



GUARANTEES

The challenging external environment made it difficult for the Underwriting Department to match the record-setting figures achieved in fiscal 2001. Guarantees business was most affected by the slowdown in the global economy, coupled with the negative effects of the Argentine crisis on investor confidence. Nevertheless, during fiscal 2002, MIGA issued 58 contracts for \$1.358 billion of coverage in support of 33 new projects and five previously-supported projects (Table 3). Fiscal 2002 also saw first-time coverage offered for projects in four new African countries: Benin, Mauritania, Nigeria and Senegal. Collectively, these projects facilitated an estimated \$4.7 billion in foreign direct investment into developing countries. These results bring total coverage issued over the course of MIGA's history to \$10.3 billion, and the amount of foreign direct investment facilitated into developing countries to an estimated \$45.8 billion. As of fiscal year-end, gross exposure stood at \$5.3 billion.

In addition to the effects of the external environment, the continued need to focus on under-represented areas of the portfolio demanded a strong internal operational response, and led to the reorganization of the Underwriting Department in January 2002. The department was divided into two new regional groups: i) Africa, Asia and the Middle East and North Africa, and ii) Europe and Central Asia and Latin America and the Caribbean. At the same time, a Business Development Unit was formed, to develop new sources of business and to work closely with the regional underwriting groups to realize their regional strategies. A separate Syndications Unit (previously part of the Finance and Syndications team) was also formed, reflecting the continued importance of facultative reinsurance and the CUP in MIGA's strategy. In addition, a Special Projects Unit was created to work with

the underwriting teams to develop strategies and initiatives that are aligned with the priorities of The World Bank Group in the area of private sector development.

PRIORITY AREAS

In spite of the external challenges, MIGA's performance in priority areas remained strong (Table 4), reflecting the results of targeted marketing campaigns, mobile offices and more extensive assistance from its field offices.

During the year, MIGA supported 14 new projects in IDA countries, nine in Africa, and 11 SMEs. The number of South-South investments covered by MIGA grew from eight projects in fiscal 2001 to 11 in fiscal 2002. Examples include investors from Slovenia investing into Bosnia and Herzegovina; Turkey into Kazakhstan;

TABLE 3 PROJECTS SUPPORTED, FY02

Host Country	Guarantee Holder	Investor Country	Sector	Amount (\$M)	Priority Areas
ASIA AND THE PACIFIC					
Nepal	Bergenshalvoens Kommunale Kraftselskap AS	Norway	Infrastructure	11.0	IDA*
Pakistan	Komatsu Limited	Japan	Manufacturing	0.3	IDA, SME
Pakistan	Orascom Telecom Holding, S.A.E., International Wireless Communications Pakistan Ltd.	Egypt/Mauritius	Infrastructure	90.7	IDA, S/S
EUROPE AND CENTRAL ASIA					
Bosnia and Herzegovina	Hypo Alpe-Adria-Bank	Austria	Financial	0.7	IDA*
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Financial	4.4	IDA*
Bosnia and Herzegovina	Slovene Export Corporation	Slovenia	Financial	1.1	IDA, S/S, SME
Bosnia and Herzegovina	Slovene Export Corporation	Slovenia	Services	7.6	IDA, S/S
Bulgaria	The AES Corporation	United States	Infrastructure	20.0	
Croatia	Hypo Alpe-Adria-Bank	Austria	Financial	21.5	
Kazakhstan	EFES Breweries International B.V.	Netherlands (Turkey)	Manufacturing	7.2	S/S
Kyrgyz Republic	ITI SRL, MCC S.p.A.	Italy	Services	11.4	IDA*
Romania	Raiffeisen Zentralbank Österreich AG	Austria	Financial	19.6	SME
Russian Federation	Raiffeisen Zentralbank Österreich AG	Austria	Financial	57.0	
Russian Federation	Raiffeisenlandesbank Steiermark reg. Gen. mbH	Austria	Financial	9.5	SME
Russian Federation	Sungrain SA	Switzerland	Agribusiness	2.1	SME
Turkey	BNP Paribas, Tractebel S.A.	France, Belgium	Infrastructure	115.5	
Turkey	Ingersoll-Rand European Holding Co., B.V.	Netherlands	Manufacturing	22.5	
Ukraine	Raiffeisen Zentralbank Österreich AG	Austria	Financial	19.0	
LATIN AMERICA AND THE CARIBBEAN					
Brazil	Compania Española de Financiación del Desarrollo, Construcciones y Auxiliar de Ferrocarriles, S.A., Dimetronic S.A., Inversiones en Concesiones Ferroviarias	Spain	Infrastructure	61.7	
Brazil	ECI Telecom. Ltd.	Israel	Infrastructure	94.0	S/S
Brazil	Keppel FELS Energy Pte. Ltd.	Singapore	Infrastructure	50.0	S/S
Costa Rica	The Bank of Nova Scotia, Marriott International	Canada, United States	Tourism	5.9	SME
Costa Rica	Wings of Papagayo LLC	United States	Services	38.3	
Dominican Republic	BCH International Puerto Rico	United States	Infrastructure	5.0	
Dominican Republic	Unión Fenosa Internacional S.A.	Spain	Infrastructure	90.0	
Jamaica	The Bank of Nova Scotia	Canada	Financial	45.0	
Nicaragua	Unión Fenosa Internacional S.A.	Spain	Infrastructure	81.2	IDA
Peru	Banque Sudameris	France	Financial	58.4	SME
Peru	Fraport AG	Germany	Infrastructure	11.5	
SUB-SAHARAN AFRICA					
Benin	Investcom Global Ltd., Investcom Holding S.A.	British Virgin Islands, Luxembourg (Lebanon)	Infrastructure	8.1	IDA, SSA, S/S, SME
Kenya	Ormat Holding Corporation	Cayman Islands (Israel)	Infrastructure	81.5	IDA, SSA, S/S
Madagascar	Hydelec	France	Infrastructure	2.1	IDA, SSA, SME
Mauritania	L'Office National des Télécommunications	Tunisia	Infrastructure	68.3	IDA, SSA, S/S
Mozambique	Portus Indico-Sociedade de Serviços Portuários S.A.	Portugal	Infrastructure	7.1	IDA, SSA
Mozambique	Kjaer Group A/S	Denmark	Services	2.0	IDA, SSA, SME
Nigeria	Econet Wireless, Ltd., Ericsson Credit AB	United Kingdom (South Africa), Sweden	Infrastructure	50.0	IDA, SSA, S/S
Nigeria	MTN International Ltd.	Mauritius (South Africa)	Infrastructure	50.0	IDA, SSA, S/S
Senegal	Alain Tagini	Switzerland	Services	3.1	IDA, SSA, SME

