PROVIDING POLITICAL RISK INSURANCE AND CREDIT ENHANCEMENT SOLUTIONS

Investors and lenders in today’s dynamic investment climate understand the potential benefits of investing in emerging markets. They also understand the critical importance of addressing the perceived political risks that may accompany these investments. Our products offer protection for equity sponsors and lenders while helping countries attract investment and financing to meet their development goals.

MIGA offers political risk insurance solutions to protect investors in the following scenarios:

- **Inability to convert or transfer dividends or loan payments due to foreign exchange restrictions**
- **Government nationalizes or otherwise makes it impossible to operate the project through discriminatory measures**
- ** Destruction or interruption of business due to political violence**
- **Arbitral award default by government when it is determined through a dispute resolution mechanism that the government has failed to honor obligations under key project documents (e.g. concessions, off-take agreements)**

**Currency Inconvertibility and Transfer Restriction Cover**

- **Expropriation Cover**

**War and Civil Disturbance Cover**

- **Breach of Contract Cover**

MIGA is a member of the World Bank Group. We contribute to the World Bank Group’s goals of ending extreme poverty and promoting shared prosperity by facilitating private investment into our developing member countries and supporting projects that bring broad developmental impact.

MIGA-supported investments help bring jobs, innovation, technology, and skills transfer.

MIGA also offers credit enhancement solutions that can help eligible countries and state-owned enterprises attract commercial debt financing and improve ratings for capital markets transactions. The primary beneficiaries of this cover are commercial lenders that provide loans to public sector entities for infrastructure and other productive investments. This cover protects lenders against losses resulting from a failure to make a payment when due under an unconditional financial payment obligation or guarantee.

For detailed descriptions of MIGA’s products, please visit miga.org.

**MIGA AT A GLANCE**

- Issued more than $33 billion in coverage since 1988
- Supported more than 750 projects in over 100 countries
- Outstanding guarantees portfolio of over $12 billion
- 181 member countries

**WHAT CAN MIGA COVER?**

MIGA can cover foreign investments in the form of equity, shareholder loans, shareholder loan guarantees, and non-shareholder loans. All loans and loan guarantees, including those issued by shareholders of the project, must have a minimum maturity of more than one year provided that MIGA determines the project represents a long-term commitment by the investors. Other forms of investment, such as technical assistance and management contracts, asset securitizations, capital market bond issues, leasing, services, and franchising and licensing agreements, may also be eligible for coverage. In keeping with our objective of
promoting economic growth and development, investment projects must be financially and economically viable and contribute to the development objectives of the host country.

SECTORS SUPPORTED BY MIGA

- Agribusiness
- Capital Markets
- Energy
- Extractive Industries
- Financial
- Manufacturing
- Services
- Telecommunications
- Tourism
- Transport
- Water

WHERE WE WORK

MIGA insures cross-border investments made by investors in a MIGA member country into a developing member country. A current list of member countries is available on miga.org.

MIGA’s VALUE

In the political risk insurance market, MIGA stands out for supporting investments in challenging environments that other insurers may be hesitant to enter. We are able to issue large, long-term guarantees for complex projects in higher-risk markets. MIGA can provide insurance for up to 15 years (in some cases 20), thereby increasing the tenor of loans available to investors. Through reinsurance, MIGA mobilizes extensive capacity in the market. We have a proven record in managing risk through our rigorous underwriting practices, convening power, and dispute resolution ability, which contribute to our low long-term claims ratio.

Our staff has extensive global experience in political risk insurance, with backgrounds including banking and capital markets, environment and social sustainability, project finance and sector specialties, and international law and dispute settlement.

Structuring Transactions for Emerging Market Risk

MIGA aims to provide solutions that serve our clients’ risk-mitigation needs while also providing maximum benefits to host countries. In many cases, MIGA’s ability to find innovative ways to support complex or unusual deal structures enables transactions that otherwise would not have moved forward, benefiting both investors and developing countries.

Dispute Resolution

It is important to MIGA that projects remain operational, generate revenue, and achieve their developmental objectives. In order to prevent a potential claims situation from escalating, MIGA provides dispute resolution services to all of its clients. MIGA maintains close contact with investors and monitors projects and potential issues so that the Agency can respond at the first sign of trouble. Our access to officials at the highest levels of government and our status as a member of the World Bank Group significantly strengthen our ability to resolve potential disputes and deters some government actions that otherwise could disrupt guaranteed investments. MIGA’s proactive facilitation efforts have been pivotal in the resolution of more than 100 project-related disputes since the Agency’s founding in 1988.

Protecting People and the Environment

Investors increasingly recognize that having a “license to operate” is an important element of risk mitigation. As a multilateral development agency, MIGA only supports investments that are developmentally sound and meet high social and environmental standards. MIGA applies a comprehensive set of social and environmental performance standards to all projects and offers extensive expertise in working with investors to ensure compliance to these standards.

Integrity

Corruption damages policies and programs that aim to reduce poverty, so attacking corruption is critical to the achievement of MIGA’s and the World Bank Group’s overarching mission of poverty reduction.

MIGA’s approach to combating fraud and corruption is part of a larger World Bank Group effort, and MIGA works closely with the relevant World Bank Group departments on these issues.

