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World Bank Group

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ASSESSING THE IMPACT OF SEPTEMBER 11

AGENCY TAKES ON TOUGH QUESTIONS, EMPHASIZES READINESS TO DO THE JOB

MIGA News recently sat down with the agency's senior managers to talk about the September 11 terrorist attacks, an already slowing global economy, and what they mean for MIGA and its clients. MIGA's President James D. Wolfensohn, Executive Vice President Motomichi Ikawa, Vice President for Guarantees, Roger Pruneau, and Director of Investment Marketing Services, Karin Millett highlighted the unfortunate reality that developing countries will feel the brunt of the fallout, with poverty expected to rise globally. But, they emphasized, MIGA was created to do its job under just such difficult circumstances and is ready now more than ever to serve its clients.




PHOTOS | from left, James Wolfensohn, Motomichi Ikawa, Roger Pruneau and Karin Millett

What is the impact of the global economic slowdown and the events of September 11 on developing countries?

James D. Wolfensohn (JDW): We have seen the impact of the recent attacks in the US, but there is another human toll that is largely unseen and one that is being felt in all parts of the developing world, especially Africa. We estimate that tens of thousands more children will die worldwide and some 10 million more people are likely to be living below the poverty line of $1 a day because of the terrorist attacks. This is simply from loss of income.

The biggest impact will be in Afghanistan and neighboring countries, where the number of refugees and displaced persons will increase considerably. Other countries will be severely hit by the slump in tourism. Developing countries in general will suffer from a substantial reduction of global financial flows as a result of greater risk aversion and a steep drop in demand. The dramatic fall in trade will be reflected in lower exports and falling commodity prices. This will be felt most in Africa, where many countries rely heavily on agriculture and other commodities.

How do current circumstances affect investors?

Motomichi Ikawa (MI): The tragic events of September 11 have impacted investors in a number of ways. The world economy was already sluggish and this was having a negative, though temporary, impact on business. The marketplace will see more changes now, including greater difficulty in obtaining project financing and insurance coverage. Projects were already being put on hold, but the economic and political events combined will make investors take even more of a wait and see attitude.

What steps can the World Bank Group and MIGA take to address the situation?

JDW: The World Bank Group has a tremendously important role to play in dealing with the unfortunate economic consequences of recent events. We need to boost foreign aid, reduce trade barriers, improve coordination among industrial countries, and build social consensus for continued reforms. MIGA, in particular, has a critical role to play in encouraging foreign direct investment into developing countries.

MI: We have a number of projects in the pipeline and are receiving more inquiries and guarantee applications than usual, but deals are taking longer to close. MIGA's risk mitigation products can really provide confidence to investors in these difficult times as they venture into emerging markets. We will also work to help countries out of the negative spiral by facilitating FDI in key areas through our investment marketing services.

Roger Pruneau (RP): As investors become more risk-conscious they will want to ensure that their investments are protected from noncommercial risks, even those who used to self-insure. Before the great fires that gutted Chicago and other cities a century or so ago, the idea of fire insurance was unthinkable. Today, no one questions it. MIGA is very well-positioned in this changing global scene to reassure people that projects can go forward safely.

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Taking the Fear Out of Investment

EVALUATING COUNTRY RISK

With fewer investment dollars to go around and heightened concerns about global political risks, companies are playing things more conservatively these days. They want good returns on their investments, which they can get in emerging markets, but they also want their investments to be safe. MIGA's establishment in 1988, as a vehicle to boost investors' confidence

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by mitigating political risks, was an important response to the declining foreign investment faced by developing countries at the time. That role continues to hold true today.

Political risks fall under four main categories—war and civil disturbance, expropriation, breach of contract, and transfer risk—all covered by MIGA's investment insurance. In gauging the likelihood of a project's succumbing to these risks, which the agency does for each project it covers, staff look at an array of factors: the project, the company, the sector, and the country that will host the project. A country or project may be perceived to be high risk in one of these categories, but low risk in another. The overall evaluation is complex, and a balanced assessment requires a long-term view of the country based on historical knowledge and a thorough understanding of the project's development impact.

