



# annual report

2014

INSURING INVESTMENTS ■ ENSURING OPPORTUNITIES

MESSAGE FROM THE PRESIDENT OF THE WORLD BANK GROUP  
AND CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS



*“We are focused on improving the lives of roughly a billion people now living in extreme poverty, and seek to build a world that is more sustainable, prosperous, and just—for all of us.”*

**MIGA'S MISSION**

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

Two years ago, the World Bank Group began down a path of renewal and change to prepare our organization to take on its toughest challenge yet—to end extreme poverty in a single generation. At the 2013 Spring Meetings, we adopted two ambitious goals: to end extreme poverty by 2030 and to boost shared prosperity for the poorest 40 percent in developing countries.

To make us fit for this purpose, at our Annual Meetings last October, our Board of Governors approved the first strategy for the entire World Bank Group. This strategy focuses on delivery of transformational solutions, marshals our combined resources more effectively, and accelerates our collaboration with the private sector and other development partners.

The challenge is immense. To reach our end poverty goal, we have to help tens of millions of people lift themselves out of poverty each year. It is a daunting task, but if we effectively implement our strategy, we know we can achieve it.

In this Annual Report, you will learn how we have been implementing the strategy over the past year. Our four principal institutions—the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA)—now work together as one World Bank Group to accomplish our mission.

We have made great progress. Engagement with our country partners is now more selective, as we work closely with them to identify the best opportunities to reach our common goals. Our new global practices and cross-cutting solution areas are improving our ability to bring our clients the best global knowledge to solve their toughest challenges—and with fewer transaction costs.

Our financial structure has been updated and strengthened, growing our financial capacity while reducing expenditures and directing the savings to our clients. This year, the World Bank Group committed \$65.6 billion in loans, grants, equity investments, and guarantees to its members and private businesses. Commitments from IBRD totaled \$18.6 billion, while IDA, the World Bank's fund for the poorest, made commitments of \$22.2 billion. Thanks to a record \$52 billion replenishment pledged by donors for the next three years, IDA will continue to make crucial investments in people so that the benefits of growth are shared by all.

Over the past two decades, 90 percent of new jobs were created by the private sector—and good jobs were by far the most effective path to escaping poverty. Our private sector arm IFC and our political risk insurance arm MIGA are ramping up their efforts to leverage private sector investment and create more jobs and economic opportunities for the poor. This year, IFC provided more than \$22 billion in financing for private sector development, about \$5 billion of which was mobilized from investment partners. MIGA issued \$3.2 billion in political risk and credit enhancement guarantees underpinning investments, including in transformational projects.

