MIGA NEWS
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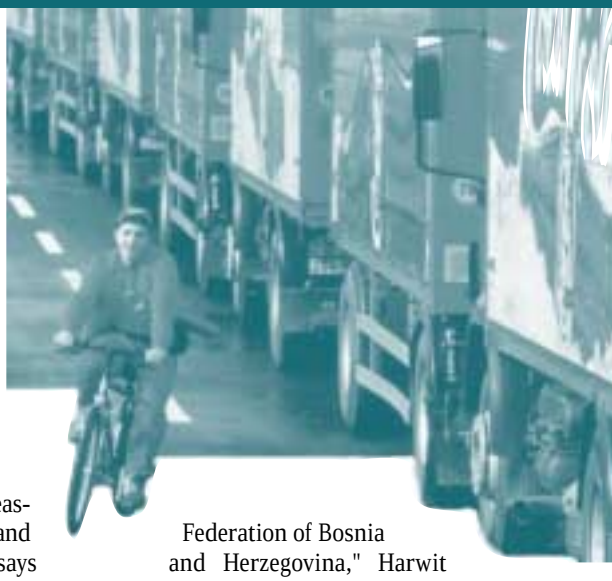

OUTREACH IN SARAJEVO

Yields Results

MIGA issues first guarantees in Bosnia and Herzegovina

Along with a new era of peace and stability comes an improving economic climate in Bosnia and Herzegovina, where Coca-Cola Beverages recently cut the ribbon on its first in-country bottling plant, and Oesterreichische Volksbank AG became the first Western European bank to open shop.

Insuring both investments is the Multilateral Investment Guarantee Agency, which makes its "guarantees" debut in the region, in cooperation with the European Union's Investment Guarantee Trust Fund.

The guarantees—covering equity investments of more than $23 million by Coca-Cola Beverages, Netherlands, and of $5.3 million by Oesterreichische Volksbank AG—are the result of MIGA's new client outreach program, which placed a representative in Sarajevo early last year.

"My role is to promote MIGA's guarantees and investment marketing services, with the aim of increasing foreign direct investment and creating jobs in the region," says Country Representative Emily Harwit.

Harwit works with potential investors to explain improvements in the country's investment climate since the war of 1991-95, and travels throughout Southeastern Europe, explaining MIGA's activities to potential investors. She also promotes the 10 million euro trust fund for Bosnia and Herzegovina, a partnership between MIGA and the European Commission established in 1997 to promote foreign direct investment in the country.

All of this leg-work put the agency in a good position to offer insurance to Coca-Cola Beverages when it bought a local bottling plant early last year through the country's first foreign purchase of a state-run business.

"Coke had already registered in 1996 to distribute its soft drinks in-country, and had established an extensive distribution network within the Federation of Bosnia and Herzegovina," Harwit says. "In July of last year, the company concluded all negotiations and documentation of the privatization of the Hadzici Bottling Facility, a small bottling plant located in a suburb of Sarajevo. The use of a MIGA guarantee as a risk management tool was an important factor in the whole process."

Before the war, the state-owned facility worked in partnership with a plant in Ljubljana (now Slovenia) to produce, among other non-alcoholic drinks, Coca-Cola Beverages. The company's purchase of the Hadzici plant was therefore a natural step in expanding its production and distribution in the region, Harwit says.

Coca-Cola Beverages paid $3 million for the plant, which was damaged and looted during the war. The company is now investing another $20 million plus in upgrades, including expansion and new technology. The new facility opened in August 2000 and will employ some 150 to 200 local residents.

MIGA is providing guarantee coverage against the risk of war and civil disturbance for the new production facility, for new investments in the distribution division of Coca-Cola in the region, and for the management service contract between the company's Vienna-based service division and its

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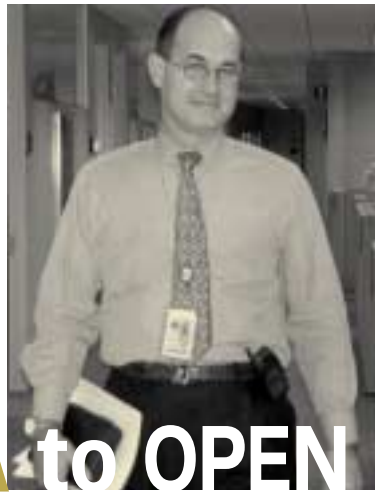
GUARANTEES ISSUED IN THE 1ST QUARTER OF FISCAL 2001

