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| **Folder Title:** | President Wolfensohn - Briefing Book for President's Meetings and Events - Discuss Multilateral Investment Guarantee Agency [MIGA] Capital Increase - January 9, 1997 |
| **Folder ID:** | 30486708 |
| **Series:** | Meeting and event briefing materials |
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### A. CLASSIFICATION

- [x] Meeting Material
- [ ] Trips
- [ ] Speeches
- [ ] Annual Meetings
- [ ] Corporate Management
- [ ] Communications with Staff
- [ ] Phone Logs
- [ ] Calendar
- [ ] Press Clippings/Photos
- [ ] JDW Transcripts
- [ ] Social Events
- [ ] Other

**B. SUBJECT:** MEETING TO DISCUSS MIGA CAPITAL INCREASE (N) (B)
VENUE: E 1227 (CONF. ROOM) - Thursday, January 9, 1997 from 3-4:30 p.m.
CONTACT: JANICE @ 36138 OR 37160
IN ATTENDANCE: JDW, IIDA, EINHORN (ON LEAVE - WILSON TO ATTEND ON HER BEHALF), FRANK, KAJI, KOCH-WESER, SANDSTROM, LINDBAEK, SHIHATA, ZHANG, CONRAD, SCHRIMGEOUR, HANY
DELOITTE & TOUCHE: (MIGA EXTENDED THE INVITE)
MR. WILLIAM T. POTVIN, ASSOCIATE NATIONAL DIRECTOR
MR. DONALD F. BEHAN, CHIEF ACTUARY
(B) PREPARE BY IIDA // DUE FRIDAY, JAN. 3
EXC: ATSUKO (FOR HANY) //LFG (12/24/96 10:53a)

**DATE:** 01/14/97

### C. VPU

**Corporate**
- [ ] CTR
- [ ] EXT
- [ ] LEG
- [ ] MPS
- [ ] OED
- [ ] SEC/Board
- [ ] TRE

**Regional**
- [ ] AFR
- [ ] EAP
- [ ] ECA
- [ ] LAC
- [ ] MNA
- [ ] SAS

**Central**
- [ ] CFS
- [ ] DEC
- [ ] ESD
- [ ] FPD
- [ ] FPR
- [ ] HRO

**Affilliates**
- [ ] GEF
- [ ] ICSID
- [ ] IFC
- [ ] Inspection Panel
- [ ] Kennedy Center
- [x] MIGA

### D. EXTERNAL PARTNER

- [ ] IMF
- [ ] UN
- [ ] MDB/Other IO
- [ ] NGO
- [ ] Private Sector
- [ ] Part I
- [ ] Part II
- [ ] Other

**E. COMMENTS:** This brief contains the following:
-Briefing note from Mr. Iida to JDW dated January 3, 1997 entitled: Our Discussion expected on January 9, 1997
A)Mr. Shihata's memo dated November 21 "legally Feasible Ways"
B) Mr. Iida's memo dated November 25 "Analysis of the Legally Feasible Ways"
X) The PSD paper which was scheduled to be discussed on December 18 and then postponed (this paper, dated December 16, 1997, is not attached herewith)
C) Mr. Iida's memo dated December 17, 1996 "Some Suggestions with Respect to Next Steps"

| File Location | Cleared By | Date: |
|---|---|---|
| ☐ EXC ☐ IISC ☒ Archives | | 01/14/97 |

View Update History

# MIGA

## BUSINESS PROFILE

**MULTILATERAL INVESTMENT GUARANTEE AGENCY**

# MIGA

# BUSINESS PROFILE

MULTILATERAL INVESTMENT GUARANTEE AGENCY

September 1996
The World Bank Group
Washington, D.C.

# CONTENTS

# INTRODUCTION

The Multilateral Investment Guarantee Agency (MIGA) was created in April 1988 to encourage the flow of foreign direct investment to its developing member countries. The Convention establishing MIGA states:

*"The objective of the Agency shall be to encourage the flow of investments for productive purposes among member countries, and in particular to developing member countries."*

To serve this objective MIGA provides:

- Investment guarantees (or insurance) against major political risks in its developing member countries to foreign private investors from any of its member countries; and
- Investment marketing services to assist its developing member countries in attracting foreign direct investment.

MIGA's creation was in direct response to the debt crises of the 1980s and the subsequent realization among political leaders that sustainable economic growth in many developing and transitional countries would require greater stimulation of private enterprise and inflow of foreign capital. As a multilateral development institution, MIGA engages the interests of both developing and industrialized countries in the common cause of development through foreign direct investment.

MIGA's establishment was also an attempt to address the shortcomings of the investment insurance industry. Existing insurance agencies are often unable or unwilling to provide the type of coverage foreign investors need. Coverage offered by national insurance agencies, for example, is often limited by restrictive eligibility criteria. In addition, coverage offered by private insurers often excludes currency transfer and war risks, and is short-term. Thus, MIGA helps to fill the gaps in the existing investment insurance market. Through cooperative co-insurance and reinsurance arrangements, MIGA seeks to complement the activities of other insurers.

As a member of the World Bank Group, MIGA cooperates with and supplements the activities of the International Bank for Reconstruction and Development, the International Finance Corporation, and other international development finance institutions.

MIGA's insurance covers foreign investments against the political risks of currency transfer, expropriation, and war and civil disturbance. MIGA can insure new investments and the expansion, modernization, privatization, or financial restructuring of existing investments. The eligible forms of investment include equity, shareholder loans, loan guaranties, and technical assistance and management contracts. In accordance with its mandate, MIGA's developmental assessments are based on a project's benefits to the host country through the creation of jobs, transfer of technology, generation of export revenues, its financial viability, and environmental soundness.