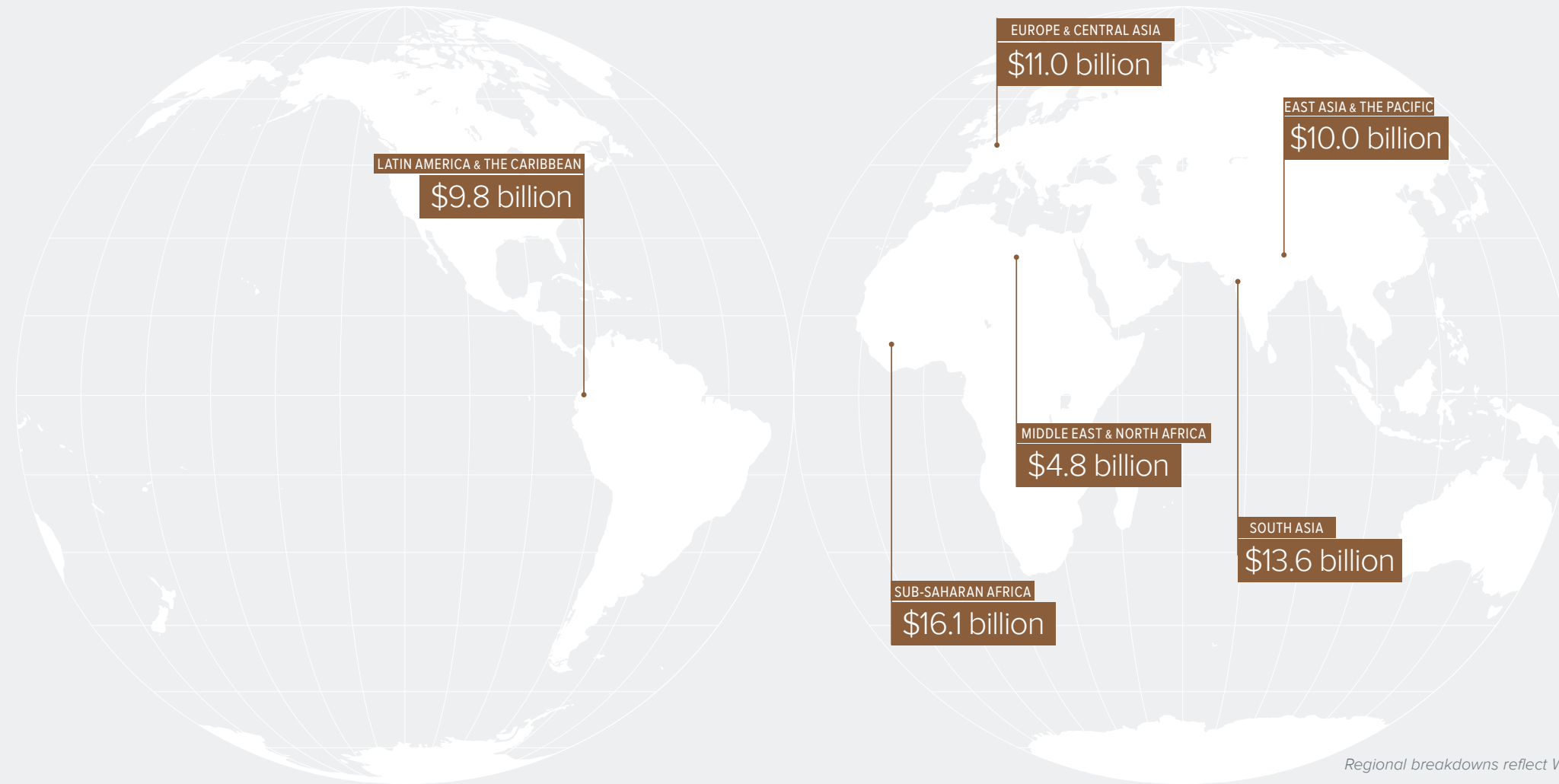
To have a lasting impact, our investments have to be environmentally sustainable. If we don't confront climate change, we won't end extreme poverty. The poor are the first impacted and suffer the most from the effects of climate change. Last year we announced our plan to address climate change, and we are making investments that will protect our environment while creating a more sustainable future for our children and grandchildren.

The World Bank Group leadership and staff are united in pursuing our urgent mission, and are implementing the critical changes needed to deliver results for our clients. We are focused on improving the lives of roughly a billion people now living in extreme poverty, and seek to build a world that is more sustainable, prosperous, and just—for all of us.

Dr. Jim Yong Kim  
President of the World Bank Group and  
Chairman of the Board of Executive Directors

## GLOBAL COMMITMENTS

The World Bank Group's support for developing countries grew sharply over the past year as the organization focused on delivering results more quickly, increasing its relevance for its clients and partners, and bringing global solutions to local challenges.



**\$65.6**  
billion

in loans, grants, equity investments, and guarantees to partner countries and private businesses.

Total includes multiregional and global projects.

Regional breakdowns reflect World Bank country classifications.

## OUR IMPACT

The entire World Bank Group leveraged its strengths, expertise, and resources to help countries and other partners make a real impact on development—by driving economic growth, promoting inclusiveness, and ensuring sustainability.