GUARANTEE HOLDER	INVESTOR COUNTRY	HOST COUNTRY	SECTOR	GROSS EXPOSURE US$M
Barrick Gold Corporation	Canada	Tanzania	Mining	56.3
Louis Dreyfus Negoce SA	France	Russia	Agribusiness	5
MSF Cayman Islands Ltd.	Cayman Islands	Brazil	Financial	150*
Banco Santander Central Hispano SA	Spain	Argentina	Financial	30
Dole Food Company, Inc.	USA	Ecuador	Infrastructure	15.4
Bank Hapoalim BM	Israel	Nicaragua	Infrastructure	63.3
Guinea Investment Company Limited	Cayman Islands	Guinea	Manufacturing	20
Banque Belgolaise	Belgium	Guinea	Manufacturing	20

** Represents two contracts.*



MIGA to OPEN Paris Office

AGENCY APPOINTS EUROPE DIRECTOR

The New Year will bring more than well wishes and reflection on the past 12 months. On January 2, 2001, the agency is set to hit the ground running with the opening of an office at 66, avenue d'léna, Paris. The move is the latest in an incipient program to reach out to European investors, but this time with a twist.

"We are taking our European outreach program one step further," says new Director for the Europe office, Christophe Bellinger. "We are really going to put the spotlight on increasing the level of foreign direct investment from Europe into low-income African countries and Eastern Europe, as well as promote investment between developing countries and into small- and medium-sized projects."

According to the UN's World Investment Report 2000, the European Union accounted for $509 billion, or 64 percent, of foreign direct investment in 1999.

"Our goal is to make sure that developing countries are benefiting from these flows, especially those most in need," says Bellinger.

Bellinger, a 12-year MIGA veteran, plans to work on furthering the agency's relationships with export credit agencies, investor and host country members, and business associations. He will also be coordinating with a network of Europe-based private sector liaison officers who represent the agencies of the World Bank Group, including MIGA.

"These officers can help us disseminate information about the agency, organize business seminars, and identify local businesses interested in working with MIGA," says Bellinger.

Based in the World Bank Group's Paris office, Bellinger says he'll also be collaborating closely with other MIGA staff based in Windhoek, Namibia, Sarajevo, Bosnia and Herzegovina, and Harare, Zimbabwe.

Christophe Bellinger was Vice President of Political Risk at the American International Group (AIG) before joining MIGA in 1988, and began his career in political risk insurance at the Overseas Private Investment Corporation (OPIC). He has been involved in over 500 start-up projects around the world, including power, toll roads, telecommunications, tourism, manufacturing, oil and gas, and services. A frequent lecturer on political risk insurance, Bellinger has lived and worked in many countries, including a number in Africa. He is a dual national of France and the United States.

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Bosnian partners. The European Union trust fund is offering $1.8 million (2 million euros) of the $23 million in coverage.

Another welcome investment in the region, facilitated by MIGA, is that of Oesterreichische Volksbank AG, which opened its doors to business in Sarajevo last month. Headquartered in Vienna, the bank has a sound reputation as a "volks" or "people's" bank, with extensive experience in Eastern Europe where it boasts more than 50 offices in the Czech Republic, Slovenia, Slovakia, Hungary, and Croatia.

"Volksbank's entrance in the Bosnia and Herzegovina market is a welcome investment," says Harwit, who stresses that in the wake of the war, "banking facilities are essential to supporting the reconstruction effort." As the first Western European bank in-country, Volksbank should have a high developmental impact, helping to increase consumer confidence and improve the standards of local banks.

Volksbank's activities in the country will include consumer loans, short- and long-term business loans (targeting small- and medium-enterprises), financial leasing, credit cards, and international and local payments. The enterprise is expected to employ and train 80 locals during its first three years of operation.

The project is insured through the Oesterreichische Kontrolbank, Austria's main financial and information service provider. MIGA is reinsuring some $2.7 million of the investment through the European Union Investment Guarantee Trust Fund.

"These investments represent an important first step in opening the country up to foreign direct investment, which has been slow-going since the war's end," says Harwit. Although there have been many successful post-war partnerships for import and export transactions, there have been few successful investment partnerships.

"The political and economic reforms being initiated by the international community, particularly through the Stability Pact Initiative for Southeastern Europe, should make the country more investor-friendly," she adds. Reforms underway in the banking sector, as well as legal and judiciary reforms, should result in further improvements.

