REGIONAL ACTIVITIES

Asia and the Pacific
Europe and Central Asia
Latin America and the Caribbean
Middle East and North Africa
Sub-Saharan Africa
Economic growth in Asia, particularly in East Asia, remained strong in fiscal 2004. China received a large portion of the foreign direct investment into the region, although investors also showed renewed interest in countries, such as Indonesia, that have recently emerged from the financial crisis of the late 1990s. Interest in MIGA’s participation in projects in the region increased as investors focused on the political risks associated with new opportunities in these markets.

In fiscal 2004, MIGA supported two new projects through its guarantee program and undertook 12 technical assistance activities in the region. At year-end, MIGA’s total gross guarantees exposure stood at $672 million, some 13 percent of the Agency’s outstanding portfolio.

**HIGHLIGHTS**

**Innovating**
MIGA developed a tailor-made solution to cover an interest rate swap for the Phu My III power project in Vietnam. The guarantee issued by MIGA demonstrates how the Agency is able to find creative solutions to meet client needs.

**Partnering**
MIGA’s approach to providing technical assistance in the region focused on developing partnerships with the World Bank Group and the donor community. Examples of such collaborations include MIGA’s work with IFC’s China Project Development Facility in Sichuan province, with the World Bank Group in Afghanistan, with FIAS in Fiji and with the Canadian International Development Agency in the Philippines.

**Supporting SMEs**
Darco, a Singapore-based SME, needed political risk insurance in order to obtain funding from commercial banks in Singapore for a small water project in Deqing County, China. MIGA’s insurance allowed this SME to expand its operations in a growing Asian market.

**Gross Amount of Guarantees Issued and Gross Exposure, $ M**

![Gross Amount of Guarantees Issued and Gross Exposure Chart]

**Sector Breakdown of Total Guarantees Issued Since Inception, in Percent**

![Sector Breakdown of Total Guarantees Issued Since Inception Chart]

- 52% Infrastructure
- 24% Financial
- 9% Oil, Gas and Mining
- 15% Agribusiness and Manufacturing
MIGA issued a guarantee of $70 million to Compagnie Générale des Eaux of France for its $245 million equity investment in Shanghai Pudong–Veolia Water Corporation, Ltd. of China. The guarantee is for a period of 15 years and provides coverage against the risk of expropriation.

Compagnie Générale des Eaux, a wholly-owned subsidiary of Veolia Environnement, purchased a 50 percent equity interest in Shanghai Municipal Waterworks Pudong Co., Ltd. from the state-owned Shanghai Water Asset Management and Development Co., Ltd., creating the joint-venture Shanghai Pudong-Veolia Water Corporation, Ltd. The joint-venture will be responsible for the treatment, distribution and sale of potable water, and for the maintenance of service facilities. The project currently has distribution rights for a 1,700 km network capable of supplying 1.3 million cubic meters of water daily to more than 1.7 million people living in the Pudong district.

The project seeks to improve the supply and quality of drinkable water to the rapidly growing 1.7 million population living in the Pudong district of Shanghai. The investor will bring managerial and technical expertise to the existing operations. Compagnie Générale des Eaux will be updating the information systems, which will allow online management of the whole network, establish a water control quality system, improve water purification techniques, and install instruments to monitor potential leakage and damage.

MIGA issued a guarantee of $7.1 million to Darco Environmental Pte. Ltd. of Singapore for its $7.95 million equity investment in Deqing Huanzhong Producing Water Co., Ltd. of China. The guarantee is for a period of 15 years and provides coverage against the risks of transfer restriction, expropriation, war and civil disturbance.

It consists of building a water treatment plant and supplying 60,000 cubic meters per day of potable water to the residents and the manufacturing plants in Deqing County, Zhejiang Province, China. It is a joint venture involving private investors and the Deqing County Water Co., which owns 27 percent of the project and will provide the necessary land, pipeline and water resources.

The project will create jobs, contribute to tax revenue and will pay dividends to the Deqing County Water Co. It also supports one of the priorities of the World Bank Group's strategy in China, which is to encourage private sector participation in infrastructure, particularly in water services.
VIETNAM

Crédit Lyonnais, S.A.
Phu My 3 BOT Power Company Ltd.

MIGA issued a guarantee of $15 million to Crédit Lyonnais, S.A. of France for its swap agreements related to the financing of Phu My 3 BOT Power Company Ltd. (PM3) of Vietnam—a project involved in the construction, operation and maintenance of a 716.8 MW combined cycle, gas-fired electric generating plant. The swap agreements permit the project to pay a fixed rate of interest on loans rather than a floating rate, which presents financial risk. The guarantee covers a period of 15 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

MIGA's coverage of the swap agreements complements its initial support of PM3 in FY03, when it provided $43.2 million in equity coverage and $75 million for a non-shareholder loan. A portion of the guarantees issued by MIGA has been reinsured under the Agency's facultative reinsurance program.

The project represents one of the largest foreign direct investments ever into Vietnam and is expected to help attract additional private capital investment flows for further infrastructure development in the country. PM3 will also bring many other developmental benefits to the country. Further details about the project—and its development impact—appear in MIGA's 2003 Annual Report.

TECHNICAL ASSISTANCE ACTIVITIES

MIGA's approach to technical assistance in the region in fiscal 2004 focused on developing partnerships with the World Bank, IFC, FIAS and the donor community. MIGA collaborated with the World Bank in defining and implementing a program of support to the government of Afghanistan. At the request of the Afghanistan Investment Support Agency (AISA) and the Ministry of Commerce, MIGA conducted a needs assessment of the AISA as a first step towards identifying and designing key elements of a strategy to attract foreign investment. MIGA also investigated the policy and regulatory environment for industrial estate development—an important step in attracting much needed investment in industrial infrastructure and other areas. The development of a customized program of online technical assistance through the FDI Promotion Center is also under discussion with the AISA.

In addition, MIGA collaborated with the World Bank in promoting an international private sector meeting on Afghanistan, which informed international investors of business opportunities in the country. The forum was a run-up to the International Conference on Afghanistan in Berlin, whose organizers and sponsors included Deutsche Gesellschaft für Technische Zusammenarbeit, the Federation of German Industries and the US Agency for International Development (USAID). MIGA presented its online services and participated in a panel discussion on development opportunities.

MIGA's work in China included collaborating with IFC's China Project Development Facility (CPDF) in a technical assistance effort that includes a competitive benchmarking study of Sichuan province, capacity building in investment promotion skills and support for information dissemination efforts. Working sessions were held in Sichuan with the Sichuan Provincial Investment Promotion Bureau (SIPB)—the local partner of the CPDF—to define a multifaceted investment promotion program for the region. One of the elements of the program is capacity building through increasing investment promotion skills. MIGA held the first in a series of workshops in February 2004. Local and provincial government officials with a role in investment promotion attended.
Sichuan was chosen for this initiative because investment in China has been concentrated on the coast, and the government and the World Bank Group have agreed that development of the western and north-eastern provinces is a priority. MIGA’s efforts in Sichuan have generated considerable interest in the Agency’s investment promotion activities at the national level in China. The Chinese national investment promotion agency—CIIPA—has requested MIGA’s assistance in establishing its role and that of a newly created entity, the Federation of China Investment Promotion Agencies, in investment promotion. A program of assistance is now being drawn up by MIGA and FIAS with the Chinese Ministry of Commerce aimed at developing the skills of sub-national level investment promotion agencies in the southwest and northeast of the country. A “train-the-trainers” initiative and the development of a Chinese language online investment promotion resource center, drawing on the content, architecture and functions of MIGA’s own online services, are included in the program.

MIGA’s close relationship with FIAS resulted in a number of joint initiatives in fiscal 2004. In a region-wide project, the Commonwealth Secretariat, FIAS, the Pacific Island Forum Secretariat and MIGA collaborated on a joint capacity building initiative in the Pacific Islands to assist regional investment promotion agencies in developing a professional online presence and training staff in content development and web-based investor outreach techniques. The investment promotion intermediaries are building websites using MIGA’s IPAworks tool. MIGA held two regional workshops focusing on the development of investment information resources typically required by foreign investors when evaluating investment opportunities or short-listing potential site locations. The workshops allowed participants to build their skills while enhancing the content resources of their websites and to compare experiences and adapt best practices to their local operating environment. The hands-on training has catalyzed interest in investment promotion efforts among the governments across the region, and furthered the development of a regional outlook on FDI.