### DRIVING ECONOMIC GROWTH

#### IBRD/IDA

**95,000**  
kilometers of roads constructed and rehabilitated

**15.3 million**  
people and micro, small, and medium enterprises reached with financial services

#### MIGA

**52,100**  
jobs provided

**\$6.1 billion**  
new business loans issued by MIGA clients

#### IFC

**2.6 million**  
jobs provided

**94 million**  
customers supplied with power, water, and gas

### PROMOTING INCLUSIVENESS

#### IBRD/IDA

**250.9 million**  
people received health, nutrition, and population services

**37.4 million**  
beneficiaries covered by social safety net programs

#### MIGA

**47 million**  
people provided access to power

**15 million**  
people provided access to transport

#### IFC

**2.9 million**  
farmers assisted

**2.5 million**  
students received educational benefits

### ENSURING SUSTAINABILITY

#### IBRD/IDA

**903 million**  
tons of CO<sub>2</sub> equivalent emissions expected to be reduced annually

**57**  
countries with strengthened public financial management systems

#### MIGA

**3.3 million**  
people provided access to clean water

**\$1.6 billion**  
in government revenues generated by MIGA clients

## THE INSTITUTIONS OF THE WORLD BANK GROUP

- INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)**  
 Lends to governments of middle-income and creditworthy low-income countries
- INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)**  
 Provides interest-free loans, or credits, and grants to governments of the poorest countries
- INTERNATIONAL FINANCE CORPORATION (IFC)**  
 Provides loans, equity, and advisory services to stimulate private sector investment in developing countries
- MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)**  
 Provides political risk insurance or guarantees against losses caused by non-commercial risk to facilitate foreign direct investment (FDI) in developing countries
- INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES (ICSID)**  
 Provides international facilities for conciliation and arbitration of investment disputes

## WORLD BANK GROUP FINANCING FOR PARTNER COUNTRIES

By fiscal year, in millions of dollars

World Bank Group	2014	2013	2012	2011	2010
Commitments <sup>1</sup>	65,579	57,587	57,450	61,120	76,482
Disbursements <sup>2</sup>	44,399	40,370	42,390	42,028	50,234
<b>IBRD</b>					
Commitments	18,604	15,249	20,582	26,737	44,197
Disbursements	18,761	15,830	19,777	21,879	28,855
<b>IDA</b>					
Commitments	22,239	16,298	14,753	16,269	14,550
Disbursements	13,432	11,228	11,061	10,282	11,460
<b>IFC</b>					
Commitments <sup>3</sup>	17,261	18,349	15,462	12,186	12,664
Disbursements	8,904	9,971	7,981	6,715	6,793
<b>MIGA</b>					
Gross Issuance	3,155	2,781	2,657	2,099	1,464
<b>Recipient Executed Trust Funds</b>					
Commitments	4,319	4,910	3,996	3,829	3,607
Disbursements	3,302	3,341	3,571	3,152	3,126

1. Includes IBRD, IDA, IFC, Recipient-Executed Trust Funds (RETF) commitments, and MIGA gross issuance. RETF commitments include all recipient-executed grants and therefore may differ from the amount reported in the World Bank Group Corporate Scorecard, which includes only selected trust-fund commitment amounts.

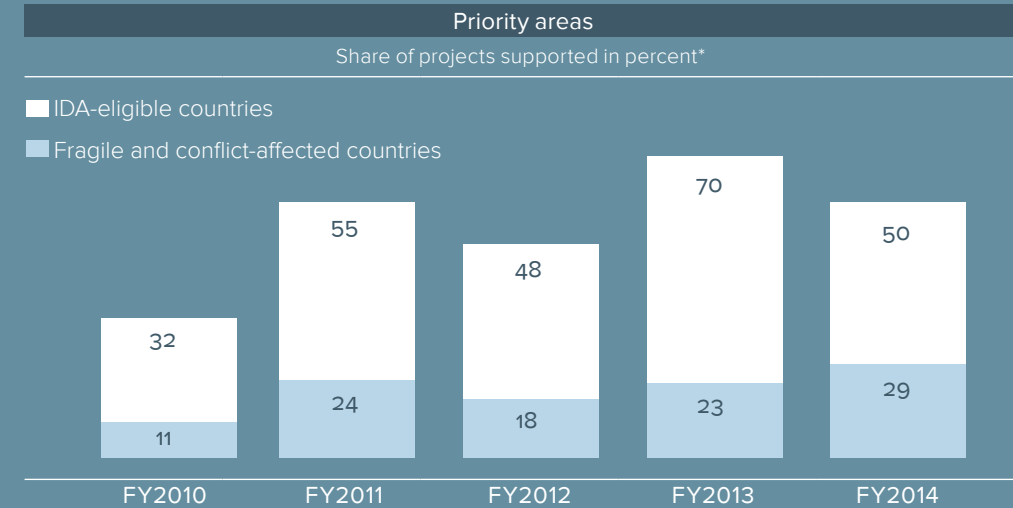
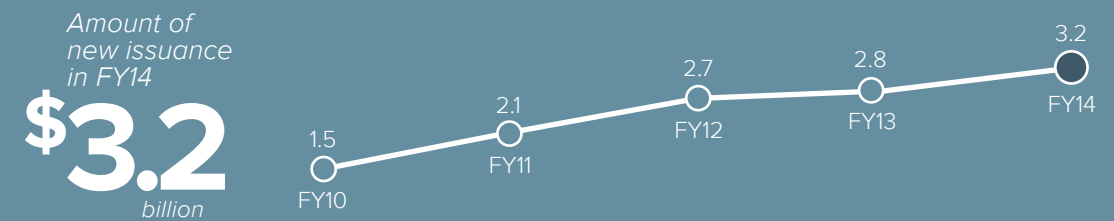
2. Includes IBRD, IDA, IFC, and RETF disbursements.

