
MIGA NEWS

Spring 1997

Table of Contents

Mid-Year FY97 Guarantees Growth
New Investment Guarantee Fund for Bosnia-Herzegovina
MIGA Guarantees Developing Country Investors
Outstanding Guarantees Portfolio by Sector
New Contracts of Guarantee Issued in FY1997
New Manager for IMS Department
Guarantees Department Reorganized: Asia Region
Asia Region Guarantee Officers

MID-YEAR FY97 GUARANTEES GROWTH:

Supporting Infrastructure and Small and Medium-Sized Enterprises

In the first two quarters of fiscal year 1997 (starting July 1, 1996), MIGA issued 21 guarantee contracts totaling US\$170 million in coverage for projects in 11 host countries. These projects will facilitate approximately US\$430 million in foreign investment and result in the creation of more than 1,000 jobs. Further, MIGA's investment marketing services directly benefited 33 developing member countries during the first part of FY97 and included an investor's forum on hotel and tourism development for the Andean Region, and investment promotion workshops for Central Asia and Tunisia.

MIGA-guaranteed investments in the first half of FY97 are in the infrastructure, manufacturing, tourism and banking sectors:

INFRASTRUCTURE

MIGA witnessed continued growth in the infrastructure sector in the first six months of FY97. The share of this sector in MIGA's portfolio has increased to 14 percent from only 4 percent in FY94. In FY97, almost a third of MIGA's issued guarantees coverage was for infrastructure investments.

Coastal Wuxi Power Ltd. of the Cayman Islands, a wholly-owned subsidiary of Coastal Corporation of the United States, has invested in a joint venture with two Chinese state-owned companies to develop, construct, and operate a 40-megawatt diesel power gas

turbine in the Jiangsu Province of China. Two MIGA insurance contracts, totaling US\$13.5 million, cover Coastal Wuxi's equity and loan investments against the risks of transfer restriction, expropriation, and war and civil disturbance. The project enterprise, Wuxi Huada Gas Turbine Electric Power Company, is created to alleviate shortage of peak-hour electrical supply in Wuxi City. Coastal will provide technical and managerial expertise to the project, and will employ and train local staff in power plant operation and maintenance.

New Investment Guarantee Fund for Bosnia-Herzegovina:

A European Union-MIGA Initiative

The European Commission and MIGA have established an Investment Guarantee Fund for Bosnia-Herzegovina, on February 7, 1997. The first of its kind, the Fund will follow the parameters of MIGA's guarantee program, and will be administered by the Agency in liaison with the Commission. The Fund will provide guarantees against medium-term, non-commercial risks for new cross-border investments in small and medium-sized enterprises in Bosnia-Herzegovina.

The purpose of the Fund is to bridge the gap between available short- and long-term guarantee programs, to stimulate private investment capital flows for reconstruction of the country and its reintegration in the world economy, and to increase MIGA's ability to issue guarantees in Bosnia-Herzegovina. The Commission has earmarked 10.5 million ECU for its administration; the Fund will be open to investors from the European Union and member countries of the Phare Programme, the Union's grant program supporting the economic transformation of central and eastern European countries.

Approval of the Fund will be sought at the meeting of MIGA's Board of Directors in March. A similar Fund for West Bank/Gaza is also being developed.

Interested investors are encouraged to submit a *Preliminary Application of Guarantee* to MIGA before a prospective investment is made or irrevocably committed. For further information, please contact Mr. Luis Dodero, Vice President and General Counsel of MIGA, at Tel: 202-473-4351 or Fax: 202-522-2640.

