



## MIGA in Sub-Saharan Africa

### A Continent on the Move

Sub-Saharan Africa is increasingly becoming a more attractive and hospitable destination for investors. It has registered historically high and consistent growth in recent years, with estimates indicating an expansion of 5 percent in 2012, following another expansion of 4.7 percent in 2011. While the extractives industry has been a significant driver behind rising foreign direct investment (FDI) on the continent, investment in non-extractive industries has also been rising thanks to improvements in regulatory frameworks, governance, and the overall ease of doing business in the region—as well as a growing middle class that is attractive to investors seeking new markets.

### Perceptions of Political Risk Hinder Investment

Despite its enormous potential, low-cost labor, and vast natural resources, many investors remain wary of investing in Africa. The subcontinent remains home to 17 countries the World Bank classifies as “fragile and conflict-affected”. For some investors, the downside risks of doing business in politically vulnerable countries are often greater than the rewards of entering a lucrative market. And many countries in sub-Saharan Africa are still seen as a high-risk, high-cost place to do business. The risks that concern investors and lenders often relate to low confidence in the judi-

ciary system and the regulatory framework, poor governance, corruption, limited rule of law, lack of enforcement of contracts, political instability, and macroeconomic instability. What this means for the continent is a potential loss of capital crucial for growth, and for investors a loss of opportunities to capture potential high yields from a vast, still largely untapped market.

### MIGA Can Help

MIGA can help sub-Saharan Africa attract investment that creates jobs and contributes to economic growth and help investors realize returns in the process. MIGA’s mandate is to support economic growth, reduce poverty, and improve people’s lives by promoting FDI into developing countries. We do this by providing political risk insurance (or guarantees) against certain noncommercial risks to investments in developing countries. As a member of the World Bank Group, MIGA is in a strong position to help resolve disputes that might arise between investors and host country governments. MIGA also works closely with the World Bank and International Finance Corporation to leverage private sector investment, particularly for the large infrastructure projects that are so urgently needed to underpin growth.

MIGA places no limit on the size of the projects it supports. For large investments, MIGA can mobilize reinsurance capacity if

MIGA insures foreign direct investments against losses related to:

- Currency inconvertibility and transfer restrictions
- Expropriation
- War, civil disturbance, terrorism, and sabotage
- Breach of contract
- Non-honoring of sovereign financial obligations

MIGA provides dispute resolution services for guaranteed investments to prevent disruptions to developmentally beneficial projects.

needed. MIGA’s Small Investment Program ([www.miga.org/sip](http://www.miga.org/sip)) offers a streamlined underwriting process for investors looking for coverage of less than \$10 million.

Membership in MIGA also allows investors from sub-Saharan Africa to receive guarantee coverage from MIGA for eligible investments into other developing member countries.

# Projects in Sub-Saharan Africa

MIGA has provided political risk insurance for a wide range of projects in the region, ranging from the construction of large power plants to the establishment of broadband wireless service.

## Toll Bridge Construction in CÔTE D'IVOIRE

In 2012, MIGA supported the construction and operation of the Henri Konan Bedié Toll Bridge and access roads in Côte d'Ivoire. The project, originally initiated in 1996, but placed on hold due to the prolonged civil conflict in the country, represents an important milestone in the country's efforts to rebuild its infrastructure.

The project is structured as a public-private partnership and is being implemented under a 30-year build-operate-transfer concession agreement. It involves the financing, design, construction, operation, and maintenance of the bridge over the Ebrié lagoon and access roads to the north and south between the residential area of Riviera and the industrial area of Marcory. This is the first public-private partnership since the country's civil war.

MIGA is providing \$145 million in guarantees covering equity investments and subordinated loans from Bouygues Travaux Publics of France and the Pan African Infrastructure Development Fund of South Africa, subordinated and senior loans from Africa Finance Corporation of Nigeria, and senior loans from BMCE Bank International Plc of the United Kingdom and FMO of the Netherlands. MIGA's coverage is for a period of 15 years against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract.

## Power Generation and Distribution in UGANDA



A severe electricity crisis has impacted the livelihoods of millions of people in Uganda, stunting the country's economic growth by an estimated one percent of GDP. MIGA support to the country's power grid includes a \$115 million guarantee insuring against breach of contract for the Bujagali Hydropower Project. The project involves the construction and operation of a 250-megawatt, run-of-the-river hydropower plant on the Victoria Nile.

MIGA's guarantee insures an investment by World Power Holdings Luxembourg S.à.r.l., a subsidiary of Sithe Global (USA) and was considered the linchpin to securing part of the investment.

Developed on a build-own-operate-transfer basis, the plant re-uses water flowing from two existing upstream facilities to generate electricity. The project also includes an associated Interconnection Project, which consists of a series of transmission lines owned and operated by the Uganda Electricity Transmission Company.

The guarantee coverage provided by MIGA is one element of the World Bank Group's support of Uganda's strategy to close its energy supply and distribution gap. The International Finance Corporation lent \$130 million for the project, while the International Development Association provided a partial risk guarantee of up to \$115 million.

MIGA is also supporting the Umeme electricity distribution project in Uganda. Umeme Limited was awarded the 20-year electricity distribution concession from March 2005, becoming the first significant private operator of electricity distribution in all of sub-Saharan Africa. In the same year, MIGA provided \$40 million in guarantees to Globeleq (at the time owned by CDC Group and now by Actis, the global emerging markets fund) for its investment in Umeme Limited. MIGA is providing \$40 million in cover to the project against the risks of transfer restriction, breach of contract, and war and civil disturbance.

