



**World Bank Group**  
Multilateral Investment  
Guarantee Agency

# Pakistan & Afghanistan Investment Summit

## Insuring Investments – Ensuring Opportunities

Dubai, May 2011



**MIGA**  
**Who We Are**



# MIGA

## Member of the World Bank Group

1944	IBRD	International Bank for Reconstruction and Development
1960	IDA	International Development Agency
1956	IFC	International Finance Corporation
1966	ICSID	International Center for the Settlement of Investment Disputes
<b>1988</b>	<b>MIGA</b>	<b>Multilateral Investment Guarantee Agency</b>



# Mission

MIGA promotes **foreign direct investment** into developing countries to support economic growth, reduce poverty, and improve peoples live.

- This is achieved by providing political risk insurance (Guarantees) against certain noncommercial risk for investors and lenders



## **MIGA's Guarantees Program**



# MIGA's political insurance coverage

## Currency Transfer Restriction and Inconvertibility

- Protects against losses arising from:
  - Inability to convert local currency into foreign exchange within the host country
  - Inability to transfer funds out of the host country
- Currency depreciation is not covered

## Expropriation

- Protects against losses arising from:
  - Nationalization and confiscation
  - Creeping expropriation (i.e. a series of acts that in themselves are not expropriatory, but taken in sum are, e.g. changes in tax regime relating specifically to the foreign investor, gov't representation imposed on Board of project, changing terms of license)
  - Partial expropriation (expropriation of funds)



# MIGA's political insurance coverage (cont.)

## War and Civil Disturbance

- Protects against losses arising from:
  - Damage/disappearance of tangible assets (including revolution, insurrection, coups d'état, sabotage, and terrorism)
  - Business interruption
- Acts must have a primary intent of achieving a political objective

## Breach of Contract

- Protects against losses arising from:
  - Breach or repudiation of a contract between the investor/project company and the host country authorities
    - Non-enforcement of an arbitration/judicial award, or no recourse to judicial/arbitral forum, or decision by forum not rendered in reasonable time
- May cover sub-sovereign obligations and obligations from SOEs

## Non-Honoring of Sovereign Obligations

- For unconditional financial payment obligations
- No arbitration required



# Why investors choose MIGA

- **Umbrella of deterrence**
  - MIGA is a member of the World Bank Group
  - MIGA's shareholders are the countries who are also Host Countries of investments
  - Only a small proportion of MIGA-supported projects encounter difficulties
- **Facilitation of settlement of disputes**
  - Host Country tends to be motivated to find a solution, otherwise its reputation in the international investment community might be damaged
  - Project sponsors and financiers have a vested interest in continuing success of project
  - 5 claims paid out of 600 projects supported (900 investments - \$21 billion)
- **May facilitate financing**
  - Lower costs of borrowing
  - Longer tenor of loans
  - Attract technical partner
- **Extensive resources** and in-depth knowledge of emerging economies from all parts of the World Bank Group
- **Policy Specificities** it is long term, assignable, transferable, can be cancelled



# Eligibility requirements

- **Eligible Investments**
  - **Minimum 3 years**, up to 15 years (on occasion 20 years)
  - **Cross-border** from one member country (developed or developing) into another developing member country
  - **New**, or, if an existing investment, must have a strong development benefits, or one associated with an expansion, modernization, financial restructuring
  
- **Investment types**
  - Equity
  - Debt
  - Loan guaranties
  - Non-equity direct investments (e.g. O&M, Mgt Contract, BOT, Turnkey, etc.)
  
