Operational Overview

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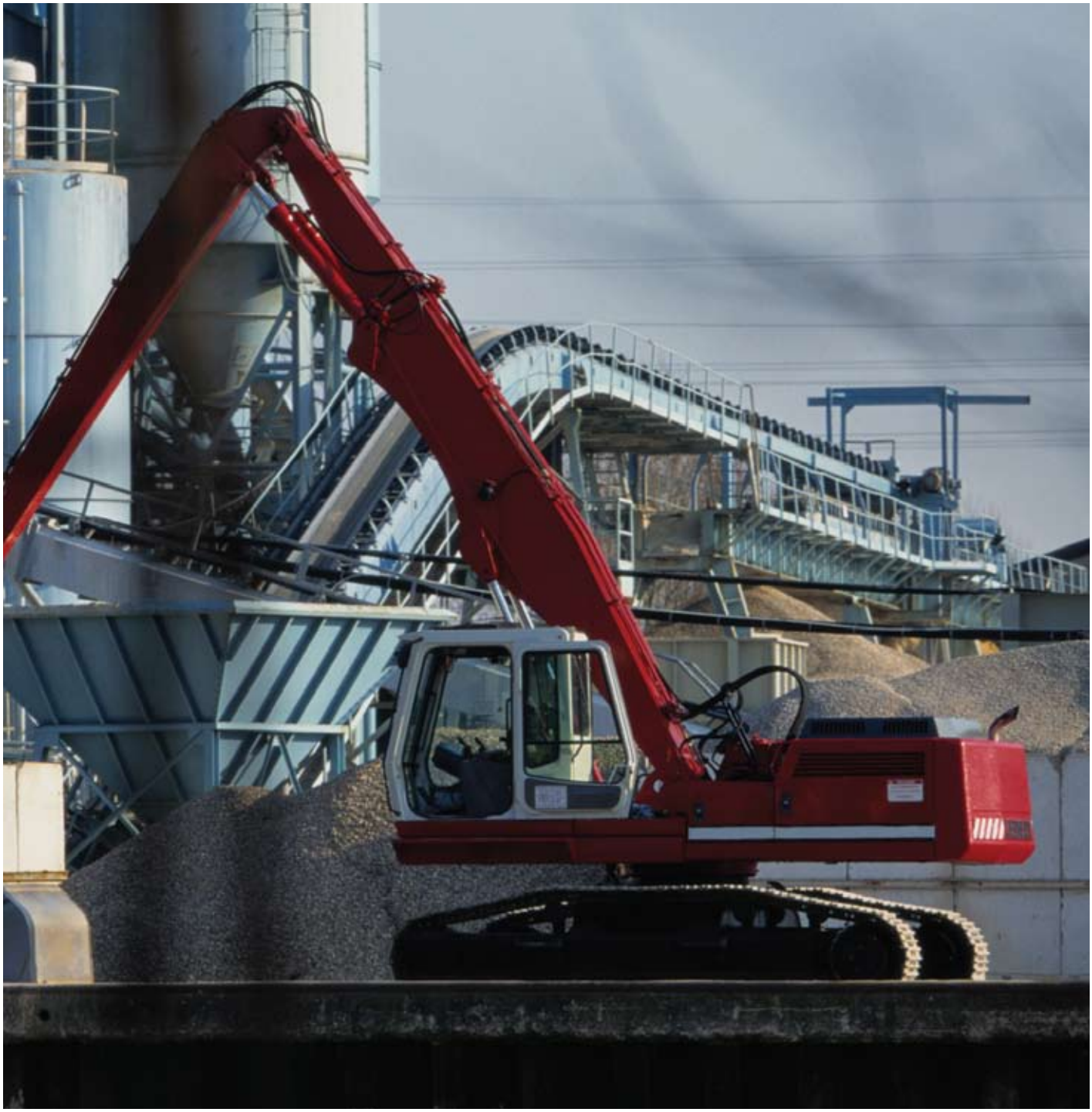


Guarantees

Developing countries had reason for optimism in 2005, when net flows of foreign direct investment (FDI) into emerging economies climbed to an estimated $274 billion—the largest amount of FDI ever to reach the developing world. Flows increased in all regions, and reached a record level of $29 billion in Africa. The strong recovery reflects healthy global economic conditions and better compliance in developing countries with global investment standards. This upward trend is expected to continue through 2006, fueled by an increase in the availability of capital at lower spreads. But not all developing countries have been winners, particularly those perceived to be risky and where capital availability is limited.

At the same time, traditional investors continued to hedge when it came to investing in less developed countries, troubled by lower-than-expected earnings and disputed concessions, especially in the infrastructure sector. Investors chose instead to invest in more stable and developed markets. At the same time, the emergence of a new and growing force—so-called "South-South" investors—is making notable inroads on the investment landscape. Investment from developing countries now accounts for a third of all FDI going to developing countries.

MIGA's goal and challenge is multi-pronged, focused on re-engaging traditional investors while supporting the growing trend of South-South investment, as well as encouraging FDI flows into the high-risk/low-income frontier markets. MIGA does this by mitigating the non-commercial investment risks faced by both groups, with a specific focus on countries where the perception of risk may be worse than the reality. In these cases, MIGA's political risk insurance (PRI) provides a very important signal to the markets that private investments in such countries are in fact viable and profitable.

In fiscal 2006, MIGA issued $1.3 billion in guarantee coverage for 66 contracts in support of 41 projects. Many of the contracts focused on MIGA's priority areas: 23 were for projects in frontier markets, 15 supported South-South investments (see Box 1), and 10 were for projects in conflict-affected countries. The number of infrastructure investments guaranteed by the agency almost doubled from the previous year, surging to a total of 14 projects. (See Table 3.)

During the fiscal year, MIGA also supported 21 projects in IDA-eligible (the world's poorest) countries and 13 projects in sub-Saharan Africa, both special areas of focus. In terms of gross exposure, IDA-eligible countries accounted for 42 percent of the gross portfolio (see Table 4). Projects in sub-Saharan Africa account for 16 percent of outstanding exposure, well above the share of FDI that flows to the region.

Also in FY06, MIGA guaranteed nine projects in Afghanistan, Ecuador, El Salvador, Indonesia, Iran, Madagascar, Malaysia, and Sierra Leone under its Small Investment Program (SIP) (see Box 2). The SIP became fully operational this fiscal year, and is quickly proving to be popular among smaller investors who find the streamlined underwriting process more user-friendly and appropriate to their needs. The faster process also makes the underwriting of very small projects—which tend to have a strong developmental impact—more viable for MIGA. During the fiscal year, nine contracts worth $24 million in coverage were signed under the SIP. Three countries that received SIP deals were among the new host countries for MIGA-supported projects—Afghanistan, Iran, and Sierra Leone (see Table 3). During the fiscal year, MIGA also provided first-time coverage for a project in Mongolia.

MIGA also announced its first-time support for a project that will sell carbon credits gained by reducing greenhouse gas emissions. The reductions, which can be sold under the Kyoto Protocol, will result from the conversion of methane gases to less harmful carbon dioxide at a landfill in El Salvador. MIGA is supporting the project by providing $2 million in guarantee coverage. (See project brief in Operational Overview for more information.) The agency has been collaborating closely with the World Bank on supporting these types of projects that have a positive impact on the environment, and there seems to be an increasing interest in this product in the Latin America region.

The FY06 results bring total coverage issued since MIGA's inception to $16 billion, including amounts leveraged through the Cooperative Underwriting Program. Following a slight decrease in gross exposure in FY05, MIGA's outstanding business stood at $5.362 billion, an increase of $268 million (see Figure 2). Net exposure also rose, from $3.1 billion last fiscal year to $3.3 billion in FY06.

It is important to note that increases in gross exposure due to new business were offset by reductions, replacements, cancellations, and expiries during the year. Reductions are normal runoffs of the portfolio, while replacements reflect contracts that are reissued

Table 3

Projects Supported in Fiscal 2006

Host Country	Guarantee Holder	Investor Country	Sector	Amount $ M (incl. CUP)	Priority/ Area of Interest[7]
ASIA AND THE PACIFIC					
Afghanistan	DAGRIS, S.A.	France	Agribusiness	0.9	IDA, NHC, F, CA, SIP
Bangladesh	Orascom Telecom	Egypt, Arab Republic of	Infrastructure	78.3	INF, IDA, F, S-S
China	Compagnie Générale des Eaux	France	Infrastructure	40	INF
Indonesia	MTU Asia Pte. Ltd.	Singapore	Services	0.9	IDA, CA, S-S, SIP
Mongolia	Globull Investment and Development SCA	United States	Financial	20	IDA, NHC, F
Pakistan	Habib Bank AG Zurich, Switzerland	Switzerland	Financial	9.6	IDA, F
EUROPE AND CENTRAL ASIA					
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Financial	11.4	IDA, F, CA
Bulgaria	AES Bulgaria Holdings BV, Calyon Corporate and Investment Bank	Netherlands, France	Infrastructure	117.8	INF
Kazakhstan	First Kazakh Securitization Company, B.V.	Netherlands	Financial	75	
Russian Federation	Bema Gold Corporation, Société Générale SA, Mitsubishi Corporation (UK) Plc	Canada, France, UK	Mining	304.6	
Serbia and Montenegro	Raiffeisenbank a.s.	Czech Republic	Financial	57.3	F
Ukraine	Can-Pack S.A., Pol-Am-Pack S.A.*	Poland	Manufacturing	33.7	S-S
LATIN AMERICA AND THE CARIBBEAN					
Bolivia	Banco de Crédito del Peru	Peru	Financial	14.3	IDA, F, S-S
Brazil	Control y Montajes Industriales CYMI, S.A.	Spain	Infrastructure	21	INF
Brazil	Control y Montajes Industriales CYMI, S.A.	Spain	Infrastructure	9.8	INF
Brazil	Control y Montajes Industriales CYMI, S.A.	Spain	Infrastructure	10.6	INF
Brazil	Control y Montajes Industriales CYMI, S.A.	Spain	Infrastructure	5.7	INF
Brazil	Dragados Industrial S.A.	Spain	Infrastructure	23.1	INF
Dominican Republic	Organización de Ingeniería Internacional S.A., Autopistas del Nordeste (Cayman) Limited, Odinsa Holding Inc., Grodco S.C.A., Grodco Panama	Colombia, Cayman Islands, United Kingdom, Colombia, Panama	Infrastructure	107.6	INF, F, S-S
Ecuador	Prodenvases Crown S.A.	Colombia	Manufacturing	0.2	F, S-S, SIP
El Salvador	Biothermica Energie Inc.	Canada	Infrastructure	1.8	INF
El Salvador	Corporación Interfin, S.A.	Costa Rica	Financial	3.2	S-S, SIP
Jamaica	The Bank of Nova Scotia	Canada	Financial	41.8	
Nicaragua	Corporación Interfin S.A.*	Costa Rica	Financial	1.9	IDA, F, S-S
Uruguay	Abengoa, S.A.*	Spain	Infrastructure	0.6	INF

Table 3 (cont'd)

Projects Supported in Fiscal 2006

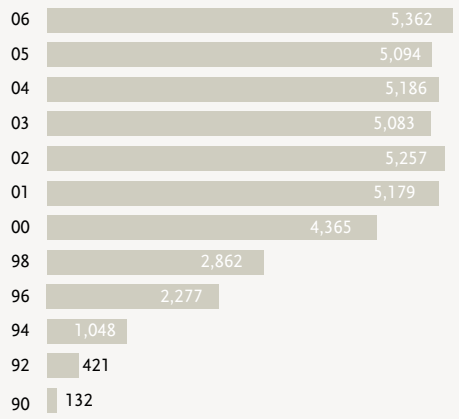
Host Country	Guarantee Holder	Investor Country	Sector	Amount $ M (incl. CUP)	Priority/ Area of Interest[1]
MIDDLE EAST AND NORTH AFRICA					
Iran, Islamic Republic	Itochu Corporation, National Petrochemical Public Limited, Cementhai Chemicals Co., Ltd.	Japan, Thailand	Oil and Gas	122.2	NHC, S-S
Iran, Islamic Republic	Cesur Packaging Corporation	Turkey	Manufacturing	5	S-S, SIP
Jordan	Infilco Degremeont, Inc., Suez Environment S.A.	United States, France	Infrastructure	4.1	INF
SUB-SAHARAN AFRICA					
Angola	Barloworld Equipment UK Limited	United Kingdom	Services	14.7	IDA, F, CA, SSA
Burkina Faso	DAGRIS*	France	Manufacturing	6.1	IDA, F, SSA
Ghana	PROPARCO	France	Financial	3.5	IDA, F, SSA
Ghana	Metro Ikram Sdn. Bhd.	Malaysia	Manufacturing	6.3	IDA, F, S-S, SSA
Kenya	Industrial Development Corporation of South Africa Limited, Mr. R. S. Chatthe	South Africa, UK	Agribusiness	6.7	IDA, F, S-S, SSA
Madagascar	DAGRIS, S.A.	France	Agribusiness	2.9	IDA, F, SIP, SSA
Madagascar	Louvre International Ltd.	Mauritius	Tourism	2.3	IDA, F, S-S, SIP, SSA
Nigeria	Ericsson Credit AB*	Sweden	Infrastructure	45	INF, IDA, F, CA, SSA
Nigeria	SGS Société Générale de Surveillance SA	Switzerland	Services	26	IDA, F, CA, SSA
Nigeria	Cotecna S.A.*	Switzerland	Services	54.9	IDA, F, CA, SSA
Sierra Leone	Sierra-Com Ltd.	Israel	Infrastructure	3.4	INF, IDA, NHC, F, CA, S-S, SIP, SSA
Sierra Leone	Intertek International Limited	United Kingdom	Services	5	IDA, F, CA, SIP, SSA
Uganda	MILLco Limited*	St. Kitts and Nevis	Agribusiness	3	IDA, F, CA, S-S, SSA

* *Additional coverage provided to projects underwritten in previous fiscal years and counted as a "new project" in previous fiscal years and as a "project supported" in FY06.*

[1] *Projects in priority areas and other areas of interest, as follows: CA: conflict-affected country; F: frontier country; IDA: IDA-eligible country; INF: infrastructure; NHC: new host country; SSA: sub-Saharan African country; S-S: support to a South-South investment between MIGA Part 2 countries; and SIP: project underwritten under MIGA's Small Investment Program.*

Figure 2

Guarantees Portfolio, Gross Exposure $ M
as of June 30, 2006



due to new underwriting following a change either in the investment parameters or in the guaranteed amount. In fiscal 2006, 41 percent of all cancellations were due to clients' preference for self-insurance, which indicates possible improvements in their perception of political risk. Such cancellations illustrate that MIGA is achieving its ultimate mandate: encouraging foreign investors and lenders into markets they perceive as risky and supporting them until they feel comfortable enough with the risks to bear them on their own. A further 35 percent of the projects were cancelled because the underlying insured assets were no longer at risk, with the loans either being repaid or the projects sold to other investors.

Portfolio Diversification

Regional Diversification The regional breakdown of guarantees issued by MIGA in fiscal 2006 can be viewed from two perspectives: the number of guarantees issued and the value of the guarantees. In terms of number issued, sub-Saharan Africa was the top guarantee destination, with 21 contracts in support of 13 projects, totaling $180 million in coverage. Most of the contracts were small in dollar terms, with the exception of several large projects in Nigeria (one $45 million infrastructure project and two service sector projects totaling $81 million). Small investments are often an important driver of growth and can have a significant impact in developing countries. Two-thirds of MIGA's gross exposure in the region was comprised of projects in the agribusiness, manufacturing, services, and tourism sectors.

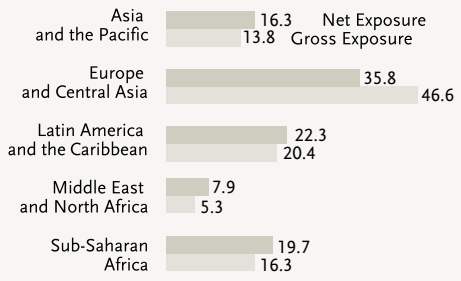
Latin America and the Caribbean generated the second highest number of guarantees, with 19 contracts in support of 13 projects, totaling $242 million in coverage. Among the projects were the Dominican Republic Toll Road Project, supported by a $108 million MIGA guarantee (see Box 3 on capital markets), and a series of electricity transmission lines in Brazil, which involved $70.4 million in MIGA coverage.

Europe and Central Asia (ECA) was the third most popular destination in terms of number of guarantees issued (10) in support of six projects, but at $599.8 million, accounted for the largest amount of coverage issued by MIGA during the fiscal year. Two large projects—the Kupol mining project in Russia ($305 million) and the Maritza power project in Bulgaria ($117.8 million)—accounted for the majority of the coverage. This represents an important shift in the agency's ECA portfolio, which over the past several years has been heavily weighted towards the financial sector. In fact, the agency guaranteed just three financial projects in the region in FY06. One of these transactions was a landmark mortgage-backed securitization in Kazakhstan, widely touted as an innovative instrument for encouraging capital flows into the region (see Box 3). MIGA insured a similar transaction in FY05 in Latvia that set a precedent and helped pave the way for this deal.

MIGA provided six guarantees for six projects in Asia and the Pacific during the fiscal year, totaling $150 million in coverage. Among these were two large infrastructure projects in Bangladesh and China, accounting for nearly 80 percent of the region's gross exposure. Of special note is that the agency guaranteed its first project in Afghanistan through the special Afghanistan Investment Guarantee Facility, created to encourage foreign investment in the reconstruction and economic growth in this conflict-affected country.

Figure 3

Outstanding Portfolio Distribution by Host Region, in Percent, as of June 30, 2006



Note: Percentages add up to more than 100 percent due to multi-country agreements. Refer to Financial Statements for more information.