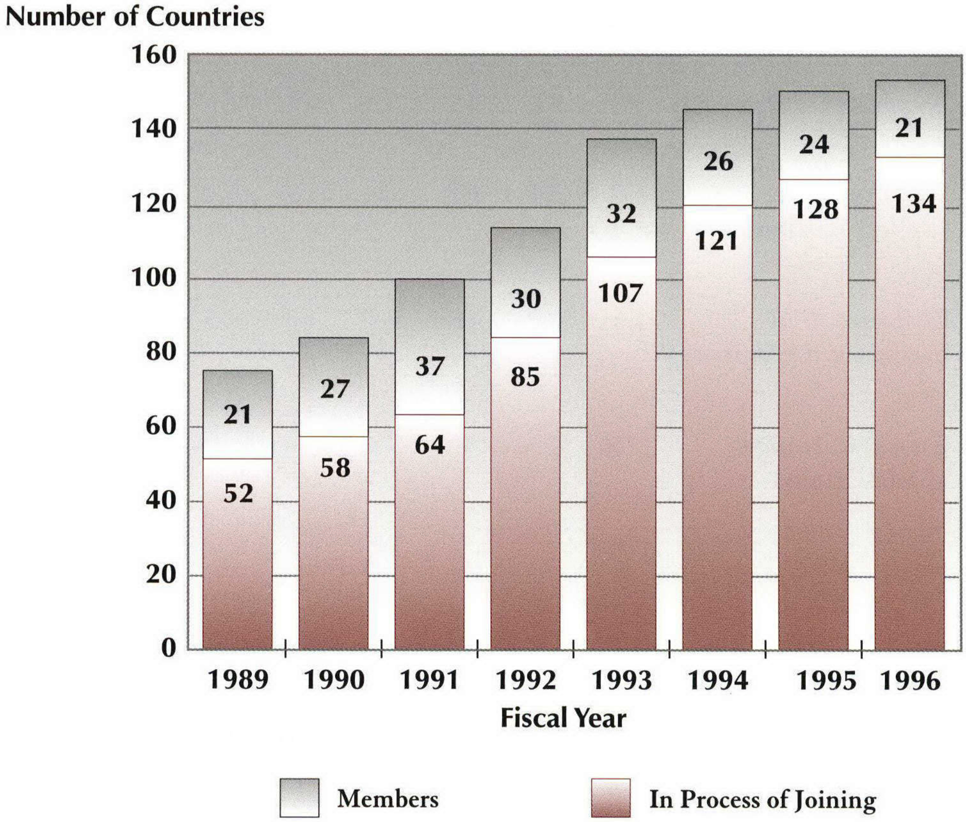
In addition to providing guarantees to foreign investors, MIGA offers investment marketing services to its developing member countries to help the host countries' investment promotion agencies (IPAs) in information dissemination on local investment opportunities, to enhance IPAs' capacity to market effectively, and to assist host countries through direct investment marketing support. By introducing new management and marketing techniques, MIGA helps IPAs maximize the effectiveness of their efforts to attract foreign direct investment.

MIGA also assists in the settlement of investment disputes between investors and developing member countries and has helped resolve several investment conflicts before they reach a level that would require formal adjudication or arbitration.

This business profile summarizes the growth and evolution of MIGA's guarantee program and investment marketing services since it began operations in fiscal year 1990*, and its future direction. The following pages testify to the Agency's role in facilitating the flow of private foreign investment to developing and transition economies.

* MIGA's fiscal year ends June 30.

# I
# COUNTRY MEMBERSHIP




MIGA is an independent agency of the World Bank Group, with its own country membership and capital base. However, World Bank membership is a prerequisite for MIGA membership; other membership requirements include signature and ratification of the MIGA Convention, and payment of a capital subscription.

MIGA has witnessed a steady increase in country membership from 52 members in FY89 to 134 (19 industrialized and 115 developing) countries in FY96. Six new countries completed their membership requirements in FY96: Algeria, Armenia, Colombia, Guinea, Sierra Leone, and the Republic of Yemen. An additional 21 countries are in the process of fulfilling membership requirements (See Appendix for members as of September 1, 1996).

# II
# GUARANTEE ACTIVITIES

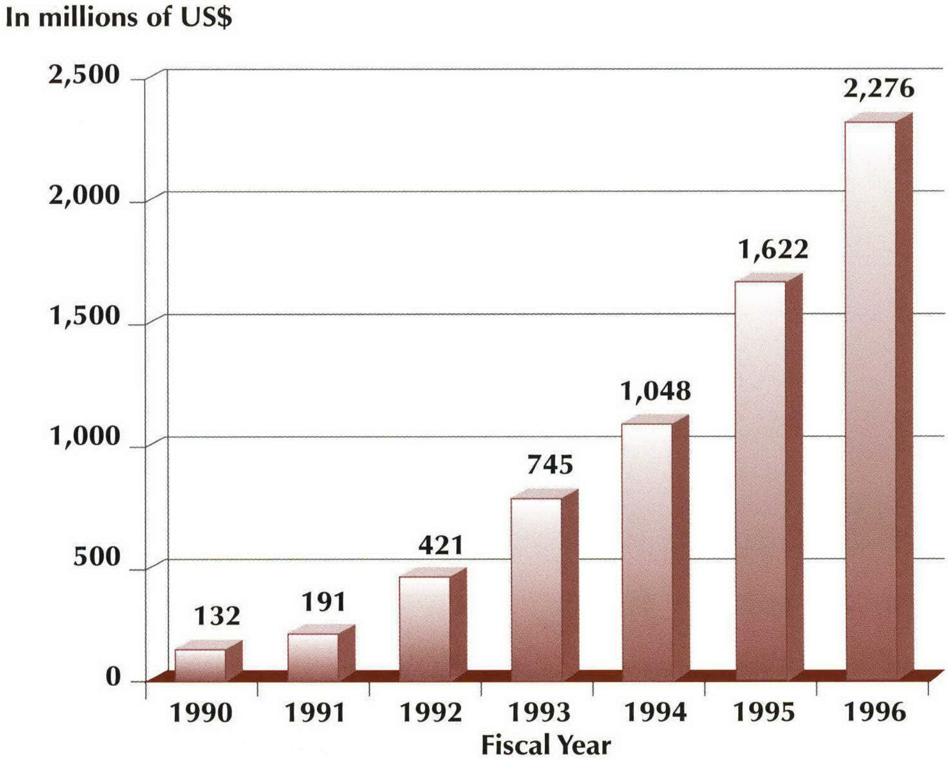
| Fiscal Year | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | Total |
|---|---|---|---|---|---|---|---|---|
| Number of Guarantees | 4 | 11 | 21 | 27 | 38 | 54 | 68 | 223 |
| Max. Aggregate Liability (US$million) | 132 | 59 | 313 | 374 | 372 | 672 | 862 | 2,784 |
| Estimated FDI Facilitated (US$billion) | 1.0 | 0.9 | 1.0 | 1.9 | 1.3 | 2.5 | 6.6 | 15.2 |
| Estimated Number of Jobs Created | 2,700 | 3,680 | 2,920 | 1,720 | 7,800 | 8,800 | 7,200 | 34,820 |

MIGA experienced record growth in its investment guarantee business in FY96: in the number of guarantee contracts issued, amount of coverage underwritten, and foreign investment facilitated.

Overall, the Agency's 223 guarantee contracts have covered investments by investors from 24 member countries to 41 developing and transition economies around the world. One measure of MIGA's development impact is that the total estimated foreign direct investment facilitated ($15.2 billion) by its insured projects is about seven times the amount of its outstanding contingent liabilities ($2.3 billion) as of FY96.

