Multilateral Investment Guarantee Agency
World Bank Group

miga news

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PROJECT HOMES IN ON Water Services for ECUADOR'S POOR

MIGA INSURES FIRST PERFORMANCE BOND

Residents of Guayaquil, Ecuador, are no strangers to the problems that can affect access to water services. For some, taking a sip of water isn't always as easy as turning on a spigot, and the sound of a rumbling truck could mean that water is being delivered.

These citizens moved one step closer to safer, cheaper water with the March 2001 signing of a MIGA guarantee that offers protection for an investment to rehabilitate and expand Guayaquil's municipal water services. The deal also marks the first time the agency has guaranteed a performance bond.

THE DEAL

The $18 million guarantee—against the risks of expropriation and war and civil disturbance—covers an investment by International Water Services (Guayaquil) BV of the Netherlands in an Ecuadorian subsidiary to privatize potable and sanitary water services in Guayaquil. It also covers 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.

"We're always looking for new products and services to be more responsive to our clients," says Angela Marcarino Paris, who led the project underwriting team. "In this case, we felt that since the bond money is tied up for 10 years, it's very similar to any other corporate asset and we could therefore cover it." The guarantee protects against the wrongful call of the bond.

What makes the deal even more exciting, Paris says, is that it's also the first time MIGA has guaranteed a water project.

THE PLACE

Guayaquil is considered the country's financial, commercial, and industrial hub. About two million inhabitants, roughly 18 percent of Ecuador's population, call the city home. During a 20-year period, Guayaquil's population doubled, putting a serious strain on existing infrastructure, as well as on basic service providers. Poor areas have been left with little access to potable water and deficient sanitary conditions.

THE PROJECT

At the time of privatization, the water utility collected about 50 percent of the amount billed and could not provide service with sufficient pressure to at least one-third of those connected. The company is now working to upgrade services and operating performance by reducing unaccounted-for water and increasing cash collection. The concession agreement calls for tariff increases to be linked to pre-determined improvements in the quality of water and service, as well as increases in the number of potable water and sewage connections (by about 30 percent and 40 percent respectively).

By expanding the provision of water and wastewater services, particularly to lower-income parts of the city, "the new operator will not only help improve health and living conditions for the local population, but also reduce the cost of water to this particular constituency," says Philippe Valahu, manager of MIGA's infrastructure unit. That's because water is currently distributed to poor areas by truck, at a high cost.

"The bottom line here is that the project enterprise gets the coverage it needs, more people get better-quality, cheaper water, and the environment is protected," Valahu says.

For more information, contact Philippe Valahu at pvalahu@worldbank.org, or Angela Marcarino Paris at aparis@worldbank.org.

Four MIGA-Backed Deals Win Major Awards

AND THE WINNERS ARE...

Industry experts recently showered top kudos on four MIGA-guaranteed projects that left the crowd behind when it came to complexity and innovation.

TELECOMS IN BRAZIL

Receiving four awards was the $1.7 billion refinancing of Brazilian mobile telecommunications company BCP in the region's largest telecom deal to date. The transaction involved a diverse group of actors, including export credit agencies, commercial banks, and public and private insurers.

See AWARDS, p. 10

Meet the Infrastructure Team

You have a road, a bridge, a water system to build. Equipment is coming in from a number of countries, debt from a handful of commercial banks and multilateral agencies. It's a complex deal. On top of that, you're not sure if your investment is going to be safe from political risks. Who can help you put all the pieces into place?

Allow us to introduce MIGA's infrastructure team: Philippe Valahu, Angela Marcarino Paris, and Khaled Alkhattaf. These are the innovators, who together with a team of country, legal, and environmental experts, put together the groundbreaking Ecuadorian water deal that keeps MIGA firmly ensconced in the political risk insurance vanguard. (See feature story on page 1.)

Six-year MIGA veteran, Valahu, and team lay claim to a history of client-focused innovation. "It's really all about what the client wants. If that means developing new products that go to the heart of an investor's needs, then we're here to make that happen," says Valahu.

Belgian-born Valahu left a DC-based project finance consulting firm in 1994 to join MIGA as an underwriter, concentrating mainly on the agency's activities in Latin America. Over the next three years, he covered projects in an array of sectors, and played a role in the development of MIGA's Cooperative Underwriting Program. Valahu moved up the professional ladder with his 1997 appointment as regional manager of the Asia and Pacific region, and again when he was named manager for infrastructure two years ago. He and his team are currently looking at a facility to streamline the underwriting process for complex, multi-country projects, as well as other new products. He holds an MA from The American University and an MBA from George Washington University. He can be reached at pvalahu@worldbank.org.