Table 4

MIGA's Outstanding Guarantees Portfolio in IDA-Eligible Countries

IDA-eligible Countries	Gross Exposure ($ M)	% of Gross	Net Exposure ($ M)	% of Net
Serbia and Montenegro	393.0	7.3	171.7	5.2
Mozambique	264.1	4.9	147.5	4.5
Bosnia and Herzegovina	231.3	4.3	138.4	4.2
Ghana	183.8	3.4	157.6	4.8
Nigeria	149.2	2.8	126.8	3.8
Pakistan	140.8	2.6	113.5	3.4
Vietnam	128.6	2.4	52.2	1.6
Nicaragua	105.4	2.0	53.9	1.6
Lao PDR	89.6	1.7	44.8	1.4
Bangladesh	78.3	1.5	70.4	2.1
Moldova	61.1	1.1	30.5	0.9
Kenya	51.3	1.0	28.8	0.9
Indonesia	50.9	0.9	50.8	1.5
Uganda	43.5	0.8	22.9	0.7
Burkina Faso	43.0	0.8	38.7	1.2
Nepal	30.0	0.6	14.1	0.4
Mauritania	27.1	0.5	24.3	0.7
Mongolia	20.0	0.4	18.0	0.5
Côte d'Ivoire	18.8	0.3	18.8	0.6
Mali	16.2	0.3	14.6	0.4
Kyrgyz Republic	14.8	0.3	13.4	0.4
Angola	14.7	0.3	13.2	0.4
Bolivia	14.3	0.3	12.8	0.4
Guinea	14.0	0.3	14.0	0.4
Senegal	13.5	0.3	12.1	0.4
Albania	8.6	0.2	8.6	0.3
Sierra Leone	8.4	0.2	7.5	0.2
Madagascar	6.0	0.1	5.1	0.2
Congo, Democratic Republic of	3.3	0.1	3.0	0.1
Togo	1.7	0.0	1.7	0.1
Sri Lanka	1.7	0.0	1.7	0.1
Benin	1.0	0.0	0.9	0.0
Afghanistan	0.9	0.0	0.8	0.0
Burundi	0.9	0.0	0.8	0.0
Azerbaijan	0.9	0.0	0.8	0.0
Total	**2,231**	**42**	**1,435**	**43**

Box 1

Stimulating South-South Investment

Globalization has introduced new challenges and opportunities for companies in developing countries that are keen to make the most of their rapidly developing comparative advantages. The search for new markets and low-cost labor; the challenges of remaining viable and staying competitive; and opportunities abroad have led many companies in Brazil, China, India, Malaysia, South Africa, and elsewhere to expand their markets overseas.

According to the 2006 *Global Development Finance* report, companies from developing countries are contributing a greater proportion of FDI flows into other developing countries than ever before. Although capital flows between developing countries, also known as South-South flows, are still small in terms of size, this trend reflects the growing weight of developing countries in the global economy.

Supporting South-South investments is a priority for MIGA. In this fiscal year, MIGA issued guarantees for 15 South-South projects, helping the agency fulfill its mandate of facilitating cross-border investments among developing countries. These projects were worth $389 million in terms of guarantees issued.

The bulk of these investments originated from companies in middle-income countries, including, for example, a Malaysian firm investing in a housing project in Ghana, and an Egyptian firm investing in the telecommunications sector in Bangladesh (see table). The projects were distributed roughly evenly across sectors. Half of the investor countries in this category invested in developing countries in the same region or in close geographic proximity, such as a South African firm investing in Uganda, or a Colombian firm investing in Ecuador.

MIGA's Small Investment Program also witnessed a pattern of South-South investments—six of the nine projects guaranteed under the program this fiscal year originated from developing countries.

MIGA has also been playing a role in stimulating South-South investment exchanges by supporting investor outreach programs, investment roadshows, and capacity building for investment promotion intermediaries. In FY06, MIGA held marketing roadshows in Russia, Brazil and India to encourage more interregional investment.

MIGA has been particularly active in facilitating outward investment from China, through a multifaceted program that includes training of staff from Sinosure, China's export credit agency; marketing missions by guarantees staff; and awareness-raising among the business community through conferences and seminars on overseas investment trends. A survey of 150 Chinese firms jointly sponsored by MIGA and FIAS earlier this fiscal year found that more than half of the 251 overseas investments made by the surveyed firms to date were in developing countries. Their reasons for investing overseas were market access, resources, and strategic assets like technology, brands, and distribution channels.

South-South Projects Supported in FY06

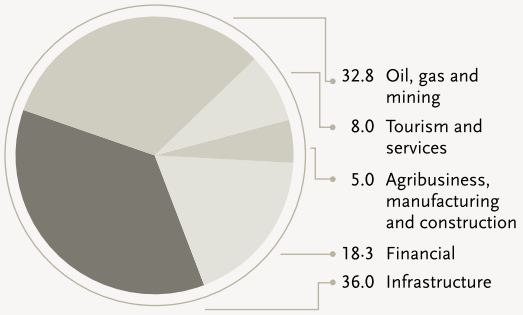
Investor Country	Host Country	Sub-sector	Gross Exposure ($ M)
Colombia/Panama	Dominican Republic	Transportation	107.6
Colombia	Ecuador	Manufacturing	0.2
Costa Rica	Nicaragua	Finance	1.9
Costa Rica	El Salvador	Finance	3.2
Egypt	Bangladesh	Telecommunications	78.3
Israel	Sierra Leone	Telecommunications	3.4
Malaysia	Ghana	Construction	6.3
Mauritius	Madagascar	Services	2.3
Peru	Bolivia	Finance	14.3
Poland	Ukraine	Manufacturing	33.7
Singapore	Indonesia	Services	0.9
South Africa	Kenya	Agribusiness	6.7
St. Kitts and Nevis	Uganda	Agribusiness	3.0
Thailand	Iran	Petrochemicals	122.2
Turkey	Iran	Manufacturing	5.0

Guarantee activity rose significantly in the Middle East and North Africa in FY06, compared with the previous fiscal year. The agency issued $131 million for 10 contracts covering three projects, up from just one contract the year before. This was due in large part to new business in Iran, which accounted for six of the 10 contracts. These involved $122 million in coverage for a petrochemical project, which aims to help the country ease its dependence on oil export revenues by focusing on the development of high-demand polymers.

Sectoral Diversification During the fiscal year, infrastructure accounted for the lion's share of guarantee activity, in terms of number of contracts issued (25), projects supported (14), and the amount of coverage ($469 million). This reflects the strategic focus placed on the sector over the past few years and concerted efforts to engage nontraditional, or South-South, investors in infrastructure, as well as to encourage the return of traditional investors into water and power projects. MIGA issued nine contracts in the financial sector, with coverage totaling $238 million. Contracts in the tourism and services sector (eight) totaled $103.8 million in support of six projects, while agribusiness, manufacturing, and construction accounted for 17 contracts for nine projects, worth $64.7 million—a reflection of the fact that investments in this sector are often of a smaller nature. In contrast, the oil, gas, and mining sector finished the fiscal year with seven contracts for two projects totaling $426.8 million in coverage—including $305 million in coverage for the Kupol gold mine in Russia. See Figure 4 for FY06 sectoral distribution of guarantees. To see how the fiscal year's activities impacted the agency's outstanding sectoral portfolio, see Table 5.

Figure 4

Guarantees Issued in FY06, by Sector, Percent of Gross Income, as of June 30, 2006



Investor and Host Country Diversification

The 10 largest host country exposures in MIGA's portfolio (see Table 6) constitute just over half of the agency's gross outstanding exposure. Seven ECA countries—Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Russia, Serbia-Montenegro, Ukraine—together account for more than one-third of the total (40 percent). The top 10 list is almost identical to last year's. The Russian Federation rose from number seven to first place overall, having doubled its exposure from $271 million to $536.3 million in coverage during FY06, due to one large investment. Ghana and Mozambique were the top African host countries. Two post-conflict countries—Bosnia and Herzegovina and Serbia and Montenegro—remained on the top 10 list for the third consecutive year.

Environmental and Social Issues

During the fiscal year, MIGA worked closely with the IFC and World Bank on due diligence and monitoring of several projects, including the first monitoring mission of the West Africa Gas Pipeline Project, and on environment and social policy developments, paying particular attention to the IFC's process for reviewing its safeguard and disclosure policies. MIGA consulted with IFC specialists, clients, and civil society organizations on its own such policies during the fiscal year. These efforts will feed into MIGA's upcoming revision of its environmental, social, and disclosure policies, which will be completed in fiscal year 2007.

The fiscal year also saw MIGA's continued monitoring of social and environmental impact of the projects it supports. In addition to ensuring that all projects comply with MIGA's policies and standards at entry level, MIGA now monitors compliance throughout implementation as well. The agency's social and environmental specialists regularly visit all Category A projects, as well as some Category B projects, offering recommendations on corrective actions required in the event of compliance shortfalls. These monitoring exercises provide the agency with an opportunity to be more attentive to client needs and to provide guidance on social and environmental issues.

World Bank Group Cooperation

As an integral part of the World Bank Group, MIGA continued to place a strategic focus on strengthening its working relationship with the World Bank and the IFC. MIGA actively collaborates with World Bank Sector Boards and takes part in Country Assistance Strategy (CAS) discussions. In many countries—such as China, El Salvador, Egypt, Ghana, Indonesia, Madagascar, Mozambique, and Russia—World Bank country teams

Table 5

Outstanding Portfolio Distribution, by Sector, Gross Exposure, in Percent, as of June 30, 2006

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Infrastructure	29	29	36	41	38	39	41
Financial	34	36	35	29	35	39	33
Oil, gas and mining	14	14	12	12	11	9	14
Tourism and services	10	8	6	7	7	5	6
Agribusiness, manufacturing and construction	13	13	11	11	9	8	7
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Note: Figures in table might not add up to 100 due to rounding.

are working with MIGA to identify projects requiring guarantee assistance to bring in foreign investors. There has also been significant support on individual projects over the past year, such as the Kupol mining project in Russia. And MIGA has conducted a number of joint marketing missions with colleagues from the IFC. In the area of technical assistance, the majority of projects being conducted by MIGA are being done in conjunction with the IFC's Foreign Investment Advisory Service, and World Bank and IFC counterparts routinely make important contributions to MIGA's activities.

Carbon Fund MIGA has had active strategy discussions with the World Bank's Carbon Finance Group to capitalize on potential synergies. Although MIGA has not had many deals to date that would allow investors to benefit from potential carbon finance offsets, pipeline information is continuously shared to ensure that future opportunities are realized. In this light, MIGA has supported a waste management project in El Salvador this past year, which used a private carbon offset fund to help finance the project.

Project Finance and Guarantee (PFG) Department In FY06, staff from the World Bank's PFG department worked closely with MIGA on a number of infrastructure projects to present clients a single entry point within the World Bank Group and to market the various risk mitigation products available. Staff have also held numerous joint meetings with clients and country teams to try to structure solutions for projects in difficult markets.

Reinsurance

MIGA uses reinsurance for three main reasons: (1) to increase the amount of coverage MIGA can provide; (2) to manage the risk profile of the portfolio; and (3) to cooperate with other insurers as required under the agency's Convention. The primary benefits of reinsurance accrue to MIGA's clients, the investors who gain access to increased capacity to insure eligible projects in developing countries, and the recipient countries that benefit from higher levels of foreign direct investment.

Box 2

New Initiative Targets Smaller Investors and Businesses

Small and medium-size enterprises (SMEs)—businesses with less than 300 employees and less than $15 million in annual sales—are critical drivers of economic growth and poverty reduction. They generate employment; train poor, low-skilled workers; empower women; act as suppliers to larger companies; transfer technology; and promote innovation and entrepreneurship in many developing countries. Supporting these firms is a priority for MIGA.

While investing abroad can mean big profits to a small business, opportunities in uncharted territories are not without challenges, especially for smaller investors who are less able than their larger counterparts to absorb losses or navigate difficult investment terrain. At the same time, projects that need relatively smaller investments in developing countries often find it more difficult to access financing because sponsors are nervous about perceived credit risk, and do not want to compound the problem by taking on noncommercial risk.

During this fiscal year, MIGA responded to the unique needs of smaller investors and smaller businesses in developing countries by establishing a special guarantee program—the Small Investment Program (SIP)—designed to make it easier and faster for this special group of investors to obtain political risk insurance.

Investments in the non-financial sector are eligible for coverage under the SIP if they are related to the establishment of a small or medium-size enterprise, or made into an existing SME, in a developing member country. The maximum amount of guarantee coverage under the Small Investment Program is $5 million. What makes the SIP particularly attractive is the fact that MIGA can issue guarantees within 6-8 weeks of receiving a SIP application, depending on the availability of the necessary project information.

The simple underwriting process and reduced processing time have proved popular among smaller investors. During the fiscal year, nine projects—with a total book value of $24 million—received political risk coverage through the SIP.

The diversity of the SIP projects, in terms of regions and sectors, was impressive. Four of the projects are based in sub-Saharan Africa, two in Asia, two in Latin America, and one in the Middle East, including:

- a $3.15 million guarantee to support a company that leases tractors, commercial real estate, and telecommunications equipment to SMEs in El Salvador

- a $0.9 million guarantee to support the New Afghanistan Project for Cotton and Oil Development
- a $5 million guarantee to support a manufacturing plant in Iran that will produce and export large polypropylene bags
- a $3.4 million guarantee to support the establishment of a fixed line, state-of-the-art broadband wireless access and voice-over IP network in Sierra Leone

The SIP has also seen a higher than expected number of South-South investments from small investors: six of the nine investments came from developing countries.

Although tailored to encourage smaller investors to invest in SMEs in the developing world, the package does not restrict investors in terms of the size of the investing company. However, smaller investors with less than 375 employees get an extra benefit, because MIGA waives the application fee for companies that have less than $50 million in assets or $100 million in annual sales.

Such initiatives improve access to financing for SMEs in developing countries, and give peace of mind to the increasingly important small investors for their investments abroad. These foreign investors, many of whom are at the forefront of technological advances, are eager to apply their state-of-the-art technologies to projects overseas in exchange for greater market expansion and diversification.

Reinsurance arrangements with other insurers increase MIGA's capacity to support large projects. Because of its risk mitigation effect, MIGA's involvement encourages other insurers to participate in projects in frontier markets. It also enables other insurers to underwrite transactions with longer tenors than they would normally do. These insurers benefit from MIGA's expertise in risk analysis, dispute resolution, and claims handling and recovery procedures. At the end of fiscal 2006, $2.1 billion of MIGA's total gross exposure of $5.362 billion was reinsured. During fiscal 2006, MIGA placed a total of $940 million through facultative reinsurance.

Partners During fiscal 2006, MIGA entered into facultative reinsurance agreements, and thus leveraged additional capacity for MIGA projects, with more than 10 private insurance partners. It continues to work with its treaty reinsurance partners, ACE Bermuda Insurance Co. Ltd. and XL Re Ltd. MIGA cedes a portion of the contingent liability related to contracts of guarantee it underwrites to its treaty reinsurers through quota-share treaty reinsurance agreements.

During fiscal 2006, MIGA signed agreements with the Islamic Corporation for the Insurance of Investment and Export Credit, with ONDD, the Belgian Export Credit Agency, and with Export-Import Bank of Thailand. These agreements will allow MIGA to enter into facultative reinsurance or cooperative underwriting arrangements with these institutions on transactions that meet the eligibility requirements of MIGA and its partners.

Also during the year, Export Development Canada provided MIGA with $107 million in facultative reinsurance for the Kupol mining project in Russia, representing the largest amount MIGA has ever reinsured with a public partner. Together with the facultative reinsurance amounts ceded to private partners on the same project ($84 million), this was also the largest amount in absolute terms ever to be ceded by MIGA to insurance partners.

Figure 5

Outstanding Portfolio Distribution, by Investor Country, in Percent of Gross Exposure, as of June 30, 2006

Table 6

Ten Largest Outstanding Country Exposures in MIGA Portfolio, as of June 30, 2006

Host Country	Gross Exposure ($ M)	% of Gross	Net Exposure ($ M)	% of Net
Russian Federation	536.3	10.0	210.9	6.4
Bulgaria	396.3	7.4	139.8	4.2
Serbia and Montenegro	393.0	7.3	171.7	5.2
Mozambique	264.1	4.9	147.5	4.5
Romania	261.6	4.9	121.4	3.7
Bosnia and Herzegovina	231.3	4.3	138.4	4.2
Brazil	227.1	4.2	112.7	3.4
Ghana	183.8	3.4	157.6	4.8
Ukraine	176.2	3.3	108.3	3.3
Croatia	163.8	3.1	64.5	2.0
Total	**2,833.6**	**52.8**	**1,372.7**	**41.5**

Box 3

Capital Markets Meet Emerging Market Investment Needs

MIGA made significant inroads during the last fiscal year in harnessing the vast resources of the capital markets to meet the investment needs of emerging market economies, and the risk-return appetites of private investors. The agency's $75 million guarantee contract with the First Kazakh Securitization Company, B.V., has been hailed by the financial press as a groundbreaking deal—the country's first true-sale securitization of mortgages.

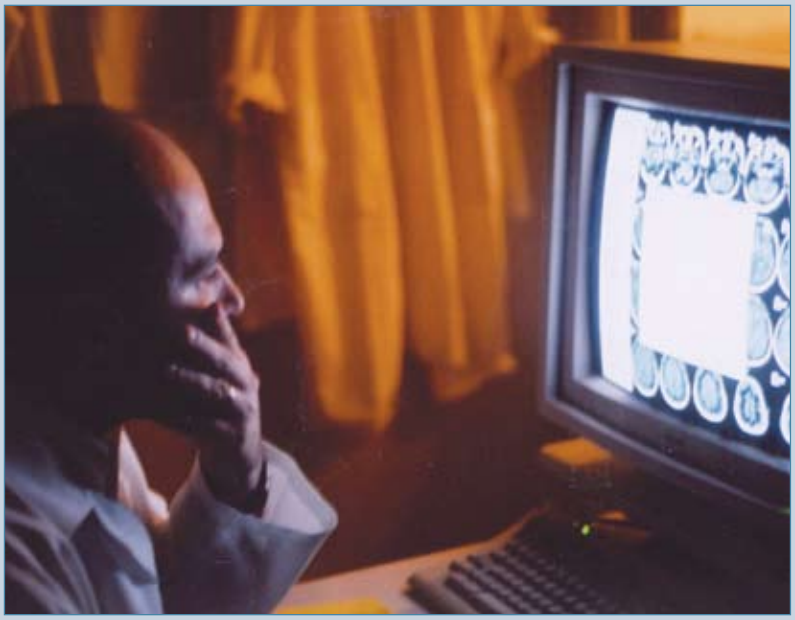
The deal involves the purchase of a portfolio of residential mortgages from BTA Ipoteka, the mortgage lending subsidiary of Bank TuranAlem, by First Kazakh Securitization Company—a special purpose vehicle funded by a multi-seller conduit sponsored by ABN Amro Bank of the Netherlands. The funds raised from investors who buy these mortgage-backed securities will enable Bank TuranAlem to expand its mortgage lending, making the mortgage market in Kazakhstan more competitive and transparent. MIGA's involvement in this project is expected to stimulate the capital markets in Kazakhstan by expanding the investor base beyond local investors in asset-backed securities.

