

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:

Priority area ¹	Number of projects supported	Share of projects supported (%)	Amount of guarantees issued (\$M)	Share of projects \$ volume (%)
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

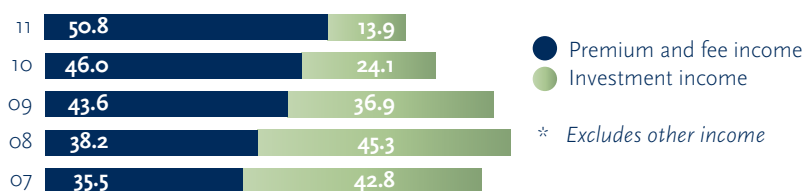
³ Investments made from one MIGA developing member (category two) country to another

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*

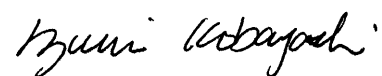
Political Risk 2010, which we discuss later in this review, focused on investment in conflict-affected and fragile economies. In addition, to complement our existing investment guarantee product, this year we proposed the establishment of a Conflict-Affected and Fragile Economies Facility to further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