"We have multi-disciplinary staff who jointly analyze a project from all possible angles then determine its potential for risk," says Stine Andresen, a manager in MIGA's Guarantees Department. "One key ingredient of the overall risk assessment is the country analysis, for which we are able to draw on the extensive global knowledge of the World Bank Group and IMF, as well as consult with government officials and field experts."

For each new project, MIGA prepares a comprehensive review of the host country's economic and political situation. This review is a preliminary gauge of how likely the project is to experience disruption and whether this might precipitate a claim situation.

Over the summer, the agency conducted a benchmarking exercise that examined country analysis practices in other relevant institutions, including the rating agencies, and modified its country analysis process accordingly. "This new methodology has enhanced the depth and quality of our analysis," says the agency's Monique Koning, who spearheaded the effort.

When conducting a country analysis, MIGA evaluates the economic fundamentals and outlook, bearing in mind recent events as well as possible pressures and other effects on the economy over the next few years. These factors are considered within the framework of how well the government manages the economy and its ability to react to potential crises. Within this context, MIGA examines a country's economic growth prospects, budgetary trends, balance-of-payments status, and monetary policy and exchange rate agreements. The review also assesses such things as external debt and lending programs with multilateral institutions.

"This is just a start though," says Andresen. "We also pay special attention to the business environment, especially issues related to foreign direct investment (FDI)." This includes FDI trends, important government ownership interests, the extent to which "red tape" hampers the economy, attitudes toward foreign investors, the state of privatization, and corruption.

The assessment continues with an in-depth analysis of political structure and stability. This consists of a review of the basic political system, implications of a potential shift in political control, legislative and executive balances, the legitimacy of a government, and links with other political and economic organizations. The review also tracks any violence or war within the country, including ethnic or religious strife, terrorist activity, geopolitical concerns, and whether foreign companies have been targets of violence.

Legal systems are also evaluated with an eye toward investment, transparency and consistency, and enforceability of arbitration. The record of other insurers is part of the equation as well, particularly their experiences with recoveries, compensation, and ongoing disputes.

Andresen says that since September 11, perceptions of risk related to war and civil disturbance have increased, along with demand for coverage in these areas. "But we're not doing anything differently," she says, "because the risks we're seeing in the new global environment are the risks we are assessing anyway. Investors could try to take on this country analysis on their own, but let's face it—as a member of the World Bank Group, we have the resources and know-how at our fingertips."

Most importantly, investors covered by MIGA guarantees can move forward with their investments knowing that the country risk has been thoroughly analyzed with the backing of the best global country knowledge available, and that the World Bank Group is a partner in the investment. ■

PHOTO | Braunwieser and Dreyhaupt (center front) with trainees in Xiamen

Using the Internet to Promote Investment

MIGA DELIVERS MORE WORKSHOPS

Xiamen, China recently played host to the third in an ongoing series of global workshops, jointly produced by MIGA and the World Association of Investment Promotion Agencies, to train governments in using the Internet to attract business. The event was sponsored by the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China. Some 20 participants from investment promotion agencies throughout the region attended the three-day workshop on how to use the web as a tool for promoting investment, as well as researching and targeting investors.

"For developing countries facing increased competition for foreign investment flows, Internet-based communication is one way to close the information gap," said MIGA's Birgit Braunwieser, who delivered the workshops along with Stephan Dreyhaupt. "Integrating the web into these agencies' international marketing operations is an important first step in reaching investors."

Nearly 300 national and local investment promotion agencies worldwide operate a website. They report growing traffic volumes, indicating that corporate investors increasingly use this medium. However, the often-cited digital divide between industrialized and developing countries also holds true for investment promotion agencies. For example, only 24 such agencies in sub-Saharan Africa have a web presence.