Note: Representing projects in priority areas, as follows:
IDA in an IDA-eligible country (includes IBRD/IDA blend countries)
SSA in a sub-Saharan African country
SME support to a small- or medium-sized enterprise
S/S support of a South-South investment between developing countries
 * additional support to existing project, not counted toward FY02 priority area figures

Tunisia into Mauritania; and South Africa into Nigeria. The assistance provided by MIGA's field staff has been particularly useful for small investors, who often need more support to work effectively with MIGA. For example, MIGA's Paris office played an important role in the underwriting of a \$2 million power project by European investors in Madagascar.

TABLE 4 NUMBER OF PROJECTS
by priority area

	FY01	FY02
SME projects	18	11
South-South projects	8	11
IDA-eligible projects	18	14
Africa projects	8	9

Note: These numbers reflect only new projects in a fiscal year.

PORTFOLIO DIVERSIFICATION

Sectoral Diversification In fiscal 2002, MIGA continued to focus on diversifying its portfolio by sector. As indicated in Table 5, the infrastructure sector grew from 29 percent in fiscal 2001 to 36 percent in fiscal 2002. The growth in this area (which includes a number of sub-sectors: transportation, water, power, and telecommunications) resulted from extensive marketing and consultations over the past few years with key investors in these sub-sectors, in order to better

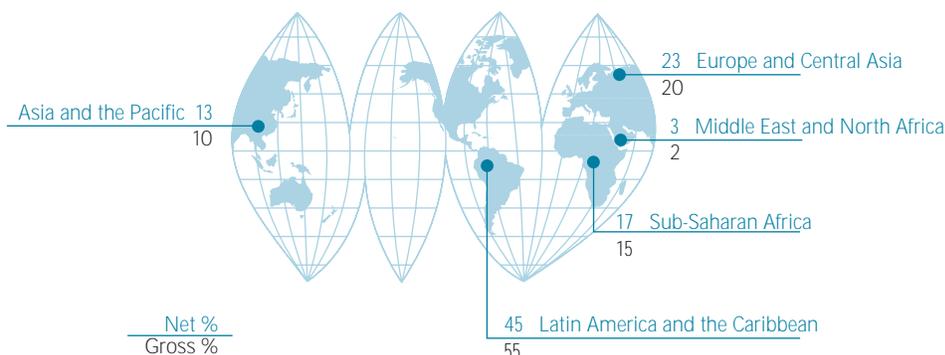
understand their needs. For example, MIGA played an important role in setting up two water sector working groups, which included The World Bank Group and private water operators, to develop customized products for this sector. Efforts were also undertaken to generate new business in sub-sectors, such as transportation (roads, ports, airports), water, and telecommunications. The telecommunications sub-sector grew from 4 percent in fiscal 2001 to 8 percent in fiscal 2002, reflecting the increase in demand for telecommunications services in Africa.