- **Amounts and Coverage**
  - No minimum & No Maximum amount for a guarantee or size of investment
  - Equity covered up to 90% & debt up to 95%



# Small Investment Program - SIP

Increases MIGA's support for small and medium-sized investors

- **Standardized package of coverage** including Transfer Restriction, Expropriation, and War and Civil Disturbance
- Maximum amount guaranteed **US\$10 million**
- Term of **up to 10 years** (3 years minimum)
- Projects in Infrastructure and Extractive Industries not covered
- Delegated Board approval
- **No application fee** for small and medium investors

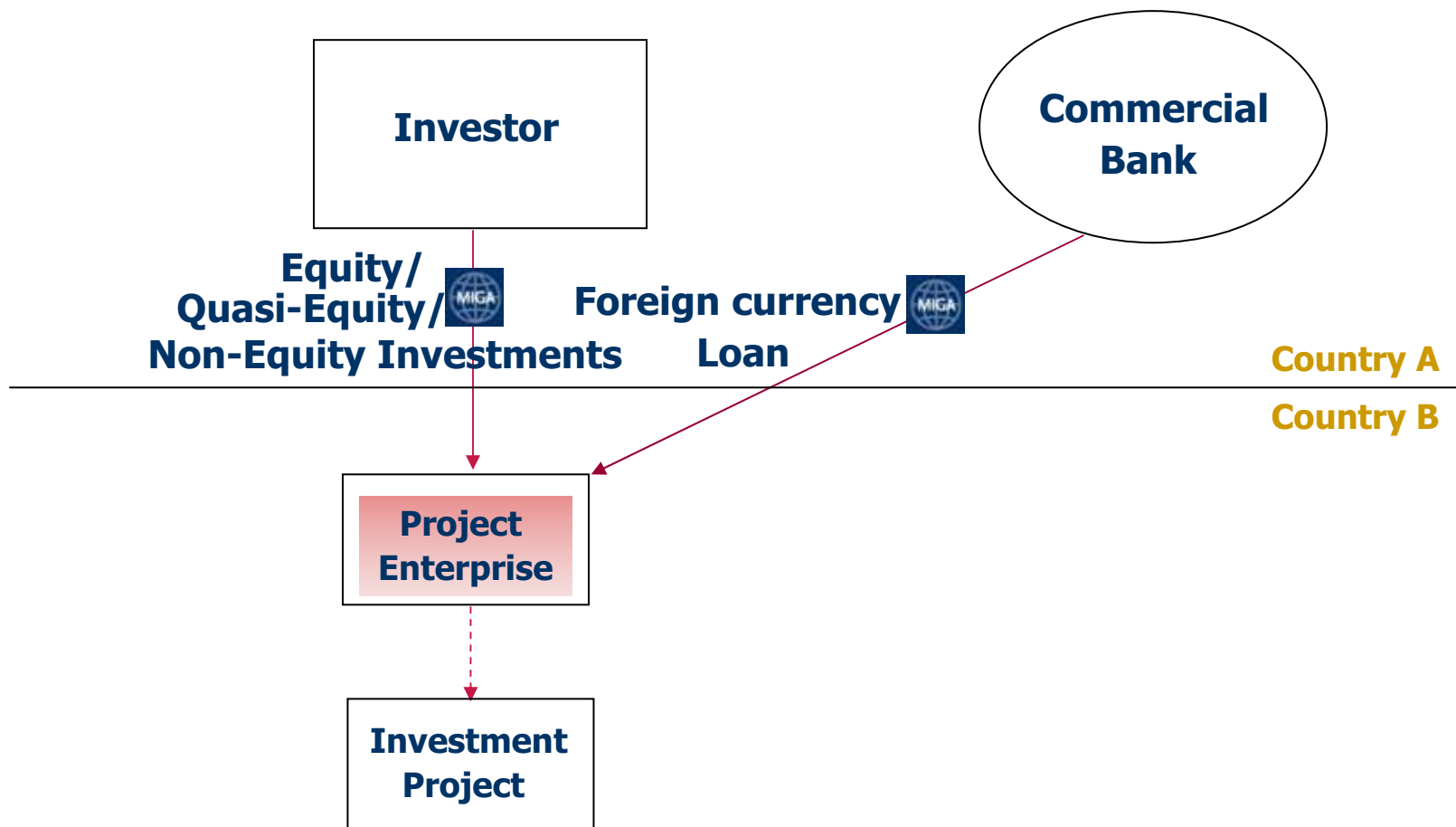


