Afghanistan and Iran on Track to MIGA Membership

Agency poised to support reconstruction and economic progress

On February 12, 2002, Afghanistan signed MIGA's Convention, taking a critical step forward in its efforts to rebuild in the wake of two decades of conflict. It was joined three weeks later by the Islamic Republic of Iran, which also penned its commitment to join MIGA.

Once they become full members, the agency will be able to provide political risk guarantees for investments going into and out of the countries, as well as technical assistance on how to attract investment. Membership takes effect when the Convention is ratified by a country's government and dues are paid.

Afghanistan is a country fraught with challenges at all levels. Even before the most recent conflict, the economy was in a state of collapse. Key economic institutions were extremely weak or simply missing, and basic infrastructure destroyed. The social indicators are no better, with one in four Afghan children dying before the age of five, and only 3 percent of girls and 38 percent of boys enrolled in school.

Reconstruction alone is expected to cost about $15 billion over the next decade, according to recent estimates. This critical situation underscores the need to bring in private capital to help meet the challenge, a move that got a big push with the signing of MIGA's Convention.

While Afghanistan has many needs, basic infrastructure warrants urgent attention, said Finance Minister and Vice Chairman of the Interim Authority, Hedayat Amin Arsala, at the signing. He identified investment priorities as being primarily in the fields of telecommunications, power, industry, mining, oil and gas, hotels, and tourism. Agriculture, too, which has suffered due to an extended drought, is an area he emphasized as in need of cash.

Motomichi Ikawa, MIGA's Executive Vice President, noted that the agency has strong experience dealing with post-conflict countries, such as the West Bank and Bosnia-Herzegovina, and said that a number of investors have already approached MIGA about

Agency to Launch Next-Generation Investment Information Service

FDI Xchange spotlights emerging economies

MIGA is set to lift its online services up a notch with the launch of a new customized email alert service—the FDI Xchange—designed to encourage foreign direct investment in its developing member countries.

FDI Xchange (www.fdixchange.com) is a new web- and email-based service that provides investors, advisors, and financial institutions with customized investment information in a single
Of the 191 businesses responding to a MIGA survey conducted in July and August 2001, 79 percent said they intended to expand globally in the next three years. The majority of the respondents indicated, however, that a further deterioration in the global economy would likely lead them to postpone plans, downsize, or shift location.

An October 2001 follow-up survey asked 101 of the businesses planning to invest abroad whether their plans were intact, given the events of September 11 and the global economic climate. Sixty-five companies said they were on track, with nearly all the remaining companies planning to hold off on expansion rather than completely cancel.

The survey was designed to further understand of global expansion plans in the next three years, the business objectives behind investment decision-making, and the geographic locations most likely to benefit. Respondents included some of the world’s largest transnational corporations, with aggregate annual sales of nearly US$2 trillion and employing about 4 million people. The full survey results are available at www.ipanet.net/fdisurvey.

Two of the most important factors behind the overall decision to invest abroad are market access and reduced operating costs. When it comes to specific site selection, key determinants are customer access, stable social and political environment, ease of doing business, and reliability and quality of utilities.

The United States best met this criteria, according to 66 percent of the companies with expansion plans. Developing countries accounted for half of the top 20 investment destinations, led by China (named by 40 percent of investors), Brazil (39 percent), and Mexico (35 percent). Poland, Singapore, Czech Republic, Chile, Thailand, India, and Hungary were also top 20 picks.

"Global expansion is still a viable alternative for many companies. Perhaps more than ever before though, businesses have to think strategically, weigh their options, understand what they hope to achieve with foreign direct investment, and analyze all of the location variables," says Phil Schneider, partner in the Fantus Corporate Real Estate practice of Deloitte & Touche.

The study also found that:
- Security is a key concern across the board, particularly the physical security of employees and the risk of war and civil disturbance.
- Western European companies were the most global in their expansion outlook, with 91 percent having plans to expand overseas in the next three years, followed by 77 percent of North American companies, and 63 percent of companies headquartered in Asia and the Pacific Rim.
- Most companies are likely to expand overseas through building or leasing a facility (43 percent) or via merger and acquisition (42 percent).
- “Companies doing business around the world have signaled that they will look to balance the need for access to new markets with a desire to minimize risk,” says MIGA’s Executive Vice President, Motomichi Ikawa. “As companies try to assess and react to the implications of the events of September 11th, achieving an acceptable balance is undoubtedly the biggest strategic challenge they face.”

