OPERATIONAL OVERVIEW

Guarantees

Technical Assistance

Online Dissemination of Investment Information

Legal and Claims

Regional Activities

Guarantees

2004 marked a welcome upswing in foreign direct investment in the developing world to an estimated $165 billion in FDI inflows, following a protracted slump earlier in the decade. While the bulk of this investment continues to go to larger, more developed countries such as China, the development impact of FDI can be quite significant in smaller, poorer countries, when considering flows as a share of gross domestic product. Prospects for increased FDI into developing countries appear promising in the near-term, and there is an encouraging trend in the rise of investment flows originating from developing countries.

Concerns about geopolitical uncertainties, particularly in countries considered high risk, continued to remain high on the site selection agenda for foreign investors in fiscal 2005, as did investment climate—both of which underscore the need for MIGA's political risk insurance and technical assistance, to get investors in the door and help governments develop and market more business-friendly environments.

The political risk insurance market is seeing changes as well, with important implications for MIGA. Capacity is up following the volatility and contraction of recent years, but with overall deal-flow down, supply is beginning to outpace demand. In the private market, tenors over five years are still not widely available, however, and insurers are also becoming more selective about the sectors they participate in. In addition, countries with a high-risk perception, such as conflict-affected and frontier (high risk and/or low income), are not well served by the private market. This landscape further highlights the important contribution MIGA can make by promoting FDI where it is needed most.

In fiscal 2005, MIGA issued $1.2 billion in guarantee coverage for 62 contracts in support of 33 new projects. By the end of the fiscal year, five commitment letters were outstanding, totaling an additional $123.2 million. Many of the contracts focused on MIGA's priority areas: 20 were for projects in frontier markets, four supported South-South investments, 12 were for projects in conflict-affected countries, and seven supported infrastructure investments (see Table 2).

During the fiscal year, MIGA also supported 20 projects in IDA-eligible (the world's poorest) countries and eight projects in sub-Saharan Africa, special areas of focus. In terms of gross exposure, IDA-eligible countries accounted for 42 percent of the gross portfolio (see Table 3)—nearly a 25 percent increase over the previous fiscal year—while coverage for projects in sub-Saharan Africa accounted for a 16.5 percent portfolio share. (See Box 1 for an illustration of MIGA's support for, and World Bank Group collaboration in, a project in IDA countries.)

Support for small and medium-size enterprises (SMEs) also grew in FY05, with guarantees issued for nine projects. The agency's insurance for banking operations had a significant, indirect impact on SMEs. For example, guarantees in support of branch expansion in the post-conflict countries of Eastern Europe is helping make credit more accessible at lower rates and for longer-terms to SMEs operating in these countries. In addition to these benefits, the competition spurred by foreign banks often leads to new technologies, better services, and new products—ultimately benefiting SMEs. In FY05, MIGA continued to develop its Small Investment Program, which offers a specialized, streamlined underwriting process designed specifically for this special class of investors. The agency furthered its support for SMEs by reinsuring coverage by the Slovene Export Corporation for an SME investment in Serbia and Montenegro.

During the fiscal year, MIGA supported projects in six new host countries: Belarus, Burkina Faso, Democratic Republic of Congo, Latvia, Lao PDR, and Thailand. Another first included guarantee coverage for three waste management projects—in Egypt, Senegal, and Uruguay—reflecting the agency's ongoing commitment to facilitate investments not just in infrastructure, but also in this important sub-sector, identified as an area of

Table 2 Projects Supported in Fiscal 2005

Host Country	Guarantee Holder	Investor Country	Sector	Amount $ M (incl. CUP)	Priority/Area of Interest[b]
Asia and the Pacific					
China	Dragados Servicios Portuarios Logísticos	Spain	Infrastructure	6.1	INF
Lao PDR/Thailand	Fortis Banque SA, Fortis Bank NV, EDF International	Belgium, France	Infrastructure	90.6	IDA, INF, NHC
Pakistan	Habib Bank AG Zurich	Switzerland	Finance	5.9	F, IDA
Europe and Central Asia					
Belarus	Raiffeisen Zentralbank Österreich AG	Austria	Finance	28.5	F, NHC
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG*	Austria	Finance	46.7	
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Finance	10.6	CA, F, IDA, SME
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Finance	1.9	CA, IDA, F
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Finance	6.3	CA, F, IDA, SME
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Finance	6.4	CA, F, IDA
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Finance	12.2	CA, F, IDA
Bosnia and Herzegovina	Raiffeisen Zentralbank Österreich AG	Austria	Finance	40.5	CA, F, IDA
Croatia	Raiffeisen Zentralbank Österreich AG	Austria	Finance	128.1	
Croatia	Raiffeisen Zentralbank Österreich AG	Austria	Finance	43.3	SME
Latvia	Baltic-American Mortgage Holdings LLC, Baltic-American Mortgage Trust 2004-1	United States	Finance	10.1	NHC
Romania	Raiffeisen Zentralbank Österreich AG	Austria	Finance	25.7	
Romania	Raiffeisen Zentralbank Österreich AG	Austria	Finance	23.8	
Romania	Bank Austria Creditanstalt AG	Austria	Finance	35.3	
Russian Federation	Raiffeisen Zentralbank Österreich AG	Austria	Finance	47.5	
Russian Federation	WTE Wassertechnik GmbH*	Germany	Infrastructure	56.4	
Serbia and Montenegro	Slovene Export Corporation, Inc. (Alpos)	Slovenia	Manufacturing	3.6	CA, F, IDA, SME, S-S
Serbia and Montenegro	Bank Austria Creditanstalt AG*	Austria	Finance	11.7	
Serbia and Montenegro	Raiffeisenbank AS	Czech Republic	Finance	82.2	CA, F, IDA, SME
Serbia and Montenegro	Raiffeisenbank AS	Czech Republic	Finance	24.8	CA, F, IDA, SME
Serbia and Montenegro	Raiffeisenbank AS	Czech Republic	Finance	49.3	CA, F, IDA
Ukraine	Raiffeisen Zentralbank Österreich AG	Austria	Finance	18.1	
Latin America and the Caribbean					
Brazil	Elecnor SA, Cobra Instalaciones y Servicios SA, Isolux Wat SA*	Spain	Infrastructure	25.7	
Brazil	Cooperative Centrale-Raiffeisen-boeren-leenbank BA	The Netherlands	Finance	66.5	
Uruguay	Abengoa SA	Spain	Infrastructure	0.7	INF
Middle East and North Africa					
Egypt	Urbaser SA	Spain	Infrastructure	6.4	INF
Sub-Saharan Africa					
Burkina Faso	Dagris	France	Manufacturing	38.3	F, IDA, NHC, SSA
Democratic Rep. of Congo	RMB International (Dublin) Limited, Anvil Mining Ltd.[a]	Ireland/Canada	Mining	13.6	F, IDA, SSA
Ghana	Investcom Holding SA	Luxembourg	Infrastructure	99. 0	F, IDA, INF, SSA
Ghana	West African Gas Pipeline Company Limited	Bermuda	Oil and Gas	75. 0	F, IDA, SSA
Mozambique	KfW—Kreditanstalt für Wiederaufbau*	Germany	Mining	12.4	
Nigeria	Antoine G. Boulos and Gabriel G. Boulos	Lebanon	Manufacturing	6.3	CA, F, IDA, SSA, SME, S-S
Nigeria	Manaksia Limited, State Bank of India, ICICI Bank	India/United Kingdom	Manufacturing	7. 0	CA, F, IDA, SSA, S-S
Senegal	Azienda Municipalizzata per l'Ambiente SpA, AMAS International	Italy	Infrastructure	15.7	F, IDA, INF, SSA
Uganda	Eskom Enterprises (Pty.) Ltd., Globeleq Holdings (ConCo) Ltd.	South Africa/ Bermuda	Infrastructure	40.5	F, IDA, INF, SSA, S-S
Uganda	Afriproduce Ltd.*	Virgin Islands (UK)	Manufacturing	3.1	

* *Additional coverage provided to projects underwritten in previous fiscal years and counted towards projects supported in previous fiscal years.*

[a] *Includes $6.8 million in guarantees placed in the market through the Cooperative Underwriting Program.*

[b] *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; and S-S: support to a South-South investment between developing countries.*

Box 1 World Bank and MIGA Collaborate on West Africa Gas Pipeline

The West African Gas Pipeline project, launched in December 2004, is a good illustration of MIGA's support for projects in markets reliant on regional economies, and demonstrates the complementary effects of World Bank Group products, as well as MIGA's unique role in providing support for inter-regional projects and mobilizing private insurance capacity.

The project involves the construction of a 678 km pipeline to transport natural gas from Nigeria to Ghana, Togo, and Benin. The pipeline will allow abundant and cheap natural gas from Nigeria to replace the expensive alternate fuels used by the power, industrial, mining, and commercial sectors in the recipient countries. The project is part of an overall strategy of these countries to improve the efficiency of their energy sectors, by decreasing input costs and diversifying fuel supply. It is a high-visibility project, and part of the New Partnership for Africa's Development (NEPAD) action plan. It is also a key component of the World Bank's West Africa Regional Integration Assistance Strategy.

A critical element of the project was the decision of the West African Pipeline Company Limited (WAPCO)—the project sponsor—to proceed only with the appropriate mitigation of risks, particularly those related to the gas purchase obligations of the power utilities in Ghana, Togo, and Benin. The Ghanaian government, which had committed to buy most of the gas, also sought guarantees to cover its payment obligations and ultimately obtained a partial risk guarantee from IDA. The investor, in the meantime, sought out political risk coverage from MIGA and other insurers, which offered additional assurance that contractual obligations would be fulfilled. Both the IDA and MIGA guarantees cover the Ghanaian government's payment obligations, although MIGA's guarantee was signed directly by the investor and did not require a counter guarantee from Ghana. The participation of both MIGA and IDA in this project was key to helping kick-start the development of gas markets in Ghana, Togo and Benin.

special need under the Millennium Development Goals. FY05 also marked the first coverage issued by MIGA for a mining project since completion of the Extractive Industries Review in 2004.

The results for FY05 bring total coverage issued since MIGA's inception to $14.7 billion, including amounts leveraged through the Cooperative Underwriting Program. As Figure 3 shows, MIGA experienced a decrease in gross exposure, which dipped slightly to $5.1 billion. Net exposure also dropped, from $3.2 billion last fiscal year to $3.1 billion in fiscal year 2005, due mainly to a maturing of the portfolio.

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 due to new underwriting following a change either in the investment parameters or in the guaranteed amount. In fiscal 2005, about 43 percent of all cancellations were related to changes in the corporate strategies of guarantee holders, with a further 33 percent of loans repaid and about 11 percent of projects being sold to other investors who then decided not to keep MIGA's coverage. In several other instances, investors cancelled the insurance, citing an improved business environment and a better risk profile.

Figure 3 Gross Exposure, $ M
as of June 30, 2005

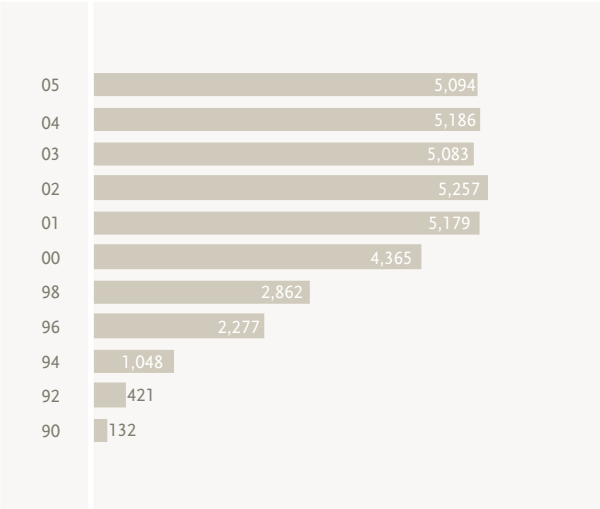


Table 3 MIGA's Outstanding Guarantee Portfolio in IDA-Eligible Countries

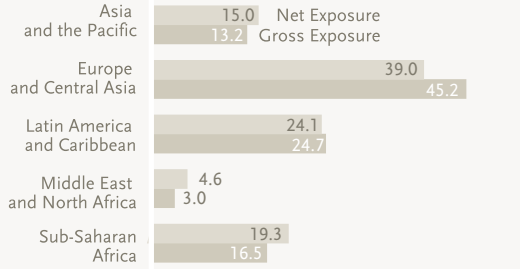
IDA-eligible Countries	Gross Exposure ($ M)	% of Gross	Net Exposure ($ M)	% of Net
Serbia and Montenegro	349.4	6.9	163.8	5.2
Mozambique	300.2	5.9	163.9	5.2
Bosnia and Herzegovina	270.6	5.3	160.9	5.1
Ghana	174.0	3.4	151.7	4.8
Vietnam	143.2	2.8	56.6	1.8
Pakistan	136.8	2.7	106.7	3.4
Nicaragua	107.3	2.1	54.2	1.7
Nigeria	101.8	2.0	80.3	2.6
Lao PDR	90.6	1.8	45.3	1.4
Moldova	62.0	1.2	31.4	1.0
Indonesia	52.4	1.0	52.0	1.7
Kenya	49.3	1.0	27.5	0.9
Uganda	43.6	0.9	23.1	0.7
Burkina Faso	35.4	0.7	31.8	1.0
Bangladesh	32.9	0.6	32.9	1.0
Mauritania	30.3	0.6	27.2	0.9
Nepal	30.0	0.6	14.1	0.4
Mali	23.4	0.5	21.1	0.7
Côte d'Ivoire	18.1	0.4	18.1	0.6
Kyrgyz Republic	15.4	0.3	14.0	0.4
Senegal	15.1	0.3	13.6	0.4
Guinea	14.1	0.3	14.1	0.4
Albania	8.6	0.2	8.6	0.3
Congo, Democratic Rep.	6.8	0.1	6.1	0.2
Angola	6.4	0.1	6.4	0.2
Togo	3.8	0.1	3.8	0.1
Benin	3.4	0.1	3.4	0.1
Armenia	2.7	0.1	2.7	0.1
Georgia	2.1	0.04	2.1	0.1
Sri Lanka	1.7	0.03	1.7	0.1
Burundi	0.9	0.02	0.8	0.03
Azerbaijan	0.9	0.02	0.8	0.03
Madagascar	0.8	0.02	0.4	0.01
Cape Verde	0.5	0.01	0.5	0.02
Total	**2,134.5**	**42.14**	**1,341.6**	**42.59**

Portfolio Diversification

Regional Diversification

The regional breakdown of guarantees issued in fiscal 2005 continued to mirror regional FDI flows, with Europe and Central Asia accounting for the largest exposure (45.2 percent) for the second consecutive year. This increase was largely driven by buoyant investment activity by Austrian banks, encouraged by a more stable political environment in the region, particularly in the Balkans. In addition, MIGA issued its first guarantees in Latvia, a new host country, in support of a mortgage-backed international securitization. MIGA's gross exposure in Latin America and the Caribbean declined from 33.5 percent in fiscal 2004 to 24.7 percent in fiscal 2005, due in part to continued weak investment activity in the region and guarantee cancellations, as well as to the increased share of other regions. Sub-Saharan Africa's share of the portfolio increased to 16.5 percent in fiscal 2005, due mainly to new projects in Burkina Faso, Democratic Republic of Congo, Ghana, Nigeria, Senegal, and Uganda. Asia's share of the portfolio increased slightly to 13.2 percent, while guarantees for projects in the Middle East and North Africa dropped from 5 percent in fiscal 2004 to 3 percent in fiscal 2005, due to subdued investment flows in the region and a number of guarantee cancellations. (See Figure 4.)

