Dear Reader:

I am pleased to announce that MIGA will be commemorating its tenth anniversary during the six months beginning in April. Various special events are being planned, including conferences, seminars and the
publication of commemorative documents, until the World Bank-IMF annual meetings in October.

MIGA's Convention came into effect on April 12, 1988. The Agency's first contract of guarantee was presented to its Board of Directors in December 1989 and came into force in January 1990. Since then, MIGA has gone through a fantastic period of evolution, both in terms of guarantees and investment marketing services.

I am also pleased to note that MIGA's Board recently approved a capital increase for the Agency and the matter has been put to vote to the Council of Governors. Earlier, at the annual meetings in Hong Kong, in October 1997, shareholders reached agreement, in principle, about the respective burden-sharing between themselves and the World Bank. It was agreed that the World Bank would transfer US$150 million in the form of a grant; and shareholders would pay US$150 million in cash and an additional US$700 million in callable capital. This will provide MIGA with a firm foundation to conduct its business, both guarantee operations and technical assistance activities. The Board is currently discussing the policies and procedures under which MIGA should operate towards this new frontier.

I welcome your continued support of MIGA's activities in the future.

Mr. Akira Iida

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**Coming of Age: MIGA Turns 10**

At a reception for MIGA staff in celebration of the Agency's tenth anniversary in April, President James D. Wolfensohn commented that ten years is not a long time, but the dedication and drive of its staff had brought MIGA a long way at high speed. Mr. Wolfensohn addressed a gathering of MIGA's Executive Directors, Management, staff, and other colleagues from sister organizations of the World Bank Group. He praised MIGA for its impressive accomplishments in pursuing its objective of promoting foreign investments, and its promise for future growth.

MIGA's Executive Vice President, Mr. Akira Iida, thanked the President for his consistent support and encouragement to the Agency: "Under Mr. Wolfensohn's strong leadership, MIGA has gained widespread recognition from shareholders and clients for its achievements and for its importance in promoting the cause of development."

**Guarantees Growth**

MIGA is the only global multilateral investment insurer and, as reported by the Berne Union\(^1\), ranks among the top providers of investment insurance worldwide. In total, MIGA has issued 320 guarantee contracts totaling US$3.7 billion in coverage. These contracts have facilitated foreign investment of about US$22 billion in 54 developing
countries. MIGA currently has US$2.5 billion in guarantees outstanding in 50 developing member countries.

MIGA has contributed to the growth in global private capital flows to developing countries. Fueled by widespread privatizations, particularly in the infrastructure sector, net flows of foreign direct investment rose from US$23 billion in 1990 to US$120 billion in 1997. This growth was accompanied by an increasing need felt by project sponsors for risk mitigating mechanisms.

MIGA's guarantee (or insurance) program has come to be recognized for its flexibility in covering a variety of forms of investment which are essential to the structuring of projects. In the past five years, the infrastructure sector has recorded the fastest growth in MIGA's portfolio; it has grown almost five-fold, from four percent in 1990 to 19 percent in the third quarter of fiscal 1998.

Country membership in MIGA has grown from 29 founding members to 145 countries, between April 1988 and 1998; 16 additional countries are in the process of fulfilling membership requirements. The growing number of member countries, in turn, expanded the scope of operation for MIGA’s guarantee program.

The rapidly growing demand for MIGA insurance from the foreign investment community has strained the Agency's financial and human resources. MIGA staff has steadily increased in size to allow for efficient handling of client requests. MIGA has also needed to expand its capital base to accommodate future business growth.

In the past three years, MIGA created innovative mechanisms to supplement its own capacity through various coinsurance and reinsurance arrangements. Further, the private investment insurance industry increased its business activities to keep pace with the growth of demand. MIGA fostered closer ties with the private insurance market through initiatives such as the creation of the Cooperative Underwriting Program, a form of coinsurance with private underwriters, and signing of a treaty reinsurance agreement with a private reinsurer.

In addition to these efforts, MIGA created special investment guarantee trust funds, one for Bosnia and Herzegovina, and another for the West Bank and Gaza. The trust funds include sponsor organizations such as the European Commission, multilaterals and other institutions, the Palestinian Authority, and the Government of Japan, that are willing to cooperate with MIGA in promoting the flow of foreign investments to countries and regions where the perception of political risk is particularly high.

**Technical Assistance Services**

MIGA's technical assistance program has also developed rapidly in assisting its member developing countries and economies in transition to increase the flows of productive foreign investment. Strong emphasis has been placed on capacity building of public and private investment agencies, to equip them with the knowledge, skills and tools to carry out effective investment promotion. Information on investment conditions and opportunities is disseminated through MIGA's on-line clearinghouse, IPAnet, and more recently, through PrivatizationLink.
Recent investment marketing accomplishments include:

- MIGA's IPAnet, its Internet-based clearinghouse for investment promotion information (www.ipanet.net), was named Web-Site of the Week by the Financial Times in April this year.
- The Agency launched a specialized window in IPAnet, "Privatization Link", to further enhance communications between investors and provide on-line information on privatization.
- IPAnet launched its bi-monthly newsletter to highlight investment news and events.
- The AFRI-IPA Support Program, MIGA's first field-based technical assistance program is now underway. The program coordination center, located in Windhoek, Namibia, provides "hands-on" technical assistance services to public and private investment promotion agencies in Southern Africa. Regional offices for West/Central Africa and East Africa are currently being planned.