For more information, contact Cecilia Sager at 202.458.2076 or csager@worldbank.org.

Two-thirds of Investors Say Plans for Overseas’ Projects Still in Place
MIGA HELPS CLIENTS SEIZE OPPORTUNITIES IN INFRASTRUCTURE

In today’s volatile world, business is no longer business as usual. A lot of variables go into making a deal good, both for investors and the countries they invest in. One important variable, and one that’s often overlooked, is the proper allocation of risks. By making sure that risks, including those relating to political uncertainties, are managed by those most capable of doing so, a good investment can go ahead in even the riskiest of environments.

Noncommercial risk insurance not only helps investors recover losses resulting from adverse government actions; it actually deters such actions. This insurance can cover the risks relating to breach of contract, expropriation, currency inconvertibility, and war and civil disturbance. As a member of the World Bank Group, MIGA is uniquely positioned to mitigate these risks and help resolve potential disputes between investors and host countries.

"In today’s market, where loan financing for emerging markets is in short supply and risk perceptions are high, MIGA guarantees serve an important need," says Roger Pruneau, MIGA’s Vice President for Underwriting. "Noncommercial risk insurance alleviates country risk, thereby making a project country-neutral, which increases a sponsor’s ability to attract scarce loan financing for its project enterprise. Political risk insurance can also extend the tenor of financing, and in some cases even lower financing costs for the project enterprise. "In today’s turbulent times, this tool is particularly significant for lenders, as it can help them manage tight country limits, primarily by reducing provisioning requirements," Pruneau says. "This allows banks to build safe assets in emerging markets."

The financial benefits of political risk insurance take on added importance when it comes to infrastructure. In the last decade, infrastructure projects have become more expensive, more difficult to finance, and more complex all around. And the distinction between political and commercial risks is becoming increasingly blurred. Add to this mix the fact that many countries in need of foreign investment in infrastructure are also those perceived to be politically risky, and you’ve got a case for MIGA.

MIGA has a long record of supporting private investment in infrastructure. Since 1988, MIGA has issued 119 guarantees for infrastructure projects, with coverage exceeding $2 billion. The sector today represents 30 percent of MIGA’s portfolio.

MIGA’S political risk insurance can help improve projects’ risk and return profiles, close more deals, and creatively address some of the tougher issues facing certain sectors today.

Infrastructure projects typically have longer investment implementation and return periods, so it’s fundamental that lending be available for longer periods of time. MIGA has demonstrated its ability to extend the length of a loan, again by making projects country-neutral. This benefit isn’t restricted to any one sector though.

Infrastructure projects, especially water, also tend to involve both local and national governments. And with performance bonds being increasingly tied to the sale of operating licenses, the risk increases of local and national governments wrongly calling the bond, or breaching the contract. "MIGA has developed a special way to help investors address these concerns," Pruneau explains.

International Water Services (Guayaquil) BV of the Netherlands learned this first-hand in March of last year when MIGA guaranteed the company’s investment in the rehabilitation and expansion of Guayaquil’s municipal water services. The $38 million guarantee also covered the project against the wrongful call of a performance bond, guaranteeing the company’s successful management, expansion, and operation of the water services. The bond was posted by the company in accordance with the 30-year concession awarded by the government.

In another innovative deal, MIGA issued investment guarantees totaling $87 million for a project to improve transportation efficiency and reduce pollution from exhaust fumes by widening and rebuilding 62 km of the North Luzon Expressway, Southeast Asia’s oldest toll road. MIGA’s presence in this deal helped a number of commercial banks accept the country risk at a time when the political and economic conditions were less than ideal. This transaction also showed MIGA’s ability and willingness to work with other multilaterals and bilaterals in securing what is best for the project enterprise and the country.

MIGA’s political risk insurance offers widespread benefits, not just for investors but also the developing countries that host the investments. Projects supported by MIGA create local jobs, generate tax revenue, and transfer skills and technological know-how. Communities often receive significant secondary benefits, such as roads, schools, and clean water.