In Fiji, MIGA is embarking on a phased program of assistance for the Fiji Trade and Investment Bureau (FTIB), working with FIAS in its design and implementation. MIGA conducted a needs assessment of the agency in late fiscal 2004, which formed the analytical basis for a strategy workshop that brought together agency management, investors and other stakeholders to discuss future directions and business strategy. The MIGA-FIAS effort laid the groundwork for Fiji to undertake further activities in fiscal 2005, and MIGA has been asked to provide advice and support to the FTIB as it moves to the implementation phase.

MIGA began work with the Canadian International Development Agency-funded Pearl 2 project in the Philippines in designing and implementing a capacity building effort in support of the investment promotion and business support organizations in the country. Pearl 2 clients are both national and sub-national entities and include the Board of Investment (BOI), which MIGA assisted under the Miyazawa Initiative. With Pearl 2, the opportunity exists for MIGA to engage new Philippine clients in its capacity building efforts and to reach out to a broader constituency. Pearl 2 staff are using MIGA’s Investment Promotion Toolkit as a key element of their project curriculum, and Pearl 2 has signed a content partner agreement for the FDI Xchange.

Mongolia’s investment promotion intermediary, the Foreign Investment and Foreign Trade Agency (FIFTA), is a recipient of a grant under MIGA’s IIDP (For details, see page 20). In promoting the most sparsely populated country in the world, FIFTA is faced with unique challenges in efforts to train staff and to market to potential investors the advantages that Mongolia presents. Through the IIDP, MIGA has provided basic investment promotion skills training. Working through local and regional consultants, the Agency has helped FIFTA develop its website and begin to realize the potential of technology as a tool for market research, image building and investor outreach.
Despite robust economic growth in the region, foreign direct investment flows fell by an estimated 20 percent in 2003 as few major privatizations took place. Offsetting the decline in equity investments was the growth in net private debt flows, a trend that has been established for some years. MIGA’s exposure to the region grew strongly in fiscal 2004, reflecting mainly investments and shareholder loans to banking institutions. These investments form an important contribution to building up the financial infrastructure and providing key financing to SMEs in the region.

In fiscal 2004, MIGA supported 25 new projects through its guarantee program and undertook 11 technical assistance activities in the region. At year-end, MIGA’s total gross guarantees exposure stood at $1,973 million, or 38 percent of the Agency’s outstanding portfolio.

HIGHLIGHTS

Supporting Post-Conflict Countries
MIGA played an important role in providing both risk mitigation and technical assistance in conflict-affected countries in the region. The Agency supported 15 new projects in Azerbaijan, Bosnia and Herzegovina and Serbia and Montenegro amounting to $275 million.

Improving Health Care
MIGA supported a private-public partnership with the national health care service of Romania, which involves setting up four diagnostic centers to aid in the early detection of diseases. Romania ranks among the lowest health care spenders in the region with significantly lower basic health status indicators than many of its neighbors. Funding from the private sector will be key to improving the health care service in the country.

Pioneering
MIGA provided coverage for Russia’s first privately-owned water treatment plant just outside Moscow, which will increase the potable water supply capacity in the city. Through training local management and employees, the project will transfer operating know-how to employees of the state-owned utility. The plant will improve local health, environmental and safety conditions.

Collaborating
MIGA initiated the EIORP—co-funded with the government of Austria—to increase awareness and interest in FDI opportunities in the Western Balkans. The facility, based in Vienna, will collaborate with leading investment promotion agencies in the region on the design and execution of outreach facilities.
## GUARANTEES

<table>
<thead>
<tr>
<th>Country</th>
<th>Activities</th>
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<tbody>
<tr>
<td><strong>AZERBAIJAN</strong></td>
<td><strong>Fatoglu Gida Sanayi Ve Ticaret A.S.</strong>&lt;br&gt;Fatoglu Istehsal Azerbaycan, Ltd.</td>
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<td>Priority Areas:</td>
<td>IDA, S-S, SME</td>
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<td>MIGA issued a guarantee of $333,000 to <strong>Fatoglu Gida Sanayi Ve Ticaret A.S.</strong> (Fatoglu Food Industry and Trade Corporation or “Fatoglu”) of Turkey for its $370,000 investment of equipment and machinery in <strong>Fatoglu Istehsal Azerbaycan, Ltd</strong> (Fatoglu Production Azerbaijan Co. Ltd. or “Fatoglu-Azerbaijan”) of Azerbaijan. The investment is guaranteed for a period of five years and coverage is provided against the risks of transfer restriction, expropriation, and war and civil disturbance.</td>
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<td>The machinery and equipment will be used for the expansion of the Fatoglu-Azerbaijan mill which currently produces flour that is distributed and sold in Azerbaijan and Georgia. The expansion will consist of the construction of a warehouse and three steel silos for wheat and flour storage, wheat classifications, and mixing. The investment will improve the enterprise’s wheat and flour storage facilities, which will, in turn, contribute to a higher quality and greater variety of flour output.</td>
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<td>In FY03, MIGA issued Fatoglu a guarantee for $529,920 to cover its $588,800 equity investment in Fatoglu-Azerbaijan, for a period of up to 5 years, against the risks of transfer restriction, expropriation, and war and civil disturbance.</td>
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<td>This expansion project will contribute to the development of Azerbaijan’s emerging agricultural sector, which helps diversify the economy, currently concentrated in the oil and gas industry. The project will also employ 150 people during the construction phase of the project.</td>
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<th><strong>BOSNIA AND HERZEGOVINIA</strong></th>
<th><strong>Bank Austria Creditanstalt A.G.</strong> &lt;br&gt;HVB Bank Bosnia-Herzegovina d.d. and Central Profit Banca d.d.</th>
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<td>Priority Areas:</td>
<td>IDA</td>
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<td>MIGA issued two €11.2 million ($13.6 million) guarantees and two €5.6 million ($6.8 million) guarantees to <strong>Bank Austria Creditanstalt A.G.</strong> (BACA) supporting loans to <strong>HVB Bank Bosnia-Herzegovina d.d.</strong> (HVB-BiH) and <strong>Central Profit Banca d.d.</strong> (CPB-BiH). The guarantees for both projects cover a period of seven years and provide coverage against the risks of transfer restriction, expropriation, and war and civil disturbance.</td>
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<td>The guarantees help BACA expand and strengthen its two subsidiaries in preparation for their merger. The loans will allow BACA to increase its lending in Bosnia and Herzegovinia, there by bolstering the country’s financial sector through the provision of medium-term and long-term financing, and more competitive pricing to retail and corporate clients.</td>
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<td>BACA will continue to play a leading role in providing expertise, technical solutions and new products to the financial sector. HVB-BiH and CPB-BiH expect to provide loans to SMEs in need of financing and thus improve their access to financial services.</td>
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BOSNIA AND HERZEGOVINA (CONT’D)

**Raiffeisen Zentralbank Österreich AG**
Raiffeisen Bank d.d. Bosnia I Herzegovina

Priority Areas: IDA

During fiscal year 2004, MIGA issued four guarantees totaling €66.55 million ($78.5 million) to **Raiffeisen Zentralbank Österreich AG** (RZB) for its shareholder loans to **Raiffeisen Bank d.d. Bosnia I Herzegovina** (RBBH). The guarantees issued were in the amounts of €19 million ($21.8 million), €23.8 million ($29.0 million), €19 million ($22.0 million) and €4.75 million ($5.7 million). The guarantees for the four projects cover periods of nine, three, seven and seven years, respectively, and provide coverage against the risks of transfer restriction and expropriation.

In fiscal 2003, MIGA provided coverage to RZB for its EUR 10 million shareholder loan to RBBH. The new guarantees cover further expansion of the project enterprise’s lending program in fiscal 2004. The additional shareholder loans provided by RZB will help RBBH strengthen its capital base and increase its lending in Bosnia and Herzegovina.