MIGA Guarantees Developing Country Investors

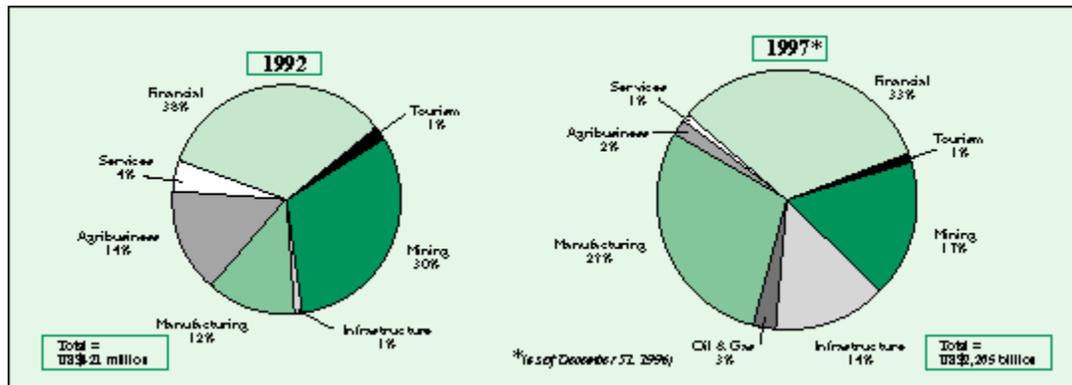
MIGA is unique among public investment insurers in its ability to insure foreign investments between developing member countries. In FY97, the Agency expanded its role in the promotion of cross-border investments between developing countries, by issuing coverage to a Turkish investor for its equity investment in Russia. Enka Holding Yatirim A.S., one of the largest Turkish construction companies, invested in the construction and operation of the Russian Cultural Center in Moscow. The complex, Moskva Krasnye Holmy, will be a multipurpose cultural and commercial center, comprising exposition centers, theaters and concert halls, office and retail areas, and a hotel. It will be majority-owned by Enka; other investors are the Russian Ministry of Culture, the Moscow Government Construction Department, and two minority Russian shareholders. A large portion of the equipment and material for construction and for ongoing maintenance will be purchased locally. MIGA's US\$17 million guarantee covers Enka against the risks of expropriation and war and civil disturbance.

Motorola, Inc. of the United States received a MIGA guarantee for its investment in the creation and operation of a wireless digital trunk communications system in Colombia. The project enterprise, Movilink S.A., will use advanced technology known as Integrated Dispatch Enhanced Network to offer paging and data transmission services. The wireless system will have a main switching office in Bogota and radio base cell sites throughout the country, serving about 60,000 mobile work groups and businesses in the next two years. The project will employ the services of local businesses supplying goods and services, including handset distributors, construction services, and contract labor. MIGA's US\$5million guarantee covers Motorola's US\$12.6 million equity investment against the risks of transfer restriction, expropriation, and war and civil disturbance.

In Jamaica, MIGA further expanded its involvement in the power sector by insuring *McDonnell Douglas Finance Corporation* of the United States for its loan to Jamaica Energy Partners, a 74-megawatt barge-mounted diesel power plant located in Old Harbour, Kingston. MIGA's US\$14.4 million guarantee contract covers McDonnell's loan against the risks of transfer restriction, expropriation, and war and civil disturbance. (In FY96, MIGA issued insurance to six other equity and debt investors in this project.)

MIGA issued coverage to *Cogen Technologies Saba Power, L.P.*, of the United States for its investment in the construction and operation of a 115-megawatt power plant in Pakistan. Saba Power Company Limited, located near Farouqabad, will contribute to a much-needed increase in electricity generation and will diversify the country's power generating base by reducing the current dependence on hydropower. MIGA's guarantee of US\$5 million will cover Cogen against the risks of transfer restriction, expropriation of funds, and war and civil disturbance.

Outstanding Guarantees Portfolio by Sector (Maximum Contingent Liability)



MANUFACTURING

In keeping with its development mandate, MIGA also laid special emphasis in FY97 on encouraging investments in small and medium-sized enterprises, particularly in the manufacturing sector. These small investments benefit the host country in multiple ways, including creation of employment and often also have significant downstream developmental benefits. Another advantage of such enterprises is import substitution through the use of modern technology, high quality goods are locally produced and foreign exchange is saved.

The share of the manufacturing sector in MIGA's overall portfolio amounts to 29 percent (US\$657 million), as of January 1997, and includes investments as small as US\$200,000. In FY97 so far, MIGA has issued seven guarantee contracts totaling US\$46 million in coverage for manufacturing projects benefiting several small local businesses.

Heckett MultiServ Investment Corporation of the United States received MIGA guarantees for its investment in a steel slag processing plant west of Alexandria, Egypt. The Heckett MultiServ Bahna S.A.E. enterprise will recover valuable metallic fraction from the mill slag dump of the Alexandria National Steel Company (ANS). The reclaimed metal will be delivered to a subsidiary of ANS to replace costlier imported scrap metal. Other products from processing, such as steel slag aggregates, will be sold by the subsidiary for use in road construction and asphalt paving in Egypt. The plant will recruit local staff and provide on-site training; senior employees will be trained in Harsco's international operating sites. HMB will procure most of the material for construction of the plant, as well as the equipment, spare parts and fuels, locally. MIGA guarantees for US\$2.2 million cover Heckett's investment against the risk of war and civil disturbance.