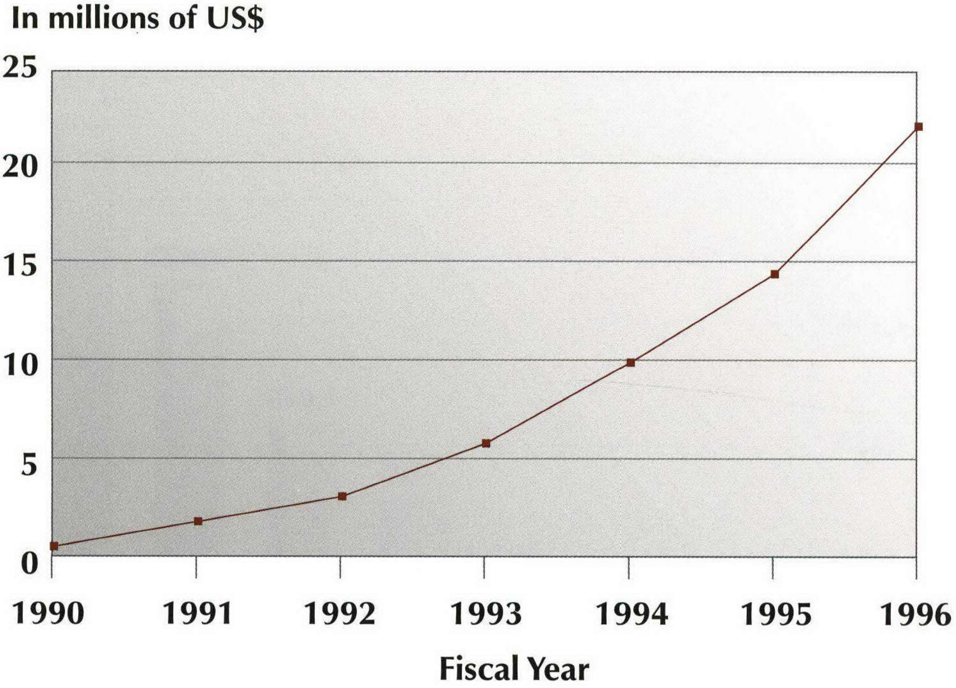
MIGA insured projects in many sectors during the year, including satellite telecommunications facilities in Uganda and Tanzania, a fruit juice and concentrate plant in Russia, soft drink bottling facilities in Brazil, Kazakstan and the Kyrgyz Republic, and power plants in Argentina, China, Jamaica and Nepal.

# III
# MAXIMUM CONTINGENT LIABILITY OUTSTANDING




The strong demand for MIGA's guarantee services is illustrated by the Agency's maximum contingent liability which has increased from $132 million in FY90 to $2.3 billion in FY96. MIGA's Board of Directors increased the Agency's allowable risk-to-assets ratio—from 1.5 to 2.5 in FY94 and, further, to 3.5 in FY96. At the end of FY96, MIGA's capital and reserves were $1.1 billion, which allows the Agency to issue up to $3.9 billion in coverage (i.e., $1.6 billion of additional coverage for projects beyond its current exposure). The continuing demand from investors for MIGA's guarantees has prompted the Agency to seek an increase in its authorized capital to allow further expansion of its business.

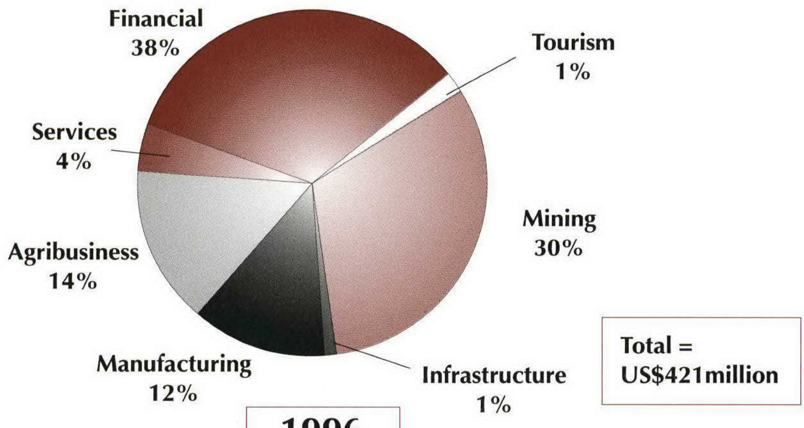
# IV
# PREMIUM INCOME



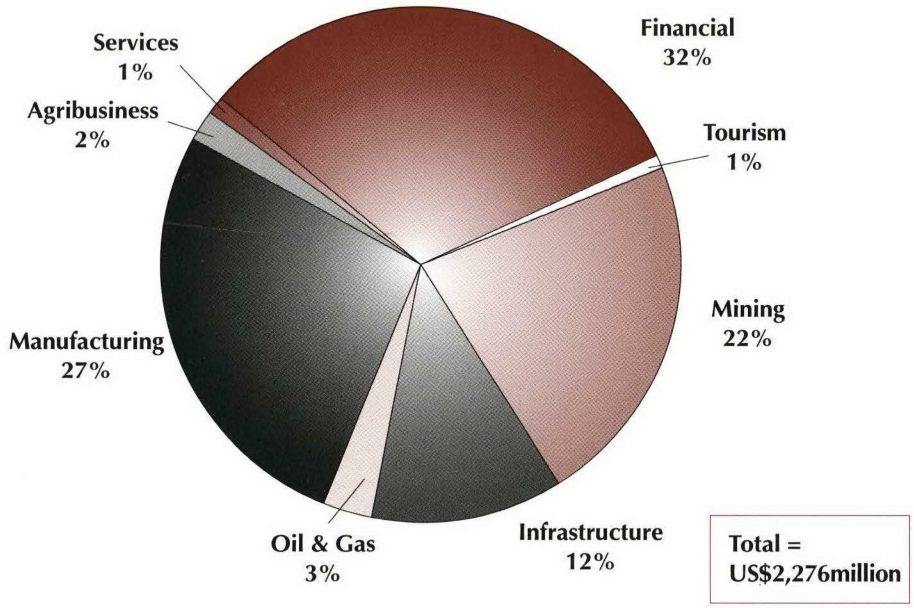

Consonant with the growth in its guarantee business from FY90 to FY96, MIGA's earned income from premiums and commitment fees rose from less than $1 million in FY90 to $21.9 million in FY96, which was an increase of $7.5 million over FY95.

