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# Acronyms

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<tr>
<td>ACE</td>
<td>ACE Insurance Company, Ltd.</td>
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<td>AfDB</td>
<td>African Development Bank</td>
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<td>AIG</td>
<td>American Insurance Group, Inc.</td>
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<td>CEI</td>
<td>Center for Exports and Investment</td>
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<td>COFACE</td>
<td>Compagnie Française d’Assurance pour le Commerce Extérieur</td>
</tr>
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<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
</tr>
<tr>
<td>COSO</td>
<td>The Committee of Sponsoring Organizations</td>
</tr>
<tr>
<td>CUP</td>
<td>Cooperative Underwriting Program</td>
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<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<tr>
<td>EDC</td>
<td>Export Development Corporation</td>
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<td>FIAS</td>
<td>Foreign Investment Advisory Service</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FIPA</td>
<td>Foreign Investment Promotion Agency</td>
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<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IPAs</td>
<td>Investment Promotion Agencies</td>
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<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
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<td>OPIC</td>
<td>Overseas Private Investment Corporation</td>
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<tr>
<td>SIMEST</td>
<td>Società Italiana per le Imprese all’Estero</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>WEF</td>
<td>World Economic Forum</td>
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# Definitions

**Facultative Reinsurance:**

The reinsurance of all or part of the insurance provided by a single risk, exposure or policy. *Source: Reinsurance Fundamentals, Ross Phifer, John Wiley & Sons, Inc., 1996*

**Treaty Reinsurance:**

The reinsurance of all or part of the insurance provided by more than one risk, exposure, or policy on a bulk basis such that a single negotiation takes into account the minor variances within the group of policies to be protected. *Source: Reinsurance Fundamentals, Ross Phifer, John Wiley & Sons, Inc., 1996*
LETTER FROM THE PRESIDENT TO THE COUNCIL OF GOVERNORS

James D. Wolfensohn, president of the Multilateral Investment Guarantee Agency (MIGA) and chairman of its Board of Directors, submits to the Council of Governors on behalf of the Board of Directors and in accordance with MIGA’s bylaws this report and audited financial statements for the fiscal year ending June 30, 2000.

Following the expansion of operations last year, fiscal 2000 was another strong year, with MIGA issuing 53 new contracts of guarantees totaling a record $1,605 million of coverage. First-time guarantees were issued for projects in 10 countries, and through its capacity building and investment facilitation services, MIGA worked to build the capacity of investment promotion agencies to develop and implement investment promotion strategies. Through its information products and services, MIGA employed new technologies to disseminate information on investment opportunities and business operating conditions in developing member countries.

During fiscal 2000, MIGA undertook a periodic review of its activities as stipulated in its Convention, and conducted extensive market surveys. These reinforced the strategic guidelines articulated in a Strategic Focus paper presented to the Board last year, namely development, financial soundness, client orientation, and partnerships. The review also confirmed the strong demand for MIGA’s services; in particular it highlighted the continuing growth but very unequal availability of private sector political risk insurance. In addition, the surveys confirmed increased demand for technical assistance and information dissemination on investment opportunities.

In the first year of the subscription period for the General Capital Increase approved by MIGA’s Council of Governors*, 34 member countries subscribed all or a portion of their subscription, for a total of $171.5 million. The new capital is crucial to MIGA’s ability to promote private investment flows into, and among, developing countries. MIGA’s contribution to development has been remarkable during its relatively short time in operation, and I believe this trend should be maintained in the future for the benefit of our member countries. I would like to take this opportunity to urge members to finalize their subscriptions to MIGA’s General Capital Increase, if MIGA is to maintain and build upon its contribution to development.

June 30, 2000

* In April 1998, the IBRD made a grant transfer of $150 million to MIGA. In March 1999, MIGA’s Council of Governors approved the Agency’s Capital Increase of $850 million, to be subscribed over three years.
# Board of Directors and Alternates

**Directors**

- Khalid M. Al-Saad
- Yahya Alyahya
- Andrei Bugrov
- Federico Ferrer
- Godfrey Gaoseb
- Valeriano F. Garcia
- Inaamul Haque
- Yuzo Harada
- Luc Hubloue
- Jannes Hutagalung
- Neil Hyden
- Matthias Meyer
- Jean-Claude Milleron
- Ilkka Niemi
- Terrie O'Leary
- Franco Passacantando
- Stephen Pickford
- Jan Piercy
- Murilo Portugal
- Helmut Schaffer
- B. P. Singh
- Pieter Stek
- Bassary Toure
- Zhu Xian

**Alternates**

- Mohamed Kamel Amr
- Abdulrahman Almofadhi
- Eugene Miagkov
- Cecilia Ramos
- Girmai Abraham
- Ivan Rivera
- Mohamed Dhif
- Hiroaki Ishii
- Ruth Bachmayer
- Wan Abdul Aziz Wan Abdullah
- Lewis D. Holden
- Jerzy Hylewski
- Emmanuel Moulin
- Anna M. Brandt
- Alan David Slusher
- Helena Cordeiro
- Myles Wickstead
- Patricio Rubianes
- Eckhardt Biskup
- Syed Ahmed
- Tamara Solyanyk
- Paulo F. Gomes
- Chen Huan
MESSAGE FROM THE EXECUTIVE VICE PRESIDENT

With the global financial crisis largely behind us, foreign direct investment flows to developing countries have begun to increase. In this environment, demand for political risk insurance has increased rapidly and will probably grow even more. Despite spectacular growth in recent years in the political risk insurance market that has been driven by private insurers, only a portion of foreign direct investment is covered by political risk insurance from any source. Considerable unmet demand still exists for complex projects in infrastructure, for projects in several emerging economies, and for projects in the poorest countries. MIGA cooperates with and complements national and private insurers by filling a portion of this unmet demand. As developing countries intensify their efforts to attract foreign capital, technology, and know-how to support economic developmental goals, MIGA continues to provide them with technical assistance.