Figure 4 Outstanding Portfolio Distribution by Host Region, in Percent, as of June 30, 2005



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

With respect to the 10 largest host country exposures in MIGA's portfolio (see Table 4), Ghana ranked for the first time among MIGA's top ten, due to two new projects completed during the fiscal year. Two post-conflict countries—Bosnia and Herzegovina and Serbia and Montenegro—remained on the top ten list for the second consecutive year. Brazil continues to account for MIGA's largest exposure overall, although its gross share decreased from 12.1 percent in fiscal 2004 to 7.5 percent in fiscal 2005, hence releasing scarce capacity to underwrite new business.

Sectoral Diversification

As Table 5 shows, relative sector shares of MIGA's gross portfolio were influenced to a large degree by an increase in the financial sector, which grew from 35 percent of the portfolio to 39 percent this fiscal year—reflecting the steady flow of business from Austrian banks into Eastern Europe. Infrastructure's share also increased albeit to a lesser extent—from 38 percent last fiscal year to 39 percent in FY05. But guarantee size does not tell the whole story. Small amounts of guarantees can have a huge impact, as in Egypt, where MIGA's support is enabling a waste management project to improve the collection and disposal of solid waste, with significant health and environmental benefits. And although power projects represent a modest part of the overall portfolio, their impact can be substantial. During the fiscal year, MIGA insured two large power projects—a distribution privatization in Uganda and the Nam Theun 2 hydropower plant in Lao PDR. MIGA's support for Nam Theun 2, in collaboration with the World Bank Group and other partners, involved guarantees of up to $91 million.

Although FY05 saw an increase in MIGA's pipeline of infrastructure projects, the sector still has not fully recovered from the recent decline in investment. Infrastructure investors continue to be wary of investments in developing countries, where projects have been less profitable than expected, with many investors underestimating the complexities of operating in a sector that is politically sensitive. Financial constraints, exacerbated by several years of sharply declining share prices, have restricted the ability of many companies to make new infrastructure investments, while macroeconomic, legal, and regulatory concerns have affected investor appetite for the relatively few investment opportunities that have been available. MIGA has a role to play in terms of working with both governments and investors to address some of these concerns before deals are finalized. The agency is developing a new approach, in collaboration with the World Bank's Project Finance Group, to improve its ability to work more effectively upstream.

Investor Country Diversification

The diversification of investor countries remains an important goal for the agency as it manages its portfolio and seeks to be of value to all its member countries. Of significant note is the growing representation of developing countries among those supported by MIGA guarantees. Since becoming an investor country in FY04, the Czech Republic has increased its share of gross exposure to 5.4 percent of MIGA's portfolio, heading the

list of developing country investors and joining the overall top ten. South Africa is the second-largest developing country investor in MIGA's portfolio, and seventh overall. For the first time, Lebanese and Indian investors sought MIGA coverage, for two new projects in Nigeria. For the second year in a row, Austria was the largest investor country in MIGA's portfolio, with much of its activity related to banking sector investments in the Balkans, as explained above. (See Figure 5.)

Environment 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 Nam Theun 2, Sasol Gas Pipeline, and West Africa Gas Pipeline, and on environment and social policy developments, paying particular attention to the IFC's process for updating its safeguard and disclosure policies. Social and environmental specialists from MIGA participated in IFC-led dialogues with civil society organizations and meetings with the World Bank. These efforts will feed into an upcoming revision of MIGA's safeguard and disclosure policies, planned to take place within a year of Board approval of IFC's policies, scheduled for consideration in October 2005.

The fiscal year also saw MIGA begin to more systematically monitor the 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. At the individual transaction level, this has been evidenced by collaboration on a number of joint projects, such as the West African Gas Pipeline project in Ghana, the mortgage-backed securitization in Latvia, the Nam Theun 2 power project in Laos PDR/Thailand, and the Umeme power project in Uganda. In an effort to enhance its support to conflict-affected countries, MIGA also worked jointly with the World Bank on the establishment of a guarantee facility for Afghanistan, with funding provided by IDA and the Asian Development Bank. The facility was launched in fiscal 2005, and a training workshop was conducted in Dubai for officials of the Afghanistan Investment Support Agency. Other activities included joint supervision of the Regional Trade Facilitation Project, which set up the African Trade Insurance Agency, and reaching out to selected World Bank country offices to step up marketing and business development efforts.

Table 4 Ten Largest Outstanding Country Exposures in MIGA Portfolio, as of June 30, 2005

Host Country	Gross Exposure ($ M)	% of Gross	Net Exposure ($ M)	% of Net
Brazil	382.6	7.5	139.3	4.5
Bulgaria	351.5	6.9	131.0	4.2
Serbia and Montenegro	349.4	6.9	163.8	5.2
Croatia	312.5	6.1	193.3	6.2
Mozambique	300.2	5.9	163.9	5.2
Romania	286.5	5.6	139.0	4.4
Russian Federation	271.0	5.3	145.0	4.6
Bosnia and Herzegovina	270.6	5.3	160.9	5.1
Ukraine	180.8	3.6	115.8	3.7
Ghana	174.0	3.4	151.7	4.8
Total	**2,879.1**	**56.5**	**1,503.7**	**47.9**

Table 5 Outstanding Portfolio Distribution, by Sector, Gross Exposure, in Percent, as of June 30, 2005

	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Infrastructure	19	29	29	36	41	38	39
Financial	42	34	36	35	29	35	39
Oil, Gas and Mining	16	14	14	12	12	11	9
Tourism and Services	7	10	8	6	7	7	5
Agribusiness and Manufacturing	16	13	13	11	11	9	8
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Reinsurance

Reinsurance arrangements with other insurers remain an important aspect of MIGA's risk exposure management, helping to ensure the availability of sufficient capacity to support large projects. MIGA's involvement encourages other insurers to participate in projects they might otherwise shun and to venture into frontier markets, while enabling them to provide longer tenors. These insurers also benefit from MIGA's expertise in risk analysis and claims and recovery procedures. At the end of fiscal 2005, $2 billion of MIGA's total gross exposure of $5.1 billion was reinsured. MIGA placed a total of $353 million during fiscal 2005 through facultative reinsurance and two contracts totaling $6.8 million under the Cooperative Underwriting Program (see Figure 6).

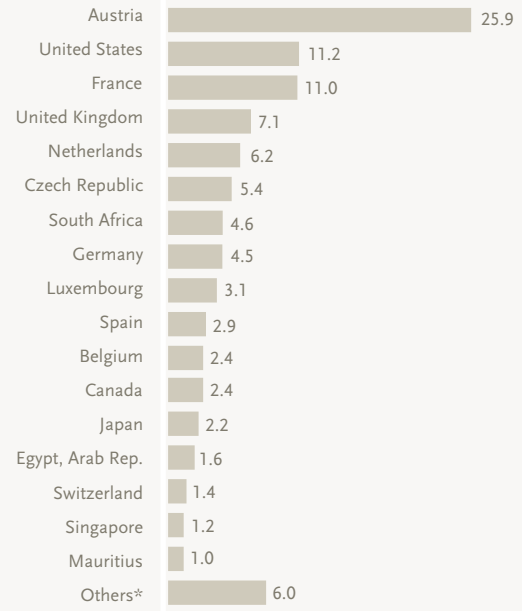
Private Partners

Through its facultative reinsurance program, MIGA supported 11 projects in six countries, complementing its own capacity with that sourced from private insurance partners. MIGA's treaty reinsurance partners, ACE Bermuda Insurance Co. Ltd. and XL Re Ltd., continue to provide reinsurance for MIGA-guaranteed projects. Under its quota share treaty reinsurance program, MIGA cedes a portion of the contingent liability related to the contract it writes to its treaty reinsurers.

Public Partners

MIGA provided reinsurance to the Slovene Export Corporation for one project in fiscal 2005 and co-sponsored training for export credit and investment promotion agencies from the emerging economies of Eastern Europe. In addition, MIGA formed a partnership with the Export-Import Bank of India (Exim-Bank) and the Export Credit Guarantee Corporation of India (ECGC) to provide a package of services that combines competitively priced financing with political risk mitigation to Indian companies investing overseas.

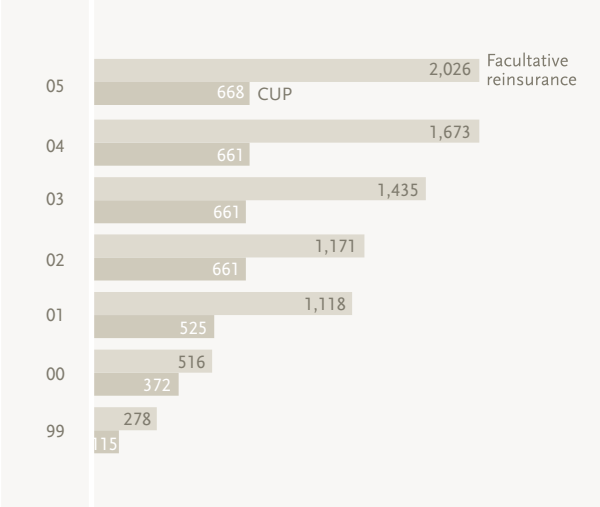
Figure 5 Outstanding Portfolio Distribution, by Investor Country, Gross Exposure, in Percent, as of June 30, 2005



** Australia, Costa Rica, Denmark, Greece, India, Ireland, Israel, Italy, Lebanon, Norway, Panama, Poland, Portugal, Sweden, Senegal, Slovenia, Tunisia, and Turkey*

Note: Figure does not add up to 100 due to rounding.

Figure 6 Cumulative Amounts of Facultative Reinsurance and CUP, $ M, as of June 30, 2005



Exim-Bank will provide financing, while MIGA and ECGC will work together through reinsurance and coinsurance agreements to cover political risks. MIGA also signed a Memorandum of Understanding with the Dutch government for the provision of reinsurance to MIGA. The Dutch government established this reinsurance facility—with a maximum aggregate new exposure of €150 million in any one year—to support Dutch companies seeking political risk insurance for their investments abroad in situations where there has been a market failure. MIGA signed a memorandum of understanding with Sinosure to expand coverage to Chinese investors for South-South investments.

Technical Assistance

MIGA provides technical assistance to help government and other intermediaries involved in promoting investments improve their ability to respond effectively to investor needs as they prepare and implement investments. In fiscal 2005, demand for MIGA's technical assistance services continued to be strong, with 32 new requests for services received from the agency's member countries. This brought the agency's active technical assistance (TA) portfolio up to 54 projects covering 40 countries.

Investment promotion intermediaries promote foreign direct investment through a combination of activities, with the goal of generating economic growth and creating jobs. They attract investors to specific locations using a host of promotion tools; serve existing investors, for example, helping them solve potential problems encountered while operating within a country; conduct policy advocacy, encouraging governments to make changes to increase a country's attractiveness as an investment destination; and help to 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 global experience able to provide the broad-based package of assistance needed to build the institutional capacity of these agencies, in areas such as strategic planning, marketing, and sector targeting, and improving responsiveness to investor needs through information services.

Each country engagement typically commences with an institutional needs assessment that forms the basis for the development of a tailored technical assistance plan. Almost all of MIGA's TA projects are based on partnerships, not just within the Bank Group, but with the broader development community.

During fiscal 2005, the agency's technical assistance and underwriting activities were brought together in a newly formed Operations Department, designed to enhance synergies between the two product lines. TA program activities are now more closely aligned with guarantee products, enabling MIGA to create integrated solutions tailored to meet the investment promotion needs of developing country members. For example, investor outreach tools and programs in conflict-affected countries are being employed in guarantee marketing efforts to support the attraction of "demonstration projects" in difficult environments. This is the case in Afghanistan, where the new investment guarantee facility is being carefully coordinated with the agency's TA program for the Afghan Investment Support Authority. The TA program, in turn, is part of a broader World Bank Group effort to develop the country's private sector and improve the investment climate.

MIGA Pilots Enterprise Benchmarking Tool for Foreign Investors

Fiscal year 2005 saw the official launch of a new global 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.

The program is an offshoot of MIGA's "Snapshot Asia," a 2003 report that examined two industry sectors in six Asian countries. Following publication of this ground-breaking report, MIGA received requests from client countries to undertake similar studies in other regions. Four new benchmarking studies are either completed or underway: in Africa (examining 11 countries); the Western Balkans (five countries); Afghanistan; and the Sichuan province of China. Each study focuses on key sectors important to the specific region.

MIGA's program is closely coordinated with the investment climate work of the World Bank, 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. MIGA has created an EBP advisory panel to provide representatives of the World Bank's investment climate unit, Development Economics, and Foreign Investment Advisory Service (FIAS) with an opportunity to advise on the development of the work program and review all work products to ensure better integration with the World Bank's private sector development agenda.

Going forward, MIGA is working with FIAS, the IFC's project development facilities, and individual World Bank country teams to undertake additional regional and national benchmarking, and to publish the data gathered online for public access.

Agency Undertakes Performance Benchmarking Study of International Promotion Agencies

In a joint venture with GDP Global Development, a London-based consulting firm, MIGA completed its first benchmarking study of investment promotion intermediary (IPI) performance this fiscal year. The goal of the study was to help countries notch up the quality of their services in order to compete effectively for highly contested foreign direct investment. The benchmarking study assessed and compared the performance of IPIs around the world against widely accepted best practices, particularly in the area of investor inquiries. In addition to providing a best practice roadmap for individual IPIs, the work offers a strong basis for MIGA's own monitoring and evaluation of the baseline position and progress of its investment promotion clients.

