REGIONAL ACTIVITIES

ASIA AND THE PACIFIC

During the course of fiscal 2002, MIGA supported three projects in Asia through its guarantee program, and undertook 11 technical assistance activities in the region. At year-end, MIGA's total gross guarantees exposure in the region stood at $533.5 million, some 10 percent of the Agency's outstanding portfolio.

Work in Asia focused on increasing awareness of MIGA's activities through two mobile offices, which visited India, Indonesia, Thailand, and Singapore, where meetings with potential investors, investment intermediaries and investment promotion agencies produced good results. In addition, several missions to identify new opportunities were conducted in Asia with the help of MIGA's local offices in Japan and Thailand. The missions visited China, Hong Kong, Japan, Singapore, the Philippines, Malaysia, Thailand and Vietnam, and included conferences, meetings with clients and partners, and workshops.

The Miyazawa Initiative, a special element of the Japanese PHRD program to promote economic recovery in the countries most affected by the 1998 Asian financial crisis, due to conclude during fiscal 2002, was instead extended into fiscal 2003. MIGA's efforts under this $1 million initiative focus on technical assistance, as well as raising awareness of its guarantees program. The technical assistance goals include developing and implementing targeting strategies to mobilize and promote investment opportunities; identifying and fostering sectors with solid potential for investment promotion; and devising targeted work programs. Other key objectives involve assisting in the development and implementation of information technology tools and promotional materials.

Activities under the Initiative took place in the Republic of Korea, the Philippines, and Thailand. In all three countries, capacity building focused on developing a sectoral strategy, leading to investor targeting in selected industries in each country. MIGA worked with these organizations to plan, implement and follow-up on highly focused investment seminars, and also provided guidance on customizing investor tracking systems, and on implementing the FDI Xchange initiative.

MIGA staff participated in a World Bank-sponsored workshop in Vietnam on "Financing Issues and the Role of the Private Sector for the Greater Mekong Sub-region Countries," with a focus on power and transmission. This workshop was jointly sponsored by the World Bank and the Asian Development Bank (ADB), and was the third of its kind. In Thailand, MIGA conducted a workshop for the Thai EXIM Bank to set up a Thai political risk insurance product, with a launch expected in the near future. Such missions allow investors and lenders to consider additional options in their financing packages as they look to develop new projects in this region.

GUARANTEE ACTIVITIES

NEPAL

IDA

MIGA has provided a guarantee of $11 million to Bergenshalvoens Kommunale Kraftselskap AS (BKK), of Norway, to cover its $12.2 million acquisition of equity in Himal Power Limited (HPL), of Nepal. MIGA was involved in providing guarantees to sponsors of this project in 1996, including Statkraft SF, of Norway, and is now supporting BKK's purchase of part of Statkraft's equity. BKK required MIGA's coverage as a condition of acquisition. The coverage period is 15 years, and is against the risks of transfer restriction, expropriation and war and civil disturbance.

HPL is a 60 MW run-of-the-river project located on a tributary of the Tama Khosi River, one of Nepal's major rivers, 100 kilometers east of Kathmandu. The project was the first foreign direct investment in Nepal's energy sector and, at commissioning in 2000, it was projected that it would account for 22 percent of the country's installed capacity for electricity. Since becoming operational in July 2000, the project has significantly improved the supply of electricity to the national grid. In addition, the project's community outreach and development efforts have had a notable impact, especially in the areas of public health, education, and development infrastructure (e.g., roads, bridges and irrigation works). In particular, efforts to introduce and expand low-cost rural electrification to the project area have had a significant local development impact. (For details on MIGA's initial coverage of the project, see MIGA's 1996 Annual Report.)

PAKISTAN

IDA
SME

MIGA provided a ¥40 million (approximately $340,000) guarantee to Komatsu Limited of Japan for its ¥30 million (approximately $250,000) investment in, and future retained earnings from, Komatsu Pakistan Soft (Pvt.) Limited in Pakistan. The guarantee is for up to ten years, and provides coverage against the risks of transfer restriction and expropriation of funds.

The development of a domestic, export-oriented computer software industry is a priority area for the Pakistani government. This investment involves establishing a new company, based in Islamabad, which will develop computer software for commercial use. The project is expected to export 100 percent of its products, and will therefore contribute to the country's balance of payments through foreign currency earnings. The company will recruit and train local computer programming and software development staff.

IDA
S/S

MIGA has provided Orascom Telecom Holding S.A.E. (Orascom) of Egypt a guarantee for $79 million to cover its $88 million equity investment in Pakistan Mobile Communications Limited (PMCL). MIGA has also provided $11.7 million in coverage to Orascom's wholly-owned subsidiary, International Wireless Communications Pakistan Ltd., of Mauritius, to cover a portion of its fifteen-year services agreement with the project enterprise. The guarantees are for an initial period of five years, renewable for a maximum period of 15 years, and provide coverage against the risks of transfer restriction, expropriation, and war and civil disturbance.

The government of Pakistan is focusing on the development of a more efficient telecommunications infrastructure, which would have a positive impact on general economic activity in the country. Expansion of reliable, state-of-the-art mobile phone networks is seen as key to improving telecom infrastructure, and having an important multiplier effect on the growth of numerous domestic industries. This project will allow PMCL, Pakistan's largest mobile phone operator, to tap into the projected growth of the mobile phone market in Pakistan by investing an additional $200 million over the next five years. The investment will also increase usage of the Internet by integrating Internet access with cellular offerings, allowing streamlined access to real-time information and more efficient connectivity for businesses and individuals alike. The company's expansion is expected to create 420 new jobs over the next five years, with above average compensation packages, and on-going training for workers. In addition, the company will continue to provide revenues to the government through sales and income tax, royalties, interconnection agreements and license fees. These fees are expected to continue to total between $2.5 million and $3.5 million per month.

TECHNICAL ASSISTANCE ACTIVITIES

INDONESIA

IDA

Although included as a beneficiary under the Miyazawa Initiative, progress in legal and regulatory reforms has been slow to develop in Indonesia, and MIGA has had very little involvement in the country over the past two years. However, late in fiscal 2002, MIGA met with the head of BKPM (Badan Koordinasi Penanaman Modal—the investment service agency of the Indonesian Government) on two occasions to discuss a joint MIGA/FIAS work program that would provide strategic advisory services and address key issues, such as coordination with regional investment promotion agencies, that may be implemented in the coming months.

KOREA

MIGA's role in support of the Korean Investment Services Center (KISC) came to an end at the close of fiscal 2002, and no further technical assistance from MIGA is anticipated. During the last year of the capacity-building program, MIGA delivered workshops on advanced investment promotion skills and targeting techniques to staff of KISC and the regional investment promotion agency for Kyonggi Province. MIGA traveled to Korea in June 2002 to carry out a re-assessment of KISC to determine progress that had been made since the onset of the Miyazawa program and identify remaining needs. An oral briefing was delivered prior to the departure of the MIGA team and the findings will be presented to agency management in a written report.

LAO PDR

IDA

In fiscal 2002, MIGA delivered a two-day capacity building workshop in Vientiane, in cooperation with the Private Sector Development Team of the World Bank's Bangkok office, to the Foreign Investment Management Committee (FIMC) of Lao PDR. Lao PDR is one of the newest members of the Association of Southeast Asian Nations (ASEAN) and is a focus of regional interest in support of targeted assistance to attract private sector development in general, and foreign direct investment, in particular.

PHILIPPINES

While the investment climate is generally favorable, the Philippines is faced with the challenge of coordinating the efforts of many different agencies with roles in investment promotion, export development and economic development in the country. As part of the Miyazawa Initiative, MIGA continued its effort to support the development and diffusion of investment promotion skills among the staff of the lead organization—the Philippine Board of Investment—during fiscal 2002. Capacity-building workshops were delivered to the Board's staff in the area of investor targeting and discussions were held with the new head of the Board wherein strategies for inter-agency cooperation to attract FDI to the Philippines were addressed. MIGA also facilitated a stock-taking exercise of the agency that included a series of interviews with the organization's senior management and a function-by-function review of operational capabilities and constraints, as a means to assess progress under the Miyazawa Initiative.

THAILAND

MIGA has provided an integrated program of training and advisory services to the Thailand Board of Investment under the Miyazawa Initiative, geared toward moving the agency from processing investment requests to actively soliciting investor interest. In fiscal 2002, MIGA delivered a capacity-building workshop on industry-specific targeting efforts and conducted preparatory work for training in investor servicing. Earlier in the year, MIGA organized a US study tour for staff to learn about best-practice investment promotion agencies and their use of technology to support their activities. To evaluate effectiveness in helping the agency achieve its objectives, MIGA facilitated an assessment, which included discussions with senior management and a comprehensive review of the organization's operations with staff. Several interviews were conducted with foreign investors and with the staff of Thai offices of international chambers of commerce. MIGA is currently preparing a report of the findings that will help in defining a near-term work program. MIGA also participated in a World Bank study on FDI strategy, commissioned by the government, to examine the implications of trends in foreign direct investment on prospects for attracting FDI in Thailand.

EUROPE AND CENTRAL ASIA

Guarantees in the energy, agribusiness, manufacturing and finance sectors, and strong capacity-building assistance highlighted MIGA's efforts in Europe and Central Asia this year. During the course of the year, MIGA supported 15 projects in the Europe and Central Asia region through its guarantee program. At fiscal year-end, MIGA's total gross exposure in the region stood at $1.1 billion, approximately 20 percent of the Agency's outstanding portfolio.