In the first year of the subscription period for the General Capital Increase approved by MIGA’s Council of Governors to increase the agency’s capital resources to $2 billion, MIGA issued 53 guarantees representing $1,605 million of coverage. After cancellations and replacements, gross exposure increased by 19 percent from fiscal 1999. MIGA provided coverage in fiscal 2000 for the first time to projects in Albania, Armenia, Bosnia and Herzegovina, Croatia, Lesotho, FYR Macedonia, Moldova, Nicaragua, Swaziland, and Turkmenistan. Nine guarantee contracts were issued to investors from developing member countries (Cyprus, South Africa, Turkey) for investments in Azerbaijan, Lesotho, FYR Macedonia, Mozambique, Swaziland, Turkmenistan, and Zambia. Cumulative foreign direct investment facilitated by guarantees is estimated at $36 billion. For the first time, MIGA’s gross exposure reached 11.5 percent in Africa and 31.71 percent in countries eligible for International Development Association credit. The gross share of infrastructure increased from 18.87 percent to 28.5 percent of the portfolio.

“MIGA issued 53 guarantees representing $1,605 million of coverage. Cumulative foreign direct investment facilitated by guarantees is estimated at $36 billion.”
During fiscal 2000, MIGA undertook a major review of its activities, as required by its Convention. The review details the agency’s growth since the last review in 1994 and maps future directions. In this exercise I was most grateful for the wise counsel of many leaders and experts. Based on an extensive market survey, the review reinforced four main areas of focus established last year: developmental effectiveness, financial soundness, client orientation, and partnerships and allowed MIGA to identify as “priority areas” the types of investment that are generally not well supported by other insurers, namely: investments in IDA-eligible countries, investments in Africa, South-South investments, and small- and medium-sized enterprises. Performance in fiscal 2000 was in line with these directions, and MIGA intends to continue to focus on its comparative advantage in guarantees and technical assistance.

In fiscal 2000, four new private insurers joined MIGA’s Cooperative Underwriting Program, a form of coinsurance in which MIGA is the insurer-of-record among other participating underwriters but retains only a portion of the risk for its own account, bringing the number of private partners to 10 (General Security Insurance Company, Great Northern Insurance Company, Steadfast Insurance Company, and seven Lloyd’s syndicates). This program offers MIGA a multiplier effect in the use of its assets to provide coverage; and it offers private insurers the comfort of having MIGA as a mediator.

Throughout the year, MIGA continued to arrange facultative reinsurance to support larger projects. MIGA historically has worked with such private insurers as ACE Insurance Company, Ltd.; American Insurance Group, Inc.; Lloyd’s of London; Sovereign Risk; and Zurich-American Political Risk. Reinsurance, both through facultative and quota share treaty agreements, continued to play a significant role in reducing the agency’s exposure to loss.

During the year, MIGA continued to expand its partnerships with national insurers. It signed Memoranda of Understanding with the national insurers of Denmark (Eksport Kredit Fonden), Italy (SIMEST S.P.A.), and Malaysia (Malaysia Export Credit Insurance Berhad).

MIGA’s role as a leader in using new technologies to disseminate information on investment opportunities and business operating conditions in developing member countries grew stronger this year. MIGA launched a new version of its flagship Web site, IPANet, and PrivatizationLink won international recognition as a leading business Web site. MIGA also designed and developed two additional Internet services focusing on investment opportunities in the Russian Federation and in African telecommunications.

MIGA experienced rising demand for its hands-on technical assistance and advisory services from developing countries and economies in transition to support their economic development goals. MIGA continued to develop products to provide “client-specific” recommendations to host countries to help implement strategies for attracting foreign direct investment.

The first MIGA–IFC Compliance Advisor/Ombudsman, Ms. Meg Taylor, began work this year. Following extensive consultations with governments, non-
governmental organizations, MIGA’s Board of Directors, and senior management of both MIGA and IFC, she developed guidelines, eligibility criteria, and processes and procedures for complainants to the Office of the Compliance Advisor/Ombudsman.

This year MIGA also initiated a Committee of Sponsoring Organizations (COSO) compliance exercise—a self-risk assessment—to identify and address critical areas of risk in the operation of the agency.

With the General Capital Increase and a growing membership—Cambodia, the Lao People’s Democratic Republic and St. Kitts and Nevis joined during the year, bringing the number of member countries to 152—MIGA looks forward to increasing the range of its support to investors and developing member countries in the year to come.

Motomichi Ikawa
June 30, 2000
MIGA OFFICERS

left to right

Angus Scrimgeour
Vice President and Chief Financial Officer

Karin Millett
Director, Investment Marketing Services

Luis Dodero
Vice President and General Counsel

Motonichimi Ikawa
Executive Vice President

Roger Pruneau
Vice President, Guarantees

Tony Wan
Manager, Office of Central Administration

Enrique Rueda-Sabater
Senior Advisor