RBBH offers a wide range of products and services, including payment services, retail banking and credit facilities, trade finance services, and corporate finance including long-term lending, treasury finances, and investment banking services. Further details about the projects appear in MIGA’s 2003 Annual Report.

**Slovene Export Corporation**
Poslovni Sistem Mercator d.d.

Priority Areas: IDA, S-S

MIGA provided an additional €3.5 million ($4.0 million) in reinsurance to the **Slovene Export Corporation** for the political risk insurance it has provided to **Poslovni Sistem Mercator d.d.** (Mercator) of Slovenia for its €10 million additional equity investment in **Mercator Trzni Centar Sarajevo d.o.o.** (Mercator TCS), in Bosnia and Herzegovina. Coverage is being provided for a period of nine and a half years against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves operating a shopping mall in the center of Sarajevo. Since 2002, cash flows have been positive, and the new equity investment is aimed at positioning the investor for a possible expansion in the country.

The shopping center creates positive externalities for customers and local suppliers. It increases the availability and the quality of goods in Sarajevo. In the first years of operation, Mercator developed partnerships with producers from Bosnia and Herzegovina, and local goods represent over twenty-five percent of goods sold in the supermarket. In addition, approximately fifty percent of goods sold come from Slovenia.

The project hosts a bank, a pharmacy, and other services and fosters private sector growth. It employs over 200 workers who received training from a staff exchange with Mercator shopping centers in Slovenia and Croatia.
International Dialysis Centers B.V.
International Dialysis Center Banja Luka

Priority Areas: IDA, SME

MIGA issued a guarantee of €1.26 million ($1.4 million) to the International Dialysis Centers B.V. of the Netherlands for its €2.0 million equity investment in International Dialysis Center Banja Luka of Bosnia and Herzegovina. The guarantee covers a period of seven years and provides coverage against the risk of breach of contract.

The project—an expansion of an earlier MIGA-supported health care facility located in Banja Luka—is providing renal dialysis treatment services to the city of Bijeljina in the Republika Srpska region, where kidney disease is endemic. Using state-of-the-art medical equipment, the project is helping to improve life expectancy and the quality of life for dialysis patients.

The project supports the World Bank Group’s country assistance strategy, which promotes social services, such as high-quality and accessible health care, as a fundamental step in building social sustainability in the medium-term. (For more on this project, see Box 1, page 4).

Hypo Alpe-Adria-Bank AG
Hypo Alpe-Adria-Bank AD Banja Luka

Priority Areas: IDA

MIGA provided an additional €4.6 million of coverage to Hypo Alpe-Adria-Bank AG (HAAB) of Austria for its €5.1 million equity investment in Hypo Alpe-Adria-Bank AD Banja Luka (HAAB Banja Luka) in Bosnia and Herzegovina. The investment is guaranteed for a period of 10 years and coverage is provided against the risks of expropriation and war and civil disturbance.

In FY03, MIGA issued a €13.8 million guarantee to HAAB of Austria for a €15.4 million equity investment in HAAB Banja Luka in Bosnia and Herzegovina. This amount, combined with the new investment brings HAAB’s total equity invested in HAAB Banja Luka to €20.5 million; MIGA’s coverage of both investments amounts to €18.4 million.

The project involves the recapitalization of HAAB Banja Luka and the further expansion of its lending activities. In addition to increasing the capacity of the financial sector, the project is expected to benefit the local economy by on-lending to a variety of businesses.

The latest equity investment will support the objectives of last year’s expansion efforts, yielding direct and indirect development impacts for Bosnia and Herzegovina. The project will bolster the credit capacity of the local economy while bringing know-how, technical solutions, and new products to the local market. The project will also provide extensive training for bank employees. While the project will not directly contribute to export earnings, the expansion of funds to local businesses is expected to facilitate up to $50 million in exports annually.
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<tr>
<th>Country</th>
<th>Activities</th>
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<tr>
<td>FYR MACEDONIA</td>
<td>Norway Registers Development AS</td>
<td>Manor Ltd.</td>
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<td>Priority Areas: SME</td>
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<td>MIGA issued a €299,160 ($337,467) guarantee to Norway Registers Development AS of Norway covering its shareholder loan of €250,000 to Manor Ltd. in FYR of Macedonia. The guarantee is for a period of five years and provides coverage against the risk of breach of contract.</td>
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<td>The project addresses the need for a fast, accurate and up-to-date data management system for the registration of annual accounts (financial statements and other relevant financial information of private companies and public entities) in FYR of Macedonia. It consists of the development of a comprehensive software solution compatible with the infrastructure already in place in regional offices that will allow the Central Register of FYR of Macedonia to collect, centralize, and distribute annual accounts information. At the end of the five-year license agreement, the sponsor will transfer, at no charge, the ownership of the project to the Central Register.</td>
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<td>The project is an instrumental part of a comprehensive effort of the Macedonian government to develop a regulatory framework and institutions for recording financial transactions and annual accounts. The project will make information readily available across all Central Register regional offices with accuracy and consistency, and enhance and upgrade the current registry system. The project will also contribute to the development of the infrastructure supporting business transactions, and improve the investment climate and account transparency in the country.</td>
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<td>KYRGYZ REPUBLIC</td>
<td>Italian Technology &amp; Innovations S.r.l. and FINREP HANDELS GmbH</td>
<td>Manas Management Company</td>
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<td>Priority Areas: IDA, SME</td>
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<td>MIGA issued $0.443 million in guarantee coverage to Italian Technology &amp; Innovations S.r.l. (ITI) of Italy and $0.443 to FINREP HANDELS GmbH (FHG) of Austria for their respective investments of $500,000 each in Manas Management Company (MMC) of the Kyrgyz Republic. The guarantees cover the respective investments against the risks of transfer restriction, expropriation, and war and civil disturbance. The coverage does not support new financial or capital investments, but rather reflects a partial transfer of equity from ITI to FHG relating to the project, which was originally supported by MIGA in fiscal 1998 and 1999. The project is currently the subject of a dispute between the investors and the host country.</td>
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<td>Country</td>
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<td>MOLDOVA</td>
<td><strong>Leon Construction International B.V.</strong> Leogrant SRL</td>
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<td>Priority Areas: IDA, S-S, SME</td>
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<td>MIGA issued a guarantee of $900,000 to <strong>Leon Construction International B.V.</strong> of the Netherlands for its $1 million equity investment in <strong>Leogrant SRL</strong> of Moldova. The guarantee is for a period of 15 years and provides coverage against the risks of transfer restriction, expropriation, and war and civil disturbance. The SME project will finance the expansion of an existing hotel located in the center of Chisinau, which caters primarily to a business clientele. Upgraded business facilities and hotel accommodations are needed to attract potential investors. The project will also support the growth of upstream industries and services such as transportation, food processing, furniture-making and tour operators. The hotel construction will draw primarily on local supplies. The project will generate foreign exchange for the country, tax revenues to the government, and will create jobs.</td>
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<td>ROMANIA</td>
<td><strong>Raiffeisen Zentralbank Österreich AG</strong> Raiffeisen Bank S.A.</td>
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<td>MIGA issued two guarantees of €26.6 million ($30.5 million) and €16.2 million ($20.1 million) to <strong>Raiffeisen Zentralbank Österreich AG</strong> (RZB) for its €28 million and €17 million shareholder loans to <strong>Raiffeisen Bank S.A.</strong> (RBRO) of the Republic of Romania. The guarantees are for a period of seven years and provide coverage against the risks of transfer restriction and expropriation. In fiscal 2003, MIGA issued a $38 million guarantee to Raiffeisen Bank S.A. for a $40 million shareholder loan to the same project enterprise. The project’s expansion efforts have broadened the range and quality of commercial banking services in Romania and have helped lower the costs of financing. The new investments in the bank are expected to help support economic development in Romania in a number of ways. First, the shareholder loans will bolster the bank’s capital base, allowing RBRO to increase its medium-term lending, which will support investments in new equipment. Second, RBRO expects that much of its lending (more than 50%) will support local SMEs through a special SME-EBRD line of credit, helping improve their access to loans. Third, the project will continue to invest heavily in training and technology development. Finally, RBRO will bring state-of-the-art technical infrastructure to Romania, including a new operations center, and update key IT capabilities.</td>
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<td>Country</td>
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<tr>
<td>ROMANIA (CONT’D)</td>
<td><strong>Bank Austria Creditanstalt AG</strong>&lt;br&gt;HVB Bank Romania SA</td>
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MIGA issued a $69.8 million guarantee to **Bank Austria Creditanstalt AG** for its $70 million shareholder loan to **HVB Bank Romania SA** (HVB). The coverage protects the investor against the risks of transfer restriction and expropriation for a period of up to ten years. This is the second guarantee issued to HVB; in fiscal 2003, MIGA underwrote a €15 million shareholder loan to HVB to help it expand its in-country operations.

