

MIGA: Cultivating Agribusiness Growth

The Multilateral Investment Guarantee Agency, part of the World Bank Group, mitigates political risks to investments through:

Guarantees covering the risks of:

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

Dispute mediation services

MIGA also provides:

Technical assistance to governments and online information on investment opportunities

In many parts of the developing world, lush soils, temperate climates and strong farming traditions create an ideal environment to grow agricultural businesses. And as worldwide demand rises even for staples such as flour, coffee and rice, savvy investors stand to earn strong profits. But obstacles abound, particularly for companies venturing into countries with a history of instability and upheaval. Project financing costs can be prohibitive, due to such risks. MIGA political risk insurance policies can reduce the cost of financing. They often make the difference between a go and a no-go decision for project sponsors and lenders concerned about the safety of their investments.

The Agribusiness Investment Challenge

While there will always be strong worldwide demand for foodstuffs, the fact remains that agricultural investments are risky business, especially in the developing world. After all, it's a long way from visualizing the opportunity in an all-but-abandoned sugar plantation to realizing profit on a well-run, state-of-the-art sugar factory. Newly stabilized governments could still be on shaky political ground. Unclear or incomplete laws on property ownership complicate the profit picture. Restrictions on revenue repatriation could complicate a project's finances even more, adding to the imbalance between foreign-denominated debt and locally denominated revenue. And new threats, such as terrorism, add an additional layer of uncertainty, potentially derailing even the most promising of investments. Combined, such political risks contribute to high costs of capital. In fact, some lend-

ers might not be willing to lend at all, in the absence of political risk insurance policies.

What We Do

MIGA—the Multilateral Investment Guarantee Agency—is part of the World Bank Group. We are a global political risk insurer to private investors and companies investing outside of their home countries. We back projects in locations where other political risk insurance agencies might not be willing to go—or where they might go but with shorter tenures—such as countries emerging from war or civil conflict. We advise countries on the needs and benefits of private investors and on ways to attract foreign investment. And, in collaboration with our World Bank Group colleagues, we work with investors to structure deals in ways that will improve the potential for strong returns and foster positive relationships with communities where they invest.

How We Help

MIGA guarantees are well-suited to mitigate non-commercial agribusiness investment risks, thereby lowering the cost of capital. They reassure lenders that their investments are protected. They help equity owners over hesitations that may loom large prior to deal signing, particularly for costly investments in high-risk countries. And once a deal is in place, MIGA guarantees, backed by the World Bank Group, bring companies peace of mind, providing that added measure of security that can stabilize an entire project.



World Bank Group
Multilateral Investment
Guarantee Agency

Types of Coverage

MIGA expropriation coverage protects policy holders against government take-over of assets, such as land, farm machinery or food processing plants. This coverage also guarantees protection from “creeping expropriation,” a series of acts that eventually result in outright nationalization or confiscation.

MIGA transfer restriction coverage insures policy holders against the possibility that governments would prevent earnings repatriation. The coverage also protects against the risk of currency inconvertibility. With these guarantees in place, lenders may be willing to reduce borrowing costs, since this mitigates concerns that foreign companies might not be able to get their cash out of a country, which would increase the potential for loan default. Even when governments impose a moratorium on moving currency, as shareholders of MIGA, they may agree to exclude revenues from projects backed by MIGA guarantees and permit the transfer. This has been the case in a number of moratoriums since 1990.

MIGA coverage against war and civil disturbance protects policy holders in the event that political upheaval causes direct destruction of assets, such as torched fields or damaged factories. This coverage can also protect against loss of revenue if crops or food products cannot get to market due to border closures. Guarantees insure against losses if the farm or plant falls inside a war zone, and farmers are not permitted to return to fields in time to harvest crops.

MIGA breach of contract coverage protects investors when governments are

contractual partners. While agribusiness investments do not typically involve government partners, this is an additional component of MIGA's political risk insurance offerings.

MIGA at Work: Insuring Sugar Investments in Mozambique

At the end of Mozambique's devastating 17-year civil war, the country's assets were in tatters. While the nation's climate and geography offer ideal growing situations, the farming infrastructure was almost entirely destroyed. Amidst this environment, a visionary consortium of Mauritian companies saw an opportunity in an abandoned sugar plantation. They considered making an investment that would revitalize the farm land and rebuild the sugar refinery. Not surprising, the estimated costs of such an investment were quite high, and the political landscape remained uncertain. The consortium turned to MIGA, which extended \$65 million in political risk insurance to the Sena Group and to the Industrial Development Corporation of South Africa, covering their equity investments and loans for the project. At the time, MIGA was the only political risk insurance agency willing to operate in Mozambique, among the world's poorest countries even before the war.

Since production began in 2001, Sena has produced 750,000 tons of sugar each year, for domestic markets and for export. The company employs 5,000. It enjoys a strong relationship with the local community, where it has partnered to build a health clinic and a water supply facility. Revenues remain strong, despite competition from lower-price sugar producers in other parts of the world.

Capitalizing on Consumers' Thirst for Coffee

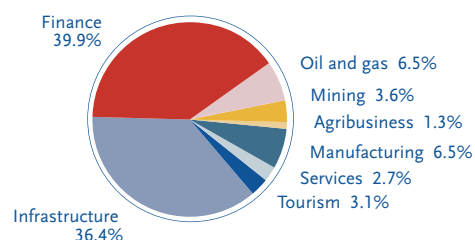
In a world filled with many perspectives and opinions, few things unify consumers more than the love of coffee. And one UK-based company has taken advantage of a strong business opportunity in coffee-bean heaven—Uganda.

MIGA guarantees are the security that underpins Afriproduce's investment in Ugacof, a coffee processing facility. The company's investment came in 1999. MIGA coverages protect against the risks of transfer restriction, expropriation, and war and civil disturbance, and offered critical security during this uncertain time. Today, despite downward price pressures in the world-wide coffee market, and ongoing political unrest, the company is thriving, employing 200 and sourcing beans from local farmers.

MIGA's Agribusiness Portfolio

Since its inception, MIGA has issued 38 guarantees totaling \$213.2 million for projects in the agribusiness sector. The agribusiness portfolio currently stands at \$68.9 million, accounting for 1.3 percent of MIGA's outstanding gross portfolio.

Outstanding Guarantees Issued by Sector (%)



All figures are as of April 30, 2005

Selected MIGA Projects in Agribusiness

Guarantee Holder	Investor Country	Host Country	Gross Amount (\$ M)
Mozambique Rice Growers Pty. Ltd.	Australia	Mozambique	0.5
Cefla Capital Services, S.p.a.	Italy	Brazil	2.0
Industrial Development Corporation of South Africa Ltd.	South Africa	Zambia	3.6
Fatoglu Gida Sanayi Ve Ticaret Anonim Sirketi	Turkey	Azerbaijan	0.5
Sungrain S.A.	Switzerland	Russian Federation	2.1

What is MIGA's Added Value for Clients?

As a member of the World Bank Group, MIGA is able to provide a unique umbrella of deterrence against political risks related to government actions that may have a negative impact on projects.

Investment Protection and Prompt Claims

- **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.
- **Ensuring prompt claims payment.** In the event that a dispute cannot be mediated, MIGA ensures that valid claims are paid promptly, based on a strong balance sheet and stable stream of operating income.

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 risk-capital ratings of projects.

- **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.

Country, Social and Environmental Expertise

- **Providing extensive country knowledge.** MIGA applies decades of experience, global reach, and knowledge of developing countries to each transaction.
- **Providing 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.

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