3. IFC's own account, not including funds mobilized from third parties.

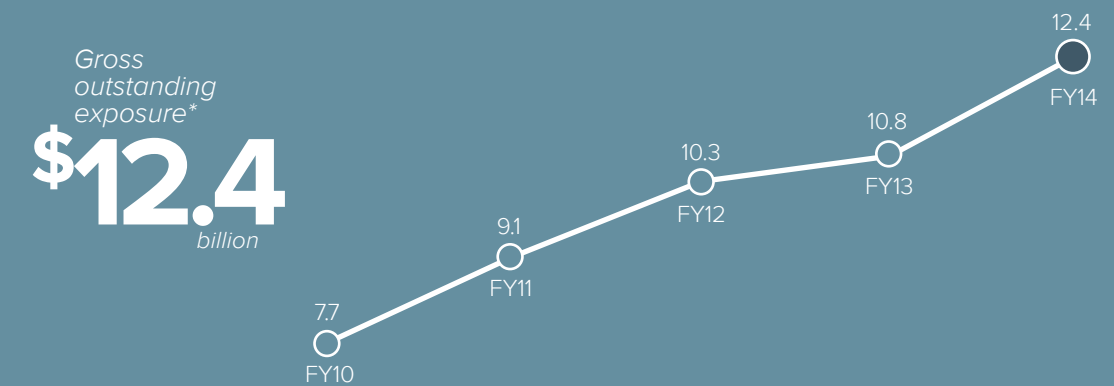
## MIGA HIGHLIGHTS

In fiscal year 2014, we issued a total of \$3.2 billion in guarantees for projects in MIGA's developing member countries. An additional \$1.8 billion in guarantees was issued under MIGA-administered trust funds. This year marked the fourth consecutive year of record issuance by MIGA, with 51 percent of this new issuance falling into at least one of MIGA's priority areas. At the end of the year, MIGA's gross exposure was \$12.4 billion.

- MIGA's Board of Directors approved the Agency's strategy for fiscal years 2015-2017
- The Board also approved an administrative budget for MIGA for fiscal year 2015
- Myanmar became the Agency's 180<sup>th</sup> member
- MIGA used its non-honoring of financial obligations product for a capital markets transaction for the first time



\* Some projects address more than one area.



\* As of June 30, 2014

**MESSAGE FROM KEIKO HONDA, MIGA EXECUTIVE VICE PRESIDENT AND CEO**



In 2014, the World Bank Group adopted a joint strategy for dealing with impediments to ending extreme poverty and boosting shared prosperity. One of the strategy's key elements underscores the essential role private sector investment can play working alongside

public sector support to bear down on the most challenging development issues client countries face, such as job creation, infrastructure deficits, and climate change.

MIGA's role has become increasingly valuable in delivering results to achieve these twin goals as demonstrated by the increased demand for our political risk insurance and credit enhancement products that facilitate the expansion of private investment into emerging markets. In fiscal year 2014, MIGA issued a record \$3.2 billion in new guarantees while our gross exposure reached \$12.4 billion. MIGA's added value stems from our ability to mobilize private sector investment in environments that are often beyond the risk tolerance of commercial sources of capital.