MIGA guarantees do more than increase investor confidence in the safety of their projects. They do more than give developing countries a better chance of breaking the cycle of poverty. "MIGA’s political risk insurance can help improve projects’ risk and return profiles, close more deals, and creatively address some of the tougher issues facing certain sectors today," says Pruneau.
From noon to six pm every day, graphic designer Yuri Ambros would stroll aimlessly along the streets of Chisinau, a squat city of 700,000 in the heart of Moldova, Eastern Europe’s poorest country. Power outages virtually paralyzed the city and made work impossible, he says: “I don’t remember how long the power was out, because I don’t remember bad things. We pray to God these things don’t happen again.”

As bad as it was, there were many who were worse off. Outside the capital, some people lived without electricity, heat, and water for up to 20 hours a day for eight or so years.

The situation reached a crisis point by January 2000, brought on by years of inefficient use of energy supplies by the state-owned power company, poor maintenance of distribution networks, low levels of bill collection, and an unsustainable debt level. People were suffering and the economy sputtering. The former Soviet country had seen its per capita income drop to just around $400 a year. In the decade since its independence, about a quarter of the population had left the country.

By April 2000, an important step was taken toward changing the situation. Power shortfalls and blackouts had ended in the areas served by a new MIGA-backed project. Three-quarters of the country’s residents, from the capital to the countryside, now had electricity 24 hours a day. The turnaround was the result of the privatization of three electricity distribution companies, purchased by Unión Fenosa Internacional SA, a 120-year old Spanish company. The sale included the purchase of a 25-year operating license.

The privatization was part of an energy sector overhaul engineered by the World Bank, the Moldovan government, and other agencies to help revive the economy. MIGA provided a $61 million guarantee, protecting the investment against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract. The International Finance Corporation of the World Bank Group and the European Bank for Reconstruction and Development both lent $25 million to the project.

A key part of Unión Fenosa’s decision to go ahead with the purchase was MIGA’s insurance coverage, says Ignacio Ibarra, executive president of Unión Fenosa Internacional: “If MIGA hadn’t guaranteed our investment, it would have been a very risky situation. With MIGA, the investment is protected against noncommercial risks, which is critical to our remaining in Moldova.”

Adds MIGA Vice President and General Counsel, Luis Dodero: “This project goes to the heart of what MIGA is all about—catalyzing investment, giving investors the confidence they need to make an investment, and having a strong development impact, especially in countries like Moldova that are in dire need of foreign investment.”

The project’s chief aim is to reduce technical and commercial energy losses—resulting mainly from poorly maintained equipment and low levels of bill collection—that made the state-owned companies financially unsustainable and led to unreliable power supply.

“For eight years people living outside the capital had power just a few hours a day, usually at night. You can’t run an economy with blackouts of 14-18 hours a day. Companies simply cannot exist without electricity,” says Ibarra. “Within two months of being here, we had restored power to 24 hours a day without interruption. That’s our track record for the past 20 months. You can see the impact on the economy.”
About 50 miles south of the capital is the Family Medical Center of Chisinau. Hospital Administrator Ludmila Capcelea says the blackouts there, lasting 4-5 hours a day, took their toll. “We could only take emergency cases,” she says. “We didn’t have water, light, or heat. Power would go out during operations. We had a generator, but it didn’t always work. We would use a gas lamp. This was a very dangerous situation, especially in the middle of surgery when the scalpels was in a patient. Thankfully, no one died. We had some serious complications though.”

The situation could have been worse, Capcelea says, but the government made an effort to get power to hospitals and other essential services. The story was different at home, where blackouts lasted up to 16 hours a day. Kids couldn’t go to school or even study at night because there was no light. “We had to use candles or gas lamps to do anything. The fumes were noxious and really uncomfortable. Food spoiled because nothing would keep. I don’t even want to think about the situation before. It’s so much better now.”

The problems didn’t discriminate. People in towns and cities experienced fewer outages, but were more likely to use electricity for their heat and cooking in addition to lighting. That meant the country’s urban dwellers had to find unusual ways to cook food when the power was out. Many started building small cooking places outdoors, fueling their improvised stoves with wood and coal.

