
MIGA NEWS

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Table of Contents

New Vice President of MIGA Guarantees
MIGA in London
Mid-Year FY98: Total MIGA Coverage Surpasses US\$3.5 Billion
Figure 1. Growth of Guarantee Activities
New Contracts of Guarantee Issued in FY1998
New MIGA Initiatives
Country Membership
New Member Countries
Special Announcement



New Vice President of MIGA Guarantees

MIGA welcomes its new Vice President of Guarantees, Mr. Roger Pruneau, a Canadian national.

Prior to joining MIGA, Mr. Pruneau served as Executive Vice President and Chief Financial Officer of the Export Development Corporation (EDC), Canada's Export Credit Agency.

Mr. Pruneau began his career in 1974 as an economist in the Fiscal Policy Division of Canada's Department of Finance, and subsequently served as Director of the Anti-Inflation Board and the Treasury Board Secretariat.

In 1980, Mr. Pruneau joined the Government of Quebec as General Manager and Assistant Deputy Minister in the Financial and Fiscal Operations Branch of the Department of Finance. Mr. Pruneau completed seven years of distinguished service in the Quebec government during which he held several high positions, including Secretary of the Ministerial Committee on Economic Development and Deputy Minister of the Department of External Trade and Technology.

Mr. Pruneau joined EDC in 1987. He served as Senior Vice President of Marketing, of Insurance, and of Financial Services. In 1995 he was appointed Executive Vice President and Chief Financial Officer of EDC, as well as Vice President, Finance, of Exinvest, Inc., a wholly-owned subsidiary of EDC. He also represented EDC at the Berne Union, which comprises 24 investment insurers including MIGA.

Mr. Pruneau will address a seminar for insurance brokers in London, organized by MIGA, on March 12, 1998. The seminar is part of a three-week program arranged by MIGA, to enable members of the investment insurance community to meet its staff (see below for details).

MIGA in London

MIGA is organizing a three-week program of seminars and workshops in London, from March 9-27. Agency staff will be available to meet with investors, clients, insurance brokers, and other investment insurers during this time to discuss how MIGA can serve the changing needs of the investment community through its guarantee program. The agenda includes detailed discussions on the new mechanisms devised by the Agency to better serve its investor clients. The program will be held at the London offices of the International Finance Corporation, MIGA's private sector sister organization in the World Bank Group.

The program also includes a seminar for insurance brokers on March 12, at Lloyd's of London. The seminar will be addressed by MIGA's new Vice President of Guarantees, Mr. Roger Pruneau. The agenda includes discussions on the Agency's guarantee products, forms of cooperation with private insurers, and innovative coinsurance and reinsurance policies. Invitations to this special seminar are being mailed to all brokers on MIGA's subscriber list.

Those interested in further information on this program, and insurance brokers interested in receiving invitations to attend the seminar on March 12, please contact: Ms. Marjorie Melbourne at tel: (202) 473-7021, or fax: (202) 522-2630.

Mid-Year FY98: Total MIGA Coverage Surpasses US\$3.5 Billion

In the second quarter of fiscal year 1998, MIGA issued US\$164 million in coverage for nine contracts of guarantee. This increases MIGA's total issued coverage to more than US\$3.5 billion. The outstanding guarantee portfolio as of December 31, 1997, is US\$2.5 billion (see figure 1).

The contracts issued in the second quarter of FY98 will facilitate an estimated US\$1.3 billion in foreign direct investments and create 2,000 new jobs for nationals of the five countries in which they are located.

Equatorial Guinea

MIGA issued its first guarantee contract in Equatorial Guinea for the production of offshore oil and gas. MIGA's US\$24 million guarantee covers UMC 1 Equatorial Guinea Corporation of the United States for its investment against the risks of expropriation and war and civil disturbance.

The project produces oil from a concession area in the Gulf of Guinea, off the coast of Bioko Island. Current oil production is about 80,000 barrels per day, produced from subsea wells connected to a floating production, storage, and offloading system.

The project, one of the country's largest investments so far, will have a profound impact on the country's economy. All the oil produced by the project is exported and constitutes a major source of foreign currency earnings.

The project also generates substantial revenues for the government in taxes and royalties, and creates jobs and provides technical skills training in petroleum operations for local nationals.