# SIP Eligibility

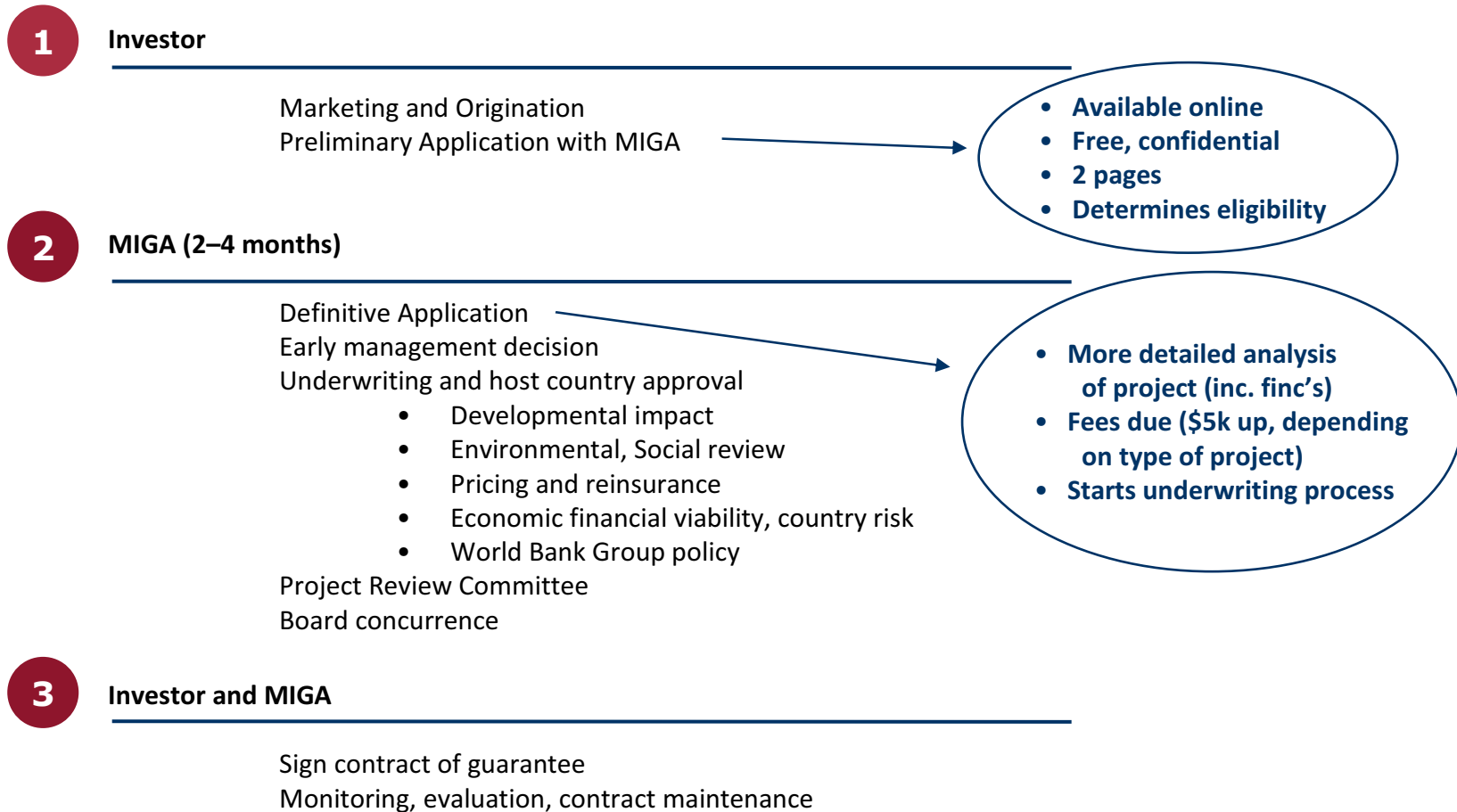
- Investments in the **Agribusiness, Manufacturing and Services** if they are related to the establishment of an SME, or made into an SME, in a developing country
- The **SME** must fulfill two out of three criteria:
  - no more than 300 employees
  - total assets not be more than US\$15 million
  - total annual sales should not be more than US\$15 million
- Investments in the **financial sector** are eligible if they are geared towards providing financial services for SMEs, and at least 50% of clients related to the investments are SMEs as defined above