# V
# Outstanding Portfolio by Sector (Maximum Contingent Liability)

1992



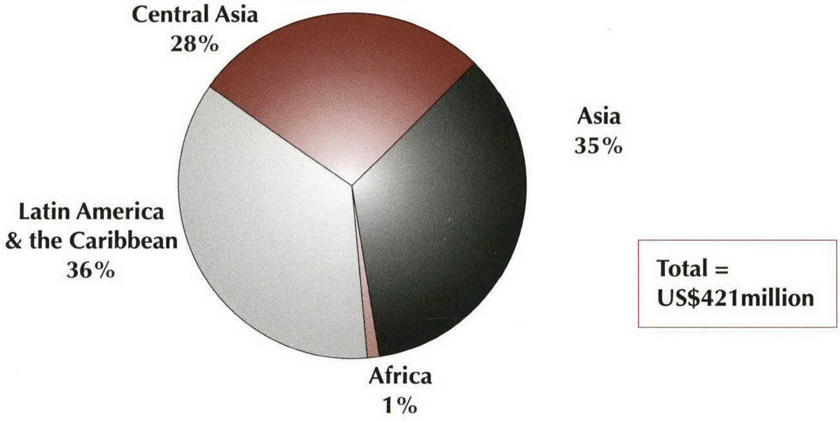

1996



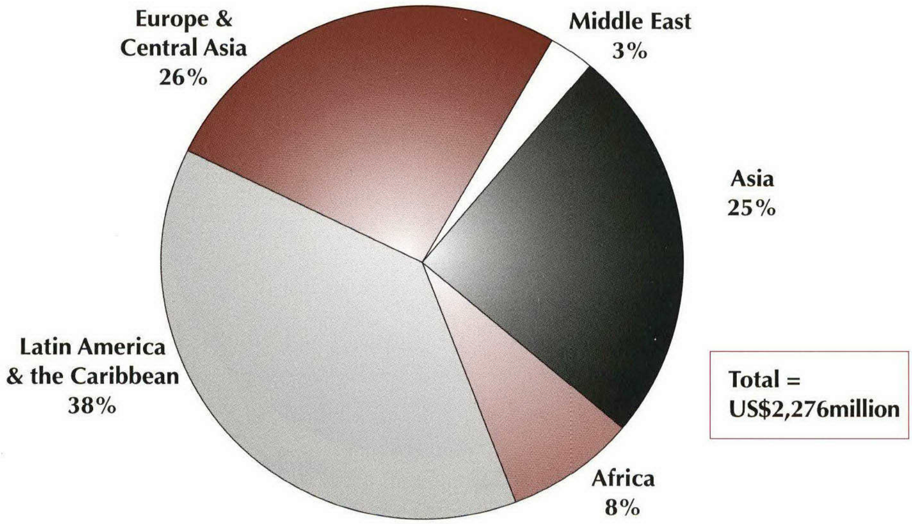

Since its creation MIGA has attempted to diversify its portfolio broadly by country and sector for effective risk management. The financial sector accounts for about one-third of the portfolio, currently reduced from a higher percentage, while manufacturing and infrastructure have been the fastest-growing sectors.

# VI (A)
# OUTSTANDING PORTFOLIO BY HOST REGION (MAXIMUM CONTINGENT LIABILITY)

1992

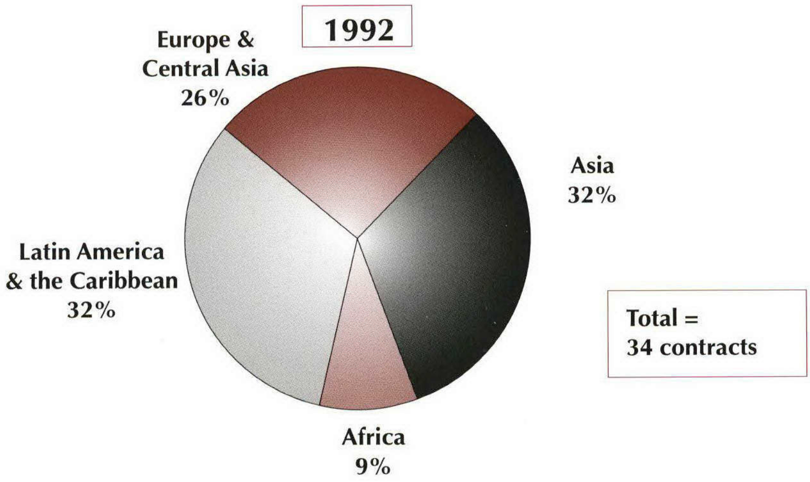


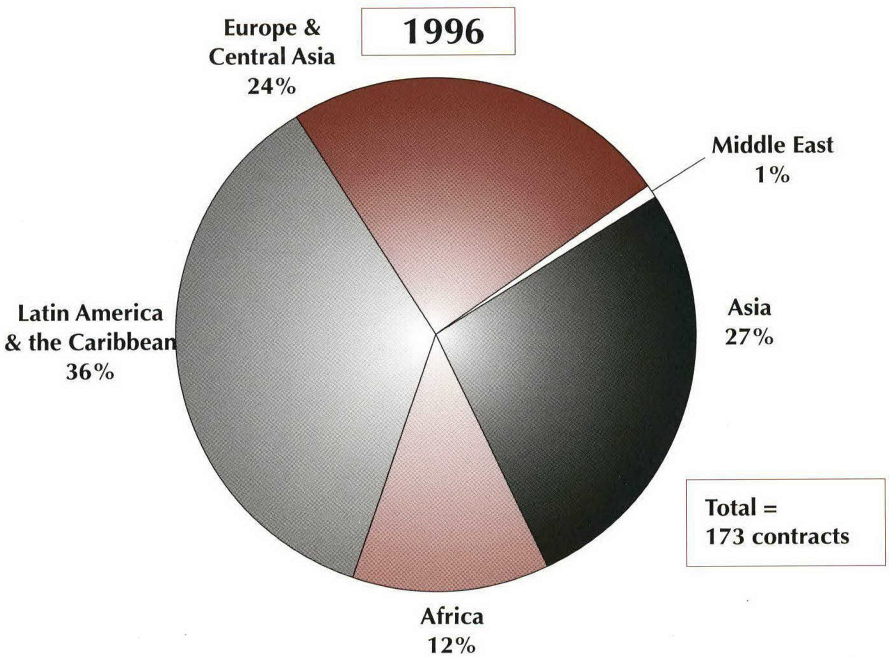

1996




MIGA-insured projects in Latin America and the Caribbean constitute the highest portion of the portfolio, reflecting the continued interest of investors in this region. Increasing opportunities in Africa and the Middle East have contributed to relative growth of MIGA's portfolio in these regions.

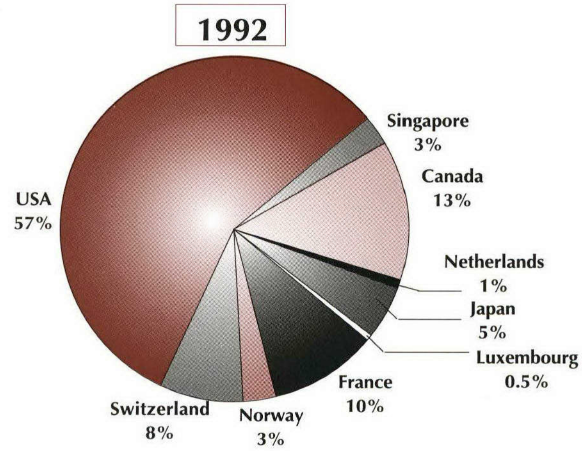
# VI (B)
## Outstanding Portfolio by Host Region (Number of Contracts Issued)

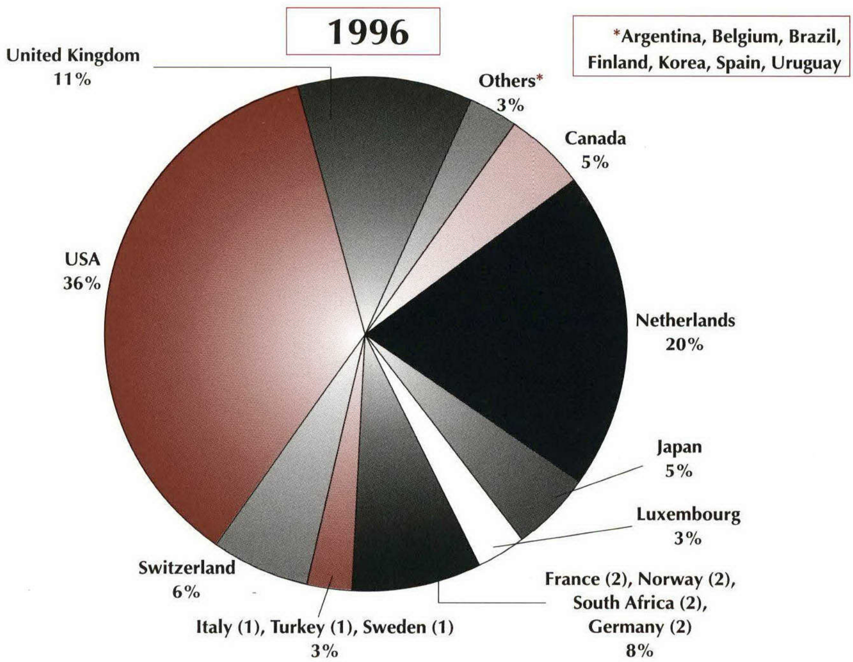



The proportion of MIGA contracts issued for investments in Latin America and the Caribbean partially reflects the more complex infrastructure power projects covered by the Agency involving multiple equity investors and commercial banks. In Africa and Asia, MIGA has tended to insure small and medium-size agribusiness, manufacturing, and mining investments.