Schools were also hit hard by the power shortages, often staying open in the summer when there was more light and no need for heat. Ghiorghie Rusnac, president of the State University of Moldova, the largest university country’s, says classes had to be shut down during the outages, impacting a student body of 18,000. “When the power was out, we didn’t have heat or water. We had a lot of equipment here at the university that we couldn’t operate, such as TV’s, computers, laboratory equipment. It was hard to operate normally.”

In a country where daily temperatures in January average -4 to -7°C (about 23 to 27°F), this is more than an inconvenience. “Electricity is a component of life that is impossible to do without, or to explain,” Rusnac says. “It is as necessary as the air we breathe. If we don’t have air we die the same goes for energy.”

Businesses felt the brunt too. Anatol Gaina, a small business owner, says power outages constantly disrupted production at his fruit drink factory. Gaina had to use a generator for 8-16 hours a day, which raised costs by 17 percent. He ended up dropping one of his lines of production because costs were too high. The blackouts also had a psychological impact on people, he says. “People are uncertain and say, ‘Why buy something that isn’t essential?’” Sales went down 20-30 percent. Gaina says the impact of companies like Unión Fenosa is reducing production costs.

Jutta Ambros also felt the impact of the crisis. Ambros designs and manufactures sweaters and textiles, with the help of four other women. Ambros lives in a dilapidated Soviet-era apartment building, which often serves as the base for her cottage industry. “During the blackouts, it was really hard because there was no electricity or heat,” she says. “Without electricity, you can’t do anything, especially when duds fall, which happens to be around 4 pm in the winter. It was very bad indeed. Now things have changed. We have heat, we receive a bill and don’t have to check the meters ourselves.”

The project represents the company’s first investment in Eastern Europe, and the first privatization investment in the country’s energy sector. “When we came here, it was a huge change in every sense of the word,” Ibarra adds, who works on business development in all the former Soviet countries. “This is a country that has been free for only 10 years. The country is still working on basic rights issues and learning what the private sector is, what competition is.”

That kind of thinking was evident in the workforce when the company took over, says Silvia Radu, corporate director. Radu, a 30-year-old Moldovan national, came to Unión Fenosa from the Ministry of Energy. She says people were robbing the company because they couldn’t live on the salaries they were being paid. “We raised incomes 25 percent in the first year. Those who do good work were rewarded.”

“When we came here, people thought we’d be here for just a few months, they didn’t think we’d last,” Ibarra adds. “Now we’re coming up on the two year mark. We’re profoundly changing how business is done here. This project is in many ways serving as a model for other investors. Everyone is watching what happens.”

Unión Fenosa brings to Moldova a whole new business culture and management style, says Vladimir Munteanu, advisor to the World Bank Group’s Executive Director for Moldova. The company, he says, “served as a benchmark for other foreign investors and local as a best practice example for many businesses, and demonstrates that businesses can be done in Moldova, although it may not be easy and a lot still has to be done to improve the investment climate.”

Unión Fenosa is the leading company in Moldova in terms of revenue, chalking up $100 million in sales in its first year of business. The company covers 75 percent of the country’s 3.2 million residents, and generate one-third of the country’s tax revenues on its own.

“The company’s presence in Moldova had a significant impact on GDP growth,” says Munteanu. “For the first time in ten years, Moldova has shown signs of sustained growth, registering gains of 1.9 percent and 6.1 percent in 2000 and 2001 respectively. The project, supported by USAID, is now targeting subsidies to reach the most vulnerable segments of the population, rather than blanketing the public with assistance. This should contribute to the subsidy program’s sustainability, while freeing up government revenues for other social programs.”

Another issue when considering affordability is the high cost of lighting a house with candles or lamps, which in some parts of the world can be as much as fifty times the price of electricity. Unión Fenosa is very much aware of the need to make its product affordable. “We sell a basic social good: electric energy. But we can’t act like any private company,” Ibarra says. “We’re not a shop company, because what we give and sell to society is something people can’t live without. There would be no economy. They would suffer physically. Our focus is private, but we can never forget that we provide a public service.”

Ibarra jokes that he has more contact with Moldovans than any other company. “We enter their houses every day,” he says. “If I do my job well, people live well. If I do poorly, people live poorly.”

