



**MIGA**

Multilateral Investment  
Guarantee Agency  
WORLD BANK GROUP

MIGABRIEF

# TRANSPORTATION



INSURING INVESTMENTS ■ ENSURING OPPORTUNITIES

## MIGA: Driving Transportation Investments

Experienced investors know all too well that there are significant and unique risks associated with investing in roads, shipping, ports, airports, and public transportation. Such projects typically involve huge upfront costs, take longer to complete, and are reliant on future cash flows to meet financial obligations and provide reasonable returns. In some emerging markets, macroeconomic, legal, institutional, and regulatory concerns may add a level of uncertainty that can complicate deals even more.

Transportation projects, such as toll roads, in many cases are exposed to sub-sovereign risk as governments decentralize control of services from national to provincial and municipal authorities. These authorities may have limited experience in dealing with the private sector or international banks, which adds another layer of complexity to project structuring.

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 reduce transportation sector investment risks. They are designed to help companies overcome risk aversion, particularly for highly capital intensive investments, in countries where there is high perception of risk. Once a deal is in place, MIGA guarantees bring companies additional comfort, providing an added measure of security that can help keep a project stable and reinforce positive relations with host governments.

Bottom line: MIGA's guarantees reduce the risk profile of transportation investments, increasing the probability of a better risk-weighted return.

### 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. 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

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.

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 AT WORK

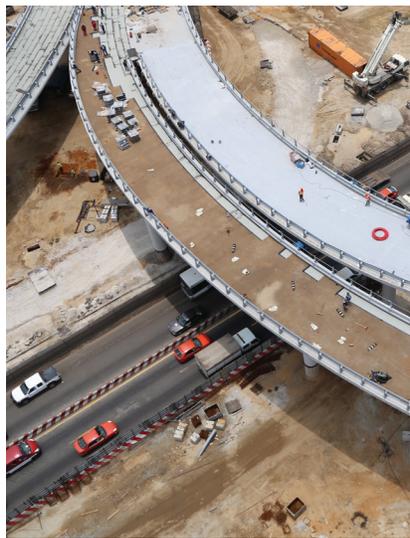
## Innovative Financing Solution for Brazil's Road Network

The State of São Paulo in Brazil had plans to embark on an ambitious program to address its aging and inadequate road infrastructure. However, the São Paulo State Sustainable Transport Project carried an estimated price tag of \$729 million and faced a significant funding gap. The World Bank approved a \$300-million loan toward the initiative. But with growing demand for loans from Brazil's poorest states, the bank was unable to commit additional funds. The State of São Paulo itself committed \$129 million. That left a shortfall of \$300 million.



In an unprecedented move, the State of São Paulo bid out the project to commercial banks with a requirement that their loans be backed by MIGA's coverage against the risk of non-honoring of financial obligations. Banco Santander was selected as the lender with a MIGA guarantee covering their \$300-million loan to the State of São Paulo. With MIGA's credit enhancement, the cost of the commercial loan was lower, and the length of the loan was longer than São Paulo could have achieved on its own. The additional financing will be used to increase the scope of the project's activities.

## Rebuilding Côte d'Ivoire's Transportation Infrastructure



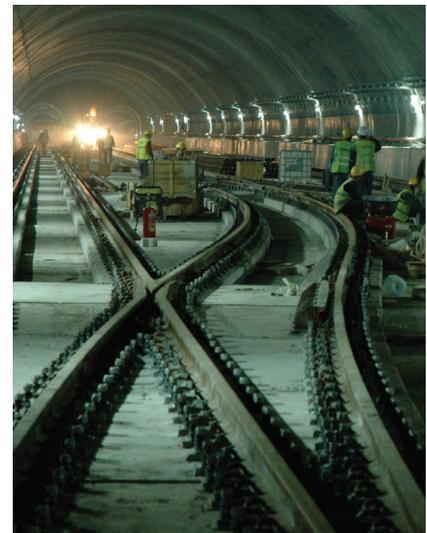
In Côte d'Ivoire, a long-standing plan to construct and operate a toll bridge over Abidjan's Ebrié Lagoon had been shelved for over 10 years, but the project moved forward with MIGA guarantees. The agency is providing \$145 million in insurance covering equity investors and all of the project's private sector lenders as well as FMO, the development finance institution of the Netherlands. The African Development Bank also provided financing for this public-private partnership, the country's first since the civil conflict.

The construction of the bridge was a high priority for the government, as Abidjan's two existing bridges were under severe strain and unable to manage the city's growing traffic. The new bridge opened in 2015 and has reduced travel times and is helping alleviate chronic traffic congestion. The project also provides important demonstration effects for further private sector initiatives in the country.

## Easing Traffic Congestion in Istanbul

In Turkey, MIGA supports the expansion of Istanbul's metro system, which will reduce traffic and congestion, provide better access to jobs, and improve the quality of life in the metropolis that is home to 18 percent of Turkey's population.

The Kadikoy-Kartal-Kaynarca Project in Istanbul demonstrates how MIGA mobilizes financing and insurance capacity to support private sector participation in major infrastructure projects. MIGA was approached by a consortium of banks to provide coverage against the risk of non-payment by the Metropolitan Municipality of Istanbul because export credit capacity was limited due to existing exposures and local content restrictions. In April 2011, MIGA issued a guarantee of \$409.2 million to WestLB, the facility agent for the consortium of lenders. This financing is supporting the construction of Istanbul's metro on the Asian side of the city, including 16 metro stations.



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### For general information

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### For information on guarantees for transportation

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