Carrying on the innovative streak is underwriter Angela Marcarino Paris, who joined MIGA's infrastructure team in 1999 after five years as a senior loan and credit officer with the European Investment Bank. Prior to that, the Italian-born Paris was vice president and senior analyst in the corporate department of Moody's Investors Service, Inc. Her background gives her a unique edge in anticipating client needs and responding in ways that make a difference. "Our expertise helps us understand the issues investors are likely to encounter, and that perspective enables us to anticipate their needs and develop solutions accordingly. We speak the same language," she says. Paris received an MBA from the European School of Management, and a BA from the University of London. She can be reached at aparis@worldbank.org.

Khaled Alkhattaf, a Saudi national, joined the twosome as an underwriter in March 2000. Alkhattaf brought with him six years of experience in the banking department of the Saudi Arabian Monetary Agency. "MIGA is really singular in that it pulls together staff experts from across the agency to deliver the best possible service. I'm proud to be a member of such an extraordinary team," he says. Alkhattaf holds an MS in finance and one in accounting from the University of Colorado, and is also a Certified Public Accountant. He can be reached at kalkhattaf@worldbank.org.

Rounding out the team is Cheena Trikha, set to join MIGA as an underwriter in April 2001. Trikha, an Indian national, comes to the agency from HypoVereinsbank, where she was a director. She also brings four years' experience as an investment officer in the World Bank's International Finance Corporation. Before that, she was an assistant vice president at Paribas Bank. Trikha received an MA from the University of Delhi and an MBA from the Graduate School of Business Administration at the University of Rochester.

AGENCY LAUNCHES

Investment Promotion Toolkit

'A-Z' GUIDE AIMS TO EMPOWER NATIONAL INITIATIVES

Attracting and winning foreign investment is a formidable challenge for many emerging economies. Now proven solutions to help countries devise and implement investment promotion strategies are available in one easy-to-use resource—MIGA's Investment Promotion Toolkit, the first comprehensive compilation of international best practices in investment promotion.

"Countries are looking for practical support in their efforts to target and service investors," says Cecilia Sager, senior investment promotion adviser. "We designed the toolkit to support national initiatives to attract and retain foreign direct investment, using first-hand insights gained during our 12 years of investment experience in over 150 countries."

Sager describes the toolkit as a desktop reference for those seeking information on investment trends, site selection factors, strategy development, image building in the international business community, generating and targeting investment opportunities, and more. "Basically, it's an A-Z guide on how to attract investment," Sager says.

The new resource underlies MIGA's technical assistance services, and serves as a valuable reference tool for sustaining investment initiatives after completion of MIGA's formal capacity-building work. It's designed for use by a broad range of investment intermediaries, including investment promotion agencies, consulting firms, sectoral ministries, international development agencies, and economic development organizations at the national, state, and local levels.

THE TOOLKIT TEAM | From left, Mihir Desai, Cecilia Sager, Karen Millett, Damien Shiels, and Shantal Persaud. Team members not appearing in photograph include David Bridgman, Anja Robakowski-Van Stralen, and Lena Wilson.

The toolkit is already drawing praise from practitioners. It's "an invaluable compilation of advice which will enable developing and emerging economies to apply the techniques which will bring them success in attracting foreign direct investment," says John Hanna, with London-based International Economic Promotion and Business Development.

George Tabakov, President of Bulgaria's Foreign Investment Agency, agrees: "The toolkit is the most comprehensive guide to best practice in investment promotion that we have encountered. It draws on examples of successful tools and techniques from around the world."

Bank staff can order the toolkit online for $75 through the World Bank's Office of the Publisher (www-ext.worldbank.org/pubs/cart.asp? StockNo=14933). Toolkits are available to the general public at a cost of $600, and are being made available to clients in MIGA's developing member countries on a concessionary basis. For more information and updates to the toolkit, visit www.ipanet.net—MIGA's Investment Promotion Network.

Agency to Partner with Pricewaterhouse Coopers Deutsche Revision

AGREEMENT TO ENCOURAGE GERMAN INVESTMENT INTO DEVELOPING COUNTRIES

MIGA and Pricewaterhouse Coopers Deutsche Revision (PwC), Germany's national investment insurer, announced an agreement in February to work together to promote foreign direct investment into developing countries.

The groups signed a Memorandum of Understanding outlining plans to coinsure projects by German investors. The agreement, the first between the two organizations, formalizes collaboration begun in 1999 when the two coinsured a Russian banking project.

"This is an important step in our efforts to reach out to public and private sector agencies to meet clients' investment needs," said MIGA's Executive Vice President, Motomichi Ikawa. "We expect this partnership to play a strong role in increasing investor awareness of the many opportunities that exist in developing countries."

"We believe this collaboration will go a long way in increasing the capacity of the political risk insurance market to provide coverage to the German investment community," said PwC Senior Manager, Rainer Wietstock. "We look forward to working with MIGA on identifying possible opportunities and projects for joint coverage."

MIGA has signed similar cooperation agreements with 18 organizations in other countries.