MIGA also issued coverage for another steel slag processing plant. In separate guarantee contracts, MIGA insured *Harsco Corporation* (HC) of the United States and its wholly-owned subsidiary, *Harsco Bermuda Limited* (HBL), for their investments in the construction and operation of a steel slag processing plant in Saudi Arabia. The project enterprise, Heckett Saudi Arabia Limited, will recover metallic fraction from the slag

produced by the Saudi Iron and Steel Company (Hadeed) at a plant near Al Khubar, in eastern Saudi Arabia. A portion of this reclaimed metal will replace costlier imported scrap metal used by Hadeed, and other products such as steel slag aggregates will be sold by Hadeed for road construction and asphalt paving projects in Saudi Arabia. Most of the supplies and spare parts required for the construction of the crushing mill will be purchased locally. The reclamation of steel will reduce slag accumulations and free up land for more productive use. MIGA's guarantees against the risk of war and civil disturbance cover HBL's equity investment and shareholder loan for US\$2.5 million, and HC's loan guaranty for US\$2 million.

Purolite International Limited of the United Kingdom received a MIGA guarantee of US\$3.8 million for its investment in the modernization and expansion of two ion exchange resin manufacturing plants in China. The products to be manufactured include ion exchange resin, chloromethyl ether, and dye materials, for water treatment and processing of foodstuffs and beverages. Purolite will contribute modern technology under a technology transfer agreement. The plant will sell 70 percent of its product in China and export the remainder to Asian countries, including Japan and Korea. MIGA insurance covers Purolite's investment against the risks of transfer restriction, expropriation, and war and civil disturbance.

In another project in China, MIGA issued a US\$8.6 million guarantee to *Kimberly-Clark Corporation (KCC)* of the United States for its investment in the establishment of a facility for the manufacture and sale of personal care products in Beijing. The joint venture, *Kimberly-Clark Personal Hygienic Products Company Limited*, will be 95 percent owned by KCC and the rest will be owned by the Beijing Economic Technological Investment and Development Corporation, a state-owned enterprise. The facility will employ more than 100 local employees and will provide training in advanced manufacturing techniques; new technology and know-how will be introduced for the production of higher quality personal care products. Local suppliers will provide approximately 60 percent of the project's inputs. MIGA insured the investment against the risks of expropriation, transfer restriction, and war and civil disturbance.

Philips Electronics N.V. of the Netherlands received a MIGA guarantee for a loan to its Brazilian subsidiary, *Philips do Brasil Ltda.* The loan will be used to expand the operations of its components manufacturing plant in Sao Jose dos Campos. A portion of MIGA's US\$27 million guarantee is being reinsured by Philips' captive insurer, *Global Re B.V.* of the Netherlands. MIGA insured Philips against the risks of transfer restriction and expropriation. The expansion will increase the production of color picture tubes at the plant by one million units per year. It is estimated that 40 percent of the additional production will be exported to other countries in the region. The project enterprise will purchase the majority of required goods and services locally and will use improved production technologies to increase the quality of the tubes.

New Contracts of Guarantee Issued in FY 1997 (as of Dec. 31, 1996)			
<i>Guarantee Holder</i>	<i>Project Description</i>	<i>Host Country</i>	<i>Max. Limit of Liability (US\$ mill.)</i>
Société Générale	Banking	Bangladesh	9.00
Philips Electronics, N.V.	Manufacturing	Brazil	27.00
Purolite International Limited	Manufacturing	China	3.83
Kimberly-Clark Corp.	Manufacturing	China	8.55
Coastal Wuxi Power, Ltd.	Infrastructure	China	4.21
Coastal Wuxi Power, Ltd.	Infrastructure	China	9.34
Citibank, N.A.	Banking	Colombia	23.00
Motorola Inc.	Infrastructure	Colombia	5.00
Caribbean Mercantile Bank	Tourism	Costa Rica	7.65
Radisson Hotels International	Tourism	Costa Rica	1.91
Heckett Multiserv Investment	Manufacturing	Egypt	2.24
McDonnell Douglas Finance Corp. Power, L.P.	Infrastructure	Jamaica	14.37
Cogen Technologies Saba Corp.	Infrastructure	Pakistan	5.00
ABN Amro Bank, N.V.	Banking	Russia	7.20
IBA, B.V.	Banking	Russia	0.90
Interfima B.V.	Banking	Russia	0.90
Harsco Bermuda Ltd.	Manufacturing	Saudi Arabia	1.79
Harsco Bermuda Ltd.	Manufacturing	Saudi Arabia	0.69
Harsco Corporation	Manufacturing	Saudi Arabia	2.00
Enka Holding Yatirim A.S.	Construction	Russia	17.00
Citibank, N.A.	Banking	Venezuela	18.00
GRAND TOTAL = 21 Contracts			\$169.57