The program surveyed 188 mostly national agencies, 86 from developed countries and 102 from the developing world, against predetermined benchmarking criteria. The survey was conducted using a "mystery investor" approach, to reflect as much as possible the level of service an investor might receive at any given time under normal circumstances. "Investor" requests ranged from questions about the country's general investment conditions to its competitive advantages for specific types of projects. The survey gauged issues such as response times, the quality of information, customization of documents, and branding.

The study results were released jointly by MIGA and GDP Global Development at the 2005 annual meeting of World Association of Investment Promotion Agencies.

Investing in Development

MIGA also used the occasion of the annual meeting of the World Association of Investment Promotion Agencies to introduce its new *Investing in Development* publication series. The first report, "Competing for FDI," features case studies of successful investment promotion agencies in developing countries, to help others see not only how they stack up against the competition, but to learn from best practices gleaned from their peers. The report identifies best practice by focusing on the operations and lessons learned by four investment promotion agencies:

- *CzechInvest*—The agency evolved from a start-up marketing office to multi-service development agency in ten years, taking an active role in investment climate issues, and listening to the needs of investors to build a competitive product.
- *Uganda Investment Authority*—With strong leadership, the agency was able to engineer a "turnaround," effectively streamlining operations, reducing staff size, and engaging in proactive promotion and client support. The foundation of the success was the solid and broad support of the business community.
- *FIPA Tunisia*—The investment promotion strategy of Tunisia's Foreign Investment Promotion Agency focused on realizing the benefits of increased European Union (EU) market access. In this newly liberalized environment, FIPA moved quickly to define opportunities for sector-specific exports and worked to help investors understand how to make their businesses work in Tunisia.
- *PROESA, El Salvador*—In 2002, the agency launched the "El Salvador Works" image-building campaign, with the goal of recasting El Salvador in the eyes of the investment community from post-conflict to center of productivity. The campaign followed up on significant improvements in the policy environment and positioned El Salvador as a regional leader for export manufacturing.

MIGA and FIAS collaborated on the report to capture this regional cross-section of agencies that have become successful in different ways. The case studies include background information, exhibits and questions for discussion, and are intended to be used as a training tool to help developing country practitioners draw on the global experience in investment promotion.

Technical Assistance for the Afghanistan Investment Guarantee Facility

In cooperation with the World Bank's South Asia region and the Asian Development Bank, MIGA has designed an IDA-financed Afghanistan Investment Guarantee Facility to help the country in its reconstruction efforts by stimulating foreign investment through a program of political risk insurance—in an environment where the perception of political risk by foreign investors is very high. The facility is expected to stimulate private business activity and attract foreign private investment in a variety of sectors.

The government of Afghanistan realizes that it must show real and tangible results of economic improvement, including employment creation, to further the prospects of lasting peace. Private sector development is one of the three major development objectives identified in the country's National Development Framework. While donor aid is important for establishing sound conditions

for a developing economy, aid alone cannot build long-term, lasting economic growth. Afghanistan's prosperity and economic potential will evolve as its government and donors work to promote open, transparent, and favorable conditions for investment.

In line with MIGA's approach to offer multi-faceted solution packages to its clients' complex development challenges, the agency strives to develop a custom-package of services—investment guarantee services, technical assistance (such as capacity building, information dissemination, and investment facilitation), and investment dispute mediation. In this context, MIGA's assistance in Afghanistan involves a technical-assistance component, financed by a grant from the German government, with the goal of enhancing support for the facility. These activities promote FDI in Afghanistan and build the capacity of the Afghan Investment Support Agency (AISA), the country's principal agent for attracting and servicing investment in the country. The grant agreement calls for the implementation of four sets of targeted technical assistance activities: (1) short-term technical assistance to AISA to develop its strategic plan; (2) benchmarking FDI competitiveness in Afghanistan; (3) participant training for AISA staff on a variety of topics including investment promotion, market research, online services, and guarantee products; and (4) preparation of promotional materials.

This fiscal year saw a range of activities: all fieldwork in preparation of the program was completed and staff worked with AISA to develop a business plan and sector

promotion materials. Given the clear importance of determining the agency's strategic direction, MIGA worked closely with AISA to articulate its business priorities. Extensive field interviews were also conducted and raw data entered into MIGA's Enterprise Benchmarking Program model as the basis for sector-specific recommendations for AISA. Finally, MIGA delivered a series of short training courses to key AISA staff on a broad set of issues to build the knowledge and skills needed to more effectively perform their role as investment promotion intermediary professionals.

The European Investor Outreach Program

The European Investor Outreach Program (EIOP)—launched in fiscal 2004—is a regional initiative designed to generate increased FDI flows into the Western Balkans region. In the current pilot phase, co-financed by MIGA and the Austrian government, the agency has been working closely with investment promotion intermediaries from all EIOP beneficiary countries—Albania, Bosnia and Herzegovina, Croatia, FYR of Macedonia and Serbia and Montenegro—to reach out to the European business community and market investment opportunities in priority sectors, such as automotive components and food and beverages. The initiative is supported by a small team of experienced investment promotion practitioners, based in the program's implementation office in Vienna.

A regional FDI competitiveness benchmarking study is currently underway as part of the global Enterprise Benchmarking Program, designed to guide future outreach and marketing activities and messages. The benchmarking study will also allow MIGA to inform participating governments as well as FIAS of any weaknesses identified in the investment environment related to the selected priority industries.

MIGA is working with a "virtual network" of partner organizations both in the beneficiary countries and in potential investment originating countries. Partners include both multilateral and bilateral organizations offering tools and instruments that can be used to facilitate FDI projects (for example, national export credit agencies and development finance institutions), business support organizations that may finance market and feasibility studies, such as the Austria's Wirtschaftsservice, Italy's Institute for Foreign Trade, and outward investment promotion agencies such as the Swiss Organization for the Facilitation of Investment.

Box 2 Helping Countries Affected by the Tsunami

The tsunami of December 2004 had a devastating effect on the people and economies of East and South Asia. The World Bank responded quickly, with teams on the ground within days helping with recovery planning, coordinating rehabilitation, and mobilizing financial support.

As the post-tsunami reconstruction effort takes shape, MIGA is using its online investor information services to inform the international business community about country reconstruction programs and the resulting investment and public-private partnership opportunities. Initially, this has taken the form of a special section within the Investment Promotion Network (IPA*net*) web portal, which provides an overview of each country's reconstruction program and links to further information available from the World Bank Group and other finance institutions, government online sources, and private sector information services. Going forward, MIGA plans to work with the infrastructure and relevant regional units of the World Bank and IFC, as well as relevant ministries in the affected countries, to help develop effective, locally operated information dissemination channels, such as infrastructure web portals, that can take advantage of MIGA's online services—IPA*net*, PrivatizationLink, and FDI Xchange—to reach potential investors and suppliers. Given the scale and immediacy of the reconstruction needs, it is essential to rapidly disseminate project information to the business community, and to link these efforts to available support resources in the infrastructure and tourism sectors. Similar initiatives may be considered in other sectors depending on client demand.

Table 6 Regional Breakdown of Technical Assistance Activities, as of June 30, 2005

Asia and the Pacific	**18**
East Asia and the Pacific	
Cambodia	1
China	10
Fiji	1
Vietnam	1
South Asia	
Afghanistan	1
Bangladesh	2
Sri Lanka	2
Europe and Central Asia	**25**
Armenia	2
Azerbaijan	2
Croatia	4
Georgia	1
Macedonia	4
Montenegro	2
Regional	1
Serbia	4
Tajikistan	4
Turkey	1
Latin America and the Caribbean	**12**
Colombia	3
Dominican Republic	1
El Salvador	2
Guatemala	2
Honduras	1
Nicaragua	1
Panama	1
Regional	1
Middle East and North Africa	**4**
Egypt	2
Morocco	1
West Bank/Gaza	1
Sub-Saharan Africa	**21**
Ethiopia	1
Ghana	3
Madagascar	2
Mali	3
Mozambique	4
Regional	1
Senegal	3
Tanzania	3
Uganda	1
Global Activities	**4**
Total Activities	**84**

Online Dissemination of Investment Information

Partnerships

During fiscal year 2005, MIGA concluded seven new partnership agreements with investment promotion intermediaries and private sector firms. Four of these agreements expand the information available to investors about specific investment locations. Three will result in new language versions of the FDI Promotion Center—an online knowledge-sharing and learning portal for investment promotion professionals—which in turn will help IPI staff market their locations to investors.

Through the partnership with the South African Institute of International Affairs—a provider of global investment research and analysis—MIGA increases resources available on investment opportunities and market analysis in countries throughout Africa. The partnership with CPCS Transcom, a Canada-based private sector firm, augments information on investment in infrastructure projects. The two other new content partners are the national investment promotion intermediaries from Zambia and Albania. These partnerships bring the total number of content partners to MIGA's online services to 92.

The three FDI Center Localization Program partnerships involve agreements with local partners to translate the Investment Promotion Toolkit and selected promotional tools into the local language as well as other materials on an ongoing basis. The three agreements cover Arabic-speaking countries (supported by the Inter-Arab Investment Guarantee Corporation), Russia and countries from the Commonwealth of Independent States (supported by the National Agency for Direct Investment), and the Western Balkans (supported by the Vojvodina Investment Promotion Fund). The translated versions take into account differing business cultures and regional FDI issues. As appropriate, individual partners will also develop localized tools and knowledge resources specific to their region or catalog investor research resources that are available in the local language.

Training

MIGA also provided regional workshops to develop the information dissemination capacity of its online services partners, including one in Geneva for nine IPIs from Eastern and Central Europe, as well as from Egypt. Similar workshops in Nairobi and Johannesburg were attended by more than 20 African IPIs. These workshops focused on developing investor-oriented content for websites, guided participants in an organizational website assessment, and instructed them on the latest techniques in online marketing and on utilizing MIGA's online services in investor outreach and servicing.

Investor Information Development Program

In 2005, work programs were completed in four of the five countries that received technical assistance grants through the Investor Information Development Initiative—a pilot program launched in 2004 to help member countries implement their own ideas for leveraging technology to develop, mobilize and disseminate critical investment. The initiative is funded in part by the Development Gateway Foundation through a grant from the government of Japan.

- Bosnia's Foreign Investment Promotion Authority developed and disseminated two sector profiles on information technology and agribusiness, and enhanced the functionality of their business matchmaking database and installed it at partner sites.
- Invest in Guatemala and the Guatemalan Chamber of Commerce worked together to revamp the website—www.investinguatemala.com—which now features newly developed content that responds to the needs of investors doing research on site selection.
- Kenya's Export Processing Zones Authority developed and disseminated sector profiles, compiled a business directory with contact information by sector, and conducted an investor survey on perceptions about doing business in Kenya.
- Mongolia's Foreign Investment and Foreign Trade Agency installed new hardware to enhance the agency's website performance and Internet connectivity, revamped content on and functionality of the agency website, and received training on how to respond to investors seeking information on Mongolia as a destination for foreign direct investment. The new website can be found at www.investmongolia.com.
- Malta Enterprise concluded a project to benchmark the generics subsector of the pharmaceutical industry. The study will be published on Malta Enterprise's website in early FY2006.
- Fourteen island nations in the Pacific completed work on their organizational websites, which are now all accessible though www.investpacific.com.

Legal and Claims

Disputes and Claims

MIGA actively seeks to resolve disputes that may adversely impact investments guaranteed by the agency. Investors and governments generally welcome such activities, since the successful resolution of disputes not only allows MIGA-guaranteed investments to remain in the country and operate as planned, but also avoids harming the investment reputation of the host country. MIGA relies heavily on the cooperation and willingness of member developing countries in these efforts.

MIGA was engaged in more than a dozen investment disputes involving its clients during FY05. Although the bulk of these disputes were in Latin America, MIGA also dealt with disputes in Asia, Eastern Europe, and Africa. A number have been resolved to the satisfaction of the parties involved. MIGA is actively working on disputes in Argentina, China, the Dominican Republic, Egypt, Guatemala, the Kyrgyz Republic, Mauritania, Moldova, Nicaragua, and Nigeria.

MIGA paid two claims during the fiscal year. One was $144,600 for a small war and civil disturbance claim filed in relation to a hydroelectric plant in Nepal that was the target of an attack by Maoist guerrillas in 2002. MIGA also paid a claim to Mitsubishi International Corporation with respect to its loan guaranty to Bank of Tokyo-Buenos Aires Branch. While a decision to pay the claim in the amount of $1.396 million was made, only $558,311 has been paid to date; the remainder will be paid subject to the guarantee holder's compliance with certain requirements.

Mediation Services

In selected circumstances, MIGA uses its good offices to encourage the settlement of disputes between investors and member states, even when the agency is not involved as a guarantor. The purpose of MIGA's involvement is to help resolve outstanding disputes that may act as an impediment to other foreign investment. With its extensive experience, MIGA can help parties reach a creative resolution to their investment disputes, thus avoiding the expense and often the time commitment of formal arbitration. Mediation, which is voluntary and informal, is an attractive alternative for the resolution of some types of investment disputes.

For example, MIGA was asked by the Ethiopian government in 2000 to help the country resolve a large number of outstanding claims that date back to expropriatory actions of the Mengistu government more than 30 years ago. Since MIGA commenced its mediation efforts, 49 claims have been reviewed and resolved and five offers to investors remain outstanding. Two of the most recent cases involved investments in a tannery, shoe factory, and housing by French and Greek investors. The other claim concerned shares held by a group of Norwegian investors in the former Mosvold companies, which included woodworking, furniture, and retail stores. The Ethiopian government and MIGA were pleased that both investors indicated their intentions to make new investments in the country. 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

Economic growth in Asia, particularly East Asia, remained strong in 2004, accompanied by an 8 percent increase in FDI flows to the region as a whole. China was once again at the head of the pack in terms of amount of FDI received, accounting for 88 percent of total foreign investment, joined by Indonesia, which in 2004 received positive FDI inflows for the first time since the Asian crisis. With strong economic growth and significant demand for its exports, China attracts foreign direct investment almost exclusively in manufacturing, and mainly from other Asian countries. FDI flows to South Asia rose moderately in 2004, while India's share continued to rise in the wake of easing restrictions in many sectors.

In fiscal year 2005, MIGA supported three projects through its guarantees program and undertook 18 technical assistance projects in the region. At year-end, MIGA's gross guarantee exposure stood at $700 million, 13.2 percent of the agency's outstanding portfolio.