RUSSIA Asks MIGA to Extend Technical Assistance

Breathing new life into MIGA's work in Russia, government officials have asked the agency to extend its program, set to end in December 2001, to help market privatization opportunities in the country. The move follows the country's approval of new privatization legislation that should put a large number of state companies on the auction block over the next few years.

The centerpiece of MIGA's assistance, PrivatizationLink Russia, is an English- and Russian-language website that provides free, instant access to business profiles of state-owned companies and assets currently for sale in the Russian Federation. Also featured are details on the laws, regulations, and procedures governing these transactions. "This is where we'll be focusing our resources in the coming months," says Stephan Dreyhaupt, the MIGA task manager who oversees the project.

The website (russia.privatizationlink.com) was launched last summer with the goal of making privatization in Russia more transparent and accessible to investors around the world. The service was developed by MIGA in partnership with the Canadian International Development Agency (CIDA) and the Ministry of Property. CIDA has agreed to extend funding until the end of December 2001.

"PrivatizationLink Russia is tangible evidence of the fact that the privatization process in Russia has opened up and that Russia is ready to create a comfortable environment for investors," according to Deputy Minister of Property Relations and State Secretary Sergei Molozhavyi. It is "particularly timely in light of new privatization legislation and Russia's plans to introduce improved privatization models."

One of the key goals of the continued assistance is to synchronize MIGA's database with that of the Russian Ministry of Property Relations, automate data uploads, and transfer responsibility and ownership for the website over to the ministry. "The idea isn't to do their job, but to help them market opportunities. By extending our involvement, we hope to build a more sustainable information dissemination process," Dreyhaupt adds.

PrivatizationLink Russia is a specialized facility within PrivatizationLink (www.privatizationlink.com), an Internet-based information service for firms seeking to invest in privatized enterprises within the world's emerging economies. Launched by MIGA's Investment Marketing Services Department in June 1998, PrivatizationLink now covers over 50 countries in Central and Eastern Europe, Central Asia and sub-Saharan Africa, and is expanding to other regions.

Guarantees ISSUED second 2001 quarter

Guarantee holder	Investor country	Host country	Sector	Gross exposure (US$M)	
Citibank, NA	USA	Brazil	Power	23	
France Cables Et Radio Vietnam Pte Ltd.	Singapore	Vietnam	Telecom	10	
Coastal Aruba Investor NV	Netherlands	Dominican Republic	Oil and gas	4	
BNP Paribas	France	Mozambique	Finance	5	
Marioboselli Yarns SpA	Italy	Slovak Republic	Manufacturing	0.7	
The Coastal Corporation	USA	Dominican Republic	Oil and gas	20	*
Kemira Danmark A/S	Denmark	Jordan	Manufacturing	39	*
ITOCHU Corporation and Mitsubishi Corporation	Japan	Brazil	Oil and gas	12	
Dresdner Bank Lateinamerika Aktiengesellschaft	Germany	Argentina	Services	4	
Hamburger Hafen-und Lagerhaus Aktiengesellschaft	Germany	Argentina	Services	0.4	
Banco Santander Central Hispano SA	Spain	Argentina	Finance	48	
Deutsche Bank AG New York Branch	Germany	Brazil	Oil and gas	60	

* Represents two contracts.

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FULFILLING the Potential of West Africa

TRIP HIGHLIGHTS FINANCING GAP

Investment needs to be stepped up for West Africa to develop its full potential. That was the key message coming out of a recent trip that brought MIGA staff and regional leaders together to talk about how the agency can help attract investment to bring about lasting, positive benefits.

During the visit to Mali and Senegal, Vice President for Guarantees Roger Pruneau and team listened to scores of high-level government officials and business representatives discuss local investment priorities and challenges. The MIGA team was accompanied by World Bank Group Executive Director Bassary Touré and Assistant to the Executive Director Frank Douamba. In addition to the consultation, the group visited project sites sponsored by MIGA and the International Finance Corporation to get a first-hand look at the business operating and investment environment.

"The one message that came across loud and clear was that there's an emerging business community that's ready to scale up," says Pruneau. "The challenge is to get foreign investors and local businesses together to take things to the next level, which is where MIGA can help."

The visit came on the heels of a historic joint trip to Africa by the heads of the World Bank and International Monetary Fund, who—following up on a promise to place Africa at the center of their institutions' activities—heard Africa's leaders explain their vision of how to accelerate growth, reduce poverty, and position the region to benefit from globalization.

The MIGA trip was organized around a series of meetings and seminars that highlighted the huge potential of particular sectors, such as hydro power, agriculture, infrastructure, tourism, and minerals. "There tends to be a heavy dependence on one or two sectors in these countries," says Pruneau. "Our goal is to help them realize the untapped potential of additional sectors and use investment as a catalyst for poverty reduction."

