Multilateral Investment Guarantee agency

World Bank Group
The Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank Group. Its mandate is to promote foreign direct investment (FDI) in developing countries by providing guarantees (political risk insurance) to investors and lenders.

MIGA's guarantees protect investments against noncommercial risks and can help investors obtain access to funding sources with improved financial terms and conditions. The agency derives its unique strength from the World Bank Group and from its structure as an international organization whose shareholders include most countries of the world. This enables MIGA to provide an umbrella of deterrence against government actions that could disrupt projects, and assist in the resolution of disputes between investors and governments. MIGA also adds value through its ability to offer clients extensive knowledge of emerging markets and of international best practice in environmental and social management.

The agency works closely with public and private political risk insurance providers to increase insurance capacity. MIGA can act as the arranger for a project’s total insurance requirements.
MIGA insures investments made by investors in a MIGA member country into a developing member country. In certain cases, the agency may also insure an investment made by a national of the host country, provided the funds originate from outside that country and the host government specifically approves the investment. Corporations or financial institutions are eligible for coverage if they are either incorporated in and have their principal place of business in a member country or if they are majority-owned by nationals of member countries. Investments by state-owned corporations are also eligible if they operate on a commercial basis. Investments by a nonprofit organization may be eligible if it is established that the specific investment will be carried out on a commercial basis.

* Almost every nation is a member of MIGA. The list of MIGA member countries is available at www.miga.org.
Eligible Investments

MIGA insures cross-border investments. This includes new investments as well as investments associated with the expansion, modernization, improvement, or enhancement of existing projects, or where the investor demonstrates both the development benefits of, and a long-term commitment to, the project. Acquisitions by new investors, including the privatization of state-owned enterprises, may also be eligible.

MIGA can cover equity investments, shareholder loans, and shareholder loan guaranties, provided the loans have a minimum maturity of more than one year. Non-shareholder loans can also be covered, as long as they relate to a specific investment or project in which some other form of direct investment is present. Other forms of investment, such as technical assistance and management contracts, asset securitizations, capital market bond issues, leasing, services, and franchising and licensing agreements, may also be eligible for coverage.

In keeping with MIGA’s objective of promoting economic growth and development, projects supported must be financially and economically viable, environmentally sound, and consistent with the labor standards and development objectives of the country.
Types of Political Risks Covered

**CURRENCY INCONVERTIBILITY AND TRANSFER RESTRICTION**
Protects against losses arising from an investor’s inability to legally convert local currency (capital, interest, principal, profits, royalties, and other remittances) into foreign exchange and/or to transfer local currency or foreign exchange outside the country where such a situation results from a government action or failure to act. Currency depreciation is not covered. In the event of a claim, MIGA pays compensation in the currency specified in the contract of guarantee.

**EXPROPRIATION**
Protects against losses arising from certain government actions that may reduce or eliminate ownership of, control over, or rights to the insured investment. In addition to outright nationalization and confiscation, “creeping” expropriation—a series of acts that, over time, have an expropriatory effect—is also covered. Coverage is available on a limited basis for partial expropriation (e.g., confiscation of funds or tangible assets).

In the case of total expropriation of equity investments, compensation to the insured party is based on the net book value of the insured investment. For expropriation of funds, MIGA pays the insured portion of the blocked funds. For loans and loan guaranties, MIGA can insure the outstanding principal and any accrued and unpaid interest. Compensation will be paid upon assignment of the investor's interest in the expropriated investment (e.g., equity shares or interest in a loan agreement) to MIGA.

**WAR, TERRORISM, AND CIVIL DISTURBANCE**
Protects against loss from, damage to, or the destruction or disappearance of, tangible assets or total business interruption (the total inability to conduct operations essential to a project’s overall financial viability) caused by politically motivated acts of war or civil disturbance in the country, including revolution, insurrection, coups d'état, sabotage, and terrorism. The cover protects against losses directly attributable to the physical
damage of assets and total business interruption. For total business interruption, compensation would be based on the net book value of the total insured equity investment or the insured portion of the principal and interest payment in default as a direct result of a covered war and civil disturbance event. For tangible asset losses, MIGA will pay the investor’s share of the lesser of the book value of the project assets, their replacement cost, and the cost of repair of the damaged assets.

Temporary business interruption may also be included upon a request from the investor and would cover three sources of interruption: damage of assets, forced abandonment, and loss of use. For short-term business interruption, MIGA will pay unavoidable continuing expenses and extraordinary expenses associated with the restart of operations and lost business income or, in the case of loans, missed payments.

This coverage encompasses not only violence in the host country directed against a host country government, but also against foreign governments or foreign investments, including the investor's government or nationality.