MIGA's work as a facilitator of foreign direct investment doesn't stop with the investor, Harwit stresses. "We're doing what we can at the country and regional levels to help create an environment that's conducive to foreign investment, and ultimately beneficial to the people of Bosnia and Herzegovina."

To find out more about MIGA's work in the region, contact Emily Harwit at The World Bank Resident Mission, Hamdija Kresevljakovica 19, 71000 Sarajevo, Bosnia and Herzegovina, (t) 387-33-440-293, (fax) 387-33-440-108, eharwit@worldbank.org.

Agency Reports

Strong Progress on Development Goals

NEW STUDY ISSUED

Fifty-two projects guaranteed by MIGA from fiscal 1991-96 generally met or exceeded their anticipated developmental impacts, according to a new report.

The study—"Investment Insurance and Developmental Impacts: Evaluating MIGA's Experience"—explores the nexus between private investment and development across multiple dimensions and time. It finds that the projects evaluated facilitated $7.1 billion in foreign direct investment—$1.3 billion (or 21 percent) more than expected—and that nearly half the projects monitored had a substantial positive impact on the economy of the host country.

"The projects clearly contributed to growth in their host countries, although the degree and nature of impacts differed considerably from case to case," says MIGA's Director of Evaluation and report co-author, Gerald West. "Overall, these findings show that through its guarantee program, the agency is having a strong, positive impact on the development process."

Of special interest was the projects' impacts on low-income countries (those eligible for assistance from the World Bank's International Development Association, or IDA). Out of the 27 countries where project evaluations were conducted, nine are IDA-eligible. Of the 15 projects located in these countries, seven were rated outstanding in two or more evaluation categories. These projects include large mining operations, large manufacturing plants, and a power project, all with substantial employment and macroeconomic impacts on their host countries. For example, a mining project in Mali was rated outstanding for its human capital investment, macroeconomic, social, infrastructure, and other effects.

The study also found that more than 90 percent of the projects contributed positively to human capital development—a key measure of development—through staff training. Of these, about 38 percent were considered outstanding in terms of promoting staff productivity.

"Fostering the development of human capital plays a critical role in alleviating poverty," says Ethel Tarazona, an evaluation officer and report co-author. "Training programs implemented by MIGA-insured investors are a cost-effective and efficient way of doing this."

More than two-thirds of the projects evaluated played an important role in transferring knowledge—that is, new and existing techniques and skills that may not be available domestically. This is particularly noteworthy given the importance of modern technology for bridging the productivity gap between developing and developed countries.

"Of course, there are also many indirect benefits of investment projects supported by MIGA," says West, "such as business generated for local suppliers of goods and services, and the provision of social and physical infrastructure."

"Downstream" effects—benefits to other businesses or economic agents created by a project—can typically include employment in other service companies, retail stores, banks, real estate businesses, transportation companies, and restaurants. While it is difficult to measure a project's downstream contributions, the impact on the development of other businesses is unquestionable, say the report authors. Projects in the mining, manufacturing, and services sectors were found to have a particularly significant impact on local suppliers of goods and services.

Just under a half of all projects evaluated had a substantial or outstanding effect on the provision of social and physical infrastructure. The study found that many companies provide more than basic benefits—such as health care, food services, and transportation—to their employees. Some projects, especially mining operations, pay wages that are as much as 100 percent higher than the national average for industrial workers. In addition, many larger projects provide scholarships to children of employees or to former employees to pursue higher education. Sponsorship of social and cultural programs benefiting the surrounding community was also found to be more a norm than an exception. And activities such as support for an orphanage and a large-scale recycling program were not uncommon.

One project, highlighted in a case study, is unusual in that the investment is not directly engaged in mining per se, but in processing stockpiled ores that were previously mined. "This Ugandan project actually has produced a significant cleanup of an existing environmental problem that had been caused by improperly engineered and abandoned stockpiles," Tarazona says. Solid wastes from the process are now being deposited in a properly designed and operated disposal area.

The average age of the 52 evaluated projects is 4.3 years, just under the usual five-year benchmark used to gauge a project's full impact. MIGA expects the impacts to be greater once the five-year operational period for each project is reached.

The evaluation findings were based on data collected by MIGA staff not previously involved with the projects and by external consultants who conducted field visits to each project site.

The published study will be available at the World Bank's InfoShop in early February 2001. To order a copy, visit www.worldbank.org/html/extpb/index.htm, send an email to pic@worldbank.org, or call 202-458-5454.