The Agency also undertook four technical assistance activities in the region during the year. As well as building on work undertaken by other parts of The World Bank Group, MIGA's technical assistance program drew on funding from the Swiss government. The FDI Xchange was deployed in seven regional investment promotion and privatization agencies. In addition, several trade and outward investment initiatives from industrial countries are providing investment content to the FDI Xchange the region. These include the U.S. Commerce Department's Business Information Service for the Newly Independent States, United States Agency for International Development's (USAID) Global Technology Network, and the Swiss Organization for Facilitating Investment. Fiscal 2002 also saw the conclusion of PrivatizationLink Russia, a project designed to increase the transparency of the privatization process in Russia by making in-depth information available online to potential investors around the world. While the technical assistance program, which had been supported by the Canadian International Development Agency (CIDA) has been completed, MIGA continues to operate the web service and is receiving regular electronic updates from the Russian Ministry for Property Relations on new shareholdings of state-owned enterprises being tendered.

GUARANTEE ACTIVITIES

BOSNIA AND HERZEGOVINA

IDA

MIGA has provided an additional €676,268 ($671,196) in coverage to Hypo Alpe-Adria-Bank AG (Hypo) of Austria, which has increased its investment in Hypo Alpe-Adria-Bank d.d. (HAAB d.d.) in Bosnia and Herzegovina by €8,248,826 ($8,186,960). The coverage period remains at fifteen years, and coverage is against the risks of expropriation and war and civil disturbance.

MIGA, in conjunction with the European Investment Trust Fund, had provided coverage to Hypo for its earlier investment in this enterprise in fiscal 2001, when the project enterprise was known as Auro Banka d.d. The project supports the financial sector reforms in the country, which are among the main priorities of the government reform program. Hypo's investment is enabling HAAB d.d. to increase the volume of its lending activities, targeting the construction and agricultural industries. Details of the project appear in MIGA's 2001 Annual Report.

IDA

MIGA has provided an additional €4.75 million ($4.4 million) of coverage to Raiffeisen Zentralbank Österreich AG (RZB) for the €5 million ($4.63 million) increase in its shareholder loan to Raiffeisenbank dd in Bosnia and Herzegovina. The coverage period remains at seven years, and coverage is against the risk of transfer restriction and expropriation of funds.

RZB's loan to Raiffeisenbank dd represents a further commitment to its subsidiary. In fiscal 2001, MIGA provided $3.8 million in coverage to RZÖ for a shareholder loan to the project entity. The loans are to finance the development of Raiffeisenbank's operations throughout Bosnia and Herzegovina, supporting the country's focus on accelerating the privatization of banks and enterprises and reforming the financial sector to help the country continue on its path of post-war recovery. More details of the project appeared in MIGA's 2001 Annual Report.

IDA
S/S
SME

MIGA has provided €1.2 million in reinsurance (about $1.1 million) to the Slovene Export Corporation (SEC) for the insurance it has provided to Banka Domzale d.d. of Slovenia for its equity investment in Commercebank d.d. in Bosnia and Herzegovina. The coverage is for a minimum of three years, and is against the risks of transfer restriction, expropriation and war and civil disturbance.

This is MIGA's first transaction supporting a Slovene investor, and its first supporting SEC. SEC requested MIGA's participation in the project for portfolio and capacity reasons, and it is hoped that the cooperation on this project will set the stage for the two organizations to do more joint projects in the future, especially in southeast Europe, where Slovene investors are very active. By supporting SEC, MIGA is fulfilling its mandate to cooperate with and complement the operations of national entities of member countries that are carrying out similar activities.

The main objective of the project is to expand and strengthen Commercebank's general banking activities in the country. In particular, lending activities will focus on increasing the availability of financing to small- and medium-sized enterprises, and general banking services.

IDA
S/S

MIGA has provided €8.3 million in reinsurance ($7.6 million) to the Slovene Export Corporation (SEC) for the political risk insurance it has provided to Poslovni Sistem Mercator d.d. (Mercator) of Slovenia for Mercator's €2.83 million ($2.71 million) equity investment in, and €12.44 million ($11.91 million) shareholder loan to Mercator Trzni Centar Sarajevo d.o.o. (Mercator TC Sarajevo), in Bosnia and Herzegovina (Bosnia). Coverage is being provided against the risks of transfer restriction, expropriation, war and civil disturbance for up to ten years for the equity investment and up to six years for the shareholder loan.

The project involves operating a hypermarket/shopping mall in the center of Sarajevo. Private sector-led growth and employment are considered by The World Bank Group to be a key factor in achieving sustainable growth in Bosnia, and the project addresses this need. Further, since smuggling is a widespread problem in Bosnia, causing considerable lost customs and tax revenues, the center, with its wide selection of goods, convenience and competitive prices, is expected to attract customers from the country's "gray" market, thus channeling more consumer spending through the official sector. Slovenia and Bosnia both benefit from the project as distributors of goods from both countries, with approximately 50 percent of goods sold coming from Slovenia, an estimated 30 percent to be locally produced. Mercator TC Sarajevo employs 245 staff, and provides ongoing training. The project is expected to generate e8.6 million in taxes, royalties and duties to be paid to the government over the first five years of profitable operation. Finally, MIGA's reinsurance of SEC in this project will free SEC's capacity in Bosnia to facilitate future Slovenian investments into the country.

BULGARIA

MIGA has provided AES Horizons, Ltd., of the United Kingdom, with a guarantee for $20 million to cover part of a $223 million equity investment in the Maritza East 1 power project in Bulgaria. The coverage is against expropriation and breach of contract risk, and extends for fifteen years.

The project, MIGA's first in Bulgaria's energy sector, involves the construction of a new 670 MW thermal facility near the country's largest lignite mines, some 250 km southeast of Sofia. This plant is part of Bulgaria's strategy to replace life expired Soviet-built power plants. The project is one of the first under a new national strategy to make electricity supply more efficient and cost-effective by using inexpensive, indigenous fuel. The strategy entails not only the break-up of the state's electricity monopoly, but also the gradual replacement of old, costly, and environmentally unsafe plants. The investment follows an international tender carried out in 1998 for a 15-year contract to build, own and operate the plant with power sold to the state-owned electricity company. The construction period is expected to be three years.

The project is expected to supply 6 percent of Bulgaria's energy needs by 2007, and to be one of the lowest cost producers in the country, and probably the lowest cost new capacity option. The plant will also be the cleanest coal fired plant in Bulgaria and will be among the cleanest in Europe. The plant will employ up to 2,500 people during construction, and up to 200 during operation. Training will be an integral part of the project. More than $150 million is expected to be spent locally on the procurement of goods.

CROATIA

MIGA has issued a guarantee in the amount of e22.5 million ($21.5 million) to Hypo Alpe-Adria-Bank A.G. (HAAB), of Austria to cover its e25 million shareholder loan plus interest to Slavonska Banka d.d., Osijek (SBO) in Croatia. The coverage is for ten years, and is against the risks of transfer restriction and expropriation of funds.

MIGA's guarantee replaces an existing guarantee provided to HAAB in 1999, when HAAB concluded a five-year loan agreement with SBO (see MIGA's Annual Report 2000 for original project description). During fiscal 2002, HAAB replaced the five year loan agreement with a ten year deposit agreement so that the funds would be considered as part of SBO's capital. Lengthening the loan maturity from five to ten years will allow SBO to continue to expand its lending business and to provide longer term facilities, thereby bolstering Croatia's financial sector and allowing Croatian companies to grow. It will continue to have significant developmental impact as SBO focuses on lending to SMEs in the region of Eastern Slavonia. Among the sectors that will continue to benefit from the loan are tourism, agriculture, agribusiness, the wood-processing industry and the building-materials industry.

KAZAKHSTAN

S/S

MIGA has provided $7.2 million in guarantees to Efes Breweries International B.V. (EBI) of the Netherlands two guarantees for its $4.5 million equity investment in, and $3.5 million loan guaranty to, Efes Karaganda Brewery CJSC (EKB) in Kazakhstan. The guarantee period is for up to ten years for the equity, and up to 3 years for the loan guaranty. The coverages are against the risks of transfer restriction, expropriation, and war and civil disturbance.

This project involves the construction and operation of a new brewery with an annual capacity of 50 million liters, near Almaty, and is anticipated to have a strong positive developmental impact. This investment expects to generate about 220 permanent jobs, and up to an additional 150 jobs during the project construction. The project enterprise will contribute to good and safe working conditions and will provide a number of additional benefits to its employees, including free medical examinations through a local hospital contracted by EKB. It is estimated that local suppliers of goods and services and distributors of EKB's products will employ a further 2,000 people. Staff will be trained in all aspects of production and bottling operations, including modern manufacturing techniques, sales, management, distribution and safety procedures. It is estimated that the company will generate incremental tax revenues to the government, including value-added and excise taxes, of almost $5 million annually. Moreover, the increased local production of a high-quality beer will replace a significant amount of imported beer. Local procurement is expected to be $5.7 million per year, generating additional taxes from upstream businesses.

KYRGYZ REPUBLIC

IDA

MIGA has reissued its coverage to Italian Technology & Innovations S.r.l. (ITI) and MCC S.p.A. (MCC) (formerly Mediocredito Centrale S.p.A.), for their equity investment and loan, respectively, to the Manas Management Company (MMC) in the Kyrgyz Republic. The guarantee to ITI is for $885,000, to cover a $1,000,000 equity investment, and is for a period of 15 years. The guarantee to MCC is for $10,500,000 to cover their loan of $10,500,000, plus interest, to MMC, and extends for 15 years. Both the equity and the loan are protected against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project is the construction and operation of an air cargo complex and an air catering center at the Manas International Airport in Bishkek, the capital of the Kyrgyz Republic. MIGA originally issued contracts to ITI and MCC in 1998 and 1999, respectively, for this project. MIGA has reissued the contracts in fiscal 2002 to accommodate changes in the commercial arrangements of the respective parties. Further details of the project appeared in MIGA's 1998 and 1999 Annual Reports.