No stranger to the region, MIGA has had a field presence in West and Southern Africa since 1998, when it launched its Promote Africa initiative. Under the program, field-based staff help regional governments reach out to potential investors in a wide range of sectors. The three-year program has played an important role in forging relationships between Asian and African companies, primarily through sponsorship of the first Africa-Asia Business Forum, held in 1999 in coordination with the United Nations Development Program. MIGA recently began working with Senegal's investment promotion agency, APIX, to help the country draw in foreign investment.

Since 1988, MIGA has issued 71 guarantees for projects in Africa, totaling $711 million in gross coverage, or 12 percent of the agency's portfolio. Twenty percent of MIGA's business was conducted in Africa last year.

For more information about MIGA in Africa, contact William Dadzie at kdadzie@worldbank.org, Natalie Larionov at nlarionov@worldbank.org, or Ken Kwaku (Promote Africa) at kkwaku@worldbank.org.

PHOTOS | Top: Women washing clothes on the banks of the Niger River in Segou, Mali. MIGA-supported projects in Africa typically convey many development benefits, including access to clean, running water at no cost. Center: From left, Roger Pruneau, MIGA, Mamadou Sidibé, director general of "Somapil," William Dadzie, MIGA, Mossadeck Bally, president of the West Africa Enterprise Network, and Bakary Camara, director general of Safcar Cecar and Jutheau, visiting a small, locally owned kitchenware factory in Bamako, Mali. Bottom: Pruneau (right), with local staff from the International Finance Corporation and technical engineers, on site at Ciments du Sahel, an IFC-financed project in Dakar, Sénégal.

TRAINING HIGHLIGHTS

Best Practices in Political Risk Insurance

Fourteen representatives from export credit agencies and development finance institutions around the world gathered at MIGA headquarters for three days in March to learn how the agency underwrites projects and how it can work with them to expand the capacity of the political risk insurance industry.

The orientation featured talks from Vice President for Guarantees Roger Pruneau, VP and General Counsel Luis Dodero, and a handful of other agency staff. Discussions focused on the underwriting process, country risk analysis, contract preparation, and cooperation with other public and private insurers. Participants also heard case studies on the agency's breakthrough coverage of a securitization deal in Brazil and its innovative work on infrastructure projects.

"We offer this training twice a year because we want to promote best practices in political risk insurance and exchange information about underwriting techniques," said agency head Motomichi Ikawa, who took the opportunity to meet informally with attendees. "We also use the training as a platform for fostering future cooperation and creating a network of practitioners."

Attending the event were investment and export specialists from Denmark's export credit fund (EKF), the Thai Exim Bank, Austria's finance and guarantee agency (FGG), Italy's development finance agency (SIMEST), the Latin American Export Bank (BLADEX) of Panama, and Banco Santander.

"There aren't too many places to get information on best practices in political risk underwriting. This training provided a very useful service in that regard," said Francesco Tilli, senior credit specialist at SIMEST, who attended the event. "A better understanding of MIGA products and services will also help foster better cooperation between our agencies."

MIGA and SIMEST recently worked together on a new project in Slovakia one year after they signed a Memorandum of Understanding to jointly promote foreign direct investment into developing economies.

"This is a really good example of what we can achieve with all our partners—taking an agreement to collaborate from notion to practice," added Pruneau.

PHOTOS | Federica dal Bono (top), event organizer, opens the training program held in Washington, DC, in March 2001. Nabil Fawaz, guarantees underwriter, talks about the agency's telecom, oil and gas, and mining portfolio during a previous orientation.

MIGA and Nicaragua

Team up

ON INVESTMENT PROMOTION

Nicaragua, a nation emerging from the shadow of civil war and the devastating impact of Hurricane Mitch, is setting its sights on the private sector to help jumpstart economic growth. But attracting and winning investment requires more than just a desire to do so; it requires the capacity. And that's where MIGA comes in.

Nicaragua recently joined the ever-growing list of countries to ask MIGA to help it strengthen its investment promotion agency, the Center for Exports and Investments (CEI). As one of Central America's lowest recipients of foreign direct investment, Nicaragua already knew that changes had to be made in its investment environment for it to compete effectively with the rest of the region. But on top of that, the center has found itself facing severe capacity problems following reorganization and budget cuts.

"Once we got the formal request, we designed a technical assistance program to be implemented over a two-year period and worked to obtain the funding required," says Rodrigo Ortiz, a senior investment promotion adviser. "Our goal is to make sure the center is a sustainable institution capable of promoting Nicaragua as a competitive location for foreign investors."

Ortiz and project task manager Damien Shiels worked closely with government representatives and a World Bank specialist on private sector development to create the program. So closely, in fact, that the project is being funded in part through a World Bank Learning and Innovation Loan approved in January 2001. Nicaragua's Congress is expected to ratify the loan later this spring.