Regional Diversification MIGA's targeted marketing efforts to diversify its regional portfolio met with some success, despite the difficult external environment. MIGA maintained its exposure in Africa and in the Middle East and North Africa region. There was a slight drop in MIGA's Asian portfolio, but a correction is anticipated in fiscal 2003, as long-delayed projects are expected to come back on track. Gross exposure in the European and Central Asian region was maintained, reflecting the fact that European investors—in part because of their historical links with the region—were not as badly affected by the global economic downturn. The Latin America and Caribbean region registered a slight decrease in gross exposure from 57 percent in fiscal 2001 to 55 percent in fiscal 2002. However, diversification towards less represented countries in the region, such as those in Central America and the Caribbean, was achieved, as their share of gross exposure grew from 11 percent in fiscal 2001 to 15 percent in fiscal 2002.

TABLE 5 OUTSTANDING PORTFOLIO DISTRIBUTION
by sector, in percent

Gross Exposure	FY98	FY99	FY00	FY01	FY02
Infrastructure	19	19	29	29	36
Financial	38	42	34	36	35
Manufacturing	20	15	12	9	9
Mining	15	13	12	9	8
Oil and Gas	3	3	2	5	4
Services	0	5	8	6	4
Tourism	3	2	2	2	2
Agribusiness	2	1	1	4	2

FIGURE 5 OUTSTANDING PORTFOLIO DISTRIBUTION
by host region, in percent, as of June 30, 2002



Note: Percentages add up to more than 100 percent because of multi-country agreements. Refer to Statements of Guarantees Outstanding in the Financial Statements.

MIGA has taken proactive measures to ensure that the guarantees portfolio will continue to diversify. Most notably, the reorganization of the Underwriting Department in fiscal 2002 should enable MIGA to do more guarantees business in regions and countries that presently are under-represented. The newly created Business Development Unit will focus on identifying and developing new business pipelines in the priority regions. The increasing emphasis on field-based staff in priority regions will be an important factor in ongoing portfolio diversification efforts.

REINSURANCE AND COINSURANCE

Reinsurance continued to be important in managing the Agency's exposure to loss. It also allowed MIGA to encourage participation by private sector insurers in transactions with positive developmental impacts—transactions they might not have insured otherwise. The resolution of MIGA's first and only claim⁶ has greatly reinforced the value of the "MIGA franchise" and partners' confidence in MIGA's ability to avoid losses by recovering claims.

Reinsurance Limits In April 2002, the Board approved an increase in MIGA's portfolio reinsurance limit, from 40 percent to 50 percent of aggregate gross exposure. This change is strategically important because it allows MIGA

greater freedom to utilize reinsurance to better leverage its own capacity.

Insurance Partners During the year, MIGA extended its list of private and public insurance partners. An agreement was reached with the Israel Foreign Trade Risks Insurance Company (IFTRIC), allowing the company to reinsure MIGA. The first transaction reinsured by IFTRIC was for a telecom investment in Brazil, for which MIGA initially issued a guarantee in fiscal year 2001. MIGA also concluded its first CUP agreements with: AXIS Specialty Limited, of Bermuda; Compagnie Tunisienne pour l'Assurance du Commerce Extérieur (COTUNACE) of Tunisia; Liberty Syndicate Management, Lloyd's Syndicate 282; and M.D. Reith and Others, Syndicate 1414 at Lloyd's (Ascot). MIGA also completed its first reinsurance of the Slovene Export Corporation (SEC), and ended the fiscal year having supported SEC on two projects in Bosnia and Herzegovina.

Reinsurance Agreements In selected cases, MIGA will turn to other insurers to reinsure its exposure, in order to better manage risk. To this end, MIGA is developing a number of master reinsurance agreements. The master agreement includes preset general conditions that allow MIGA and partners to react promptly to requests for reinsurance of specific projects. This will facilitate increased cooperation and risk sharing as well as swifter execution of contracts. In fiscal 2002, such discussions were initiated with Österreichische Kontrollbank Aktiengesellschaft (OeKB) and SEC.

Endnotes, page 56

WORLD BANK GROUP COOPERATION

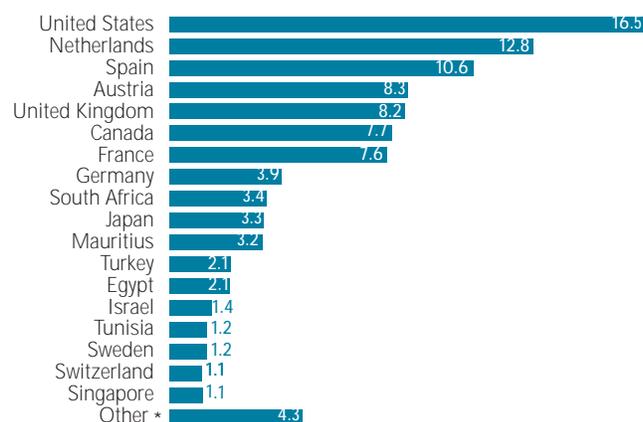
Throughout the fiscal year, the underwriting and the country risk assessment processes benefited from the extensive regional and sectoral knowledge and experience in other parts of the Bank Group. During fiscal 2002, MIGA's Underwriting Department continued with its efforts to promote and undertake projects in conjunction with relevant departments of The World Bank Group. Examples of these initiatives include participation with the World Bank Global Product Groups in sponsored sector seminars, and joint regional missions and