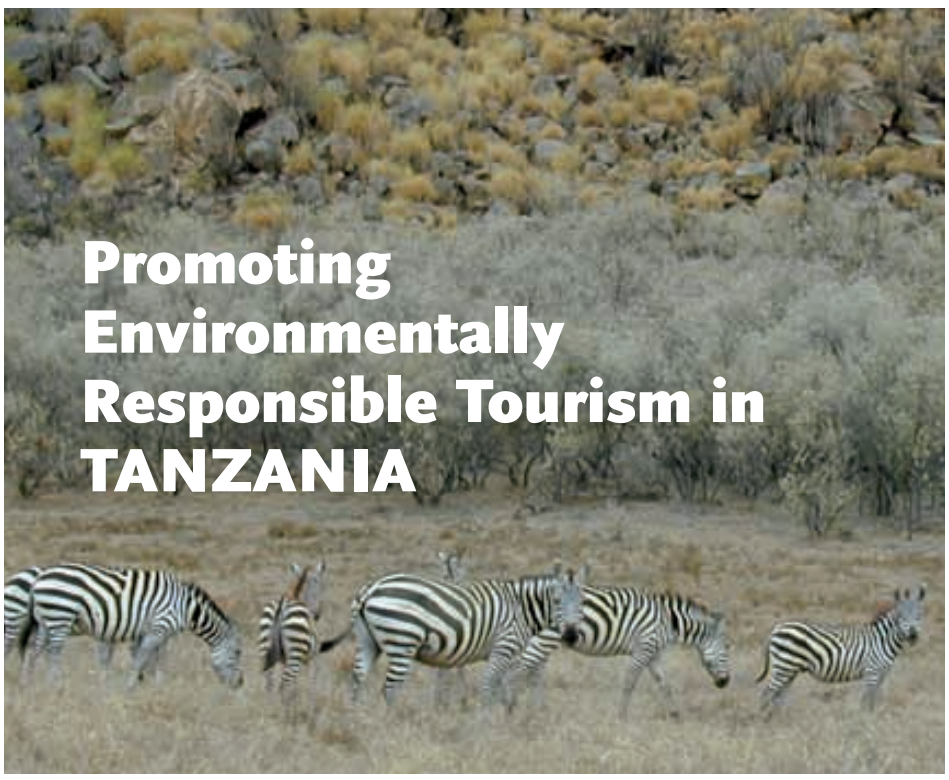
"We are the last to be part of this information revolution," one workshop participant observed. "We do not have an information technology strategy at the moment. Seeing what the competition is doing makes me realize we have a lot of work to do."

In addition to teaching investment marketing staff ways to push information to investors, the workshops also provided hands-on training on how to gather essential information on investment flows, sector trends, and potential target companies.

Coming on the heels of the China visit was a similar training program for investment promotion agencies in Fiji, attended by 17 participants from 12 different island countries in the Pacific region. The event was requested and hosted by the Pacific Island Forum Secretariat.

"MIGA has an important role to play in building the capacity of investment promotion agencies and providing them with the technical assistance they need to attract investment," says Dreyhaupt. "This series of regional training programs is a small but important step towards this goal."

For more information, contact Birgit Braunwieser at bbraunwieser@worldbank.org or Stephan Dreyhaupt at sdreyhaupt@worldbank.org. ■



Promoting Environmentally Responsible Tourism in TANZANIA

When it comes to tourism, it doesn't get much better than Tanzania, which boasts wildlife, world heritage sites, and national parks such as Serengeti and Kilimanjaro, to name just a few of the country's attractions.

Tourism holds great potential as a catalyst for economic diversification and growth. But the industry has been hit exceptionally hard by recent international security concerns related to air travel and a slowing global economy—factors that make it all the more important for Tanzania to have a strong program in place not just to offset the negative fallout but to really grow the industry.