MIGA supported this transaction by insuring a portion of the principal and interest payments generated by the mortgage portfolio against the risks of currency transfer restriction and expropriation for a period up to five years. MIGA's latest pioneering deal shows the market how local borrowers can access sophisticated new forms of financing to match their funding needs.

Another emerging market project that raised funds from private capital sources with MIGA support during FY06 is Autopistas del Nordeste C. Por. A., a toll road project in the Dominican Republic. MIGA has provided $108 million in political risk insurance to a group of investors for their $14 million equity investment in and $162 million bond issue for the project. MIGA's coverage is for up to 20 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. This is the first time that MIGA insurance has been used to cover a capital markets transaction (through a private placement) to finance an infrastructure project.

The Dominican Republic bond issue ultimately achieved a rating (B) above the sovereign ceiling for the country (B-). The senior secured notes—issued by Autopistas del Nordeste and launched by Morgan Stanley—drew strong demand from investors and were eventually 40 percent oversubscribed. The notes mature in 2026, and have a 13-year average life (see project brief for more information).

MIGA aims to improve access to financing options for developing countries by participating more and more in similar projects.



Box 4
Supporting Investments in Small States

The term "small states" refers to a diverse group of sovereign developing countries—some are islands or groups of islands, some are landlocked, and many have populations of 1.5 million or less. While some of these countries are quite wealthy, others are very poor and their development needs are stark. Countries belonging to the small states category are home to almost 30 million people. Thirty-three of these countries are MIGA members, and the agency is committed to supporting projects that promote sustainable development in these countries.

Following the December 2004 tsunami disaster in Asia, MIGA began looking into ways to help affected countries, both through support for foreign direct investors wanting to make a commitment in those countries, and through the provision of technical assistance to governments wanting to attract foreign direct investment into affected areas. It soon became clear that the need extended beyond tsunami-affected countries, and that MIGA could play a unique role in supporting many small and vulnerable states in their programs to manage the impacts of natural disasters. MIGA is now working with the World Bank on a natural disaster insurance scheme for Caribbean countries, in the form of a risk-sharing insurance.

The scheme would allow member countries to pool natural disaster risks by purchasing insurance polices against adverse natural events of specific return periods, with claims payments depending on parametric triggers. Because of the pooling of risks and economies of scale, the facility would offer competitive insurance coverage to participating countries. Research into the concept, including the viability of extending the scheme to other geographical regions, will continue in the next fiscal year.

The challenges faced by small developing countries are compounded not just by their size and vulnerability to natural disasters, but also by undiversified economies, limited resources, and small domestic markets, which make it difficult for these countries to achieve international competitiveness. MIGA recognizes that these countries need to be well-equipped to compete not only with developed countries, but also with each other to attract foreign direct investment. As part of MIGA's strategic objective to provide technical assistance to investment promotion intermediaries in member countries, the agency is working to enhance the capacity of small developing countries to provide information and advice that will attract foreign investors to these locations.

In this context, MIGA has been working with the island nations of the Pacific for several years, including most

recently under the Investor Information Development Program—sponsored by the Development Gateway Foundation—providing advice and assistance on online information. In fiscal year 2006, MIGA collaborated with the Foreign Investment Advisory Service to include nine countries of the region in the IPA Performance Assessment Survey. A number of small states in the Caribbean are also participating in MIGA's Enterprise Benchmarking Program.

In addition, in this fiscal year MIGA issued a $41.8 million guarantee to the Bank of Nova Scotia of Canada for its investment in the Kingston Port Container Terminal in Jamaica. The expansion and modernization of the terminal will help the Port Authority not only remain competitive, but also position itself as the transshipment hub of the region. The expansion is expected to increase revenues by five percent annually for the next eight years, leading to a cumulative increase in net revenues of $362 million. To date, MIGA has issued 11 contracts in Jamaica.

Earlier, in the year 2000, MIGA issued two guarantees totaling $69.4 million for a project involving the construction and operation of electricity transmission lines interconnecting Mozambique, South Africa, and Swaziland. This was MIGA's first project in Swaziland. MIGA's net exposure for the project is currently $18.3 million.

In 1998, MIGA issued four guarantee contracts totaling $2.4 million in coverage for the development of a basalt quarry and the installation of a crushing plant to produce sand and gravel aggregates in the island of Santiago, the largest Cape Verdean island.

MIGA has also issued various guarantees covering investments made by Mauritian telecommunications companies in foreign countries, and is committed to continuing its efforts to improve investment climates and promote investment opportunities in small states throughout the world.

Technical Assistance

MIGA provides technical assistance to help governments and other intermediaries involved in promoting investment to improve their ability to respond effectively to investor needs. In fiscal 2006, demand for MIGA's technical assistance services continued to be strong—the agency's active technical assistance (TA) portfolio contained 45 projects in 28 countries, along with several regional and global initiatives. Twenty of the TA projects were implemented in 16 IDA-eligible countries.

Investment promotion intermediaries promote FDI through a combination of activities, with the goal of generating economic growth and creating jobs. They attract investors to specific locations; help existing investors solve problems encountered while operating within a country; encourage governments to make changes to increase a country's attractiveness as an investment destination; and help anchor investments to the domestic economy through supply and sourcing relationships.

MIGA helps investment promotion intermediaries develop their capacity to provide investors with information and advice, with the goal of reducing the transaction costs associated with site selection, as well as helping businesses get started. MIGA is one of the few organizations with the global experience to provide broad-based assistance that builds the institutional capacity of these investment promotion agencies (IPAs).

Country engagements typically begin with an institutional needs assessment that forms the basis for the development of a tailored technical assistance plan. The vast majority of MIGA's TA projects are based on partnerships, not just within the Bank Group, but with the broader development community.

2006 IPA Performance Review

Based on a pilot study completed in 2005, MIGA conducted a performance benchmarking study of the effectiveness of 114 investment promotion agencies from developing and transition economies around the world. The MIGA IPA Performance Review 2006 examines how effectively IPAs make investor information available and how they handle investor inquiries. Access to good-quality investment-related information is critical to investors during the site selection process, and the results of this study are being used to advise each participating agency of its performance relative to that of other IPAs and to industry best-practice standards.

The performance review consists of two components: First, each IPA's website was reviewed from the perspective of private investors' information requirements in screening locations as potential investment sites. The assessments covered website architecture and design (ease of use, etc.), the quality and relevance of information and content available on the website, and the use of the site as a marketing tool. Second, the study undertook a survey of each IPA's ability to handle specific investor enquiries. The study used a "mystery shopper" approach, in which anonymous investor enquiries were submitted to each IPA, and the IPA was assessed on the basis of the quality of its responses. The agencies were then judged on how easy it was to contact the IPA, the IPA's responsiveness to the inquiry, how well the inquiry was handled, the interim/holding response, the quality and content of the final response, and follow up.

The study also reviewed 12 selected developed country/region IPAs as best-practice benchmarks. Each participating agency received a copy of the global report and a specifically tailored report on its own performance benchmarked against global and regional averages, as well as best-practice levels.

MIGA and NEPAD

This year saw the launch of a new information dissemination initiative between MIGA and NEPAD, the New Partnership for African Development. MIGA is working with the NEPAD Secretariat to develop and implement an online project management and reporting system that will (1) allow development partners in Africa to securely share key information and documents on regional projects; and (2) disseminate updated information on these priority projects and relevant tenders to the business community and civil society through the NEPAD website, as well as through MIGA's investor information services.

The project design phase began in early FY06 with a series of meetings and workshops held in Botswana, Nigeria, South Africa, Tunisia, and Zambia to reach agreement among key stakeholders on the development and maintenance of the system, as well as to discuss information technology requirements and launch the software development effort. MIGA will facilitate the development of an integrated, multi-country database linked to individual

project portals capable of being updated by the regional economic communities, international financial institutions, and project implementing agencies.

The pilot phase of this effort focuses initially on infrastructure projects, but will soon expand to incorporate regional facilitation, capacity-building, and research projects across a number of sectors.

MIGA and NEPAD began to roll out this new system in the summer of 2006 to facilitate information-sharing among the various development partners, including the regional economic communities, the African Development Bank, the Development Bank of Southern Africa, the World Bank Group, as well as other implementing agencies and donors.

Concurrently, MIGA is working with NEPAD to help it define appropriate capacity-building programs for project coordination and facilitation activities. These new initiatives will be implemented in cooperation with its partners, building on the functionality offered by the NEPAD Project Management System to enhance the preparation and implementation of regional projects and programs across the continent.

Serbia Investment Promotion Program

The Serbia Investment Promotion Program (SIPP) is an initiative funded by the European Agency for Reconstruction (EAR). Under the two-and-a-half year project, MIGA has been charged with implementing a range of capacity-building and investment promotion activities. The program's overall objective is to increase FDI flows into Serbia, thereby accelerating the country's transition to a market economy, underpinning the European Union accession process and creating long-term sustainable private-sector development.

SIEPA—the national trade and investment promotion agency—is the main beneficiary of this program. Specific project objectives include the development of institutional capacity within SIEPA; the effective promotion of Serbia as a competitive investment location; the reduction of economic disparities through the attraction of more FDI; the development of pilot schemes in the area of industrial zone development and supplier development; and the enhancement of prospects for Serbian SMEs to become approved suppliers to foreign investors.

Given the current negative perception of Serbia held by many potential investors, effective and extensive image-building is needed to focus on the country's assets and develop a more positive perception of Serbia. To that end, MIGA is overseeing the preparation and implementation of a proactive, sector- and territory-targeted promotional campaign featuring extensive outreach activities.

European Investor Outreach Program

The European Investor Outreach Program (EIOP) is MIGA's regional umbrella initiative—supported by the Austrian government—to promote FDI flows to the Western Balkans region. First launched as a two-year pilot initiative in 2004, EIOP Phase 1 was set up by MIGA as a regional platform designed to help the Western Balkans more effectively market foreign direct investment opportunities to European investors. The EIOP operates out of Vienna.

Under the lead of a small MIGA team, the EIOP is implementing an innovative and proactive approach to investment promotion for the entire region. The program seeks to identify, market, and facilitate concrete investment projects in the Balkans through direct engagement with prospective foreign investors. Outreach activities focus on a limited number of industry sectors, and are predominantly geared to select European target markets with strong business ties to the Western Balkans. Marketing activities are designed and implemented in close cooperation with investment promotion agencies and other partners in the EIOP beneficiary countries,[1] and are coordinated and closely linked with technical assistance programs supported by MIGA and other international and bilateral organizations in the region. The EIOP's efforts significantly complement and strengthen local private sector development efforts, ultimately enhancing local employment opportunities and contributing to improved political stability in the region.

This fiscal year, investor outreach activities were implemented in Austria, Germany, Greece, Slovenia, and Switzerland. Results include investment announcements by two investors, with another four companies expected to announce their decisions soon, leading to a combined total of more than 500 new jobs and projected investments of €29 million. These investments, to take place in Bosnia and Herzegovina, Croatia, and Serbia, are in the construction, food, packaging, metal processing, and consumer products sectors. Fifteen site visits have been facilitated by EIOP so far this year, presenting a serious level of investor interest. A project pipeline of 48 companies is currently being serviced under EIOP, with approximately 24 companies having expressed an advanced level of interest.

[1] *The EIOP currently covers Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Serbia and Montenegro (including Kosovo).*

Enterprise Benchmarking Program

Also during the fiscal year, two studies were undertaken and a new publication released under MIGA's Enterprise Benchmarking Program (EBP), an innovative tool that gauges a country's ability to compete with other potential sites and locations for foreign investment. The program provides a comparative analysis of a country's competitiveness by sector. The end result is a practical snapshot of conditions and opportunities that provides investors with a key tool to organize their site selection research, while saving valuable time and money needed to conduct the detailed analysis on their own. Policymakers and investment promotion intermediaries benefit from the data as well.

Working with the IFC's China Project Development Facility, MIGA produced the "Snapshot Sichuan" publication. The report highlights the competitiveness of the underdeveloped western region of China in key sectors, and gives an indication of how it measures up in cost to better-known locations on the coast. The wide-ranging Africa benchmarking study, covering 11 countries and six sectors, was also completed, with country analyses distributed to each of the client governments, and a combined snapshot report now under preparation (see Box 5). In collaboration with the Commonwealth Secretariat, a benchmarking analysis of four countries in the Caribbean and Central America is currently underway, examining competitiveness in tourism, offshore services, and agribusiness. The program is an offshoot of MIGA's "Snapshot Asia," a 2003 report that examined two industry sectors in six Asian countries.

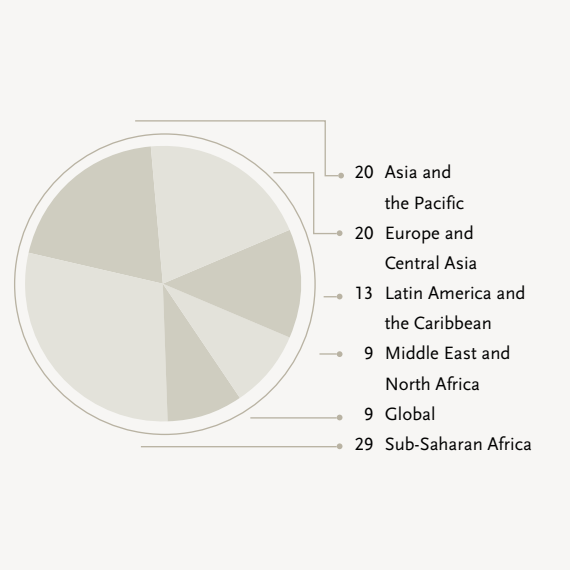
MIGA's program is closely coordinated with the investment climate work of the World Bank and IFC, and seeks to complement the World Bank Group's analytic and policy dialogue tools, such as the Investment Climate Assessments and the Doing Business indicators. The benchmarking methodology is being updated and revised to reflect the experiences in implementing it over the past months, and to ensure that it is generating data that is useful and used by our clients.

Investor Research Facilitation

There is a basic common set of market and investor intelligence needed by most investment promotion intermediaries (IPIs) in their efforts to attract and retain investors, and MIGA aims to facilitate access to intelligence sources in a way that reduces costs and duplication of efforts. This year, MIGA launched an effort to complement its in-country TA interventions by enhancing knowledge transfers in the areas of targeting and investment generation. MIGA's efforts facilitate IPIs' access to intelligence sources required to streamline their investment promotion efforts by negotiating favorable group access rates to commercial market intelligence sources. The negotiated access rates are available to about 70 least-developed and developing countries.

Figure 5

TA Portfolio Distribution by Region, in Percent,
as of June 30, 2006



E-course

During fiscal year 2006, MIGA created its first e-learning course, "Managing Effective Investment Promotion Campaigns." The course builds on one of the most-used modules of MIGA's Toolkit, dealing with investor targeting and investment promotion. Supported by the World Bank Institute, a self-paced online version of the course is now available. MIGA is working in cooperation with the Asian Institute of Management to plan a pilot version of the course, targeting national and subnational investment promotion agencies in the Philippines.

Regional

MIGA recently launched discussions with the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) to explore the development of a joint initiative to benefit investment promotion intermediaries in the ICIEC member countries of the Middle East and North Africa, South Asia, and sub-Saharan Africa. Specifically, ICIEC will support MIGA in undertaking needs assessments in a range of countries, starting in Sudan and Cameroon. In addition, ICIEC will provide assistance in ongoing MIGA technical assistance programs, initially in Mozambique, Senegal, and Sierra Leone.

Box 5
Africa Enterprise Benchmarking

MIGA's Enterprise Benchmarking Program for Sub-Saharan Africa comprised studies carried out in 11 countries: Ghana, Kenya, Lesotho, Madagascar, Mali, Mauritius Mozambique, Senegal, South Africa, Tanzania, and Uganda. The studies reviewed the following sectors for most of the countries: apparel, textile manufacturing, call centers, tourism, horticulture, and food and beverages processing.

The findings for each country are being appraised in-country with each investment promotion intermediary, and will be used as a basis for discussion with private sector representatives and the donor community, as well as to strengthen the IPIs' investment promotion positioning and capacity to carry out promotional activities. General observations emerging from the study follow:

- *Africa is yet to be discovered by international investors.* The number of foreign investment projects in "mobile investment" sectors is still relatively limited. (Mobile investment refers to investment that can locate at multiple locations—such as car plants, clothing factories, etc.—leading locations to compete for it.) Despite the fact that the program selected sectors with high international mobility in terms of operation locations, the study found relatively few fully foreign-owned operations in Africa.

- *A large proportion of foreign investments originate in neighboring countries.* In addition to international investors, the study observed an important role played by neighboring countries as a source of investment; among other factors, continuous regional economic integration and the growth potential of regional markets played a significant role in this phenomenon. Identifying potential investors is an important aspect of developing an investment targeting strategy.

- *Most of the countries studied still find themselves in the "pre-site selection" stage.* While the application of site selection methodology assumes that the countries studied have a potential of being "shortlisted" by international investors, the profiles of existing investors suggest that most of the countries have not matured enough to enter this phase. This issue should be addressed with the development of effective investment promotion messages.

- *Information is hard to come by.* Providing accurate, relevant, and timely information to prospective investors is one of the critical factors in determining whether a location will be shortlisted for investment. An easily accessible source pool for such information is absent in the services provided by the IPIs of most countries. MIGA sees ample opportunity to provide hands-on capacity building, while continuing its support through its online information dissemination tools.

- *Attractive investment opportunities do exist.* The study encountered a number of projects that are thriving, which highlights the potentials of the benchmarked sectors. As current investments in the studied sectors are limited, a "first move" advantage is available for those investors that look to profit from a relatively untapped market.

Online Information Dissemination

MIGA's online investor information services continue to be one of the most comprehensive sources of information on investment climate issues and business opportunities in developing countries. These services experienced consistently increased usage during the fiscal year. The number of registered members for all online services now exceeds 26,000. The top five countries—by number of registered users receiving customized email updates on a regular basis—are Canada, India, South Africa, the United Kingdom, and the United States. Website traffic continued to increase this fiscal year, with more than 79,000 visitors a month (on average) in FY06 compared with a monthly average of 68,000 in FY05.