Unión Fenosa, like many companies whose investments are guaranteed by MIGA, demonstrates strong corporate citizenship. The company sponsors many cultural events in Moldova, including theatre, concerts, and films, and runs a scholarship program that provides 10 full scholarships and 70 partial scholarships a year. The company also has a foundation that is putting the finishing touches on a food kitchen that will serve around 250 needy people a day in the capital. A full-time doctor is available to all staff at company headquarters.

“We have this social orientation in all our projects,” says Radu. “It’s our philosophy.”
MIGA added a new chapter to its “mobile office” program in January 2002, when it hit the road to once again spread the word about its products and services. The visits featured a team of three— including MIGA’s Director for Europe, Christophe Bellinger, Senior Marketing Specialist, Marcus Williams, and Senior Underwriter, Nabil Fawaz—who met with local investors, lenders, and government officials in Lebanon, Morocco, and Tunisia.

The region, representing 2.7 percent of MIGA’s guarantee portfolio, was spotlighted as an area where the agency would like to increase its presence. “We are eager to support investments going into and out of the region,” says Vice President for Underwriting, Roger Pruneau. “The briefings provided MIGA a great opportunity to meet with local companies, particularly small- and medium-sized, who are not ordinarily that easy for us to reach out to from Washington.”

The mobile office program was begun several years ago to make MIGA’s products and services more accessible to investors in countries where the agency doesn’t have a full-time presence. (See box below for schedule of upcoming mobile offices.)

In Beirut, talks with the Minister of the Economy, Basil Fuleihan, and Minister of Finance, Fuad Siniora, centered on Lebanon’s investment climate, the government’s latest plans for attracting foreign investment, and how MIGA can help. The trip coincided with the country’s signing of the Euro-Med Agreement—a plan to introduce barrier-free trade between European Union member states and 11 other countries, including Lebanon, on the southern and eastern flanks of the Mediterranean Sea. The agreement is expected to play an important role in spurring foreign direct investment into the country.

In Casablanca and Tunis, the team met respectively with Fathallah Oualalou, Morocco’s Minister of the Economy, Finance, Privatization and Tourism, and Fethi Merdassi, Tunisia’s Minister of International Cooperation and Foreign Investment.

MIGA was joined in these countries by a larger delegation of World Bank Group representatives to spotlight the organization’s support for the private sector and to generate practical new business linkages with hundreds of companies. One-day briefings allowed for a multi-faceted dialogue on issues ranging from the strategic reforms needed in the business environment to the operative ways companies can leverage the Bank Group’s financial products for investments.

“The challenge that cuts across all that we do can be summarized in one word: participation,” said Christian Delvoie, World Bank Country Director for Algeria, Libya, Malta, Morocco, and Tunisia. “This program was an important illustration of our ambition to engage constructively with the private sector in building the right business environments... [and to link] in a pragmatic way our policy approach with our operational and business approaches in the region.”

For more information on upcoming visits, please contact Marcus Williams at mwilliams5@worldbank.org, t. 202.473.1623, f. 202.522.2630

PHOTOS | Clockwise from top: Casablanca, Beirut and Tunis.
CREDIT | Marcus Williams
Free package. Periodic email updates—tailored to match the user’s country, topic, and sectoral interests—contain timely information about new direct investment opportunities and business environment analysis from emerging markets worldwide. Users can also access a web-based archive of information.

“Businesses face many uncertainties when considering new investments. Our goal with FDI Xchange is to help reduce these obstacles by providing information needed to support informed investment decisionmaking—all in one place, all for free,” said MIGA’s Director of Investment Marketing Services, Karin Millett. “This in turn will play a pivotal role in getting investment into the countries that need it most.”

The personalized email updates deliver information from a number of public and private sources and feature hyperlinks to the following resources:

- Full text of the information on the content provider’s website, as well as details on the source.
- An online response form that goes directly to the content provider for follow up.
- Other relevant country and sector information resources—such as “doing business” guides, investment laws and sector analysis—available through MIGA’s existing investment information services.
- Bilateral and multilateral sources of financing and risk management services available to support investments, including briefs on investment guarantees already underwritten in that region by MIGA.

Cooperation agreements with a range of public and private sector organizations, including investment promotion agencies, privatization agencies, and business information providers, form the backbone for mobilizing relevant investment information content. MIGA has signed up eleven content providers so far, and is aiming for another 20 by July of this year.