These are some of the issues being discussed by the country's tourism leaders, who are teaming up to examine the sector's needs and the role it can play in reducing poverty. The collaborative effort is being sponsored by MIGA under its technical assistance program, and by the Development Bank of Southern Africa and the EC.

The joint effort includes a special focus on environmental issues, particularly in the north, where new construction is under a moratorium, as well as promoting tourism in new destinations. This goes hand-in-hand with Tanzania's efforts to conserve its assets through environmental planning, coastal zone management, and the involvement of local citizens and the government in development.

"While tourism is a private sector activity, the government has a key role to play in putting in place a business environment conducive to private investment," said Philomene Luhanjo, permanent secretary to the Ministry of Natural Resources and Tourism, at a group meeting in July.

At the same meeting, a private tour operator noted that "for the first time in Tanzania, there is a frank discussion of the issues and opportunities facing tourism."

MIGA's positive contribution in bringing these stakeholders together was echoed by Samuel Sitta, chief executive of the Tanzania Investment Center. "Tanzania's macroeconomic performance has been solid in recent years, and this is attracting investors from Southern Africa and Mauritius into nontraditional sectors such as tourism," Sitta added. The tourism effort is also targeting investors from the Middle East and Europe.

Together with its partners, MIGA will convene a tourism investment forum next Spring in Dar es Salaam, where several specially screened business opportunities will be showcased. Tanzanian President Benjamin Mkapa is slated as the keynote speaker.

For more information, contact David Bridgman at dbridgman@worldbank.org or at 202.473.0775. ■

PHOTOS | Tanzanian bush and Mt. Kilimanjaro
CREDITS | Fatou Assah, MIGA

RECYCLING for Life

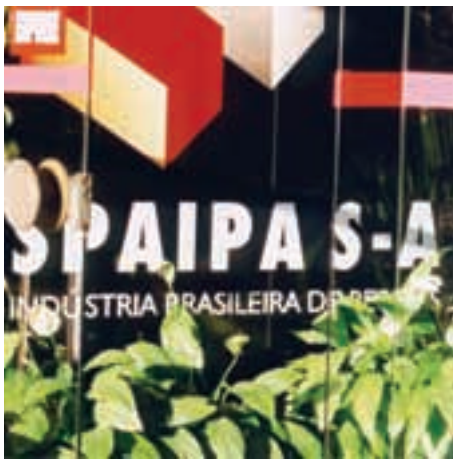
PHOTOS | Top left, students at Escola Atuação in Curitiba listen to presentation on recycling. Bottom right, SPAIPA worker collects and weighs recyclables brought to school by students
CREDITS | Angela Gentile-Blackwell, MIGA

MIGA-BACKED BOTTLING PROJECT TAKES ON TRASH

A little-known recycling effort in Curitiba, Brazil, "Recycle for Life," is beginning to have a big impact. The project is teaching people of all ages to alter their behaviors and make recycling an everyday thing, a way of life. Because of its success, bottling plants across the country are beginning to replicate the effort.

MIGA guarantees worth $21 million helped the project sponsor, SPAIPA S/A Indústria Brasileira de Bebidas (SPAIPA – São Paulo Interior e Paraná), expand operations in 1996. This soft-drink bottling company manufactures and distributes soft-drinks, juices, and other beverages to some 15 million consumers. It has four bottling plants and employs some 3,000 people directly, while creating another 1,700 jobs indirectly through supplier and distributor chains.

The company serves as an example of outstanding corporate citizenship, illustrating through its environmental management program what can be achieved without any expectation of commercial payback.



Putting an environmental philosophy into action

Skyscrapers jut out in relief against the flat landscape that is Curitiba, a city of two million inhabitants in the southern Brazilian state of Paraná. The city is no stranger to the problems that blight urban centers around the world, but, heralded as a model by the United Nations, it is a world leader when it comes to innovative, inexpensive solutions to urban environmental management. The city has received much attention for its creative efforts to promote sanitation and boost nutrition in the city's slums. So it's not surprising that a local private sector company would be a model citizen when it comes to environmental issues.