It will contribute to the development of the country’s banking system and corporate governance. The new shareholder loan will allow HVB to continue expanding its lending operations in Romania, thereby bolstering the Romanian financial sector through the provision of additional medium-term financing. In addition, the project allows HVB to provide term-financing, including to the SME sector. Finally, HVB estimates that the expansion of its activities will indirectly support the generation of an additional $23 million in annual export revenues by financing export-related enterprises.

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<thead>
<tr>
<th>Euromedic Diagnostics BV</th>
<th>SC Euromedic Romania s.r.l.</th>
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Priority Areas: SME

MIGA issued four guarantees totaling $11.34 million to **Euromedic Diagnostics BV** (Euromedic) of the Netherlands for its $12.6 million equity investment in **SC Euromedic Romania s.r.l.** of Romania. The guarantees are for a period of seven years and provide coverage against the risk of breach of contract.

The project involves the establishment and operation of four diagnostic centers by SC Euromedic Romania s.r.l., based on a public-private partnership with the national health care service. The diagnostic centers will provide MRI, computer, tomography, bone densitometer, ultrasound, and stress tests diagnostic services.

Euromedic's health care services should make a significant contribution to Romania’s social services infrastructure by offering diagnostic services to a broad range of patients. In addition, the four clinics will hire about 240 permanent medical employees and managers. The local annual procurement for goods and services for the four clinics is expected to total $2.1 million. Government tax and fee revenue from Euromedic's operations is expected to total around to $1 million annually.
Country | Activities
--- | ---
RUSSIAN FEDERATION | Raiffeisenverband Salzburg
|  | OOO Raiffeisen Leasing

Priority Areas: SME

MIGA issued guarantees of $9.5 million and €7.5 million ($8.6 million) to Raiffeisenverband Salzburg (RZBS) of Austria for its $10 million and €7.9 million shareholder loans to OOO Raiffeisen Leasing (RLRU), Moscow, the Russian Federation. The guarantees are for a period of four years and provide coverage against the risks of expropriation and transfer restriction. They complement a $5.7 million guarantee that MIGA issued to RZBS in March 2003 and a further two guarantees that MIGA issued to Raiffeisen Steiermark in fiscal years 2002 and 2003 amounting to $33.25 million.

The new shareholder loans guaranteed by MIGA will finance the expansion of Raiffeisen Leasing’s operations in the Russian Federation, increasing the availability of medium-term lease financing, particularly for SMEs. The project will also contribute to employment creation through new or expanding companies benefiting from the project’s leasing operations. RLRU plans to conduct significant on- and off-site training which will improve the skills base of professionals in the financial sector.

Raiffeisenverband Salzburg

OOO Raiffeisen Leasing

Priority Areas: SME

MIGA issued guarantees of $38 million and €14.25 million ($18 million), respectively, to Raiffeisenverband Salzburg (RZBS) of Austria for its $40 million and €15 million shareholder loans to OOO Raiffeisen Leasing (RLRU), Moscow, the Russian Federation. The guarantees are for a period of five years and provide coverage against the risks of currency transfer restriction and expropriation.

RLRU is a licensed leasing company with branches in Moscow and in St. Petersburg. RRLU offers a wide range of products for leasing, including railway cars, agricultural equipment, utility vehicles, construction equipment, and packaging and industrial machinery. The guaranteed investments will be used to strengthen RRLU’s leasing portfolio and expand its operations in Russia. This will allow RRLU to continue to fill a financing gap in Russia by providing SMEs with medium and long-term credit and access to modern equipment. Since the leasing sector in Russia is still developing, RRLU’s market-leading position is also expected to introduce high industry standards in corporate governance, customer services, and product offerings. RBRU’s leasing activities are expected to generate about $15 million in exports annually. The company expects to hire about 52 local employees over the next five years and train them on- and off-site.
RUSSIAN FEDERATION (CONT'D)

**Raiffeisen Zentralbank Österreich AG**
ZAO Raiffeisenbank Austria

**Priority Areas:** SME

MIGA issued a guarantee of $28.5 million to **Raiffeisen Zentralbank Österreich AG** of Austria for its $30 million shareholder loan to **ZAO Raiffeisenbank Austria** (RBRU) of the Russian Federation. The guarantee is for a period of five years and provides coverage against the risks of currency transfer restriction and expropriation.

RBRU provides account and payment services for corporate clients, documentary business and guarantees, loans, treasury services, consumer banking and other services. The investment will finance the expansion of RBRU’s operations in Russia and will strengthen the asset base of RBRU.

This investment will have several important developmental impacts for the Russian economy. It will support the development of the Russian financial sector through the provision of short, medium, and long-term lending, and the introduction of new financial products. It will also stimulate export growth and small and medium enterprise development through the on-lending of funds to local SMEs that are expected to generate export revenues. In addition, local skills will be developed by RBRU as it continues to hire managers locally and train them using RZB’s network for on-and off-site staff training.

The project is consistent with the World Bank Group Country Assistance Strategy for the Russian Federation, which specifically seeks to promote the diversification of the economy to reduce the reliance on the natural resource sectors. ZAO Raiffeisenbank Austria’s portfolio of banking products to SMEs will offer new and improved financial services to start-up, small, and entrepreneurial ventures.

**WTE Wassertechnik GmbH**
WTE Süd-West

MIGA issued guarantees of €45.1 million ($51.7 million) and €22,500 ($25,000) to **WTE Wassertechnik GmbH of Germany** (WTE), a member firm of the Austrian EVN Group, for its €47.4 million shareholder loan to, and its €25,000 equity investment in, **WTE Süd-West of the Russian Federation** (WTESW). Both guarantees cover a period of fifteen years and provide coverage against expropriation and breach of contract.

The project addresses the increase in demand for water supply faced by the growing city of Moscow. The project consists of the construction of a green-field water treatment plant that will increase the Moscow’s potable water supply capacity by 4 percent. The project enterprise will be responsible for the construction (starting September 2003) of a 250,000 cubic meters per day water treatment plant under a thirteen and a half year build, own, operate and transfer (BOOT) concession scheme. Water will be channeled from the Moskva River to a processing plant where it will be filtrated using state-of-the-art technologies. The purified product will then be distributed through the municipal water system by Mosvodokanal, the city-owned utility.