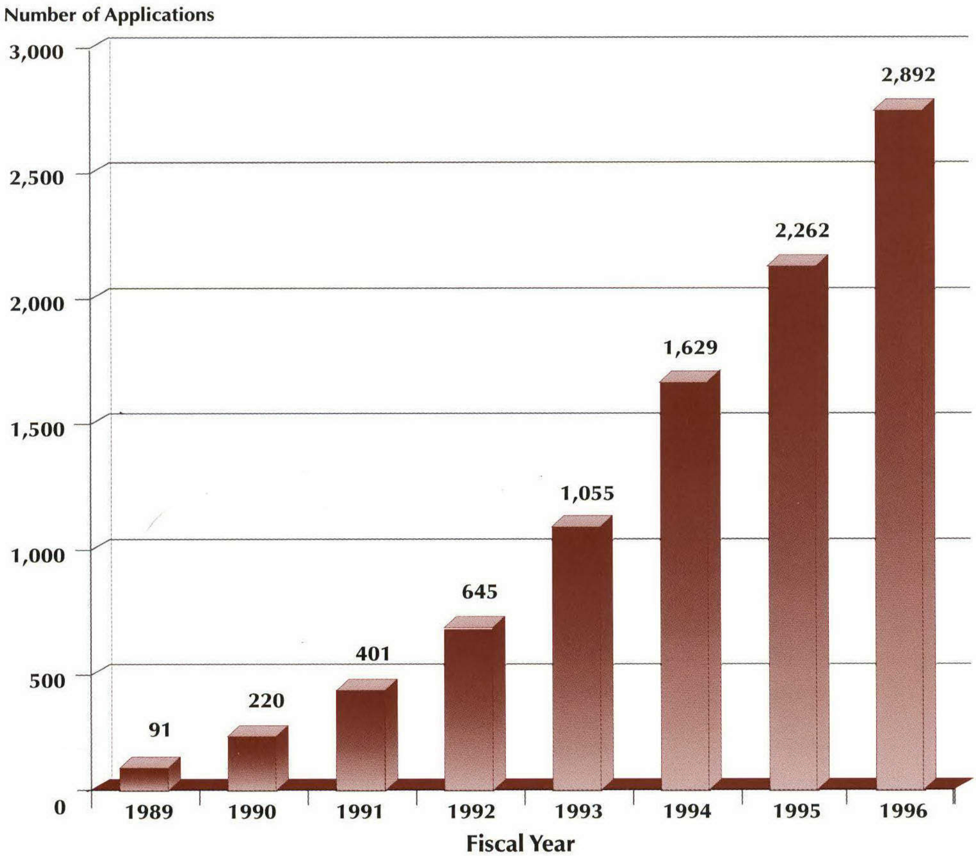
# VII
# OUTSTANDING PORTFOLIO BY INVESTOR COUNTRY (MAXIMUM CONTINGENT LIABILITY)




In addition to the broader distribution of its portfolio by host country, MIGA has benefited from a wider spread of investor countries as well. The majority share of U.S.-insured investments has decreased significantly as investors from countries such as the Netherlands and the United Kingdom increasingly utilized MIGA's services. In a special effort to promote investments between developing countries, in FY96 MIGA insured investors from Argentina, Brazil, South Africa, Turkey, and Uruguay for their investments in other developing countries.

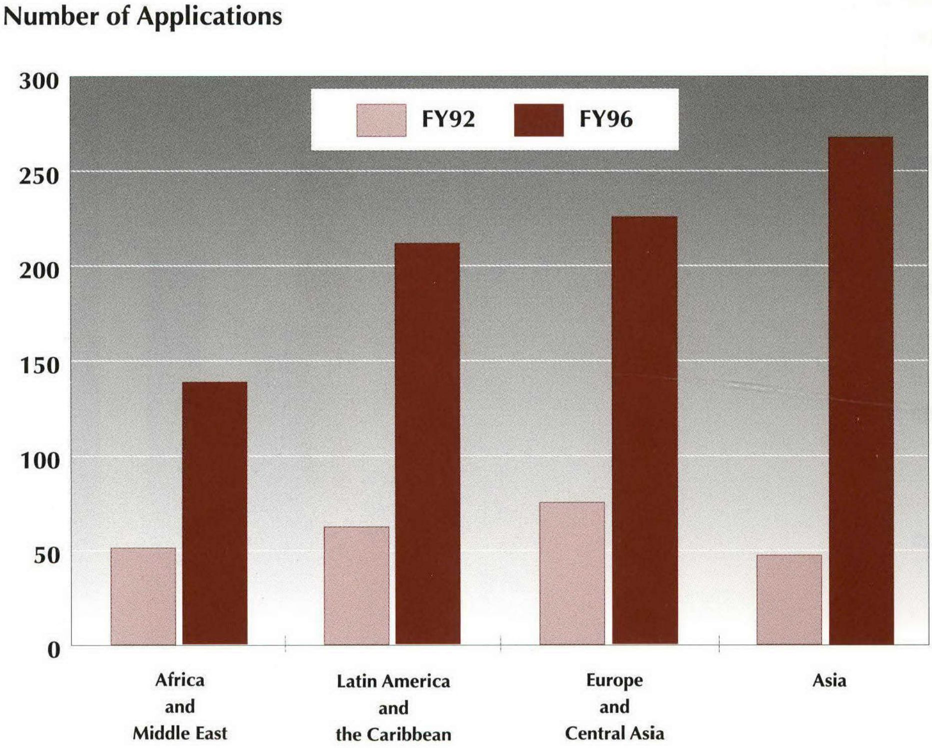
# VIII
# Cumulative Preliminary Applications




MIGA has received almost 2,900 Preliminary Applications for Guarantee, averaging approximately 50 per month in the past two years. This represents a dramatic increase from only 220 applications as of FY90. Demand for political risk insurance has been fueled by many favorable investment opportunities in developing and transitional economies. These opportunities, in turn, arise from recent economic reforms and increasing privatization of these economies.

This strong pipeline of applications bodes well for the Agency's future growth.