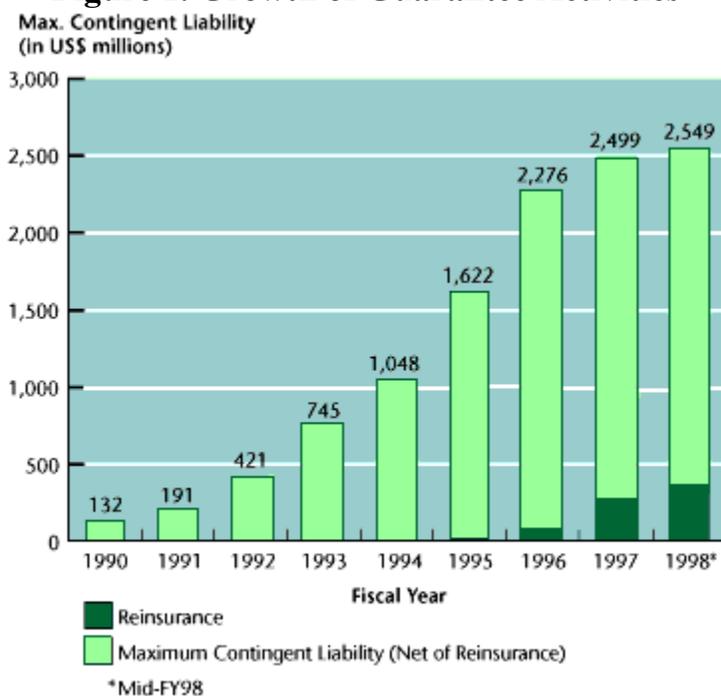
Argentina

MIGA issued US\$1.5 million in coverage to Mitsubishi International Corporation, a wholly-owned subsidiary of Mitsubishi Corporation of Japan, for its equity investment in fertilizer off-loading facilities in San Lorenzo and Quequen in north-eastern Argentina. MIGA's guarantee covers the risks of expropriation and war and civil disturbance.

The project enterprise, Fertiliservicios Argentinos, S.A. (FASA), involves the construction, ownership, and operation of the facilities. The project is majority-owned by a private cooperative consisting of more than 240 Argentine members. FASA will contribute to enhancing the efficiency of Argentina's agriculture sector and will better serve Argentine farmers, through improved port handling services, reduced logistical costs, provision of reliable storage facilities, and more competitive prices.

FASA will hire local contracting and engineering services to improve the piers and construct and expand existing storage facilities. The project will purchase most of the equipment, and goods and services, locally on an ongoing basis. Training will be provided through an extension program which will educate members of the cooperative in crop production management. In addition, a specialist in advanced soil analysis and optimal fertilizer utilization will be hired.

Figure 1. Growth of Guarantee Activities



Czech Republic

MIGA issued guarantees totalling US\$30 million to El Paso Energy International Company of the United States, to cover its equity investments in a power plant in Kladno, near Prague. The project is the first independent power project in the Czech Republic and one of the largest foreign investments in the country. MIGA's coverage will be offered against the risks of transfer restriction, expropriation, and war and civil disturbance.

The power plant, a coal-fired thermal and electrical generating plant, Energy Center Kladno, is located in the Poldi industrial complex. The project involves the installation of pollution control equipment to upgrade the environmental and technical specifications of the plant to meet the new Czech emissions standards.

The expansion of the plant will consist of a new facility, to be constructed and operated in close proximity to the first plant. It will consist of two 125MW coal-burning fluidized bed boilers and associated steam turbines, a peaking gas turbine, and a backpressure turbine.

Upon completion of the expansion, the net combined electrical capacity will be increased to 343MW (from 21MW) and will contribute to meeting the need for additional generating capacity, especially during peak periods, caused by the recent surge in electricity demand from the household sector. Further, the project will help to address the urgent need for cleaner, more efficient power generating units in the country.

The project will create more than 230 jobs for local employees, including managerial and professional positions. El Paso will also undertake extensive training of its employees in safety procedures, operating practices, accounting and financial reporting, and management and employee relations.

Turkey

MIGA insured investments by three banks for their operations in Turkey---ABN AMRO Bank, N.V. and ING Bank of the Netherlands, and Citibank, N.A. of the United States.

- ABN AMRO Bank, N.V. received MIGA guarantees for its US\$26.7 million loan to expand the lending operations of its Istanbul branch. MIGA's US\$24 million guarantee covers ABN against the risks of transfer restriction and expropriation of funds.
- ING Bank, N.V. received MIGA guarantees of US\$20 million for its US\$22 million loan to expand its banking operations in Istanbul. The guarantee covers the risks of transfer restriction and expropriation of funds.
- MIGA issued coverage of US\$15.3 million against the risks of transfer restriction and the expropriation of funds to Citibank, N.A., for its \$17 million shareholder loan to Citibank, N.A., for its branch in Istanbul. The new loan will extend Citibank's operations in power, telecommunications, and transportation projects. It will also be used to provide training in capital market services, credit analysis, and other finance and bank-related topics to its Istanbul staff.

