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MIGA NEWS

MULTILATERAL INVESTMENT GUARANTEE AGENCY • A MEMBER OF THE WORLD BANK GROUP

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MIGA posts record year in fiscal 2000

Foreign direct investment in developing countries, a key driver of growth, got a huge boost in fiscal 2000 from the Multilateral Investment Guarantee Agency, which facilitated some \$5.4 billion in foreign direct investment by offering political risk insurance coverage totaling \$1.6 billion.

"This was another record year for the agency," said MIGA's Executive Vice President, Motomichi Ikawa. "We've

achieved record numbers in the amount of coverage offered. But most importantly, we have focused more on projects in poor countries."

The coverage is for new projects in 26 developing countries, including first-time guarantees in Albania, Armenia, Bosnia and Herzegovina, Croatia, Lesotho, FYR Macedonia, Moldova, Nicaragua, Swaziland, and Turkmenistan. Twelve projects are guaranteed for \$460 million in poor

countries eligible for International Development Association (IDA) credit, with Africa accounting for a fifth of the year's new business.

Projects covered are in the agribusiness, telecommunications, financial services, infrastructure, manufacturing, mining, services and tourism sectors. Guarantees for infrastructure projects grew at the fastest rate, rising from 19 percent of the portfolio at the end of fiscal 1999 to 29 percent at the end of fiscal 2000.

The year also saw new coverage of more than \$257 million issued for four projects under the Cooperative Underwriting Program, a coinsurance arrangement that helps mobilize additional political risk insurance and thus broaden MIGA's reach. Four new private insurers were brought into the program.

Since its inception in 1988, MIGA has covered investment projects in 75 developing countries, providing more than \$7.1 billion in guarantees. These guarantees have facilitated an estimated \$36 billion in foreign direct investment to emerging economies all over the world. Increasingly, these flows are being directed to the world's poorest, with MIGA's gross exposure in IDA countries at a record \$1.2 billion.

GUARANTEES ISSUED IN THE 4TH QUARTER OF FISCAL 2000

GUARANTEE HOLDER	INVESTOR COUNTRY	HOST COUNTRY	SECTOR	GROSS EXPOSURE US\$M
Balkcem Limited	Cyprus	Macedonia	Cement	19.2
Bank Austria Creditanstalt Leasing GmbH	Austria	Croatia	Financial	29.6
Coastal Power Dominicana Generation, Ltd.	Cayman Islands	Dominican Republic	Power	90
CCB Management Services GmbH	Austria	Bosnia and Herzegovina	Manufacturing	1.5
Coca-Cola Beverages Holdings II B.V.	Netherlands	Bosnia and Herzegovina	Manufacturing	18.4
Coca-Cola Beverages Holdings II B.V.	Netherlands	Bosnia and Herzegovina	Manufacturing	0.8
Commercial Bank of Greece	Greece	Armenia	Financial	2.7
Eskom	South Africa	Mozambique/Swaziland	Energy	32
Eskom	South Africa	Mozambique/Swaziland	Energy	37.4
The Fuji Bank Limited	Japan	Brazil	Oil and Gas	13.8
Hydro-Quebec International, Inc.	Canada	Peru	Infrastructure	16.2
Hydro-Quebec International, Inc.	Canada	Peru	Infrastructure	24.2
Louis Dreyfus Negoce, S.A.	France	Russia	Agribusiness	15
Mitsui & Co., Ltd., and Sumitomo Corporation	Japan	Brazil	Oil and Gas	1.4
New Arian Resources Corporation	Canada	Russia	Gold Mining	2.3
Ormat Holding Corporation	Cayman Islands	Nicaragua	Power	81.4
Ormat Holding Corporation	Cayman Islands	Kenya	Power	37.5
Rabobank International	Netherlands	Russia	Financial	34.2
Societe Generale	UK	Tanzania	Mining	115.8
Standard Bank London Limited	UK	Russia	Mining	14.9

Agency Adds New Online Service to Investment Marketing Repertoire



RUSSIA GETS PRIVATIZATION-LINKED

MIGA added a new instrument to its investment marketing repertoire with the recent launch of an English- and Russian-language website — PrivatizationLink Russia—featuring investment opportunities arising from privatization in the Russian Federation.