Online Information on FDI

In FY06, MIGA began the process of repositioning its online information services to improve the dissemination of information relevant to investment decisions and FDI issues, while continuing to support investment promotion agencies and intermediaries. The process resulted in the consolidation of IPA*net*, PrivatizationLink and FDI Xchange into one integrated portal site—FDI.net (www.fdi.net). This consolidation will help the agency provide better coordinated online support through the corporate website (www.miga.org), FDI.net (www.fdi.net), FDI Promotion Center (www.fdipromotion.com), and the upcoming PRI-Center (www.pri-center.com).

FDI.net has been designed and branded to fit MIGA's corporate image and promote its strategic areas of focus, as well as make information more accessible and relevant to target audiences. The portal will feature "spotlight" pages developed in partnership with relevant entities within the World Bank Group, NEPAD, and other organizations. These pages will highlight topics of particular interest to distinct groups of investors, especially areas in line with the agency's strategic objectives, including privatization, infrastructure, and private-public partnership opportunities in sub-Saharan Africa.

Users of FDI.net will continue to receive customized email alerts and a revamped electronic newsletter that will draw attention to pertinent content in the portal, as well as latest FDI-related issues. In FY06, an interactive tool was implemented to help users locate public and international organizations that provide financing, political risk insurance, and information on business environments, among other things. Content development, especially at the sector level, will be given renewed emphasis, as the new content strategy will seek to leverage better existing and new partnerships. The site will serve not just as an information resource for investors, but also as a promotional tool for the agency's partners, as well as MIGA's own products and services.

In FY06, the number of registered users of MIGA's online knowledge-sharing and learning portal for investment promotion professionals—the FDI Promotion Center—continued to increase (currently approaching 4,000). The Russian language version of the portal was launched during this fiscal year. The Russian portal incorporates local case studies and best practices, and is expected to be used by the National Agency for Investment in the Russian Federation to train investment professionals and officials in the region. Preparations are underway for an Arabic language version of the portal. FDI Promotion Center continues to expand its content offerings to include new modules, as well as e-learning courses for investment promotion practitioners.

Online Political Risk Insurance Center

Considerable progress was made in FY06 in the development of a new online service, the Political Risk Insurance Center or PRI-Center, which aims to disseminate information on FDI and PRI issues in an easy-to-use virtual space for practitioners, investors, and other interested parties. PRI-related information is currently not easily or widely available, or is too costly to obtain, and the value of PRI as a risk mitigation tool is therefore not always understood well by investors. The site is conceived as a free, one-stop shop providing political risk management and insurance resources that combine the knowledge and expertise of industry players with regard to country risk analysis, research and tools, best practices, as well as directories and news. The concept and development of the center has benefited from inputs from the Berne Union [2] investment committee, as well as the findings of a MIGA-run online survey distributed to 3,500 individuals in the investor community. The pilot site is currently being developed, with a launch expected early in the next fiscal year.

[2] *The Berne Union, or officially, the International Union of Credit and Investment Insurers, is an international organization and community for the export credit and investment insurance industry.*

Legal and Claims

MIGA's Legal Affairs and Claims Department assists member countries on matters related to foreign investments, provides legal advice to underwriters regarding the issuance of insurance coverage, negotiates insurance policies with investors and handles claims for compensation brought under contracts issued by MIGA. The department also makes its mediation facilities selectively available to investors and member countries.

MIGA actively seeks to resolve disputes that may adversely impact investments guaranteed by the agency. This is a significant value added that a MIGA guarantee brings to an investment, in addition to the coverage it provides. Guarantee holders are required to notify MIGA of disputes and other difficulties that might give rise to a claim under their contracts. Once so notified, MIGA actively uses its good offices to resolve these disputes.

MIGA's claims resolution efforts are generally welcomed by both parties to a dispute, since neither wants to see matters deteriorate to the point at which a claim is made. The objective of actively seeking a settlement to a dispute is twofold: one is to ensure that the investment continues in the host country and is able to realize its full potential; and second, to avoid negatively affecting the investment reputation of the host country. In these efforts, MIGA relies heavily on the cooperation and willingness of investors and developing member countries.

MIGA did not pay any claims during fiscal year 2006, but is actively seeking to resolve three pending claims involving issues of expropriation. These claims are in Argentina and the Kyrgyz Republic. There is continuing work on another Argentine claim, which was partially paid in February 2005, to determine whether the guarantee holder has met the conditions applicable to further payment on the claim. As of June 30, 2006, the Claims Committee had determined that the investor had met this burden with respect to part of the remaining claim, and payment will likely be made in early fiscal 2007.

MIGA is also closely monitoring and actively working to resolve the problems of eight other disputes relating to investments guaranteed by the agency in Argentina, Guatemala, the Kyrgyz Republic, Mauritania, Nicaragua, Senegal, and Venezuela. Four of these involve issues related to expropriation; three involve breach of contract; and two involve transfer convertibility issues.

During the last fiscal year, MIGA successfully mediated a settlement of a dispute involving an investment in China, through the cooperation and goodwill of both the foreign investor and the Chinese authorities. As a result, the investment project—a water treatment plant—was recently commissioned and is providing potable water to 450,000 people in Deqing County in the Province of Zhejiang.

In selected circumstances, MIGA encourages the settlement of disputes between investors and member states even when the agency is not involved as a guarantor. Mediation, which is voluntary, informal, and inexpensive, is increasingly recognized as an attractive alternative for the resolution of investment disputes. The purpose of MIGA's involvement is to help resolve outstanding disputes that may act as an impediment to future foreign investment. For example, MIGA helped Ethiopia, at the government's request, to resolve issues relating to the resolution of the outstanding claims that date back to expro priatory actions of the Mengistu government more than 30 years ago. The resolution of the majority of these long-standing foreign investment claims should encourage the flow of additional investment into Ethiopia.

Regional Activities

Asia and the Pacific

The economies of East Asia and the Pacific continued to expand in 2005 albeit at a slower pace, growing by 8.8 percent compared with 9.9 percent in 2004.

Although the countries of East Asia remain the most significant destination for capital flows to Asia as a whole, net FDI rose only slightly in 2005 to $67.3 billion, in contrast to the vigorous growth seen in previous years. China still remained the largest recipient of FDI, at approximately $51 billion, but its rate of growth also tapered. Investors are showing some concerns over declining profit margins from increased competition and potential overheating of the economy. In contrast to China, FDI inflows to other Asian countries increased sharply, with Indonesia receiving $4 billion, largely related to the continued privatization of state assets and acquisition of private firms. Malaysia and Thailand also received substantial flows.

Net FDI in South Asia also grew in 2005, reaching $7.1 billion. In India, investment rose in industries such as cement, sugar, plastics and rubber, and hotels. In Pakistan, privatization and resource-related FDI led growth. Other countries, such as Bangladesh, also benefited from FDI flows in attractive sectors, such as telecommunications and manufacturing.

During the fiscal year, MIGA provided six guarantees and undertook five technical assistance projects in the region. At year-end, MIGA's gross guarantee exposure stood at $740 million, 13.8 percent of the agency's outstanding portfolio.

Guarantees

Country	Activities
Afghanistan	Project: The New Afghanistan Project for Cotton and Oil Development (NAPCOD) Guarantee Holder: DAGRIS, S.A. MIGA has issued a $0.9 million guarantee to DAGRIS, S.A. for its equity investment in the New Afghanistan Project for Cotton and Oil Development (NAPCOD). DAGRIS of France owns 60 percent of the company. The guarantee is for a period of up to seven years and covers against the risks of currency transfer restriction, expropriation, and war and civil disturbance. The project is the first investment in Afghanistan to be guaranteed by MIGA. MIGA's coverage marks the first use of the Afghanistan Investment Guarantee Trust Fund (AIGF), a special fund for the country aimed at assisting Afghanistan in its reconstruction efforts by stimulating foreign direct investment through a program of political risk insurance. An additional guarantee, administered by MIGA, was provided for the project through the AIGF. The NAPCOD project is expected to create sustainable growth in the cotton sector of the country by providing the technical and financial assistance that will enable cotton growers in northern Afghanistan to increase the production of cotton. The NAPCOD is a joint venture between DAGRIS, S.A., majority-owned by the French government, and the government of Afghanistan. The project will produce, collect, and gin cotton, as well as refine the cotton seeds to produce animal feed and high-value oil. It is expected to create around 300 permanent jobs, in addition to stimulating local businesses that supply goods to the cotton industry. All of NAPCOD's cotton production is destined for export, which should help improve the country's balance of payments. MIGA's participation in the project is aligned with several agency priorities: encouraging investment in conflict-affected nations, and improving access to financing options for local SMEs. NAPCOD was underwritten through MIGA's new Small Investment Program (SIP), which makes it quicker and easier for smaller firms to apply for a standardized package of risk coverages. This is the fourth investment covered under the program.

Guarantees

Country	Activities
Bangladesh	Project: Sheba Telecom Ltd. Guarantee Holder: Orascom Telecom Holding SAE MIGA has issued a $78.3 million guarantee to Orascom Telecom Holding SAE, a company organized under the laws of Egypt, covering its equity investment in Sheba Telecom Ltd. in Bangladesh. The guarantee is for a period of up to 15 years and covers against the risks of transfer restriction, expropriation and war and civil disturbance. Orascom made this investment through its wholly owned subsidiary Orascom Telecom Ventures, which is incorporated in the British Virgin Islands. The project involves the acquisition, operation and maintenance of a national mobile telephone network based on GSM technology. The company offers countrywide services. Since acquiring Sheba, Orascom has upgraded the network and re-branded the company as Banglalink. Orascom has rapidly deployed new network infrastructure, set up a distribution network, and offers high-quality mobile services at competitive prices. By supporting this project, MIGA aims to help the government address the acute shortage of reliable telephone services in the country. Bangladesh has an extremely low teledensity of less than 1 percent. Landline telephony is exorbitantly expensive for the majority of Bangladeshis, with connection charges as high as $150 and the average wait for a connection ranging from 10-13 months. Sheba expects to increase its number of customers from the current one million to more than six million by 2012. The project will expand access to telecommunications throughout the country, thereby facilitating commerce in rural and urban areas. The national government will receive a 1 percent share of the project's annual revenue in addition to $20 million annually in corporate and other taxes. Consumers will benefit from better and cheaper cellular service. Sheba's actions have prompted other operators to improve their networks, and the increased competition has caused rates to fall by 25-30 percent. The company also employs and trains 350 local staff and about 2,000 people through exclusive dealers of Sheba service.
China	Project: Shenzhen Water (Group) Company Ltd. Guarantee Holder: Compagnie Générale des Eaux MIGA has issued a guarantee of $40 million to Compagnie Générale des Eaux of France, covering its equity investment in Shenzhen Water (Group) Company Ltd. in the People's Republic of China. The coverage is for a period of up to 15 years against the risk of expropriation. This project processes raw water extracted by a state-owned company and treats sewage collected through the municipal wastewater collection network. The project supplies 90 percent of residential, commercial, and industrial customers in the Shenzhen special economic zone in Guangzhou province. The company currently supplies tap water but intends to start providing fully potable tap water by 2012. Shenzhen Water services 2.5 million customers with five water treatment plants and four wastewater treatment plants. It has a daily water supply capacity of 1.9 million tons and a wastewater disposal capacity of 1.5 million tons. The company currently treats 75 percent of its wastewater, the largest percentage and the first system of such a scale in any city in China, and plans to expand its coverage in the coming years in line with the goals set by the Shenzhen municipality. The project will help the Chinese government address water resource problems that are particularly acute in fast-growing urban areas. MIGA's involvement is vital to ensure private sector participation in the Shenzhen water sector, helping to reduce budget spending by the municipal government. For customers, having fully potable water will eliminate the need to boil or buy drinkable water. The participation of Compagnie Générale des Eaux, which operates water projects around the world, is expected to have a demonstration effect on China's water sector.

Guarantees

Country	Activities
Indonesia	Project: PT MTU Detroit Diesel Indonesia Guarantee Holder: MTU Asia Pte. Ltd. In 2003, MIGA issued two guarantees to MTU Asia Pte. Ltd. (MTU Asia) of Singapore covering its $0.6 million equity investment in, and $1.8 million shareholder loan to, PT MTU Detroit Diesel Indonesia (PT MDDI), in Indonesia. MTU Asia is a wholly owned subsidiary of MTU Friedrichshafen of Germany, one of the largest suppliers of diesel engines worldwide. PT MDDI is 99 percent owned by MTU Asia and 1 percent owned by PT Daimler Chrysler Indonesia (see FY03 Annual Report). In FY06, MIGA issued another $0.89 million in guarantees to MTU Asia, covering its additional capital investment of $1 million into PT MDDI. The new capital will be used to expand MDDI's operations by establishing a workshop for selling spare parts and for providing service and maintenance of diesel engines in Balikpapan, Kalimantan East, Indonesia. The expansion is in response to customer demand for a service workshop in Balikpapan. This expansion is expected to create 35 new jobs, 34 of which will be local hires and one of which will be a technical expatriate who will oversee day-to-day operations. Technical training will be provided for technicians in either the Jakarta or Singapore workshops. In addition to creating employment in Balikpapan, PT MDDI will provide health insurance to all employees and their immediate family members. The project is also expected to generate approximately $50,000 a year in tax revenues for the government of Indonesia. The project was underwritten using MIGA's streamlined procedures for small and medium-size investors under its new Small Investment Program.
Mongolia	Project: Trade and Development Bank Guarantee Holder: Globull Investment and Development SCA MIGA has issued $20 million in guarantees to Globull Investment and Development SCA covering its $22.23 million equity investments and future retained earnings in the Trade and Development Bank of Mongolia (TDB). The coverage, which is up to 10 years, protects against the risks of transfer restriction, expropriation, and breach of contract. The project was financed by the International Finance Corporation and Asian Development Bank, who became shareholders of the TDB. The project will support the Mongolian government's privatization efforts and the development of the country's financial markets. Already, TDB has built strong brand awareness among Mongolian consumers and businesses. The new owners will infuse both cash and expertise, thereby helping TDB diversify into a broader range of financial products to meet growing demand. The bank has increased staff, raised staff salaries and continues to expend significant amounts on training and education for its employees, making TDB one of the country's top employers in terms of compensation and training. This project is helping to expand the country's fledgling private banking sector, while bringing in a much-needed dose of foreign direct investment to this isolated nation. Mongolia, with a relatively small economy and difficult investment climate, has struggled to attract new FDI since its independence following the break-up of the former Soviet Union. The election of a new coalition government in 2004 has paved the way for a wide range of reforms, including privatization of the financial sector and new laws that are improving the business climate. The bank's success should spur new growth and additional competition, as foreign investors see that such projects can reap a strong investment return and as Mongolian authorities build the kind of legislative and regulatory infrastructure that encourages business development and new investment. The guarantees complement Mongolia's new Country Assistance Strategy, which focuses on economic restructuring, improvements in the financial and banking sector, and encouraging private development. MIGA's effort in Mongolia is part of a cross-agency collaboration that includes work of the IFC and ADB with other Mongolian banks. The project is MIGA's first in the country, and reflects a key agency goal of bringing new foreign investment into IDA countries.

Guarantees

Country	Activities
Pakistan	Project: Habib Bank AG Zurich, Pakistan Branches Guarantee Holder: Habib Bank AG Zurich MIGA has issued $9.66 million in guarantee coverage to Habib Bank AG Zurich of Switzerland for its capital investment in Habib Bank AG Zurich, Pakistan Branches. The guarantee is for up to 15 years and covers against the risks of transfer restriction and expropriation. This is MIGA's fifth contract in support of Habib Bank AG Zurich's operations in Pakistan. The investment aims to help Habib continue its expansion in Pakistan, bringing the bank's number of branches to 25. Habib's presence has a strong demonstration effect on the country's banking sector, with its emphasis on good corporate governance and its stable capital base, high liquidity, and close cooperation with regulatory bodies. Other expected development impacts include increased technological innovation and knowledge transfer. MIGA's support to Habib supports the World Bank Group strategy for Pakistan's financial sector, which aims to increase competition and expand access to financial services.

Technical Assistance

Country	Activities
Afghanistan 	MIGA continued to work with the World Bank's South Asia region in developing the institutional support component of a Private Sector Development (PSD) loan. The project design builds on the technical assistance that MIGA has already provided to the Afghan Investor Service Agency, including a needs assessment and performance benchmarking. For the PSD loan, MIGA developed terms of reference for the IPI advisory and staff positions, and advised on project structure and content with regard to industrial estate development.
Bangladesh	MIGA has been supporting a multi-donor Private Sector Development Support Program for Bangladesh. The program is centered around a World Bank PSD loan currently in preparation. MIGA has been leading the World Bank Group's efforts to help the country's Board of Investment, considered key to the PSD loan, to become a competitive investment promotion and facilitation agency. This effort includes an agreed three-year technical assistance program to build the Board of Investment's capacity, as well as strategic advice on organizational, staffing, and FDI market issues, and advice to the South Asia Enterprise Development Facility on the institutional assessment of the Bangladesh Export Processing Zone Authority.
Cambodia	Building on work from the last fiscal year, MIGA has identified a work program in support of the Council for the Development of Cambodia, which has been incorporated in a World Bank PSD loan currently being implemented. Under this project, MIGA and FIAS are providing support to the council on its investment promotion strategy, and in FY06 worked on developing an action plan to enhance investment generation, investor servicing, and aftercare services. That plan is now being implemented under MIGA/FIAS supervision.