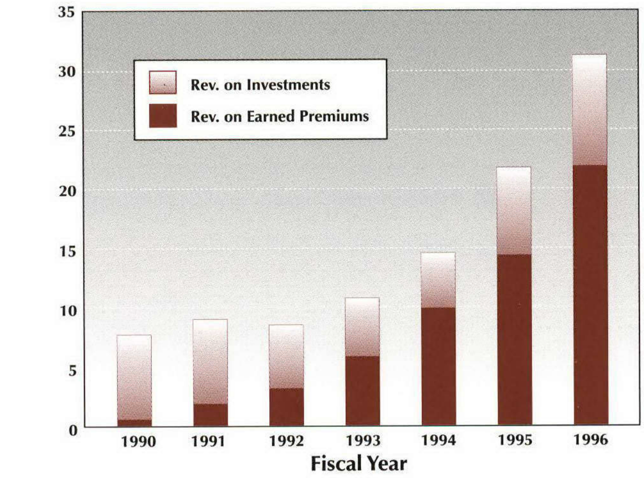
# IX
# Active Preliminary Applications by Host Region



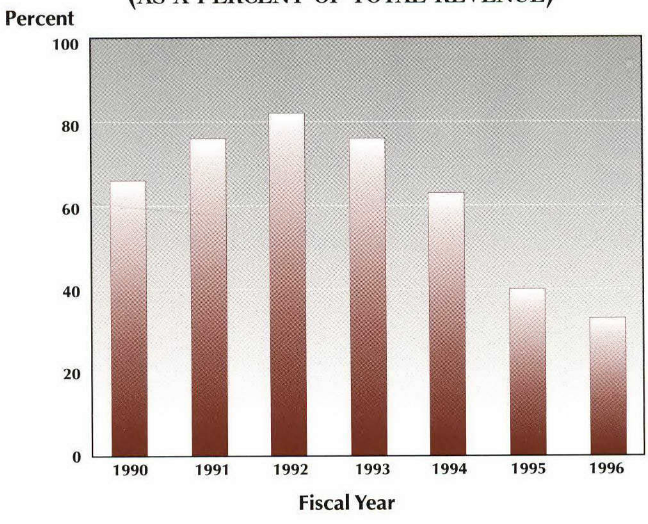

The regional distribution of Preliminary Applications for Guarantee received by MIGA is well-diversified as of FY96. Economic reforms and privatization movements in the transition economies of Europe and Central Asia and the increasing shift towards more liberal, open economies in Asia have attracted foreign investor interest in these regions. This is reflected in the significant increase of demand for MIGA guarantees for investments in these markets over the past five years.

# X
# REVENUE AND ADMINISTRATIVE COSTS

## TOTAL REVENUE



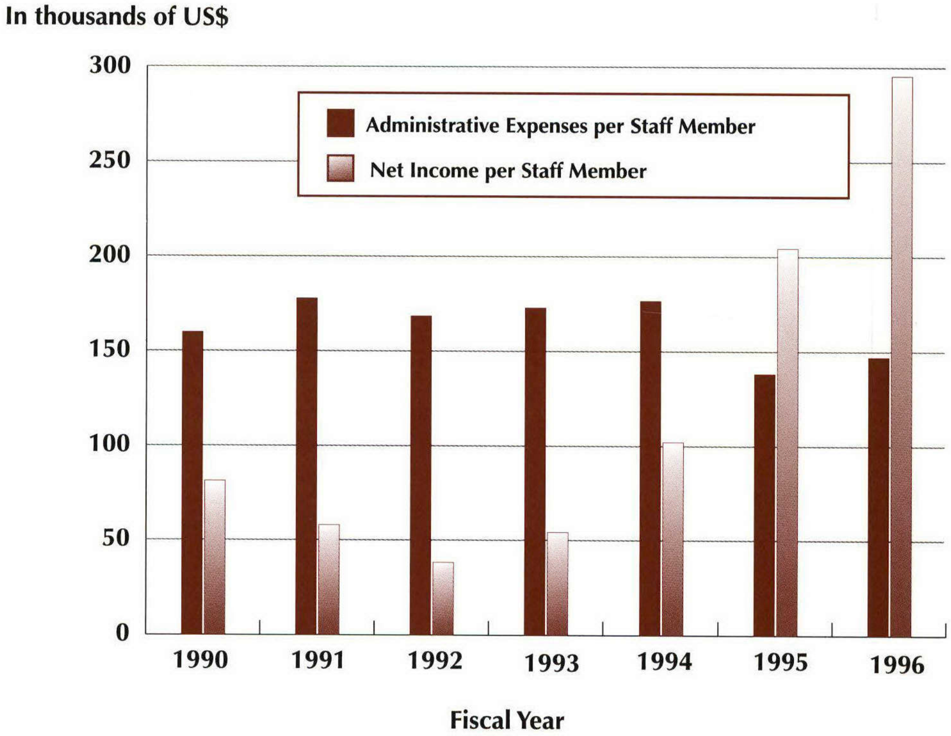

## TOTAL ADMINISTRATIVE COSTS
### (AS A PERCENT OF TOTAL REVENUE)




MIGA's revenues have steadily improved based largely on increases in earned premiums. However, due to tight management control of administrative costs, MIGA's costs as a percentage of total revenue have significantly declined. **In its seven years of operations, MIGA has not yet suffered a claims loss.**

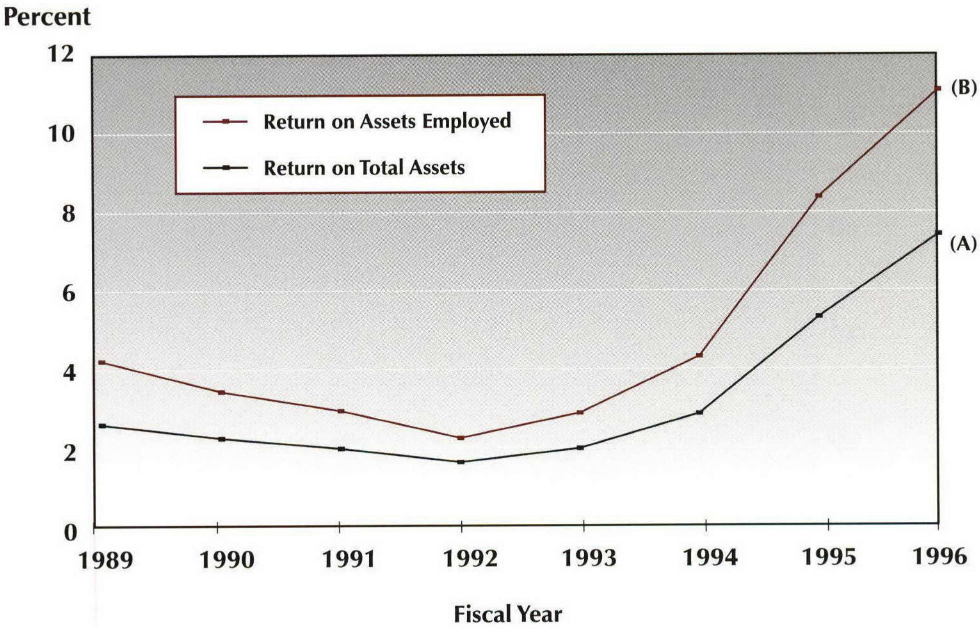
MIGA's total administrative expenses of $10.3 million in FY96 constitute a small fraction of the budgets of multilateral development banks. Yet, with its small staff of 70 MIGA issued $862 million in coverage in FY96 which facilitated $6.6 billion of foreign direct investment, a ratio in excess of 7:1 (See page 4).