SPAIPA doesn't just comply with environmental laws; it goes even further, working to minimize the environmental impacts of its operations, products, and packages. The company deals with solid waste and gas emissions in an environmentally sound way, takes care to recycle and reduce the amount of water it uses, and above all, recycles cans and bottles, and not just the ones it produces.

"As a responsible corporate citizen, we must support efforts to implement effective anti-litter campaigns," says Daniele Semmer, SPAIPA's environmental and quality manager. "Directly or indirectly, we're present globally in the lives of billions of people, and it is our job to help protect and preserve the environment."

Clear examples of this philosophy being put into action are the "Escola" and "Recycle for Life" programs, part of an ongoing, innovative recycling campaign launched by SPAIPA on World Environment Day in 1996 to literally get trash off the streets and into recycling plants. The way it works is simple: Teach good environmental habits and reward good behavior.

Working with schools to teach good habits

Through the program, the company works with local schools and organizations such as hospitals and churches, local recycling companies, and the state government. The campaign, which began in Curitiba, now operates in three more cities—Maringá, Araçatuba, and São José do Rio Preto—and serves 350,000 students and individuals in 1,900 schools and other organizations. Only about 10 percent of area schools aren't yet covered by the program.

To kick off each partnership, a SPAIPA representative visits each school to provide environmental awareness training and explain how the award program works. The company works with both public and private schools, and sends its staff of four to some 800 schools a year for first-time and follow-up presentations.

"We want to work with kids and create values," emphasizes Semmer. "It's not just an exchange of cans and bottles."

To help create incentives, the company puts forward the message that what appears to be trash is actually worth money: one US cent per empty can and a quarter cent per bottle, to be precise.

Making recycling fun

In the Santa Quitéria district of Curitiba, a two-story white school house sits inside a

high, stuccoed wall. The Escola Atuação ("Performance") has an enrollment of 400 students, ages 2-14. The school has been a member of the SPAIPA partnership program for three years, and brings in about 2,000 kilos of recyclables a year.

In a stark room on the second floor of Escola Atuação, 35 students wearing blue sweat suit uniforms pile into seats and face the front of the room. Shoes scuff back and forth on the parquet floor. SPAIPA environmental trainer Sibele Fioravante quickly commands attention with the simple questions: "What is recycling? Why do we do it?"

Fioravante visits hundreds of schools every year. Her presentation takes her from the history of soft-drink bottling to the nitty-gritty of can and plastic bottle manufacturing, from the garbage heap to the recycling factory.

Fioravante demonstrates cans being compressed, formed into ingots, and then flattened and turned into new cans. She should know the process well, because through the program, the company has collected more than 70 million used aluminum cans, resulting in enough energy saved to light up more than 50,000 houses with four people for a whole month. That's because it takes 95 percent more energy to produce cans made of raw, rather than recycled, bauxite.

Polyethylene Terephtalate (PET) plastic bottles have their value, too. First, they're washed and purified, then turned into tubes and blown into bottles. The resuscitated plastic is used to produce fibers to make ropes, sewing threads, broom bristles, detergent bottles, and so on.

The kids are especially quiet when Fioravante gets to the part about recycling and prizes. She explains that once training is provided, the kids can start bringing their recyclables into school. In exchange for the cans collected, the company provides schools with an array of prizes such as TVs, VCRs, roof fans, photocopiers, and computers. Under the "Recycle for Life" program, which for now is operating only in Curitiba, SPAIPA also collects plastic bottles for recycling and rewards the effort with more child-oriented things, like sporting goods.

"The kids are more inclined to recycle when the prizes are things they really want," says Semmer, who emphasizes that the schools can choose from a list of prizes, each assigned a point value based on the amount of recyclables collected.

