



REGIONAL BRIEF

WORLD BANK GROUP MULTILATERAL INVESTMENT GUARANTEE AGENCY

MIGA in Africa

A Continent on the Move

Sub-Saharan Africa is increasingly becoming a more attractive and hospitable destination for investors. Strong growth, improved macroeconomic performance, and relative political stability helped the region's GDP expand by 5.6 percent in 2006—surpassing the 5 percent mark for the third consecutive year. According to the World Bank, 13 sub-Saharan African countries have attained middle-income status and another five countries are knocking or will soon knock on that door. More than a third of Africans now live in the 15 countries that were projected, in 2007, to extend a decade-long median annual growth rate of 5.3 percent. Foreign direct investment (FDI) has also increased noticeably, with the region attracting \$13.8 billion in 2005, and \$18.5 billion in 2006, thanks in part to investments from newly rising economies like China and India.

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 dispute resolution services for guaranteed investments to prevent disputes from escalating.

MIGA also provides free online information on investment opportunities.

Democratic elections, economic stability, more peaceful relations, and regulatory reforms have helped improve the region's investment climate and led to increased FDI in recent years. But countries in sub-Saharan Africa still occupy 19 of the bottom 25 places in ease of doing business. The World Bank Group's *Doing Business 2007: How to Reform* report points out that despite some progress, only a few countries in the region are doing what is needed to simplify business regulations, strengthen property rights, increase access to credit and reduce the exorbitant costs of exporting and importing. The bottom line is that sub-Saharan Africa still has work to do to shed its image as a high-risk, high-cost place to do business.

MIGA's Role for Investors and Lenders

For many investors and lenders, the financial consequences of doing business in politically vulnerable countries are often greater than the rewards of entering a lucrative market. As a result, Africa is receiving only about 10 percent of total foreign direct investment to developing countries, while investors are losing opportunities to capture potential high yields from a vast, largely untapped market.

MIGA is playing an important role to change this status quo. As a risk mitigator and promoter of foreign direct investment into developing countries, MIGA provides guarantees to protect the investments of foreign investors against political or non-commercial risks. The agency's guarantees cover risks relating to currency transfer restrictions, expropriation, war and civil disturbance, and breach of contract. MIGA's

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 more than \$2 billion in guarantees in the region since 1988 and has a current exposure of more than \$900 million. In fiscal year 2007, Africa accounted for 18 percent of MIGA's outstanding portfolio.

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. The agency specializes in supporting investments in countries just emerging from conflict, providing coverage where other insurers are often not willing to go, such as Angola, the Democratic Republic of Congo, Mozambique, and Sierra Leone.

MIGA places no limit on the size of the projects it supports—in fiscal year 2007, the agency issued \$115 million in guarantee coverage for a hydropower project in Uganda, as well as a \$600,000 guarantee for a hotel privatization project in Guinea-Bissau. Indeed, MIGA's Small Investment Program (www.miga.org/sip) supports investments considered to be quite small. The lower premium rates offered and the faster turnaround make it particularly attractive to investors looking for coverage for less than \$10 million.

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

MIGA's Portfolio in Africa

Sugar Plant in KENYA

In 2007, MIGA issued \$7 million in guarantees to the Industrial Development Corporation of South Africa Ltd. (IDC) for a sugar factory in Kenya. In 2006, MIGA had issued a \$6.2 million guarantee to IDC covering a non-shareholder loan for the same project, Kibos Sugar and Allied Industries Limited. The new guarantee reflects an increase in the amount of the non-shareholder loan. The guarantee will cover the investments against the risks of expropriation, transfer restriction, and war and civil disturbance for a period of up to eight years. The increased loan will fund an expansion of the sugar plant's production capacity.

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 \$235 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 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.

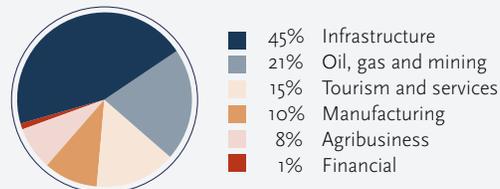
Steel Manufacturing in NIGERIA

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

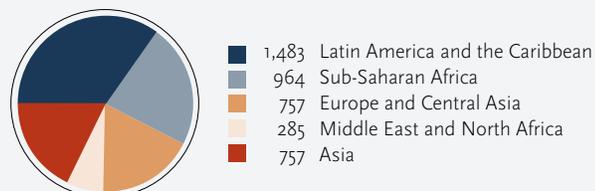
MIGA's Portfolio in Africa

With \$964 million in gross exposure, Africa accounts for 18 percent of MIGA's outstanding portfolio. MIGA has supported projects in every sector and in 27 African countries—including many regional projects involving investors from South Africa, Senegal, and Mauritius.

Guarantees issued in Africa up to January 2008, by sector, in percentage



Outstanding Guarantees Portfolio from FY90-FY07, by region, in US\$ M



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.

Telecoms 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 sub-

scribers 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 DAGRIS, which specializes in agribusiness investments in the developing world. MIGA has issued \$47.7 million in guarantees for DAGRIS's projects in Burkina Faso and Madagascar, and also supported its investment in Afghanistan. In Burkina Faso, DAGRIS is acquiring and expanding cotton ginning facilities in the east of the country, in line

Selected MIGA Projects in Sub-Saharan Africa

Guarantee Holder	Investor Country	Host Country	Sector	Guarantee Amount (\$ M)
World Power Holdings Luxembourg S.à.r.l.	Luxembourg	Uganda	Power	115.0
Société Nationale des Télécommunications du Sénégal	Senegal	Guinea	Telecommunications	59.4
Standard Bank of South Africa Ltd.	South Africa	Mozambique	Oil & Gas	49.7
Office National des Telecommunications	Tunisia	Mauritania	Telecommunications	41.0
Globeleq Holdings	Bermuda	Uganda	Power	40.0
Rockland Steel Trading (P) Ltd. State Bank of India	India United Kingdom	Nigeria	Manufacturing	11.4
Industrial Development Corporation of South Africa Ltd	South Africa	Kenya	Agribusiness	7.0
Barloworld	UK	Angola	Services	3.1
DAGRIS, S.A.	France	Madagascar	Agribusiness	2.9
Société Burkinabé de Promotion Hôtelière	Mali	Burkina Faso	Tourism	2.9
Société de Promotion et de Participation pour la Coopération Economique	France	Ghana	Financial Services	1.3
Loita Capital Partners	Mauritius	Cameroon	Financial	1.8

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.

DAGRIS'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.

Energy in UGANDA

In 2007, MIGA issued a \$115 million guarantee for the Bujagali Hydropower Project in Uganda. The project consists of

the construction and operation of a 250 megawatt, run-of-the-river hydropower plant on the Victoria Nile. The plant is expected to increase supply to the national power grid at the lowest cost compared to other power generation expansion options under Uganda's energy strategy, thereby reducing outages and costs. MIGA's guarantee was considered essential to securing part of the investment.

In 2005 and 2007, MIGA also 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 reli-

able power is expected to foster economic activity and generate fiscal revenues for the government.

Banking in CAMEROON*

In 2007, Mauritius' Loita Capital Partners International received a \$1.8 million 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 microcredit 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 through MIGA's Small Investment Program.*

MIGA's Value

MIGA provides 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.
- **Resolving 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

Online Services

MIGA provides the following free online services for investors and lenders

- FDI.net (www.fdi.net)—A web portal providing information on foreign direct investment in emerging markets
- PRI-Center (www.pri-center.com)—An information service on political risk insurance for investors and practitioners

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.

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