Technical Assistance

Country	Activities
China	MIGA continued to strengthen its relationships with the government of China this year, as well as its working partnerships with the World Bank Group, in efforts to attract new investment to lesser developed regions of China. Throughout FY06, MIGA worked together with the World Bank and IFC to develop the China Country Partnership Strategy for the period 2006-2010. MIGA also joined IBRD, IFC, FIAS, and China Project Development Facility (CPDF) for the first China Private Sector Development day, to discuss areas for future collaboration among the World Bank Group to promote private sector development in the country. At the national level, MIGA has been working with FIAS to provide investment promotion support to the Ministry of Commerce. In addition to advising the ministry on investment promotion guidelines and strategic planning, MIGA is now working with FIAS and the ministry to develop a multi-year technical assistance program aimed at developing a national investment promotion strategy and a resource center for the country's less developed regions. At the provincial level, MIGA has been working with IFC's CPDF and the World Bank in Sichuan and Heilongjiang provinces. MIGA and CPDF completed an FDI competitiveness benchmarking exercise in Sichuan province, profiling 10 municipalities and five sectors, with regard to their potential interest to investors, and comparing Sichuan with key cities on the coast. The study will serve as input for the Sichuan Investment Promotion Bureau and local bureaus to develop a promotional strategy, and as a compendium of information for potential investors. "Snapshot Sichuan" is available in print and online. MIGA also conducted training in tourism investment promotion for the Sichuan Provincial Tourism Bureau. At the request of three investment promotion agencies in Heilongjiang province, MIGA conducted a needs assessment and also helped develop an investment promotion TA program. Over the past year, MIGA has placed considerable effort on promoting Chinese outward investment. Following up on the "Go Global" conference convened with the government of China and IFC in Beijing last June, MIGA and FIAS jointly conducted a survey of 150 established or potential Chinese overseas investors. The firms surveyed are providing valuable insight to MIGA on motivations and possible investment locations for these companies. The final report was presented in a workshop in June. MIGA also collaborated closely with government agencies on promoting Chinese outward investment, and provided training on political risk insurance for Sinosure, China EXIM Bank, and the China Development Bank. MIGA is also collaborating with the World Bank Africa region on a study of Africa-Asia Trade and Investment to be published in FY07.
Philippines	MIGA is providing technical assistance to help the Board of Investment Philippines design and implement a Strategic Investor Aftercare Program. In response to some disinvestments from the Philippines in recent years, the Board of Investment's new aftercare program will seek to build longer-term relationships with strategically important existing foreign investors identified as having either further growth potential or as being at risk of contraction or disinvestment. The new program will also provide the Board with important information on investors' problems to inform the country's investment climate reform processes. This technical assistance program builds on an earlier MIGA capacity-building program in the country, conducted under the Miyazawa Initiative. In addition, at the request of the Philippine Department of Trade and Industry, MIGA undertook an engagement with the Build Operate Transfer (BOT) Center. This entity coordinates BOT projects on behalf of the government, including project development, promotion of project investment, and project monitoring. MIGA's involvement included an institutional needs assessment and training on the agency's products and services. This assignment was the first time that the MIGA needs assessment framework had been applied to a project preparation facility, and represents a new area of synergy between the technical assistance and political risk mitigation services that MIGA provides.

Europe and Central Asia

Net FDI flows to Europe and Central Asia reached a record $76 billion in 2005, up from the previous record of $64 billion in 2004. The region accounted for much of the increase in FDI to developing countries in 2005. High commodity prices were main drivers of significant increases in FDI in the resource-rich countries of the region, particularly the Russian Federation, Kazakhstan, and Azerbaijan. The favorable environment for cross-border mergers and acquisitions and a new wave of privatizations in new members of the European Union (EU) and EU accession countries played an important role in the high level of FDI flows to these countries. In particular, among the countries in the first wave of the recent EU expansion, the Czech Republic, Hungary, and Poland continued to receive high levels of investment, also due to buoyant corporate profits and substantial reinvested earnings. Romania and Bulgaria, which signed their EU accession treaties in April 2005, also received large amounts of investment. Progress on the privatization of the telecom and financial sectors, along with the opening of EU accession negotiations, brought FDI flows to Turkey to an all-time high. Net private debt flows to the region continued to increase in 2005, a trend that has been established for some years. New bank lending was particularly strong.

During the fiscal year, MIGA provided 10 guarantees and undertook eight technical assistance projects in the region. At year-end, MIGA's gross guarantee exposure stood at $2.5 billion, 46.6 percent of the agency's outstanding portfolio.

Guarantees

Country	Activities
Bosnia and Herzegovina	Project: Raiffeisen Leasing d.o.o. Sarajevo Guarantee Holder: Raiffeisen Zentralbank Österreich AG MIGA has issued €9.5 million in guarantees to Raiffeisen Zentralbank Österreich AG (RZB) of Austria covering its €10 million shareholder loan to Raiffeisen Leasing d.o.o. Sarajevo of Bosnia and Herzegovina. The guarantee is for five years, and covers the risks of transfer restriction and expropriation of funds. This is the third in a series of MIGA-guaranteed projects with RZB's subsidiary leasing company in Bosnia and Herzegovina. The new investment will help the leasing company continue its remarkable growth trajectory—in 2004 Raiffeisen Leasing worked with close to 300 customers and gained 13 percent market share after only one year in operation. With the new funding, the company plans to diversify its asset base, broadening its leasing portfolio beyond vehicles to heavy machinery and equipment. Bosnia and Herzegovina has registered high growth rates recently, with economic growth driven largely by increased domestic and foreign investment in heavy industry and strong export growth. However, smaller local companies continue to have a hard time getting in on these new—and growing—economic opportunities. They may lack the credit history to borrow funds or the financial wherewithal to purchase the capital equipment needed to add production capacity. Leasing is seen as a viable option for such firms, but the leasing market in Bosnia and Herzegovina remains in its early stages. This new round of expansion, financed by RZB's loan, will open up more opportunities for manufacturers and exporters, particularly small and medium-size companies. MIGA's participation in the project is aligned with several agency priorities: encouraging investment in post-conflict nations, and improving access to financing options for local SMEs. The project also addresses one of the World Bank Group's strategic development goals for Bosnia and Herzegovina—the promotion of sustainable private sector-led growth.

Guarantees

Country	Activities
Bulgaria	Project: AES-3C Maritza East 1 EOOD Guarantee Holder: AES Bulgaria Holdings BV, Calyon Corporate and Investment Bank MIGA has issued €99 million in guarantees for the construction of a new power plant in Bulgaria. The guarantees cover €89 million in loans and interest on loans syndicated by Calyon of France, and a €10 million equity investment by AES Bulgaria Holdings BV, wholly owned by US-based AES Corporation. The guarantees are for 16 years and cover the risks of expropriation (loans only) and war and civil disturbance (loans and equity). MIGA's involvement played an important role in the project's ability to mobilize long-term commercial bank funding. The private project company, AES-3C Maritza East 1 EOOD, will finance, build, own, and operate a 600 MW (net) lignite coal-fired power plant adjacent to the old Maritza East 1 power plant, near the municipality of Galabovo, about 270 km southeast of Sofia. The nearby Maritza East Mines will supply the lignite under a 15-year purchase agreement. The €1.1 billion plant, a base-load facility, will connect to the Bulgarian power grid for distribution throughout the country. NEK, the state-owned grid operator, will purchase the electricity under a 15-year agreement. The environmentally compliant, efficient, state-of-the art facility will support future demand for electricity as the nation's economy grows, while utilizing Bulgaria's only indigenous fuel source. Once operational in 2009, AES Maritza East 1 will replace inefficient and environmentally incompliant thermal capacity. The plant is expected to create significant direct and indirect job opportunities in the region of Galabovo. The project promotes the restructuring and privatization of the power sector, a cornerstone of Bulgaria's medium-term reform program supported by the World Bank Group.
Kazakhstan	Project: BTA Ipoteka Mortgage Securitization Guarantee Holder: First Kazakh Securitization Company, B.V. MIGA has issued $75 million in guarantee coverage to the First Kazakh Securitization Company, B.V., for a mortgage-backed securitization in Kazakhstan. MIGA is insuring a portion of the principal and interest payments generated by the mortgage portfolio against the risks of currency transfer restriction and expropriation. This was a groundbreaking deal—the country's first true-sale securitization of mortgages—and MIGA's third capital markets transaction. First Kazakh Securitization Company—a newly created special purpose vehicle located in the Netherlands, and funded by a multi-seller conduit sponsored by ABN Amro Bank, N.V.—purchased the portfolio of residential mortgages from BTA Ipoteka, the consumer lending subsidiary of Bank TuranAlem. MIGA's guarantees were instrumental in helping obtain international commercial paper funding for the transaction. This innovative capital markets transaction represents an important step in the development of the country's financial sector. The project is expected to help increase the availability of housing finance and introduce an important new capital markets instrument to the arsenal of funding sources available to Kazakhstan's financial institutions, both banks and non-banks. Developmentally, the project will improve access to mortgage financing for middle-income borrowers and contribute towards making the mortgage market more competitive and transparent. The 1998 Russian treasury default and the Asian financial crisis—coupled with years of severe economic depression, devaluation and inflation—led to a severe flight of foreign capital investment from Kazakhstan in the late 1990s. There have been positive changes in the economy since then. MIGA's support, along with these changes, is playing a critical role not just in encouraging the growth of capital markets in Kazakhstan, but also in building market confidence. MIGA's participation in the project addresses one of the main priorities envisaged in the World Bank Group's Country Assistance Strategy for Kazakhstan—supporting the diversification of its economy and improving its competitiveness.

Guarantees

Country	Activities
Russian Federation	Project: Kupol Guarantee Holder: Bema Gold Corporation, Société Générale SA, and Mitsubishi Corporation MIGA has issued $305 million in guarantees to Bema Gold Corporation of Canada, Société Générale SA of France on behalf of itself and Bayerische Hypo- und Vereinsbank AG of Germany, and Mitsubishi Corporation (UK), covering their respective equity investment in and loans to the Chukotka Mining and Geological Company for the development of the Kupol gold project in the Russian Federation. The guarantees cover a portion of Bema's $122.8 million equity investment and $361 million in non-shareholder loans from the banks and from Mitsubishi. The guarantees are for eight years, and protect against the risks of transfer restriction, expropriation, and war and civil disturbance. Export Development Canada has reinsured MIGA's gross exposure for $130 million, thus limiting net exposure to $110 million. Bema will develop the Kupol property, which contains a high-grade gold and silver deposit, for the extraction and processing of the metals. Average annual production of the mine is estimated at 550,000 ounces of gold and 4.7 million ounces of silver. The ore will be processed through primary crushing and grinding, conventional gravity separation, whole ore leaching, and precipitation to produce doré bars. The bars will be refined into bullion gold for sale. The Kupol project is expected to stimulate economic development in the remote, desolate Chukotka region of Siberia, where unemployment has jumped 50 percent since the breakup of the Soviet Union and where poverty is widespread. Once fully operational, the mine will employ 600 mostly local workers, who will earn wages at the high end of the local pay scale. The company plans to invest $3 million over eight years to help local communities, including indigenous populations, with healthcare, job training, and support for SMEs. Once operational, the mine should attract additional foreign direct investment, given the region's significant untapped natural resources, while generating an estimated $345 million in taxes over an initial mine life of up to December 2014. MIGA's involvement was the critical piece needed to put together the financing package, which lenders said would not have been possible without political risk coverage. The project supports the World Bank Group's poverty reduction strategy for the region.
Serbia and Montenegro	Project: Raiffeisenbank a.d. Guarantee Holder: Raiffeisenbank a.s. MIGA has issued a €47.5 million guarantee to Raiffeisenbank a.s. of the Czech Republic covering its €50 million non-shareholder loan to Raiffeisenbank a.d. of Serbia and Montenegro. The guarantee is for six years and covers against the risks of transfer restriction and expropriation. The loan will help the bank expand its medium-term lending to Serbia's corporate sector, which is dominated by small and medium-size enterprises. This is the fifth such project with RZB that MIGA has guaranteed in this nation, which is still working to emerge from the political upheaval and civil war of the 1990s. MIGA's focus on finance projects in a country with a young and limited financial sector will help deepen and expand the market, which is currently dominated by banking. The credit sub-sector lags behind considerably—and the lack of available credit is one of the primary obstacles to local small business growth. The country's relatively undeveloped financial infrastructure also prevents foreign investors from taking more notice of this well-located southeastern European nation. Enhancements to Raiffeisenbank's medium-term lending capacity will open the door for more businesses to secure credit with longer loan periods, enabling expansion to meet growing demand. The MIGA guarantee complements Serbia and Montenegro's Country Assistance Strategy, which focuses on creating a more dynamic private sector and on poverty reduction. The project also reflects MIGA's efforts to rebuild post-conflict nations, and to support small and medium-size business growth through improved access to finance.

Guarantees

Country	Activities
Ukraine	Project: Can-Pack Ukraine Ltd. Guarantee Holder: Can-Pack S.A., Pol-Am-Pack S.A. MIGA issued two guarantees totaling $33.7 million to Can-Pack S.A. and its subsidiary Pol-Am-Pack S.A., both of Poland, for their investment in Ukrainian subsidiary, Can-Pack Ukraine Ltd. The contracts replace a previous contract issued to Can-Pack S.A. in 2003, reflecting Can-Pack's transfer of 47 percent control of Can-Pack Ukraine to Pol-Am-Pack. The guarantees cover the investors' equity investment in the project. The coverage protects against the risks of expropriation, war and civil disturbance, and transfer restriction. The project involves the operation of an aluminum beverage can production plant. MIGA is also providing coverage for a shareholder loan, and a management and technical assistance contract for the project under guarantees issued in 2003. For more information, visit www.miga.org/canpack1.

Technical Assistance

Country	Activities
Armenia	This year saw the conclusion of MIGA's participation in the World Bank-led Foreign Investment and Export Facilitation Learning and Innovation Loan (LIL). The project aimed at testing the responsiveness for prospective investment and exports through the establishment of a lead agency to streamline transaction processing and implement a promotion strategy. Through this agency—the Armenian Development Agency (ADA)—the project helped develop skills, operational systems, and procedures to facilitate private business needs. The project comprised three major components: investment infrastructure and staff skill development; institutional capacity building for investor and exporter servicing; and an investment/export generation component. Project wrap-up activities this year included an outreach effort by ADA to the eastern United States and MIGA participation in a World Bank Group supervision mission and follow-up. MIGA reassessed ADA's institutional capabilities as part of the project completion report.
Croatia	Last year, MIGA established the Croatian Investment Promotion Outreach Alliance (CIPO) under the umbrella of the European Investor Outreach Program. CIPO is a formal partnership between MIGA, USAID, and the Istrian Development Agency to support and strengthen implementation of MIGA's EIOP activities in Croatia. The Istrian Development Agency, CIPO's main partner, represents a network of several regional development agencies across the country. Under the project, MIGA has established a Croatia-specific investor outreach and marketing desk in the EIOP project office in Vienna, and the alliance is also funding capacity-building and training activities for Croatia.
Georgia	Late last fiscal year, MIGA responded to a request for assistance from the Georgian Minister of Economic Development, and together with the World Bank Group, conducted a needs assessment of the Georgian National Investment and Export Promotion Agency (GNIEPA). This year, MIGA presented its report to GNIEPA, agreed with the stakeholders on next steps, and discussed the possibility of further MIGA technical assistance. The report stressed positive initial developments in GNIEPA and an evident commitment from the government to promote foreign direct investment. MIGA also participated in the 8th Annual Conference of the America-Georgia Business Council, and provided GNIEPA with a detailed roadmap for formulating a strategy and seeking and coordinating donor support.

Technical Assistance	
Country	**Activities**
Macedonia	During the fiscal year, MIGA undertook a project in Macedonia, funded by the Austrian Development Agency, targeting the newly established Macedonian investment promotion agency, MACinvest. The project consisted of three components: capacity-building support to MACinvest; a financial contribution towards Macedonia's participation in a MIGA enterprise benchmarking study of the Western Balkans; and the design of an investor targeting strategy and installation of a client-relationship-management system within MACinvest, linked to EIOP's system in Vienna. The project paved the way for a larger, longer-term support program for MACinvest, managed and funded by EAR, and fully coordinated with MIGA's work. MIGA concluded its assistance at the end of the fiscal year.
Serbia and Montenegro	In addition to participating in MIGA's EIOP initiative, Serbia also saw the launch of a major investment-promotion initiative, the Serbia Investment Promotion Program (see above), guided by MIGA. In Montenegro this year, EAR and MIGA reactivated an earlier-conceived EAR/MIGA investment promotion project in Montenegro. The project will be implemented with the newly established Montenegrin Investment Promotion Agency as the main beneficiary. The project design involves a 12-month program to support the new agency in its start-up phase, including the development of a start-up strategy and work plan, skills development and training, website development, and the design of marketing materials, as well as support of research and investor outreach activities. In Kosovo, MIGA held talks with Kosovo's newly established investment promotion agency, centered on current institutional arrangements and the nature of existing investment promotion activities in Kosovo. The agency held training sessions to familiarize investment promotion agency staff with MIGA's online tools for investment promotion.
Tajikistan	Work continued under the MIGA/FIAS investment climate and facilitation project in Tajikistan. The project is a two-year effort, financed by the Swiss government, and aims to strengthen the country's investment climate and investment facilitation capacity. Recently, a number of chapters that will form the core of a diagnostic assessment report have been prepared and are currently being translated into Russian. A series of video conferences is planned to discuss the report's findings and recommendations with government counterparts and other stakeholders in the coming months.
Regional	See results on the EIOP, above.

Latin America and the Caribbean

The economies of Latin America continued to show considerable momentum in 2005, although the pace of regional growth dropped slightly to 4 percent during the year, down from 5.9 percent in 2004. Net FDI to the region stabilized at $59 billion, a result of economic recovery in the United States and resource-seeking investors taking advantage of high commodity prices. The impact of improved competitiveness, resulting from enhanced macroeconomic stability, was discernable in the increased investments in manufacturing, while FDI in services stalled. Performance across countries was uneven, however, with countries such as Brazil, Mexico, and Colombia absorbing the lion's share of FDI, while other countries, particularly those experiencing internal political uncertainties, failed to see improvements in FDI flows.

During the fiscal year, MIGA provided 19 guarantees and undertook six technical assistance projects in the region. At year-end, MIGA's gross guarantee exposure stood at $1.095 billion, 20.4 percent of the agency's outstanding portfolio.