ongoing cooperation with the IFC and the World Bank's Project Finance and Guarantee Department. The Mobile Office visit to Morocco and Tunisia in January 2001 was part of a broader Bank Group outreach effort aimed at promoting a wider array of World Bank tools for developing the private sector. In addition, The World Bank Group's Private Sector Liaison Officer Network—national intermediaries who strengthen the relationship between The World Bank Group and the private sector in their home countries—was responsible for identifying a number of guarantee opportunities, including the 2002 Danish investment in a motor vehicle enterprise in Mozambique.

TABLE 6 TEN LARGEST OUTSTANDING COUNTRY EXPOSURES
IN MIGA PORTFOLIO, FY02

Host Country	Gross Exposure \$M	% of Gross Outstanding Portfolio	Net Exposure \$M	% of Net Outstanding
Brazil	908.6	17.3	307.3	9.6
Argentina	591.0	11.2	208.2	6.5
Peru	297.5	5.7	190.5	6.0
Turkey	259.6	4.9	142.7	4.5
Russian Federation	252.0	4.8	156.7	4.9
Dominican Republic	242.8	4.6	143.3	4.5
Romania	194.5	3.7	134.8	4.2
Tanzania	172.1	3.3	67.3	2.1
Mozambique	171.0	3.3	125.5	3.9
Nicaragua	161.9	3.1	81.0	2.5
Total	3,251.1	61.8	1,557.4	48.6

FIGURE 6 OUTSTANDING PORTFOLIO DISTRIBUTION
net coverage, by investor country, FY02, in percent



* Belgium, Denmark, Finland, Greece, India, Italy, Luxembourg, Norway, Panama, Portugal, Slovenia, Uruguay (<1% each)

FIGURE 7 GROWTH OF GROSS EXPOSURE, \$M

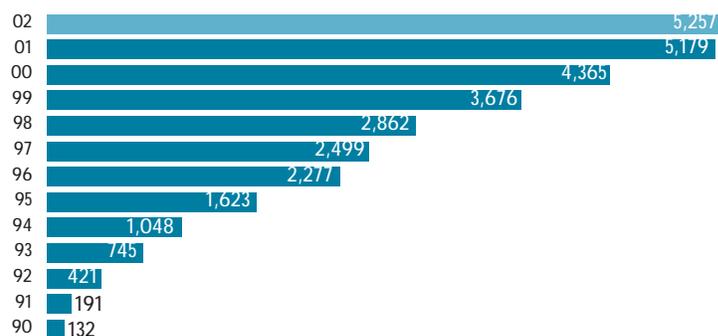
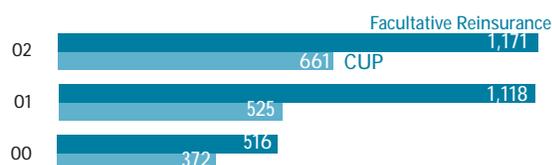


TABLE 7 MIGA GUARANTEES PORTFOLIO IN IDA-ELIGIBLE COUNTRIES FY02

IDA-Eligible Countries	Gross Exposure \$M	% of Gross	Net Exposure \$M	% of Net
Albania	8.6	0.2	8.6	0.3
Angola	19.5	0.4	19.5	0.6
Armenia	2.7	0.1	2.7	0.1
Azerbaijan	38.1	0.7	38.1	1.2
Bangladesh	79.5	1.5	64.9	2.0
Benin	8.1	0.2	7.3	0.2
Bolivia	14.6	0.3	14.6	0.5
Bosnia and Herzegovina	45.3	0.9	43.9	1.4
Cape Verde	1.1	0.0	1.1	0.0
Côte d'Ivoire	14.8	0.3	14.8	0.5
Georgia	2.1	0.0	2.1	0.1
Guinea	39.4	0.7	39.4	1.2
Guyana	18.4	0.3	18.4	0.6
Honduras	11.9	0.2	11.9	0.4
Indonesia	56.5	1.1	53.0	1.7
Kenya	123.7	2.4	64.2	2.0
Kyrgyz Republic	50.7	1.0	45.7	1.4
Lesotho	10.0	0.2	10.0	0.3
Madagascar	2.1	0.0	1.0	0.0
Mauritania	42.6	0.8	38.3	1.2
Moldova	61.1	1.2	30.6	1.0
Mozambique	171.0	3.3	125.5	3.9
Nepal	30.1	0.6	14.1	0.4
Nicaragua	161.9	3.1	81.0	2.5
Nigeria	100.0	1.9	90.0	2.8
Pakistan	153.6	2.9	123.1	3.8
Senegal	3.1	0.1	2.8	0.1
Sri Lanka	1.7	0.0	1.7	0.1
Tanzania	172.1	3.3	67.3	2.1
Togo	8.5	0.2	8.6	0.3
Uganda	32.0	0.6	25.7	0.8
Vietnam	10.0	0.2	10.0	0.3
Zambia	32.8	0.6	32.8	1.0
Total: 33	1,527.6	29.1	1,112.7	34.8