Oil and Gas Project to Help Quench

Brazil's Energy Needs

A new deep-sea oil and gas production project is expected to fuel Brazil's oil production by about 18 percent, helping to meet the country's growing energy needs while generating nearly $1 billion in revenues.

MIGA is providing an $80 million guarantee for investments by Itochu Corporation, Mitsubishi Corporation, Deutsche Bank AG, and others in two deep-sea oil and gas production facilities in Brazil's largest proven offshore oil and gas reserve. The agency is offering additional coverage of up to $50 million through its Cooperative Underwriting Program. The guarantee covers the investment for up to 10 years against the risks of expropriation and transfer restriction.

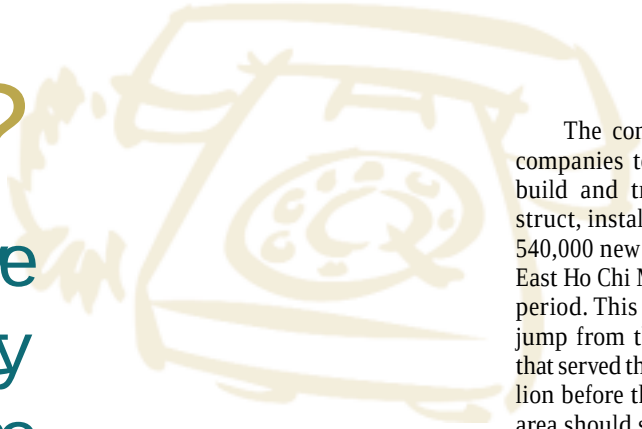
The project entails the construction of floating, production, storage, and offloading facilities—including sub-sea wells, pipelines, and hookups—in the Campos Basin, located about 80 km off the coast of the state of Rio de Janeiro.

The facilities will be owned by Barracuda-Carratinga Leasing BV, and operated and maintained by Petrobras, Brazil's national oil company. By leasing the facility, Petrobras will be able to reduce its financing burden, which should improve its financial position in advance of a possible privatization.

Project construction began in July 2000, with oil delivery projected in 2003. An estimated 3,000 jobs will be created during the construction stage alone. Other expected developmental benefits include social and educational programs implemented by Petrobras, such as free schooling and cultural programs.

Operator?

We have Ho Chi Minh City on the line



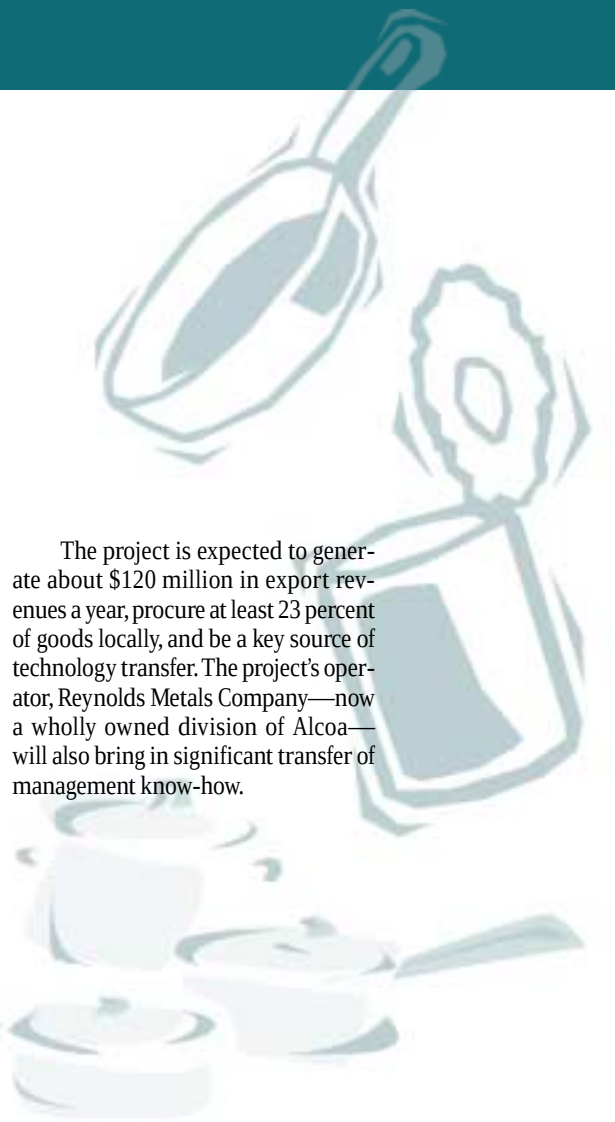
MIGA recently issued $10 million in guarantee coverage for France Cables et Radio Vietnam Pte. Ltd. for its direct investment, via a business cooperation contract, with the state-owned Vietnam Post and Telecommunications. The guarantee is protecting the investor against the risk of transfer restriction.