MIGA carries out an integrity/corporate risk assessment in all projects considered for MIGA guarantees.

WORKING WITH MIGA

MIGA’s underwriting process typically begins when a client submits a Preliminary Application. The application is free, confidential, short, and can be completed online. As soon as we receive the application, we assign an underwriter who determines whether the project meets our eligibility criteria. MIGA will then contact the client to discuss the project. At this point the underwriter discusses preliminary pricing, the potential size of the guarantee, and the MIGA covers that are most appropriate for the investment. We also work with the client to identify environmental and social impact assessments that must be undertaken.

Definitive Application and Client Documentation

The next step is for the client to submit a Definitive Application and supporting documentation. MIGA will then begin a thorough review of the project. The supporting documentation we require to begin the formal underwriting process typically may include:
Feasibility study or a business plan supporting the economic viability and financial soundness of the project

Financial forecast/model

All loan documentation, including shareholder and non-shareholder loans (drafts acceptable during underwriting) and all loan-related documents

All loan guarantees (including back-stop guarantees from parent companies)

Financial statements and incorporation documents/by-laws from the investor and the project enterprise in the host country

Environmental permits/environmental impact assessment if applicable

Land purchase/lease agreements

All other applicable project licenses/permits/agreements/contracts

### Underwriting Fees and Pricing

**Definitive Application Fee:** $5,000 for cover of less than $25 million and $10,000 for larger amounts. The application fee is applied toward the initial premium. If MIGA rejects the project for any reason, the fee is refunded.

**Processing Fee:** Additional fees may be required for complex projects. For example, fees may be required to cover the cost of site visits for environmental and social due diligence.

**Syndication Fee:** If applicable, a fee will be applied when MIGA arranges a project’s total insurance requirements through reinsurance.

MIGA prices its guarantee premiums based on a calculation of both country and project risks. Fees average approximately one percent of the insured amount per year, but can be significantly lower or higher.

### Underwriting Process and Timeline

Origination, Structuring, Application → Project Due Diligence → Environmental and Social Due Diligence → Technical and Commercial Due Diligence → Disclosure period 30/60 days → Contract Negotiation → Monitoring → Initial Management Approval → Management and Board Approvals → Contract Execution

### PROJECT SNAPSHOTs

In **Bangladesh**, MIGA is providing guarantees of $251 million to HSBC covering its non-shareholder loan to Ashuganj Power Station Company Ltd. as well as a swap arrangement to hedge against long-term interest rate risk. The project consists of the construction of a 450-megawatt combined cycle gas-fired plant that will help meet the country’s growing demand for power, using a domestic gas resource and efficient technology.

In **Côte d’Ivoire**, MIGA is providing guarantees of $145 million for the construction of the Henri Konan Bedié toll bridge. MIGA is providing coverage against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract to the equity investor and all of the project’s private sector lenders as well as FMO, the development finance institution of the Netherlands. The African Development Bank is also providing financing for this public-private partnership, the country’s first since the civil conflict.

In **Egypt**, MIGA is providing guarantees of $36.7 million covering an investment by Elif Global of Turkey in Elif Global Packaging S.A.E. MIGA’s coverage is against the risks of transfer restriction, expropriation, and war and civil disturbance, including temporary business interruption. As a greenfield investment in the manufacturing sector, the project will contribute significantly to Egypt’s economy.

In **Hungary**, MIGA is providing guarantees totaling €424.4 million ($574.9 million) covering a €400-million financing by a special purpose entity, Magyar Eximbank Secured Funding Limited of Ireland, by Magyar Export-Import Bank (Exim) of Hungary. MIGA’s coverage is for a period of up to five and a half years against the risk of non-honoring of sovereign financial obligations for 95 percent of the principal and interest on the notes issued by Exim. This represented the first time MIGA used its non-honoring of financial obligations cover for a capital markets transaction. MIGA’s guarantee enhanced the credit quality of the issue—boosting the bond ratings from non-investment to investment grade. This lowered the longer-dated borrowing costs of Exim, thereby enabling these savings to be passed on to the Hungarian export sector.
In **Kenya**, MIGA is backing equity investments and commercial bank financing for a series of independent power producers (IPPs). This includes the Thika IPP, where MIGA is covering the first long-term financing provided by an international commercial bank in Kenya’s power sector. The Thika IPP also benefited from the synergies of three World Bank Group instruments: an IFC loan, a World Bank partial risk guarantee, and a MIGA guarantee. The World Bank Group institutions worked together closely to coordinate and share due diligence, maximize efficiency, and reduce the burden on the sponsor and other lenders.

In **Nicaragua**, MIGA is covering a $27 million equity investment that is financing the purchase and conversion of degraded land into commercial bamboo plantations for the sale and export of bamboo fiber. The company’s initial investment into Nicaragua has generated over 300 jobs in a region with high unemployment and has restored 4,800 acres of degraded land into bamboo plantations.

In **Vietnam**, MIGA is providing guarantees of $500 million against the risks of non-honoring of sovereign financial obligations to a syndicate of commercial banks financing the rehabilitation of National Highway 20. The MIGA-insured loan funds the rehabilitation of a severely deteriorated section of the road, a source of significant transportation bottlenecks and accidents.

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