TOURISM

MIGA further expanded its support to the growing tourism industry in Costa Rica. *Radisson Hotels International Latin America, Inc.* (United States) and the *Caribbean Mercantile Bank* (Cayman Islands) received MIGA guarantees totaling US\$9.6 million for their respective equity and loan investments in the refinancing and operation of a hotel in Costa Rica. The Europa Zurqui Hotel, a 107-room four star hotel in San José, was constructed in 1994, but incurred high financing costs and capital overruns in the early months of operation, necessitating additional capital. The new equity and credit facility, and the involvement of a major international hotel operator, is expected to bring the hotel to profitability. The hotel will have an important impact on local businesses, through the purchase of approximately 80 percent of the required goods such as produce, vegetables and seafood, and services on an ongoing basis. Increased tourist and business traveler custom of the hotel are also expected to benefit the local handicraft and national park tourist facilities. Radisson's investment is covered by MIGA against transfer restriction risks, and the bank loan is covered against transfer restriction, expropriation, and war and civil disturbance risks.

BANKING

The demand for MIGA guarantees from the financial sector remains high, and in the first two quarters of FY97, MIGA issued coverage to six financial institutions for their investments in developing countries.

MIGA guarantees of US\$9 million were issued to *ABN AMRO Bank N.V.* of the Netherlands and two of its wholly-owned subsidiaries, *IBA B.V.* and *Interfima B.V.*, for their investments in the establishment of a branch bank facility in Moscow. ABN will contribute equity and loans; the two subsidiaries will invest equity. The project enterprise will expand ABN's financial services in Russia, especially its long- and medium-term lending and advisory services to Russian companies. It will also increase the availability of capital to multinationals and local companies, broaden investment opportunities, and increase employment by creating jobs for about 245 local staff, including management and professional employees. MIGA's guarantee covers the investments against the risks of transfer restriction and expropriation.

Société Générale, S.A. of France has invested US\$10 million in the establishment and operation of a branch, Société Générale (Bangladesh), in Dhaka. The branch will concentrate on commercial, merchant and investment banking activities. About 60 local staff will be employed and technical and managerial skills training in cash management systems, trade finance techniques, and management information systems will be provided to help improve efficient banking standards. MIGA guarantees for US\$9 million will cover Société Générale's branch capital against the risks of transfer restriction, expropriation, and war and civil disturbance.

MIGA also issued guarantees to *Citibank, N.A.* of the United States for investments to expand its activities in Colombia and Venezuela, respectively. In Colombia, Citibank's loan to Leasing- Citibank, S.A., to expand its asset-based financing of equipment, machinery and infrastructure investments, is covered by MIGA for US\$23 million against the risks of transfer restriction and war and civil disturbance. The US\$20 million loan to Citibank, N.A. Venezuela is covered by MIGA for US\$18 million against the risks of transfer restriction and expropriation.

FUTURE

MIGA's guarantee portfolio is expected to grow considerably during the rest of the year. The Agency currently has more than 1,000 preliminary applications for guarantees, of which about 100 are being actively processed. The prospective projects include a broad range of sectors, with heavy demand for coverage of infrastructure projects, including diesel power gas turbines and hydroelectric power facilities; digital, cable and wireless telephone networks; and toll roads. Guarantees staff will travel to several countries in the Caribbean basin, Eastern Europe and parts of Africa, to meet with potential investors to discuss the guarantee program and help facilitate investment flows in these regions.

MIGA's Investment Marketing Services department will also continue to help various developing member governments to improve the investment climate in their countries. In particular, MIGA is organizing a major symposium to promote investment opportunities in the mining sector in Africa -- the fourth annual Africa Mining symposium will be held in Denver, Colorado, June 3-5 1997. For details on this forum, please contact Sakae Takushima at Tel: (202) 473-5535.