The contract calls for the two companies to work together—on a build and transfer basis—to construct, install, and maintain at least 540,000 new fixed telephone lines in East Ho Chi Minh City over a 15-year period. This represents a significant jump from the 141,000 phone lines that served the population of 2.75 million before the contract. The project area should see a major boost in the number of lines per person by 2003, with an increase of 20,000 lines in the city's rural outskirts. Teledensity, currently at 8 percent, is expected to reach 21 percent by the project's completion in 20O5.

In addition, the project sponsor plans to spend about $1 million a year to train local staff.

Out of the Mine and into the Kitchen:

Bauxite in Guinea



A country of tremendous natural resource endowments, Guinea holds 25 percent of the world's known reserves of bauxite—a metal used to produce a multitude of products, ranging from frying pans and foil to cars and airplanes.

Helping investors draw on these resources is MIGA, which recently issued a $40 million guarantee to the Guinea Investment Company Limited for its investment and reinvestment in a bauxite mine and production facility in Fria, Guinea. The agency is also covering a loan syndication of up to $30 million from Banque Belgolaise, Rand Merchant Bank South, and WestLB, as well as $10 million of interest earnings to the project enterprise, Alumina Company of Guinea Limited.

Half of the coverage is provided through MIGA's Cooperative Underwriting Program, reducing the agency's gross exposure to $40 million.

The CUP arrangement was instrumental in extending the private coverage from 4.5 years to up to 10 years. MIGA insurance will cover the investment against the risks of breach of contract, and war and civil disturbance.

The project, called Friguia, includes a bauxite mine, an alumina plant, captive electricity and water utilities, and a 144-kilometer railway linking the project site to the Conakry port. Friguia is one of Guinea's major mining projects and the only alumina-producing facility in Africa. The operation is the main employer (about 2,000 employees) in Fria, a town of about 70,000 people that was created around the plant. Residents of Fria depend on the mine and production operations for their supply of potable water, electricity, and medical assistance. Other important social benefits include project-supported infrastructure such as roads and schools.

The project is expected to generate about $120 million in export revenues a year, procure at least 23 percent of goods locally, and be a key source of technology transfer. The project's operator, Reynolds Metals Company—now a wholly owned division of Alcoa—will also bring in significant transfer of management know-how.

MIGA and Italian Agency Behind New Slovakian Project

An Italian business is set to break ground on a project in Slovakia one year after MIGA and Italian development finance agency SIMEST agreed to jointly promote foreign direct investment into developing economies. The project is the result of a Memorandum of Understanding signed by the two agencies in November 1999, which puts special emphasis on working with small- and medium-sized enterprises.

The project involves the expansion and modernization of a company, Twista Sro, for producing and processing synthetic yarn in Humennè, Slovakia. MIGA has issued an $823,000 guarantee to MarioBoselli Yarns SpA (MB Yarns), covering the investment against the risks of transfer restriction and expropriation. SIMEST helped fund the project by providing a portion of the equity needed for the capital increase.

Twista is part of a strategy to offset the adverse impact of the Asian crisis on the Italian textile industry, and allows MB Yarns to draw on Slovakia's relatively low labor costs. Production is expected to increase by about 40 percent to 2,500 tons per year for Twista alone, and may lead to higher production for other Slovak businesses that use the factory. Exports to neighbors Poland and the Czech Republic, as well as Italy, are expected to see a significant jump. And in addition to creating news jobs, the project will make an extensive contribution to technology transfer by bringing state-of-the art machinery into the country's synthetic textile industry.

WORKSHOP DELIVERS

Web Know-How

to Investment Promotion Agencies

Speaking at the United Nations in July 2000, World Bank Group President James D. Wolfensohn said: "For Internet technology to work, we have to start afresh, because we need each other, and information and knowledge needs to be shared. That is absolutely crystal clear. And in a fast-evolving world, we need to learn from each other about innovative practices which have already borne fruit."

These words guide the work of MIGA, which recently gathered staff from investment promotion agencies in 13 European and Central Asian countries for a workshop on how to use the Internet as an intregral part of their efforts to market their countries to foreign investors.