In addition to tax revenues, employment and training local management and employees, the project enterprise expects to transfer operating know-how to Mosvodokanal employees before the transfer of ownership at the end of the concession period. Moreover, the plant’s clean water will improve local health, environmental, and safety conditions, and will help create positive business externalities.
<table>
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<th>Country</th>
<th>Activities</th>
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| SERBIA AND MONTENEGRO | Bank Austria Creditanstalt AG  
HVB Banka Jugoslavija a.d.  
Priority Areas: IDA, SME  
MIGA issued €7.125 million ($8.47 million) and €0.475 million ($0.56 million) guarantees to Bank Austria Creditanstalt AG for its €7.5 million loan guarantee and €0.5 million shareholder loan made in support of HVB Banka Jugoslavija a.d. (HVB-SAM) in Serbia and Montenegro. The guarantees are for a period of 10 years and provides coverage against the risks of transfer restriction, expropriation, and war and civil disturbance.  
HVB-SAM was established in December 2001 and offers a wide range of products and services including payment services, deposits and term account maintenance, trade finance services, corporate finance including long-term lending and treasury services, and investment banking services.  
The project will provide for an expansion of HVB-SAM operations by allowing it to increase its lending portfolio, mainly to small and medium enterprises, including retailers, and general commerce and food related enterprises. HVB-SAM’s additional loans will be provided predominantly to SMEs, which will increase both SMEs’ access to financing, and support economically sound projects. |

| Hypo Alpe-Adria-Bank A.G. | Hypo Alpe-Adria-Bank A.D.  
Priority Areas: IDA  
MIGA issued a €22.2 million ($10.6 million) guarantee to Hypo Alpe-Adria-Bank A.G. (HAAB) of Austria for its €24.7 million equity investment in Hypo Alpe-Adria-Bank A.D. (HAAB-SAM) in Serbia and Montenegro. The guarantee is for a period of ten years and provides coverage against the risks of expropriation and war and civil disturbance.  
This contract represents an additional guarantee of €9 million over the original contract of guarantee which was issued in fiscal year 2003. It covers an increase in the investment of HAAB in HAAB-SAM to finance the expansion of the bank’s lending capacity.  
In fiscal 2003, HAAB estimated that it would create thirty-seven local jobs with salaries and benefits slightly above the sector average. However, local job creation more than doubled compared to initial expectations, and the present project is expected to further support HAAB-SAM’s organic growth.  
MIGA’s additional guarantee to HAAB-SAM will increase capacity and service to the financial sector of Serbia and Montenegro and the local economy. HAAB-SAM expects to offer approximately sixty percent of its corporate loans to SMEs, and thirty percent to export-oriented companies. |
SERBIA AND MONTENEGRO (CONT’D)

**Raiffeisen A.S. and Raiffeisen Zentralbank Österreich AG**

Raiffeisen Leasing Serbia and Montenegro

Priority Areas: SME, IDA

MIGA issued two contracts of €38 million ($46.5 million) and €19 million ($23.9 million) to **Raiffeisen A.S.** of the Czech Republic and one contract of €0.475 million ($0.6 million) to **Raiffeisen Zentralbank Österreich AG** of Austria for their respective €40 million, €20 million, and €0.5 million loans to **Raiffeisen Leasing Serbia and Montenegro** (RLSM). The guarantees are for periods of five, four, and four years and provide coverage against the risks of a currency transfer and expropriation.

The operations of RLSM will contribute to the development of the private sector in Serbia and Montenegro (SAM) through the establishment of a leasing subsidiary of the Raiffeisen Group. The financing package will be used to fund the project’s leasing portfolio, with about 60% of the leases to be provided to small and medium-sized enterprises (SMEs) in order to support their capital investments and to replace outdated equipment.

In addition to direct job creation the project is also expected to create jobs indirectly in the companies that will benefit from leases and expand their operations. RLSM employees will benefit from the RZB network for on-and off-site staff training, thus transferring knowledge of advanced leasing structures to SAM’s financial market.

The project supports the private sector development objectives of the World Bank Group strategy which aims to stimulate near-term growth and create the basis for a sustainable supply responses from the private sector.

**Raiffeisen Zentralbank Österreich AG and Raiffeisenbank A.S.**

Raiffeisenbank a.d.

Priority Areas: IDA

MIGA issued three contracts of $23.3 million, $46.4 million, and $0.583 million to **Raiffeisen Zentralbank Österreich AG** (RZB) of Austria and **Raiffeisenbank A.S.** (RBCZ) of the Czech Republic for their respective $24.5 million, $48.8 million, and $0.613 million loans to **Raiffeisenbank a.d.** (RBSM), based in Serbia and Montenegro. The guarantees are for periods of five, six, and six years respectively and provide coverage against the risk of a currency transfer and expropriation.

The project involves the expansion of RBSM’s banking services and is expected to contribute the development of the private sector in Serbia and Montenegro (SAM). The investment will strengthen and diversify RBSM’s lending portfolio. Moreover the financing package will also increase the availability of funds with longer tenors available in the marketplace—generating competitive pricing and terms for loans to Serbian companies.

RBSM will create jobs and employees will benefit from the RZB network for on- and off-site staff training (with the training budget amounting to 5% of the gross wages), thus transferring knowledge of modern banking practices and financing structures to the SAM’s financial market.
UKRAINE

**Raiffeisen Zentralbank Österreich AG**
JSCB Raiffeisenbank Ukraine

MIGA issued a guarantee of $95 million to **Raiffeisen Zentralbank Österreich AG** (RZB-Austria) of Austria for its $100 million shareholder loan to **JSCB Raiffeisenbank Ukraine** (Raiffeisenbank Ukraine). The guarantee is for a period of seven years and provides coverage against the risks of transfer restriction and expropriation.

MIGA issued a guarantee to the investor covering a $20 million investment in the project enterprise in fiscal 2001. This investment of RZB supports an expansion of Raiffeisenbank Ukraine’s capital base and lending operations. This will give access to term financing and contribute to the development of the country’s banking system and its corporate governance.

**Can-Pack S.A.**
Can-Pack Ukraine Ltd.

Priority Areas: S-S

MIGA issued three guarantees totaling $48.8 million to **Can-Pack S.A.** (Can-Pack) of Poland for its investment in Ukrainian subsidiary, **Can-Pack Ukraine Ltd.** The guarantees cover the equity investment, a shareholder loan and a management and technical assistance contract. All three guarantees provide coverage against the risks of expropriation, war and civil disturbance and transfer restriction. The guarantees for the equity investment and the management contract cover a period of 15 years, and the guarantee for the shareholder loan covers a period of five years.

The project involves the construction and operation of an aluminum beverage can production plant, the largest private Polish investment in Ukraine to date. It will increase Can-Pack’s production capacity in order to meet the growing demand for canned beverages in Ukraine and will allow it to maintain market share in Ukraine, Russia, and other members of the Commonwealth of Independent States. The project will help create approximately 110 local jobs and about 145 additional jobs during the construction phase. Can-Pack will provide ongoing training throughout the duration of the project. The project is also expected to generate significant exports, reduce imports and provide upstream benefits for local suppliers.
The launch of the European Investor Outreach Program in fiscal 2004 represents a major initiative to increase investor awareness of the Western Balkans. Workshops held in Albania for the Albanian Investment Promotion Agency focused on how the country might attract new investors and how it might participate in the EIOP. Discussions were also held with Croatian authorities on ways the country can be involved.

During the year, MIGA continued to provide support to the Armenian Development Agency (ADA) as part of a World Bank program. In addition, work on a national FDI promotion strategy was concluded and several training and skills development activities were implemented. MIGA also participated in the First Armenia-Diaspora Economic Forum, an investment promotion conference co-organized by ADA and held in Yerevan.

MIGA supported the preparation of the investment promotion agency law of FYR Macedonia that was adopted by its parliament in early 2004. Further assistance included advice on preparing the launch of a new agency, as well as a donor coordination effort on behalf of the government and the new agency. MIGA also explored cooperation activities and synergies with the USAID-funded “Macedonia Competitiveness Activity” with a view to leveraging the activities of the new agency.

In Serbia and Montenegro, MIGA launched a new program in Montenegro, with donor funding from the European Agency for Reconstruction (EAR), aimed at assisting the country in establishing a new investment facilitation and servicing unit. The one-year program will support the establishment of the unit, the development of a start-up strategy and work plan, skills development and training, and information dissemination activities.

MIGA also completed a long-term capacity building program for the Serbian Investment and Export Promotion Agency. The hands-on institutional development program focused on the preparation of an appropriate FDI promotion strategy, skills training and the implementation of a series of pilot investor outreach programs in a number of priority sectors. The program was funded under an IDA grant to Serbia and benefited from strong cross-links with other economic development programs, such as USAID’s competitiveness project and EAR’s SME program in Serbia. Based on the initial results of the program, EAR has asked MIGA to help design and manage a follow-on assistance program.

