The Agribusiness Investment Challenge

While worldwide demand for foodstuffs is high and investment needs are great, the fact remains that agricultural investments are risky business—especially in the developing world. Food price volatility has economic, social, and political implications. The path to establishing a successful agribusiness venture could be a difficult one. Unclear or incomplete laws on property ownership may affect profit. Restrictions on revenue repatriation could disrupt a project’s finances, adding to the imbalance between foreign-denominated debt and locally denominated revenue. 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 the high cost of capital. In fact, some lenders might not be willing to extend credit at all in the absence of political risk insurance policies.

What We Do

MIGA provides political risk insurance (guarantees) and credit enhancement support against certain noncommercial risks to investments in developing countries. 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 the communities where they invest.

How We Help

MIGA guarantees are well-suited to mitigating the noncommercial risks of agribusiness investments, thereby lowering the cost of capital and helping secure financing. Our guarantees reassure lenders that their investments are protected and help equity owners overcome hesitations that may loom large prior to deal signing, particularly for costly investments in high-risk countries. 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 a project’s risk profile and reinforce positive relations with host governments.

MIGA can also help guide agribusiness companies as they face challenges related to the environmental and social aspects of their investments. For example, key natural resources need to be managed effectively while yields are increased to meet market demand. Investments in agriculture can play a significant role in poverty reduction, but only if local production needs are met and high labor standards are practiced. MIGA has the experience to advise its agribusiness clients in implementing social and environmental best practices in their operations.

MIGA’s guarantees can help investors obtain access to funding sources with improved financial terms and conditions. Our unique strength is derived from our standing as a member of the World Bank Group and our structure as an international organization with our shareholders including most countries of the world. Since our inception in 1988, MIGA has issued more than $30 billion in political risk insurance for more than 750 projects throughout the world in a wide variety of sectors. Our strong record on claims is a testimony to MIGA’s ability to help investors resolve disputes that may arise. MIGA has been able to resolve disputes that would have led to claims in all but two cases and has paid six claims resulting from damage due to war and civil disturbance.

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 financial obligations

MIGA provides dispute resolution services for guaranteed investments to prevent disruptions to developmentally beneficial projects.
MIGA AT WORK

Meeting Zambia’s Burgeoning Demand for Grain

In Zambia, MIGA has supported multiple investments undertaken by Agrivision Africa, a business operating grain-related agribusinesses and related value-chain assets. MIGA first backed an investment in two commercial farms operating in Zambia’s Central Province in 2011. The farms produce feedstock for consumption in Zambia, where demand for poultry and beef products is growing significantly. The company has introduced highly efficient agricultural practices (for instance, crop rotation and zero tillage), soil and water management, and technological improvements to increase productivity and yields. MIGA’s most recent support for the company’s ventures in Zambia came in 2014 when the agency provided coverage for the acquisition and modernization of an existing wheat and maize mill in the Copperbelt Province.

Sustainable Bamboo Plantations in Nicaragua and South Africa

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. EcoPlanet Bamboo’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 2015, MIGA provided coverage for EcoPlanet’s first investment into South Africa. MIGA is providing a guarantee of $8.6 million covering an equity investment in the Eastern Cape Region. The degraded land in an impoverished area will be converted into bamboo plantations for the production of activated carbon and bio-charcoal that will be sold to local and export markets.

Adding to the Value Chain: Fruit-Juice Processing in Ethiopia

In Ethiopia, Africa Juice Tibila Share Company has rehabilitated a dormant fruit farm and introduced the popular yellow passion fruit. The company also supports over 1,200 hectares of outgrowers, organized as cooperatives. The company has built a state-of-the-art juice-processing facility so the finished product can be exported via container ships to eager European markets.

MIGA is insuring both the equity investment provided by Africa Juice BV of the Netherlands as well as the non-shareholder loan provided by the Industrial Development Corporation of South Africa. The new facility began producing high quality mango puree in December 2010 and began exporting containers of the product in January 2011. The company is committed to creating social value and fair trade principles and is benefiting from technical support from MIGA’s Environmental and Social Challenges Fund for Africa.

Growing Dates, Building the Economy in the West Bank and Gaza

MIGA administers the West Bank and Gaza Investment Guarantee Trust Fund, which is providing investment guarantees of $4.8 million to a consortium of Palestinian investors. The project is being implemented by Nakheel Palestine for Agricultural Investment Co. and involves the development of two Medjool date palm farms in Jericho. The farms will be the area’s first large-scale cultivation project for Medjool dates and will help revitalize the West Bank and Gaza’s agriculture sector. An estimated 20 percent of the project’s production will be supplied to the local market. The remaining 80 percent will be exported mainly to Europe, contributing to the West Bank and Gaza’s foreign-exchange earnings.

For general information

Multilateral Investment Guarantee Agency
World Bank Group
1818 H Street, NW
Washington, DC 20433
t. 1.202.458.2538
f. 1.202.522.2630
migainquiry@worldbank.org

For information on guarantees for agribusiness

Nabil Fawaz
Sector Manager
t. 1.202.473.8437
nfawaz@worldbank.org

www.miga.org