With these projects, Turkey currently has the sixth-largest share of MIGA's outstanding guarantee portfolio, accounting for more than US\$130 million in coverage for investments in the manufacturing, financial, and services sectors. In addition to being a recipient of MIGA-guaranteed investments, Turkey is also the eighth-largest source of outbound investment flows to other developing countries. These investments are for projects as varied as real estate in Russia to a soft drink bottling facility in Azerbaijan.

Uganda

In two contracts of guarantee MIGA issued \$49.4 million in coverage to Banff Resources Ltd. of Canada and LaSource SAS of France, for their investments in a cobalt processing project. MIGA coverage is issued against the risks of expropriation and war and civil disturbance.

The project enterprise, Kasese Cobalt Company Ltd., is an extension of an earlier project in which MIGA guaranteed Barclays Metals Ltd. of Britain and SEREM of France in FY93 and FY96. The plant processes stockpiles of cobalt rich concentrate to produce cobalt cathode. The additional investment will generate increased exports and taxes and dividends for the government. Further, downstream businesses, such as local hotels, engineering and contracting firms, and fuel suppliers will also benefit from the project.

Development Mandate: Supporting Sustainable Development

As a multilateral development institution, MIGA plays close attention to fulfillment of its development mandate to promote developmentally sound and environmentally

sustainable investments in member developing countries. During the year, MIGA management and its Board devoted increasing attention to special developmental issues, in particular, MIGA policies relating to environmental assessment of prospective projects and the disclosure of information. New guidelines detailing the Agency's policies and procedures in these areas should be available later this year.

As previously reported, the Joint Ministerial Committee of the Boards of Governors of the World Bank and International Monetary Fund, during their September 1997 annual meetings in Hong Kong, agreed on the need for additional capital for MIGA. The consensus which emerged centered on a three-part US\$1 billion funding package. The first tranche of this transfer will consist of a US\$150 million grant from the World Bank, and is expected to occur in the next few months. The remaining funds from member states will comprise US\$150 million in paid-in capital and US\$700 million in callable capital. This funding package, together with potential increases in the allowable risk-to-asset ratio (currently at 3.5 to 1), will support the continued expansion of guarantee activities for many years.

New Contracts of Guarantee Issued in FY1998

<i>Guarantee Holder</i>	<i>Project Description</i>	<i>Host Country</i>	<i>Max. Limit of Liability (US\$ mill.)</i>
FIRST QUARTER (July 1- September 30)			
ING Bank, N.V.	Financial Services	Ecuador	10.0
Banco Santander S.A.	Financial Services	Uruguay	38.0
André et Cie S.A.	Agribusiness	China	1.7
Sithe International, Inc.	Power	Pakistan	8.0
Motorola, Inc.	Telecommunications	India	9.6
Companhia Brasileira de Projectos e Obras	Toll Road	Argentina	17.9
Coastal Suzhou Power, Ltd.	Power	China	17.6
SECOND QUARTER (October 1- December 31)			
Mitsubishi International Corporation	Services	Argentina	
El Paso Energy International Company	Power	Czech Republic	1.5
El Paso Energy International Company	Power	Czech Republic	24.8
UMC Equatorial Guinea Corporation	Oil & Gas	Czech Republic	5.6
ABN AMRO Bank, N.V.	Financial Services	Equatorial Guinea	24.0
ING Bank, N.V.	Financial Services	Guinea	24.0
Citibank, N.A.	Financial Services	Turkey	20.0
Banff Resources Ltd.	Cobalt Mining	Turkey	15.3
Banff Resources Ltd. & LaSource SAS	Cobalt Mining	Turkey	1.9
		Uganda	47.5
		Uganda	
Total Amount of Coverage Issued			267.4

New MIGA Initiatives

The recent changes in the global investment marketplace have created the need for specialized types of investment insurance to suit particular country and project needs. To better serve the expanding needs of its client investors and developing member countries, MIGA Management has developed several innovative mechanisms and new guarantee products. These mechanisms have enabled MIGA to expand its insurance capacity and enhance its cooperation with other investment insurers.