The Geneva-based event was carried out in cooperation with the World Association of Investment Promotion Agencies and the Division on Investment, Technology and Enterprise Development within the United Nations Conference on Trade and Development.

"Our goal is to train information technology and marketing staff on ways to use the Internet as a tool in both the research and marketing aspects of their agencies' promotional efforts," said Birgit Braunwieser of MIGA, who coordinated the workshop with colleague Courtney Roberts. "We started focusing on the Internet as a tool for promoting investment in 1995. Since then, we've conducted extensive research on best practices employed by investment promotion agencies as well as commercial organizations in using this medium as a marketing tool."

The workshop's focus was multifold, helping participants in:

- developing information technology strategies
- building and positioning investment promotion websites to reach potential clients and meet their information and servicing needs
- using information technology to assist in investor tracking and knowledge-sharing within the investment promotion agency
- gathering information on competitor countries and trends in international investment for comparative analysis, identifying key sector trends, and investor targeting.

"The program was quite well-received, and really reinforced the need that exists for this type of service," said Roberts.

For more on MIGA's efforts to share its information technology know-how with developing member countries, contact Birgit Braunwieser at bbraunwieser@worldbank.org or Courtney Roberts at croberts@worldbank.org.

MIGA Launches IPAWorks

Pre-designed websites a boon for investment promoters

When Cambodia's investment promotion agency decided to establish a state-of-the art Internet presence, it recognized the challenge at hand: Learn what a website can and cannot do, recruit the right web development team, and keep up with evolving technologies.

Recognizing the magnitude of the task, the Council for Development of Cambodia chose to call on MIGA for advice and assistance. The result was IPAWorks, a pre-designed web development package with menu-driven customization features that allow web hosting agencies to create their own websites and launch them in a much shorter timeframe.

"We wanted to stay focused on our core business—promoting investment, and not managing an Internet site construction project," says Sok Chenda, director general of the council, explaining his decision to go with MIGA.

IPAWorks is an out-of-the box software package created and designed by the agency to help governments build up their Internet presence to market private investment. The package includes installation software, detailed documentation, and an online support guide. The software is "open-source," which allows users to modify it using local programming resources. In addition to Cambodia, the package is being installed in Vietnam, Laos, and Mongolia.

"The essence of IPAWorks is that it combines international best practice with local maintenance and management," says John Wille, program manager, Information Products and Services.

MIGA staff train local developers in installation, customization, and troubleshooting, and instruct the client on loading and updating content. This reduces costs dramatically, says David Bridgman, program manager for Capacity Building and Investment Facilitation, "which is important, since emerging market governments often don't have the resources to engage expensive international contractors for maintenance."

How does this product help investment promotion agencies? "Since the agency's website features all basic information and service needs, investment promotion professionals can now focus on real problems facing investors," says Mihir Desai, task manager for IPAWorks. Investors, overseas embassies, and other government agencies can access the information "the way of the web—anytime, anywhere," Desai adds.

For more information, contact John Wille at jwille@worldbank.org or David Bridgman at dbridgman@worldbank.org.

MIGA and China Sign

New Agreement

TIES TO SUPPORT CHINESE INVESTMENT ABROAD

The Multilateral Investment Guarantee Agency and the Peoples Insurance Company of China (PICC), China's national export credit and investment insurance agency, signed an agreement in November to jointly promote foreign direct investment from China into other developing countries.

The groups signed a Memorandum of Understanding at World Bank offices in Beijing, saying they will work together to support Chinese investors. The agreement, the first between the two organizations and the agency's 13th such arrangement, also highlights a willingness to cooperate in areas such as technical assistance and training.

"Chinese investors are looking for business opportunities abroad, and we're ready to do our part to encourage that investment, especially into developing countries," said MIGA's Executive Vice President, Motomichi Ikawa. "This agreement will allow us to reach a larger group of Chinese investors and provide them access to a strong risk mitigation product."

Signing on behalf of PICC was Liang Zhidong, General Manager of the Export Credit Insurance Department, who said: "We are very happy to join forces with MIGA to not only encourage Chinese businesses to invest in emerging economies, but to also be a part of providing them with a solid tool to protect those investments abroad."

China joined MIGA in 1991 and is currently host to a number of projects guaranteed by the agency, ranging from infrastructure to manufacturing. Total coverage for these investments amounts to $113 million, or 21 percent of the agency's portfolio in the region.