ROMANIA

SME

MIGA has provided Raiffeisen Zentralbank Österreich AG (RZB) of Austria two guarantees for €10.6 million and $9.5 million to cover its shareholder loans of €11.2 million and $10 million to Camionaval Leasing Company Srl. (to be renamed S.C. Raiffeisen Leasing Srl) (RL) of Romania. The coverage is for six years and is against the risks of transfer restriction and expropriation of funds.

Leasing companies can serve as important means to help grow companies that require investments in equipment to facilitate expansion. Particularly for SMEs, with limited access to capital and little credit history, equipment leasing can be a crucial mechanism to spur growth and enable acquisition of assets. Romania has identified leasing as an engine for growth and development; however, the country's leasing operations have been hampered by a lack of funds. This project will help RL provide leases for financing of new equipment to Romanian companies, including SMEs, while increasing the availability of funds in the Romanian financial sector. With two branches and 41 selling points across the country, RL expects to employ nine people initially, and add an additional 67 workers over the next five years. The company will specialize in transportation sector leasing—trucks, trailers, utility cars—and will offer quick, efficient, high quality services at competitive prices. RL will benefit from the RZB network for on- and off-site staff training, plus use of sophisticated leasing products and proprietary software systems.

RUSSIAN FEDERATION

MIGA has provided Raiffeisen Zentralbank Österreich AG (RZB) of Austria with a $57 million guarantee to cover its $60 million shareholder loan to ZAO Raiffeisenbank Austria (RBRU). The guarantee is for six years, and is against the risks of transfer restriction and expropriation of funds.

The project will finance the expansion of RBRU's operations in Russia, and is expected to have a strong developmental impact by providing short- and medium-term financing to companies in Russia, supporting the privatization of Russian companies and addressing the financing needs of SMEs. In particular, RBRU focuses on pre-export finance and equipment finance, which benefit Russian exporters and the manufacturing industry, supporting Russia's balance of payments and a diversification of its export base. Over the next 5 years the bank expects to add another 95 employees, who will benefit from the RZB network for on- and off-site training.

SME

MIGA has provided a $9.5 million guarantee to Raiffeisenlandesbank Steiermark registrierte Genossenschaft mit beschränkter Haftung, Graz, of Austria, to cover its $10 million shareholder loan to OOO Raiffeisenbank Leasing (RLRU), in Russia. The coverage is for 5 years, and is against the risks of transfer restriction and expropriation of funds.

The project will finance the expansion of RLRU's operations, and is consistent with The World Bank Group strategy in Russia, which identifies the development of a sound, efficient banking system as a strategic goal. The investment will have a significant developmental impact as it will help bolster the Russian financial sector through the provision of medium-term, asset-based financing, which is still relatively rare in Russia. RLRU expects to provide leasing mainly to SMEs. The company expects to add 34 employees over the next five years. The employees will benefit from the RZB network for on- and off-site staff training, thus promoting knowledge transfer to Russia.

SME

MIGA provided a $2.1 million guarantee to Sungrain S.A., of Switzerland, covering its $2.3 million equity investment in OJSC Tatsinsky Elevator (OTE) in Russia. The guarantee is for up to seven years, and is against the risks of transfer restriction, expropriation, and war and civil disturbance.

Russia's agricultural sector has experienced a substantial decline since the beginning of the 1990s, and rural poverty is a significant problem. The World Bank Group strategy for the sector includes support for the acceleration of farm restructuring, development of land markets, and elimination of the remaining restrictions on trade and marketing of agricultural products and inputs. This project, which involves the acquisition and modernization of an agricultural commodity storage facility in the Rostov region, reflects the Group's strategy.

The project's impact will be significant: knowledge and technology transfer to Russia's agro-business sector will improve the quality and quantity of agro-industrial products available to the local markets; the provision of prime storage capacity for local farmers will lead to reductions in the current losses of grains and seeds; upstream and downstream benefits to industries in the region, such as transportation and trading, will ensue; the local procurement of all required goods and services (other than fertilizers) will benefit local businesses; and the project will provide full-time employment for about 50 people, along with an additional 50 during peak harvest times. Over the next five years, OTE will pay approximately $2.5 million in taxes.

TURKEY

MIGA has issued guarantees to Tractebel S.A. of Belgium, and BNP Paribas of France, in the amounts of $35 million and $80.5 million, respectively, to cover their $39 million loan guaranty and $84.7 million non-shareholder loan to Baymina Enerji A.Ş., (Baymina). The guarantees are for 15 years, and are against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

The project, which is located approximately 40 kilometers to the southwest of Ankara, consists of the construction and operation of a combined cycle power plant, comprising two gas turbines and one steam turbine, delivering a total net capacity of 763 megawatts (MW). The World Bank has been working with the government of Turkey on its energy sector reform, and MIGA's participation in this project supports this effort, and reflects the project's significant positive developmental impact that is anticipated. Based on conservative economic growth scenarios, Turkey will need at least 2,000 MW of additional installed capacity per year to meet increased demand. The project, which is due to be commissioned in late 2003, is therefore expected to help meet the increased demand and allow Turkey to both rely less on imported electricity and to focus more on natural gas as a fuel source (as part of its national energy strategy).

MIGA has provided a $22.5 million guarantee to Ingersoll-Rand European Holding Company, B.V., (IR-Europe) of the Netherlands to cover its $15.3 million investment in, and retained earnings from, IR Emniyet ve Güvenlik Sistemleri Sanayi A.Ş. (IR-Turkey) for a period of up to 15 years. The coverage is against the risks of transfer restriction, expropriation and war and civil disturbance.

The project involves the acquisition of a lock manufacturing facility in Duzce, Turkey, which elected to discontinue manufacturing operations due to the country's currency devaluations and its resulting cash-flow strain. IR-Turkey, which will upgrade and modernize the facility to improve working conditions and inaugurate an expanded product line (such as door locks, cylinders, panic devices and door frames), is expecting to re-hire all 600 previous employees of the company, and to create additional new jobs. Once fully operational, the company will employ about 780 Turkish nationals. This will make IR-Turkey the largest employer in Duzce, a city severely affected by the earthquake of 1999.

IR-Europe will provide training for the workers, along with transportation, meals, and health services. IR-Turkey is committed to local procurement, which should result in strong multiplier effects on upstream and downstream industries. Over the first five years of operation, it is estimated that IR-Turkey will contribute approximately $19 million in foreign exchange earnings, and $7 million in tax revenue. Moreover, IR-Europe is committed to reinvesting all earnings in IR-Turkey's operations during this period.

UKRAINE

MIGA issued a $19 million guarantee to Raiffeisen Zentralbank Österreich AG, of Austria, to cover its $20 million shareholder loan to JSCB Raiffeisenbank Ukraine, a Kiev-based bank. The coverage is against the risks of transfer restriction and expropriation, and extends for up to seven years.

The project is part of an overall World Bank Group strategy for Ukraine that lists private sector development among its primary goals. A properly functioning financial sector is critical to private sector development and economic growth. The bank currently directs its lending to companies engaged in trade, metallurgy and mining, food and beverages, printing and publishing. The loan will allow the bank to expand operations and continue lending to these sectors, as well as provide additional funds to finance privatizations and small- and medium-sized enterprises. The bank also specializes in pre-export finance and, as such, should help stimulate Ukrainian exports. The provision of funds for short- and medium-term lending should assist the country's financial sector. The bank, which follows the parent company's corporate governance standards, is expected to have a positive effect on other banks. It will provide staff with ongoing training.

TECHNICAL ASSISTANCE ACTIVITIES

ALBANIA

IDA

MIGA participated in a joint mission with FIAS to Tirana to discuss the planned establishment of a new investment promotion agency and the needs for MIGA capacity-building assistance. It is expected that the Albanian Parliament will adopt the law regarding the establishment of the agency later this year, and that the agency will be created shortly thereafter. MIGA has signaled its readiness to provide assistance to the new agency with regard to strategy development, skills training, and development of promotional materials, once the requisite legal and institutional framework is in place.

ARMENIA

IDA

MIGA has played a central role with the World Bank in the development of a LIL for Armenia, which finances a capacity-building program for the government's FDI and trade arm—the ADA. MIGA participated in a mission to Armenia to develop project proposals. Following the mission, an agreement was reached with the government on the scale of a $1.6 million program. The LIL's capacity-building component, led by MIGA, was recently launched and involves the development of a sector promotion strategy, investor targeting, lead generation and tracking systems, training in investment promotion and facilitation, and on outreach techniques such as marketing, missions, and exhibitions.

YUGOSLAVIA, FED. REPUBLIC OF

IDA

MIGA agreed to provide capacity-building assistance to the newly established Serbian Investment and Export Promotion Agency (SIEPA) through a recently-approved World Bank technical assistance grant for private sector development in Serbia. Under this project, MIGA will assist SIEPA in developing a national investment promotion strategy, train SIEPA staff in effective promotion and outreach techniques, and provide support for the development of an IT strategy, promotional materials and an effective web presence. Implementation of the two-year program started in the first quarter of fiscal 2002, with the hiring of a long-term part-time advisor, launching of the strategy development and analysis work, and support for the procurement of needed IT equipment for the agency. MIGA and SIEPA also reached agreement on content provision to the FDI Xchange service and on delivery of hands-on training on the content provider interface.