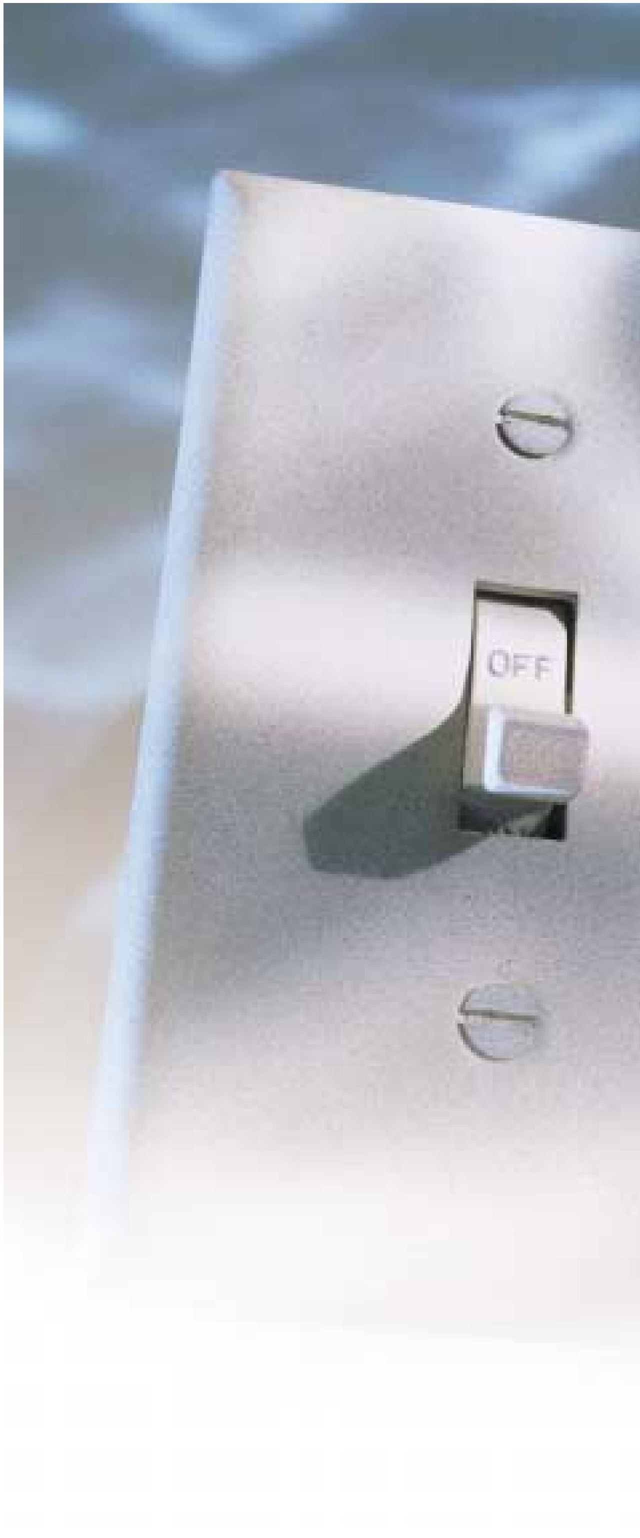
The program plans, among other things, to develop and implement an investment promotion strategy, investor targeting and contact management systems, an Internet presence, and promotional missions and materials. Together, the center and MIGA will undertake studies focusing on the apparel, electronics assembly, and tourism sectors, with a view to identifying Nicaragua's comparative advantages in these sectors and using this information to target possible investors.

And it shouldn't be much of a hard sell. A recent change in the Caribbean Basin Initiative has opened the door into the US market a little wider for certain apparel goods manufactured in the region. "This duty-free access is motivating Asian and North American apparel and textile manufacturers to look at Nicaragua as a new manufacturing and export platform with which to produce and export for the US market," says Shiels. In addition, since Nicaragua has one of the lowest per capita incomes in the region, it will be one of the few countries in the region still able to offer investors income tax incentives after January 2003, the cutoff date for compliance with World Trade Organization requirements.

"The end result should be an increase in flows of foreign direct investment into the country," says Shiels, "generating jobs and helping the country meet its export goals."

For more information on the program, contact Damien Shiels, dshiels@worldbank.org, or Rodrigo Ortiz, rortiz@worldbank.org.

MIGA Issues 500th Guarantee



PROJECT TO HELP IMPROVE POWER SERVICE IN MOLDOVA

In March 2001, MIGA announced the issuance of its 500th guarantee for an investment in a developing country.

"This symbolizes our unflagging commitment to reducing poverty by facilitating foreign direct investment into the world's developing economies, which are often ignored by investors," says MIGA's Executive Vice President, Motomichi Ikawa. Since its inception, MIGA has provided over $7.7 billion in guarantees, covering investment projects in 76 developing countries. Cumulative FDI facilitated by guarantees is estimated at nearly $39 billion.

The new $61 million guarantee will protect investments in the upgrading of three newly privatized electricity companies in Moldova. The project is expected to help reduce power shortfalls and blackouts that until recently disrupted service delivery up to eight hours a day in some parts of the Eastern European country.