Guarantees

Country	Activities
Bolivia	Project: Banco de Crédito de Bolivia Guarantee Holder: Banco de Crédito del Peru MIGA has issued a $14.25 million guarantee to Banco de Crédito del Peru, covering its $15 million shareholder loan to Banco de Crédito de Bolivia (BCB). The guarantee is for six years and protects against the risks of transfer restriction and expropriation. With the loan, Banco de Crédito de Bolivia, one of the country's top banks, will be able to strengthen its financial position. The loan gives the bank increased access to longer-term funding, allowing the bank more flexibility to improve the asset-liability match in its corporate and mortgage portfolio and to maintain its strong liquidity. The bank provides both corporate and retail financial services. The loan comes at a time when Bolivia's banking sector is dealing with a four-year recession, coupled with a challenging operating environment and a loss of liquidity due to currency mismatches. The new loan will help strengthen a bank that has consistently ranked among the country's top four. In turn, the anticipated improvement in performance should help reaffirm the viability of Bolivia's banks—a lynchpin of any well-functioning economy. The project aligns with the World Bank Group's assistance strategy for Bolivia, focusing on strengthening and restructuring the financial and corporate sectors in the face of recent difficult political and macroeconomic conditions.
Brazil	Project: Nordeste Transmissora de Energia S.A. Guarantee Holder: Dragados Industrial S.A. MIGA has provided $23.1 million in investment insurance to Dragados Industrial S.A. (Grupo ACS Dragados) of Spain for its investment in the construction of an energy transmission line in Brazil. MIGA's coverage is against the risks of currency transfer restriction and breach of contract, for up to 15 years. This project is part of a larger undertaking involving the construction of five energy transmission lines in different parts of Brazil to reduce existing infrastructure bottlenecks in the country's energy sector. Each of the lines involves a concession agreement with Brazil's federal electricity regulatory agency for the construction, operation, and maintenance of the transmission line. The concessions were subject to international competitive bidding. (cont'd)

Guarantees

Country	Activities
Brazil	(cont'd) The Xingó-Campina Grande transmission line, sponsored by Nordeste Transmissora de Energia SA, involves the construction and operation of a 193-kilometer transmission line from an existing substation in the state of Sergipe to the state of Pernambuco, and a 186-kilometer transmission line from Pernambuco to the state of Paraíba. The project is expected to significantly improve the reliability of power delivery to the Northeast power grid. The project responds to a need to compensate for low investment levels in the country's energy sector, a result of austerity programs in the 1980s. Given that most of Brazil's energy is produced by hydroelectric dams subject to fluctuations in water levels due to drought, the interconnected electrical system will allow for a more efficient and reliable delivery of energy. The project will operate under a Brazilian program that calls for public-private partnerships in its electric energy concessions. Investments undertaken through the program, instituted in 1999, have resulted in an estimated 20 percent increase in electrical capacity and the generation of about 25,000 jobs. The five new transmission lines underwritten by MIGA will account for about 25 percent of overall electricity transmission. Other development impacts include the generation of taxes and royalties, purchase of local materials, creation of competition, expanded public access to electricity, and job training. The project is in line with the World Bank Group's Country Assistance Strategy, which aims, among other things, to help Brazil become more competitive by improving its infrastructure.
Brazil	Project: Artemis Transmissora de Energia S.A., Sul Transmissora de Energia, Munirah Transmissora de Energia, Uirapuru Transmissora de Energia Guarantee Holder: Control y Montajes Industriales CYMI, S.A. MIGA has provided $47.1 million in investment insurance to Control y Montajes Industriales S.A. of Spain for its investments in the construction of four energy transmission line in Brazil. MIGA's coverage for all four projects is against the risks of currency transfer restriction and breach of contract, for up to 15 years. The projects are part of a larger undertaking involving the construction of five energy transmission lines in different parts of Brazil to reduce existing infrastructure bottlenecks in the country's energy sector. The transmission lines cover different parts of the country and vary in terms of both length and capacity. Each of the lines involves a concession agreement with Brazil's federal electricity regulatory agency for the construction, operation, and maintenance of the transmission line. The concessions were subject to international competitive bidding. The Salto Santiago-Cascavel transmission line, sponsored by Artemis Transmissora de Energia SA, will build and operate a 371-kilometer transmission line in the state of Paraná. The project will be an inter-connector between the South and the Southeast regional grids. The Uruguiana-Santa Rosa transmission line project by Sul Transmissora de Energia comprises the construction and operation of a 363-kilometer transmission line in the state of Rio Grande do Sul. The project is expected to significantly improve the reliability of the power grid in the Western part of the state. The Camaçari-Sapeaçu transmission line project by Munirah Transmissora de Energia comprises the construction and operation of a 105-kilometer transmission line in the state of Bahia. The project will be an important inter-connector between the Furnas and the Companhia Hidroeletrica de São Francisco power grids in Northeast Brazil. (cont'd)

Guarantees

Country	Activities
Brazil	(cont'd) The Uirapuru Transmissora de Energia transmission line comprises the construction and operation of a transmission line in the state of Paraná. The project is expected to significantly improve the reliability of the state's power grid. The projects respond to a need to compensate for low investment levels in the country's energy sector, a result of austerity programs in the 1980s. Given that most of Brazil's energy is produced by hydroelectric dams subject to fluctuations in water levels due to drought, the interconnected electrical system will allow for a more efficient and reliable delivery of energy. The projects will operate under a Brazilian program that calls for public-private partnerships in its electric energy concessions. Investments undertaken through the program, instituted in 1999, have resulted in an estimated 20 percent increase in electrical capacity and the generation of about 25,000 jobs. The five new transmission lines will together account for about 25 percent of overall electricity transmission. Other development impacts include the generation of taxes and royalties, purchase of local materials, creation of competition, expanded public access to electricity, and job training. The projects are in line with the World Bank Group's Country Assistance Strategy, which aims, among other things, to help Brazil become more competitive by improving its infrastructure.
Dominican Republic 	Project: Autopistas del Nordeste C. Por. A. Guarantee Holder: Organización de Ingeniería Internacional S.A., Autopistas del Nordeste (Cayman) Limited, Grodco S.C.A., Odinsa Holding Inc., and Grodco Panama MIGA has provided $108 million in political risk insurance for the development of a toll road in the Dominican Republic. The insurance covers a $14 million equity investment in and $162 million bond issue for Autopistas del Nordeste C. Por. A. for up to 20 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. The investors (see guarantee holders above) are jointly providing equity for the project. The project consists of the design, construction, operation, and maintenance of a 106 kilometer toll road that will connect Santo Domingo with the country's northeastern peninsula. The project is consonant with the World Bank Group's strategy of restoring economic growth and competitiveness in the country, given the highly positive economic impact in terms of reducing transportation costs and providing the infrastructure needed to further develop the tourist area of Samaná. The project is expected to lower transportation costs by reducing distance and travel time from 220 kilometers and four hours to 120 kilometers and 1.5 hours respectively. Progress on the toll road has already led to investments in a free trade zone that is connected by the road to the international airport of Santo Domingo. Other development impacts include growth in agribusiness, as farmers will have faster and cheaper access to markets in the capital, and tax generation estimated at $50 million over the life of the project. In addition, revenues generated by the project above a specific threshold will be paid to the government. The project is expected to create 2,465 jobs during the construction phase, and about 1,300 once operational. MIGA's participation in the project is aligned with several agency priorities: catalyzing private sector investment in frontier markets and scaling up support for urban infrastructure projects in developing countries.

Guarantees

Country	Activities
Ecuador	Project: Productora de Envases Crown del Ecuador Guarantee Holder: Prodenvases Crown S.A. MIGA has provided $193,500 in investment insurance to Prodenvases Crown S.A. from Colombia for their $215,000 equity investment in Productora de Envases Crown del Ecuador S.A. MIGA's coverage is against the risks of currency transfer restriction, expropriation, and war and civil disturbance for a period of up to seven years. The investor is a Colombian manufacturer, Prodenvases Crown, specializing in the production of metallic containers throughout the region. Prodenvases Crown S.A.'s investment is financing a metallic paint can assembly line in Guayaquil, Ecuador. The project enterprise, Productora de Envases Crown del Ecuador S.A., will manufacture, assemble, and commercialize metal and plastic cans for the industrial and food sectors in Ecuador. Staff from Colombia installed the necessary equipment for the project, which is expected to deliver technology transfer benefits. From July 2005, when the plant began operations, to the end of the year, sales reached $441,000. Sales for 2006 are expected to reach $1 million. The project represents Prodenvases Crown S.A.'s seed investment in Ecuador and is likely to lead to further expansion if this project yields expected benefits. MIGA's support for the project is in line with the World Bank Group's Country Assistance Strategy for Ecuador, which aims to lay the foundations for diversified and sustainable economic growth in the country, and increase opportunities and access to economic resources. The project was underwritten through MIGA's Small Investment Program .
El Salvador	Project: BioEnergia S.A. Guarantee Holder: Biothermica Energy Inc.   MIGA is providing its first-ever support for a project that will sell carbon credits gained by reducing greenhouse gas emissions. The reductions, which can be sold under the Kyoto Protocol, will result from the conversion of methane gases to less harmful carbon dioxide at a landfill in El Salvador. MIGA is supporting the project by providing $1.8 million in guarantee coverage to Canadian company Biothermica Energy Inc. The guarantee covers the risks of expropriation, war and civil disturbance, and breach of contract—including the breach of the Salvadoran government's commitments under a letter of approval for the carbon emission reductions under the Clean Development Mechanism of the Kyoto Protocol. The first phase of the project involves the construction and operation of facilities for capturing and flaring gas generated by municipal waste at a landfill that serves metropolitan San Salvador. The landfill currently receives 500,000 tons of solid waste a year, generating some 7,500 tons a year of methane gas. With the landfill slated to expand to meet the entire country's municipal waste disposal needs, methane gas emissions are expected to double within the next decade. The global warming potential of methane is 21 times higher than that of carbon dioxide. Phase two of the project will involve the construction of a 4 MW landfill gas power plant. Emission reductions from the captured gas are expected to be between 140,000 and 190,000 tons of carbon dioxide equivalent a year from 2006-2012. The guarantee holder, Biothermica Energy Inc., has completed the Kyoto Protocol validation process and has agreed to sell carbon credits to a private carbon fund on delivery of the certified emission reductions. This groundbreaking deal signals that projects in smaller developing countries can indeed cash in on the benefits of reducing greenhouse gases, and also illustrates how carbon finance can work in a sector that developing countries can easily tap into. MIGA aims to increase its support for projects that mitigate harmful practices associated with global warming.

Guarantees

Country	Activities
El Salvador	Project: Arrinsa Leasing S.A. Guarantee Holder: Corporación Interfin S.A. MIGA has issued a $3.15 million guarantee to Corporación Interfin S.A. of Costa Rica for its $4 million equity investment in Arrinsa Leasing S.A. of El Salvador. The guarantee provides a standardized package of coverage against the noncommercial risks of transfer restriction, expropriation, and war and civil disturbance, for a period up to 10 years. The guarantee was issued under MIGA's Small Investment Program. The project will allow Corporación Interfin, the new owner of Arrinsa, to expand the company's leasing portfolio to include a wide range of assets such as tractors, commercial real estate, and telecommunications equipment and facilities. Interfin's established track record as a banking, asset management and brokerage firm throughout Central America will bring needed expertise, sophisticated financial management, and a broader reach for Arrinsa. This will help position Arrinsa to better serve its target market of small and medium-size enterprises that might not have the cash or the credit history to purchase equipment outright. The company's offices and equipment depots are scattered throughout the country, allowing increased access for customers—many of them small industrial contractors or farmers—who live outside the major metropolitan areas. This project is expected to enhance prospects for smaller companies that have limited access to financing, enabling them to participate in and contribute to the economy. Other project benefits include the introduction of modern farming equipment to improve agricultural yields and the expansion of the transportation services sector with the financing of trucks, taxis, and buses. MIGA's involvement in the project is consistent with the Country Assistance Strategy for El Salvador and addresses several MIGA priorities: supporting South-South investments, as well as investment in SMEs and in projects that improve access to finance for SMEs.
Jamaica	Project: The Bank of Nova Scotia Jamaica Limited Guarantee Holder: The Bank of Nova Scotia MIGA has issued a $41.8 million guarantee to the Bank of Nova Scotia of Canada covering its $44 million shareholder loan to its subsidiary, the Bank of Nova Scotia Jamaica Limited. The coverage is for a period of up to 15 years against the risks of transfer restriction, expropriation, and breach of contract. This project will support the Kingston Port Container Terminal in Jamaica. The shareholder loan to the Bank of Nova Scotia Jamaica is earmarked to support the Port Authority of Jamaica in the fourth phase of its container terminal expansion. The expansion plans include completing more than 500 meters of new berths, paving 37 hectares of container storage space and acquiring four new cranes, valued at $22 million. A fifth phase of the expansion is scheduled for 2005-06. By the end of the fourth phase, the terminal is expected to handle 1.5 million 20-foot containers annually—a 20 percent increase above its current capacity. The expansion and modernization will help the Port Authority not only remain competitive but also position itself as the transshipment hub of the region. Already 90 percent of the port's traffic is international transshipment. The project fits into the government's overall strategy of fostering and maintaining economic growth, which has suffered from infrastructure constraints. The expansion is expected to increase revenues by five percent annually for the next eight years, leading to a cumulative increase in net revenues of $362 million. The project is also consistent with MIGA's priority of supporting investment in infrastructure.

Guarantees

Country	Activities
Nicaragua	Project: Financiera Arrendadora Centroamericana, S.A. Guarantee Holder: Corporación Interfin, S.A. MIGA has issued additional coverage of $1.9 million to Corporación Interfin, S.A. (Interfin) of Costa Rica for its equity investments in, and shareholder loans to, Financiera Arrendadora Centroamericana, S.A. (Finarca) of Nicaragua. The equity investment is guaranteed for a period of 15 years, and the shareholder loan for a period of 10 years. Both provide coverage against the risks of transfer restriction, expropriation, and war and civil disturbance. The project consists of the expansion of Finarca's lease financing program, which will mainly be devoted to small and medium-size enterprises (SMEs). The project is expected to contribute to the country's financial services by increasing the financing options available to SMEs. For more information on the project, visit www.miga.org/finarca1.
Uruguay	Project: Teyma Uruguay S.A. Guarantee Holder: Abengoa S.A. MIGA has issued additional coverage of $574,750 for Abengoa S.A.'s guaranty to Fleet National Bank for its loan to Teyma Uruguay S.A. in Uruguay. The terms and conditions, and tenor of the guarantee remain unchanged. For more information, visit www.miga.org/abengoa1.

Technical Assistance

Country	Activities
Colombia	MIGA launched a three-year technical assistance program with Bogotá's Chamber of Commerce last year. Initial activities included an assessment of the region's capacity to attract FDI, and the development of a business plan for an investment promotion agency covering Bogotá and the region of Cundinamarca. This year, MIGA spearheaded an effort to involve key stakeholders in the project. The agency—created with direct contributions from the Chamber of Commerce of Bogotá and the District Council—represents MIGA's first sub-national promotion initiative supported by a close public-private partnership. MIGA also worked with stakeholders to analyze investment opportunities in several key sectors, including manufacturing, agribusiness, and services. This work will identify sub-sectors in which Bogotá and Cundinamarca have a comparative advantage, and will allow the agency to launch activities quickly when it is formally constituted by the end of the year.
El Salvador	MIGA completed its technical assistance program with PROESA, the country's national investment promotion intermediary, this fiscal year. Over the life of the project, MIGA participated in the institutional development of the investment promotion intermediary, right from the establishment of the agency in 2000 to the restructuring of operations in 2004-05. MIGA's final activities in PROESA involved restructuring the agency, and defining its strategic and institutional framework in preparation for the future. In addition to reviewing its needs and El Salvador's competitive position in light of the signing of the Central American Free Trade Agreement (CAFTA), MIGA helped set out the framework PROESA should follow after the technical assistance program is phased out. MIGA maintains regular communication with management, and will continue to provide informal ad hoc assistance to PROESA to ensure its continued success.

Technical Assistance

Country	Activities
Guatemala	MIGA is continuing to support Invest in Guatemala (IIG) in its efforts to attract FDI. This project is closely tied to a competitiveness program and lending operations supported by the World Bank. This year's work focused on four central issues: guidance through the budget process, which included an assessment of current agency performance and needs for the upcoming year; organization of CAFTA Investment Promotion Tours to the US; training for newly hired market intelligence personnel at IIG; and intensive support for the agency's sector promotion initiatives. Last year, IIG was responsible for facilitating over $66 million in new FDI in the above sectors. When fully operational, these investments are expected to generate over 3,500 direct jobs and facilitate approximately 8,000 indirect jobs.
Honduras	MIGA is cooperating with the World Bank to implement an FDI-related component under a Trade and Competitiveness Loan in Honduras. Activities under the project increased significantly this year. In conjunction with staff at FIDE, the national investment promotion intermediary, specialists reviewed the light manufacturing and agribusiness sectors to determine which sub-sectors in Honduras have the highest potential to attract investors. The passage of CAFTA has increased the profile of Central America, and in this favorable context, FIDE will be able to use lists of companies generated under MIGA's guidance to launch proactive investment promotion campaigns. Each sector study will generate a list of over 1,000 companies with needs that match what Honduras has to offer as an investment location.
Nicaragua	MIGA has provided support to ProNicaragua, the country's investment promotion agency, since its inception in 2002. MIGA's work was supported by a World Bank Learning and Innovation Loan. In the past four years, ProNicaragua has established itself as a fully functioning, effective national investment promotion agency, which has achieved substantial results in attracting FDI. This fiscal year saw the conclusion of MIGA's long-term technical assistance program with Nicaragua. MIGA is currently preparing a project-closure report, which will evaluate the impact of its program in the country. The closure report will also provide ProNicaragua with a series of recommendations on its continuing operations such as pitfalls to avoid, techniques to ensure institutional sustainability through the next presidential elections, and policy guidelines to improve operations.
Regional	As part of MIGA's Global Enterprise Benchmarking Program, the agency is conducting a regional benchmarking exercise, funded by three donors: the Commonwealth Secretariat (Eastern Caribbean region), the Andean Development Corporation (Andean region), and the Inter-American Development Bank (Central America). The objective of the enterprise benchmarking is to provide participating countries with information on which industries they are most likely able to compete internationally, and then to benchmark individual country performance against competitors for key markets. Regional countries participating in the benchmarking studies include Antigua and Barbuda, Bolivia, Colombia, Costa Rica, Dominica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru, and St.Lucia.