Capital Increase

MIGA's success and potential for further expansion was recently acknowledged by its Board of Directors in the form of a funding package to support future growth. The Development Committee also commended MIGA for its accomplishments at its recently concluded Spring Meetings in Washington, D.C. (see "Development Committee" Box).

Mr. Iida expressed gratitude for Mr. Wolfensohn's leadership in successfully steering the negotiations on the US$1 billion recapitalization for MIGA. As part of the funding package, the Agency recently received the first US$150 million grant transfer from the World Bank. The remaining US$850 million of the package will constitute a capital increase to be voted on by the Council of Governors in the coming year.

Future

MIGA has built a firm foundation for future growth in the next phase of its history. The support of its Board of Directors and the Development Committee for its capital increase, close collaboration with the investment insurance community, and solid ties with client investors and host governments, in particular, have poised the Agency for continued expansion.

Development Committee Welcomes Expansion of MIGA

In its official statement, the Development Committee, which is the Joint Ministerial Committee of the Boards of Governors of the World Bank and International Monetary Fund, "welcomed the
successful conclusion of deliberations by the MIGA Board of Directors on MIGA's...general capital increase. These measures, reflecting agreements reached by the Committee at its last meeting, will alleviate MIGA's financial constraints and enable it to respond to continuing growth in demand for its services."

In his congratulatory comments to MIGA Management, the Second Vice President of Spain, Mr. Rodrigo De Rato Figaredo, said: "In the 10 years that MIGA has been in operation, its work in promoting direct investment in host countries has been outstanding....Stable capital investment, providing long-term financial resources, is one of the best ways of preventing crises. In our view, MIGA -- of all development institutions -- is in a privileged position to achieve this objective, and we therefore consider this capital increase to be very timely."

Supporting the funding package for MIGA's expansion, the Vice President of the Islamic Development Bank, His Excellency Ousmane Seck, said that its investment insurance affiliate, the Islamic Corporation for the Insurance of Investment and Export Credit, has "been eager to cultivate a close working relationship" with MIGA. "The IDB looks forward to more cooperation between MIGA and ICIEC, particularly in joint guarantee endeavours. We, therefore, have a vested interest in seeing further expansion in MIGA's insurance capacity and development in its institutional capability," he said.

The U.S. Treasury Secretary, Hon. Robert E. Rubin, said: "We welcome the progress that has been made since the last meeting of the Development Committee to strengthen MIGA's finances and its development effectiveness."

The Hon. Peter Costello, Treasurer of Australia, called for stronger collaboration by the World Bank Group to optimise MIGA's "catalytic impact on private sector investment in developing member countries". The Japanese State Secretary for Finance, Hon. Shozaburo Nakamura, also supported the future growth and close cooperation on the private sector development initiatives of the World Bank, "to further strengthen support in promoting private sector development in developing countries and facilitating private capital flows to client countries."

Finally, other Ministers, including those from Côte d'Ivoire and the Russian Federation, recommended that MIGA Management use its expanded resources to respond appropriately towards promoting capital flows to IDA countries and encouraging investment originating in Category Two countries.2
PrivatizationLink, an on-line information service on investment opportunities resulting from privatization in emerging markets, was launched on June 1, 1998. The site is developed as a specialized window in IPA net, MIGA's electronic investment marketplace. The initial phase, being implemented in collaboration with the World Bank, focuses on privatization in Sub-Saharan Africa and Eastern Europe and Central Asia, and includes information provided by national privatization agencies.

PrivatizationLink will allow potential investors, consulting firms, law firms, accounting firms, and other intermediaries involved in privatization to exchange information on-line. The site offers advertising space for privatization agencies, free of charge. It will serve as a web-based tool to complement and enhance existing marketing efforts of these agencies, and will provide a web presence to agencies that do not have a website of their own. PrivatizationLink will help to increase the number of bidding investors and increase the flow of foreign direct investment.

PrivatizationLink features *Company Profiles* of enterprises slated for privatization. It provides data on the enterprise's specific activities, ownership structure, fixed assets, divestiture plan, closing date for bids, recent financial data, market position, and future market potential.

In addition, the site provides *Background Information* on the privatization agency and upcoming privatization transactions. The *Business Directory* contains useful contact information on the key players in privatization, including agency personnel, bankers, and advisors. The *Virtual Library* includes texts on privatization laws, statistical data on transactions and revenues, links to other websites, bibliographical references, and related *News & Events*.

Visit PrivatizationLink at:
http://www.privatizationlink.com

MIGA's IPAnet Gains Recognition in International News

MIGA's IPAnet, the investment promotion network on the Internet, was selected "Website of the Week" by the Financial Times, in April. The electronic edition of the FT referred to IPAnet as being "well on the way to success, with a service growing in scope, reach and influence among banks, investment agencies and companies around the world."