FIGURE 8 CUMULATIVE AMOUNTS OF CAPACITY MOBILIZED, \$M



Note: *Facultative reinsurance refers only to reinsurance obtained by MIGA. While some facultative reinsurance and CUP capacity had been mobilized earlier, both programs became mainstream MIGA products in 1999. Hence, all data is cumulative as of fiscal 1999.*

TABLE 8 PUBLIC INSTITUTIONS WITH WHICH MIGA HAS SIGNED MEMORANDA OF UNDERSTANDING

Compañía Española de Seguros de Crédito a la Exportación, S.A. (CESCE), Spain	June 2002
Export Credit Insurance Corporation of South Africa Ltd. (ECIC), Republic of South Africa	June 2002
Securadora Brasileira de Crédito À Exportação S/A (SBCE), Brazil	March 2002
Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Brazil	March 2002
Trade and Investment Development Corporation of Philippines (TIDCORP), Philippines	February 2002
Export Credit Guarantee Corporation of India, Ltd. (ECGC), India	February 2002
Österreichische Kontrollbank Aktiengesellschaft (OeKB), Austria	January 2002
Slovene Export Corporation (SEC), Slovenia	December 2001
African Development Bank (AfDB) *	November 2001
Export-Import Bank of Thailand (EXIM), Thailand	November 2001
Fundación ProBarranquilla, Colombia	October 2001
PROPARCO, France	July 2001
Export Credit Insurance Organization (ECIO), Greece	June 2001
Korea Export Insurance Corporation (KEIC), Korea	May 2001
PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Germany	December 2000
People's Insurance Company of China (PICC-SINOSURE), China	November 2000
FINNVERA PLC, Finland	October 2000
Finanzierungsgarantie-Gesellschaft m.b.H. (FGG), Austria	October 2000
Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) *	October 2000
Eksport Kredit Fonden (EKF), Denmark	May 2000
Malaysia Export Credit Insurance Berhad (MECIB), Malaysia	May 2000
Società italiana per la cooperazione all'estero (SIMEST), Italy	November 1999
Export Credit Bank of Turkey, Turkey	October 1999
Export Finance and Insurance Corporation (EFIC), Australia	May 1999
Nippon Export and Investment Insurance (NEXI), Japan	April 1999
ECICS Credit Insurance Ltd. (ECICS), Singapore	November 1998
Inter-Arab Investment Guarantee Corporation (IAIGC) *	February 1997
Export-Import Bank of India (EXIM Bank), India	March 1996
Compagnie Française pour le Commerce Extérieur (COFACE), France	December 1994
Islamic Development Bank (IDB) *	July 1994

* Denotes a regional multilateral organization



INVESTMENT MARKETING SERVICES

During fiscal 2002, MIGA continued to provide a broad array of technical assistance to diverse clients. The scope of services offered is extensive. Assistance includes assessment of client agencies; advice on institutional strengthening; development of FDI promotion strategies, both general and sector-specific; market intelligence; investor targeting; image building; capacity building for investment promotion intermediary management and staff; information dissemination through MIGA's online services; and development of new tools to support promotional efforts.

The department's fiscal 2002 activities encompassed 34 projects in 27 countries, and an additional five Services Development and Research initiatives (Table 9). Some 77 activities were undertaken under these programs: 37 of the activities were directed to countries in sub-Saharan Africa and 39 activities took place in IDA-eligible countries.

A key element of MIGA's technical assistance strategy is the focus on low-income countries to help develop capacity to attract investment. This has resulted in a high concentration of technical assistance activity in Africa, and the poorer countries of Asia, Latin America and the Caribbean. These clients often require more extended assistance than their counterparts in countries where the investment climate and economic and market factors are more robust. MIGA accords priority to countries with reasonably attractive legal and regulatory environments; demonstrated government commitment to attracting FDI; and the ability to absorb and use the technical assistance offered. Ideally, the country's pro-

motion of FDI opportunities should be an integral element of an overall private sector growth strategy.