SPAIPA is very precise about measuring these amounts, which in dollar terms are worth nearly $500,000. A special recycling person goes to each school to weigh and document the large recycling bags whenever they are full. The materials are then taken to the Curitiba bottling plant, where they are compacted and stored until delivered to the Latas de Aluminio SA (Latasa), the country's only aluminum can manufacturer, and RePET, a plastic container recycler, both based in São Paulo.

For Atuação principal Esther Cristina Pereira, "The awards aren't what's important. It's the lessons learned. The important thing is to see the children thinking about recycling and learning to change their habits. They're participating first-hand in preserving their environment and they are educating their parents."

Innovating for the environment

Another example of SPAIPA's brand of environmental stewardship is the Ecocargo, an electric vehicle designed to offset the negative environmental impact of the stream of delivery trucks that used to choke up downtown roadways and airways. Because of ambient pollution restrictions imposed by the city of Curitiba, the company had to find a way to deliver its products to its customers during normal business hours without using a typical delivery truck. The Ecocargo is a large, oversized wagon, specially designed for SPAIPA to run on streets and sidewalks. The user only needs to direct the wagon.

"For us, the biggest benefit is saving money because we don't have to pay for the diesel to fuel the trucks anymore," says Semmer. The fleet of 13 Ecocargos has replaced 12 trucks. The wagons make six trips daily to mini-warehouses planted throughout the city, where the remaining big-truck fleet takes its wares at night.

Spurring indirect benefits

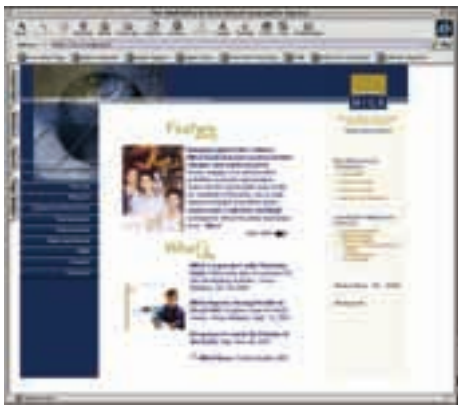
The project also creates many indirect benefits, such as new employment through its demand for supplies. Neuri Frigotto Pereira, SPAIPA's director of finance, estimates that the company has about 3,000 suppliers and 85 distributors in four cities. "We work with a lot of third parties, too," she says, "such as those who replenish products in supermarkets. We are helping the community build employment."

Last year SPAIPA paid R$122 million in government taxes and fees, Pereira says, which left a net profit of just R$4 million. At issue were the volume of production and distribution, as well as devaluation. "Brazil was facing a tough period of slow growth and high unemployment at the time," Pereira says. But this lower profit will not affect the recycling program: "We have a long-term commitment to recycling," Pereira says.

Serving as a model for others

In June of this year, South American Business Service announced that Coca-Cola Brazil launched a nationwide recycling program, "Programa Reciclou, Ganhou" (You recycled, You won), modeled after SPAIPA's program and to be adopted by all its factories and partners. The goal is to implement the program in all of the company's 46 factories in Brazil by the end of 2002. ■



Revamped www.miga.org Hits the Web Waves

IPANET GETS OVERHAUL TOO

Plug "investment guarantee" into the mother search engine of them all—Google—and you'll turn up one site with 100 percent relevance: www.miga.org. Now visitors can be assured that it's not just the name that's relevant but also the content, thanks to a recent website overhaul.

MIGA recently revamped its website to communicate its message in a more dynamic, informative way and to be more useful overall to clients. The overhaul includes a visual facelift that incorporates the agency's new look, as well as changes to the architecture and content to make it more intuitive and reader-friendly. Some of the highlights include:

- Simplified navigation, making clicking through the site more intuitive.
- Updated content throughout, including the Preliminary Guarantee Application (now available as a printable pdf file) and featured projects.
- A rotating Feature Story on the homepage, which runs for several weeks at a time, and a What's New section, bringing the most salient news to the reader's desktop.
- A new Partnerships section, highlighting official cooperation agreements.
- New marketing materials, including a brochure, Investment Guarantee Guide, factsheets, and much more. Other language versions are now available online as well.
- A revised FAQ page, addressing the "guarantee basics."