# XI (A)
# Efficiency and Profitability (Administrative Costs and Net Income)




Since FY92, MIGA's net income per staff member has steadily improved as Management carefully controlled its expenses through a period of rapid growth. MIGA's profitability, measured by net income before provisioning as a percentage of paid-in capital, has recorded similar improvement. Although direct performance comparisons with private and national insurers is not feasible (due to the absence of appropriate data), MIGA has clearly achieved a sharp improvement in performance.

# XI (B)
# EFFICIENCY AND PROFITABILITY (RETURN ON ASSETS EMPLOYED)

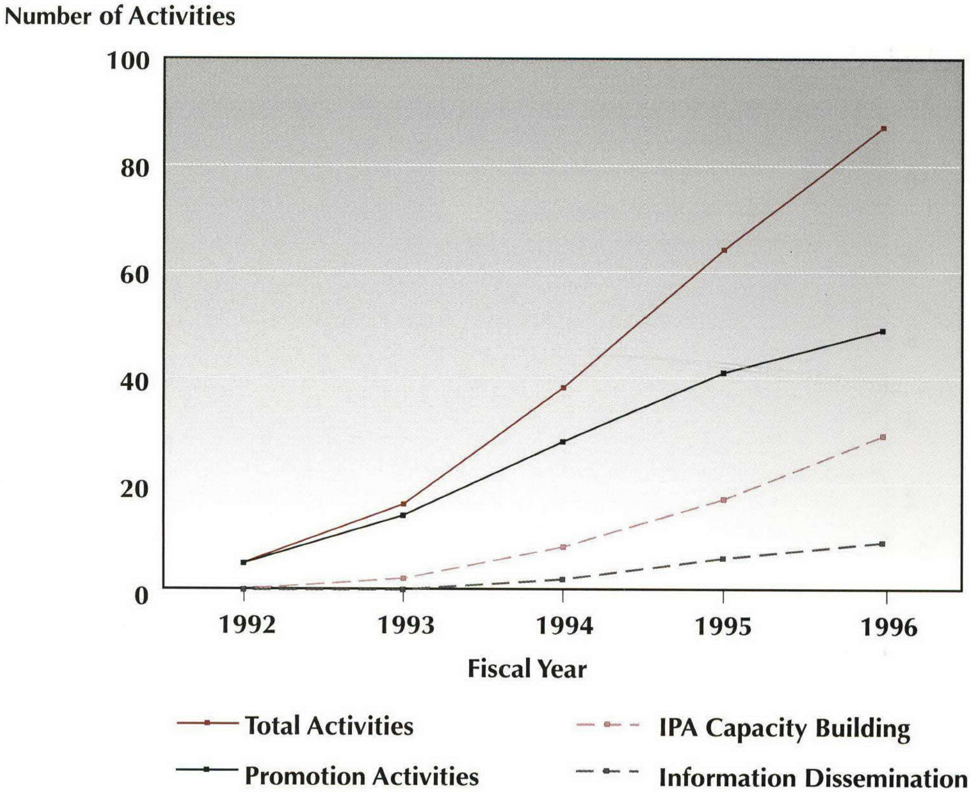



A) Return on Total Assets is the ratio of net income before provisioning to total assets (net of callable capital--subscribed capital not actually paid in--which serves as a cushion for claims).

B) Return on Assets Employed is the ratio of net income before provisioning to total assets minus promissory notes paid as a part of capital subscription (i.e., not encashed and non-interest bearing, which also serves as a cushion for claims).

Return on Assets (ROA) is commonly used as a measure of business performance. In MIGA's case, 80 percent of its initial assets were not paid in and 10 percent were in the form of promissory notes which do not accrue interest. Hence, it would be inappropriate to evaluate business performance on the basis of total assets as 90 percent of MIGA's initial capital is not currently employed. However, measured by the rate of return on the basis of total assets employed, MIGA's business performance has progressed sharply since FY92 as compared to ROA. (For further information, see Financial Statements in the Annual Report.)

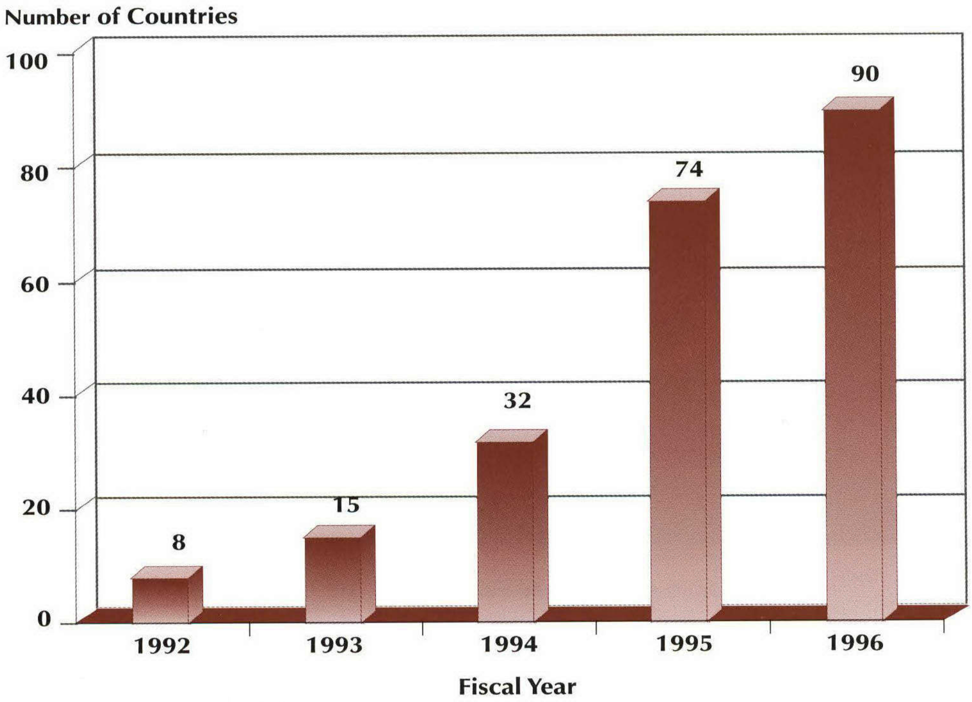
# XII
# TECHNICAL ASSISTANCE ACTIVITIES: FY92–96 (CUMULATIVE NUMBER OF ACTIVITIES)




MIGA's current program of technical assistance includes three major categories of investment promotion activities in member countries: (1) direct support of investment promotion activities; (2) dissemination of information on investment opportunities, business operating conditions, and business partners; and (3) strengthening of countries' institutional capacity to successfully plan, execute, and follow-up investment promotion programs and activities.** More than half of the activities executed since FY92 have been in Africa. While MIGA continues to assist countries in executing traditional investment promotion activities such as conferences and missions, increasing emphasis is placed on information dissemination and IPA capacity-building activities. MIGA's technical assistance activities are undertaken on a cost-recovery basis.