The guarantee, MIGA's second for a project in Moldova, covers part of an investment by Unión Fenosa Internacional SA, of Spain, which bought the electricity distribution companies from the government in February 2000. The purchase was part of an energy sector overhaul engineered by the World Bank and the Moldavian government to help revive the economy in a country where over half the population lives on less than one dollar a day. The guarantee offers protection against political risks.

The project's chief thrust is to reduce technical and commercial energy losses—resulting mainly from poorly maintained equipment and low levels of bill collection—that have made the companies financially unsustainable and led to unreliable power supply. Investments will focus on metering, a state-of-the-art customer management and billing system, and infrastructure improvements. Carbon dioxide emissions are expected to decrease by 30,000 tons a year.

"We think this project will have a strong impact on the lives of Moldavians, and will be an important component in Moldova's efforts to reform its energy sector," says MIGA's Vice President of Guarantees, Roger Pruneau. "This project should also send a positive signal and serve as a model for other investors."

The International Finance Corporation of the World Bank Group and the European Bank for Reconstruction and Development are both lending $25 million to the project.

JORDANJORDANJORDANJORDANJORDANJORDANJORDANJORDAN

Jordan

Gets First MIGA Guarantee

A new MIGA-supported project is on track to begin producing fertilizer and animal feed in Aqaba, Jordan, marking the agency's first coverage for a project in that country.

The $40 million MIGA guarantee will protect an investment by Kemira Danmark A/S of Denmark in the Kemira Arab Potash Company. The coverage is for two shareholder counter-guaranties provided to its affiliate company, Kemira Agro Oy of Finland, for guaranties to the project financiers. MIGA is protecting the investment against non-commercial risks.

"This project is significant in a lot of ways, not least of which is the collaboration between numerous parties from many countries," said Roger Pruneau, vice president for guarantees. "As our first project in Jordan, it also underscores our intent to play an increasing role in the region."

Another important first is that the contract is being reinsured with Finnvera, Finland's investment insurance agency. The collaboration is the result of an October 2000 agreement between the two agencies to work together to coinsure and reinsure projects, with the goal of increasing Finnish investment into emerging economies.

The project consists of the construction of a new plant to produce and export a specialty fertilizer and an animal feed supplement. Minerals from the Dead Sea and Eshidia region will provide the primary product input. The project enterprise plans to export annually 150,000 tons of potassium nitrate (fertilizer) and 75,000 tons of di-calcium phosphate (feed supplement).

MIGA expects the project to have a solid impact on local and national development.

Locally, the investment should lead to about 140 permanent jobs, with an estimated 400 people to be employed during project construction. Some $20 million in project inputs should be procured locally. Also expected are extensive technology transfers, staff training, and social benefits, such as medical services and housing loans.

At the national level, the project will export an average of about $65 million in fertilizer and feed supplement when fully operational, and will also supply fertilizer to the local market.

Agency Gets a

Makeover

The Multilateral Investment Guarantee Agency recently launched a new look, one that attempts to help brand the agency both visually and strategically.

In the new mark, an ocher sky rests atop a white arch, which represents the protection MIGA provides, as well as the global horizon of opportunities it opens up to foreign investors and developing countries. Supporting this are the MIGA initials, chiseled into a blue foundation.

"At MIGA, our mark embodies our corporate identity, our characteristics and attributes," says head of marketing, Moina Varkie. "These attributes—integrity, caring, strength—enhance our reputation as an organization that balances a successful, results-oriented business culture with a mission to make a positive impact on human lives in developing countries. It is very important for us to convey that message in all our promotional materials."

The makeover is being applied to all of the agency's print and electronic materials, "including this newsletter," says Varkie, who adds that the effort "is part of a comprehensive initiative to strengthen our impact and recognition value." In addition to its corporate brochure, now available in English and French, the agency is applying the look to a revamped website and a host of other communication tools.

PARISPARISPARISPARISPARISPARISPARISPARIS

PARIS OFFICE

Opens

The February 2001 launch of MIGA's new Paris office, located at 66, avenue d'Iéna, drew in some 140 investors and media representatives from Europe and beyond to hear about new frontiers in political risk insurance.

The new office is part of the agency's move to reach out to European investors to increase the level of foreign direct investment from the region into developing countries, particularly low-income African countries and Eastern Europe.

Joining Executive Vice President, Motomichi Ikawa, for the official kick-off were MIGA's Vice President of Guarantees, Roger Pruneau, and the new Director for the Europe office, Christophe Bellinger. They and other agency representatives held a series of get-togethers and a seminar with public officials and private companies from across the continent.

Other presenters included Torquil McLusky, with Lloyd's of London, Michel Scialom, with COFACE, France's national investment insurance agency, and Mark Northway, with Rabobank International.

For more information, contact Christophe Bellinger at cbellinger@worldbank.org, t. 33.1.40.69.32.75.