GUARANTEES

Country	Activities
China	**Dragados Servicios Portuarios y Logísticos** Jingtang International Container Port Co. Ltd. MIGA has issued a €4.8 million ($6.1 million) guarantee to Dragados Servicios Portuarios y Logísticos (Dragados) for its €5.3 million investment in Jingtang International Container Port Co., Ltd. in the People's Rebublic of China (PRC). The guarantee is for a period of 15 years and provides coverage against the risks of transfer restriction, expropriation, and war and civil disturbance. The project involves the acquisition of two berths in the port of Jingtang. Located on the Bohai Sea, it is the main port infrastructure in Hebei Province. Dragados is the first foreign investor in the port and plans to make significant upgrades. Jintang port's container facilities are poorly developed and do not handle containers efficiently. Dragados plans to expand the port by investing in cranes, yard equipment, and improvements in infrastructure, which will result in increased employment and capacity. Technology will also be upgraded with new computer systems to manage throughput more efficiently. The project is consistent with the World Bank Group's country assistance strategy for the PRC by furthering the country's transition to a market economy and promoting private sector participation in social and physical infrastructure services.

Country	Activities
Lao People's Democratic Republic/ Thailand	**Fortis Banque SA/Fortis Bank NV** EDF International MIGA provided $91 million in political risk insurance for a hydropower project in Lao People's Democratic Republic (PDR). The bulk of the guarantee, $86 million, is covering a nonshareholder loan by Fortis Banque SA/Fortis Bank NV of Belgium (representing itself and acting as agent for a number of banks) against the risks of expropriation, breach of contract, war and civil disturbance, and transfer inconvertibility in both Lao PDR and Thailand. The rest of the coverage is protecting EDF International of France against the risk of transfer restriction in Lao PDR. Total project cost is $1.2 billion, the largest investment ever in Lao PDR. The project involves the development, construction, and operation of a trans-basin power plant that will use water from the Nam Theun River. In addition to the construction of a dam, the project also provides for increased environmental protection in Lao PDR, with a biodiversity area being set aside and conserved; improved housing and higher incomes for the 6,200 villagers who are re-settling from the reservoir area; a robust and proactive mitigation and compensation program to help communities downstream prepare for changes to their livelihoods; special measures to ensure that revenues from the project are used effectively to reduce poverty; and a continued commitment by the World Bank to monitor the project and ensure that it is fully and properly implemented. Lao PDR has an average income level of less than a dollar a day, with levels considerably lower in rural areas and few options for generating income. The project is expected to generate an estimated $1.9 billion in foreign exchange earnings over a 25-year period through the export of 995 MW of electricity to Thailand. The income generated by the project will provide key funding for Lao's National Growth and Poverty Eradication Strategy, enabling the country to increase the amount of money it can invest in health, education, and basic infrastructure for the benefit of the poor. The project will also produce 75 MW of power for domestic consumption. MIGA's guarantee was key to lowering the project's risk profile, which in turn enabled the government and developers to attract commercial financing at better rates and gave the investor the assurance needed to go ahead with the deal. MIGA's guarantee complements a $50 million partial risk guarantee issued by the World Bank, as well as a $20 million grant from the International Development Association.
Pakistan	**Habib Bank AG Zurich** Habib Bank AG Zurich, Pakistan Branches MIGA has issued Habib Bank AG Zurich of Switzerland a $5.9 million guarantee covering its branch capital investment in Habib Bank AG Zurich, Pakistan Branches. The guarantee is for a period of up to 15 years and covers against the risks of transfer restriction and expropriation. The investment aims to meet Habib's immediate growth needs and help it comply with Basel II capitalization requirements. Habib currently has 17 branches in Pakistan and is planning to open four more. Habib employs about 675 people, and expects to add 100 new employees to its payroll by 2006. The bank will provide extensive training and benefits. Habib's continued presence in Pakistan has a strong demonstration effect on the banking sector, with its emphasis on good corporate governance and its stable capital base, high liquidity, and close cooperation with regulatory bodies. MIGA's support to Habib fits into the World Bank Group strategy for Pakistan's financial sector, which aims to increase competition and expand access to financial services.

TECHNICAL ASSISTANCE ACTIVITIES

Bangladesh. MIGA is working closely with FIAS and the SouthAsia Enterprise Development Facility to help prepare a Private Sector Development Loan Facility for the country. As an early component of this project, MIGA conducted an institutional needs assessment of the country's Board of Investment during the fiscal year, and reported its findings and recommendations to the Board of Investment and the government task force established to steer preparation of the loan facility. A MIGA-led technical assistance project is now being prepared as part of the loan facility.

China. MIGA is working with the IFC's China Project Development Facility (CPDF) on a competitive benchmarking exercise of Sichuan province, at the request of the Sichuan Investment Promotion Bureau. The exercise covers firms engaged in food processing, electronics, machinery/machine building, chemicals, pharmaceuticals, and traditional Chinese medicine. The review will contribute to the development of an integrated provincial investment promotion strategy. MIGA is also undertaking a series of investment promotion workshops with the CPDF to discuss ways of integrating the benchmarking findings into strategic planning efforts at the provincial and municipal levels. In addition, MIGA is in discussions with the World Bank's China country office on how to provide integrated support to the Northeast provinces. MIGA has been asked to assess the needs of the local investment promotion agency and provide staff training. At the request of officials from Heilongjiang province, MIGA is also assessing the investment promotion capacity of the northeastern province and areas of potential assistance. During the fiscal year, MIGA collaborated with FIAS to help the Ministry of Commerce develop a national investment promotion strategy. The two are now working together on study of outward investment from China, in follow-up to a conference held in June 2004 by the Ministry of Finance, MIGA, IFC, and FIAS.

Fiji. Staff attended the Heads of Pacific IPAs meeting, making a joint presentation with FIAS and a representative of the Commonwealth Secretariat on progress in MIGA's IPAWorks project in the region. The group agreed to continue supporting the development of their web presence. In addition, MIGA is working with the Fiji Trade and Investment Board, which has submitted a formal request for technical assistance to MIGA.

Vietnam and Cambodia. Institutional needs assessments have been carried out at the request of each government, and MIGA staff have reported back on findings and recommendations for capacity-building activities. In Cambodia, MIGA has developed a work program to support the Cambodian Council for Development and the Cambodia Investment Board. Work is to be funded under an IDA grant, currently being prepared, on Cambodian trade facilitation.

Sri Lanka. As part of MIGA's post-tsunami response, the agency undertook, at the government's request, an institutional needs assessment of Sri Lanka's Board of Investment. MIGA will report on the assessment's findings early in fiscal year 2006 and recommend ways to strengthen the board's capacity to promote and attract more FDI. Working with the World Bank and the Sri Lankan government, MIGA is also currently preparing a special post-conflict guarantee fund to help stimulate investment into the country's conflict-affected regions.

Europe and Central Asia

In 2004, Europe and Central Asia experienced a 7.2 percent increase in GDP, reflecting the very strong economic performance in Russia and Turkey. Net FDI inflows to the region continued to increase during 2004, reaching nearly $38 billion. FDI flows remain concentrated in a handful of countries, with Russia, Poland, Hungary, the Czech Republic, and Bulgaria accounting for 55 percent of FDI. The strong pace of FDI inflows has continued in the early months of 2005. Net private debt inflows to the region remained relatively stable in 2004, with Russia remaining the largest recipient of these flows.

In fiscal year 2005, MIGA supported 22 projects through its guarantees program and undertook 25 technical assistance activities in the region. At year-end, MIGA's gross guarantees exposure stood at $2.3 billion, or 45.2 percent of the agency's outstanding portfolio.

GUARANTEES

Country	Activities
Belarus	**Raiffeisen Zentralbank Österreich AG** Priorbank MIGA has issued a $28.5 million guarantee to Raiffeisen Zentralbank Österreich AG (RZB) of Austria, covering its shareholder loan of up to $30 million to its subsidiary Priorbank of Belarus. The coverage is for a period of up to six years against the risks of transfer restriction and expropriation. Priorbank will use the shareholder loan from RZB to expand operations. One-third of the loan is expected to pay for technological investments, such as a network of automatic 24-hour outlets. The rest will be lent to small and medium-size enterprises, which often face constraints in accessing credit. Approximately 60 percent of that onlending will go to the manufacturing sector, 20 percent to finance trade, and the remaining 20 percent to other sectors like construction and agriculture. This project will strengthen Priorbank, the leading private bank in Belarus. The country's nascent private sector operates in a difficult political and regulatory environment in a largely un-reformed and centrally planned economy. Local financial institutions face an additional burden of government-directed lending to state-owned enterprises. By supporting RZB's shareholder loan, MIGA is supporting the private sector and helping increase the availability of long-term commercial financing—both consistent with the country assistance strategy for Belarus. Priorbank will also play an important role in providing know-how, technical solutions, and new products to Belarus' financial and commercial sectors. Technological investments under this project will also help improve Priorbank's efficiency.

Country	Activities
Bosnia and Herzegovina	**Raiffeisen Zentralbank Österreich AG** Raiffeisen Leasing d.o.o. Sarajevo MIGA issued three guarantees, totaling €22.9 million ($29.1 million), to Raiffeisen Zentralbank Österreich AG of Austria, covering €24 million in shareholder loans to Raiffeisen Leasing d.o.o. Sarajevo in Bosnia and Herzegovina. The coverage is for up to five and six years against the risks of transfer restriction and expropriation. The project funds the growth of Raiffeisen's domestic leasing portfolio by supporting investment primarily in industrial machinery, equipment, and vehicles. MIGA's backing should contribute to the development and strengthening of the country's leasing sector, which is in an embryonic stage. Raiffeisen fills a gap in helping to meet the needs of SMEs, which according to typical banking criteria, may not qualify for long-term loans needed for capital investment. The leasing company allows payment of the leasing installments with the cash flow and income generated by the leased equipment itself. Seventy percent of leasing goes to SMEs. The focus on SMEs is reinforced by increased cooperation with business partners and retailers to provide them with leases for their capital investments in equipment, which is mostly outdated and in need of replacement or modernization. Together, these enhancements will enable SMEs to improve production efficiency and quality, and assist in their long-term growth. The project is part of an overall World Bank Group effort to help create a transparent and solid leasing sector.
Bosnia and Herzegovina	**Raiffeisen Zentralbank Österreich AG** Raiffeisen Bank d.d. Bosna i Hercegovina MIGA issued five guarantees totaling $95.4 million in coverage to Raiffeisen Zentralbank Österreich AG (RZB) of Austria for $105 million in shareholder loans to Raiffeisen Bank d.d. Bosna i Hercegovina. The guarantees are for up to eight, seven, five, and four years and cover the risks of transfer restriction and expropriation. The shareholder loans will allow Raiffeisen to increase its lending in the country, bolstering the financial sector through the provision of both medium- and long-term financing. With two-thirds of its loan portfolio going to SMEs, the bank is helping these businesses obtain critical financing to start up and expand services, which in turn is playing an important role in strengthening the country's private sector. The retail portfolio is also having a significant impact, in that individuals are able to access credit that previously was not available to finish repairs to homes damaged by the war and make their first-ever purchases of houses and apartments. Raiffeisen Bank continues to play a crucial role in increasing the banking sector's competitiveness as a whole, which has resulted in a healthy and thriving financial system that is now trusted by once-wary customers who lost all their money with the collapse of state banks during and after the war. Raiffeisen's use of up-to-date banking technology is helping to increase processing automation and creating more customer-friendly cash management. RZB also has a state-of-the-art network for on- and off-site staff training, which is accessible to its subsidiary in Bosnia and Herzegovina. The World Bank Group's country assistance strategy for Bosnia and Herzegovina asserts that a more aggressive reform effort over the next several years is essential to creating sustainable growth. The key reform measures identified to ensure a private sector-led response include the promotion of new private activity through a transparent and predictable enabling environment, the transformation of outmoded socially owned productive capacities into operations that can stand on their own feet in open markets through privatization, and the reform of a dysfunctional and de-capitalized banking sector to ensure that productive activity can operate in efficient financial markets. MIGA's support of Raiffeisen Bank's latest expansion meets all three of these objectives.

Country	Activities
Croatia	**Raiffeisen Zentralbank Österreich AG** Raiffeisen Leasing d.o.o. MIGA has provided Raiffeisen Zentralbank Österreich AG of Austria a €33.25 million ($43.3 million) guarantee covering its non-shareholder loan of €35 million to Raiffeisen Leasing d.o.o. of Croatia (RLCR). The guarantee covers the risks of transfer restriction and expropriation for a period of five years. This project is part of the overall regional expansion strategy of RZB. By expanding its operations in Croatia, RLCR will increase the availability of financing alternatives, providing leasing services to manufacturers and exporters, mostly small and medium-size enterprises. This is MIGA's second project in Croatia with RZB. RLCR continues to diversify its services and help the Croatian economy grow. Until now, it has focused on financing equipment and vehicles, with construction equipment for bakeries currently accounting for the largest share of the company's portfolio. In the future, the company plans to capitalize on the strong growth of medical equipment leasing and machinery.
Croatia	**Raiffeisen Zentralbank Österreich AG** Raiffeisenbank Austria d.d. MIGA has provided Raiffeisen Zentralbank Österreich AG with a guarantee covering its €110 million shareholder loan to Raiffeisenbank Austria d.d. of Croatia. The guarantee, for €104.5 million ($128.1 million), covers against the risks of transfer restriction and expropriation for a period of six years. The project will allow Raiffeisenbank Austria d.d. to finance its expansion in the local market, with the aim of contributing to the recovery of the Croatian economy through the provision of both corporate (including SMEs) and retail loans. The project, supported by MIGA, is expected to yield a number of developmental benefits, including introducing new products, more efficient services at competitive prices, and know-how and technical improvements to the Croatian financial services sector. Local SMEs and exporting companies will receive support through greater access to financing. Moreover, MIGA's coverage will enable the bank to increase its medium-term commercial financing, encouraging competitive pricing and providing better terms for loans. These development impacts complement the World Bank Group's country assistance strategy (CAS) for Croatia, which focuses on addressing the country's post-war reconstruction needs. The CAS aims to achieve economic growth in Croatia by attracting and leveraging private and foreign direct investment flows. Consequently, the focus is on supporting local SMEs, promoting infrastructure investments, and improving access to finance.
Latvia	**Baltic American Mortgage Holdings, LLC** **Baltic-American Mortgage Trust 2004-1** Baltic-American Mortgage Company MIGA has issued guarantees totaling $10.1 million to Baltic American Mortgage Holdings (BaMO), LLC, of the United States, covering an equity investment in its wholly owned subsidiary Baltic American Mortgage Company (BaMC). The coverage, which is up to 20 years, protects against transfer restriction and expropriation risks. The guarantees also protect the Baltic-American Mortgage Trust 2004-1, covering 18 months of interest of a portfolio of mortgages under a mortgage-backed securitization. That coverage is up to 20 years and protects against transfer restriction and expropriation of funds. (cont'd)

