over the next 10 years.

Despite this testing external environment, MIGA issued guarantees totaling \$1.5 billion to support 19 projects in developing countries in fiscal year 2010, up from \$1.4 billion the previous year. This included \$337 million to support projects in sub-Saharan Africa, which is a key priority. Notable is our support to the modernization and expansion of the Port of Dakar in Senegal. We also supported investment into Ethiopia for the first time and underwrote two small investments in Sierra Leone, as we did last year.

We continued to guarantee projects under MIGA's Financial Sector Initiative to support financial flows from banks to their subsidiaries in countries hit by the global crisis, allowing for recapitalization and addressing near-term liquidity needs.

Our portfolio grew by \$400 million this year to \$7.7 billion, in part due to a lower level of run-off. We observed again this year that existing guarantee holders have been more inclined to maintain coverage—as the emphasis on actively managing all types of risk has increased in the current environment.

I am pleased to report that earlier this year MIGA's value as a risk mitigator was elevated when the Basel Banking Supervision Committee classified us as a “highly-rated multilateral,” meriting treatment similar to a select group of multilateral development organizations. We hope this classification, and the additional value it brings, spurs developmentally sound investments in some of the more fragile countries.

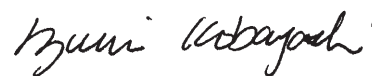
This fiscal year we maintained our primary focus on achieving business objectives while repositioning to be even more effective. In this regard, MIGA recommended that the agency's Board of Directors take the necessary next steps to amend our Convention to enhance our effectiveness as a multilateral provider of political risk insurance in a constantly evolving marketplace. These amendments are currently under consideration by the Council of Governors.

MIGA continued to strengthen existing relationships while reaching out to new partners to support outward investments in countries where we are less well-known. We also consolidated relationships within the World Bank Group. We enhanced joint business development and cross-marketing between MIGA and IFC in order to develop new business for MIGA and to deliver more effective and more seamless service to the World Bank Group's private-sector clients. We also finalized plans to expand MIGA's physical presence in Asia.

This year, MIGA also drew on its role as a member of the World Bank Group to be a knowledge resource; and we launched our new publication *World Investment and Political Risk*, which noted that political risk is one of the most significant constraints for FDI into emerging markets. We discuss the findings in more detail later, and preview our upcoming report that will look at cross-border investment in conflict-affected and fragile states. Our hope is that this yearly publication becomes an effective resource for investors—cementing MIGA's thought leadership on pressing issues surrounding political risk.

I know we could not have reached our achievements without the professionalism and commitment of our staff. I value their talent and dedication. To ensure that we continue to attract new and diverse talent, this year we launched a program to recruit young professionals from developing countries to join us for a two-year period, and we expect valuable contributions from them.

In closing, I look forward to the year ahead knowing I can count on the support of our staff, our shareholders, and our many partners to succeed in MIGA's mission of facilitating investment that improves people's lives.



Izumi Kobayashi  
June 30, 2010

# MIGA's Officers and Managers

*(From left to right, top to bottom)*

**IZUMI KOBAYASHI**

Executive Vice President

**JAMES P. BOND**

Chief Operating Officer

**EDITH P. QUINTRELL**

Director, Operations

**KEVIN W. LU**

Chief Financial Officer and Director, Finance and Risk Management

**ARADHANA KUMAR-CAPOOR**

Acting Director and General Counsel, Legal Affairs and Claims

**FRANK J. LYSY**

Chief Economist and Director, Economics and Policy

**CHRISTINE I. WALLICH**

Director, IEG – MIGA

**MARCUS S. D. WILLIAMS**

Adviser, Strategy and Operations

**CARLOS BRAGA**

Acting Vice President and Corporate Secretary



