MIGA: Guaranteeing Investments in Manufacturing Projects

The Manufacturing Investment Challenge

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. Investors may be worried about potential government takeover of land or assets. 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 overcome 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’s Value

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 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 $59 billion in political risk insurance for more than 900 projects across the globe 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 AT WORK

Investing Beyond Oil in Angola

Angola has experienced significant growth in recent years, but investment outside of the oil sector has been minimal and risk perceptions remain elevated—especially for large-scale investments. MIGA is helping Aceria de Angola SA manage these risk perceptions and access financing for its greenfield investment, resulting in more than 2,000 jobs for Angolans. The company will convert scrap metal into steel billets to produce rebar and wire rods. The factory will have an installed capacity of 250,000 tons per year after completion of phase one—meeting nearly half of the total demand for steel in Angola. There is an abundance of scrap throughout Angola, a legacy of the country’s protracted civil war. The use of the abandoned scrap metal will also bring significant environmental benefits to this host country.

MIGA is providing a guarantee of $70 million covering an equity investment by KLF Capital of Luxembourg. The agency is covering the investment against the risks of transfer restriction, expropriation, and war and civil disturbance for a period of 15 years.

Egypt Secures Greenfield Manufacturing Facility during Challenging Times

In Egypt, MIGA is backing the construction of a greenfield manufacturing facility by Elif Group of Turkey. Elif Group is a global supplier in the flexible thin films packaging industry, largely supplying consumer products companies, including Procter and Gamble. The company’s main products are used for packaging cleaning, personal hygiene, and food products. Elif’s plant in Egypt will initially have a production capacity of 15,000 tons per year and is expected to create nearly 300 jobs.

MIGA’s guarantees of $36.6 million are covering Elif Global’s equity investment as well as loan guarantees against the risks of transfer restriction, expropriation, and war and civil disturbance, including temporary business interruption.

MIGA Covers Trademark License for Investment into Nicaragua

Corona Group, a leading sanitary ware manufacturer in the Americas recently acquired a majority stake in Incesa Nicaragua along with the rights to registered trademarks in the region. Founded in 1957, Incesa produces, imports, and distributes a broad portfolio of sanitary ware, showers, faucets, furniture, and accessories marketed under the brands of American Standard and Incesa Standard.

MIGA is providing a guarantee of $11.0 million covering Corona Group’s equity investment in Incesa as well as the trademark license. The agency is covering the project against the risks of transfer restriction, expropriation, and war and civil disturbance. This represents the first time MIGA has covered a trademark license as a non-equity direct investment.

The project will involve the transfer of a set of technologies that will improve production processes, increase the plant’s competitiveness, and introduce product innovations in the market. It will benefit from continuous managerial, technical, logistical, and marketing support from the Corona Group.