In a joint initiative, MIGA and FIAS explored the possibility of developing a joint technical assistance program in Tajikistan and assessed the country’s needs in the areas of investment climate improvement and investment promotion. A project proposal was presented in conjunction with the Tajikistan Consultative Group meeting in London in February 2004. MIGA is currently working with the Tajik government to finalize the project design and prepare the launch of the program, expected in fiscal 2005.
The overall investment environment in fiscal 2004 showed a slight and uneven improvement over the previous two years. Portfolio flows were stronger, but FDI was characterized by investor caution. While interest in FDI increased over the year, fewer projects materialized than in previous years.

In fiscal 2004, MIGA supported three new projects through its guarantee program and undertook 11 technical assistance activities in the region. At year-end, MIGA’s total gross guarantees exposure stood at $1,736 million, or 33 percent of the Agency’s outstanding portfolio.

**HIGHLIGHTS**

**Responding to Energy Crisis**
MIGA provided coverage for a shareholder loan to the TermoCabo power plant in Brazil. The plant will supply peak-time electricity to the people of Pernambuco, one of the poorest states of Brazil. As a result, power rationing, previously common during periods of drought, has substantially decreased. The project is part of the Emergency Energy Program enacted by the Brazilian government to respond to the country’s severe energy shortage.

**Focusing on Central America**
MIGA has been active in providing technical assistance in Central America and is currently executing programs in four countries: El Salvador, Guatemala, Nicaragua and Honduras. The programs are aimed at FDI sector diversification and the attraction of higher value-added investments. A particularly important project in Panama, to convert the former Howard Air Force Base to the Panama Pacific Special Economic Zone, is nearing completion.

**Mediating Disputes**
In Argentina, MIGA has successfully resolved a number of pre-claim situations that resulted from the enactment of the Emergency Law imposed by the government in 2001. The Agency continues to maintain a close dialogue with the government in resolving two outstanding claims. In Venezuela, MIGA’s close work with the government resulted in investors benefiting from executive decrees and regulations which granted an exemption to restrictions on foreign currency transfers, following registration with the Comisión de Administración de Divisas.
GUARANTEES

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<tr>
<td>BRAZIL</td>
<td><strong>Cefla Capital Services S.p.A.</strong>&lt;br&gt;Cefla Capital Services do Brasil Ltda.</td>
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<td></td>
<td><strong>ABN Amro Bank N.V.</strong>&lt;br&gt;TermoCabo, Ltda.</td>
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MIGA issued a guarantee of $11.0 million to Elecnor S.A. of Spain for its loan guarantee of $11.6 million in support of Expansion Transmissão Itumbiara Marimbondo Ltda. of Brazil. The guarantee is for a period of three years and provides coverage against the risks of breach of contract, and currency transfer restriction and inconvertibility.

The project involves the construction of an $80 million power transmission line in the State of Minas Gerais which will increase transmission capacity as well as improve the reliability of electricity supply. MIGA’s participation in the project is consistent with the World Bank’s objectives of supporting Brazil’s power sector. The project is considered crucial for the country’s economic development because it bolsters transmission capacity which is considered a priority in Brazil’s electricity development program for 1999-2008.

A total of 1,300 workers will be hired during the construction phase of the project and about 30 people during the operation of the enterprise. The project will also pay taxes amounting to an estimated $62 million during the life of the concession, and in accordance with Brazilian law, roughly $400,000 of the cost of the infrastructure project will be set aside for the establishment or improvement of conservation areas, parks, and protected areas.

MIGA issued a guarantee of $17.9 million to Elecnor S.A. of Spain for its loan guarantee of $18.9 million in support of Cachoeira Paulista Transmissora de Energia Ltda. of Brazil. The guarantee is for a period of three years and provides coverage against the risks of breach of contract, and currency transfer restriction and inconvertibility.

The project involves the construction of an $80 million power transmission line in the State of São Paulo which will increase transmission capacity as well as improve the reliability of electricity supply. MIGA’s participation in the project is consistent with the World Bank’s objectives of supporting Brazil’s power sector. The project is considered crucial for the country’s economic development because it bolsters transmission capacity which is considered a priority in Brazil’s electricity development program for 1999-2008.

A total of 1,200 workers will be hired during the construction phase and about 30 people during the operation of the project enterprise. The project will also pay taxes amounting to an estimated $64 million during the life of the concession, and in accordance with Brazilian law, roughly $400,000 of the cost of the infrastructure project will be set aside for the establishment or improvement of conservation areas, parks, and protected areas.
TECHNICAL ASSISTANCE ACTIVITIES

MIGA’s focus on providing technical assistance in Central America continued in fiscal 2004. In Guatemala, MIGA supported the national investment promotion agency - Invest in Guatemala (IIG) - in its efforts to re-launch the investment promotion component of a loan provided by the IBRD to increase national competitiveness. The work includes planning the various elements of the FDI program, generating consensus within the new government regarding its goals and discussing the reorganization of the IIG. Guatemala’s investment promotion agency is also a recipient of a grant under MIGA’s FDI Xchange Investor Information Development Program.

In El Salvador, MIGA helped PRO.ESA, El Salvador’s investment promotion agency, begin the transition from reactive to proactive campaign-based investment outreach. This transition was made possible because of PRO.ESA’s institutional maturity and experience in sector promotion. MIGA has been involved with PRO.ESA since its inception, from the design of the initial institutional framework to the more sophisticated promotional systems that have generated important FDI flows for El Salvador. Recent investments from leading call center companies and pharmaceutical multinationals as well as one of Europe’s largest fisheries enterprises are a testimony PRO.ESA’s capacity building efforts.

ProNicaragua, the Nicaraguan investment promotion agency established with MIGA’s assistance, has successfully attracted significant levels of FDI and generated a large pipeline of potential investment projects after only 14 months of operation. During the year, MIGA worked closely with the World Bank to evaluate, supervise and implement the investment promotion components of the country’s Learning and Innovation Loan (LIL) program. ProNicaragua is emerging as one of the region’s leading investment promotion agencies due to its strong management, close ties to the local private sector, ability to mobilize a high level government support for individual investment projects, and capacity to generate concrete returns on investment promotion activities.

MIGA launched an FDI technical assistance program in Honduras under an IDA-funded project that aims to improve the country’s investment climate. MIGA will manage $2.1 million over the next three years to support the country’s investment promotion agency, FIDE. In fiscal 2004, MIGA helped developed an execution plan for the program.

MIGA continued its work with IFC in Panama on a proposed project to convert the former Howard Air Force base and surrounding land to a large-scale multi-use special economic zone. MIGA provided free zone and investment promotion strategic guidance, as well as legal, marketing and promotional assistance. This was done in close cooperation with FIAS and external consulting groups brought together for this task by IFC for the Interocianic Regional Authority of Panama. Legislation to start the project has passed its final legislative review.

Following a request from the government of Paraguay, MIGA conducted a detailed needs assessment of ProParaguay, the country’s national investment promotion agency, that focused on ProParaguay’s role in improving the country’s investment environment and creating modest promotion programs for the next two years.

As part of an ongoing assistance program in Colombia, MIGA assisted the Invest in Colombia Corporation (COINVERTIR) in the design and development of a three-year business plan. The plan has been presented to the government and part of the required funding has been committed. In addition, MIGA finalized an agreement with the Chamber of Commerce of Bogota to provide technical assistance over a three-year period, which will assess institutional capacity to promote FDI, design an appropriate promotional framework, develop capacity and assist the Chamber of Commerce in conducting FDI promotion in priority sectors.
Middle East and North Africa

The war in Iraq, the ongoing Israeli-Palestinian conflict and concerns about spillover effects undermined investors’ confidence and posed obstacles to FDI flows to the region. As a result, FDI declined from $3 billion in 2002 to an estimated $2 billion in 2003. Despite the unfavorable market conditions, MIGA undertook a number of outreach programs in the region aimed at facilitating foreign, particularly inter-regional, investments.

In fiscal 2004, MIGA supported one new project through its guarantee program and undertook three technical assistance activities in the region. At year end, MIGA’s total gross guarantees exposure stood at $243 million, or 5 percent of the Agency’s outstanding portfolio.