LATIN AMERICA AND THE CARIBBEAN

During the course of the fiscal year, MIGA supported 11 projects in the Latin America and Caribbean region through its guarantee program. As of year-end, MIGA's total exposure in the region stood at $2.9 billion, representing 55 percent of the Agency's outstanding gross portfolio. During the year, MIGA also undertook 12 technical assistance activities in the region.

MIGA's technical assistance activities focused on investment promotion in countries that have not been recipients of substantial FDI inflows in the past. A collaborative approach to capacity-building, in cooperation with the lending operations of the World Bank, allowed MIGA to leverage significant financial resources. In Guatemala, El Salvador and Nicaragua, MIGA developed cooperative agreements with other divisions of the Bank to provide local investment promotion intermediaries with a broader spectrum of services, assistance and funding. Similar strategic efforts were initiated in cooperation with the World Bank in Bolivia.

The FDI Xchange was deployed with ten investment promotion intermediaries in the region. These agencies are using this new service to publicize new market research, investment, and business opportunities to MIGA's online services audience.

GUARANTEE ACTIVITIES

BRAZIL

MIGA has provided guarantees totaling $61.68 million to a consortium of Spanish companies for their respective investments in, and dividends from, Metrô de Salvador S.A. (Metrosal) in Brazil. This amount includes $1.68 million in coverage for the consortium's performance bond. The total investment amount is $40 million. Construcciones y

Auxiliar de Ferrocarriles S.A., which leads the consortium, has received a $9 million guarantee; the guarantees for Inversiones en Concesiones Ferroviarias and Compania Española de Financiacion del Desarrollo are for $24 million each, and the one for Dimetronic S.A. totals $3 million. The guarantee period is 15 years, and the coverage is against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

The project is a Build, Operate, and Transfer (BOT) scheme for the operation of the urban rapid rail transportation system in the municipality of Salvador de Bahía, and includes the supply and installation of rolling stock and signaling equipment, and commercial operation of the system for the 25-year concession. Currently, the urban transportation system in Salvador, Brazil's sixth-largest city, is underdeveloped and largely road-based, causing significant congestion and delays. This level of road-based transport has significant impacts on the local economy and environment. For this reason the municipality and the state, together with the World Bank, have been involved since 1992 in the design and implementation of a transportation strategy. This project is an integral part of the strategy.

The project aims to improve the quality of public urban transportation in the area by connecting currently-excluded low-income neighborhoods, and by furthering the development of a fully integrated urban transportation system. The fare system has been designed to ensure that the out-of-pocket cost to end-users will not be significantly higher than those already being paid. The local government stands to benefit directly from the project, as concession payments over the first eight years of the project are expected to total approximately $9 million. When the system becomes operational (currently anticipated for 2003), the project company will pay an annual concession fee averaging some $27 million. It will also employ about 350 full-time local staff, who will receive extensive training from the companies that make up the consortium.

S/S

MIGA has provided ECI Telecom Ltd. (ECI) of Israel with guarantees totaling $83.5 million to cover its $27 million equity investment in, and $165 million loan investments to, Global Village Telecom Ltda. (GVT) of Brazil. A guarantee was issued to ECI in fiscal 2001 for $20 million, and an additional $10.5 million was insured earlier in fiscal 2002. These coverages were superseded by the final coverage issued in fiscal 2002, for $83.5 million. The coverage is for up to eight years, and is against the risks of transfer restriction, expropriation of funds, and war and civil disturbance. Of the guaranteed amount, $53 million has been reinsured by IFTRIC.

In Brazil, a key development objective is the support of the infrastructure sector through decentralization and increased private participation, as well as projects that will improve the prospects for additional investment and growth. The GVT project focuses on telecommunications infrastructure, and involves the construction and operation of a fixed line telephone network in the central and southern region of Brazil. Once complete, GVT is expected to provide state of the art telecommunication structure and to extend phone service into new areas, such as rural and remote communities. In addition, the project should increase competition in the telecom sector, generate approximately $70 million in tax revenues annually, and provide continuous employment for up to 1,500 Brazilian citizens. GVT expects to source locally for goods and services, generating revenues for Brazilian suppliers and service providers. The company plans to target SMEs for specialized services such as data transmission and internet access.

S/S

MIGA has provided Keppel FELS Energy Pte. Ltd. of Singapore a $130 million guarantee to cover its investment of over $100 million in Nordeste Generation Ltda. (Nordeste) of Brazil. The coverage is for three years and is against the risks of transfer restriction and expropriation, including the failure by the host government to honor its payment obligation under the Host Government Guarantee to the electrical power supply contract issued in favor of Nordeste. $80 million of this exposure has been syndicated though MIGA's Cooperative Underwriting Program.

Brazil is in the midst of a severe energy crisis, caused by underinvestment in new generation and transmission capacity and made worse by a series of droughts in recent years, due to dependence on hydro generating facilities. The state of Bahia, in northeastern Brazil, has been among the most affected by the droughts, which caused serious electricity shortages. This project involves the installation, operation and maintenance of a barge-mounted emergency power generation facility in Bahia, to address the short-term demand until new, permanent gas-fired power projects are brought on line and can put their energy contribution into the national grid. In addition to the benefits to residents in northeastern Brazil, the project is expected to generate significant tax revenue during its three years of operation. The project will employ up to 300 local people for construction and an estimated 160 during operation. Training for the employees will be provided by the sponsor.

COSTA RICA

SME

MIGA has provided a $1.6 million guarantee to Marriott International, Inc. (Marriott), to cover its $1.8 million management agreement with, and $1.4 million loan guaranty to Caribe Hospitality De Costa Rica, S.A. (CHDCR) of Costa Rica. MIGA has also issued a $4.4 million guarantee to Bank of Nova Scotia (Scotiabank) for its $4.8 million non-shareholder loan to CHDCR. The guarantee to Marriott is for three years, and is against transfer restriction; the one for Scotiabank is for 11 years and is against the risks of transfer restriction, expropriation and war and civil disturbance.

Since the early 1980s, the government of Costa Rica has placed a high priority on developing its tourism industry. This project, which involves the construction and operation of a hotel in the La Sabana suburb of the capital, San José, supports that initiative. Increased international travel into the country in recent years and commercial growth in San José have contributed to a growing number of business travelers and tourists. The new hotel will help accommodate the increased demand for hotel rooms and is expected to encourage more visitors. The hotel is also part of a new business development corridor, which is expecting to see rapid growth as a new highway is completed. The hotel will play a role in facilitating this growth. Once operational, it is estimated that the hotel will contribute $19 million in foreign exchange earnings for the government during the first five years of operations, plus tax revenues. Marriott will provide training programs for the estimated 58 locally hired workers, and local building materials will be used for construction. Multiplier effects of tourism are expected to be significant as well, supporting the growth of the transportation, food processing, furniture-making, hospitality, tour operations, infrastructure and financial services industries.

In fiscal 2001, MIGA issued a guarantee to Wings of Papagayo, LLC to protect its equity investment in Grupo del Istmo de Papagayo, S.A., a Costa Rican development project against the risk of transfer restriction. This past year, MIGA increased the coverage from $16.4 million to $38.3 million, to cover the total equity investment of $27.6 million, and a shareholder loan of $15.0 million to the project. The coverage is against the risk of expropriation, and is for 13 years.

The project, which is dedicated to high standards as an eco-sensitive project, involves the development of a 210-room resort set on approximately 120 acres of the Papagayo Peninsula in the country's pacific northwest province of Guanacaste. Further details of the project appear in MIGA's 2001 Annual Report.

DOMINICAN REPUBLIC

MIGA has provided BCH International Puerto Rico (BCH), of the United States a guarantee for $5 million to cover its $5.3 million non-shareholder loan to Consorcio Energetico Punta Cana-Macao, S.A. (CEPM) of the Dominican Republic. The coverage is for eight years, and is against the risks of transfer restriction, expropriation, and war and civil disturbance.

The government of the Dominican Republic is working to implement a reform agenda, which includes increased private sector participation, particularly in the infrastructure sector. In addition, the government has targeted the tourism sector as an important potential source for job creation. This project, which expands on an existing investment previously guaranteed by MIGA, is expected to contribute to the realization of both these objectives. The project is a stand-alone power generating station near the town of Bayahibe, a burgeoning tourist destination in the country's Punta Cana region. The local area economy is dependent on the tourist industry, which is growing rapidly and bringing with it new jobs. However, the area is not connected to the national electricity transmission grid and has long suffered from periodic blackouts. It now relies on CEPM for electricity generation, transmission and distribution. BCH's loan will enable CEPM to purchase and install two new three MW diesel-fired engines, thereby increasing total plant capacity to 13.2 MW, and helping to address the increasing demand for power in the area. In addition to hotels, local residents and businesses will also benefit from the additional, reliable power generated.

MIGA has provided Unión Fenosa Internacional S.A. (UFI) of Spain with guarantees of $90 million for its $212 million equity investment in, and shareholder loan to Empresa de Distribucion Sur (EdeSur) and Empresa de Distribucion Norte (EdeNorte) of the Dominican Republic. The coverages are for 13 years and are against the risks of transfer restriction, expropriation, and war and civil disturbance.

The government of the Dominican Republic has been engaged in a comprehensive program to reform the power sector. The sector has long been plagued by frequent, disruptive blackouts throughout the country due to inefficiencies in power generation and transmission, as well as a lack of installed power generation capacity, and limited distribution, especially in rural areas. As state-owned electricity distribution companies are broken up, the involvement of the private sector will play a key role in the accomplishment of this agenda. This project will allow UFI to acquire from the state utility, and rehabilitate two distribution companies, EdeNorte and EdeSur, which together serve more than 75 percent of the country. By injecting foreign capital into the distribution sector, UFI is providing urgently needed short-and long-term investments. The new companies are expected to improve efficiency and quality, decreasing the reliance on expensive self-generation. The economy in general will benefit from more reliable service and operating efficiencies, and it is expected that the trade, tourism, industry and construction sectors in particular will see positive benefits. The project will create new jobs, both within the companies themselves, which are expected to add 140 local staff, and provide training for them, and with local construction companies, which are expecting to hire more than 1,700 workers during construction. In addition, the two new companies should help improve the government's fiscal position by reducing operating losses, energy losses, and subsidies.