** In FYs 92–93, MIGA also provided policy advisory services as part of its technical assistance program. However, in FY94, MIGA management decided to focus its technical assistance activities on investment promotion and to leave policy advisory activities to the World Bank, IFC, and FIAS.

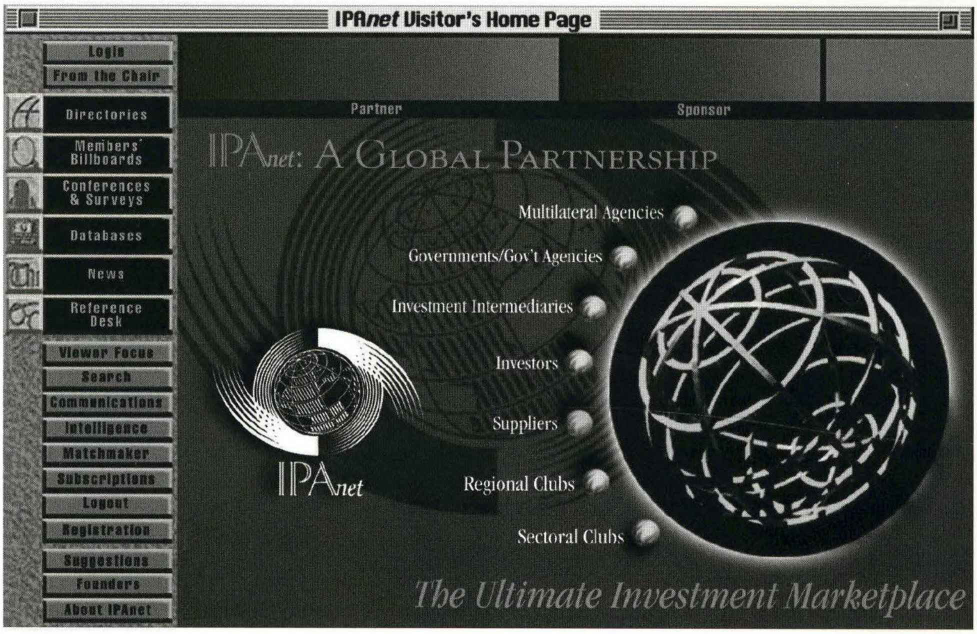
# XIII
# INCREASE IN TECHNICAL ASSISTANCE ACTIVITIES: FY92–96 (CUMULATIVE NUMBER OF DIRECT BENEFICIARY COUNTRIES)




Ninety developing countries have benefited directly from MIGA's technical assistance activities since the program was reoriented in FY94 to focus exclusively on investment promotion. Whenever feasible, MIGA now organizes its activities on a multi-country basis in order to maximize the number of beneficiary countries. MIGA's new electronic tools for dissemination of information on investment opportunities, business operating conditions, and business partners benefit virtually all developing countries simultaneously, but indirectly.

The figures in Chart XIII do not include those countries that have benefited indirectly from such information dissemination activities.

# XIV
# IPA*net*




**IPA*net* can be accessed at: http://www.ipanet.net**

MIGA has launched a global, Internet-based investment marketplace, dubbed IPA*net,* to promote investment into emerging markets. Employing the concept of a specialized electronic information shopping mall, IPA*net* is a global "one-stop center" providing easy desktop access to investment opportunities, sources of finance, laws and regulations governing investments, and lists of important "who's who" in various countries. Along with electronic stores, IPA*net* contains investment databases on over 100 countries, searchable directories of "key players" in international investment, listings of conferences and other events, matchmaker templates, targeted communications, e-mail filters, intelligence gathering, and business news. These and other unique features are all designed to link international investors and promoters of investment, world wide, to make global investment activity more efficient. As of August 1996, users in over 96 countries are accessing information through IPA*net.*

# APPENDIX

*SEPTEMBER 1, 1996*

## 135 MEMBER COUNTRIES

### INDUSTRIALIZED—19

Belgium
Canada
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Japan
Luxembourg
Netherlands
Norway
Portugal
Spain
Sweden
Switzerland
United Kingdom
United States

### DEVELOPING—116

**AFRICA**
Angola
Benin
Botswana
Burkina Faso
Cameroon
Cape Verde
Congo
Côte d'Ivoire
Ethiopia
Equatorial Guinea
Gambia, The
Ghana
Guinea
Kenya
Lesotho
Madagascar
Malawi
Mali
Mauritania
Mauritius
Mozambique
Namibia
Nigeria
Senegal
Seychelles
Sierra Leone
South Africa
Sudan
Swaziland
Tanzania
Togo
Uganda
Zaire
Zambia
Zimbabwe

**ASIA/PACIFIC**
Bangladesh
China
Fiji
India
Indonesia
Korea, Republic of
Malaysia
Micronesia, Fed. States of
Nepal
Pakistan
Papua New Guinea
Philippines
Sri Lanka
Vanuatu
Vietnam
Western Samoa

**MIDDLE EAST/ NORTH AFRICA**
Algeria
Bahrain
Egypt, Arab Republic of
Israel
Jordan
Kuwait
Lebanon
Libya
Morocco
Oman
Saudi Arabia
Tunisia
United Arab Emirates
Yemen

**EUROPE/CENTRAL ASIA**
Albania
Armenia
Azerbaijan
Belarus
Bulgaria
Croatia
Cyprus
Czech Republic
Estonia
Georgia
Hungary
Kazakstan
Kyrgyz Republic
Lithuania
Macedonia, FYR of
Malta
Moldova
Poland
Romania
Russian Federation
Slovak Republic
Slovenia, Republic of
Turkey
Turkmenistan
Ukraine
Uzbekistan

**LATIN AMERICA/ CARIBBEAN**
Argentina
Bahamas, The
Barbados
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominica
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Honduras
Jamaica
Nicaragua
Paraguay
Peru
St. Lucia
St. Vincent and the Grenadines
Trinidad & Tobago
Uruguay
Venezuela

## 20 COUNTRIES IN THE PROCESS OF FULFILLING MEMBERSHIP REQUIREMENTS

### DEVELOPING—20

**AFRICA**
Burundi
Chad
Eritrea
Gabon
Guinea-Bissau
Niger
Rwanda

**ASIA/PACIFIC**
Cambodia
Mongolia

**MIDDLE EAST/ NORTH AFRICA**
Syrian Arab Republic
Qatar

**EUROPE/CENTRAL ASIA**
Bosnia and Herzegovina
Latvia
Tajikistan
Yugoslavia, Federal Republic of (Serbia/ Montenegro)

**LATIN AMERICA/ CARIBBEAN**
Dominican Republic
Haiti
Panama
St. Kitts & Nevis
Suriname

*Contact MIGA for information about countries not listed*

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# MULTILATERAL INVESTMENT GUARANTEE AGENCY

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E-mail: CBELLINGER@worldbank.org

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| January 9, 1997 | Briefing materials |

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**Subject / Title**
MIGA Capital Increase

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