Some of the initiatives developed by MIGA to serve the growing demand for investment guarantees are:

- The *Cooperative Underwriting Program* is a form of coinsurance created by MIGA. The CUP is designed to encourage private insurers to enter markets where they may not have insured investments without the involvement of a multilateral institution such as MIGA. The Agency is pleased to announce recently that it concluded a cooperation agreement with Brockbank Syndicate Management Ltd. of Lloyd's of London. Under this agreement, Brockbank will make available up to US\$100 million in additional capacity per transaction, on a case-by-case basis. This will greatly facilitate MIGA in its efforts to provide increased amounts of insurance coverage, better serve the needs of investors, and facilitate additional investment. Under the agreement, MIGA will act as insurer-of-record for the entire amount at risk.
- In FY97 MIGA signed a *Quota Share Treaty Reinsurance Agreement* with ACE Limited, a Bermuda-based private reinsurer. The agreement is the first of its kind to offer long-term, private political risk reinsurance of foreign private investments in developing countries. The agreement expanded MIGA's insurance capacity, allowing the Agency to issue up to US\$75 million per project (previously US\$50 million) and up to US\$325 million per country (previously US\$225 million). The figure below shows the growth in MIGA's outstanding maximum contingent liabilities, including reinsurance.
- In other coinsurance and reinsurance arrangements, MIGA continues to cooperate closely with private insurers such as American International Group, Sovereign Risk of Bermuda, Unistrat and Zurich American Political Risk of Washington, through reinsurance and coinsurance arrangements.
- Specialized *Investment Guarantee Trust Funds* for investments in Bosnia and Herzegovina and the West Bank and Gaza, respectively, have also been created by MIGA. The Agency acts as the administrator and issuer of guarantees for both these Funds, on behalf of the sponsors.

On January 27, 1998, the Board of Directors of the European Investment Bank approved a contribution of 5 million ECU towards MIGA's **West Bank and Gaza Investment Guarantee Trust Fund**. The Trust Fund was created in early March 1997 in cooperation with the Palestinian Authority. In November, Mr. James D. Wolfensohn, President of MIGA, addressed a seminar on "Safeguarding Investment in the West Bank and Gaza", at the World Bank headquarters in Washington, D.C.. A large group of potential investors, and members of financial institutions, chambers of commerce, and other insurers attended the day-long proceedings. Mr. Wolfensohn announced the commitment of the

World Bank Group to "actively support and provide assistance in every way possible, through financing and guarantees, to support the reconstruction efforts in the territories." MIGA already has seven applications for coverage of prospective investments in the West Bank and Gaza.

The European Union sponsored the **Investment Guarantee Trust Fund for Bosnia and Herzegovina** with a credit line of 10.5 million ECU in late March 1997. Investors from EU member countries and some East European countries are eligible for Trust Fund guarantees. MIGA is currently underwriting a construction project and has some 10 additional applications for guarantee of investments into the country.

These guarantee funds will contribute to the development needs of the respective beneficiaries by encouraging investors to channel much-needed capital to these regions. The projects will follow the broad parameters of MIGA's guarantee program. Further, since MIGA is administrator of the Funds, projects covered by the Funds will have the same development mandate as the Agency. The Funds will, thus, facilitate projects that are financially and economically viable, environmentally sound, and benefit the development objectives of the beneficiaries through creation of employment, the generation of revenues, and transfer of technology.



Mr. James D. Wolfensohn, President of MIGA, addresses a conference on "Safeguarding Investments in West Bank and Gaza", organized by MIGA at the World Bank headquarters. Mr. Akira Iida and Mr. Luis Dodero of MIGA are seen seated with him.

Country Membership

Austria and Palau fulfilled MIGA membership requirements in December 1997.

Austria signed the MIGA Convention earlier in April (See top right photograph). Other membership criteria---ratification of the Convention by the country's legislative authority and payment of the capital subscription---were completed at the end of the year.

MIGA members now total 143 industrialized and developing countries.

MIGA currently has 161 signatories to its Convention (18 countries are in the process of completing their membership requirements).

New Member Countries

Austria:



His Excellency Wolfgang Rittenstorfer, Secretary of State of the Austrian Ministry of Finance, is seen seated (left) with Mr. Akira Iida, Executive Vice President of MIGA. Also present are members of the Austrian Finance Ministry and the Corporate Secretariat of the World Bank.

Republic of Palau:



Mr. Luis Doderio, Vice President and General Counsel of MIGA, shakes hands with the Honorable Tommy E. Remengesau, Jr., Vice President of the Republic of Palau, on the occasion of the signing of MIGA's Convention in Washington, D.C. (December 16, 1997).

SPECIAL ANNOUNCEMENT

MIGA will organize a conference on "Global Mining Investment Opportunities", from May 46, 1998, in Quebec, Canada. The event is being held in conjunction with the 100th annual meetings of the Canadian Institute of Mining, Metallurgy, and Petroleum, at the Palais des Congrès de Montréal.

1. United Meridian Corporation is a leading U.S. energy company.

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>