**BREACH OF CONTRACT**

Protects against losses arising from the government’s breach or repudiation of a contract with the investor. Breach of contract coverage may be extended to the contractual obligations of state-owned enterprises in certain circumstances. In the event of an alleged breach or repudiation, the investor should invoke a dispute resolution mechanism (e.g., an arbitration) set out in the underlying contract. If, after a specified period of time, the investor has been unable to obtain an award due to the government’s frustration of its efforts, or has obtained an award but the investor has not received payment under the award, MIGA will pay compensation. If certain conditions are met, MIGA may, at its discretion, make a provisional payment pending the outcome of the dispute. MIGA may also elect to pay compensation without an award if the investor does not have recourse to a dispute resolution forum, or there is unreasonable government interference with the investor’s pursuit of legal rights against the host government.
NON-HONORING OF SOVEREIGN FINANCIAL OBLIGATIONS

Protects against losses resulting from a government’s failure to make a payment when due under an unconditional financial payment obligation or guarantee related to an eligible investment. It does not require the investor to obtain an arbitral award. This coverage is applicable in situations when a sovereign’s financial payment obligation is unconditional and not subject to defenses.

The coverages described above may be purchased individually or in combination,* but selection of the desired coverages must be made by an investor before MIGA issues its guarantee.

Terms of Coverage**

PRICING

Premium rates are decided on a per-project basis and vary by country, sector, transaction and the type of risk insured. Premiums are due at the beginning of each contract period.

* Individual risk coverage is not available for guarantees underwritten through the Small Investment Program. The program provides a standardized package of risk coverages, a streamlined approval process, and reduced costs.

** This description is only a summary. It does not include all terms, conditions and exclusions of the policies described. Please refer to the actual policies for complete details of coverage and exclusions. Sample contracts are available at www.miga.org.
DURATION OF GUARANTEE
MIGA provides coverage for a minimum of three years (more than one year for loans) and a maximum of up to 15 years (and possibly 20 years if justified by the nature of the project). Once a guarantee is issued and effective, MIGA may not terminate the contract unless a default occurs, but the guarantee holder may reduce or cancel coverage without any penalty on any contract anniversary date starting with the third anniversary.

AMOUNT OF COVERAGE
For equity investments, MIGA can guarantee up to 90 percent of the investment, plus up to an additional 500 percent of the investment contribution to cover earnings attributable to, and retained in, the project. For loans and loan guaranties, MIGA generally offers coverage of up to 95 percent of the principal (or higher as determined on a case-by-case basis), plus up to an additional 150 percent of the principal to cover interest that accrues over the term of the loan. For technical assistance contracts and other contractual agreements, MIGA can insure up to 90 percent of the total value of payments due under the insured agreement (up to 95 percent in exceptional circumstances).

Regardless of the nature of the project, an investor is required to remain at risk for a portion of any loss. MIGA can currently issue up to $220 million of coverage on its own account for a single project, and can cover significantly higher additional amounts through reinsurance arrangements. The agency can also mobilize additional coverage through coinsurance programs with other political risk insurers, including through its Cooperative Underwriting Program. MIGA has no minimum investment amount.
The Small Investment Program (SIP)

MIGA’s SIP program is designed to facilitate investment into small and medium-size enterprises (SMEs) involved in the finance, agribusiness, manufacturing, and services sectors.

Investments are eligible for coverage under the SIP if they are related to the establishment of an SME, or made into an existing SME, in a developing member country. In order to qualify as an SME, the project enterprise must fulfill at least two of the following criteria:

• no more than 300 employees
• total assets not more than $15 million
• total annual sales not more than $15 million

Investments in the financial sector are eligible under the SIP if they are geared toward providing financial services for SMEs, and at least 50 percent of clients related to the investment are SMEs as defined above.

The SIP offers:

• coverage up to $10 million (the actual size of the investment may be bigger)
• a guarantee package covering currency transfer restriction, expropriation, and war, terrorism, and civil disturbance*
• no application fee for eligible smaller investors
• a quick approval process

The SIP has no restrictions with respect to the size of the investor. However, the program is specifically designed to assist small and medium-size investors (SMIs). The application fee is waived for SMIs. In order to qualify as an SMI, the company must have no more than 375 employees and fulfill one of the following additional criteria: have no more than $50 million in assets or $100 million in annual sales.

* Breach of contract and non-honoring of sovereign financial obligation coverages are not offered under SIP, but investors requiring these coverages may apply through MIGA’s regular guarantee program.
How to Apply

Applicants seeking MIGA coverage should submit a completed Preliminary Application as soon as practicable. There is no fee charged. Once investment and financing plans are established, applicants submit a Definitive Application along with any relevant project documentation and a processing fee.

Applications may be submitted through MIGA’s website, via email, fax, or by post.
MIGA Applications Office
Mail Stop U12-1205
1818 H St., NW
Washington, DC 20433
USA
t. 1.202.458.2538
f. 1.202.522.2630

www.miga.org
migainquiry@worldbank.org

Preliminary Application form for guarantee attached.
INSURING INVESTMENTS  ■  ENSURING OPPORTUNITIES
Preliminary Application for Guarantee

All fields for investor and investment information must be completed upon submission.