JAMAICA

MIGA has provided The Bank of Nova Scotia (BNS) of Canada with a guarantee of $45 million to cover its $50 million medium- to long-term loan to The Bank of Nova Scotia Jamaica Limited (BNSJ) of Jamaica. The guarantee is for up to fifteen years and is against the risks of transfer restriction and expropriation of funds.

In Jamaica, increasing availability of low cost long-term hard currency funds in both the financial sector and the general economy is a crucial development objective. Expansion of local bank lending activities is expected to play an important role. This project will allow BNSJ to expand the scope of its medium- to long- term hard currency lending to fund projects in the infrastructure, tourism, port services, wharfage services, water distribution and manufacturing sectors at preferential interest rates. In addition to increasing availability of such funds, the project is expected to increase competition among loan providers, thus creating incentives to improve efficiency and quality. The project's positive upstream and downstream impacts—on several industry sectors—will enhance the country's general economy, thereby contributing positively to the country's foreign exchange position.

BNSJ has also demonstrated a commitment to extensive community activities, through special lending programs and charitable work in the education, health and social development sectors. Examples include: special low-cost loans for SMEs; advantageous mortgages for first-time home buyers and university graduates; university scholarships; and a special micro-finance joint venture (with the Canadian International Development Agency and the Kingston Restoration Company) to focus on projects in impoverished areas of Kingston's inner city.

NICARAGUA

IDA

MIGA has provided Unión Fenosa Internacional S.A. (UFI) of Spain with a guarantee for $81.2 million to cover a $90.2 million equity investment in Empresa Distribuidora de Electricidad del Norte, S. A. (DISNORTE) and Empresa Distribuidora de Electricidad del Sur, S. A. (DISSUR) of Nicaragua. The coverage is for ten years and is against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract, including the unfair calling of a performance bond.

Over the past several years, the Nicaraguan government has focused on instituting structural reforms, including privatizing electricity generating and distribution facilities. Following successful completion of the first phase of privatization, UFI was awarded the electricity distribution concession for the western part of the country (divided into north and south), where some four million people reside. The project is expected to result in significant savings due to reduced losses in the distribution system, currently estimated at 30 percent. UFI expects to retain the core employees of DISNORTE and DISSUR, and has promoted the establishment of two new companies, which will provide support services to the project. The project should expand and improve services, allow under-served rural communities new access to electricity and contribute an estimated $50 million in taxes over the next seven years. The project is participating in a rural electrification program, which also receives financial support from the Swiss government. Additionally, the enterprise is providing scholarships for ten low-income students per year to attend Managua National University's engineering program. Meanwhile, the general economy is expected to reap benefits through improved reliability and quality, as a result of improved management and technology and equipment upgrades.

PERU

SME

MIGA has provided Banque Sudameris S.A. of France a guarantee for $58.4 million to cover its $50 million shareholder loan (and interest) to Banco Wiese Sudameris of Peru. The coverage is for five years, and is against the risks of transfer restriction and expropriation of funds.

A key development objective for the government of Peru is to increase medium- to long-term financing, especially for SMEs and for residential housing. This project will allow Banco Wiese Sudameris to expand its operations in Peru and support Peruvian companies with financing, which is in short supply in the country. It is expected to have a significant developmental impact since the bank will concentrate on the retail sector, SMEs and mortgage financing.

MIGA has provided Fraport AG, of Germany, with a guarantee for $11.5 million, to cover its $12.8 million counter guarantee for a performance bond posted for the privatization of Lima's airport, Jorge Chávez International Airport (JCIA). The coverage is against the risk of expropriation (the wrongful call of the performance bond), and extends for eight years.

Peru depends greatly on its airport network because of the country's geography, and because ground handling transportation infrastructure has not been fully developed. JCIA is especially important to the country, since it is Peru's main operating international airport, accounting for 97 percent of international traffic, as well some 58 percent of national traffic. JCIA also functions as a regional hub for all cargo traffic. The airport privatization is considered by the government as a key factor in the expansion of employment opportunities, the creation of a modern transportation facility to serve as Peru's gateway to the world, and for the enhancement of tourism, an industry that the government is actively trying to expand.

The airport's privatization is expected to provide the government with additional revenues through increased income tax, custom duties, and concession fees. During the first four years of the concession, the consortium is expected to invest more than $130 million in new infrastructure, including upgrades to the current terminal, construction of a new passenger concourse, expansion and addition of new aircraft aprons and taxiways, and creation of a hotel and world-class retail center within the existing airport perimeter. Upgrades in the technology and services at the airport will create approximately 49 additional positions, mostly for expert technicians and service operators. The sponsors have instituted an employee profit-sharing plan. The majority of the goods and services required by the airport refurbishment will be sourced locally, and most ongoing capital expenditures foreseen, amounting to $1 billion over the entire life of the concession, will be sourced locally. Furthermore, the government will benefit from improvements in JCIA's operation, through a revenue-sharing agreement as well as a landing and take-off fee-sharing agreement.

TECHNICAL ASSISTANCE ACTIVITIES

BOLIVIA

IDA

MIGA is working with the government of Bolivia and the World Bank to support foreign direct investment in Bolivia. Building on technical assistance activities carried out over the past year, MIGA implemented an investor tracking system to support identification, targeting and communication with prospective investors. Additionally, staff of CEPROBOL, the country's investment promotion agency, were trained in the utilization of effective investment promotion tools and techniques. MIGA has assisted the agency in developing a program now being launched to identify target sectors for export to the U.S. market that draws upon external consulting services and will continue into fiscal 2003.

EL SALVADOR

Private sector development and foreign direct investment are key elements of the government's economic development strategy in El Salvador. MIGA's efforts have been directed toward revitalizing the economy in the wake of the 2001 earthquake, which devastated the nation and its infrastructure. This year, as part of a strategic planning session, MIGA met with public and private sector leaders, including El Salvador's Vice President, the Minister for Economy, officials from the National Office of Investment, and other board members of PRO.ESA—the country's investment promotion agency. MIGA deployed a client relationship management system for PRO.ESA, and provided training for investment promotion officers and other staff of the agency in the use of the new system in their marketing efforts. Work also began on the agency's web presence, with MIGA assisting in the monitoring of PRO.ESA's 2001 results and strategy planning for 2002.

GUATEMALA

Work continued on MIGA's comprehensive technical assistance program with the Ministry of Economy and the National Competitiveness Program to develop institutional and promotional capacity at Invest in Guatemala, the national investment promotion agency. A MIGA team also worked with the agency on several initiatives, including the implementation of an investor tracking system. MIGA also helped create a comprehensive investment information system that provides potential investors with timely and accurate data on the benefits of locating in Guatemala. At the request of the government, MIGA staff undertook a six-week field assignment in January-February 2002, to develop the national network of partners involved in promoting and registering investment, to improve the preparation and effective execution of outbound investment missions, to create a system to better host inbound investment missions and site visits, and to train staff in the use of effective sales and promotional techniques during meetings with potential investors, local partners, and the press.

NICARAGUA

IDA

As part of the ongoing technical assistance program with the Center for Exports and Investments (CEI) in Nicaragua, MIGA held a workshop on investment promotion tools and techniques, for staff from CEI and other organizations within Nicaragua associated with investment promotion. MIGA's work in Nicaragua is part of the activities undertaken under a World Bank LIL. MIGA participated in an investment forum associated with the inauguration of the Nicaraguan president to observe and advise on ways future events should be managed. MIGA met with potential investors, members of the new government, and key local business people. Perspectives were sought on the government's new stance on FDI, future prospects, and MIGA's continuing assistance program. MIGA's latest mission involved an assessment of investment promotion activities being conducted by the private and public sectors. The main recommendations included the establishment of a coherent and unified structure for effective promotion with a well-defined mandate from government.

PANAMA

In cooperation with IFC, MIGA is providing technical assistance to the Howard Project—the conversion of the former Howard Air Force Base to the Howard Special Economic Zone. MIGA is supervising and evaluating market, legal, and regulatory studies that are being conducted. In fiscal year 2002, MIGA presented the results of these studies to the government, the private sectors and the public news media. MIGA representatives also participated in the 5th Annual Latin American Free Zones Conference, hosted by the Colon Free Zone and the Association of Companies of the Colon Free Zone in Panama City, Panama. This event provided MIGA with an opportunity to present best practices in investment promotion, and to gauge the interest of free zone developers in the Howard Special Economic Zone project.

MIDDLE EAST AND NORTH AFRICA

While no new guarantees projects in the region were executed during the fiscal year, MIGA's marketing efforts in this area yielded strong leads, which are expected to yield concrete results in fiscal 2003. The positive momentum included concurrence from MIGA's Board of Directors for three projects in the region, in the tourism, telecommunication and oil and gas sectors. MIGA was also successful in providing support to regional investors making investments outside the region, providing political risk coverage for Africa-bound investment, particularly in the telecommunications sector. At year-end, MIGA's total gross exposure in the region stood at $96 million, approximately 2 percent of the Agency's outstanding portfolio.

MIGA staff undertook two technical assistance initiatives in the region during the fiscal year. Staff also participated in regional conferences, including the Ninth Conference of Arab Businessmen and Investors, held in Dubai, United Arab Emirates. A MIGA presentation at the conference summarized the Agency's best practice research into Internet-based investment promotion, and provided an overview of MIGA's online investment information services.