The new service—the result of a partnership between MIGA, the Russian Ministry of State Property, and the Canadian International Develop-

ment Agency — is designed to help international firms access business profiles of state-owned companies and assets currently for sale, as well as other direct investment opportunities. The site also details relevant laws, regulations, and procedures governing these transactions.

"The launch of this service is an important step towards enhanced transparency and fair market access for both foreign and domestic investors in Russia," said Karin Millett, director

of Investment Marketing Services. "It will contribute to increasing the flow of new investment and the economic transformation of Russia."

PrivatizationLink Russia (<http://russia.privatizationlink.com>) is an offshoot of PrivatizationLink, MIGA's award-winning online information service for firms seeking to invest in privatized enterprises within the world's emerging economies. Launched in June 1998, PrivatizationLink now covers over 50 countries in Central and Eastern Europe, Central Asia, and sub-Saharan Africa, and is expanding to other regions.

Users of the site also have full access to the vast amount of country- and sector-specific information cataloged in IPAnet, MIGA's online information clearinghouse for companies engaged in cross-border investment (<http://www.ipanet.net>). IPAnet offers over 10,000 information resources drawn from more than 450 investment-related organizations worldwide.

All of MIGA's online services are free of charge to users.

POWER Deal Offers Respite to Energy-Deprived Kenyans

Denizens of Kenya, facing a severe energy crisis that limits power to three days a week in the nation's capital and to 12 hours a day or less in other parts of the country, may soon be getting some relief.

That's because MIGA sealed a deal earlier this summer to insure Ormat Holding Corporation's \$40 million investment in a much-needed geothermal power plant. The 15-year guarantee covers the investor against the risks of currency transfer restriction, expropriation, and war and civil disturbance. The project, located 50

kilometers northwest of Nairobi in the Rift Valley, aims to reduce the country's severe power shortage—the ongoing effects of which have seriously impacted economic and social development. The plant will help scale back Kenya's dependence on hydroelectric power, which is subject to droughts and accounts for 80 percent of power production. The end result: a more reliable power supply.

MIGA's guarantee covers Ormat's development of an 8 megawatt geothermal power plant, but, based on the appraisal of a nearby geothermal field, power production could eventually be increased, boosting Kenya's overall power generation by up to 10 percent. The project will employ more than 330 local citizens during construction and 22 for operations. Some 85 percent of goods and services will be procured locally.



NEW NEW Gas Project to Benefit Brazilians



The residents of Rio de Janeiro and Espiritu Santo, Brazil, may soon be breathing cleaner air, thanks to the planned expansion and upgrading of a natural gas processing plant.

The project is being insured by MIGA, which agreed in June to provide \$13.7 million in coverage to The Fuji Bank, Ltd., and \$1.3 million in coverage to Mitsui & Co., Ltd., and the Sumitomo Corporation, all from Japan. The guarantee will cover the investors against

the risks of currency transfer restriction, expropriation, and war and civil disturbance.

The plant, owned by Cayman Cabiunas Investment Co., Ltd., is designed to capture, process, and transport natural gas from deposits being developed in the offshore Campos Basin. The project will upgrade and expand the plant's processing capacity by 70 percent, as well as construct two new pipelines to

transport the new gas. These improvements will allow Brazilian national oil company Petrobras, which will lease the facility, to meet the country's growing energy needs with a cleaner, more environmentally sound fuel.

During the first five years of operation, the project is expected to contribute about \$364 million in oil import substitution, and substantially spur the local economy through local procurement of goods and services.

INVESTMENT MARKETING SERVICES

target ASIA

If building capacity is the name of the investment promotion game, then the governments of Laos, Cambodia, Vietnam, and Mongolia should soon see the fruits of an innovative program to improve their ability to attract foreign investment.

Behind this nascent technical assistance program, funded by the Japanese government, is MIGA, which aims to help these countries attract foreign investment through the delivery of workshops, training, and new Internet technologies to investment promotion agencies.

"The Asian economic crisis dramatically shifted corporate perceptions of the region, resulting in a decline in investor confidence," says Mihir Desai, an investment promotion officer in MIGA. "But Asia is back on track, offering plentiful, untapped investment opportunities. Our job is to help these countries build their capacity to let investors know about these opportunities."