Through FDI Xchange, content providers disseminate information on new investment incentives, changes in the legal environment for foreign investment, industry sector analysis and market research—as well as specific investment opportunities arising from privatization and government initiatives.

“The FDI Xchange addresses one of the major challenges to attracting investment into the developing world, which is getting relevant information into the right hands,” Millett said. “This new service provides government and private sector investment intermediaries with a powerful yet simple, low-cost communication tool through which they can extend their marketing reach and deliver a tailored message to prospective foreign investors.”

The development of FDI Xchange has been supported by the Austrian Government (through Finanzierungsgarantiegesellschaft, or FGG), the World Bank-supported Development Gateway Foundation, and the Government of Japan.

MIGA also operates the Investment Promotion Network (www.ipanet.net), a portal website for the international investment community, and PrivatizationLink (www.privatizationlink.com), which provides information on upcoming privatization sales in developing countries, along with related legal and procedural information. These online services, established in the mid-1990s, currently catalog over 11,000 investment information resources from the World Bank Group, International Monetary Fund, and more than 600 other public and private sources.

MIGA-Backed Project Wins Award

Project Finance Magazine, a monthly trade journal published by Euromoney Publications PLC, has named the Manila North Tollways Corporation project the “Asia-Pacific Transport Deal of the Year 2001.” The $371 million project to reconstruct the North Luzon Expressway, Southeast Asia’s oldest toll road and a key artery, “marks a considerable benchmark for transport financing in Asia,” the magazine reported in its February 2002 issue. The project involves the construction and rehabilitation of 14 interchanges, 24 bridges and 31 overpasses, as well as installation of electronic toll collection equipment.

MIGA issued guarantees totaling $67 million last year to cover the investment. Also participating in the project are the International Finance Corporation, the Asian Development Bank, the Export Finance and Insurance Corporation of Australia, and COFACE, France’s foreign investment insurance agency. “The path to financial close in July 2001 overcame substantial obstacles in the form of the Asian financial crisis and political upheaval in the Philippines,” the magazine reported. “Despite these, a successful structure was put together capable of mitigating risk and wooing international lenders.”
MIGA Reaches Out to Insurers for Projects in Africa

French insurance brokerage firm Gras Savoye gathered senior staff from 12 Francophone African countries in early February for a special one-day meeting to review the World Bank Group’s guarantee products and investment marketing services. The briefing was held in Libreville, Gabon.

Speaking at the meeting, MIGA’s Director for Europe and Africa, Christophe Bellinger, said that given MIGA’s small size, “we have relied on insurance brokers to market our political risk insurance products, and with Africa being one of our priorities, it is logical that we work with an organization like Gras Savoye that is already well-established on the continent.”

“Gras Savoye’s presence in so many countries in Africa gives it an edge when it comes to winning over investors that may hesitate to invest in an African country because of real or perceived political risks,” Bellinger said, adding that many investors are unaware of the products available to mitigate some of these risks.

“Gras Savoye is committed to providing its clients with a complete range of insurance products for their investments into Africa, and within African countries,” said Gras Savoye’s President, Patrick Lucas, who attended the meetings. “That is why we have invested the resources that we have on the continent.”

Jean-Marc de Bournonville, Gras Savoye’s Managing Director, noted that his company is receiving a growing number of requests from clients, both in Europe and in Africa, to provide different political risk insurance products.

“Following world political and economic events, these are becoming increasingly difficult to find. MIGA’s political risk insurance products can respond to some of our clients’ needs,” de Bournonville said.

Spotlight on Africa

NEW PARTNERSHIP TARGETS FLOWS OF FOREIGN DIRECT INVESTMENT INTO AFRICA

MIGA recently received $1.7 million in funding to encourage investors to locate operations in Africa to take advantage of two special trade accords—the African Growth and Opportunities Act (AGOA) and the Lome/Cotonou Agreement—which provide privileged trade access to US and European markets for a wide range of products originating from Africa. The Swiss government is co-funding the three-year MIGA undertaking.

The groundbreaking trade agreements, both signed in 2000, are open to 35 and 50 African countries respectively, and are expected to encourage exports from Africa, particularly in the apparel, textiles, and agribusiness sectors.