This past fiscal year, MIGA worked with various stakeholders to develop our own strategy that aligns our objectives with the World Bank Group's twin goals and underscores our aspiration to achieve significant development impact beyond what we can do alone. To achieve this, MIGA will need to be financially sustainable by prudently managing our risks, covering operating costs, and creating financial latitude by growing the Agency's capital base.

At the same time, MIGA will continue to work with its reinsurance partners and other external entities to provide support on projects. Internally, we will enhance collaboration across the World Bank Group through engagement in the Country Partnership Framework discussions to identify high impact opportunities where we can make a difference. Additionally, we continue to underpin our investment guarantees with strong environmental and social standards to ensure long-term sustainability of the projects we support.

We will optimize opportunities presented by our expanded political risk insurance and credit enhancement products, as well as broadened client base, to support investment in fragile and conflict-affected markets, IDA countries, middle-income countries, and transformational projects through increased business development across sectors and regions. In this way, MIGA will further increase its contribution to the twin goals pursued by the World Bank Group.



Keiko Honda

**MIGA MANAGEMENT**



**RAVI VISH**  
Director, Economics and Sustainability

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

**KEIKO HONDA**  
Executive Vice President and CEO

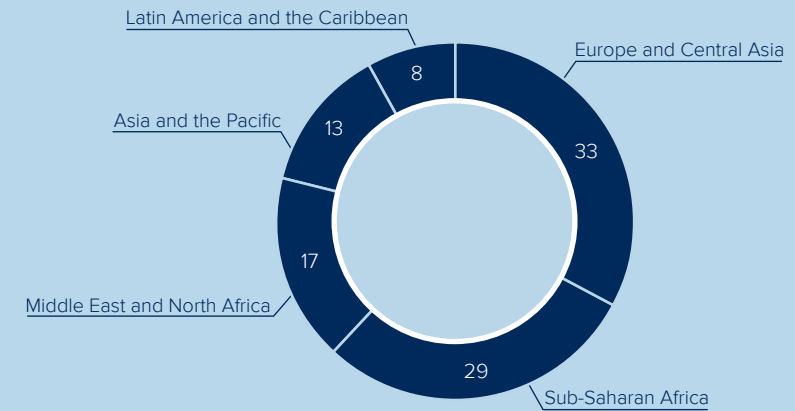
**MICHEL WORMSER**  
Vice President and Chief Operating Officer

**EDITH P. QUINTRELL**  
Director, Operations

**BUSINESS AND OPERATIONAL OVERVIEW**

MIGA continues to be most active in the higher-risk countries and mobilizes substantial additional capacity for clients and governments by partnering with public and private insurance providers. The Agency's gross exposure was \$12.4 billion as of June 30, 2014. Of this, \$5.3 billion was ceded to MIGA's reinsurance partners.

**NUMBER OF PROJECTS SUPPORTED BY REGION IN FY2014 IN PERCENT**



**TOP 10 HOST COUNTRIES\***

Gross exposure \$12.4 billion

Country	%
Croatia	7.9
Russia	7.0
Serbia	6.9
Côte d'Ivoire	6.8
Ukraine	6.1
Vietnam	5.5
Panama	5.1
Hungary	4.6
Angola	4.4
Turkey	3.6
Top 10 Total	57.9

**TOP 10 INVESTOR COUNTRIES\***

Gross exposure \$12.4 billion

Country	%
Austria	16.2
UK	13.6
France	13.2
US	10.5
Greece	5.0
Ireland	4.7
South Africa	4.7
Germany	4.5
Japan	4.5
Netherlands	3.0
Top 10 Total	79.9

\* As of June 30, 2014



# IMPACT

## MIGA BACKS POWER GENERATION AND DISTRIBUTION IN CAMEROON

**\$290**  
million  
of guarantees

With demand for electricity growing by 5 to 6 percent per year, Cameroon urgently needs greater efficiencies. MIGA is supporting investments in three power sector projects in the West African country that will contribute to the power sector's stability, continuity, and recovery. The investments in the national electric utility and two existing power generation projects will help meet growing demand for electricity, enhance the distribution network, extend service to unserved areas, and improve the overall efficiency and operation of the sector.