MIGA's investment marketing unit launched the program late last year and has since been working closely with investment promotion agencies to develop customized programs to meet individual needs.

Because of its increased role in business applications, technology is playing a big part in the agency's assistance efforts. Internet trade between businesses is expected to grow from \$100 billion in 2000 to over \$1 trillion by 2004, with the Asia-Pacific region likely to account for some 40 percent of electronic commerce in three years. "Since Asian companies, the primary target for these investment promotion agencies, are turning to the Internet to both communicate and transact with all players in the value chain, there is a compelling need to get these agencies as Internet-ready as possible," says Desai.

As such, MIGA is helping each agency develop an interactive web presence to provide information to investors and place as many operations as possible online. Also under development are systems to help agencies track investment inquiries and progress toward actual investment.

MIGA also plans to hold workshops to help governments define which agencies are responsible for the different aspects of investment promotion, such as overseas promotion, in-country facilitation, and monitoring. Skills training is another part of the curriculum, and will feature instruction in marketing, communications, investment climate analysis, and investor decision-making.

In related news, MIGA received a \$1 million grant under the New Miyazawa Initiative, a Japanese-sponsored program to revitalize private sector growth in Asia. The grant will be used to provide hands-on technical assistance to Indonesia, Korea, Malaysia, the Philippines, and Thailand, to help them design and implement effective strategies for attracting new foreign direct investment. Funds will also be used to familiarize potential investors with political risk mitigation instruments.

For more information on the technical assistance program, contact Mihir Desai at (202) 458-5566. Contact Bill Luttrell at (202) 473-2898 for more on MIGA and the Miyazawa Initiative.

MIGA Backs Landmark Securitization Deal

Brazilian health care to benefit

In a move that breaks new ground for financing in developing countries, the Multilateral Investment Guarantee Agency has issued a \$90 million guarantee for the securitization of loan and lease receivables from the financing of medical equipment in Brazil.

MIGA provided the guarantee to MSF Funding LLC (MSF), whose parent company, MSF Holding Ltd., provides loan and lease financing for the supply of high technology diagnostic imaging and radiation therapy equipment to hospitals, physician groups, and clinics throughout Latin America. MSF has issued floating-rate notes on the international capital markets, based on the company's future leasing revenues. The notes are secured by US

dollar-denominated financing contracts in Brazil. The MIGA guarantee will protect MSF's ability to convert funds generated in local currency into US dollars and to transfer them outside the country, as well as guaranteeing the company against expropriation of its Brazilian bank accounts.

"This is the first capital markets issue supported by MIGA, and the first internationally rated securitization of Brazilian loan and lease receivables from the financing of medical equipment—marking a milestone for both MIGA and Brazil," said Vice President for Guarantees, Roger Pruneau.

MSF will use the proceeds of the financing to originate new loans and leases in Brazil, where specialized medical equipment of this type is in short supply and much of what exists is obsolete. The equipment to be financed includes magnetic resonance imaging, CAT scanners, and other medical devices, which will help improve the quality and cost-efficiency of the country's health care services, particularly for cancer patients.

The project is expected to have many direct and indirect developmental benefits. Highly skilled doctors will train local medical staff in the equipment's use, and allow Brazilian doctors to provide improved care to patients.

"This is an important 'first' for DVI and its partners," said Michael A. O'Hanlon, president and chief executive of DVI, Inc., the majority owner of MSF Holding Ltd. "This securitization establishes a funding platform that will enable us to offer financing of medical equipment for all of Latin America."

MIGA proved key to improving the risk profile of the notes and helping the investor secure the financing needed, enabling the issue to be rated above Brazil's local and foreign currency ratings. The Class A Notes received an A2 rating from Moody's Investor Services, and an A rating from S&P and Fitch IBCA. The Class B Notes were rated Baa2 and BBB respectively, and the Class C Notes received a BB rating.

MIGA reinsured its guarantee with eight Lloyd's of London syndicates and with the Netherlands Development Finance Co. (FMO). FMO is also a shareholder in MSF Holding Ltd., together with the International Finance Corporation, a member of the World Bank Group, and Philadelphia International Equities.