HIGHLIGHTS

Supporting Technology
MIGA provided guarantees to Investcom Holding of Lebanon and Teleinvest of Saudi Arabia, which are investing in Spacetel Syria, one of two cellular service providers in Syria using the advanced digital GSM technology. The introduction of reliable mobile telephone services is helping address the country’s shortage of telephone lines.

Partnering
MIGA signed cooperation agreements with the Export Guarantee Fund of Iran (EGFI) and the Jordanian Loan Guarantee Corporation. The partnerships aim to support the promotion of FDI in the region. MIGA also held a training program for a number of its partners in the region, including EGFI, the Inter-Arab Investment Guarantee Corporation and the Islamic Corporation for the Insurance of Investments and Export Credit, as well as other insurers and banks.

Reaching Out to Investors
MIGA redoubled its efforts to promote FDI flows into the region, conducting a number of trips to countries such as Algeria, Egypt, Iran, Kuwait, Jordan, Lebanon, Saudi Arabia and the United Arab Emirates. These trips have increased MIGA’s exposure to investors and business groups in the region.

Gross Amount of Guarantees Issued and Gross Exposure, $ M

Sector Breakdown of Total Guarantees Issued Since Inception, in Percent

- Infrastructure: 19%
- Financial: 4%
- Oil, Gas and Mining: 31%
- Tourism and Service: 6%
- Agribusiness and Manufacturing: 40%
### GUARANTEES

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<tr>
<td>SYRIAN ARAB</td>
<td><strong>Investcom Holding S.A. and Teleinvest Ltd. (member of Dallah Al Baraka Holding)</strong></td>
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<tr>
<td>REPUBLIC</td>
<td>Spacetel Syria S.A.</td>
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<td><strong>Priority Areas:</strong> S-S</td>
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MIGA issued guarantees of $55.96 million and $19.0 million to **Investcom Holding S.A.** of Luxembourg and **Teleinvest Ltd.** of the Cayman Islands for their respective $62.18 million and $21.15 million equity investments in **Spacetel Syria S.A.** Both guarantees cover a period of ten years and provide coverage against the risks of transfer restrictions, expropriation, war and civil disturbance, and breach of contract.

The project addresses the increase in demand for telephone lines and the need for improved telecommunication infrastructures in Syria. It consists of the installation and operation by Spacetel of one of two mobile telephone networks based on GSM technology. Spacetel currently serves more than 500,000 subscribers with a network capable of handling more than 1.3 M subscribers and will gradually increase its network capacity to address the demand for 3 million additional telephone lines in the country. At the end of the 15-year build, operate, and transfer (BOT) concession scheme (July 2017), the sponsors will transfer, at no charge, ownership of the project to the Syrian Telecommunication Establishment, which operates the telecommunications sector in Syria.

The project is expected to provide substantial revenues to the government of Syria. Spacetel will provide the government with an increasing percentage of the revenues from operations to reach 50 percent in the seventh year. Spacetel expects to increase the number of employees substantially over the next five years. Average workers’ wages will be 90 percent higher than the domestic sector standard, and Spacetel will provide its employees with extensive training. Technical staff will be sent to engineering and training institutes abroad. In addition to bringing an efficient and reliable mobile telephone network to the Syrian Arab Republic, the project will rely on domestic companies for advertising, engineering, IT and software companies, cable installation and construction, and will foster local enterprise development.

The project addresses two of MIGA’s priority areas: supporting basic infrastructure and encouraging cross-border investment among developing countries (Investcom Holding S.A. is incorporated in Luxembourg, but operates out of Lebanon, and Teleinvest is incorporated in the Cayman Islands, but operates out of Saudi Arabia). It also represents an integrated complement to the World Bank and IFC’s efforts to foster foreign direct investment in the country, as well as improving the performance of the telecommunications sector.
TECHNICAL ASSISTANCE ACTIVITIES

MIGA’s extensive outreach to countries conducted in fiscal 2004 resulted in the initiation of a number of new technical assistance activities. In Lebanon, MIGA plans to provide technical assistance to the Industrial Development Agency, Lebanon’s investment promotion agency.

In Jordan, MIGA is reviewing the possibility of training the staff of the Jordan Investment Board (JIB) in client relationship management, market intelligence, capacity development, promotional outreach and utilizing FDI Xchange.

Although Iraq is not currently a member of MIGA, the Agency is exploring various avenues to encourage the inflow of FDI into the country as this is an expressed priority of the interim Iraqi administration. MIGA participated in a World Bank Group Trade and Investment Conference held in Amman, Jordan in May 2004 and met with key Iraqi government and private sector representatives to discuss a strategy for trade and investment. In particular, MIGA plans to support Iraq’s efforts to develop its investment promotion through the Agency’s online resources, such as the FDI Center.

A joint MIGA-IFC project was launched in Morocco in fiscal 2004 to assess the viability of a program to develop a regional IPA promoting economic development of the Tangiers region. MIGA and IFC’s North Africa Enterprise Development Facility (NAED), based in Rabat, engaged with stakeholders and the local business community to develop an investment plan—the Tangier Invest Initiative—which aims to promote and leverage the competitive and comparative advantages of the region. A comprehensive assessment, including a recommended institutional framework and business plan structure for Tangier Invest, was completed and shared with key stakeholders in Morocco in fiscal 2004. MIGA will provide technical assistance and capacity building to promote investment flows to the country and to the Tangiers region specifically.
Sub-Saharan Africa

Despite a boom in the energy sector in the region, sub-Saharan Africa’s overall growth slowed over the course of the year. Adverse weather conditions reduced agricultural production, while export growth slowed due to sluggish economic conditions in Europe. FDI inflows increased slightly in 2003, although much of this was due to investments in the oil sector.

In fiscal 2004, MIGA supported four new projects through its guarantee program and undertook 28 technical assistance activities in the region. At year-end, MIGA’s total gross guarantees exposure stood at $692 million, or 13 percent of the Agency’s outstanding portfolio.

HIGHLIGHTS

Improving the Investment Climate
MIGA’s mediation services have helped improve the investment climate in Ethiopia, enabling the country to conclude bilateral treaties with France and Germany. MIGA is helping to settle claims outstanding from the expropriation of foreign assets during the Mengistu regime. The resolution of these claims is expected to send a strong signal to the international business community and encourage FDI into the country.

Building Capacity
MIGA supported and co-funded an investment outreach program under a partnership with the Swiss government, launched in 2001 and aimed at implementing a targeted investment facilitation initiative in four countries: Ghana, Mozambique, Senegal and Tanzania. In fiscal 2004, the program targeted the apparel, textile, call center and tourism industries. The outreach program has already resulted in concrete investments.

Introducing Technology
MIGA’s coverage of a South African Internet service provider working in Nigeria met a number of the Agency’s strategic priorities: the project enables technological innovation; it supports a small and medium enterprise; and promotes cross-border flows within the region.

Gross Amount of Guarantees Issued and Gross Exposure, $ M

Sector Breakdown of Total Guarantees Issued Since Inception, in Percent
MIGA issued a guarantee of $1.4 million to Geosurvey International, LLC of the US for its $1.5 million equity investment in East Africa Geosurvey Ltd. of Kenya. The guarantee is for a period of 15 years and provides coverage against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

The project involves the development of a computerized database system for Kenyan local authority councils, which will link landbase mapping and land parcel data with property ownership and taxation records in a Land Information System. The project aims to strengthen municipal councils’ property assessment procedures, as well as taxation and fees collection systems.

The project will have several important developmental impacts for the Kenyan economy. Since property taxes in Kenya generally provide 20 percent of the total revenues of local governments and 1 percent of central government revenue, East Africa Geosurvey Limited’s operations could potentially bolster state and community coffers. It is estimated that, with the help of the project, local governments will be able to double the collection of property-related taxes and fees within three years in the counties and towns participating in the project. The project will also permanently employ about 500 local workers. In addition, the project’s operations will yield many peripheral benefits to local communities, including improving access to accurate property information, updating the local address system, improving consumer access to mortgages, and enabling municipal governments to issue bonds and access capital markets.