Coordinating with other parts of The World Bank Group MIGA continued to break new ground in establishing relationships with the World Bank and the IFC in support of private sector development. As more and more requests for technical assistance reach the Agency, the importance of effective partnering as a means to leverage resources was highlighted in fiscal 2002. MIGA collaborated with the World Bank Private Sector Development initiatives in Guatemala, Nicaragua, Mozambique, Panama, Senegal and Thailand, providing advice and supervision of FDI components of projects. In addition, MIGA and FIAS forged implementation partnerships in Albania, Equatorial Guinea, Indonesia, Nigeria, and Panama. Collaboration is also the key element of the Multi-Agency Initiative launched in fiscal 2001, joining MIGA, FIAS, UNCTAD and UNIDO in offering a program of

TABLE 9 REGIONAL BREAKDOWN OF TECHNICAL ASSISTANCE ACTIVITIES, FY02

		Priority Areas *
Asia and Pacific	11	
Indonesia	1	IDA
Korea	3	
Lao PDR	1	IDA
Philippines	2	
Thailand	4	
Europe and Central Asia	4	
Albania	1	IDA
Armenia	2	IDA
Yugoslavia	1	IDA
Latin America and the Caribbean	12	
Bolivia	1	IDA
El Salvador	1	
Guatemala	4	
Nicaragua	2	IDA
Panama	4	
Middle East and North Africa	2	
Egypt	1	
Saudi Arabia	1	
Sub-Saharan Africa	37	
Burkina Faso	1	IDA, SSA
Côte d'Ivoire	1	IDA, SSA
Equatorial Guinea	2	SSA
Ghana	3	IDA, SSA
Malawi	1	IDA, SSA
Mali	2	IDA, SSA
Mozambique	6	IDA, SSA
Nigeria	1	IDA, SSA
Senegal	1	IDA, SSA
Tanzania	9	IDA, SSA
Uganda	5	IDA, SSA
Zambia	2	IDA, SSA
Regional	3	SSA
Global Activities	11	

* Includes IBRD/IDA blend countries

coordinated support to Cambodia, Mali, Mozambique, Tanzania and Uganda.

GLOBAL PRODUCTS AND SERVICES

Most of the technical assistance that MIGA provides is country- and client-specific, tailored to meet individual demands and capabilities. Country profiles of MIGA's technical assistance activities appear in the regional discussions later in this report. In addition, MIGA has spearheaded several global initiatives disseminating information in an innovative and cost-effective manner. These initiatives are discussed below.

Taking the Pulse of the FDI Marketplace In January 2002, a foreign direct investment survey was released. The survey was undertaken with the assistance of Deloitte Touche Tohmatsu, to further understand the medium-term global expansion plans of international companies, the business objectives behind investment decision-making, and the geographic locations most likely to benefit from global expansion. Some 191 companies responded, including some of the world's largest transnational corporations. Nearly 80 percent of the respondents indicated plans for overseas expansion. A follow-up survey, conducted in the wake of September 11th and the worsening global economic climate, indicated that most firms intended to postpone rather than cancel their expansion plans.

Continuing Innovation in Online Service Delivery MIGA is a recognized leader in the area of online investment information, developing and launching websites, authoring software for investment promotion and conceiving and leading training programs for online market research. MIGA's flagship website, *IPAnet* (www.ipanet.net), was launched in 1995 as a portal for those with an interest in FDI. PrivatizationLink followed in 1998, as an online marketplace for enterprises slated for divestiture. Other regional online services, such as the African Connection and PrivatizationLink Russia, have been developed by MIGA during the past six years. Most recently, MIGA launched the FDI Xchange—a customized information service using e-mail updates to share information about investment opportunities worldwide. (See Box)

FDI Xchange

MIGA's new customized information service

MIGA secured its position at the leading edge of online technology with the launch of the FDI Xchange (www.fdixchange.com) in February 2002. The FDI Xchange is a free, e-mail-based service that delivers customized information to registrants about direct investment opportunities, business environment analysis, and FDI research on developing countries and economies in transition. This new functionality allows selected investment intermediaries to post up-to-date information directly onto MIGA's database for dissemination to users of this service. Content providers from over 30 countries to date have entered into cooperation agreements with MIGA to provide information.

The FDI Xchange uses much of the information gathered through MIGA's existing online services for the international investor community, the Investment Promotion Network (*IPAnet*) and specialized auxiliary website, PrivatizationLink. Nonetheless, the personalized delivery of periodic e-mails to users presents a new standard in information technology in the services offered by The World Bank Group.

FDI Xchange is ideal for information seekers who are tracking development and new opportunities in particular countries and sectors. Its one-time registration process allows users to set the regional, sectoral and investment parameters for the e-mails that they will receive. For users who prefer to browse and search MIGA's entire database, *IPAnet* and PrivatizationLink continue to facilitate access to over 13,000 business environment, legal or FDI-related documents classified by topic, and refined further by geographical region and investment sector.

When new information resources are added to MIGA's online document database, abridged versions of these documents are e-mailed directly to registrants who have indicated an interest in the topic. Members may choose to read the full-text of the online documents and, in the case of investment opportunities, may fill out an e-mail response form addressed to the organization administering each opportunity.

Demand for MIGA's online services is robust and continues to grow. Monthly user traffic reached one million hits in April 2002. Content on MIGA's IPAnet site expanded substantially over the past year, and new documents and links keep the site current to encourage repeat use. Of the almost 13,000 information resources catalogued in IPAnet, more than 30 percent are related to IDA-eligible countries. At the beginning of fiscal 2002, IPAnet was redesigned, with additional navigation functionality to facilitate access to IPAnet information resources. IPAnet continues to attract heavy traffic, averaging more than 15,000 unique visitors per month during fiscal 2002.