Country	Activities
Latvia	**(cont'd)** The project's mortgage-backed securitization aims to expand BaMO's mortgage lending program in Latvia. It is the company's first issue under a $360 million securitization program in the Baltic States. BaMC is the originator and "servicer" of the mortgage portfolio. The securitization consists of up to $60 million in financing structured in three tranches: senior notes, subordinated notes, and fully subordinated notes. MIGA's support was crucial in enhancing by three notches the rating of the senior notes—which account for 92.5 percent of the issue—and thus attracting institutional investors from abroad. The transaction is a joint MIGA-IFC effort. The project is helping to expand the nascent mortgage market in Latvia by making available additional financial resources for mortgages at more competitive rates. This is particularly important for a country that is experiencing a shortage of affordable housing, and where existing housing is old and in need of repair. And as the first mortgage-backed securitization in Latvia, the project is expected to be a catalyst for the development of the secondary mortgage market, which can significantly increase liquidity in the primary mortgage market, help extend maturities, and reduce the cost of housing finance, making house ownership more affordable. Another expected benefit is that the developing housing market will trigger industrial growth in a series of complementary industries related to construction. The guarantees complement Latvia's country assistance strategy, which focuses on housing as one of four principal areas for World Bank Group involvement. The project also reflects MIGA's continuing efforts to support capital markets and securitizations as alternative sources of foreign direct investment in its member countries.
Romania	**Bank Austria Creditanstalt AG** HVB Bank Romania S.A. MIGA has issued a $35.3 million guarantee to Bank Austria Creditanstalt AG of Austria for a loan made to its wholly owned subsidiary in Romania, HVB Bank Romania S.A. (HVB-Romania), by KfW—Kreditanstalt für Wiederaufbau. The guarantee covers the risks of transfer restriction and expropriation of funds for a period of up to 10 years. This is MIGA's third guarantee in support of this project. Since its establishment in 1998, HVB-Romania has expanded considerably its products and services, operating nine branches in Romania at the end of 2003. With its lending activity heavily focused on small and medium-size enterprises, HVB-Romania is contributing to the growth of the country's private sector. The loan by KfW will be devoted primarily to its lending portfolio for SMEs, which in turn will continue to strengthen Romania's private sector and its economy overall. In addition to its pivotal role in SME financing, HVB-Romania also plays a leading role in the process of privatization, providing know-how, technical solutions and new products, as well as in trade, project, and investment financing. HVB-Romania currently employs 300 people, mostly clerical and professional staff, in 12 branches. Salaries are about 20 percent above the industry average in Romania, and additional benefits, such as medical insurance and low-interest personal loans, are also provided. Bank Austria Creditanstalt's on- and off-site staff-training programs are available to HVB-Romania employees. Contributions to government revenues are expected to exceed €2 million over the next five years. It is estimated that the increase in export revenues resulting from expansion will be roughly €15 million. This project is compatible with the key goals the World Bank's country assistance strategy for Romania of enhancing the role of the private sector, reforming the financial sector, and improving the country's investment environment. MIGA's support of this project is based on the crucial impact that a more vibrant and efficient finance sector can have on Romania's economy.

Country	Activities
Romania	**Raiffeisen Zentralbank Österreich AG** Raiffeisen Bank S.A. MIGA has issued a $25.7 million guarantee to Raiffeisen Zentralbank Österreich AG of Austria to cover its shareholder subordinated loan to its subsidiary, Raiffeisen Bank S.A. Romania. The coverage is for seven years, and protects against the risks of transfer restriction and expropriation. The loan will help the subsidiary to further increase its market share and offer top-quality banking services. As a subsidiary of one of Austria's leading banks, Raiffeisen Bank S.A. is able to provide quick, efficient, and professional services to its clients at competitive prices. Besides retail banking and credit facilities, Raiffeisen Bank S.A. offers corporate business and trade finance services, loans, treasury, and capital market services. The bank also has in place a credit line for lending to local small and medium-size enterprises supported by the European Bank for Reconstruction and Development—which is crucial for fostering entrepreneurship, innovation, exports, and employment, as well as for promoting economic development throughout the country. Raiffeisen Bank S.A. is planning to strengthen its training program, available to all employees. For 2004, the bank budgeted about $3.2 million for training, or approximately six training days per employee. Raiffeisen Bank S.A. also possesses advanced information technology and proprietary software systems, automated processing, and up-to-date banking technology—critical for the local transfer of knowledge. As the volume of the bank's business increases, so will the number of people employed by the bank. That number was estimated to have reached almost 4,700 by the end of 2004. The bank is also planning to improve further its technological infrastructure by updating key information technology capabilities and by establishing a new operations center. As the bank expands, spillover effects on the local economy are expected to grow. This project is consistent with the key objectives of the World Bank's country assistance strategy for Romania, which seeks to achieve economic growth by improving the role of the private sector in the economy and reforming the financial sector, which are essential for long-term sustainable development.
Romania	**Raiffeisen Zentralbank Österreich AG** Raiffeisen Leasing S.R.L. MIGA has issued a $23.8 million guarantee to Raiffeisen Zentralbank Österreich AG of Austria to cover its shareholder loan to Raiffeisen Leasing S.R.L. in Romania. The loan aims to expand the subsidiary's leasing operations in Romania, particularly to small and medium-size enterprises. The coverage is for up to four years, and protects against the risks of transfer restriction and expropriation of funds. Leasing has become one of the most popular instruments in Romania for financing a variety of assets required by both individuals and Romanian enterprises. Raiffeisen Leasing S.R.L., established in Romania in 2002, provides leasing services primarily in the areas of equipment, vehicles and, since 2005, real estate. In 2004, Raiffeisen Leasing concluded €117 million in contracts, double its 2003 results. The company holds a 10 percent market share. The financing and guarantees will enable Raiffeisen Leasing to increase its portfolio and the availability of financing alternatives, and thus be able to provide enhanced leasing services to all of its clients, especially manufacturers, exporters, and SMEs. The increased resources will allow SMEs greater access to financing for new manufacturing equipment, allowing them to replace outdated capital assets. The availability of high-quality, efficient, and competitively priced leasing services to the corporate sector, as well as to retail customers, will bolster the performance of Romania's financial sector and increase its efficiency. This in turn is expected to have a positive impact on Romania's private sector and its economy overall. (cont'd)

Country	Activities
Romania	**(cont'd)** Raiffeisen Leasing has a network of 16 units located in Romania's main cities, which provide proximity to customers, flexibility in terms of contract and reimbursement, greater specialization for its team of professionals, and close links and cooperation with suppliers. Through this network the company is able to harness local market knowledge to the benefit of its customers. The loan will help expand its local presence throughout the country and improve synergies with local entities. Raiffeisen Leasing counted 88 employees in Romania by the end of 2004, which is expected to double in the next four years. Raiffeisen Leasing employees benefit from the transfer of know-how and experience regarding sophisticated leasing products and new developments, such as vendor-leasing concepts, real estate development and leasing, facility leasing for public entities, as well as up-to-date leasing information technology that considerably reduces processing time. MIGA's involvement in this project is consistent with Romania's country assistance strategy, which includes the promotion of growth through private sector development and the creation of an efficient, healthy, and competitive financial sector.
Russian Federation	**Raiffeisen Zentralbank Österreich AG** ZAO Raiffeisenbank Austria MIGA has issued Raiffeisen Zentralbank Österreich AG of Austria a $47.5 million guarantee covering its $50 million subordinated shareholder loan to ZAO Raiffeisenbank Austria (RBRU) of the Russian Federation. The guarantee is for a period of up to seven years and covers against the risks of transfer restriction and expropriation. The shareholder loan will help to strengthen RBRU's Tier II capital to allow the bank to continue growing its portfolio. RBRU offers a full range of services, including retail, corporate finance, and investment banking. In 2003, it was the first bank in the market to offer consumers unsecured multipurpose loans. That same year, its corporate credit portfolio grew by 52 percent. This project supports a significant foreign player in a banking sector plagued by fundamental and structural weaknesses with few foreign investors. The presence of a bank like RBRU, with its governance, transparency, advanced risk management, and operational know-how, is key to the development of Russia's banking sector. By supporting the expansion of RBRU's high-quality services, this project will benefit consumers and have a demonstration effect on the financial sector. It also complements Russia's country assistance strategy, which aims in part to increase effective financial intermediation and opportunities for the entry and growth of new firms.
Russian Federation	**WTE Wassertechnik GmbH** WTE Süd-West MIGA issued a guarantee of €42.7 million ($56.4 million) to WTE Wassertechnik GmbH of Germany (WTE), a member firm of the Austrian EVN Group, for its €47.5 million equity investment in WTE Süd-West of the Russian Federation. The guarantee covers a period of 13 years and provides coverage against the risks of expropriation and breach of contract. The guarantee replaces a previous shareholder loan and equity guarantee. (cont'd)

Country	Activities
Russian Federation	**(cont'd)** The project addresses the increase in demand for water supply faced by the growing city of Moscow. The project consists of the construction of a greenfield water treatment plant that will increase Moscow's potable water supply capacity by 4 percent. The project enterprise will be responsible for the construction (begun September 2003) of a 250,000 cubic meters per day water treatment plant under a 13.5- year build, own, operate and transfer (BOOT) concession scheme. Water will be channeled from the Moskva River to a processing plant where it will be filtrated using state-of-the-art technologies. The purified product will then be distributed through the municipal water system by Mosvodokanal, the city-owned utility. The city of Moscow is projected to garner more than $10 million a year (five-year projected annual average) in tax revenues from the project. The project enterprise expects to employ an estimated 170 local workers during construction and about 70 employees on a permanent basis. Average workers' wages will be 10 to 20 percent higher than the domestic sector standard, and will include social security benefits. In addition to training local management and employees, the project enterprise also expects to transfer operating know-how to Mosvodokanal employees before the transfer of ownership at the end of the concession period. Moreover, the plant's clean water is expected to improve local health, environmental and safety conditions, and create positive business externalities. The project addresses MIGA's priority of supporting basic infrastructure.
Serbia and Montenegro	**Raiffeisenbank a.s.** Raiffeisenbank a.d. MIGA issued guarantees for $49.3 million and $82.2 million to Raiffeisenbank a.s. (RBCZ) of the Czech Republic for shareholder loans to Raiffeisenbank a.d. (RBSM) in Serbia and Montenegro. The guarantees are for a period of six years and provide coverage against the risks of transfer restriction and expropriation of funds. These guarantees add to MIGA's previous support of RBCZ's investments in RBSM. The loan provides medium-term funding to RBSM, which in turn will enable it to increase the availability of medium-term financing to the corporate sector, including small and medium-size enterprises. The investment will strengthen and diversify RBSM's lending portfolio. Moreover, the financing package will also increase the availability of funds with longer tenors available in the marketplace, generating competitive pricing and terms for loans to Serbian companies. The RSBM project complements the World Bank Group's development strategy for Serbia and Montenegro, which aims in part to restore macroeconomic stability and external balance, stimulate near-term growth, and create the basis for a sustainable supply response in the economy by strengthening the financial sector. In underwriting this project, MIGA meets two of the agency's development priorities as it supports an SME project in an IDA-eligible country.
Serbia and Montenegro	**Raiffeisenbank a.s.** Raiffeisen Leasing d.o.o. MIGA has provided Raiffeisenbank a.s of the Czech Republic a $24.8 million guarantee covering its non-shareholder loan to Raiffeisen Leasing d.o.o. (RLSM) in Serbia and Montenegro. The guarantee covers the risks of transfer restriction and expropriation for a period of five years. This is the third project supported by MIGA involving a loan to RLSM. The project is part of an overall regional expansion strategy of Raiffeissen International Bank-Holding AG. By expanding operations in Serbia and Montenegro, RLSM will increase the availability of financing alternatives, providing leasing services to manufacturers and exporters in Serbia and Montenegro, mostly small and medium-size enterprises.

Country	Activities
Serbia and Montenegro	**Bank Austria Creditanstalt AG** HVB Banka Serbia and Montenegro a.d. MIGA issued a guarantee for $11.7 million to Bank Austria Creditanstalt (BACA) AG covering its guaranty for a loan made by KfW—Kreditanstalt für Wiederaufbau to BACA's subsidiary HVB Banka Serbia and Montenegro a.d. (HVB-SAM), in Belgrade, Serbia and Montenegro. The guarantee is for ten years, and covers the risks of transfer restriction, expropriation, and war and civil disturbance. MIGA issued two guarantees to the investor covering an €8 million investment into the project in fiscal 2004. The project is expected to increase longer-term financing and generate competitive pricing for retail and corporate clients. The funds will be dedicated almost exclusively to small and medium-size enterprises, including in the retail and food sectors. HVB-SAM is expected to play an important role in the ongoing restructuring of Serbia and Montenegro's financial sector by providing knowledge, technical solutions, and new products. HVB-SAM employs 146 staff in seven branches and expects to add more local employees over the next five years. HVB-SAM's staff will benefit from on- and off-site training. The project is part of an overall World Bank Group effort to help Serbia and Montenegro stimulate short-term growth and build effective institutions.
Serbia and Montenegro	**Slovene Export Corporation** Sartid Fahop d.o.o. MIGA has provided $3.6 million (€2.93 million) in reinsurance coverage to the Slovene Export Corporation (SEC), the official Slovene export credit agency, supporting its guarantee to Alpos d.d. of Slovenia for Alpos's equity investment in Sartid Fahop d.o.o. in Serbia and Montenegro. The reinsurance contract will cover the risks of transfer restriction, expropriation, and war and civil disturbance for a period of nine years. Alpos, a well-known Slovene company that produces pipes, profiles, metal furniture, and aluminum products, has recently acquired Sartid Fahop d.o.o., a Serbian firm. Alpos' management plans to substantially increase the plant's production over the next five years by modernizing the company's marketing, management techniques, information technology, and machinery. This project is expected to yield several significant developmental benefits for the local economy. Over the first five years of operation, the Sartid Fahop plant is expected to pay €2.3 million in taxes and levies to the government. More than 20 percent of the plant's finished products are targeted for exports to neighboring countries, including Bosnia and Herzegovina, Hungary, Bulgaria, and Romania. Such regional trade will contribute to improving the country's trade balance, as well as positively contribute to building up regional commercial relations and networks in the Balkans. Moreover, a significant portion of the plant's raw materials will be procured locally from U.S. Steel Serbia in Smederevo, Serbia. A priority objective of the reinsurance is to free up SEC's capacity to facilitate future Slovenian investments into Serbia and Montenegro, and to allow SEC to diversify its portfolio. Moreover, by underwriting this investment, MIGA meets four of the agency's development priorities as it supports a South-South SME project in a post-conflict, IDA-eligible country.