The Agency continued its emphasis on marketing its activities in the region to promote FDI through two mobile offices, visiting Lebanon, Morocco, Saudi Arabia and Tunisia. In each country, MIGA staff held presentations for the respective investment communities, and met with numerous companies, financial institutions and project advisers. The visits to Morocco and Tunisia were part of a broader World Bank Group outreach effort, aimed at promoting a wider array of The World Bank Group's tools for developing the private sector.

The FDI Xchange was deployed in Jordan and Tunisia. Several more content providers are in the process of signing on to use this new service to augment their own investor outreach efforts.

In May 2002, MIGA organized and delivered a regional workshop in Amman on investor research and targeting using Internet resources. The workshop was customized to the Middle East and North African region, planned in cooperation with WAIPA, and hosted by the Jordan Investment Board. As the last English-language workshop in a series of seven joint MIGA-WAIPA workshops, this capacity-building activity drew extensive interest from investment promotion intermediaries from within as well as outside the region. Nineteen participants from ten different countries, including The Gambia and Turkey, attended the workshop.

The organization of the workshop arose in part due to the highly favorable response to a regional MIGA workshop on investment promotion convened in Amman in the fall of 2000 and organized by the Inter-Arab Investment Guarantee Corporation and FIAS. During the three-day workshop, convened in a computer-equipped learning center, MIGA staff provided training in the use of online business information resources to identify and research potential investors and to perform benchmarking analysis of key sectors vis-à-vis competitor markets. In addition, the sessions covered the effective use of websites and e-mail technology in communicating with prospective investors and the use of other information technology tools, such as client relationship management systems, in managing the investment promotion process.

TECHNICAL ASSISTANCE ACTIVITIES

EGYPT

In fiscal 2002, MIGA received requests for assistance from the General Authority for Investment and Free Zones, as well as the Secretariat of the Industrial Modernization Program, which is a €250 million initiative funded by the European Union (EU). One component of the program is specifically targeted to improving Egypt's investment promotion capabilities. An initial assessment mission was undertaken by MIGA in June 2002 and MIGA expects to undertake an initial set of capacity-building activities in fiscal 2003 in which it will coordinate, and potentially collaborate with FIAS, and the EU.

SAUDI ARABIA

Saudi Arabia is faced with the challenge of stimulating and supporting economic diversification, and MIGA has been working with the government toward this end since 1999. MIGA's assistance has taken the form of both general capacity-building and a joint project with the World Bank to develop and present strategic options in the mining sector. In fiscal 2002, MIGA provided strategic training for senior staff and advisors of the Saudi Arabia General Investment Authority (SAGIA). The information technology department also received assistance and training. The work followed on an assessment of SAGIA conducted by FIAS and presented in September 2001, and paves the way for further MIGA assistance in fiscal 2003.

SUB-SAHARAN AFRICA

The sub-Saharan Africa region is a priority area for MIGA—and fiscal 2002 activities reflect this emphasis. New investment project guarantees during the year aimed to provide greater access to more reliable power and communications services. The launch of a new regional office, the work by MIGA field staff, two mobile offices, more than 30 field missions, a US-Africa Business Summit and a multi-agency initiative were all factors in helping to attract new investment and build greater institutional capacity in the region.

During the course of the year, MIGA supported nine projects through its guarantee program. At year-end, MIGA's total gross exposure in the region stands at $792 million, over 15 percent of the Agency's outstanding portfolio. The Agency also undertook 37 technical assistance activities in the region.

The March 2002 launch of MIGA's field office in Johannesburg was a highlight of the fiscal year. The office will have a regional focus to encourage and facilitate the flow of investments to projects throughout Africa. A seminar held to mark the official opening focused on the need for infrastructure investment in southern Africa and how best to support privatization efforts involving public-private partnerships.

Several other business development missions to Africa occurred during the year. Mobile offices were undertaken in Central and West Africa, and in South Africa and Mozambique. In Cameroon, Côte d'Ivoire and Gabon, discussions centered on using MIGA's services to help investors benefit from recent economic reforms, including potential infrastructure investment opportunities resulting from privatization programs. MIGA has also actively supported efforts under the New Africa Partnership for Development (NEPAD) initiative, and has participated in related symposia and discussions. This is an initiative that MIGA will continue to actively promote, as it evolves.

In April 2002 MIGA joined the World Bank-IFC Mining Department in a seminar in the Democratic Republic of Congo (DRC), which discussed the role of the mining sector in the economic recovery of the country. An important outcome of the event was the promulgation of a new mining code in the DRC, which is expected to have a positive effect on the environment for attracting FDI.

Four member countries—Ghana, Mozambique, Senegal and Tanzania—have been identified for prioritized technical assistance programs under the MIGA-Swiss Partnership for investment facilitation. The three-year program expands the scope and depth of ongoing capacity-building efforts in these nations to encourage investors to take advantage of increased African trade access to the US market though the Africa Growth and Opportunities Act (AGOA), and to the EU through the Cotonou Agreement. Altogether, MIGA now has technical assistance programs in 12 of 39 sub-Saharan member countries. MIGA has signed FDI Xchange content partner agreements with 14 investment promotion agencies in ten countries within the region, and is in the process of deploying the service to aid these agencies in their investor outreach efforts.

Under the Multi-Agency Initiative launched at the third United Nations Conference on Least Developed Countries in held Brussels in 2001, MIGA and FIAS joined with UNCTAD and UNIDO to agree on a program coordinating support to five LDCs. While these agencies all have separate mandates, each provides assistance that supports efforts to attract FDI. Apart from Cambodia, all of the countries are located in Africa—Mali, Mozambique, Tanzania, and Uganda. To ensure maximum synergy, MIGA cooperates closely with the other agencies in designing, delivering and sequencing technical assistance and advisory services to support the investment promotion programs in these countries

The three-year long Promote Africa technical assistance program, funded under a PHRD grant from, concluded in fiscal 2002. Evaluation of the program's effectiveness and developmental impact, begun this year, will offer insights and direction for future work.

GUARANTEE ACTIVITIES

BENIN

IDA
SSA
S/S
SME

MIGA has provided guarantees to Investcom Holding S.A., of Luxembourg, and to its wholly-owned subsidiary, Investcom Global Ltd., of the British Virgin Islands (together referred to as Investcom), totaling $8.06 million, to cover their $9.9 million equity investment in, shareholder loan to, and loan guaranty benefiting Spacetel Benin S.A.R.L. (Spacetel). Investcom is owned by Lebanese investors. The coverages are for ten years for the equity investment and shareholder loan, and six years for the loan guaranty, and are against the risks of transfer restriction, expropriation, and war and civil disturbance.

MIGA's support represents its first for a project in Benin. Spacetel is installing a new GSM mobile telephone network in the country, which suffers from a severe shortage of reliable telephone lines—the teledensity level of 0.65 percent (1999) is among the lowest in the world. This project will help increase teledensity and improve connections, voice quality and clarity, and is expected to be particularly beneficial to the local business community. It is anticipated that the project will generate approximately $6.5 million in tax revenues for the government over the first five years of operation. The project is expected to provide employment to 54 people, who will benefit from extensive training in telecommunication operations, as well as marketing and sales skills; it will benefit local businesses through in-country procurement of various goods and services needed for its operations.

KENYA

IDA
SSA
S/S

MIGA has provided Ormat Holding Corp. of the Cayman Islands, a wholly owned subsidiary of Ormat Industries Ltd. of Israel, with a $70 million guarantee to cover its equity investment and shareholder loan totaling $171 million, in OrPower 4 Inc. in Kenya, as well as future loans to the project. The coverage is against the risks of transfer restriction, expropriation, war and civil disturbance and breach of contract, and is for a period of 14 years. Additionally, MIGA increased coverage on Phase 1 of the plant, insured by MIGA in fiscal year 2000, by $11.5 million.

OrPower 4 Inc. involves the design, construction and operation of a 48 MW geothermal power plant, located in the Olkaria geothermal fields, in Kenya's Rift Valley, some 50 kilometers north-west of Nairobi. Geothermal power is a clean, renewable, and low-cost source of energy, and Ormat will bring to the project its experience in this area, as well as state-of-the-art geothermal technology. The plant will add to the capacity already provided by a 12 MW plant built during Phase 1, which MIGA insured in fiscal 2000, and will help alleviate the problem of severe power shortages from which the country suffers. In a country where only about 10 percent of the population has access to electricity, the project will provide power to many first-time users. OrPower 4 will also help reduce Kenya's heavy dependence on hydroelectric power. With some 70 percent of the 1,000 MW installed capacity being hydroelectric, Kenya's national power production was severely curtailed during the three-year drought that ended in 2001. The project will play an important role in achieving greater reliability, security, and stability of power within the national grid, and will reduce the dependence on imported thermal energy, thereby having a positive impact on the balance of payments.

Situated in a rural area with high unemployment and under employment, the project is expected to employ 44 people for operations and up to 700 full and part-time workers during the construction. There will be a significant transfer of skills and technology. Training programs will be set up, and will include optimization of operations, plant maintenance, geothermal technique, security, business, and administration. Approximately 80 percent of goods and services will be procured locally. In addition to royalties, the project will pay approximately $27 million in taxes to the government over its lifetime.

MADAGASCAR

IDA
SSA
SME

MIGA has provided Hydelec of France with guarantees totaling $2.06 million for its $2.21 million equity investment in, and shareholder loan to, Hydelec BPA for a power project in Madagascar. The guarantees are for ten years and provide coverage against the risks of transfer restriction and inconvertibility, expropriation and war and civil disturbance.