INVESTOR INFORMATION

Company name

Investor’s contact  Mr./Ms./Mrs./Dr.  First  Last

Investor’s address

Telephone

Fax

Email

Website

INVESTMENT INFORMATION

Investor country (Investor Country must be different than Host Country)

Is the investing company wholly or majority state owned?

☐ Yes  ☐ No

If majority public owned, does it operate on a commercial basis?

☐ Yes  ☐ No

Host country (Where project is located)

Name of project

Brief description of project (Industry/sector)

Estimated total cost of project (in millions)  ☐ Euro  ☐ Japanese Yen  ☐ Pounds Sterling  ☐ USD

Estimated amount of investment (in millions)  ☐ Euro  ☐ Japanese Yen  ☐ Pounds Sterling  ☐ USD

Types of investments for which guarantee is requested (in millions):

☐ Equity  ☐ Euro  ☐ Japanese Yen  ☐ Pounds Sterling  ☐ USD

☐ Shareholder loan  ☐ Euro  ☐ Japanese Yen  ☐ Pounds Sterling  ☐ USD

☐ Non-shareholder loan (see next page)  ☐ Euro  ☐ Japanese Yen  ☐ Pounds Sterling  ☐ USD

☐ Loan guarantee  ☐ Euro  ☐ Japanese Yen  ☐ Pounds Sterling  ☐ USD

☐ Others  ☐ Euro  ☐ Japanese Yen  ☐ Pounds Sterling  ☐ USD

(if other, please provide details)

Is the investment made through capital markets?

☐ Yes  ☐ No

Is this application related to a prior guarantee issued by MIGA or to another application filed with MIGA?

☐ Yes  ☐ No

(if yes, please provide details - contract number or registration number)

Estimated date of investment
BROKER OR INVESTOR REPRESENTATIVE INFORMATION (IF ANY)

If broker or representative is involved, please specify:  □ Broker   □ Representative

Company name

Broker’s or investor representative’s name  Mr./Ms./Mrs./Dr.  First   Last

Title

Address

Telephone   Fax

Email   Website

How did you hear about MIGA?
□ Agent/Finder*  □ Conference  □ Host Government Official
□ IFC*  □ Insurance Broker*  □ Internet Search
□ Investment Broker  □ Lenders  □ MIGA News and Publications
□ MIGA Staff  □ MIGA’s website  □ Newspaper/Magazine
□ Other Investment Insurer  □ World Bank Staff  □ Other

* IFC, insurance brokers, agents and finders may be paid a commission by MIGA

Signature   Date

The purpose of this application is to register interest in a MIGA guarantee. Upon acceptance, a Notice of Registration will be issued. This notice does not constitute a commitment either by MIGA to offer a guarantee or by the applicant to accept such a guarantee. MIGA will treat all information contained in this application as confidential, and will not disclose it outside the agency except with the applicant’s consent.

ELIGIBLE INVESTMENTS

The following is a summary of MIGA’s rules on eligibility pertaining to investments and applicants. Other types of investments might qualify for MIGA’s coverage.

1. TYPE OF INVESTMENT
   ■ New cross-border investments originating in any member country and destined for any developing member country
   ■ New investments or investment contributions associated with the expansion, modernization, improvement, or enhancement of existing projects
   ■ Acquisitions, including privatization of state-owned enterprises
   ■ Existing investments may also be eligible if the investor demonstrates both development benefits and a long-term commitment to the project

2. FORM OF INVESTMENTS
   ■ Equity interests
   ■ Shareholder loans and loan guarantees issued by equity holders, which must have a term of more than one year
   ■ Other investments such as technical assistance, management contracts, franchising and licensing agreements as long as the remuneration of the investor depends on the revenues or production of the investment project and the investment has a term of at least three years
   ■ Non-shareholder loans with a term of more than one year, as long as they relate to a specific investment or project in which some other form of direct investment is present

3. ELIGIBLE APPLICANTS
   ■ Nationals of a member country other than the country in which the investment is to be made (host country)
   ■ Juridical persons if they are either incorporated in and have their principal place of business in a member country other than the host country or if they are majority-owned by nationals of member countries
   ■ State-owned corporations if they operate on a commercial basis
   ■ Nationals of the host country or juridical persons incorporated in said host country or whose capital is majority-owned by its nationals, provided that the invested assets are transferred from outside the host country

MIGA Sanctions Procedures will be applied to sanction corrupt, fraudulent, collusive, coercive, and obstructive practices in connection with projects guaranteed by MIGA.

For more details on MIGA’s activities, including its member countries, visit MIGA’s website at www.miga.org, or contact MIGA at mignquiry@worldbank.org or by telephone 1.202.458.2538.

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