Country	Activities
Ukraine	**Raiffeisen Zentralbank Österreich AG** Joint Stock Commercial Bank Raiffeisenbank Ukraine MIGA has issued an $18.1 million guarantee to Raiffeisen Zentralbank Österreich AG of Austria covering its subordinated shareholder loan to Joint Stock Commercial Bank Raiffeisenbank Ukraine (RBUA). The guarantee, for a period of up to seven years, provides coverage against the risks of transfer restriction and expropriation. The subordinated loan is part of a larger funding package RZB is providing to strengthen RBUA's capital base to position it for growth. The loan is specifically meant to increase RBUA's Tier II capital to help the bank expand its domestic loan portfolio, especially in the small and medium-size enterprise sector. RBUA is by far the largest international bank in Ukraine and also has the largest portfolio of local lending clients. It is ranked first in total assets per employee, a measure of operating efficiency. This project will help to strengthen a major banking player in Ukraine and support the stability of the financial sector in a time of uncertainty. MIGA's coverage also sends a positive message to the market about the World Bank Group's support for Ukraine. RBUA plays an important role in developing Ukraine's financial sector by providing know-how, technical solutions, and new products. Foreign bank involvement in Ukraine has been modest, especially in comparison with other transition economies. RZB's continued support for its subsidiary will provide a model in the sector for corporate governance and anti-money laundering.

TECHNICAL ASSISTANCE ACTIVITIES

Armenia. MIGA continued its work on the World Bank Learning and Innovation Loan to Armenia, under which the Bank and MIGA are providing support to the Armenian Development Agency (ADA) in the areas of foreign investment and export facilitation. The three-year project is due to close at the end of June 2005. The fiscal year saw staff monitoring overall progress of the project, conducting a final institutional reassessment of ADA, and developing long-term action plans. The World Bank Group and MIGA jointly explored potential ways to secure ADA's financial sustainability after completion of the loan.

Azerbaijan. A joint MIGA-FIAS project—launched in FY05 and financed by the Swiss government—conducted an initial assessment of the newly established Azerbaijan Investment Promotion Foundation (AIPF). The assessment gathered information from the government, the private sector, and donors to guide the foundation's strategic directions. Investment promotion training was provided to AIPF staff, who also provided input on strategy. MIGA presented a report containing recommendations and courses of action for AIPF, as well as feedback on potential capacity-building programs and support, taking into account the interventions planned by other donors (notably by EU TACIS, a two-year technical assistance program of about €1 million).

Croatia. Under its regional umbrella initiative for the Balkans—the European Investor Outreach Program—MIGA established the Croatian Investment Promotion Outreach Alliance (CIPO) in fiscal 2005. CIPO is a formal partnership between MIGA, United States Agency for International Development (USAID), and the Istrian Development Agency to support and strengthen implementation of MIGA's EIOP in Croatia. The Istrian Development Agency, CIPO's main partner, represents a network of several regional development agencies across Croatia. Under the project, MIGA has established a Croatia-specific investor outreach and marketing function, based in the EIOP facility in Austria. The alliance is also funding Croatia-specific capacity-building and training activities. Through these activities, CIPO is helping to strengthen the institutional framework for investment promotion in Croatia and providing EIOP with a field-based implementation partner.

Georgia. In response to a request from the country's Ministry of Economic Development, MIGA performed a needs assessment of Georgia's National Investment and Export Promotion Agency. The results of the assessment will guide the design of a MIGA technical assistance project for Georgia next fiscal year.

Kosovo. In May 2005, MIGA teamed up with the World Bank and IFC to assess the current state of FDI in Kosovo,

as well as institutional arrangements for investment facilitation and promotion and the overall investment climate. The main objective of the assessment was to develop an understanding of how MIGA and other development partners might help Kosovo in the area of investment promotion. In particular, the assessment provided input for determining technical assistance needs and priorities in Kosovo in relation to the establishment of a professional investment promotion body.

FYR Macedonia. In FY04, MIGA launched a project, funded by the Austrian Development Agency, to provide technical assistance to Macedonia's newly established investment promotion intermediary. The program involves three components: coaching and mentoring the IPI's board and management, including on fundraising; adding Macedonia to MIGA's EIOP program; and providing the IPI with a client-relationship management and investor-tracking system. MIGA expects the project to be followed by a longer-term, larger-scale technical assistance program developed and implemented by the European Agency for Reconstruction, with the support and inputs from MIGA.

Montenegro. With donor funding from the European Agency for Reconstruction, MIGA launched a small technical assistance program to help Montenegro establish a new investment facilitation and servicing unit. The 18-month program supports the establishment of the unit, including the development of a start-up strategy and work plan, skills development and training, and support for initial information dissemination activities.

Serbia. Over the past two years, MIGA has supported the implementation of an institutional development and capacity-building program for the Serbian Investment and Export Promotion Agency (SIEPA). The program, funded by a World Bank private sector development grant, includes preparation of an FDI promotion strategy, strengthening of investment promotion and facilitation skills, and implementation of a series of pilot investor outreach programs in a number of priority sectors. MIGA's assistance complements World Bank Group support under the same grant in the areas of privatization and investment climate reform. The program will be wrapped up in the coming couple of months. At the request of the European Agency for Reconstruction, MIGA is currently preparing a follow-on assistance program for SIEPA to help further strengthen Serbia's investment facilitation capacity. The program, to be funded by a €4.5 million grant from the European Agency for Reconstruction, will be administered through a new MIGA trust fund and is expected to be launched in mid-FY06. Also in Serbia, MIGA began fieldwork on a Western Balkans benchmarking program (see below).

Tajikistan. In partnership with FIAS, MIGA launched a new technical assistance program for the country, to be implemented over a two-year period. Financed by the Swiss government, the program aims to strengthen Tajikistan's investment climate and investment facilitation capacity. A MIGA-FIAS team jointly reviewed work carried out on assessing the country's investment climate, in particular pertaining to the legal and regulatory environment and administrative barriers to investment. Next steps include the development of an action plan to present to the government. MIGA and FIAS are working closely with the World Bank, IFC, and Private Enterprise Partnership program (PEP) to increase the private sector's understanding and support for the project. A series of training programs will be offered in collaboration with the World Bank Institute.

Regional. MIGA's European Investor Outreach Program for the Western Balkans aims to increase investor awareness of business and investment opportunities in South Eastern Europe. The EIOP currently covers Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, and Serbia and Montenegro. Under the program, funded by the Austrian government, MIGA is jointly implementing with beneficiary countries a series of pilot outreach and investor marketing activities, accompanied by additional training and capacity-building activities for the participating investment promotion intermediaries.

MIGA has also performed a study benchmarking the competitiveness of the Western Balkan countries as a site for manufacturing and export-oriented foreign investment. The study's findings are being integrated into the work program of the European Investor Outreach Program.

Latin America and the Caribbean

Economic activity in Latin America and the Caribbean grew by 6 percent during 2004, substantially higher than the growth rate of 1.9 percent in 2003. Strong world demand for commodities contributed to large output gains in Brazil, Chile, and Mexico. Argentina's substantial rebound following its 45 percent real effective depreciation between late 2001 and early 2005 contributed to the region's strong performance. Net inward FDI to Latin America started recovering in 2004, growing to $42.4 billion from $36.5 billion a year before. These levels of FDI are still significantly below the peak of $88.2 billion of FDI reached in 1999. In addition, about 83 percent of all foreign direct investment flowed into Brazil, Mexico, and Chile.

In fiscal year 2005, MIGA supported three projects through its guarantees program and undertook 12 technical assistance activities in the region. At year-end, MIGA's gross guarantees exposure stood at $1.3 billion, or 24.7 percent of the agency's outstanding portfolio.

GUARANTEES

Country	Activities
Brazil	**Isolux Wat S.A.** **Cobra Instalaciones y Servicios, S.A.** **Elecnor, S.A.** Cachoeira Paulista Transmissora de Energia Ltda. MIGA has provided three guarantees in the amounts of €5.1 million ($6.7 million) to Isolux Wat S.A. for its equity investment of €5.7 million; €5.1 million ($6.9 million) to Cobra Instalaciones y Servicios, S.A. for its equity investment of €5.7 million; and $1.8 million to Elecnor, S.A. for its equity investment of $6.7 million in Cachoeira Paulista Transmissora de Energia Ltda. The guarantees are for a period of 13 years and provide coverage against the risks of transfer restriction and breach of contract. The project involves the construction of an $80 million power transmission line in the State of Sao Paulo, which will increase transmission capacity as well as improve the reliability of the electricity supply. MIGA's participation in the project is consistent with the World Bank's objectives of supporting Brazil's power sector. The project is considered crucial for the country's economic development because it bolsters transmission capacity, which is considered a priority in Brazil's electricity development program for 1999-2008. A total of 1,200 workers will be hired during the construction phase of the project and about 30 people during the operation of the enterprise. The project will also pay taxes amounting to an estimated $64 million during the lifetime of the concession, and in accordance with Brazilian law, roughly $400,000 of the cost of the infrastructure project will be set aside for the establishment of conservation areas, parks, and protected areas.

Country	Activities
Brazil	**Isolux Wat S.A.** **Cobra Instalaciones y Servicios, S.A.** **Elecnor, S.A.** Transmissao Itumbiara Marimbondo Ltda. MIGA has provided three guarantees in the amounts of €3.6 million ($4.6 million) to Isolux Wat S.A. for its equity investment of €3.8 million; €3.5 million ($4.7 million) to Cobra Instalaciones y Servicios, S.A. for its equity investment of €3.8 million; and $1.0 million to Elecnor, S.A. for its equity investment of $4.5 million in Transmissao Itumbiara Marimbondo Ltda. The guarantees are for a period of 13 years and provide coverage against the risks of transfer restriction and breach of contract. The project involves the construction of an $80 million power transmission line in the State of Minas Gerais, which will increase transmission capacity as well as improve the reliability of the electricity supply. MIGA's participation in the project is consistent with the World Bank's objectives of supporting Brazil's power sector. The project is considered crucial for the country's economic development because it bolsters transmission capacity, which is considered a priority in Brazil's electricity development program for 1999-2008. A total of 1,300 workers will be hired during the construction phase of the project and about 30 people during the operation of the enterprise. The project will also pay taxes amounting to an estimated $62 million during the lifetime of the concession, and in accordance with Brazilian law, roughly $400,000 of the cost of the infrastructure project will be set aside for the establishment of conservation areas, parks, and protected areas.
Brazil	**Cooperative Centrale Raiffeisen-boerenleenbank BA** Banco Rabobank International Brasil SA MIGA has issued $66.5 million in guarantees to Cooperative Centrale Raiffeisen-boerenleenbank BA of the Netherlands, covering its $70 million shareholder loan to Banco Rabobank International Brasil SA (Rabo-Brazil). The guarantee is for a period of up to eight years and covers the risks of transfer restriction and expropriation. Rabo-Brazil is planning to use the shareholder loan to participate in trade receivable funds, which acquire discounted receivables from companies that finance consumers and small and medium-size enterprises. Such funds are an important funding source for Brazilian companies, allowing trade receivables originators to finance their revolving short-term needs with long-term funding. Rabo-Brazil focuses on the Brazilian food and agribusiness market. Structured as a local currency securitization, the project will also help develop local capital markets. In addition, Rabo-Brazil financing for companies is expected to help create indirect employment. By fostering financial sector development and broadening access to credit, the project is consistent with Brazil's country assistance strategy, which focuses in part on the development of a more competitive financial market.

Country	Activities
Uruguay	**Abengoa S.A.** Teyma Uruguay S.A. MIGA has issued a $0.7 million guarantee to Abengoa S.A. of Spain covering its loan guaranty of $1.8 million to Fleet National Bank for its loan to Teyma Uruguay S.A. in Uruguay. The guarantee is for a period of up to seven years and covers against the risks of transfer restriction, expropriation, and breach of contract. Abengoa's loan guaranty will allow Fleet National Bank to issue $1.8 million in letters of credit for Teyma to purchase waste management equipment. Teyma will then lease the equipment to Consorcio Ambiental del Plata (CAP), a project that includes the collection of solid waste in five neighborhoods in the capital city of Montevideo, the sweeping and cleaning of public roads, and the moving of refuse to a city-run landfill site. CAP is a consortium established in Uruguay for the sole purpose of this seven-year public bid, which follows a previous concession to a different company. CAP is wholly owned by Teyma, which is 92 percent owned by Abengoa. The project introduces a new system of 24-hour, year-round collection containers to an area with a population of 150,000 people. It also reduces collection costs by 30 percent compared to the previous concession. CAP's new equipment is expected to reduce accidents on the job and improve working conditions. Training programs will coach employees on operations, safety risks, and environmental care. By supporting a new market entrant following an open bidding process, the project is also consistent with the World Bank Group's strategy of increasing competitiveness in Uruguay.

TECHNICAL ASSISTANCE ACTIVITIES

Colombia. MIGA launched a three-year technical assistance program with Bogotá's Chamber of Commerce during the fiscal year. The program began with an assessment of FDI-related promotional capacity in the Bogotá, Cundinamarca region. Assessment results were discussed with key stakeholders, including the Regional Competitiveness Board, which approved MIGA's proposal to create a regional economic development agency to carry out an investment promotion program under MIGA's guidance. MIGA then helped develop a detailed business plan for the agency, defining its organizational structure and outlining funding needs. The structure and institutional model developed under this project provides a model that MIGA can replicate in other areas interested in developing their regional investment promotion capacity.

Dominican Republic. At the request of the Centro de Exportación e Inversión de la Republica Dominicana, the agency in charge of the country's investment promotion, MIGA provided training for staff and partners of the agency on proactive investment promotion techniques and strategy development.

El Salvador. As part of MIGA's longstanding technical assistance program with PRO.ESA, the national investment promotion agency, MIGA provided training on advanced investment promotion tools and techniques during the fiscal year. MIGA has been involved in establishing sophisticated promotional systems within the agency, which have generated important FDI flows for the country.