The MIGA-Swiss Africa initiative plans to use the agreements as a springboard for spurring investor interest in Africa, focusing initially on four countries: Ghana, Mozambique, Senegal, and Tanzania. MIGA will work with a wide range of public and private sector entities in these target countries to enhance their capacity to identify and target potential investors and facilitate the investment. If successful, the project will be extended to other sub-Saharan countries that could benefit from the privileged trade access, to foster both foreign direct and local business investment to serve global and regional markets.

“Utilizing privileged trade access agreements to catalyze investment into developing countries by targeting firms that could benefit from producing in Africa is a new approach for MIGA, and has high potential to yield tangible results,” says Karin Millett, MIGA’s Director of Investment Marketing Services.

Building the long-term capacity of local players is a key program objective. As such, the initiative will design and implement a targeted investment outreach program, drawing on the best international expertise available to help local investment promotion agencies and other intermediaries:

- Identify industry sectors offering strong investment opportunities to service regional and international markets.
- Effectively profile these industry opportunities as potential investment areas.
- Design and implement effective targeted outreach programs for these industries and other investment opportunities with potential to attract foreign investment.
- Facilitate investments and provide post-investment follow-up.
- Design and implement effective supplier and investment linkage programs to local business.
- Extend the capacity-building support offered by MIGA and other international and donor agencies.

Managed from headquarters, the MIGA-Swiss Africa initiative will be supported by MIGA’s new sub-Saharan Africa office, benefit from the agency’s investment guarantee services, and be implemented in close cooperation with the World Bank Group and other donor organizations supporting private sector development in these countries.

Hold the Date!

OCTOBER 25, 2002

THIS YEAR’S THEME:
“The Brave New World of Political Risk Insurance”

The 3rd MIGA-Georgetown University Symposium on Political Risk Management will be held in Washington on Friday, October 25, 2002.

For more information, contact Keith Martin at 202.473.2815, kmartin@worldbank.org.
AGENCY GETS OVERHAUL

MIGA recently underwent a structural reorganization to help strengthen its efficiency, clarity, and accountability in key areas of operation, including underwriting, risk management, policy coordination, and corporate relations. The changes are built on the findings of an internal review and a desire to strengthen client and regional focus.

Chief among the changes is the reorganization of the agency’s Guarantees (now Underwriting Operations) Department, headed by Vice President Roger Pruneau. The department’s underwriting function has been divided into two “super” regions—Africa, Asia, and the Middle East, and Latin America, Europe, and Central Asia. Sectoral centers of expertise within these two regional groups will ensure that infrastructure, telecom, oil, gas, and mining transactions are processed according to regional goals. (See matrix on left for contact information.)

The underwriting function will also encompass a business and product development team, focused on raising awareness of MIGA’s products among regional institutions, partners, and key clients. And a new operational strategy unit will guide, monitor, and support the department’s day-to-day activities.

Field offices, reporting to the Underwriting Operations Department, will continue to support both the agency’s underwriting and investment marketing services. Staff are as follows:

- Philippe Valahu
  Regional manager and head of infrastructure, oil and gas
  pvalahu@worldbank.org
t  202.473.8043

- Mansour Kane
  Regional manager and head of finance, agribusiness, manufacturing, services, and mining
  mkane2@worldbank.org
t  202.458.0667

- Patricia Veevers-Carter
  Regional manager and head of infrastructure, oil and gas, and mining
  pveeverscarter@worldbank.org
t  202.473.0600

- Peter Jones
  Regional manager and head of finance, manufacturing, agribusinesses, and services
  pjones1@worldbank.org
t  202.458.0443

Note: Jones will continue to manage syndications and reinsurance for the Underwriting Operations Department.

In a move to strengthen risk management processes, the agency’s country and portfolio risk analysis functions have been grouped under a Finance and Risk Management Department. Taking the helm of this unit on March 1, 2002, was Amédée Prouvost (aprouvost@worldbank.org). (See box for more.)

Other changes include the centralization of a Policy and Environment Department (managed by Gerald West, gwest1@worldbank.org), the creation of an independent Operations Evaluation Unit, and the formation of a Corporate Relations Unit (headed by Monia Varkie, mvarkie@worldbank.org).