"We're also working to make our communications more multidimensional," says Moina Varkie, head of external relations and marketing. "We've begun to post short video clips on the website to accompany our project stories, to really convey the full extent to which our projects contribute to development."

Varkie says the site is already experiencing changes in readership, with hits registering a 36 percent gain in October alone. "The good news is, people don't have to spend as much time on the site to find what they're looking for, thanks to the simplified architecture, navigation, and content," she adds.

The agency's main website isn't the only web tool that got an overhaul. Over the summer, IPAnet (www.ipanet.net) received the first in a series of upgrades planned during the fiscal year. The improvements focus on enhancing the site's creative design and navigability, with IPAnet users now able to drill down to virtually every section of the site from the homepage.

MIGA's online investment information services now receive over 23,000 visitors each month, generating over 140,000 page views. "Traffic levels have roughly doubled since January 2000," says John Wille, who oversees the site. ■

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Karin Millett (KM): The current situation means that we'll have to ramp up our services to help emerging economies attract foreign direct investment. Countries will likely be more attuned to the need to acquire and utilize tools and techniques that support their efforts to target and win investment. Because of this, I think we'll see a surge in demand for our investment marketing services. Our job will be to help countries position themselves to attract foreign investment, particularly scarce mobile foreign investment projects, over the long-haul.

Given that private insurers will probably shy away from riskier investments right now, will MIGA fill the void and take on more risk?

MI: Fortunately, MIGA is in the process of completing a capital increase. By the end of March 2002 we hope to double our capital base compared with three years ago, which will enhance our capacity to bear risk. Right now our financial situation allows us to do business as usual, but the increase should allow us to play a very important role in those countries that will be hardest hit and where reform efforts had been underway before the crisis, such as in Pakistan.

RP: We stand ready to participate in transactions that are riskier, while bearing in mind the need for financial stability. A bankrupt MIGA is of no use to anyone.

Will we cover risks such as terrorism?

MI: We already do. Our war and civil disturbance guarantees cover terrorist attacks. Private insurers, on the other hand, whose capacity is expected to decrease, will less likely be willing to cover the risks of war and civil disturbance or terrorism.

Are there plans to work differently with other insurers?

MI: Over the past four years we have worked very closely with other insurers, public and private, and we expect that cooperation to continue. In the coming months we need to step up our efforts to mobilize private insurers to take on the riskier projects, particularly big projects. But we may have to be ready to bear a larger portion of the coverage on the larger projects than we're used to. We can't cover everything ourselves though.

What will MIGA's priorities be in the year ahead?

JDW: The World Bank Group as a whole is working to minimize and mitigate the adverse impacts from the heightened uncertainty, risk, and volatility in the current global economic environment. MIGA has a strong role to play in working with the private sector to help those countries that are being hardest hit and to ensure that middle-income countries don't lose the ground they've gained over the past decade.

MI: We have laid out our priority areas: support for Africa, the world's poorest countries, investment between developing countries, and small and medium-size enterprises. The crisis has not reduced the need in these areas, but has in fact increased it. The current situation will call for additional risk-taking and additional efforts to mobilize private capacity. MIGA is ready to be an important part of the economic recovery of those countries directly or indirectly affected by political events.

RP: We need to be more attentive than ever to the development impacts of the projects we support to bring the optimal results to our developing member countries. We will continue to do that by delivering a useful and timely product to investors.

KM: Our priorities will be not to abandon our clients in the most difficult locations and to find ways to work with them. This will be tough considering we probably won't be able to provide hands-on, onsite assistance. We'll have to look at other methods, such as video conferencing and other innovative ways to keep dialogue open.