Likewise, MIGA's PrivatizationLink (www.privatizationlink.com) witnessed more than one million hits in fiscal 2002, averaging over 8,100 visitors per month. This service provides online information on privatization activities worldwide and supports national privatization agencies in marketing state-owned enterprise and assets. PrivatizationLink now features privatization information on more than 70 developing countries and company profiles from some 50 agencies worldwide. More than 674 project profiles are online, an increase of more than 25 percent over last year.

Spreading news on FDI worldwide. In fiscal 2001, MIGA began publication of the Investment Promotion Quarterly (IPQ), distributed via e-mail to investment promotion agencies in developing countries as well as to the multinational and bilateral agencies involved with FDI issues. The IPQ is available to all organizations on request and provides an overview of new best practice research and recent MIGA initiatives and country programs in the field of FDI. Since 1998, MIGA has also published a monthly e-mail newsletter, the IPAnet Briefing, which goes to registrants of the Agency's online services. The electronic

newsletter features information on current FDI research, time-sensitive investment opportunities (e.g., privatization tenders), upcoming conferences and events, MIGA activities and profiles of recent transactions, as well as summaries of new content available through the online services. This publication now has a circulation of over 16,000, drawn primarily from business and government circles.

In addition, MIGA has established the "FDI Topic Page" within The World Bank Group-supported Development Gateway web portal, and is managing the online discussions and content additions on an ongoing basis. The FDI topic page has become one of the most content-rich and frequently visited sections within the Gateway, providing easy access to a wealth of FDI-related policy analysis and business/academic research on foreign direct investment. The Gateway Foundation is also supporting the deployment of MIGA's FDI Xchange in countries throughout the developing world through funding provided by the government of Japan.

With the cooperation and support of the World Association of Investment Promotion Agencies (WAIPA), MIGA conducted customized regional workshops in Cameroon, China, Fiji, Jamaica, Jordan, Senegal, South Africa, and Uganda to help investment intermediaries from more than 25 countries utilize web-based tools and resources to research target sectors and gather market intelligence. The multi-country workshops included presentations on strategy issues and provided participants with hands-on case study work and exercises to identify sector trends and target potential investors by using web-based business research resources.



LEGAL AND CLAIMS

MIGA's Legal Affairs and Claims Department provides legal advice to underwriters regarding the issuance of guarantees, handles claims for compensation brought under contracts issued by MIGA, and guides countries into membership in MIGA. The department also provides assistance in the settlement of investment disputes.

The possibility of a claim for breach of contract in China was avoided late in the fiscal year. Following two and a half years of negotiation, MIGA helped resolve a dispute between El Paso Corporation, an American firm, and sub-sovereign entities in the People's Republic of China over the tariffs to be charged by the four peaking power plants in Jiangsu Province in which El Paso had invested. The investments were insured in the early 1990s for an aggregate amount of \$65 million against a range of political risks, including the failure of local authorities to adhere to terms of agreements under which power was to be purchased from the projects. The country sought to rationalize power purchase prices paid to energy producers in the wake of the economic downturn of 1997 in ways that risked violating the agreements previously entered into with El Paso. A settlement that took account of the interests of both sides was reached in May 2002, and the risk of a claim was averted.

In addition to resolving investment disputes in which it is involved as an insurer, MIGA, in accordance with its Convention, uses its good offices to encourage the settlement of

other disputes between investors and member countries. At any given time, MIGA's legal staff may be consulting on as many as a dozen investment disputes around the world. During fiscal 2002, MIGA provided legal assistance and guidance to parties from numerous countries that sought creative approaches to the resolution of their investment-related disputes. MIGA's objective in these cases is to resolve disputes before they require formal arbitration.

A particularly contentious dispute, resolved in fiscal 2002, illustrates the range of issues that can arise between foreign investors and host countries. The claimant in the matter of Sanyo Hellas Holding, S.A., a Greek company, sought redress against Ukraine for alleged wrongful deprivation of an equity interest in a natural gas venture majority-owned by the Ukrainian state and a local private partner. The gas project in the Poltava region of Ukraine appears to have been caught up in the difficulties attendant upon privatization of energy sector investments in the country. Negotiations between the parties led to the resolution of the dispute and the

establishment of a new natural gas venture along the Black Sea. The new project is moving forward successfully.

In addition, MIGA continues its efforts to negotiate a resolution of more than 40 expropriation claims relating to actions taken by the Ethiopian government in the 1970s. These claims have jeopardized Ethiopia's ability to attract foreign investment. Following several rounds of talks with Ethiopian authorities in the past year, analysis of most of the claims is now complete. MIGA is awaiting concrete offers from Ethiopia to the claimants whose cases are most advanced.