The project is consistent with the World Bank Group strategy for Kenya, which focuses on supporting government efforts to improve economic governance and achieve fiscal adjustment. East African Geosurvey Limited will create an opportunity for better tax collection and possibly better municipal services.
**MOZAMBIQUE**

**Country Activities**

**Standard Bank of South Africa Limited (formerly known as Standard Corporate and Merchant Bank of South Africa)**
Republic of Mozambique Pipeline Investment Company (Pty.) Ltd. and Sasol Petroleum Temane Limitada

Priority Areas: IDA, SSA, S-S

MIGA issued to **Standard Bank of South Africa Limited** guarantees of $87.8 million and $25.7 million for its respective loans of $92.4 million to the **Republic of Mozambique Pipeline Investment Company (Pty.) Ltd.** (ROMPCO) of South Africa and $27 million to **Sasol Petroleum Temane Limitada** (SPT) of Mozambique. Both SPT and ROMPCO are wholly-owned subsidiaries of the Sasol Limited Group. The guarantees are for a period of up to 13 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

MIGA’s coverage of the loans replaces two equity guarantees issued in fiscal 2003 to the Sasol Limited Group in support of its initial investments in ROMPCO and SPT. A portion of the guarantees issued by MIGA has been reinsured under the Agency’s facultative reinsurance program.

MIGA’s guarantees support the development of Mozambique’s Temane and Pande gas fields and the construction of a 865 km cross-border gas pipeline in Mozambique and South Africa. The project represents the first cross border initiative in sub-Saharan Africa in developing regional natural gas markets and will generate many benefits for the local economy, including government revenues estimated to be in excess of $2 billion over the project’s 25-year lifetime. Contracts for local purchases of goods and services on an ongoing basis are estimated to be more than $1 million per year.

The project will substantially add to Mozambique’s infrastructure through the development of roads, water supplies and the removal of land mines. Environmentally, the project will contribute to the reduction of harmful emissions by replacing heavy oils and sulphur-rich coal with clean burning natural gas. (For more on this project, see Box 3, page 17).

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**Mozambique Rice Growers Pty. Ltd.**
Auroz Limitada

Priority Areas: IDA, SSA, SME

MIGA issued a guarantee of $450,000 to **Mozambique Rice Growers Pty. Ltd.** of Australia for its $500,000 equity investment in **Auroz Limitada** of Mozambique for a project to develop land for rice production. The guarantee is for a period of ten years and provides coverage against the risks of expropriation, transfer restriction, and war and civil disturbance.
**Country**  
NIGERIA

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| **Accelon (Pty.) Ltd.**  
IP Satellite Services Ltd.  
Priority Areas: IDA, SSA, S-S, SME  
MIGA issued $11.4 million in guarantee coverage to **Accelon (Pty.) Ltd.** of South Africa for its $15.2 million equity investment in **IP Satellite Services Ltd.** of Nigeria. The guarantee is for a period of three years and provides coverage against the risks of expropriation and war and civil disturbance.  
The project involves the establishment of an internet service provider facility to be operated via a satellite platform. The project enterprise will offer standardized shared Internet access services. Flexible service packages will be offered based on bandwidth attributes, providing email, web browsing, file downloads, teleconferencing, virtual private networks with committed information rates, broadband services, interactive TV services, and voice services, all from a common platform.  
IP Satellite Services Ltd. will offer Nigerians the kind of internet services and tools typically available only to large enterprises or corporations. Consequently, high-quality, high-speed Internet services (including cutting-edge communication, business, learning, and entertainment services) will become more accessible and affordable for a broad range of business clients and consumers. Moreover, the project enterprise will further disseminate technological know-how in Nigeria by providing $1 million in technical training to its staff over a five-year period.  
The project will contribute to the Nigerian economy by creating employment opportunities and generating tax revenues. In addition, peripheral business opportunities will be created for entrepreneurial Nigerians by developing a network of dealers with a broad geographic presence throughout the country. |

| Ewekoro Power Plant Sales Limited  
Ewekoro Power Limited  
Priority Areas: IDA, SSA, SME  
MIGA provided **Ewekoro Power Plant Sales Limited** (Ewekoro) of the UK an amendment to a $19 million guarantee contract, which was underwritten in fiscal 2003. The amendment provides coverage for a $4.3 million increase in the original shareholder loan to Ewekoro’s Nigerian subsidiary, **Ewekoro Power Limited** (Ewekoro Nigeria), from $13.3 million to $17.6 million. The additional amount guaranteed is $1.9 million. The guarantee is for a period of eight years and provides coverage against the risks of transfer restriction, expropriation, and war and civil disturbance.  
Ewekoro Nigeria supplies electrical power to a cement plant located outside the city of Lagos owned by West African Portland Cement PLC. The project installation consists of four new gas engines with a total capacity of 12.5 megawatts under a Build-Own-Operate agreement with the customer, helping to meet the construction needs of Nigeria’s fast-growing population.  
MIGA’s involvement in the project helps create local jobs and facilitates local economic growth. The project is also expected to have a positive impact on the local environment, as it is replacing old inefficient generating equipment with modern and efficient gas engines. |
In fiscal 2002, the Swiss State Secretariat for Economic Affairs and MIGA developed a partnership agreement to implement a targeted investment facilitation initiative in sub-Saharan Africa. The aim was to work with selected African investment promotion agencies to help them reach out to international investors and attract the FDI that would allow them to access global and regional markets. This multi-year initiative encourages investors to take advantage of increased African trade access under the United States African Growth and Opportunities Act (AGOA) and the European Union’s Cotonou agreement, which are expected to encourage exports from Africa, particularly in the apparel, textiles and agribusiness sectors. Four countries—Ghana, Mozambique, Senegal and Tanzania—were selected to initially participate in the program.

Fiscal 2004 saw some tangible results emerging from the program. MIGA organized and led a delegation from the four countries to Hong Kong as part of an apparel industry outreach program. MIGA also co-funded an exhibition and outreach program for the four countries at a major AGOA-focused event in South Africa. These outreach efforts are starting to yield results: 20 companies paid return visits to Ghana to explore investment prospects; Mozambique held detailed discussions with a potential major investor in the aluminum industry; Senegal had several visits from Hong Kong apparel investors, and is undertaking a major IT-enabled services outreach program in Paris in fiscal 2004; and Tanzania has had some limited investor interest in the apparel industry and substantial investment inflows in tourism.

Partnerships have been particularly important in developing MIGA’s technical assistance program in sub-Saharan Africa. In fiscal 2004, MIGA strengthened its relationship with the Corporate Council for Africa (CCA) to promote capital flows to Africa. MIGA also worked closely with the World Economic Forum’s Africa Economic Summit—co-funding the Forum’s Africa Competitiveness Report, which collates an array of competitiveness information on African investment environments and opportunities.

Under the MIGA-Swiss Partnership, a major effort is being undertaken to increase FDI into Ghana, Mozambique, Senegal and Tanzania. MIGA supported these countries in other ways in fiscal 2004: in Mozambique, MIGA supported the institutional component of the IDA’s Mozambique Enterprise Development project; in Senegal, MIGA provided support to the national IPA, Agence Nationale Chargée de la Promotion de l’Investissement et des Grands Travaux, APIX, to develop a business plan that would enable the agency to secure substantial World Bank output-based funding; and in Tanzania, MIGA identified a work plan to encourage investment in the tourism industry, in consultation with the Ministry of Natural Resources and Tourism and members of the tourism industry.

In Kenya, the Export Processing Zones Authority and the Kenya Investment Promotion Center are recipients of a grant under MIGA’s IIDP. Under the program, MIGA is helping these agencies gather, package and disseminate critical investment information. MIGA has also worked with the intermediaries to help them define their capacity building needs to interested donors.

MIGA gave presentations at the West Africa Regional Investment Promotion Forum held in Bamako, Mali, an event which is sponsored by USAID and organized with investment promotion intermediaries in the region. The forum was attended by representatives from eight regional countries.

At the request of the Eastern Cape Development Corporation of South Africa, MIGA carried out an institutional strategy and alignment study of the corporation and its dependent organizations, the Coega Industrial Development Zone and the East London Industrial Development Zone.