The ideal manufacturing plant location offers investors a combination of low production costs and proximity to suppliers and customers. While emerging markets are often strong candidates for such facilities, investors must be prepared to address the uncertainties that are part of doing business in developing countries.

**Risks in Manufacturing Projects**

As with cross-border investments in many sectors, there are noncommercial risks associated with manufacturing projects in emerging economies. Despite the best intentions and thorough planning, unforeseen events can disrupt a project. Newly stabilized governments could still be on shaky political ground. Unclear or incomplete laws on property ownership can obscure the profit picture. Restrictions on revenue repatriation could complicate a project’s finances even more, exacerbating imbalances between foreign-denominated debt and locally denominated revenue. Lastly, threats such as revolution or 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. Some lenders may 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 a member of the World Bank Group. MIGA’s mission is to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people’s lives. We do this by providing political risk insurance (guarantees) against certain noncommercial risks to investments in developing countries, as well as by providing dispute resolution services for guaranteed investments. We also conduct research and share knowledge as part of our mandate to support foreign direct investment into emerging markets. In collaboration with our World Bank Group colleagues, we work with investors to structure deals in ways that benefit all parties and foster positive relationships with communities where they invest.

**How We Help**

MIGA guarantees are well-suited to mitigate the noncommercial risks associated with manufacturing projects in emerging markets, 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 countries seen as high-risk. And once a deal is in place, MIGA guarantees backed by the World Bank Group bring companies peace of mind, providing an added measure of security that can stabilize an entire project’s risk profile and reinforce positive relations with host governments.

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.

MIGA places no limit on the size of the projects it supports. Manufacturing projects range from large investments such as the Botnia pulp mill in Uruguay, for which MIGA provided $300 million in coverage, to small projects such as a polyethylene terephthalate preform manufacturing plant in Iraq, where MIGA provided coverage of $5 million. MIGA’s Small Investment Program (www.miga.org/sip) offers a streamlined underwriting process for investors looking for coverage of less than $10 million.
**Types of Coverage**

**MIGA expropriation coverage** protects policy holders against government takeover of assets, such as land, equipment, or manufacturing 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 damaged factories. This coverage can also protect against loss of revenue if products cannot get to market due to border closures or if the plant falls inside a war zone, making routine operations difficult. Coverage for temporary business interruption, including both costs and lost net income, is also available.

**Customized breach of contract coverage** when governments are contractual partners protects against the nonpayment of an arbitration award granted to the investor in the event of a breach of contractual obligations by the government.

**MIGA non-honoring of sovereign financial obligations coverage** protects against losses resulting from a government’s failure to make a payment when due under an unconditional financial payment obligation or guarantee given in favor of a project that otherwise meets all of MIGA’s normal requirements. 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.

**MIGA at Work**

**MIGA Guarantee Supports Much-Needed Investment into IRAQ**

Supporting investment into conflict-affected countries is a priority for MIGA. In 2010, the agency supported an investment into an Iraqi company that manufactures polyethylene terephthalate (PET) preforms, the raw material used to manufacture bottles for the beverage industry.

The $5 million guarantee issued to Karo Dis Ticaret ve Sanayi Ltd. of Turkey under MIGA’s Small Investment Program provides coverage against the risks of currency inconvertibility and transfer restriction, expropriation, and war and civil disturbance. Aside from serving as an important signal to other would-be investors in Iraq, the project helps the country reduce its reliance on imports, as previously nearly all PET preforms were imported from neighboring countries.

MIGA’s support for the investment was instrumental in making the project a reality. The client noted that their intention to seek a MIGA guarantee helped significantly in their early negotiations with a number of counterparties—including the machinery manufacturers, government authorities, and raw material suppliers—as it demonstrated that the project was serious and reliable.

**Connecting GHANA to the Green Energy Economy**

In Ghana, Takoradi Renewable Energy Ltd. (TREL) is turning unproductive rubber trees into economic opportunity. The company is producing biomass from rubber trees in plantations in the country’s western region. The woodchips produced from the trees are then exported through the Takoradi port to European markets for biomass power generation.

In the past, the older trees would be burnt to make room for new seedlings. On the land where it’s operating, TREL has taken over the felling process, and then uses the resulting biomass rather than disposing of it. For each tree TREL fells, Ghana Rubber Estates Ltd plants three more, creating a net positive carbon effect. Through an intricately measured process of felling, using state-of-the-art machinery that preserves the soil, TREL is able to create the ideal replanting environment. Prior to TREL managing the felling, often old and cumbersome machinery would disturb the soil compaction, and damage these new nurseries.

MIGA is supporting TREL’s operations through an investment guarantee of $9.2 million covering equity, non-shareholder loans, and a loan guarantee.
MIGA’S MANUFACTURING PORTFOLIO

Since its inception in 1988, MIGA has issued contracts totaling $2.3 billion for projects in the manufacturing sector. The manufacturing portfolio currently stands at $775 million, accounting for 7 percent of MIGA’s outstanding gross portfolio.

OUTSTANDING GUARANTEES PORTFOLIO

as of December 2012

<table>
<thead>
<tr>
<th>Investor/Guarantee Holder</th>
<th>Project</th>
<th>Host Country</th>
<th>Guarantee Amount ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inter MIMS Investment Limited, <strong>Mauritius</strong></td>
<td>Jafara Co. for Food Production</td>
<td>Libya</td>
<td>9.8</td>
</tr>
<tr>
<td>Albemarle Corporation, <strong>United States</strong></td>
<td>Jordan Bromine Company Limited</td>
<td>Jordan</td>
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<td>Bakhresa Group, <strong>Tanzania</strong></td>
<td>Bakhresa Grain Milling (Rwanda) Limited</td>
<td>Rwanda</td>
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<td>Fons Mediterrània Capital F.C.R. de Régimen Simplificado, <strong>Spain</strong></td>
<td>HHW, S.A.</td>
<td>Tunisia</td>
<td>4.1</td>
</tr>
<tr>
<td>National Beverage Company, <strong>West Bank and Gaza</strong></td>
<td>National Beverage Company - Gaza Branch</td>
<td>West Bank and Gaza</td>
<td>2.3</td>
</tr>
<tr>
<td>Sojitz Corporation, <strong>Japan</strong></td>
<td>Sojitz Maputo Cellulose, Limitada (SOMACEL)</td>
<td>Mozambique</td>
<td>9.1</td>
</tr>
<tr>
<td>Karo Dis Ticaret ve Sanayi Ltd. Sti., <strong>Turkey</strong></td>
<td>Sebeel Al Safa Manufacturing Petrochemicals and Water Filling Company</td>
<td>Iraq</td>
<td>5.0</td>
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<tr>
<td>Hitachi Construction Machinery Southern Africa Co., Ltd., Hitachi Construction Machinery Africa Pty. Ltd, <strong>South Africa</strong></td>
<td>Hitachi Construction Machinery Zambia Co. Ltd</td>
<td>Zambia</td>
<td>13.5</td>
</tr>
<tr>
<td>Campestres Holdings Limited, <strong>Cyprus</strong></td>
<td>OOO Sunty</td>
<td>Russian Federation</td>
<td>30.2</td>
</tr>
<tr>
<td>Oy Metsä-Botnia Ab, <strong>Finland</strong></td>
<td>Botnia South America S.A.</td>
<td>Uruguay</td>
<td>300.0</td>
</tr>
</tbody>
</table>
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).

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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