



WORLD BANK GROUP MULTILATERAL INVESTMENT GUARANTEE AGENCY

MIGA in Africa

Africa on the Move

For investors on the lookout for new opportunities and high returns, sub-Saharan Africa is familiar terrain. But along with the promise of profit comes risk—often in the form of political instability, conflict, and economic shocks. Recently, there has been a notable shift on the risk horizon, as democratic elections, economic stability, more peaceful relations, and regulatory reforms have begun to gain traction. Some 17 countries, home to 36 percent of Africa’s population, have seen GDP growth average 5.5 percent over the past decade, while high commodity prices have helped resource-rich countries such as Angola and Nigeria grow their economies on average by more than 7 percent a year since 1996.

MIGA, a member of the World Bank Group, mitigates noncommercial risks by insuring investments against the risks of:

- Currency inconvertibility and transfer restrictions
- Expropriation
- War, civil disturbance, terrorism, and sabotage
- Breach of contract

MIGA provides mediation services for guaranteed investments to help resolve disputes between investors and governments.

Foreign direct investment (FDI) has also increased noticeably, with the region attracting \$16.6 billion in 2005 and enjoying an average annual FDI growth rate of 7 percent over the past five years. Nontraditional investors have contributed substantially to this surge. While China and India have caught headlines recently, South Africa has been a leader for many years, and there is potential for additional intra-regional investment.

But no one denies that formidable challenges remain. According to the World Bank’s *Doing Business* report for 2007, countries in sub-Saharan Africa occupy 19 of the bottom 25 places in ease of doing business rankings. Over a third of the countries in the region are still suffering from the legacy of conflict. And infrastructure needs are so great that the region requires an additional \$20 billion a year in investment if it is to accelerate growth and meet the Millennium Development Goals. When it comes to increasing FDI into the region, the bottom line is that sub-Saharan Africa continues to be perceived as a high-risk, high-cost place to do business.

MIGA’s Role for Investors and Lenders

For investors and lenders, the need to mitigate political risks, real and perceived, is therefore great. MIGA has an important role to play in this regard, by offering political risk insurance to protect investments against the risks of expropriation, transfer inconvertibility, war and civil disturbance, and breach of contract. This coverage also

provides comfort to lenders, who may be particularly concerned about cross-border risks.

MIGA has for many years been a leader in supporting FDI into sub-Saharan Africa. The agency has issued almost \$2 billion in guarantees in the region since 1988 and has a current exposure of around \$800 million. In fiscal year 2006, about one-third of the projects MIGA supported were in Africa.

MIGA has provided political risk insurance for a wide range of projects in the region, ranging from the rehabilitation of sugar plantations to the establishment of broadband wireless service. Often, MIGA has supported investments in countries just emerging from conflict, such as Mozambique, Angola, the D.R. of Congo, and Sierra Leone. And MIGA places no limit on the size of the projects it supports. Indeed, through its Small Investment Program (www.miga.org/sip), MIGA can provide guarantee coverage for projects up to \$5 million, with lower premium rates and faster turnaround.

As a multilateral agency and member of the World Bank Group, MIGA has the added value of deterring harmful government actions and mediating disputes to prevent claims situations from escalating and keep investments on track. To date, MIGA has never received a claim for any project it covered in Africa.



MIGA's Portfolio in Africa

Housing in GHANA

In 2006, MIGA issued \$6.3 million in guarantees to Malaysia's Metro Ikram, covering its equity and shareholder loans to Meridian Development Limited in Ghana. The project is the first step in a multi-pronged, government-backed approach to ease Ghana's housing crunch. It will develop and build the first phase of a large affordable housing project as a joint venture with Ghana's Social Security National Insurance Trust. This first phase will result in the construction of approximately 1,000 homes in the crowded Accra-Temma metropolis. Later stages of the project include the construction of up to 100,000 homes throughout Ghana.

The MIGA guarantees cover the first stage, which is considered a pilot for the future. Meridian is a critical private investment that will help address the housing shortage, while demonstrating to other private investors that such projects can bring a strong rate of return when risks are properly mitigated.

Natural Gas in MOZAMBIQUE

Since 2003, MIGA has issued a series of guarantees to South Africa's Sasol Group and Standard Bank, totaling more than \$225 million, for the Sasol gas pipeline project in Mozambique. MIGA's guarantees support the development of the Temane and Pande gas fields and the construction of a 865 km cross-border gas pipeline into South Africa. The project represents the first cross-border initiative in sub-Saharan Africa in developing regional natural gas markets and will generate many benefits for the local economy, including government revenues estimated to be in excess of \$2 billion over the project's 25-year lifetime. Contracts for local purchases of goods and services are estimated at more than \$1 million per year.

The project is substantially adding to Mozambique's infrastructure through the development of roads, water supplies, and the removal of land mines. Environmentally, the project will contribute to the reduction of harmful emissions by replacing heavy oils and sulfur-rich coal with clean-burning natural gas.