"We hope this pioneering transaction will open the way for more companies to use this mechanism to raise capital for much-needed investments in other developing countries," added Pruneau.

IT news

Teleseminar Helps Investment Promotion Agencies Build Effective Communication Skills

On July 14, MIGA's Promote Africa project delivered a teleseminar on attracting foreign direct investment (FDI) to the Southern African Development Community region. The event, part of a regional workshop on investor targeting, international communications, and presentation techniques, targeted senior staff of selected investment promotion agencies from the region.

The teleseminar brought together more than 30 participants and presenters from Ethiopia, Ghana, Tanzania, Uganda, Zambia, Zimbabwe, and the United States to discuss such topics as effective communication for FDI promotion and formulating communication strategies to support economic development and inward investment.

MIGA co-sponsored the workshop with the World Bank's Resident Mission in Zambia, the Zambia Investment Centre, and the United Nations Economic Commission for Africa.

Malawi's Investor Tracking System Gets an Upgrade

MIGA recently put the final touches on an upgraded investor tracking system for the Malawi Investment Promotion Agency, designed to help the agency actively manage investor tracking activities, record detailed information on any investments made in the country, and identify investor trends and interests.

The upgrade began in late 1999, when MIGA staff carried out a needs analysis for the Malawi agency and copied all data in the existing system. Staff then worked with US-based vendors to configure the new system, a customized version of Goldmine 4.0, to meet the agency's needs. MIGA and vendor staff helped implement the new system earlier this year, and wrapped up by training agency staff in its use and setting up a help desk for post-implementation support.

PARTNERING FOR
DEVELOPMENT

'MIGA can't do it
alone'



When the Multilateral Investment Guarantee Agency was created almost 13 years ago, foreign direct investment (FDI) in developing countries was a fraction of what it is today. But with the increasing trend toward globalization, FDI is on the rise, and since the mid-1990s, has become the largest component of external financing to developing countries. With this rise, and in the aftermath of the global financial crisis, demand for political risk insurance has been increasing rapidly. The public and private insurance market has not been able to keep pace with the demand.

MIGA plays a crucial role in this environment, supporting foreign direct investment into countries most in need, and working with other insurers to increase the capacity of the insurance industry as a whole. We provide hands-on technical assistance and information dissemination services to help developing countries attract foreign direct investment—and ultimately reduce poverty, our key development goal.

In the last fiscal year alone, MIGA provided \$1.6 billion in political risk coverage and facilitated an estimated \$5.4 billion in foreign direct investment for projects ranging from power to agribusiness to manufacturing. With our special focus on the poorest countries, we did more than 35 percent of business in fiscal 2000 in IDA-eligible countries, with Africa accounting for 19 percent of new guarantees; we also covered nine cross-border investments between developing countries.

MIGA helped developing country members build programs, implement strategies, and exchange information to attract foreign direct investment. Through our work with investment promotion agencies, business associations, private firms, and partner agencies, we have been playing a catalytic role in introducing new technologies and approaches to help facilitate private sector development. Our free online information and marketing services, IPAnet and PrivatizationLink, have been recognized as leading tools for doing business in the new global economy.

MIGA's ability to extend its reach has been significantly enhanced by a \$150 million grant from the World Bank Group, and a decision in 1999 by MIGA's Council of Governors to augment our capital by \$850 million. A renewed focus on key development objectives and scaled up outreach program are also helping to expand our impact.

Even so, MIGA can't do it alone. We're collaborating more and more with public and private insurers, working together to find innovative ways to expand the industry's capacity to meet the unmet demand for political risk coverage. During the past year and a half, for example, we worked with 17 public and private insurers, which mobilized over \$1 billion in additional capacity through facultative reinsurance and the Cooperative Underwriting Program. These partnerships are helping to increase the overall availability of coverage for projects, and thus facilitate the flow of capital into developing countries.

The partnerships we have begun to develop are crucial to the fight against poverty, but we can go further. Join us in our mission as we seek out ways of promoting development through foreign direct investment.

MIGA Takes MESSAGE ON THE ROAD to Gulf Region

MOBILE OFFICES target foreign direct investment

The Multilateral Investment Guarantee Agency wrapped up a tour of the Persian Gulf region in May as part of its "mobile office" program, a pioneering effort to spur foreign direct investment into developing countries.