One of the world's leading business periodicals, the FT singles out Internet sites that provide the most value to the global business community. IPAnet (www.ipanet.net) provides desktop access to
MIGA Guarantees Now Benefit 50 Developing Countries: Third Quarter FY1998

MIGA issued 11 contracts of guarantee for US$124.2 million in coverage, during the third quarter of fiscal year 1998.

The projects include MIGA's first contracts issued in the Dominican Republic and Sri Lanka. These countries are among the 50 developing members that currently benefit from MIGA-insured investments.

Projects insured in this quarter are in the agribusiness, infrastructure, tourism, manufacturing, mining, and financial sectors. This increases the total amount of issued coverage in FY98 to US$391.7 million.

**Agribusiness**

MIGA guarantees of US$3.5 million cover equity and loan investments by Tilda Holdings (Africa) Limited in an agribusiness project to grow and process rice in Uganda. The project, Tilda Uganda Limited, located in the Iganga District near the Kenya border, will privatize and rehabilitate a state-owned rice production scheme. It will also produce maize and soybeans.

The project involves significant export revenues for the country, reduction of rice imports, and transfer of new technologies in rice growing and processing. It will create approximately 2,000 jobs for local Ugandans, and will provide training to local staff in rice milling engineering, product packaging, and marketing. The International Finance Corporation of the World Bank Group, and other development financing institutions, will participate in the project. MIGA guarantees will cover the investments against expropriation, transfer restriction, and war and civil disturbance risks.
Infrastructure

In Sri Lanka, MIGA issued a US$1.7 million guarantee to Nissho Iwai Corporation of Japan for its investment in a power plant north of Colombo. MIGA’s guarantee covers the risk of war and civil disturbance. The project will build, own, and operate a 51 MW diesel power plant, primarily fueled by heavy residual fuel oil, and will help to alleviate power shortages in the area. It will also benefit the local economy by creating employment, and utilizing local suppliers and service companies. Local staff will receive on-site training in contract administration, safety and environmental compliance, plant testing and commissioning, fuel supply coordination, and plant dispatch. The project will also enhance the country's skills in the design, construction, operation, and management of small- and medium-size electric power plants.

Tourism

Marriott International, Inc. of the United States concluded two guarantee contracts with MIGA for US$7.2 million to cover its investment in the construction and operation of a hotel in Lima, Peru. The guarantee covers the investment against the risks of transfer restriction, expropriation, and war and civil disturbance. The hotel, located in the Miraflores business district, will provide convention spaces and meeting rooms for business travelers. The hotel will acquire almost 70 percent of the goods and services for maintenance and operation from local sources, and will create approximately 350 jobs.

Manufacturing

In China, MIGA issued a US$30.6 million guarantee to Harris Advanced Technology (Malaysia) Sdn. Bhd, a wholly-owned subsidiary of Harris Corporation of the United States, for the construction of a plant for the manufacturing and testing of semiconductor products. MIGA's guarantee covers the risk of expropriation, transfer restriction, and war and civil disturbance. The project, located in Suzhou city, will produce highly technical, cost-effective electronic components for the region's fast growing electronic sector. The project expects to increase the plant's initial capacity from 50 million units to 450 million units in four years. It will create some 1,300 regular jobs for nationals, and workers will receive on-site training in semiconductor manufacturing, testing, and distribution. Employees will also benefit from several funds established by Harris to provide medical and housing allowances, as well as training and research and development.
MIGA's First Equity Investment Fund and First Project in Ukraine

His Excellency Roman Shpek, Head of the National Agency of Ukraine for Reconstruction and Development, with Mr. Akira Iida, MIGA's Executive Vice President, on the occasion of the recent signing of MIGA's Agreements on Legal Protection for Guaranteed Investments and Use of Local Currency. Washington, D.C., April 1998.

For the first time, MIGA issued a guarantee to cover an equity investment fund and local downstream investments made by the fund. The project was also MIGA's first in Ukraine.

The facility, Ukraine Investments Limited (UIK/Fund), is incorporated in Ukraine. It is capitalized by a $30 million investment made by the Ukrainian Investment Fund Limited, which is based in the Bahamas and is listed on the Irish stock exchange. The fund will invest in downstream projects in the agribusiness, construction, and infrastructure sectors, which will meet MIGA's criteria for developmental benefits and environmental soundness.

The fund is expected to set a precedent for the creation of other similar funds, and will encourage institutional investors and portfolio managers to utilize MIGA's service to support investments in emerging markets.
New Member Countries

Burundi became the 145th country to join MIGA, when it completed its membership requirements on March 10, 1998. The country is also the 125th developing member of MIGA and joins the Agency's 41 other African member countries.

Earlier in February, the Singapore Trade Development Board organized a seminar on "Insuring Against Political Risk -- The Role of MIGA", which followed Singapore's membership in MIGA and the signing of a Memorandum of Understanding to strengthen cooperation between the local business community and the World Bank Group.

MIGA currently has 161 signatories to its Convention, of which 16 countries are in the process of fulfilling membership requirements.

1. The Berne Union is the International Union of Credit and Investment Insurers, which consists of 24 investment insurance members including MIGA.

2. Category Two countries are member developing countries and transition economies.


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