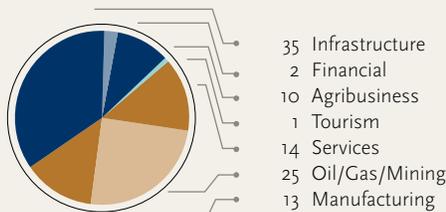
Steel Manufacturing in NIGERIA

In 2005, India's Manakia and State Bank of India, as well as ICICI Bank UK Ltd., received

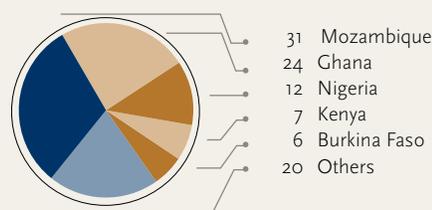
MIGA's Portfolio in Africa

With \$800 million in gross exposure, Africa accounts for 16 percent of MIGA's outstanding portfolio. MIGA has supported projects in every sector and in more than 25 African countries—including many regional projects involving investors from South Africa, Senegal, and Mauritius. Project size ranges from less than \$1 million to more than \$1 billion (e.g., the Mozal aluminum project in Mozambique).

MIGA Exposure in Africa, percentage by sector, as of March 31, 2007



MIGA Exposure in Africa, percentage by country, as of March 31, 2007



MIGA guarantees totaling \$7 million for MINL in Nigeria. MINL manufactures and sells bottle caps and sheet metal in Nigeria. This investment is supporting the construction and operation of a metal processing plant to expand production into three new product lines: galvanized corrugated steel sheets, aluminum sheets, and aluminum alloy ingots. Galvanized corrugated steel sheets are the main roofing material for 90 percent of Nigerians. Local procurement of goods and services for the new plant in Ogun State is estimated at \$8 million annually. Seventy percent of that would be spent in Ogun, the rest in the north and east of Nigeria. The project is expected to generate about \$3 million in corporate tax revenue a year and employ 118 locals, who will receive extensive training.

Telecom in MALI

In 2003, Senegal's Sonatel benefited from \$44 million in MIGA guarantees for its investment in Ikatel SA of Mali. The project is providing various telecommunications services in one of the world's poorest

and lowest teledensity countries. It also established the country's first fully digital GSM cellular network. Ikatel aims to reach 250,000 subscribers over the next nine years and is one of the largest foreign investments in Mali. It will spur the growth of several industries, especially small and medium-size enterprises (SMEs), many of which will provide phone services to those who cannot afford a phone, and support technology in schools. Consumers will benefit from the diversity of service offerings and lower costs. The project is also generating government revenues, including a \$44 million license fee.

Agribusiness in BURKINA FASO, MADAGASCAR*

Since 2005, MIGA has engaged in a strategic partnership with France's Dagriss, which specializes in agribusiness investments in the developing world. MIGA has issued \$47.7 million in guarantees for Dagriss's projects in Burkina Faso and Madagascar, and also supported its investment in

| Selected MIGA Projects in the Region | | | | |
|--|------------------------|--------------|--------------------------|-----------------|
| Guarantee Holder | Investor Country | Sector | Host | Amount (US\$ M) |
| Office National des Telecommunications | Tunisia | Telecom | Mauritania | 41.0 |
| West Africa Gas Pipeline Company Ltd. | Bermuda | Gas pipeline | Ghana | 75.0 |
| Loita Capital Partners | Mauritius | Financial | Cameroon | 0.7 |
| Globeleq Holdings | Bermuda | Power | Uganda | 40 |
| IDC, Sena Group, Mauritius Comm. Bank | South Africa/Mauritius | Agribusiness | Mozambique | 87.8 |
| Barloworld | UK | Services | Angola | 33.1 |
| Anvil Mining Ltd., RBM Int'l | Canada/Ireland | Mining | D.R. Congo | 13.6 |
| IDC, Mr. Chatthe | South Africa/UK | Agribusiness | Kenya | 6.7 |
| Sierra-Corn | Israel | IP/Telecom | Sierra Leone | 3.4 |
| Mauritel | Mauritius | Telecom | Burundi | 0.9 |
| AMA, AMAI | Italy | Waste mgmt | Senegal | 15.7 |
| Barrick Gold | Canada | Mining | Tanzania | 116.0 |
| Louvre Int'l Ltd. | Mauritius | Tourism | Madagascar | 2.4 |
| Cotecna S.A. | Switzerland | Services | Nigeria | 84.9 |
| Portus Indico | Portugal | Port | Mozambique | 13.8 |
| MTN | South Africa | Telecom | Nigeria | 50.0 |
| Eskom | South Africa | Power | Mozambique/ Swaziland | 69.5 |

Afghanistan. In Burkina Faso, Dagrís is acquiring and expanding cotton ginning facilities in the east of the country, in line with a government program, on which the World Bank advised, to liberalize the cotton sector. The project also involves the promotion of local entrepreneurship through the financing of the acquisition of shares in the project enterprise by local cotton growers and Burkinabé investors. It will strengthen the country's export-oriented growth and provide new seeding techniques and training on pesticide and fertilizer use that are expected to improve yields and quality.