The mobile office toured seven cities throughout Saudi Arabia, Bahrain, Kuwait, and the United Arab Emirates, where staff held seminars and one-on-one meetings with potential investors and lenders. Also attending were public sector officials interested in promoting foreign direct investment into their countries. Previous mobile offices have been held in East Africa, South Africa, India, the UK, and Japan.

"Mobile offices are an important way to extend MIGA's reach to prospective clients, especially as we do not have many MIGA representatives based in the field," says Moina Varkie, head of the agency's new marketing unit.

Typically, a mobile office operates for one to three weeks, during which a small team visits major cities in a region to share information about the agency's activities.

"The Middle East currently accounts for only a small percentage of MIGA's portfolio," says Varkie. But, she points out, the investment environment is opening up across the region, and "we want to be well-positioned to encourage foreign direct investment as the situation evolves."

Saudi Arabia, for example, has taken steps to create an environment that's more conducive to foreign investors. Joining the MIGA team at the recent mobile office in Riyadh, Prince Abdullah Bin Faisal Bin Turki told investors and government officials that his country would continue to improve its new investment law "to fully service foreign and local investors," according to the *Saudi Gazette*.

"We are trying to get things needed by the investors done," said the prince, who heads the Saudi Arabian General Investment Authority.

MIGA has stepped up its work in Saudi Arabia, mainly through its recent collaboration with the World Bank's mining division to help the government generate private sector involvement in its mining sector. Part of that work includes a review of the legal and regulatory environment for private investment, and an outline of strategic options to develop the sector and stimulate private investment flows.

The agency also works closely with groups such as the Saudi Consulting House, Saudi American Business Council, and Islamic Development Bank to gather and disseminate information about investment opportunities within the kingdom.

In other work in the region, MIGA has provided war risk coverage to Union Carbide for a petrochemical facility on Kuwait's east coast. The effort is a joint venture with the national Kuwaiti oil company and was the first of its kind in the country. The project is creating about 100 permanent jobs for Kuwaiti nationals, and several hundred other jobs for nationals from other developing countries.

The evolving investment landscape creates an opportunity not just for investors but also for public and private insurers. "Working with other insurers, including the Inter-Arab Investment Guarantee Corporation, MIGA hopes to generate more foreign direct investment into and from the region," says Varkie.



GULF



Macedonia Hosts First MIGA-Insured Project

MIGA "cemented" its involvement in the Former Yugoslav Republic of Macedonia earlier this summer when it issued a guarantee for the acquisition, modernization, and technical upgrade of a cement company in the capital city of Skopje.

The guarantee, MIGA's first in the country, covers Balkcem Limited of Cyprus's \$19 million equity investment in A.D. Cementarnica USJE against the risks of war and civil disturbance.

The project's goal is to increase the operating capacity of Cementarnica—the country's only cement plant—by upgrading its facilities and machinery, improving efficiency, reducing costs, and protecting the environment. Upon the successful expansion of the plant, Balkcem plans to explore the possibility of setting up additional ready-mixed concrete plants in other parts of the country.

The project is expected to generate substantial taxes and export revenues, while procuring locally all goods and services, such as electricity, bags, and pallets.

membership news . . .

In fiscal 2000, three new countries—Cambodia, the Lao People's Democratic Republic, and St. Kitts and Nevis—became full members of MIGA, bringing the agency's membership to 152.

Thailand also ratified MIGA's Convention and is now in the process of completing its final requirements for membership.

HOW TO CONTACT MIGA

MIGA



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MIGA on the r o a d

Don't miss MIGA's upcoming "mobile office" program, set for November and December of this year.

The agency's special program will bring staff experts to major cities throughout East Asia and Central America to talk about the value of political risk insurance and how to market investment opportunities. In addition to formal seminars, staff will be available for one-on-one meetings with financial institutions, potential investors, and those involved in promoting investment opportunities.

For more information about attending a seminar or about meeting with a MIGA staff member during the Central American program, contact Daniel Villar at (202) 458-5730, dvillar@worldbank.org, or visit www.miga.org.

For information about the East Asia mobile offices, contact Moina Varkie at (202) 473-6170, mvarkie@worldbank.org.



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