MIGA staff, recently in China to raise the agency's profile among the Chinese investment community, co-hosted a seminar with the Ministry of Finance and PICC in Beijing on "Overseas Investment Guarantee and South-South Cooperation." The event was attended by some 70 participants from the insurance and banking industries, as well as Chinese enterprises looking at investment opportunities abroad.

MIGA Spreads the Word in East Asia and Latin America

INVESTMENT EQUALS GROWTH EQUALS POVERTY REDUCTION

The Multilateral Investment Guarantee Agency of the World Bank Group once again took its message on the road, with staff experts traveling throughout East Asia from November 13-24, 2000, to talk about the value of political risk insurance for investments in the region and elsewhere. A parallel excursion took staff to Central America and Colombia from November 20-31 to promote investments into and out of those countries.

In addition to formal seminars, staff met with representatives of financial institutions, potential investors, and those involved in promoting investment opportunities. Agency representatives traveled to six Asian countries, including Japan, China, Cambodia, Thailand, the Philippines, and Korea, as well as Australia.

"The Asia trip was particularly timely, given that investor concerns persist in the wake of the financial crisis, and new business opportunities in the region go untapped, as in Thailand, our newest member country," says Motomichi Ikawa, MIGA's executive vice president. Thailand recently joined the agency's 153 other member countries and is now eligible for MIGA's political risk coverage for Thai investments going overseas. Investors from other member countries stand to benefit as well, now that their investments going into Thailand may receive coverage.

"Indeed, one of the trip's focal points was so-called 'south-south' investments, those between developing countries such as China, Thailand, Korea, and Malaysia," says Ikawa. "Collaboration with national insurance agencies was another important part of the mission."

MIGA-sponsored projects in the region cover a broad range of sectors, including banking, manufacturing, infrastructure, mining, oil and gas, and financial services. The region accounted for 14 percent of the agency's portfolio as of June 30, 2000.

Halfway around the world, MIGA staff were taking a similar message to

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MIGA Issues Largest Guarantee Ever for African Mining Venture

AGENCY HOSTS SIXTH AFRICAN MINING SYMPOSIUM

Tanzania, one of the world's poorest countries, has traditionally relied on agriculture as the mainstay of its economy. A new MIGA guarantee taps the potential of the underdeveloped mining sector, helping Tanzania to diversify its economy and offering solid developmental benefits for the country's 33 million residents.

Société Générale SA, as agent for a syndicate of banks, and Barrick Gold Corporation of Canada have received a total of $172 million in MIGA guarantees—the largest amount issued to date for a single contract—for their investment in underground gold, silver, and copper mining in Tanzania. Reinsurance is being provided by Lloyd's of London and Munich Re. The insurance will cover the investment against the traditional risks of transfer restriction, expropriation, and war and civil disturbance. Canada's Export Development Corporation is coinsuring the project with MIGA, with an equivalent exposure.

The project involves establishing and operating a mill complex under a mining and development license from the government of Tanzania. It is expected to produce 2,500 tons of gold, silver, and copper a day over a 19-year mine life, resulting in gold production of 400,000 ounces a year. Innovative approaches are being taken to dispose tailings, using paste technology, backfilling, and clearance of excess paste in disposal cells.

More than 1,500 jobs should be created during the project's construction phase, with 1,000 permanent jobs to be added when the mine becomes fully operative. The investment will generate substantial revenues for the Tanzanian government and benefit the surrounding communities by developing basic infrastructure, including potable water, electrical power, and roads.

In related news, Burkina Faso recently played host to an African mining symposium sponsored by MIGA. The event, set in capital city Ouagadougou, brought together key industry players to talk about the latest sector trends, opportunities for mining investors, as well as social and environmental issues.

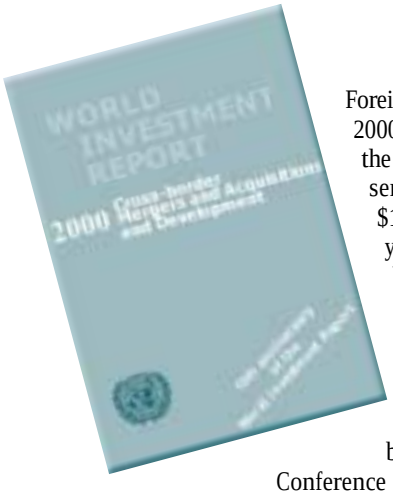
Now in its sixth year, the symposium drew key decisionmakers from 26 African countries, along with representatives of mining companies, financial institutions, and service providers worldwide. "The event promoted the exchange of ideas and business contacts among industry and government decisionmakers," said Mamadou Barry, an investment promotion officer in MIGA.