Guatemala. At the request of Invest in Guatemala (IIG) and the Presidential Commissioner for Private Sector Development, MIGA worked with IIG to plan and prepare sector promotion campaigns. MIGA helped the agency with fundraising and helped lay the groundwork for sector studies. MIGA also helped upgrade the agency's client-relationship management system and provided staff training on system maintenance.

Honduras. Work continued on MIGA's technical assistance program to increase and attract higher value-added FDI into Honduras. The main components of the program are being funded through an IDA credit for trade facilitation and productivity. Under this program, MIGA is working with the national investment promotion agency (FIDE) on targeted campaigns to attract foreign investment in four main sectors over the next three years. During the fiscal year, MIGA worked with FIDE to set the stage for these campaigns by launching sector studies in light manufacturing and agribusiness, with a view to identifying potential investors. Further sector studies are planned for tourism and services.

Nicaragua. MIGA has provided intensive support to ProNicaragua, the national investment promotion agency, since inception. ProNicaragua is now a model of success in the region, illustrating how effective an IPI can be in attracting FDI. In the short time since becoming operational in 2003, the agency has been directly involved in the attraction of more than $88 million in new investments, which are expected to create 6,550 new jobs. MIGA estimates that an additional 10,000 to 12,000 jobs will be created indirectly. MIGA plans to focus its future technical assistance on diversifying FDI into new sectors within light manufacturing, taking advantage of opportunities opened up by the country's participation in the Central American Free Trade Agreement, increasing tourism and hotel projects, and seeking out flagship investments in agribusiness.

Panama. The IFC and Panama's Regional Inter-Oceanic Authority, working together under a technical assistance contract, provided advisory services that led to the enactment of a new law in 2004 relating to implementation of the Panama Pacific Special Economic Zone (PPSEZ). MIGA cooperated with the IFC under the contract, providing advisory services on investment promotion into the special economic zones, and helped to develop consensus on the new law. This fiscal year, the PPSEZ administration renewed its technical assistance contract with the IFC to continue and deepen work launched last fiscal year. Work to date has focused on the privatization and conversion of the Howard Air Force Base into the PPSEZ, bringing together consulting firms as well as MIGA and FIAS to develop an implementation plan for the next nine months. MIGA is advising on investment promotion and free zone development, as well as helping to market the project in an international tender in order to concession the zone to an international developer.

Regional. During the fiscal year, MIGA worked with the Commonwealth Secretariat to implement an Enterprise Benchmarking Program in the Eastern Caribbean. The Commonwealth Secretariat is particularly interested in covering Antigua & Barbuda and St. Lucia, as well as the information and communications technology and agribusiness sectors. MIGA has also been engaging in a dialogue with the World Bank Group, which is currently analyzing Jamaica's tourism sector.

Middle East and North Africa

Despite the overall increase in foreign direct investment into developing countries as a whole, FDI into the Middle East and North Africa in 2004 was an estimated $4.1 billion, compared with $4.8 billion in 2003. This decline can be attributed to a number of factors, including regional conflicts, investor perceptions of the region, large public sectors, and investment climates that deter investors. The average GDP growth rate for the region also declined slightly, from 5.2 percent in 2003 to 5.1 percent in 2004. Oil rich countries, however, continued to benefit from high international oil prices and registered strong economic growth, averaging 5.5 percent in 2004. However these countries remain undiversified and vulnerable to external price shocks. MIGA is keen to expand its role to attract and retain FDI into the region.

In fiscal year 2005, MIGA supported one project through its guarantee program and undertook three technical assistance activities in the region. At year-end, MIGA's total gross guarantees exposure stood at $154 million, or 3 percent of the agency's outstanding portfolio.

GUARANTEES

Country	Activities
Egypt	**Urbaser, S.A.** Environmental Service S.A. MIGA issued four guarantees to Urbaser S.A. of Spain in association with its 15-year concession agreement with the Cairo Cleaning & Beautifying General Authority, an affiliate of the Municipality of Cairo. The guarantees cover a $1.23 million equity investment in the project enterprise, Environmental Service S.A. (Enser); a $2.43 million loan guaranty for an eight-year commercial bank loan made by National Société Générale Bank to Enser; a $2.07 million loan guaranty to National Société Générale Bank for a one-year revolving short-term commercial loan to the project enterprise and a performance bond to the Cairo Cleaning & Beautifying General Authority; and $1.08 million loan guarantee to Sogelease, a local leasing company, for a purchase option of Enser under the lease agreement. MIGA's gross exposure under the project is $6.41 million. The guarantees are for 10 years and cover the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. The project will contribute to modernizing Cairo's waste management sector, preserving the city's environment, and bolstering public health and the quality of life of its citizens. Under the former waste removal system, much of the city's waste was left uncollected and was often discarded in unofficial dumpsites close to housing developments, where it was either burned or left untreated. This practice created pollution, and posed health and safety concerns for both adults and children throughout the city. The project will increase coverage of waste collection from roughly 75 percent of households in the concession area to 100 percent coverage. The project will also serve to protect and improve the health and quality of life of a particular community most adversely affected by Cairo's waste—the Zabbaleen. The Zabbaleen are a people who make their livelihood from collecting and recycling Cairo's solid waste. They traditionally transport the waste to their homes, which has led to a very high percentage of tuberculosis and hepatitis infections in their communities. Roughly 450 of the 2,000 local jobs expected to be generated by the project are set aside for the Zabbaleen. Moreover, employment of the Zabbaleens will include protective equipment and uniforms, greatly improved work conditions and sanitation standards, medical benefits, training, and improved collection techniques. Medical waste will be pre-sorted at the source and transported in sealed, rigid and marked containers to incineration sites. The project is consistent with Egypt's development goals, as embodied in the World Bank Group's county assistance strategy: improving the country's infrastructure, reducing unemployment, and preserving the environment.

TECHNICAL ASSISTANCE ACTIVITIES

Egypt. At the request of the General Authority for Free Zones and Investment (GAFI), MIGA has launched a three-year technical assistance program to develop GAFI's institutional capacity to promote FDI. Activities were begun in April 2005. The program consists of nine major components, beginning with an institutional review of GAFI, as well as the drafting of an investment promotion business plan and strategy.

Morocco. Based on an institutional assessment of the Tangier Invest Project, MIGA has worked with the IFC's North Africa Enterprise Development (NAED) program to adapt the project into a regionally integrated initiative to proactively promote FDI into the region. The resulting Tangier Invest Initiative (TII) was approved in March 2004. A task force was created, consisting of the region's public and private sector stakeholders, with the aim of establishing the TII as an association. Once the association is created, NAED and MIGA will apply for supplemental donor funding. Recently, MIGA and IFC officials met with major national and regional stakeholders to finalize funding commitments.

West Bank/Gaza. MIGA conducted an institutional needs assessment of PIPA, the Palestinian Investment Promotion Agency, and delivered an assessment report. The Palestinian Authority requested MIGA's assistance in coordinating a strategic planning workshop to analyze future actions and priorities for FDI promotion for the Palestinian Territories after the disengagement. The workshop will be conducted early next fiscal year.

Sub-Saharan Africa

With over 689 million people in 47 countries, sub-Saharan Africa continues to present the world with its most formidable development challenge. Africa is still home to 34 of the world's poorest 48 countries. Nonetheless, in a year many are calling "the Year of Africa," progress is being seen in many areas. Africa's political leadership is taking ownership of conflict resolution, good governance, and poverty reduction at a regional level, with the new Partnership for Africa's Development providing the overall framework. Since the mid-1990's, 15 countries have seen GDP grow consistently over 6 percent a year, while the region as a whole averaged GDP growth of 4.4 percent in 2004. FDI inflows increased slightly from $10.1 billion in 2003 to $11.3 billion in 2004. Many countries have increased exports by more than 8 percent a year, despite falling prices in some of their primary commodities.

In fiscal year 2005, MIGA supported 10 projects through its guarantee program and undertook 21 technical assistance activities in the region. At year-end, MIGA's total gross guarantees exposure stood at $840 million, or 16.5 percent of the agency's outstanding portfolio.

GUARANTEES

Country	Activities
Burkina Faso	**Développement Agro-Industries Sud S.A.** **Banque Internationale pour le Commerce, l'Industrie et l'Agriculture du Burkina** Société Cotonnière du Gourma MIGA has issued $38.3 million in guarantees covering a €5.1 million equity investment and €12.3 million shareholder loan from Développement Agro-Industries Sud S.A. (Dagris) of France to Société Cotonnière du Gourma (SOCOMA) in Burkina Faso. The coverage also includes a €15.2 million loan guaranty from Dagris to Banque Internationale pour le Commerce, l'Industrie et l'Agriculture du Burkina for a loan of the same amount to SOCOMA. Coverage is against the risks of expropriation, war and civil disturbance, and breach of contract for a period of up to 15 years for the equity, and up to eight years for the shareholder loans and loan guaranty. This project will help SOCOMA acquire, modernize, and expand the cotton ginning assets of former monopoly Société des Fibres Textiles (SOFITEX) in the eastern region of Burkina Faso. The national government liberalized the cotton sector by breaking up the former monopoly into two new geographical zones (center and eastern) and allowing commercial operators to buy and operate them. The World Bank advised on the liberalization program. By decentralizing the cotton sector, the project will spread commercial risk among three entities and lead to more efficient operations—and thus higher revenues. New seeding techniques and training on pesticide and fertilizer use are expected to improve yields and quality. The project will foster entrepreneurship as local growers and investors purchase shares in SOCOMA. Crop diversification services for local farmers will help them attain food self-sufficiency so they are not totally dependent on cotton production. SOCOMA will retain all workers employed from SOFITEX in eastern Burkina and hire an estimated 130 additional workers. This project supports MIGA's priority of investing in IDA countries. It is MIGA's first project in Burkina Faso, and directly supports the cotton sector, the government's most important source of export revenue.

Country	Activities
Democratic Republic of Congo	**Anvil Mining Ltd. of Canada** **RMB International (Dublin) Limited** Anvil Mining Congo, SARL MIGA issued $13.6 million in guarantees, covering an investment and loans by Anvil Mining Ltd. of Canada and RMB International (Dublin) Limited of Ireland to Anvil Mining Congo, SARL, of the Democratic Republic of Congo (DRC) against the risks of transfer restriction, expropriation, breach of contract, war and civil disturbance. Half of the guarantee amount will be covered by a Lloyd's of London insurer through MIGA's Cooperative Underwriting Program. The project involves open pit mining of copper and silver ores to produce a concentrate, which will then be trucked to smelters in South Africa and Namibia for further processing. This is the first extractive industries project to be considered and approved by the Board of the World Bank Group since conclusion of the Bank-sponsored Extractive Industries Review in August 2004. The guarantee also marks MIGA's first guarantee for a project in the DRC, which became a member of the agency in 2003. In coordination with MIGA, Anvil has established a profit-sharing mechanism to ensure that local communities will benefit from the development of the Dikulushi deposit. The company has pledged 10 percent of its interest in the mine to a trust structure. Dividends will fund a community development program administered by a local nongovernmental organization (NGO). The community development program, which is expected to receive $5 to $7 million in funds over the next five or six years, includes investments in education, health care, and micro-enterprise and infrastructure development. Anvil has already begun implementation of a number of the community projects. The project is also spurring infrastructure improvements, including the construction and maintenance of a 54 km road, port facilities, a water pipeline to Dikulushi village, and additional water tanks and wells in other villages. This greenfield investment employs about 615 people. Before establishment of the mine, per capita income in the region was less than $.50 per day, derived almost exclusively from subsistence farming and fishing. Dikulushi miners are paid at levels in line with miners throughout the DRC Copperbelt. The project meets a number of MIGA's priorities: it supports an investment in a frontier and conflict-affected sub-Saharan country.
Ghana	**Investcom Holding S.A.** Scancom Ltd. of Ghana MIGA issued $99 million in coverage for a $110 million equity investment into Scancom Ltd. of Ghana by Investcom Holding S.A. of Luxembourg. The guarantee—which covers the equity investment in the form of future retained earnings—will provide coverage for a period of up to 15 years against the risks of transfer restriction, expropriation, and war and civil disturbance. The project consists of the expansion and upgrade of Scancom's network in Ghana, with the goal of increasing population coverage and alleviating network congestion. The project also entails the payment of a new $22.5 million 15-year license, designed to replace an authorization letter issued in 1994 with no clear frequency allocation or duration. Scancom, which launched services in 1996, operates a nationwide mobile phone network using GSM technology. Under the brand name Spacefon, the company has become the leading mobile provider in Ghana, with coverage in all major cities, a 65 percent market share, and approximately 955,000 subscribers as of end-2004. The new investment is designed to increase capacity from nearly 1 million subscribers today to 2.7 million subscribers by end-2006, while population coverage is expected to increase from 50 percent today to 70 percent during the same period. (cont'd)

Country	Activities
Ghana	**(cont'd)** The project is expected to have several direct development impacts. Scancom's expansion will fuel an increasingly competitive mobile market in Ghana. All major operators have plans for investments in networks and aggressive marketing, which should lead to wider coverage and more affordable rates. Mobile penetration is expected to double over the next three years. Increased coverage will also facilitate small business development, as entrepreneurs gain access to a critical communications medium. Scancom employs 644 people directly and plans to boost its workforce to 1,377 employees by the end of 2009. The company offers good training programs, career development, and salaries, creating opportunities for skilled workers and young graduates. This counterbalances the flight of skilled and educated workers from the country. The IFC is providing a $40 million loan to Scancom to support this project.
Ghana	**West African Gas Pipeline Company Limited** West African Gas Pipeline Company Limited, Ghana MIGA has issued a $75 million guarantee for equity investments in the West African Gas Pipeline Company Limited, a Bermuda-incorporated company, covering a portion of Ghana's contractual obligations for the West African Gas Pipeline project. The coverage is for a period of up to 20 years against the risk of breach of contract. This guarantee will support the West Africa Gas Pipeline Project, which aims to build a 678-km natural gas pipeline to supply natural gas from Nigeria to markets in Benin, Ghana, and Togo. The project is designed to substitute abundant and cheap natural gas from Nigeria for expensive alternate fuels used by the power, industrial, mining and commercial sectors of the three countries. The MIGA guarantee is accompanied by an IDA partial risk guarantee to the West African Gas Pipeline Company for $50 million in respect to Ghana's obligation to make certain payments. The project will supply cheaper, cleaner energy and improve the reliability of energy systems in Ghana, Benin, and Togo, thus lowering the cost of power and improving the competitiveness of goods and services. It will also contribute to reducing gas flaring in Nigeria, which is aiming to eliminate all gas flaring by 2008. This project supports ongoing efforts to increase economic integration in West Africa. It is the first in the region to develop regional exports of natural gas. By standardizing technical specifications and regulatory frameworks, it will also facilitate energy trade among the participating countries.
Mozambique	**KfW—Kreditanstalt Für Wiederbraufbau** Kenmare Moma Mining Ltd. and Kenmare Moma Processing Ltd. MIGA has issued additional coverage of $12.4 million to KfW—Kreditanstalt für Wiederaufbau of Germany for its previous $20 million loan to Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited. MIGA originally issued coverage of the investment in the Moma mining project in 2003. This increase provides coverage against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. The project involves the dredge mining development of a large heavy mineral sands deposit located in one of the poorest provinces in Mozambique. The project is expected to have significant development impacts, including generating significant employment, export and tax revenues, providing know-how and technology transfer, and developing infrastructure. Moreover, at the community level, Moma mining will continue to collaborate with local NGOs to ensure that the project will maintain close contact with the community. The project addresses two of MIGA's priority areas: an investment in an IDA country and in Africa.