New Manager for IMS Department



Dr. Karin Millett was appointed Manager of MIGA's Investment Marketing Services(IMS) department in December 1996. She joined MIGA in July 1994 as a consultant and was promoted to Program Manager in August 1995, in charge of MIGA's mining investment promotion activities in Africa, Eastern Europe and the Former Soviet Union.

IMS provides technical assistance to MIGA's developing member governments to support their efforts to attract foreign investment. Activities include executive training programs for host country public and private sector officials on negotiating deals with foreign investors, investment conferences in specific sectors, and the development and use of electronic products as investment promotion tools.

Prior to joining MIGA, Dr. Millett was President of International Resource Linkages (IRL), an investment promotion consulting company in Denver, Colorado. Before this, she was Vice President of the World Trade Center in Denver, where she was responsible for developing international trade and investment programs.

A national of Ireland, she holds a Master's and Ph.D. degree from the University of Denver, Colorado. She may be reached at Tel: (202) 473-0394.

Guarantees Department Reorganized: Asia Region

MIGA's Guarantees department recently underwent a reorganization to accommodate increased demand for its services and to facilitate new initiatives to increase the efficiency and quality of its guarantee operations and expand cooperation with private sector underwriters.



Ms. Christina Westholm-Schröder, who joined MIGA at its inception in October 1988 as Regional Manager of the Asia and Latin America and Caribbean region, has been promoted to Manager, Syndications and Business Development. Her new position will include responsibility for the Guarantees department's cooperation with private sector underwriters, marketing efforts, coordination with other members of the World Bank Group, and quality assurance. Ms. Westholm-Schröder spearheaded MIGA's Cooperative Underwriting Program and other efforts to increase cooperation with private sector insurers.

Ms. Westholm-Schröder is a Swedish national and, prior to joining MIGA, she worked for BankAmerica Insurance Brokers in New York as a political risk specialist in the trade finance department. Before moving to the United States, she worked as a manager in the political risk insurance department of AB Max Matthiessen of Stockholm, Sweden. She

holds a graduate degree in international finance from the Stockholm School of Economics, and a Master of Business Administration in finance from New York University.



Mr. James D. Wolfensohn, President of MIGA, and Mr. Akira Iida, Executive Vice President, at a reception with MIGA staff in Washington, D.C.

***We are pleased to introduce our Asia region
Guarantee Officers:***



*Left to Right:
Mr. Haruyoshi Ueda, Ms. Houria Sammari, Mr. Philippe Valahu,
Ms. Judith Pearce*

Mr. Philippe Valahu, who joined MIGA in June 1994 as a Guarantee Officer in the Asia and Latin America region, has been promoted to Regional Manager, Asia. A U.S. citizen, he joined MIGA after having worked with BLB International Co., advising French multinationals on World Bank Group financing policies and programs. He holds a

Master's degree from the School of International Services at American University and a Master of Business Administration from George Washington University.

Ms. Judith Pearce, an Australian national, joined MIGA in September 1996, as a Guarantee Officer in the Asia region. She came to the Agency from Kroll Associates, the world's largest investigative firm, where she served as Senior Risk Analyst for Asia and the Pacific and was responsible for the company's international risk reports. Before her assignment at Kroll, Ms. Pearce helped to establish the analytical services of another international security firm and worked for the Australian Foreign Service, posted in East Africa. Ms. Pearce holds a doctorate from the University of Queensland.

Ms. Houria Sammari, an Algerian national, joined MIGA as a Guarantee Officer in the Africa region in June 1996. She has since been reassigned to the Asia region. Ms. Sammari was previously an investment analyst in the Africa division of the International Finance Corporation. Ms. Sammari holds a Master of Business Administration in International Finance from the University of Kentucky.

Mr. Haruyoshi Ueda joined MIGA in August 1994 as a Guarantee Officer in the Asia region. He has been especially involved in business development with Japanese investors. A Japanese citizen, he has worked for the Ministry of International Trade and Industry for 20 years and was Deputy Director for Investment Insurance in EID/MITI, the Trade and Investment Insurance Department. Mr. Ueda holds a Bachelor of Arts degree from the Osaka City University (*See page 6 for contact numbers*).

MIGA NEWS

would be pleased to receive queries or comments from readers about any matters appearing in this publication.

World Wide Web: <http://www.miga.org>