Special sessions focused on a variety of topics, ranging from an overview of emerging trends in African mine exploration, to the latest mining development successes in both traditional and emerging mining countries.

For more information on the Tanzanian project, contact Patricia Veevers-Carter at pveeverscarter@worldbank.org. To find out more about the mining symposium, contact Mamadou Barry at mbarry2@worldbank.org or Shantal Persaud at spersaud@worldbank.org.

Global Foreign Direct Investment to Exceed US$1 Trillion in 2000

DEVELOPED COUNTRIES CONTINUE TO RECEIVE LION'S SHARE



Foreign direct investment in 2000 is expected to surpass the $1 trillion mark, representing a jump of nearly $135 billion over last year, according to the World Investment Report 2000: Cross-border Mergers and Acquisitions and Development.

The report, issued by the United Nations Conference on Trade and Development, attributes the dramatic increase in flows of foreign direct investment (FDI) over the past few years to a continuing boom in cross-border mergers and acquisitions.

The top recipient of FDI in 1999 was the United States, which received some $276 billion in foreign investment. Head of the investor class was the United Kingdom, registering $199 billion in investment going out of the country.

Developing countries received an estimated $208 billion, or a quarter, of the flows.

Despite these comparatively low numbers, Latin America and the Caribbean claimed record rates of FDI last year. Privatization and favorable long-term growth prospects were the principal factors behind the $90 billion that went into the region, the report says. Brazil, Argentina, Mexico, and Chile accounted for most of the funds. Latin American multinationals are also actively investing abroad, with FDI outflows reaching a record $27 billion, up from $9 billion the year before.

Asia's prospects for FDI are brighter after the crisis, according to the report. The region is once again emerging as an attractive place to invest. In 1999, some $106 billion in FDI went into the region, up by $10 billion over the previous year. China led with $40 billion, while foreign direct investment into the Republic of Korea doubled to over $10 billion. Much of the investment took place through cross-border mergers and acquisitions, especially in those countries worst hit by the financial crisis. Flows of FDI out of the region also rebounded to $37 billion, up from $23 billion the year before.

Poland and the Czech Republic were the top recipients of foreign investment in Central and Eastern Europe, together accounting for 5 percent of the region's $23 billion in FDI in 1999, mostly from European Union multinationals. Privatization continues to be an important factor underpinning the region's FDI performance.

Continuing its upward FDI trends, Africa attracted $10 billion in foreign investment last year, up from $2 billion the year before. Angola, Egypt, and Nigeria held the top positions. Natural resources remain the principal attraction, although investment in manufacturing and services has been growing rapidly in recent years. Privatization in the telecommunications and mining sectors has played an important role in the FDI performance of several African countries, but the majority continue to receive little foreign direct investment.

To order the report, visit http://www.unctad.org/en/pub/pubframe.htm, or contact the United Nations Publications Office at 212-963-8302, or 800-253-9646 (inside the US).

new member country

Thailand

bringing the agency's developing country membership to 132, and total membership to 154

12 countries are in the process of fulfilling membership requirements

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investors in Belize, Honduras, El Salvador, Guatemala, Nicaragua, Costa Rica, Panama, and Colombia.

While Latin America accounts for some 51 percent of the agency's portfolio, Central America is underrepresented in terms of investments going into and out of the countries. Colombia, one of the biggest cross-border investors in the region, was tapped to expand its involvement.

"We have some great examples of successful investments in Central America that have had a strong social and economic impact," says Ikawa. He points out that a MIGA-guaranteed investment in an aerial tramway that carries passengers atop Costa Rica's rainforest continues to generate strong revenues in an environmentally sound way. The agency also recently insured an investment in a geothermal power plant in Nicaragua, its first foray into the country, reflecting a growing push to focus more on lower-income economies.

MIGA guarantees for other investments in the region, which total 179 since 1988, vary from $3 million for a banking project in Peru to over $230 million for a telecommunications project in Brazil.

For more information, visit www.miga.org.

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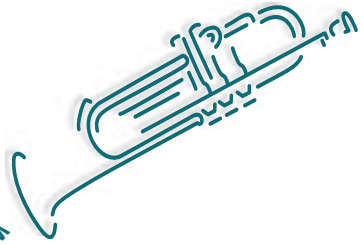

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