Country	Activities
Nigeria	**Manaksia Limited of India** **State Bank of India (UK)** **ICICI Bank UK Limited (UK)** MINL Limited MIGA has issued a $0.4 million guarantee to Manaksia Limited of India covering a portion of its $6.5 million equity investment in MINL Limited of Nigeria. MIGA has also provided $6.6 million in coverage for non-shareholder loans to MINL, in the amount of $5 million and $1.9 million, from State Bank of India of the UK and ICICI Bank UK Limited of the United Kingdom, respectively. All three guarantees have a term of up to five years and cover against the risks of transfer restriction, expropriation, and war and civil disturbance. MINL manufactures and sells bottle caps and sheet metal in Nigeria. The investment and loans guaranteed under this project will support the construction and operation of a metal processing plant. MINL will use the plant to expand production into three new product lines: galvanized corrugated steel sheets, aluminum sheets, and aluminum alloy ingots. Galvanized corrugated steel sheets are the main roofing material for 90 percent of Nigerians. MINL has already had significant success with bottle caps, increasing its market share of crown caps from 8 percent in 1998 to 52 percent in 2002. Local procurement of goods and services for the new plant in Ogun State is estimated at $8 million annually. Seventy percent of that would be spent in Ogun, the rest in the north and east of Nigeria. The project is expected to generate about $3 million in corporate tax revenue a year. The project will employ 118 local people. Staff will receive training on production improvement, industrial safety, effective supervision, and computer-controlled processing. This project meets several of MIGA's priorities as it supports a small and medium-sized enterprise investment, a South-South investment, and the diversification of MIGA's portfolio in Nigeria, an IDA-IBRD blend country. The project also fits into the government's strategy to diversify the economy beyond oil.
Nigeria	**Antoine Boulos, Gabriel Boulos** Bel Papyrus Ltd. Bel Impex MIGA has issued $6.3 million in guarantees to Lebanese nationals Antoine Boulos and Gabriel Boulos covering their $5 million equity investment in Bel Papyrus Ltd. of Nigeria and $2 million equity investment in Bel Impex Ltd. of Nigeria. The guarantees are for 10 years and cover against the risks of expropriation and war and civil disturbance. This investment will expand Bel Papyrus's paper recycling plant and Bel Impex's paper converting plant, both in Lagos. Bel Papyrus recycles waste paper such as old books, office paper and newspapers, most of which is converted by Bel Impex into toilet rolls, napkins, sanitary napkins, and facial tissues. This project involves moving the plants to new facilities with new equipment. The new Bel Papyrus plant is expected to reduce production costs and gradually increase output to approximately 11,000 tons from its current rate of 5,000 tons a year. This project, considered a pioneer in Nigeria's paper industry, should boost demand for waste paper while generating an estimated 66 new jobs. Staff training and expertise with new equipment will help develop the recycling and paper production industry. The project sponsors have also committed to procuring locally, which should result in multiplier effects in the transport, retail, and communications sectors. This project meets MIGA's priorities of supporting projects in Africa and in IDA countries. The project is also consistent with the World Bank Group's objective of encouraging private sector-led growth in Nigeria.

Country	Activities
Senegal	**Azienda Municipalizzata per l'Ambiente S.p.A.** **Azienda Municipalizzata per l'Ambiente International S.p.A.** AMA Senegal MIGA issued four guarantees totaling $15.7 million to Azienda Municipalizzata per l'Ambiente S.p.A. (AMA) and Azienda Municipalizzata per l'Ambiente International S.p.A. (AMAI), both of Italy, for their investment contributions to AMA Senegal (AMAS). Two of the guarantees cover AMA's shareholder loan to AMAS, as well as a guaranty to a local bank for its loan to the project enterprise. The two other guarantees cover AMAI's equity investment into, and shareholder loan to, AMAS. The coverage is up to 15 years for the equity, and five years for the loans, offering protection against the risks of expropriation, breach of contract, war and civil disturbance. The project involves the establishment and operation of a waste management system for Dakar, a densely populated city of two million residents. The project, to be operated under a 25-year build-own-operate-transfer contract, involves street cleaning, collection and transportation of urban solid waste, recycling, landfill disposal of nonrecyclable waste, and the production and commercialization of compost fertilizer. On completion of the contract, Senegal will own the project infrastructure, including the transfer center and landfill, which have an estimated lifespan of 50 years. Unsanitary conditions and the spread of disease are among the major challenges the city faced in the past. In this context, a modern and efficient waste management system is key to improving the quality of life of residents, a government priority. The project will also support environmental sustainability by facilitating the closing of an existing uncontrolled dumpsite, as well as through an environmental awareness campaign financed by 2 percent of the project budget. With MIGA's support, AMAS has generated 1,700 jobs under this project and has thus become the largest private sector employer in the country. The project is expected to result in annual savings of $4.5 million for Dakar, due to the reduced service fee; the procurement of local goods and services, estimated at $2.7 million over the project's lifetime; and an estimated $200,000 in annual tax revenues. By almost doubling the tonnage of urban solid waste collected, the project has noticeably changed the appearance of Dakar, which has significant implications for the government's tourism and investment promotion strategies.
Uganda	**Afriproduce Ltd.** Ugacof Ltd. MIGA issued a contract of guarantee to Afriproduce Ltd. in the amount of $3.1 million to cover its equity investment in Ugacof, Ltd. The guarantee replaces MIGA's existing coverage of a shareholder loan and equity investment by Afriproduce Ltd., which was issued in fiscal year 1999. The new guarantee is for a period of five years and covers against the risks expropriation and war and civil disturbance. The guarantee covers Ugacof's fixed assets, including a new warehouse, which will increase capacity and improve production flexibility. In the five years of Ugacof's operation, the project has contributed to Uganda's economy both through export levies and taxes and through export earnings. Community development has also been positively impacted through the transfer of technical knowledge and management skills. The project has replaced most of its expatriates with local staff in the management structure, and women are particularly well represented at the managerial and supervisory levels. As part of its continued commitment to the local community, Ugacof provides local farmers with advice on increasing capacity. It also sensitizes growers to the quality of their coffee and offers assistance in diversifying crops so farmers can bring more varieties to market. For more on this project, please see the project brief in the FY99 Annual Report and "Reaching out to Small and Medium Enterprises" in the FY04 Annual Report.

Country	Activities
Uganda	**Globeleq Ltd.,** **Eskom Enterprises (Pty.) Ltd.** Umeme Ltd. MIGA has issued $40.5 million in guarantees to Globeleq Ltd. of Bermuda and Eskom Enterprises (Pty.) Ltd. of South Africa covering their $45 million equity investment in, and shareholder loans to, Umeme Ltd. of Uganda. The guarantees are for 20 years and cover against the risks of transfer restriction, war and civil disturbance, and breach of contract. Umeme will operate an electricity distribution concession in Uganda for 20 years. Globeleq will bring commercial and financial expertise to the consortium, while Eskom will provide much of the technical expertise required to turn around the underlying business. The distribution network consists of 13,000 km of high and low voltage overhead lines extending throughout the country, with most of its customers concentrated in the semi-urban strip from Entebbe through Kampala to Jinja. The concession calls for Umeme to provide up to 60,000 new connections, reduce losses, and improve collection rates within the first five years. Service delivery will be improved by easing the overloading of lines and substations and replacing weak line poles. Access to electricity will also expand for households, schools, clinics, hospitals, and water systems. The more accessible and reliable power is expected to foster economic activity and generate fiscal revenues for the government. MIGA's participation in this project promotes South-South investments into an IDA-only country. The World Bank is also participating in this project via a $5 million guarantee serving as a backstop to the letter of credit facility, which forms part of the security package for the project.

TECHNICAL ASSISTANCE ACTIVITIES

Ethiopia. Responding to a request from the Ethiopian investment commission, MIGA and FIAS conducted a joint assessment of the commission's activities, structure, and capacities, and proposed a program to address current challenges. The commission and MIGA are currently discussing the program with other development partners active in Ethiopia with a view to securing additional resources to implement the program in the coming fiscal year.

Gambia. MIGA worked with the World Bank's Africa department to review progress made on the Gambia Gateway project—an effort aimed at establishing a free zone and improving the institutional environment as a means for more export-oriented production and job creation. MIGA is also proposing implementation adjustments to be made during the balance of the program.

Ghana. Ghana is a participant in the MIGA-Swiss Partnership, an investment facilitation program in four countries, co-funded by the Swiss government. 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 United States. This information is used to select investment target sectors. This fiscal year, MIGA assessed progress achieved under the project to date and determined next steps. Staff also discussed a cooperation agreement and other sector-specific work programs with the country's investment promotion intermediary—GIPC—and government officials. MIGA and GIPC finalized their work program under the project and agreed on the implementation of a client-tracking system.

Madagascar. Madagascar is seeking to establish an investment promotion intermediary and to review the legal and administrative structure governing its free zones. In support of these objectives, the government is using an IDA credit to support inclusion of Madagascar in MIGA's Enterprise Benchmarking Program, and has sought MIGA's advice on drafting the appropriate legislation and procedures to establish a new investment intermediary. MIGA expects to work further with Madagascar on these activities in fiscal year 2006.

Mali. MIGA has been supporting a USAID-funded project—Mali Finance—in an advisory capacity. The project assesses the institutional arrangements for investment promotion in the country and provides a road map for the establishment of a new investment promotion agency. The Mali Finance report was completed in late 2004. USAID has requested MIGA to follow up on this

project, and implement the recommendations spelled out in the report. MIGA will launch activities shortly, entailing the merger of two existing entities to create a new IPA—Mali Invest—and the development of a business plan. This work is being closely coordinated with the World Bank's Africa department, which is finalizing a major private sector development credit for the country. Mali is funding its inclusion in MIGA's Enterprise Benchmarking Program (see below) through the Mali Finance project.

Mozambique. MIGA is continuing to support the Mozambique Investment Promotion Centre (CPI) in its efforts to attract foreign direct investment and strengthen linkages with the local business community. Work is focusing on the implementation of a private sector credit designed to develop a free zone adjacent to the Mozal aluminum smelter, as well as on developing the country's overall free zone program. Under the MIGA-Swiss Partnership and in collaboration with the World Bank, MIGA conducted a review of the country's investment prospects for tourism. The findings are supporting efforts by the Ministry of Tourism to profile potential tourism projects, identify possible international investment partners, and inform local and foreign prospects of opportunities. Mozambique is also a participating country in MIGA's Enterprise Benchmarking Program.

Senegal. Senegal is also a participant in the MIGA-Swiss Partnership. Under the initiative, MIGA is helping the country 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 United States. This information is used to select investment target sectors. This fiscal year, MIGA helped APIX, the national investment promotion agency, in its efforts to attract FDI into apparel, textiles, and call centers. Promising results have been found to date in the call center industry, and these programs are ongoing.

Sierra Leone. In cooperation with a FIAS program in support of the Sierra Leone Export Development and Investment Corporation, MIGA worked to identify the technical assistance most needed to help the country develop its private sector and generate growth. In exploring the role the agency may play in Sierra Leone, MIGA drew on its experience in supporting conflict-affected countries. To support both foreign and domestic investment, there is a need to establish an effective investment promotion intermediary, equipped to collate and disseminate information on the economy and facilitate entry of new investors.

Tanzania. MIGA participated in this year's World Bank Group investment climate assessment, outlining the benefits of its Africa Enterprise Benchmarking Program, which benchmarks Tanzania as an investment location against its neighbors and other African countries. MIGA also helped the country's investment promotion agency prepare for a high-profile tourism business forum. Agreement was reached on extending the tourism outreach program presently being funded by MIGA in association with Tanzania's Ministry of Natural Resources and Tourism. This program has already led to a number of major investments in this industry, with more leads under development.

Uganda. At the launch of the World Bank's investment climate workshop in Uganda, MIGA highlighted its work on benchmarking Uganda as an investment location against other African countries.

Regional. MIGA is conducting fieldwork for a major benchmarking program on sector competitiveness in six promising industries in ten sub-Saharan African countries: Ghana, Kenya, Lesotho, Madagascar, Mali, Mauritius, Mozambique, Senegal, Tanzania, and Uganda. These investment sectors are being benchmarked in competing countries and other leading locations globally. The results of this study, which is closely coordinated with and draws on work done for World Bank investment climate analyses in these countries, will be discussed with participating countries early in fiscal year 2006. Based on the findings, MIGA will help the countries profile their areas of competitiveness and to identify additional actions needed to promote investment in promising sectors.

MIGA has collaborated with the other investment promotion programs in the region, including in Ghana, Senegal, and Tanzania, where the agency has helped develop five programs for funding through the Proinvest program. MIGA has also cooperated with the Corporate Council for Africa, the Canadian Council for Africa, and the World Economic Forum to implement programs to enable African countries to showcase investment opportunities to potential investors.

In addition, MIGA has held extensive discussions with the NEPAD secretariat to assist them in designing and implementing a web presence to support closer collaboration between the staff of NEPAD and the Regional Economic Commissions, and to disseminate information on investment opportunities in infrastructure and other sectors to potential investors. MIGA is also working closely with the African Development Bank in supporting NEPAD investments, including cosponsoring a study designed to fast-track implementation of high-potential infrastructure projects.

During this fiscal year, MIGA has significantly increased its collaboration with other World Bank Group units, particularly the infrastructure and private sector departments in the Africa region, FIAS, and IFC's Private Enterprise Program for Africa. MIGA has undertaken collaborative activities with these units in four countries, and has plans or is discussing joint programs in a further six countries in the upcoming fiscal year.