

INSURING INVESTMENTS ■ ENSURING OPPORTUNITIES

West Bank and Gaza

Investment Guarantee
Trust Fund



World Bank Group
Multilateral Investment
Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank Group. It promotes foreign direct investment into emerging economies to support economic growth, reduce poverty, and improve people's lives by providing guarantees (political risk insurance) to investors and lenders.

Guarantees

MIGA's guarantees protect investments against non-commercial risks and can help investors obtain access to funding sources with improved financial terms and conditions. The agency derives its unique strength from the World Bank Group, and from its structure as an international organization whose shareholders include most countries* of the world. MIGA's presence usually signals to the private sector that the investor's rights will be respected, by providing an umbrella of deterrence against government actions that could disrupt projects.

As part of its guarantees program, MIGA provides dispute resolution services for guaranteed investments to prevent disruptions to developmentally beneficial projects.

Technical Assistance

MIGA helps countries define and implement strategies to promote investment through technical assistance services managed by FIAS, the World Bank Group's Foreign Investment Advisory Services (www.fias.net).

Online Investment Information and Knowledge Services

MIGA also helps investors identify investment opportunities and manage risks through its information portals—FDInet (www.fdinet.com) and PRI-Center (www.pri-center.com).

* *The list of MIGA member countries is available at www.miga.org.*

West Bank and Gaza Investment Guarantee Trust Fund

The West Bank and Gaza Investment Guarantee Trust Fund (the Fund) aims to encourage investors to increase investment in the West Bank and Gaza by allowing MIGA to provide political risk insurance (PRI) or guarantees covering eligible investments. Increased investment in productive areas is expected to contribute to the economic development of the West Bank and Gaza.

MIGA administers the Fund on behalf of its sponsors—the Palestinian Authority, European Investment Bank, and the Government of Japan.

Eligible Investors

Eligible investors include companies or nationals of MIGA member countries^{*}; companies or nationals of members of multi-lateral organizations that are sponsors; or Palestinians resident or incorporated in the West Bank and Gaza.

^{*} *The West Bank and Gaza is not a member of MIGA, but the Fund allows the agency to help promote investment there.*

Eligible Investments

MIGA insures investments originating from any of its member countries destined for the West Bank and Gaza under the Fund. Locally-sourced investments denominated in freely usable currency are also eligible.

The Fund's primary aim is to support new investments. New investments are defined as those that have neither been made, nor irrevocably committed by the time the investor submits a preliminary application to MIGA. New investment contributions associated with the expansion, modernization, or financial restructuring of existing projects are also eligible, as are acquisitions that involve the privatization of state enterprises. Existing investments in the West Bank and Gaza, in association with coverage of new investments (including expansions, modernizations, and recapitalizations), may also be eligible if the value of the coverage of the existing investment does not exceed 50 percent of the total value of the new investment amount.

Eligible forms of investment include equity, shareholder loans, non-shareholder loans and shareholder loan guaranties issued by equity holders, provided the loans have a minimum maturity of three years. Investments with less than three years in maturity will be reviewed on a case-by-case basis. Other eligible forms of investment are movable assets, technical assistance, management contracts, and franchising and licensing agreements, provided the investor's remuneration is tied to operating results of the project. The Fund is designed to facilitate small and medium size investments, with a special emphasis on projects with high employment generating capacity.

Projects supported by the Fund must be financially and economically viable, environmentally sound, and consistent with the labor standards and development objectives of the West Bank and Gaza.

Types of Political Risks Covered

The coverages described below may be purchased individually or in combination. In the event of a claim, MIGA would pay compensation from the Fund in the currency specified in the contract of guarantee.

TRANSFER RESTRICTION

Protects against losses arising from an investor's inability to convert local currency (capital, interest, principal, profits, royalties and other remittances) into foreign exchange for transfer outside the West Bank and Gaza. The coverage insures against excessive delays in acquiring foreign exchange caused by the concerned authorities' actions or failure to act, by adverse changes in exchange control laws or regulations, and by deterioration in conditions governing the conversion and transfer of local currency. Currency devaluation is not covered.

EXPROPRIATION

Protects against loss of the insured investment as a result of acts by the concerned authorities that may reduce or eliminate ownership of, control over, or rights to the insured investment, and consequently, deprive it of operation on a viable basis. In addition to outright nationalization and confiscation, "creeping" expropriation—a series of acts that, over time, have an expropriatory effect—is also covered. Bona fide, non-discriminatory measures taken by the concerned authorities in the exercise of legitimate regulatory procedures on a non-discriminatory basis are not covered.

WAR AND CIVIL DISTURBANCE

Protects against loss from damage to, or the destruction or disappearance of, tangible assets caused by politically-motivated acts of war or civil disturbance in the West Bank and Gaza, including revolution, insurrection, coups d'état, sabotage and terrorism. This coverage also extends to events that, for a continuous period specified in the contract of guarantee, result in an interruption of project operations essential to overall financial viability.

BREACH OF CONTRACT

Protects against losses arising from the government's breach or repudiation of a contract with the investor. In the event of an alleged breach or repudiation, the investor must be able to invoke a dispute resolution mechanism (e.g., an arbitration) set out in the underlying contract and obtain a final award or judicial decision for damages. If, after a specified period of time, the investor has not received payment under the award, MIGA will pay compensation. MIGA may make a provisional payment pending the outcome of the dispute.

Terms of Coverage*

PRICING

Premium rates are decided on a per project basis and vary by sector, transaction and the type of risk insured. Premiums are paid at the beginning of each contract period.

DURATION OF GUARANTEE

Coverage is available for up to 15 years. Once issued and effective, MIGA cannot terminate the contract unless the insured defaults on contractual obligations, but the guarantee holder may reduce or cancel coverage on any anniversary date of the contract starting with the third or as may be determined by MIGA on a case by case basis.

AMOUNT OF COVERAGE

For equity investments, MIGA can guarantee up to 90 percent of the investment, plus earnings attributable to and retained in the project. For loans and loan guaranties, MIGA generally offers up to 95 percent of the principal (or higher as determined on a case-by-case basis), plus interest that accrues over the term of the loan. For technical assistance contracts and other contractual agreements, MIGA can insure up to 90 percent of the total value of payments due under the insured agreement (up to 95 percent in exceptional circumstances).

As mentioned earlier, the Fund will encourage, in particular, small and medium size investments and will issue up to a maximum of \$5 million in coverage per project. The Fund will consider insuring higher amounts on a case by case basis.

Where necessary, MIGA will assist in obtaining co- or reinsurance in order to increase available capacity.

* *The description herein is a summary only. It does not include all terms, conditions and exclusions of the policies described. Please refer to the actual policies for complete details of coverage and exclusions. Contracts are subject to underwriting review.*

How to Apply for a Guarantee

Applicants seeking coverage should submit a completed Preliminary Application before the investment is irrevocably committed. There is no fee charged. Once investment and financing plans are established, applicants submit a Definitive Application along with any relevant project documentation and a processing fee. Applications may be submitted through MIGA's website, via email or by post.

MIGA Applications Office
Mail Stop U12-1205
1818 H St., NW
Washington, DC 20433
USA

t. 1.202.458.4798
f. 1.202.522.0316

www.miga.org
migainquiry@worldbank.org

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