Major Awards

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The deal was named "Latin American Loan of the Year" by International Financing Review, "Latin American Telecoms Deal of the Year" and "Overall Americas Deal of the Year" by Project Finance magazine, and "Americas Telecoms Deal of the Year" by Project Finance International, all key industry publications.

Competition was steep, with International Financing Review interviewing hundreds of market participants to identify deals that were successfully executed under difficult market conditions or that broke new ground and serve as a model for other deals. For Project Finance, the process looked at those new projects that set the benchmark for the industry, while Project Finance International picked its winners based on factors such as number of groups involved, difficulty of investment environment, and complexity of insurance tranches.

"We chose BCP as the most interesting deal of the Americas due to the number of agencies that came together to get the credit done and the sheer size of the deal in Brazil," Nicole Gelinas, Project Finance International's editor of Latin America, told MIGA News.

Political risk insurance was the lynchpin that enabled BCP to extend its refinancing to five years, helping to reduce the company's exposure to short-term financing risk while removing the need to refinance every two years. "The PRI package was fundamental to achieving the sponsor's goal of lengthening the tenor for a substantial portion of BCP's debt capital," according to Project Finance.

MIGA's $230 million guarantee, its largest ever, was issued to a syndicate of lenders for part of the five-year non-shareholder loan. The loan represents part of the restructuring of an earlier $2 billion bridging loan. Five Lloyd's syndicates and three other insurers—AIG Global Trade and Political Risk, Export Development Corporation, and Overseas Private Investment Corporation—participated in the arrangement, which protects investors against the risks of transfer restriction and expropriation.

The project involves establishing and operating a cellular telecommunications network in the São Paulo metropolitan area under a 15-year renewable concession agreement. Some 18.5 million people are expected to benefit from the project.

OIL AND GAS IN BRAZIL

Taking home Project Finance's award for "Latin American Oil and Gas Deal of the Year" was Barracuda, a deep-sea oil and gas production project that is expected to bump up Brazil's oil production by about 18 percent and reduce the country's reliance on imports.

Political risk insurance for the $500 million project loan was provided by both MIGA and Japan's Ministry of International Trade and Industry (MITI). MIGA's $80 million guarantee covers an investment by Itochu Corporation, Mitsubishi Corporation, Deutsche Bank AG, and others in two deep-sea production facilities located off the coast of Rio de Janeiro state. The agency is offering additional coverage of up to $50 million through its Cooperative Underwriting Program. The guarantee covers the investment for up to 10 years against the risks of expropriation and transfer restriction.

The project entails the construction of floating production, storage, and offloading facilities in the Campos Basin, Brazil's largest proven offshore oil and gas reserve. The facilities will be owned by Barracuda-Carratinga Leasing BV, and operated and maintained by Petrobras, Brazil's national oil company. An estimated 3,000 jobs will be created during project construction. Other expected developmental benefits include social and educational programs implemented by Petrobras, such as free schooling and cultural programs.

"We're proud to have played a catalytic role in helping Brazil meet its growing energy requirements through the development of domestic resources," said Patricia Veevers-Carter, MIGA's manager for telecommunications, oil and gas, and mining.

MINING IN RUSSIA

The MIGA-sponsored Julietta mining project also got the nod from Project Finance, which named the undertaking "European Mining Deal of the Year."

The project, representing the first Russian mining deal to close in four years, received $26.2 million in political risk insurance from MIGA. The guarantee protects a $50 million underground gold and silver mining project in Magadan province by the New Arian Resources Corporation, Julietta's project company, against the risks of currency transfer restriction, expropriation, and war and civil disturbance. Through the agency's Cooperative Underwriting Program, Lloyd's of London insurer Brockbank Syndicate Management Ltd. will cover $10.1 million of the investment.

The project is expected to increase Russia's gold production by some 4 percent, yield substantial taxes for the host country, spur local business development, and create more than 250 jobs in an area that has seen a steep drop in mining output in recent years.

Financing was provided by Standard Bank London, HypoVereinsbank, and the World Bank's International Finance Corporation.

SECURITIZATION IN BRAZIL

And with the final ballots in, a MIGA-backed securitization deal picked up an award from Structured Finance International magazine, which named the transaction "Best Securitisation of Emerging Market Assets."

The award spotlights MIGA's innovative role in providing a $90 million guarantee to MSF Funding LLC, whose parent company, MSF Holding Ltd., provides loan and lease financing for the supply of diagnostic imaging and radiation therapy equipment to hospitals, doctors, and clinics throughout Latin America. MIGA proved key to improving the risk profile of the dollar-denominated, floating rate notes and to helping the investor secure the financing needed. This enabled the bond to be rated above Brazil's local and foreign currency ratings.

According to Moody's Investors Service, the ratings assigned "exceed the B2 Brazilian country ceiling because of the presence of the MIGA guarantee."