In an effort to streamline MIGA's contracts, and following extensive client review, the Legal Department has prepared a set of new standard contracts of guarantee. The new contracts have been approved by the Board and will be introduced in the new fiscal year.

Over the years, the Legal Department has assumed primary responsibility for guiding states into membership in the Agency. Afghanistan, where MIGA hopes to play an important role in reconstruction efforts, Maldives, and Iran all signed the MIGA Convention this year, taking the first step toward membership. Three countries, Chad, Syrian Arab Republic, and the Federal Republic of Yugoslavia completed the process of joining MIGA—the latter fulfilling the requirements to succeed to the rights and obligations of the former Socialist Federal Republic of Yugoslavia.



POLICY AND EVALUATIONS

ENVIRONMENT

MIGA carries out careful due diligence to ensure that all prospective guaranteed projects will comply with all relevant environmental policies and guidelines. This year, MIGA's environment officers undertook due diligence reviews of, and provided clearance for 33 prospective MIGA-supported projects. Announcements of the availability of Environmental Impact Assessments for all new sensitive (Category A) projects considered by MIGA during fiscal 2002 were posted on the MIGA's website.

At the request of its Board of Directors, staff also reported to the Board on the effects of implementing MIGA's Environmental Assessment Policy and Disclosure Policy during fiscal years 2000 and 2001. In May 2002, the Board approved the continued use of those policies, as well as the use of issue-specific environmental and social safeguard policies on an interim basis. These issue-specific interim policies, available on MIGA's website, are consistent with those of the IFC and IBRD, and were made available for public comment through the MIGA website until September 2002. The comments received, as well as the findings of a review of the IFC's safeguard policies by the Compliance Advisor/Ombudsman (CAO) (see Box next

page), will be considered in any modification of MIGA's safeguard policies.

MIGA worked cooperatively with IFC's environment staff on joint reviews of several IFC-MIGA projects. Staff also worked with counterparts in the Berne Union association of investment insurers to discuss the impact of environmental due diligence and environmental requirements on the provision of political risk investment insurance.

POLICY COORDINATION

Ensuring the effective utilization of The World Bank Group's resources and avoiding duplication of services is vital, especially for a relatively small agency like MIGA. To that end, MIGA staff participated in a wide range of joint task forces (such as one constituted to better respond to the needs of low income countries under stress) and provided inputs into The World Bank Group's country assistance strategies for more than 20 countries. Additionally, staff participated in joint missions and conferences, gave presentations on MIGA activities to a variety of audiences (from NGOs to government ministers), and responded to policy-related queries from interested parties.

OPERATIONS EVALUATION

As a development institution, the rationale for MIGA activities is the impact of supported projects and services in developing countries. In fiscal 2001, MIGA established a separate Operations Evaluation Unit (OEU) to better assess *ex post* the development effectiveness of MIGA operations. These *ex post* evaluations provide an assessment as to the extent to which MIGA fulfills its development mandate. The evaluation can improve the future impact of MIGA operations by providing staff with lessons from past projects and upstream feedback.

Beginning in fiscal 2003, OEU will become a fully independent entity and will operate under the oversight of the Director-General, Operations Evaluation (DGO). The DGO also oversees the evaluation functions of IBRD/IDA and IFC (OED and OEG, respectively) and reports directly to the Board of Directors.

In fiscal 2002, evaluation staff concentrated their efforts on enhancing the methodology for evaluation of MIGA guarantee projects and bringing it into closer harmonization with evaluation methods used elsewhere in The World Bank Group. The OEU continued the evaluation of guarantee projects and cooperated on joint World Bank evaluations of assistance to Bulgaria, Peru and Russia, and on the Private Sector Development in Electricity review. Evaluation staff also provided feedback into the underwriting process on whether a guarantee project under consideration is likely to have beneficial developmental impacts. A new Multi-Year Evaluation Framework to define the scope of evaluation work at MIGA during the next five years was approved by the Board of Directors and will be implemented beginning in fiscal 2003.

COMPLIANCE ADVISOR/ OMBUDSMAN

During fiscal 2000, a new IFC-MIGA Office of the Compliance Advisor/Ombudsman (CAO) was created. The CAO promotes better accountability to people affected by IFC and MIGA projects. It is an independent office, reporting directly to the President. The CAO carries out its function in three ways: by serving as an ombudsman, responding to concerns from outside the organization; by advising on compliance with safeguard policies; and by auditing compliance with those policies. Its mandate is to assist people affected by IFC- and MIGA-supported projects by addressing complaints in a fair, objective, and constructive manner and to enhance the social and environmental impact of such projects.

To date the CAO has accepted 12 complaints, two of which were related to MIGA projects. The CAO has carried out one compliance review of a MIGA project and has initiated a review of the environmental and social procedures used by MIGA.

To ensure that people who need the CAO's services know how to access them, the CAO now makes its operational guidelines available in print and electronically in Arabic, Chinese, English, French, Portuguese, Russian, and Spanish.