## Agribusiness in ZAMBIA



In Zambia, MIGA is supporting an investment that is introducing highly efficient and sustainable agricultural practices such as crop rotation and zero tillage, soil and water management, and other technological improvements. In 2010, the Agency entered into a contract with Chayton Atlas Investments, an investment holding company within Chayton Atlas Agricultural Company, a private equity fund with extensive regional farming experience focused on investing in agribusiness in the Southern African Development Community.

Under this contract, MIGA committed to providing up to \$50 million in political risk cover at a fixed premium for Chayton's planned investments in Zambia and

## OTHER SELECTED PROJECTS IN THE REGION

HOST COUNTRY	INVESTOR COUNTRY	GUARANTEE HOLDER	SECTOR	GUARANTEE AMOUNT
Cameroon	Switzerland	4G Africa AG	Telecommunications	6.5
Central African Republic	France	Orange Participations S.A.	Telecommunications	37.9
Congo, Democratic Republic of	Germany	ProCredit Holding AG	Banking	5.0
Côte d'Ivoire	France; United Kingdom	SCDM Energie; HSBC	Oil and Gas	437.0
Ethiopia	Netherlands, South Africa	Africa Juice BV, Industrial Development Corporation	Agribusiness	10.0
Ghana	France	Société Générale	Power	88.4
Kenya	South Africa	Absa Capital, a division of Absa Bank Limited	Power	61.5
Mozambique	Japan	Sojitz Corporation	Manufacturing	9.1
Rwanda	Luxembourg	KivuWatt Holdings	Power	95.4
Senegal	United Kingdom	Standard Bank Plc	Infrastructure	99.0
Sierra Leone	Denmark	Kjaer Group A/S	Services	0.9
Togo	Switzerland	Cotecna Inspection SA	Services	4.6

Botswana, provided the investments met MIGA's underwriting standards. To date, MIGA has provided \$19 million in cover for Chayton's investments in Zambia.

Chayton Africa made its first investment in Zambia in 2010, acquiring two existing commercial farms and a contract farming business in the Mkushi farm block. To date, it has leased six existing commercial farms totaling just over 4,000 hectares with 1,250 hectares being farmed and 430 hectares under irrigation. The company, known as Chobe Agrivision, operates a fully-irrigated farming model, which allows double cropping: it achieves two harvests a year by growing wheat during the winter and a rotation of maize and soya in summer. The crops are sold for consumption in Zambia.

MIGA's master contract of guarantee for private equity funds is designed to help funds such as Chayton attract capital for investments into emerging and frontier markets. Top-down investors may be uneasy with the macro environments of certain markets because of concerns about government stability, civil unrest, and fragile regulatory frameworks. MIGA can help international private equity investors overcome these challenges in order to achieve attractive and long-term sustainable risk-adjusted returns.

### ENVIRONMENTAL AND SOCIAL TRUST FUND FOR AFRICA

MIGA clients or prospective clients can request support to ensure that investments comply with MIGA's environmental and social policies.

For information, please contact Jill Crowther, [jcrowther@worldbank.org](mailto:jcrowther@worldbank.org)

or visit [www.miga.org/sustainability](http://www.miga.org/sustainability)



## MIGA'S VALUE

As a member of the World Bank Group, MIGA offers a range of benefits to investors seeking protection and continuity for their projects in developing markets.

### Keeping Developmentally Sound Projects on Track

- **Mobilizing sound investments:** As a multilateral development agency, MIGA supports investments that are developmentally sound and meet high social and environmental standards. Governments have a vested interest in the sustainability of investments covered by MIGA.
- **Resolving disputes:** By demonstrating the investments being supported are developmentally sound, meet high social and environmental standards, and are approved by the host country government authorities as well as by MIGA's Board, MIGA is in a strong position to help resolve disputes that might arise. MIGA has supported more than 700 different projects in its history, and has been able to resolve disputes that would have led to claims in all but two cases. (MIGA has paid four claims resulting from damage due to war and civil disturbance.) MIGA is able to work effectively with all parties to resolve disputes, keeping projects on track.
- **Prompt claims payment:** When claims do need to be paid, MIGA is able to pay them promptly, based on a strong balance sheet and a stable stream of operating income.

### Improving Terms and Conditions for Investors/Lenders

- **Accessing funding:** MIGA guarantees help investors obtain project finance from banks.
- **Lowering borrowing costs:** MIGA-guaranteed loans may help reduce risk-capital ratings of projects, leading to lower borrowing costs.

- **Increasing tenors:** MIGA can provide insurance coverage for up to 15 years (in some cases 20), thereby increasing the tenor of loans available to investors.
- **Mobilizing reinsurance capacity:** MIGA is able to provide guarantee support for effectively any size project, through MIGA's ability to secure reinsurance capacity.

### Knowledge and Experience

- MIGA can help clients structure transactions to mitigate risk efficiently.
- Clients can benefit from the agency's decades of experience, global reach, and knowledge of developing countries.
- MIGA works with clients to implement social and environmental best practices.
- MIGA ensures that appropriate risk solutions are implemented at various stages of the project life cycle.

### Research and Knowledge

MIGA shares knowledge on political risk and foreign direct investment as part of its mandate to support foreign direct investment into emerging markets. The annual *World Investment and Political Risk* report examines the overall trends in political risk perceptions, foreign investment intentions, and longer-term demand for political risk insurance, especially in emerging economies ([www.miga.org/wipr](http://www.miga.org/wipr)).

### Technical Assistance

MIGA helps countries define and implement strategies to promote investment through technical assistance services managed by the Investment Climate World Bank Group. Through this vehicle, MIGA's

technical assistance is facilitating new investments in some of the most challenging business environments in the world.

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