## MIGA INSURES FIRST WIND POWER PLANT IN HONDURAS

**\$82**  
million  
of guarantees

MIGA is supporting clean energy generation in Honduras by insuring the 24-megawatt expansion of the existing 102-megawatt Cerro de Hula wind project located 20 kilometers south of Tegucigalpa. By providing additional energy to the grid, the project will further reduce the country's dependence on traditional fossil fuel generation and avoid the creation of 280,000 tons per year of carbon emissions. Cerro de Hula remains the largest wind power plant in Central America.

## MIGA SUPPORT TO HUNGARY EXIM ASSISTS COUNTRY'S EXPORTERS

**\$575**  
million  
of guarantees

MIGA's credit enhancement support to Hungary's Export-Import Bank (Exim) helped Exim achieve savings that it will use to directly assist Hungarian exporters. MIGA's backing for a €400-million bond issue by Exim raised the bond issue from non-investment to investment grade. Covering this bond issue represented an important milestone for MIGA, representing the first time the Agency used its non-honoring of financial obligations cover for a capital markets transaction. It demonstrated how MIGA's products can be used innovatively to support market-based approaches to enhance development.

## WORLD BANK GROUP HELPS TRANSFORM LEBANON'S POWER SECTOR

**\$35**  
million  
of guarantees

Lebanon's power sector suffers from chronic supply shortages in the face of growing demand and poor infrastructure. As part of the government's reform program, upgrading of the transmission distribution network and installation of advanced metering infrastructure is being carried out by the private sector—with considerable results. MIGA is providing guarantees to Butec International Cyprus and El Sewedy Electrometer Group of Egypt, which are implementing service upgrades in northern Lebanon.

## WORLD BANK GROUP COLLABORATES ON VIETNAM NATIONAL HIGHWAY 20

**\$500**  
million  
of guarantees

Vietnam's National Highway 20 connects Ho Chi Minh City, the political and economic center of southern Vietnam, with the Central Highlands, one of the country's poorest regions that has tremendous potential as a source of agricultural products, mineral deposits, and tourism destinations. MIGA is providing a guarantee covering a loan from a syndicate of commercial banks to finance the rehabilitation of a severely deteriorated section of the road. This project leverages the World Bank's technical support, local presence, and capacity building and MIGA's ability to mobilize commercial bank lending to achieve maximum results for Vietnam.

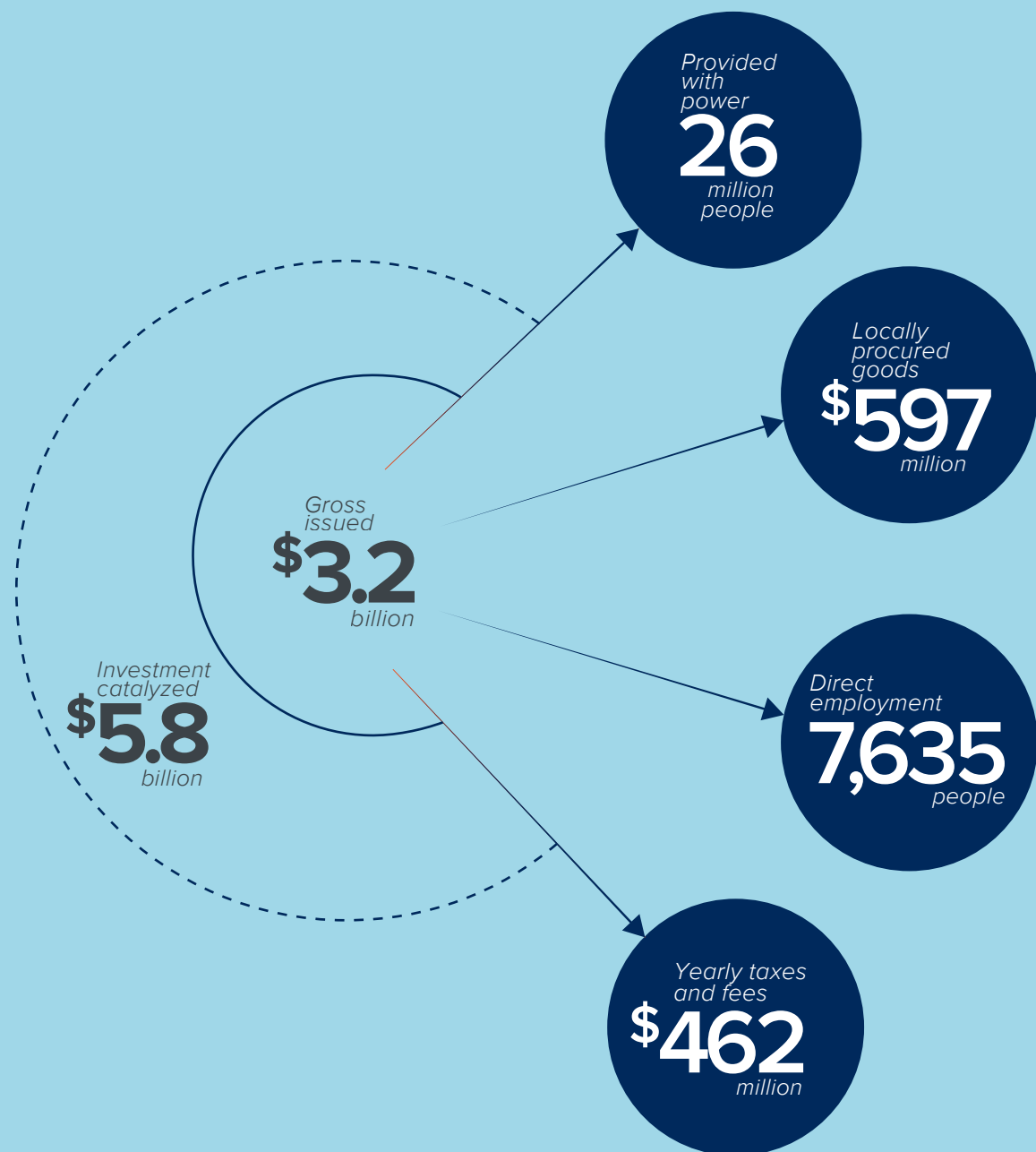
Visit [www.miga.org/FY14projects](http://www.miga.org/FY14projects) for more project information.