Dagrís's Madagascar project involves the privatization of HASYMA, the state-owned cotton monopoly. The project is enhancing Madagascar's cotton industry by modernizing and expanding the cotton ginning capacity of HASYMA; and by providing technical advice, assistance, and incentives to local producers and investors. HASYMA will promote the production of cotton seed; purchase and gin seed cotton; and market cotton fiber, seeds, and by-products on the local and international markets.

Hydropower in UGANDA

In 2005 and 2007, MIGA supported the Umeme electricity distribution project in Uganda with guarantees totaling \$80.5 million, issued for Bermuda's Globeleq and South Africa's Eskom. Umeme will operate an electricity distribution concession in Uganda for 20 years. Globeleq will bring commercial and financial expertise to the consortium, while Eskom will provide much of the technical expertise required to turn around the underlying business. The distribution network consists of 13,000 km of overhead lines extending throughout the country and will provide up to 60,000 new connections, reduce losses, and improve collection rates within the first five years. Access to electricity will also expand for households, schools, clinics, hospitals, and water systems. The more accessible and reliable power is expected to foster economic activity and generate fiscal revenues for the government.

The 2007 guarantee covers new 2007-13 agreements between the government and Umeme on required energy supply levels and on how to share the risks related to losses

and collections. MIGA's guarantee is one element of the World Bank Group's support of Uganda's energy sector strategy to close an energy supply and distribution gap.

Banking in CAMEROON*

Mauritius' Loita Capital Partners International received a \$717,000 guarantee from MIGA for its investment in the National Financial Credit Bank S.A. of Cameroon, as well as a portion of its management fees. The project involves the creation of a newly licensed commercial bank to provide micro-credit and other financial services to clients, including SMEs. The new bank will infuse critically needed funds into the local financial market, and transfer skills and services from the investor to the local institution. MIGA's participation in the project supports improvements in Cameroon's financial sector and strengthens the government's capacity to manage sector reform and privatization.

* *Projects underwritten within MIGA's Small Investment Program.*

MIGA's Value

As a member of the World Bank Group, MIGA is able to provide a unique umbrella of deterrence against political risks and can offer comfort to clients by improving projects' risk/return profiles.

Investment Protection and Prompt Claims Payment

- **Deterring harmful actions.** MIGA's relationship with shareholder governments provides additional leverage in protecting investments.
- **Mediating disputes.** As an honest broker, MIGA intervenes at the first sign of trouble to resolve potential investment disputes before they reach claim status, helping to maintain investments and keep revenues flowing. In almost all cases, MIGA is able to resolve these disputes.
- **Ensuring prompt claims payment.** In the event that a dispute cannot be mediated, MIGA ensures that valid claims are paid promptly.

Improving Financial 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 the cost of capital.
- **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.
- **Helping to structure project financing.** MIGA also ensures that risks are allocated properly.

Country, Social and Environmental Expertise

- **Providing extensive country knowledge.** MIGA applies the World Bank Group's decades of experience, global reach, and knowledge of developing countries to each transaction.
- **Offering environmental and social expertise.** MIGA helps investors and lenders ensure that projects comply with what are considered to be the world's best social and environmental safeguards.

Types of Coverage Offered

Transfer restriction coverage protects against losses arising from an investor's inability to convert local currency into foreign exchange for transfer outside the host country. The coverage also insures against excessive foreign exchange delays caused by the host government's actions.

Expropriation coverage offers protection against loss of the insured investment as a result of acts by the host government that may reduce or eliminate ownership or control of the insured investment. This policy also covers partial losses and "creeping expropriation," a series of acts with an expropriatory effect.

War, civil disturbance, terrorism, and sabotage coverage protects against loss due to the destruction, disappearance, or physical damage to tangible assets caused by politically motivated violence. It also extends to events that result in the total inability of the project enterprise to conduct operations essential to its overall financial viability.

Breach of contract coverage protects against losses arising from the host government's non-payment of an arbitral award in favor of the investor, due to the government's breach or repudiation of a covered contractual agreement with the investor.

Note: In almost all cases, by working with the host governments and the covered investors, MIGA is able to resolve potential claims situations before they become claims.



Partnerships

MIGA works with the following key partners in the region to better support inward and outbound investments:

- The World Bank and IFC
- The African Development Bank
- ATI – the African Trade Insurance Agency
- BOAD – Banque Ouest Africaine de Développement
- ICIEC – the Islamic Corporation for Investments and Export Credit

Online Services

MIGA provides the following free online services for investors and lenders:

- **FDI.net** (www.fdi.net)—investment opportunities, laws, and contacts in 175 countries and across all sectors
- **PRI-Center** (www.pri-center.com)—risk mitigation information—a one-stop online portal on political risk insurance

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