Middle East and North Africa

Net FDI in the Middle East and North Africa increased from $5.3 billion in 2004 to $8.6 billion in 2005, more than a 60 percent increase. The rapid increase in FDI was a result of several privatizations in the region and resource-related FDI in the oil producing countries. Average GDP growth in the region for 2005 is estimated at 5.1 percent, a small increase over 2004. The main drivers of growth have been high oil prices and strong oil demand. Many non-oil producing countries in the region benefited from spillover effects of higher oil prices that include increased exports, tourism receipts, and investment and remittance flows. Reforms in selected countries have also contributed to increases in FDI flows. Both the Arab Republic of Egypt and Tunisia received significant levels of FDI in energy and in energy services. Despite the increase in FDI flows, prospects in the region are still largely determined by political developments, large public sectors, and investor perceptions of the region.

During the fiscal year, MIGA provided 10 guarantees and undertook four technical assistance projects in the region. At year-end, MIGA's gross guarantee exposure stood at $285.48 million, 5.3 percent of the agency's outstanding portfolio.

Guarantees

Country	Activities
Iran	Project: Cesur Shirkete Guarantee Holder: Cesur Packaging Corporation MIGA has issued a $5 million guarantee to Cesur Packaging Corporation of Turkey for its $5.23 million equity investment in, future retained earnings in, and shareholder loan to Shirkete Goni Bafi ve Beste Bendiye Cesur. Cesur Packaging of Turkey owns 48 percent of the company, while investors of dual Turkish and Iranian nationality own the remaining shares. The guarantee protects against the risk of war and civil disturbance, for a period up to 10 years. It represents one of the first guarantees issued under MIGA's new Small Investment Program. The investment involves the establishment of a fully integrated manufacturing facility for the production and export of large polypropylene containers. The bags, known as flexible intermediate bulk containers, or big and jumbo bags, are used primarily for packaging food and chemical products. The new, vertically integrated and highly automated plant will produce up to two million bags per year, 80 percent of which will go to European markets. The facility will be constructed on a five-hectare site, strategically located in the Sofian Industrial Investment Area in Tabriz, East Azerbaijan, within easy access to major highways and rail transport. The project is expected to help diversify Iran's economy, which is over-reliant on oil, while introducing state-of-the-art, lean manufacturing techniques that can be replicated for use in other industrial facilities. MIGA's participation in the project supports several agency priorities, including support for South-South investments and smaller investors.
Iran	Project: Mehr Petrochemical Company (JV) Guarantee Holders: Cementhai Chemicals Co., Ltd., National Petrochemical Public Company Limited, Itochu Corporation MIGA has issued $122 million in guarantee coverage for a joint venture petrochemical project, its first coverage ever for a project in Iran. The guarantees cover investments by Cementhai Chemicals Co., Ltd. and National Petrochemical Public Company Limited, both of Thailand, and Itochu Corporation of Japan, totaling $27.1 million, $7.1 million, and $8.6 million, respectively. The guarantees also cover a $96 million shareholder loan from Itochu to the project enterprise, Mehr Petrochemical Company (JV). Coverage is for 15 years against the risk of breach of contract for both the equity and the shareholder loan investments. MIGA is also covering Cementhai Chemicals and NPCT against the risk of war and civil disturbance. MIGA's guarantee to Itochu complements a political risk guarantee provided by Japan's national insurer, NEXI. (cont'd)

Guarantees

Country	Activities
Iran	(cont'd) Iran holds the second largest natural gas reserve in the world, at roughly 15 percent. In an effort to diversify the country's exports away from oil, the Iranian government is developing the South Pars gas field, a giant offshore gas reserve in the Persian Gulf. The gas will be processed at a nearby gas separation complex located in the Pars Special Economic/Energy Zone—established to develop gas, petrochemicals, and other related industries—which will provide a cost-effective supply for the production of polyolefins. Polyoelfins, including high-density polyethylene (HDPE), are low-cost, versatile polymers used in a broad range of applications, from automotive parts to carpets, and from packaging of milk, juice, and laundry detergent to trash bags. Demand for HDPE is on the rise in most parts of the world, particularly in Northeast Asia, where demand is expected to grow by an average of 7 percent a year through 2009. Meanwhile, the Middle East is fast becoming the world's largest exporter, due to the comparatively low cost of producing polyoelfins. The MIGA-guaranteed petrochemical project involves the construction and operation of a high-density polyethylene plant with a capacity of up to 300,000 metric tons per year. The project plans to export the HDPE primarily to China. The plant will occupy 13.1 hectares in the petrochemical development area of the special economic zone. The project will contribute to government revenues through the use of natural gas from the South Pars gas field as the primary source for the feedstock. The project also supports development of the free zone, and ultimately job creation. In addition, the cross-border lending and role of the project sponsors will subject the joint venture to high standards of corporate governance, which is expected to have a strong demonstration effect. This project is aligned with MIGA's priority of supporting investments among developing countries.
Jordan	Project: As-Samra Wastewater Treatment Plant Company Ltd. Guarantee Holder: Infilco Degrémont, Suez Environnement S.A. MIGA has issued guarantees to Infilco Degrémont Inc. and Suez Environnement S.A. covering their investment in As-Samra Wastewater Treatment Plant Company Limited. The investment is for the construction of a wastewater treatment plant, under a 25-year build-operate-transfer (BOT) agreement in Jordan. The guarantees, totaling $4.1 million, cover an equity investment in the water plant and a performance bond. MIGA's guarantee is for a period of up to 15 years against the risk of breach of contract. The project consists of the design, construction, operation, maintenance, and financing of a new wastewater treatment plant in As-Samra. The new plant is built on the site of an existing overloaded and inadequate water treatment system. The construction of the plant is divided into two phases, with phase 1 designed to satisfy the local demand through 2015, and phase 2 consisting of an expansion of the plant to meet demand from 2015 to 2025. MIGA's guarantee is for phase 1 only. This project supports a critical need in one of the 10 most water-deprived countries in the world. The scarcity of water in Jordan is one of the biggest impediments to sustainable economic growth in the country. The MIGA-supported plant will have an average daily capacity of 267,000 m3 of water, and will treat wastewater from the Amman and Zarqa areas (with a combined population of approximately 2.3 million people). The use of treated wastewater will free up drinking water by decreasing agricultural and industrial use of potable water. The treatment plant will also address and rectify a serious environmental issue by processing wastewater. Currently, poorly treated water is being discharged into clean water. In addition to improving the water quality, the plant will help improve the health and environmental conditions in surrounding areas. This is not only the first BOT project in Jordan, but also the first public-private partnership in financing and management of a public infrastructure project in the country. MIGA's participation in the project is consistent with the agency's strategic focus on infrastructure. The project also meets MIGA's objective of increasing its exposure in the Middle East and North Africa region.

Technical Assistance	
Country	**Activities**
Egypt	MIGA continued its technical assistance to Egypt to help develop the institutional capacity of the General Authority for Free Zones and Investment (GAFI). This long-term, in-depth program includes nine modules covering topics such as institutional promotional capacity building; business plan; general promotional strategy development; and the development of sub-sectoral strategies. MIGA provided feedback and recommendations to GAFI, based on an institutional review, and discussed implementation. Subsequently, GAFI carried out activities, focusing on, among other things, web design and content development, investor information systems, and organizational structure revisions.
Jordan	MIGA conducted a needs assessment of the Jordan Investment Board (JIB), following a request from JIB and the country's Ministry of Industry and Trade. The assessment established a framework for potential future cooperation with JIB, and will help MIGA develop a technical assistance program for the country.
Lebanon	At the request of IDAL—the country's investment promotion agency—MIGA conducted a needs assessment of the agency's capacity to attract FDI to Lebanon. The assessment will be discussed in depth with IDAL and serve as a framework for future cooperation between MIGA and Lebanon in the area of investment promotion. It is also expected to facilitate the development of a technical assistance proposal in the near future.
West Bank/ Gaza	Following up on a MIGA needs assessment of the Palestinian Investment Promotion Agency (PIPA) in 2005, and at the request of the Palestinian Authority's Minister of Economy, MIGA organized and conducted a two-day strategic retreat for PIPA. The retreat focused on formulating an emergency one-year plan for PIPA to attract investments, particularly in the areas from which Israel has withdrawn, and on identifying the human and financial resources necessary for the plan. The retreat was attended by the Minister of Economy (who is also the Chairman of PIPA), and by approximately 30 leading public and private stakeholders. PIPA is currently implementing the emergency plan, and has approached MIGA for additional assistance, both at a broader strategic level and in certain specific areas such as preparation for investor conferences.
Regional	MIGA recently launched discussions with The Islamic Corporation for the Insurance of Investment and Export Credit—ICIEC—to explore the development of a joint initiative to benefit investment promotion intermediaries in the ICIEC member countries of the Middle East and North Africa, South Asia, and sub-Saharan Africa. Specifically, ICIEC will support MIGA in undertaking needs assessments in a range of countries, starting in Sudan and Cameroon. In addition, ICIEC will provide assistance in ongoing MIGA technical assistance programs, initially in Mozambique, Senegal, and Sierra Leone.

Sub-Saharan Africa

The economy of sub-Saharan Africa is estimated to have grown by 4.1 percent in 2005, slightly slower than in 2004, with virtually all countries recording positive growth rates. Years of difficult structural reforms, the development of intra-regional trade, and a fall in the incidence of conflicts have been key contributing factors to this expansion. FDI in sub-Saharan Africa increased significantly in 2005, mainly because of two large acquisitions in South Africa. The other countries in the region that continued to receive high levels of FDI were resource-rich countries, notably Nigeria and Angola, where FDI was concentrated in the oil and gas sector.

During the fiscal year, MIGA provided 21 guarantees and undertook 13 technical assistance projects in the region. At year-end, MIGA's gross guarantee exposure stood at $872.9 million, 16.3 percent of the agency's outstanding portfolio.

Guarantees

Country	Activities
Angola	Project: Barloworld Equipamentos Angola Limitada Guarantee Holder: Barloworld Equipment UK Limited MIGA has issued a $14.7 million guarantee to Barloworld Equipment UK Limited, a subsidiary of Barloworld Limited of South Africa, covering its $16.34 million equity investment in and shareholder loan to Barloworld Equipamentos Angola Limitada of Angola. The coverage, for three years, protects against the risks of transfer restriction, expropriation and war and civil disturbance. This is a replacement for a guarantee on the investor's equity investment in the project that was originally issued in 1999. An additional guarantee protecting the investor's shareholder loan expired in June 2004 following repayment of the loan. Barloworld Equipment is expanding its earthmoving equipment dealership in Angola, which includes the construction of a permanent facility just south of Luanda, the nation's capital. The expansion involves the construction of a permanent facility to replace the pre-fabricated buildings on its current site in an industrial complex. The expansion also will allow Barloworld Equipment, the exclusive dealership for Caterpillar earthmoving and power generation equipment in Angola, to move into the rental market with the establishment of the Cat Rental Store. The company also sells forklift equipment, and has a customer base that includes the mining and construction industries. The growth of Barloworld Equipment will help in the reconstruction and rebuilding efforts for a country only recently at peace. Angola's civil war ended in 2002 following 27 years of violence and upheaval. Post-conflict challenges remain, including a limited foreign direct investment base to contribute tax revenues that could fund reconstruction. There remains a significant lack of basic infrastructure such as roads, and residential and commercial buildings—many of which were destroyed during the conflict. The increased availability of heavy construction equipment will help pick up the pace of the rebuilding effort, while encouraging new investment in the country's natural resources. Barloworld Equipment's expansion into the rental market will also give smaller local contractors, with limited access to capital, the ability to take advantage of growing demand for construction services. MIGA's participation in this project reflects several of the agency's strategic goals, including investment in an IDA-only country, and rebuilding in a post-conflict nation.

Guarantees

Country	Activities
Burkina Faso	Project: Société Cotonnière du Gourma, Burkina Faso Guarantee Holder: Agro-Industries Sud S.A. MIGA has issued four guarantees for a total of $6.1 million to Agro-Industries Sud S.A. (DAGRIS) of France, covering its loan guarantee to local financial institutions to enable them to extend loans to local entities to finance the acquisition of shares in the project enterprise, Société Cotonnière du Gourma, Burkina Faso. The guarantee covers against the risks of breach of contract, expropriation, and war and civil disturbance for a period of up to four years. The project consists of (1) the acquisition of the cotton ginning assets of the former monopoly, Société des Fibres Textiles, in the eastern region of the country by a commercial operator; (2) the modernization and expansion of the cotton ginning capacity in eastern Burkina Faso; and (3) the promotion of local entrepreneurship through the financing of the acquisition of shares in the project enterprise, Société Cotonnière du Gourma, by local cotton growers and Burkinabé investors. The expansion aspect of the project will consist of upgrading an existing cotton ginning plant in Fada, thus increasing capacity from 23,000 million tons to 35,000 million tons in the first year of operation. In addition, a new ginning unit will be constructed and operational by end of the second year of operation in Diapaga. The project is part of the government's efforts to liberalize the cotton sector by allowing commercial operators to purchase assets and operate in what was previously a monopoly area. The project is also expected to contribute to the improvement of public finance management by shifting a significant part of the cotton sector's financial risk from the former monopoly, in which the government has a 35 percent stake, to a private sector company. MIGA's support of the project is expected to strengthen the country's export-oriented growth, which is consistent with the World Bank Group's strategy to help Burkina Faso. MIGA's participation in the project is also aligned with several agency priorities, including supporting the poorest in Africa.
Ghana	Project: Meridian Development Limited Guarantee Holder: Metro Ikram Sdn. Bhd. MIGA has issued $6.3 million in guarantees to Metro Ikram Sdn. Bhd. of Malaysia covering its $2 million equity investment in and $4 million shareholder loans (plus $1 million in interest) to Meridian Development Limited in Ghana. The guarantees are for five years and cover against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. With Metro's investment, Meridian will develop and build the first phase of a large affordable housing project as a joint venture with Ghana's Social Security National Insurance Trust (SSNIT). This first phase will result in the construction of approximately 1,000 homes in the crowded Accra-Temma metropolis. Once complete, the new neighborhood will feature a variety of housing styles offered at a wide range of prices, from two-bedroom, low-cost houses to three-bedroom, medium-cost houses to four-bedroom, premium single family homes. Later stages of the project include the construction of up to 100,000 homes throughout Ghana. The MIGA guarantees cover the first stage, which is considered a pilot for the future. The project comes at a time when Ghana, like other sub-Saharan countries, is experiencing rapid urban population growth. The country's housing sector has not been able to keep up with demand, particularly in affordable price ranges. Some estimates suggest that close to one million families in urban Ghana are looking to purchase homes, and this number could soar even higher as earning power increases. Meridian is a critical private investment that will help address the housing shortage, while demonstrating to other private investors that such projects can bring a strong rate of return when risks are properly mitigated. (cont'd)

Guarantees	
Country	**Activities**
Ghana	(cont'd) The Meridian project is the first step in a multi-pronged government-backed approach to resolving Ghana's housing crunch. The effort is aimed at making more housing options available and adding to the housing stock while tackling some of the overarching legal, regulatory, and financial issues that are preventing growth in Ghana's private housing market. Concurrent with Meridian's pilot phase, MIGA, in conjunction with the Public-Private Infrastructure Advisory Facility, is embarking on a broad study of Ghana's housing market. The goal is to develop a better understanding of these fundamental market and institutional deficiencies. Ultimately, it is hoped that the study will pave the way for reforms that will make the Ghanaian housing sector a more compelling investment proposition. Meanwhile the IFC is working to develop Ghana's primary mortgage market and housing finance sector.
Ghana	Project: Barclays Bank Ghana Ltd. Guarantee Holder: Société de Promotion et de Participation pour la Coopération Economique MIGA has issued $3.5 million in guarantees to Société de Promotion et de Participation pour la Coopération Economique of France, covering its nonshareholder loan to Barclays Bank Ghana Ltd. to enable the local bank to provide long-term financing to a company in the tourism industry. The funding will finance the construction of a new hotel (Atlantic Holiday Resort) in Accra. The guarantee is for a period of seven years and covers against the risk of currency transfer restriction. The hotel is expected to have a number of direct and indirect benefits for the local economy. These include providing higher-quality accommodations at a reasonable price, thereby leading other hotels in the city to improve their standards to remain competitive and attracting more tourists. In addition, the hotel will create an estimated 50 new jobs over the next three years, and is expected to fuel the growth of local businesses involved in transportation, food and hospitality, and tour operation. The tourism industry is the third highest foreign exchange earner in Ghana, with average earnings of over $400 million per year. Ghana is an IDA-eligible country. MIGA's participation in the project is aligned with several agency priorities, including supporting the poorest in Africa. MIGA's guarantee also complements the World Bank Group's Country Assistance Strategy for Ghana, which aims to eliminate poverty by stimulating private sector development.
Kenya	Project: Kibos Sugar and Allied Industries Limited Guarantee Holder: Mr. R. S. Chatthe; Industrial Development Corporation of South Africa Limited MIGA has issued $6.7 million in guarantees to Mr. R. S. Chatthe, a United Kingdom national, and the Industrial Development Corporation of South Africa Limited covering their $.5 million equity investment in, and $6.5 million non-shareholder loan (including $.5 million in interest) to, Kibos Sugar and Allied Industries Limited of Kenya. The investment is for a new sugar factory in Kibos, less than 10 kilometers east of Kisumu. The guaranteed percentages are up to 90 percent for the equity and about 95 percent for the non-shareholder loan, for a period of up to eight years against the risks of expropriation, transfer restriction, and war and civil disturbance. (cont'd)

Guarantees

Country	Activities
Kenya	(cont'd) The project involves establishing a greenfield sugar factory and 2,000 hectares of irrigated sugarcane estates. The factory will also support small growers in the project area who will cultivate up to 2,000 hectares of sugarcane as feedstock for the factory. The sugar is expected to be supplied to the Kisumu market and to surrounding rural areas within a 100 km radius via wholesalers and traders representing a total market size of approximately 4.5 million people. The project is expected to revitalize the sugarcane farming industry in the Kisumu region. In the last five years, sugar consumption in Kenya has grown, while local production has failed to meet current demand. The local industry is mainly state-owned and suffers from outdated technology and a lack of inward investment. This has led to the decline and stagnation of regional sugarcane industries as local farmers, who relied on income from the cultivation of cane at one time, have turned to uneconomic subsistence farming. In the Kisumu region, the closure of the local mill in Miwani in 2001 and subsequent neglect of local sugarcane production led to a negative impact on the local economy. The MIGA-supported project is anticipated to rejuvenate the economy of the sugarcane farming industry in the Kisumu region. The project will operate with new technology and an experienced team to manage the project from inception to operation. The project is expected to contribute to Kenya's self-sufficiency in the production and supply of sugar domestically and reduce the country's reliance on imported sugar. This will represent an important source of foreign exchange savings through the substitution of sugar imports. It is also expected to create 250 permanent jobs in the factory and 3,416 permanent and annualized jobs in the cultivation of cane. More importantly, these jobs will be created in rural areas, thus alleviating absolute poverty. The project is consistent with MIGA's strategic objective of increasing the agency's presence in Africa. In addition, the project is aligned with MIGA's priorities of supporting South-South investments, and the World Bank Group's Country Assistance Strategy in Kenya, which aims to reduce poverty in the poorest rural areas, strengthen communities, and support increased agricultural productivity and competitiveness.
Madagascar	Project: HASYMA Cotton Ginning Guarantee Holder: DAGRIS, S.A. MIGA has issued two guarantees totaling €2.6 million to DAGRIS, S.A. to cover its equity investment in, and shareholder loan to, Hasy Malagasy S.A. (HASYMA), an enterprise engaged in cotton ginning and providing technical and financial assistance to Malagasy cotton growers. MIGA's guarantee is for a period of up to eight years and covers against the risks of currency transfer restriction, expropriation, and war and civil disturbance. In Madagascar, DAGRIS's project involves the privatization of HASYMA, the majority state-owned cotton monopoly. Its ultimate aim is to create sustainable growth in the cotton sector. The project is expected to contribute towards the expansion of the cotton industry in Madagascar by modernizing and expanding the cotton ginning capacity of HASYMA; and by providing technical advice, assistance, and incentives to local cotton producers and selected domestic private investors. HASYMA will promote the production of cotton seed; purchase and gin seed cotton; and market cotton fiber, seeds, and by-products on the local and international markets. The project is expected to create new permanent jobs, in addition to stimulating local businesses that supply goods to the cotton industry. The project is expected to provide livelihoods for around 35,000 farm families. MIGA's guarantees complement Madagascar's Country Assistance Strategy, which focuses on promoting broad-based growth by encouraging private sector growth in the country. MIGA's participation in the project is also aligned with the agency's aim to improve access to financing options for local SMEs. HASYMA was underwritten through MIGA's Small Investment Program.