## DEVELOPMENT RESULTS

MIGA's mission is to support economic growth, reduce poverty, and improve people's lives. In order to achieve this, the Agency needs a clear understanding of the development outcomes of the projects it supports. MIGA's Development Effectiveness Indicator System (DEIS) collects a common set of indicators from clients to demonstrate results across all projects: volume of investment catalyzed, direct employment, taxes paid, and value of locally procured goods. It also measures sector-specific indicators.

MIGA's \$3.2 billion issuance in fiscal year 2014 is expected to catalyze an additional \$2.6 billion in public and private co-investment.

Here are highlights of the development results expected from projects supported by MIGA guarantees signed in fiscal year 2014:



Visit [www.miga.org/development-results](http://www.miga.org/development-results) for more information.

## GOVERNANCE

### MIGA'S BOARD

A Council of Governors and a Board of Directors, representing 180 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. 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.

Visit the World Bank's Board of Governors page at [www.worldbank.org/en/about/leadership/governors](http://www.worldbank.org/en/about/leadership/governors) for more information.

### ACCOUNTABILITY

#### INDEPENDENT EVALUATION GROUP

The Independent Evaluation Group (IEG) assesses MIGA's strategies, policies, and projects to improve the Agency's development results. IEG is independent of MIGA management and reports its findings to MIGA's Board of Directors and the Committee on Development Effectiveness.

IEG's reports and recommendations are publicly disclosed on its website at [ieg.worldbankgroup.org](http://ieg.worldbankgroup.org).

#### COMPLIANCE ADVISOR OMBUDSMAN

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for MIGA and IFC and reports directly to the President of the World Bank Group. The CAO responds to complaints from people affected by MIGA and IFC-supported business activities, with the goal of enhancing social and environmental outcomes on the ground and fostering greater public accountability of both agencies.

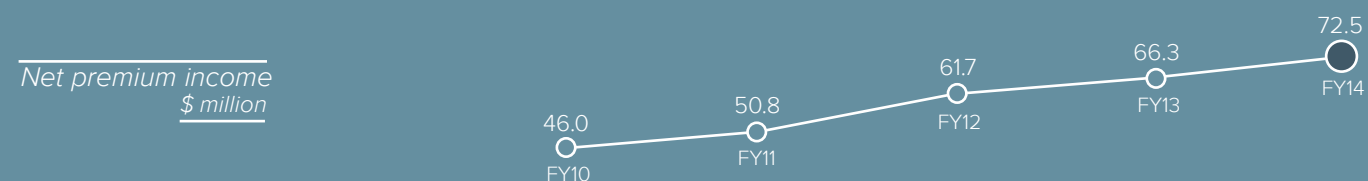
Visit [www.cao-ombudsman.org](http://www.cao-ombudsman.org) for more information.