The project is the construction/installation, operation, and maintenance of a greenfield 10 MW thermal peaking power station, which will provide electricity to the capital city of Antananarivo. Madagascar suffers from daily brownouts and blackouts, and the project will help alleviate this problem by supplying approximately 10 percent of the capital's electric consumption in peak periods. The reliability of the power supply will be improved, and one immediate consequence will allow a number of electricity-dependent local companies will be able to extend their daily hours of operation. The project will employ and train 17 people, 16 of whom are local.

This is the first private foreign energy project in Madagascar, and through a positive demonstration effect, it is expected to encourage further foreign direct investment into Madagascar's electricity sector. It will also free up capacity at the state-owned utility company to proceed with required maintenance of its own generating facilities, which at present are over-strained. The project will pay approximately $2.2 million in taxes, including royalties and duties, to the government.

MAURITANIA

IDA
SSA
S/S

MIGA provided guarantees totaling $40.76 million to the Office National des Télécommunications (Tunisie Télécom) of Tunisia, for its $70.1 million equity investment in, and loan guaranties to the Société Mauritano-Tunisienne des Télécommunications (MATTEL) in Mauritania. The coverages are for 15 years for the equity and eight years for the loan guaranties, and are against the risks of transfer restriction, expropriation, and war and civil disturbance.

Until the year 2000, Mauritania had only one phone operator, the national telecom provider, which had a capacity of approximately 32,000 fixed lines, serving a population of 2.5 million people. In 1998, with the assistance of the World Bank, the Mauritanian government initiated a telecommunications reform process aimed at improving the availability of telecommunications services through the liberalization of the market and the introduction of private sector participants. In May 2000, through a competitive bidding process, the government awarded the first mobile telephone operating license to MATTEL, and it is this project that MIGA is supporting.

The project, the first that MIGA has supported in Mauritania, involves the installation, operation, and maintenance of a new "Global System for Mobile Communication" (GSM) telephone network. The project intends to increase teledensity from 0.6 percent as of 2000 (among the lowest in the world), to 4 percent by end-2002. As well as expanding the scope of service, the improvement in quality will be an important positive development for the local business community. MATTEL, which paid $28 million in upfront license fees, will be paying $150,000 equivalent per year in frequency and regulatory fees to the government. The project anticipates providing employment for 64 people, who will benefit from extensive training in telecommunication operations, as well as marketing and sales skills. MATTEL will also indirectly benefit local businesses through the local procurement of various goods and services.

MOZAMBIQUE

IDA
SSA

MIGA has provided guarantees to Portus Indico-Sociedade de Serviços Portuarios S.A. (formerly DEAIR—Comercio Internacional, Consultoria e Serviços, S.A.) of Portugal, of $459,000 to cover its $510,000 equity investment in, and $6.1 million to cover $6.8 million of shareholder loans, plus interest, to the Maputo Port Development Company S.A.R.L. The guarantees are for fifteen years, and are against the risks of transfer restriction, expropriation, and war and civil disturbance.

The project involves the rehabilitation, development, financing and operation of the Maputo Port under a Build Operate and Transfer scheme. At its peak, the port's revenues represented 80 percent of Mozambique's balance of trade. Civil war and a general economic decline have left the port handling only 2.5 to 3 million tons per annum (tpa), compared to the 12.5 million tpa handled in the late 1960s. By awarding the concession to the private sector in 1997, the government sought to restore port operations to full capacity, lower the cost of port tariffs through improved operating efficiencies, and boost the economy through improved export outlets for the country's traditional products. Given its location, in proximity to three main railway connections, the port provides a very efficient and low-cost outlet for trade not only for Mozambique, but also Zimbabwe, Malawi, Botswana, Swaziland, Zambia, and northern South Africa. These areas are either currently not served, or served through higher cost alternatives in South Africa, which are already operating at capacity.

The port and connecting railway upgrades are expected to raise gross revenues from the current $80 million to $150 million in the short term, indicating a significant increase in traffic volumes. At the same time, direct operating cost will be reduced substantially and translated into lower tariffs for exporters, including operators in neighboring countries. During the three-year construction period, the port will create about 800 additional jobs, all with local contractors. The project will provide its workers with training on new equipment and procedures. The project owners have also pledged to invest $250,000 annually in local community projects during the construction period, and $1 million, cumulatively, thereafter. Targeted projects include the creation of new schools in the area, donations to local clinics, and upkeep of local road infrastructure. The project is also expected to contribute $8.8 million in taxes per year to Mozambique, an IDA-eligible country still recovering from the long civil war and recent devastating floods.

IDA
SSA
SME

MIGA has provided a $2 million guarantee to Kjær Group A/S of Denmark to cover its $2.2 million equity investment in the form of reinvested retained earnings in Motorcare Lda in Mozambique. The risks covered are transfer restriction, expropriation and war and civil disturbance, and the coverage period is 15 years.

The project is in the automotive retailing sector, and will expand Motorcare operations in Mozambique using revenues that would otherwise be transferred out of the country. The investment will have a positive developmental impact, as it will allow Motorcare to continue supporting transport fleets in Mozambique. The increased provision of vehicles to commercial companies and Mozambican nationals is expected to facilitate regional trade. Equally important, given that aid and development organizations are among Motorcare's most frequent customers, the project will expand and improve the company's ability to respond to emergencies—an important consideration in one of the most crisis-ridden areas of Africa. The project already provides training to its staff, and this investment will specifically expand the staff education program and facilitate further technology transfer. It is also expected to create a number of new permanent positions.

NIGERIA

IDA
SSA
S/S

MIGA has provided Econet Wireless Limited, a UK-registered company wholly-owned by Econet Group of South Africa, with a $10 million guarantee for its equity investment (of up to $19.3 million) and retained earnings in Econet Wireless Nigeria Limited (EWN) in Nigeria. MIGA has also provided Ericsson Credit AB, a wholly-owned subsidiary of LM Ericsson of Sweden, with a guarantee of up to $70 million, for its $70 million non-shareholder loan, plus interest, to EWN. The coverages are for five years, and are against the risks of transfer restriction, expropriation, and war and civil disturbance. $30 million of this exposure has been syndicated through MIGA's Cooperative Underwriting Program.

The project—the first that MIGA has supported in Nigeria, and notable for being a South-South project exemplifying intra-African cooperation—involves the installation, operation and maintenance of a country-wide GSM mobile telephone network, under a 15-year license. By supporting this project, MIGA will assist the government of Nigeria in its ongoing efforts to deal with the acute shortage of reliable telephone services in the country. Nigeria, the most populous country in Africa, has a tele-density of less than 1 percent, one of the lowest levels in the world. This project will be helping to address the issue, which will have a positive impact on the economy in general. Furthermore, the project will contribute to establishing a minimum required telephony infrastructure, a vital pre-condition to attracting foreign direct investment into the country.

EWN will yield additional direct and indirect benefits to Nigeria, including numerous employment opportunities and benefits of technology transfer. The project itself is expected to generate jobs for more than 1,000 Nigerian staff, who will receive extensive technical operations and sales training, and is expected to create several thousands indirect jobs. The license fee provided the government with $285 million in revenues, and EWN will pay the government an additional annual license fee equal to 2.5 percent of net revenue. The project is expected to facilitate additional tax revenues by accelerating economic development and improving the efficiency of local business enterprises.

IDA
SSA
S/S

MIGA has issued a $50 million guarantee to Mobile Telephone Networks International Limited (MTNI), a Mauritius-registered company, wholly owned by Mobile Telephone Network Holding Limited (MTN) of South Africa, covering its $285 million non-shareholder loan to MTN Nigeria Communications Limited (MTNN) in Nigeria, against the risk of war and civil disturbance.

The project involves the installation, operation and maintenance of a country-wide mobile telephone network, based on the GSM technology, under a 15-year license. This project supports the government's ongoing efforts to address the acute shortage of reliable telephone services in the country, and, as such, is expected to have a positive impact on the economy in general. By the end of 2004, the network is expected to cover about 60 percent of the geographic area of Nigeria, and have sufficient capacity for about 2,000,000 subscribers. MTNN is also helping to establish telephony infrastructure in the country, which is essential to attract foreign direct investment. The project is expected to generate numerous employment opportunities, as about 1,000 Nigerian staff are expected to be hired and trained for mobile operations, and it is anticipated that a further 800 local staff would be outsourced for the provision of security, catering and maintenance. In line with international practice, the project will provide the government with an up-front license fee (of $285 million), as well as an additional annual fee equal to 2.5 percent of net revenue. The project is expected to facilitate additional tax revenues by accelerating economic development and improving the efficiency of local business enterprises.

SENEGAL

IDA
SSA
SME

In MIGA's first coverage for a project in Senegal, the agency has provided Mr. Alain Tagini, a Swiss businessman, guarantees totaling $3.2 million for his $0.5 million equity investment in, and $2.3 million loan to, the Thalassotherapy Center in Dakar. The coverage period is for up to 15 years, and provides coverage against the risks of expropriation and war and civil disturbance.

In Senegal, an IDA-eligible country, the travel and tourism sector is experiencing growth, and investments to introduce new products to the tourism industry are expected to contribute to building this sector, and to create new jobs. The therapeutic center, which is based on the beneficial aspects of the sea environment, will be located on the grounds of the Meridien President Hotel Dakar. The project is expected to create approximately 30 local jobs and generate about $1 million in local tax revenues. This project is a pilot for the entrepreneur, who plans to expand by building similar centers in other west African nations.