Guarantees

Country	Activities
Madagascar	Project: Grand Hotel du Louvre, Madagascar Guarantee Holder: Louvre International Ltd. MIGA has issued a €1.8 million guarantee to Louvre International Ltd. of Mauritius to cover its equity investment in Grand Hotel du Louvre of Madagascar. MIGA's guarantee is for a period of up to five years and covers against the risks of currency transfer restriction, expropriation, and war and civil disturbance. Louvre International's project in Madagascar involves the acquisition of Grand Hotel du Louvre, which operates the Hotel du Louvre, and Société Immobilier d'Antaninarenina S.A., which owns the building and land where the hotel is located. Hotel du Louvre is an existing 3-star hotel situated in the heart of the Malagasy capital, within 100 meters of the Presidential Palace and the Ministry of Finance. The acquisition has brought the hotel operating company and the building under the same ownership, which will give the new owners further incentive to modernize and upgrade the hotel. The current supply of accommodation in Antananarivo, the capital of Madagascar, does not meet the growing demand of tourists visiting the country—up 58 percent in 2004 compared with 2003. The hotel's target clientele includes business travelers and tourists from France, Mauritius, and Asian countries. The acquisition, modernization, and expansion of the hotel will provide business travelers and tourists with higher-quality accommodations at a reasonable price. This will have a demonstration effect as other hotels in the city also improve their standards to remain competitive, thereby attracting greater numbers of tourists to the country. In addition, the modernization and expansion of the hotel is expected to have a number of direct and indirect benefits for the local economy. The expansion of the hotel is expected to create more than 35 permanent jobs, the majority of which will be filled locally. The project is expected to generate an estimated €735,000 in taxes during the next five years. The hotel will also support the growth of local industries like transportation, food and hospitality, and tour operation. The modernization and expansion of the buildings will be carried out with locally available materials and the local workforce. MIGA's guarantee complements Madagascar's Country Assistance Strategy, which focuses on promoting broad-based growth by encouraging private sector growth in the country. MIGA's participation in the project is also aligned with several agency priorities, including the promotion of South-South investment exchanges, improving access to financing options for local SMEs, and supporting IDA-eligible countries in Africa.
Nigeria	Project: Vee Networks Limited Guarantee Holder: Ericsson Credit AB MIGA has issued a $45 million guarantee to Ericsson Credit AB covering its non-shareholder loan of $73.7 million, including interest, to Vee Networks Limited in Nigeria. The guarantee is for a period of up to eight years and covers against the risks of currency transfer restriction, expropriation, and war and civil disturbance. This contract replaces an earlier (2002) contract of guarantee issued to Ericsson for the project, previously known as Econet Wireless Limited. The project involves the installation, operation, and maintenance of a countrywide GSM mobile telephone network, under a 15-year license. Vee Networks Limited was the first GSM operator to commence operations in Nigeria and has an active subscriber base in excess of 2.7 million. For more information, visit www.miga.org/econet.

Guarantees

Country	Activities
Nigeria	Project: Scanning Nigeria Ltd. Guarantee Holder: SGS Société Générale de Surveillance SA MIGA has issued a $26 million guarantee to SGS Société Générale de Surveillance SA covering its equity investment in SGS Scanning Ltd. in Nigeria. The guarantee is for a period of up to 15 years and covers against the risks of breach of contract, currency transfer restriction, and war and civil disturbance. The project involves the verification and inspection on the government's behalf of goods imported into Nigeria. The project company will procure, install, and operate x-ray scanners; design, implement, and maintain a computerized risk management system; transfer all data into the Automated System for Customs Data approved by UNCTAD; and design cargo handling procedures in conjunction with Nigerian agencies. A seven-year build-own-operate-transfer agreement with the Nigerian government will allow the project company to provide these services in the Onne seaport, Port Harcourt seaport and airport, and Idiroko land border. The project is expected to facilitate trade; contribute to the development of investments in the country; and increase port efficiency by reducing the number of containers that have to be inspected physically, resulting in a significant reduction of port congestion. A direct and positive impact is also expected on revenue collection, due to better assessment of duties and taxes, and fewer opportunities for graft and smuggling. In addition, more than 350 customs service officers and other local staff are expected to receive appropriate training during the project. By supporting this project, MIGA will help the government of Nigeria to further reform and modernize customs in the country. The project is also expected to contribute towards greater transparency in Nigeria's import goods valuation and screening processes. The project addresses one of MIGA's priority areas: it is an investment in an IDA country in Africa, where some of the world's poorest live. The project is also consistent with the World Bank Group's Country Partnership Strategy in Nigeria, the main thrust of which is to support the government's reform efforts to remove obstacles to growth and development.
Nigeria	Project: Cotecna Destination Inspection Limited, Nigeria Guarantee Holder: Cotecna S.A. MIGA has issued two guarantees for a total of $54.9 million to Cotecna S.A. of Switzerland for its $67.2 million equity investment in Cotecna Destination Inspection Ltd. Nigeria. The guarantee contracts replace a previous contract issued (in 2003) to Cotecna S.A., reflecting changes in the form of investment. Originally, the financial structure included a $20 million equity contribution, a $10 million shareholder loan, as well as loans from various financial institutions totaling $25 million. Under the new structure, Cotecna will fund the project through equity contributions amounting to $67.2 million. The coverage is for a period of seven years and against the risks of breach of contract, expropriation, transfer restriction, and war and civil disturbance. The project involves the establishment of container X-ray scanning centers in six ports, four airports and four land-border sites in Nigeria. For more information, visit www.miga.org/cotecna1.

Guarantees

Country	Activities
Sierra Leone	Project: PCS Holding Sierra Leone Ltd. Guarantee Holder: Sierra-Com Ltd. MIGA has issued a $3.4 million guarantee to Sierra-Com of Israel for its equity investment in PCS Holding Sierra Leone Ltd. of Sierra Leone. Sierra-Com owns 85 percent of the company, while a local Sierra Leonean partner, Firstcom, owns the remaining 15 percent. The guarantee is a standardized package that protects against the risks of transfer restriction, expropriation and war and civil disturbance, for a period up to three years. It represents the first guarantee issued under MIGA's Small Investment Program. The investment involves the establishment of fixed line, state-of-the-art broadband wireless access and a voice-over IP network (allowing phone calls to be made over the Internet) in Sierra Leone, a nation with one of the lowest teledensities in the world. The project enterprise, PCSH, will offer broadband Internet at speeds of up to 2MBps and reliable local and international telephone service, filling a void in the country, where the only available Internet service is slow and connections spotty. The company will initially operate from three sites in the capital, Freetown. To keep the network running despite regular power outages across the country, PCSH is installing its own system of back-up generators. Sierra Leone is among the most impoverished nations in Africa, with a recent history of violent conflict and with multiple development needs. It is expected that the availability of low-cost, high-speed Internet and wireless capabilities will encourage more local business start-ups and more foreign direct investment, an important part of the effort to build up the country's economic base and reduce poverty. MIGA's participation in the project supports several agency priorities: encouraging new investment in conflict-affected nations, assisting smaller investors, and supporting local small business development. The World Bank is also active in the country, through new efforts to reform the country's telecommunication laws, a process that will help ensure the integrity and viability of the licensing agreement.
Sierra Leone 	Project: SL Intertek Guarantee Holder: Intertek International Limited MIGA has provided a $5 million guarantee to Intertek International Limited of the United Kingdom for their $3.09 million equity investment in SL Intertek. MIGA's coverage is against the risks of currency transfer restriction, expropriation, and war and civil disturbance for a period of up to 10 years. The policy was issued under MIGA's Small Investment Program. The project involves the installation of a scanner and provision of container scanning services for the port of Freetown, Sierra Leone, as well as advice on port security compliance for the ports of Freetown, Nitti, and Kissy in Sierra Leone under a 10-year build-own-operate-transfer (BOOT) concession. The BOOT component of the project is underpinned by a training program for local staff. For the implementation of the project, Intertek has formed a joint-venture with Port Maritime Security International and the British Government's Revenue and Customs Department. The main objectives of the project are to scan all imports and exports to reduce smuggling, enhance government revenues, and improve internal security. The project will improve Sierra Leone's anti-smuggling capabilities by detecting, controlling, and preventing the movement of prohibited goods, thereby ensuring more effective enforcement and protecting local industries from illegal importation of foreign goods. (cont'd)

Guarantees

Country	Activities
Sierra Leone	(cont'd) The MIGA-supported project will help the country comply with new international security requirements prescribed by the International Ship and Port Facility Security code of the International Maritime Organization. Compliance with the international framework is expected to facilitate exports from Sierra Leone to international markets. The country's exports would be denied access to trading partners' port facilities otherwise. MIGA's participation in this project is aligned with several agency priorities—Sierra Leone is an IDA-eligible, post-conflict country. MIGA's support for the project is in line with the World Bank Group's Country Assistance Strategy for Sierra Leone, which aims to achieve sustainable economic growth and reduction of poverty levels by supporting private sector development in the country.
Uganda	Project: Kyoga Ltd. Guarantee Holder: MILLco Limited MIGA has issued a $2.97 million guarantee to MILLco Limited covering its equity investment in Kyoga Ltd. The guarantee replaces a previous contract (issued in 2005) to Afriproduce of the British Virgin Islands for its investment in Ugandan subsidiary Ugacof. The new guarantee contract reflects the sale of Ugacof's processing and warehousing facilities to Kyoga Ltd., which is owned by MILLco. The guarantee tenor remains unchanged (expiring in 2010). The coverage protects against the risks of expropriation, transfer restriction, and war and civil disturbance. The project involves the operation of a coffee processing facility in Uganda. For more information, visit www.miga.org/afriproduce1.

Technical Assistance	
Country	**Activities**
Ghana	Ghana was a participant in the MIGA-Swiss Partnership, an investment facilitation program co-funded by the Swiss government that successfully concluded this fiscal year. Under the initiative, MIGA is helping Ghana identify opportunities to integrate better into the international economy, with particular attention paid to opportunities generated by the privileged trade access agreements with the EU and the United States. This year under the initiative, MIGA co-financed an investment outreach program to China. In support of this program, staff participated in apparel investment fairs in China, accompanying and coaching a Ghanaian delegation, as well as helping Ghanaian efforts to attract more investment from China. Results of this effort include several planned fact-finding visits by Chinese investors to Ghana and an investment promotion seminar attended by more than 100 investors. MIGA is also co-sponsoring with the government of Ghana and the World Bank a major study of the information and communication technology sector in Ghana. Last, the agency met with the Ghana Investment Promotion Center to discuss the findings of MIGA's benchmarking exercise, which examined six key industries in the country.
Mali	MIGA is implementing a multi-year program to advise the government of Mali on the establishment of an investment promotion agency to help the country disseminate information on its investment opportunities, and to guide investment efforts. As part of this effort, MIGA advised the government on the creation of an institutional framework, organizational structure, and selection and appointment of a chief executive officer for the agency. With financing from USAID, Mali also participated in MIGA's enterprise benchmarking exercise. Preliminary results were discussed at a workshop hosted by USAID in February, and attended by about 80 participants from both the private and public sectors.
Mozambique	MIGA is working with the World Bank Group on an Enterprise Development Project in Mozambique, providing recommendations and monitoring progress of the country's Investment Promotion Center. A central element of the project, considered to be the main private sector development program in Mozambique today, is the installation of industrial infrastructure in the Beluluane zone. Some of the project's innovative features include direct support to enterprises, on a matching-grant basis, targeting competitiveness improvement, delivery of advisory and consultancy services, enhanced market access, a credit line, and a social component designed to help firms in the fight against HIV/AIDS. The project provides assistance to key government and private sector institutions delivering services to the private sector. Mozambique was also a participant in the MIGA-Swiss Partnership.
Senegal	Through the MIGA-Swiss Partnership, MIGA supported two major outreach programs organized by the country during the fiscal year; one in the ICT sector (France), and one in the apparel and textile industry (Turkey). The outreach programs have resulted in investments and ongoing follow-up. MIGA is also assisting APIX, Senegal's national investment promotion agency, in its capacity-building efforts. MIGA helped APIX secure USAID funding to install an effective electronic investor tracking system to facilitate APIX investment promotion efforts. In addition, Senegal is a participating country in MIGA's Enterprise Benchmarking Program.
Sierra Leone	MIGA agreed this year to undertake an integrated technical assistance program, along with FIAS and the International Trade Center (ITC, WTO/UNCTAD), to help restructure and build the capacity of the Sierra Leone Export Development and Investment Corporation (SLEDIC). The primary deliverables expected from the joint intervention are improvements in the investment climate and the dismantling of the still existing (but defunct) SLEDIC. The corporation is expected to be replaced by a dynamic institution with two trade and investment promotion functions. (cont'd)

Technical Assistance	
Country	**Activities**
Sierra Leone	(cont'd) MIGA's work under this project is supported by a grant from the Department for International Development of the United Kingdom and comprises one component of a program by the three agencies to: improve the business climate and facilitate private sector development in Sierra Leone; build capacity in the public and private sectors to maximize the impact of private sector reform and to improve productivity; and promote growth via private sector development. Work this year concentrated on reaching an agreement with the Ministry of Trade and Industry on the restructuring and capacity-building program for SLEDIC, and taking part in a multi-agency program that aims to develop a new investment promotion structure for the country. This program represents an innovative approach to addressing the needs of conflict-affected countries, and relates closely to MIGA's PRI business, including the new SIP program.
South Africa	MIGA began a joint project with FIAS to help the South African Department of Trade and Industry develop a strategy and structure to promote inward investment into the country. MIGA's role focuses on delivering an investment promotion strategy and work program to the department to guide the restructuring of the country's national investment promotion program. Work during the fiscal year included the launch of fieldwork, an assessment of FDI flows into South Africa, and a needs assessment for three regional investment promotion intermediaries.
Tanzania	As part of its "Investing in Development" publication series, MIGA finalized an in-depth case study on tourism in Tanzania this year. The study provides useful insights and discussion points on how to conduct an effective investor outreach program. MIGA's assistance to Tanzania in the tourism sector falls under the umbrella of the MIGA-Swiss Partnership. The Tanzania tourism outreach program has had far-reaching effects in supporting the growth of the industry in Tanzania. In addition to various investments—including a landmark privatization of a major hotel that had a positive demonstration effect for other investments—this program has mobilized, supported, and encouraged considerable reform of the investment environment in the industry.
Uganda	During the fiscal year, MIGA agreed to provide technical assistance to the Uganda Investment Promotion Authority. The program aims to help the authority implement effective outreach programs to draw the attention of the international investment community to opportunities offered in Uganda, and to offer assistance to potential investors in taking advantage of these opportunities. The program is funded through a grant from the Austrian Development Agency and is modeled after the successful MIGA-Swiss Partnership initiative, which financed investor outreach programs in Ghana, Senegal, Tanzania, and Mozambique. The Uganda project was formally launched in February, concurrently with MIGA's presenting its draft Uganda benchmarking report to authorities in the country.

Technical Assistance	
Country	**Activities**
Regional	MIGA undertook several high-profile regional initiatives in Africa during the fiscal year, including the launch of its new Database Development Project with NEPAD, and the launch of its new global Enterprise Benchmarking Program (see Operational Overview section for more). During the year, MIGA also concluded activities under the MIGA-Swiss Partnership. MSP was a three-year technical assistance program to strengthen investment promotion intermediaries in four selected fast-reforming African countries—Ghana, Mozambique, Senegal, and Tanzania—to profile their investment attractions to the international investment community to attract investment. MIGA worked with the intermediaries and with relevant private-sector associations and government bodies in each country to profile and market investment attractions and to disseminate this information to the international investment community in order to attract investment. The program built the intermediaries' capacity to assist investors, establish supplier and investment linkage programs, and provide post-investment follow-up. The program's focus fell on those industries in the selected countries deemed most likely to attract investments in the near term, and special attention was given to industries offering new opportunities arising from increased African trade access to the US market through the African Growth and Opportunities Act and to European markets through the Cotonou and Everything But Arms Agreements.