MI: Above all, we are facing a situation similar to that in which MIGA was created 13 years ago. It was against a background of faltering FDI flows, during times of conflict, that MIGA was born. This is why we're here. ■

MIGA

FORMALIZES TIES WITH TWO MORE AGENCIES

The Export-Import Bank of Thailand and Pro-Barranquilla, a Colombian investment promotion agency, signed cooperation agreements with MIGA earlier this Fall, bringing the agency's roster of official partners to 20.

MIGA and the Thai Exim Bank said at the partnership signing in Bangkok that they plan to jointly identify possible projects for guarantee coverage, with the goal of increasing foreign direct investment into emerging economies. The two organizations will coinsure and reinsure each other's projects, and cooperate through technical assistance and training.

"MIGA has a strong history of collaborating with the public and private insurance market. Our goal is to supplement and complement our counterparts' efforts to leverage foreign investment into developing countries," said agency head Motomichi Ikawa at the signing.

Last year, Thailand became the agency's 154th member. MIGA's guarantee portfolio in Asia accounts for 14 percent of its net exposure. The agency insured two important projects there last year, including a large infrastructure project in the Philippines supporting the north Manila toll road, and a telecommunications project in Vietnam.

ProBarranquilla, a private sector-funded investment promotion agency based in Barranquilla, Colombia, formalized its agreement to cooperate with MIGA at a signing ceremony in Washington, DC. The two agencies have already jointly supported Colombian investors venturing into neighboring Caribbean countries, as well as foreign investors interested in the Colombian Caribbean.

Colombia accounts for 3.6 percent of MIGA's net portfolio, making it the ninth largest country in terms of investment going into the country. Last year, MIGA issued a $100 million guarantee for a shareholder loan to help Banco Santander Colombia S.A. expand its loan service program to offer low-cost, medium-term financing to small and medium-size enterprises. Two other guarantees support infrastructure projects in the country.

"Of particular importance is the potential this new relationship opens for MIGA to support 'south-south' investments within the Caribbean Basin," said Ikawa. ■

BENIN:

MIGA BACKS NEW MOBILE PHONE NETWORK

Very few citizens of Benin have access to a telephone. At less than 1 percent, the country's teledensity is among the lowest in the world, impacting economic growth and affecting Benin's citizens at the most basic level. A new mobile telephone network called Benin Cell, supported by MIGA, is about to change that.

The project, the agency's first in Benin, involves the installation, operation, management, and maintenance of a network based on the GSM standard (Global System for Mobile Communications). The project will also install an international gateway for remote areas and international connectivity.

The coverage was issued in the first quarter of fiscal 2002, providing protection to Investcom Global Ltd. for its initial investment and future earnings in the new venture, as well as a revolving loan. MIGA is also covering a loan guaranty by Investcom Holding SA of Luxembourg. The guarantees cover the risks of transfer restriction, expropriation, and war and civil disturbance. MIGA's exposure is $8.06 million.

Until early last year, Benin had just 49,000 fixed and mobile lines to serve a population of about 6 million. To address the problem, the government formulated a new telecom regulatory framework and recently opened the sector for licensing. Benin Cell was awarded a 10-year renewable operating license and began operations last year, mainly covering southern Benin, including Porto Novo and Cotonou. The project has so far reached 12,000 customers and plans to service a total of 20,000 by year-end. The goal is to bring this up to 100,000 customers in 10 years.

In addition to increasing the number of lines per person, the availability of a reliable service with better connections, voice quality, and clarity should facilitate and increase the efficiency of local businesses. As the country's third mobile telephone operator, Benin Cell is also expected to have a positive effect on pricing and quality through increased competition.

Some $6.5 million in tax revenues should be generated in the first five years, in addition to $500,000 a year in licensing and other fees. More than 50 people will be employed and receive extensive training in telecommunications, marketing, and sales. Local businesses are expected to benefit as well through the procurement of goods and services in the project area. ■

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