# Eligible Structure



# How we underwrite



*Note: MIGA's Small Investor Program offers expedited execution, with no project-specific Board approval needed*

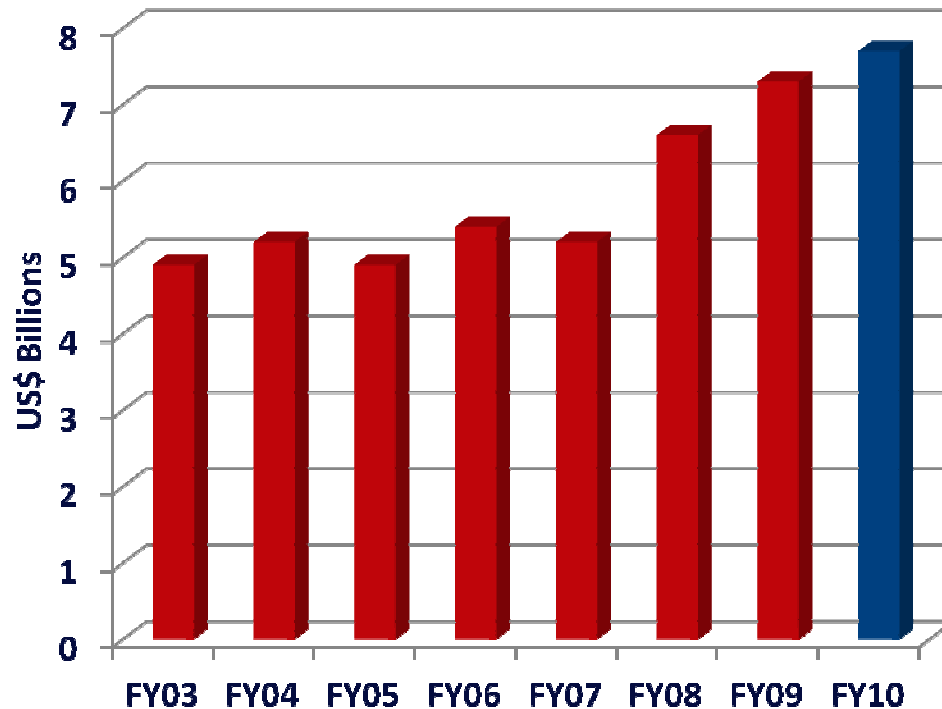


# Portfolio



# MIGA's Financial Highlights

Gross Exposure in US\$ Billions



## Key Figures

- ❖ Issued over 1000 guarantees for close to US\$24 billion
- ❖ Portfolio: US\$7.7 billion in FY10
- ❖ Issued US\$1.5 billion during FY10

## MIGA's Strengths

- ❖ Total subscribed capital: \$1.91 billion as of June 2010
- ❖ Strong capital base and ability to pay compensation in the event of large-scale losses
- ❖ Implied AAA by major credit rating agencies



# Afghanistan Projects

<b>Guarantee Holder</b>	<b>Sector</b>	<b>Investor Country</b>	<b>Cover (million USD)</b>
ShoreCap Int.	Fin. Services	United Kingdom	1.5
Int. Home Finance & Dev.	Manufacturing	United States	1.7
MTN Group	Telecom	South Africa	76.5
DAGRIS	Agribusiness	France	0.89
Business Humanitarian	Services	Switzerland	0.37



# Pakistan Projects

<b>Guarantee Holder</b>	<b>Sector</b>	<b>Investor Country</b>	<b>Cover (million USD)</b>
Triodos Doen	Banking	Netherlands	1.74
Habib Bank AG Zurich	Banking	Switzerland	35.6
Komatsu	Manufacturing	Japan	0.34
Sithe International	Power	United States	8.0
Orascom	Telecom	Egypt	90.7





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# Thank you

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