TECHNICAL ASSISTANCE ACTIVITIES

BURKINA FASO

IDA
SSA

In fiscal 2002, MIGA carried out an institutional needs assessment for Burkina Faso's investment promotion structures as a first step in resuming discussions with the government begun at the Mining Symposium in Ouagadougou in December 2000. Burkina Faso has made considerable progress in implementing economic policy reforms since embarking on a stabilization and structural adjustment program supported by the IMF and the World Bank in 1991. A key element of the policy regime is the encouragement of private investment, including FDI. In contrast to most other countries in the region, Burkina Faso does not have a specialized investment promotion agency. Thus, the MIGA team held meetings with a variety of Government agencies involved in private enterprise development, including foreign direct investment attraction and export promotion. In particular, the visit explored possible ways in which MIGA's technical assistance could help the country attract foreign direct investment in other sectors, and examined the possibility of including a foreign direct investment component in the IBRD's Competitiveness and Enterprise Development Program.

CÔTE D'IVOIRE

IDA
SSA

In fiscal 2002, MIGA resumed discussions with the country's investment promotion agency (CEPICI), government and private sector institutions to update and validate a preliminary needs assessment carried out a few years ago, prior to Côte d'Ivoire's political challenges and change in government. In fiscal 2001, MIGA had started to assist CEPICI to refocus its investment promotion; however, implementation of the technical assistance program—designed jointly with the World Bank and integrated into a larger private sector capacity-building program—was put on hold due to the political situation in the country. A follow-up mission will be conducted with the World Bank to tailor a collaborative approach to assist CEPICI in fulfilling its development objectives.

EQUATORIAL GUINEA

SSA

In a joint effort with FIAS, and following a request from the government, MIGA completed an assessment of the institutional environment for FDI promotion in Equatorial Guinea. While Equatorial Guinea enjoys the benefits of significant oil deposits, the challenges facing the country in terms of economic diversification and employment generation are substantial. MIGA and FIAS cooperated on a pair of technical assistance reports assessing and providing recommendations on both the investment environment and promotion efforts of the country. The reports were presented to the country's Ministry of Planning and recommended government actions needed to improve the conditions for FDI in both the oil and non-oil sectors and to maximize the impact of these flows. The studies were carried out in advance of the official opening of a new ethanol plant, in hopes of better positioning the country to take advantage of the international investor attention the new plant will generate.

GHANA

IDA
SSA

The World Bank Group has played an active role in supporting trade and private sector development efforts in Ghana through the Ghana Gateway project, an initiative to establish Ghana as the trade and service hub of West Africa. MIGA has been involved in the project since its inception, which includes the provision of technical assistance to the Ghana Investment Promotion Centre and the Ghana Free Zones Board as a key element. In fiscal 2002, MIGA assisted in the development of new websites for the Ghana Investment Promotion Centre and the Ghana Chamber of Mines, using the IPAworks web template, to enable the agencies to enhance their outreach to investors through a more sophisticated web presence. Agency staff were trained in site administration and content development functions. MIGA also launched activities under the MIGA-Swiss Partnership, carrying out a benchmark study of investment activity in recent years and an assessment of the capacity-building needs of the investment promotion structures.

MALAWI

IDA
SSA

In prior years, MIGA provided substantial technical assistance to the Malawi Investment Promotion Agency (MIPA) in developing and implement tools and systems to monitor investment leads. In fiscal 2002, MIGA evaluated and modernized MIPA's Investor Tracking System to improve monitoring of investor interest and project implementation. Technical assistance also included a training program for department staff on the use of IT tools for facilitating investment.

MALI

IDA
SSA

As a follow-up under the multi-agency initiative, MIGA carried out a needs assessment for Mali's investment promotion agency (CNPI) to assess the capacity of the agency and to discuss capacity-building needs and the scope of potential technical assistance. Mali is seeking to expand foreign investment in the country and is particularly focused on attracting investment in agribusiness, with support from USAID in this effort. Following the assessment, MIGA delivered an investor-servicing workshop to the staff of the CNPI in June 2002.

MOZAMBIQUE

IDA
SSA

With the end of civil conflict and the improved national investment climate, Mozambique has enjoyed considerable success in attracting several large-scale foreign investments. Now, the country faces the challenge of expanding the scope of FDI promotion efforts to encourage investment by businesses that generate substantial employment, and identifying and capitalizing on opportunities for linkages with the local economy. A key player in this effort is CPI—the investment promotion agency. As one of the pilot countries under the MIGA-Swiss Partnership, Mozambique is receiving hands-on support and advisory services for the CPI. MIGA initiated a long-term, multi-component capacity-building program in Mozambique during fiscal 2002. The program builds on work initiated earlier (1998 to mid-2001), taking into account the findings of a needs assessment that MIGA conducted for the Centre. MIGA is also aiding Mozambique on free zone development efforts.

NIGERIA

IDA
SSA

Nigeria has been a focus of WBG and bilateral attention since the democratically elected government assumed office in 1999. The WBG has made private sector development one of three pillars in its assistance strategy, and MIGA has been involved in that effort since its inception. Most recently, MIGA participated in the presentation of a joint FIAS/MIGA Action Plan for restructuring and strengthening the country's investment promotion agency, the Nigerian Investment Promotion Centre. MIGA also conducted tailored capacity-building sessions for the agency, including a four-day training program focusing on investor servicing and policy advocacy to about 140 management and staff members and the national privatization agency—the Bureau of Public Enterprises. MIGA is prepared to offer further capacity-building support once the recommendations are implemented and is coordinating this work program with FIAS.

SENEGAL

IDA
SSA

MIGA undertook the first phase of work under the MIGA-Swiss Partnership, carrying out a benchmark study of investment activity in the country in recent years. MIGA has been actively working with The World Bank Group in support of private sector development in Senegal, and in fiscal 2001 prepared the five-year business plan for the national investment promotion agency, APIX. MIGA's work in this assistance served as the basis for the agency to receive $1 million in funding from the World Bank in support of the work program. Under the MIGA-Swiss Partnership, MIGA is also evaluating the capacity-building needs of APIX in light of the business plan implementation.

TANZANIA

IDA
SSA

As one of the pilot countries under the MIGA-Swiss Partnership, Tanzania receives assistance for the Tanzania Investment Centre and the Zanzibar Investment Promotion Agency in designing sector marketing plans, and using new technology in investment promotion. In partnership with the Development Bank of South Africa and the European Commission, MIGA has also helped Tanzania develop a national strategy to promote tourism investment, and is currently organizing a Tourism Investment Forum slated for October 2002 in Arusha. MIGA's work in the tourism sector is aimed at attracting investment into regions of the country that are presently undeveloped not only in the tourism projects themselves, but in related infrastructure and services. The work is complemented by and coordinated with WBG efforts in support of establishing linkages between small- and medium-sized enterprises and foreign investment.

UGANDA

IDA
SSA

Following a needs assessment, MIGA developed a work program for the Uganda Investment Authority (UIA). As the national investment promotion agency, the UIA has received a great deal of attention over the past ten years, as the Bank and other donors have reacted positively to Uganda's economic reform effort and have mounted an expanded level of donor support. Additionally, Uganda is a beneficiary under the Multi-Agency Initiative. MIGA evaluated the agency's investor tracking system and installed the IPAworks software package, while training staff and management on the use of these tools in investor outreach. MIGA also assisted the UIA in organizing a trade and investment outreach mission to the United States, helping identify North American company leads.

ZAMBIA

IDA
SSA

In cooperation with USAID, MIGA assisted the Zambia Investment Centre in developing a new web presence using the IPAworks website template. MIGA provided advice on content development and integration of the web presence in the overall marketing strategy. USAID funding supported the technical consultants and graphics development.

REGIONAL ACTIVITIES

US-AFRICA BUSINESS SUMMIT

SSA

A MIGA delegation attended the US-Africa Business Summit in Philadelphia. The event was organized by the Corporate Council on Africa, a non-profit membership organization of more than 170 American corporations dedicated to strengthening and facilitating the commercial relationship between the United States and Africa. The summit attracted more than 1,400 US and African business and government leaders concerned with African trade and investment, and offered a prime opportunity to raise the profile of MIGA's services to African member countries and interested investors.

ENDNOTES

1. (page ii) Some projects address more than one priority area. Coverage provided to previously supported projects is not counted towards fiscal year 2002 Priority Area figures.

2. (page ii) MIGA shares the same working definition of SMEs as IFC: A small enterprise meets two of the following three conditions—up to 50 employees, total assets up to $3 million, total annual sales of up to $3 million; A medium enterprise meets two of the following three conditions—up to 300 employees, total assets up to $15 million, total annual sales up to $15 million.

3. (page vii) In fiscal 2000, MIGA initiated a Committee of Sponsoring Organizations (COSO) compliance exercise (a control self-assessment) designed to identify and address critical areas of risk in the Agency's operations.

4. (page vii) In April 1998, the IBRD made a grant transfer of $150 million to MIGA. In March 1999, MIGA's Council of Governors approved the Agency's Capital Increase of $850 million.

5. (page 11) In December 2001, MIGA secured $1.7 million in funding from the Swiss government to support the launch of a three-year investment facilitation initiative. The MIGA-Swiss Partnership for Investments in Sub-Saharan Africa will reach out to investors to encourage them to take advantage of investment opportunities, including those created by the increased African trade access to the US market through AGOA and to the European markets through the Cotonou Agreement and Everything But Arms (EBA) Agreement.

6. (page 17) In fiscal 2001, MIGA paid a $15 million claim to Enron Corporation to compensate for a cancelled power project in Indonesia. The government of Indonesia has agreed to reimburse MIGA for the principal amount of the claim, plus interest, over three years. Through fiscal year 2002, $10 million has been repaid, plus interest.