AMÉDÉE PROUVOST took up the post of Director, Finance and Chief Financial Officer for MIGA on March 1, 2002. Prouvost, a French national, joined the World Bank Group in 1984. He served in a variety of functions in the Treasury Department, ranging from investment officer to financial representative in Europe. Prouvost joined the bank’s Resource Mobilization Department in 1996, where he worked on the financial management of the International Development Association and Heavily Indebted Poor Countries Initiative, among others. Prouvost was appointed Manager, Finance in February 2000. He holds a graduate degree in economics and statistics from Ecole Nationale de la Statistique et de l’Administration Economique, a post-graduate degree in monetary economics from University of Paris Dauphine, and an MBA from Wharton.
Turkey Home to New Manufacturing Plant

Ingersoll-Rand European Holding Company, BV, of the Netherlands recently received $22.5 million in guarantee coverage from MIGA for its investment in a plant to manufacture safety and security devices in Duzce, Turkey. The project will upgrade and modernize an existing facility to produce such wares as door locks, cylinders, panic devices, and safes. The coverage protects the investment against the risks of transfer restriction, expropriation, and war and civil disturbance.

In a country grappling with the aftereffects of an economic crisis as well as a devastating earthquake, the project is expected to make a solid, positive mark across many fronts. Perhaps the most important development benefit is the rehiring of some 600 employees who lost their jobs when a currency devaluation forced the existing plant to halt operations. In addition, as a bonus to a region beleaguered by high unemployment, the company plans to hire nearly 200 more staff once fully operational. Staff will receive on- and offsite training. Various social services will be provided, including free transportation to and from the facility, meals, and an onsite health service staffed by a doctor. Project plans also call for a new air exhaust system as well as a wastewater treatment unit, and for the local procurement of production inputs.

MIGA’s involvement was considered critical, given that the project marks the company’s first foray into the Turkish market. The agency’s support is also helping to restore investor confidence, which is vital for the country’s economic recovery.

Ukrainian Bank Gets MIGA-Backed Cash Infusion

JSCB Raiffeisenbank Ukraine, a three-year old bank based in Kiev, recently received a $20 million shareholder loan from Raiffeisen Zentralbank Osterreich AG to expand operations. Covering 95 percent of the loan was MIGA, which offered protection against the risks of transfer restriction and expropriation of funds. The project is part of an overall World Bank-Ukrainian country strategy that lists private sector development among its primary goals.

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 continue lending to customers in these sectors, as well as provide funds to finance privatizations and small and medium-size enterprises. The bank also specializes in preexport finance and, as such, should help stimulate Ukrainian exports. The country’s financial sector should also get a boost through the project’s provision of funds for short- and medium-term lending. The bank, which follows the parent company’s corporate governance standards, is expected to have a positive effect on other banks. The company plans to add another 50 staff members to its 110-plus strong workforce over the next five years. It will provide staff with ongoing training, both on- and offsite.

PHOTOS | Ukraine
CREDIT | Jan Pakulski/World Bank
Afghanistan and Iran sign the Convention, " I am very pleased to have both Afghanistan and Iran sign the Convention," said Ikawa. "It will be very important to speed up the ratification process in the months ahead so that both countries can become full members of MIGA and so we can respond to their urgent needs."

Iranian businesses that want to invest abroad, to take their business to Iran, as well as help its private sector to invest in a country, and we welcome that," Amin-Arsala said. "Afghanistan welcomes external investment and promotes an environment that is conducive to foreign investors. MIGA encourages the private sector to invest in a country, and so we can respond to their urgent needs."

"There has been a lot of progress made on financial, foreign exchange, privatization, and other reforms, which are conducive to foreign investment," Khazaee said. "But because of perceptions of risk, MIGA can encourage investors to take their business to Iran, as well as help Iranian businesses that want to invest abroad."

"From any angle, joining MIGA is a benefit to Iran."

MEMBERSHIP, from p. 1

investing in Afghanistan. "MIGA can bridge the gap between investors' concerns and the country's desire to attract good investors to help reconstruct the economy," Ikawa said. "MIGA is currently investigating the possibility of mobilizing donor money to set up a trust fund for guarantees. "This will enable us to leverage our own resources, since Afghanistan is bound to be a high-risk country," Ikawa noted. "Hopefully this will allow us to be more flexible in the types of deals and transactions we'll be able to support."

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