## FINANCIAL HIGHLIGHTS

in \$ millions	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Income					
Net Premium Income	46.0	50.8	61.7	66.3	72.5
Investment Income	24.1	13.9	36.9	33.6	53.4
Administrative Expenses <sup>1</sup>	36.2	41.1	43.9	47.1	45.6
Operating Income <sup>2</sup>	9.8	9.7	17.8	19.2	26.9
Administrative Expenses/ Net Premium Income Ratio	79%	81%	71%	71%	63%

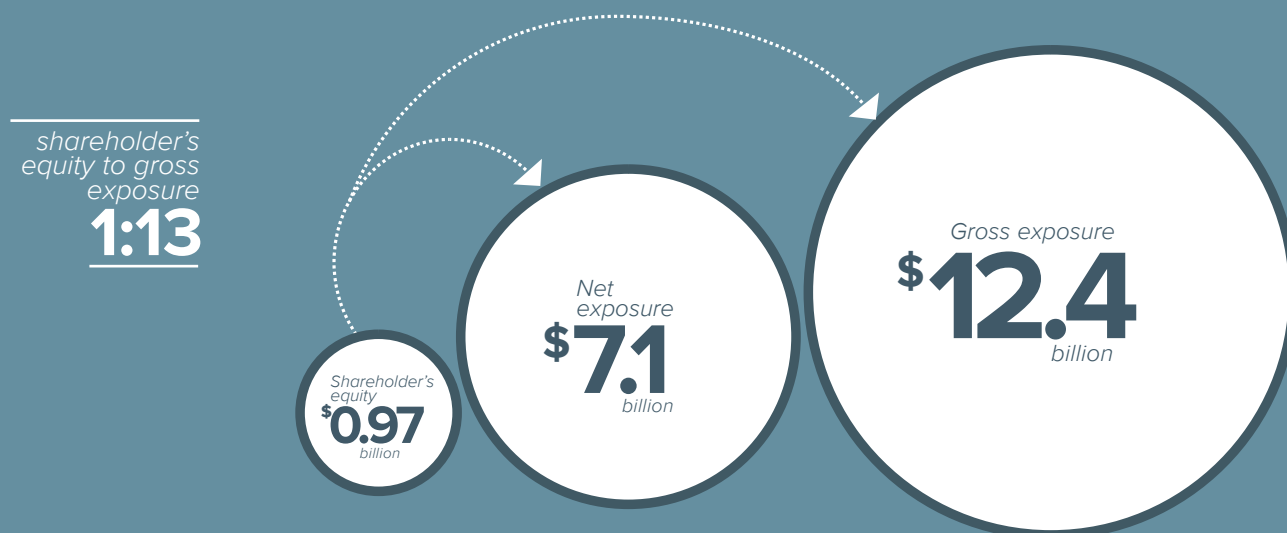
<sup>1</sup>Administrative expenses include expenses from pension and other post-retirement benefit plans.

<sup>2</sup>Operating income equals net premium income minus administrative expenses.



in \$ millions	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Total Economic Capital (EC)*	360	414	508	572	620
Shareholder's Equity	875	924	905	911	974
Portfolio Gross Exposure	7,723	9,122	10,346	10,758	12,409
Total Economic Capital to Operating Capital Ratio	35%	38%	45%	49%	49%
Gross Exposure/Operating Capital Ratio	7.5	8.3	9.2	9.1	9.8

\* Total economic capital equals capital consumption from the guarantee portfolio, plus capital required for operational risk and investment risk.



Visit [www.miga.org/financial-statement-FY14](http://www.miga.org/financial-statement-FY14) for more information.

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The logo for the Annual Report 2014 features the words "annual" and "report" in a bold, lowercase, sans-serif font. The word "annual" is positioned above "report", and the year "2014" is centered between the two words.

annual  
report 2014

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MIGA.ORG

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