The deal marked several important firsts, including MIGA's maiden foray into capital markets coverage, as well as Brazil's first securitization of medical equipment receivables. "This really breaks new ground for financing in developing countries," said Peter Jones, who oversaw the guarantee for MIGA.

The magazine's second annual awards were determined, with one exception, by the results of a poll of participants in the world's securitization markets. "The results of the poll are a broad and objective survey of market opinion, and as such, a guide to what deals, innovations and trends have had the most impact during the year," says SFI Editor, Jon Hay. "The mere existence of a transaction is not enough to change a market—it also has to be recognised."

For more on the BCP, Barracuda, and Julietta deals, contact Patricia Veevers-Carter at pveeverscarter@worldbank.org. To find out more about the MSF funding, contact Peter Jones at pjones1@worldbank.org.

PHOTO | EVP Motomichi Ikawa

MIGA Should Follow 'Multi-Niche' *Path,* Study Finds

PROGRESS REVIEWED, STRATEGIC DIRECTIONS IDENTIFIED

A new review finds that MIGA needs to follow a "multi-niche" path to achieve the greatest developmental impact and continue to grow in an effective manner. The finding came out of MIGA Review 2000, a report on the agency's progress and future directions.

Between fiscal 1994 and 1999, MIGA grew and expanded significantly in almost every aspect of its work, the report says. Its guarantee program deepened substantially, characterized by financial growth, portfolio diversification, and an increased focus on developmental effectiveness. Technical assistance activities also shifted during the review period, with a strategic reorientation toward hands-on capacity building and cutting-edge use of the Internet to disseminate information. Legal advice and guidance proved key to resolving a number of potential disputes. And the number of member countries increased from 121 to 149.

"The political risk insurance market today recognizes MIGA as a unique and indispensable player," said the agency's chief Motomichi Ikawa. "The review clearly shows that we are making important inroads in helping our member countries develop the capacity to attract and retain foreign direct investment. Together, these activities have put us on a solid path toward developmental effectiveness."

MIGA used the review as a springboard to gauge emerging challenges in the areas of foreign direct investment and political risk insurance. As part of this, the agency conducted third-party surveys, interviews, and talks with market participants, and undertook analyses of sector trends. It found, for example, that the political risk insurance industry has been growing at a rate of 20-40 percent a year, and that private insurers serve about 50-60 percent of the market. Despite this growth, there is still considerable unmet demand for political risk insurance. Other issues include the varying capacity of investment promotion agencies and the increasing importance of capital markets.

Given these challenges, the review concluded that the agency follow a "multi-niche" strategy that focuses on investments not usually supported by other insurers, namely investments in IDA-eligible countries, particularly Africa, between developing countries, in small- and medium-sized enterprises, and in complex infrastructure. It also calls for broader partnership with public agencies and other insurers.

MIGA's Council of Governors approved the review at the World Bank/IMF Annual Meetings last Fall in Prague. "With this approval, MIGA looks forward to continuing to expand its operations in both guarantees and technical assistance," said Ikawa. "MIGA will continue to build on its cutting-edge technology and on collaborative relations, especially with private insurers, to ensure it complements their activities in the years to come."

The publication is available online in PDF format. Visit www.miga.org to download a copy. Published copies will be available in early April 2001. Contact Mary Ann Arouna, at maarouna@worldbank.org for more.

newpublications!

INVESTMENT INSURANCE AND DEVELOPMENT IMPACT

Fifty-two projects guaranteed by MIGA from fiscal 1991-96 generally met or exceeded their anticipated developmental impacts, according to a new review. The report, *Investment Insurance and Developmental Impacts: Evaluating MIGA's Experience*, finds that the projects evaluated facilitated $7.1 billion in investment—$1.3 billion more than expected—and directly created more than 15,500 jobs, often in areas of high unemployment or underemployment. Other important effects include increased tax revenues and exports, as well as training for local workers and environmental benefits.

The study is especially useful to readers seeking to better understand how private foreign direct investment can have positive effects on the development process. To order the publication, contact the World Bank InfoShop at 202.458.5454, email books@worldbank.org, or visit www.worldbank.org/html/pic/ and enter "14346" in the Search Catalog field to order online.

POLITICAL RISK MANAGEMENT

Transformations in the political risk insurance market in the 1990s resulted from changes in the broader insurance industry and from the rapid and complex expansion of foreign direct investment into emerging markets. Find out what happened and why in *International Political Risk Management: Exploring New Frontiers*, a new volume that pulls together the views and experiences from those who shaped the industry in the last decade. The publication draws from papers and commentary elicited at a MIGA-Georgetown University symposium held in April 2000.

The book is a valuable guide for those considering private sector investments and privatizations in the developing world, as well as for independent analysts and scholars in the field of political risk management. To order the publication, contact the World Bank InfoShop at (202) 458-5454, email books@worldbank.org, or visit www.worldbank.org/html/pic/ and enter "14834" in the Search Catalog field to order online.

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