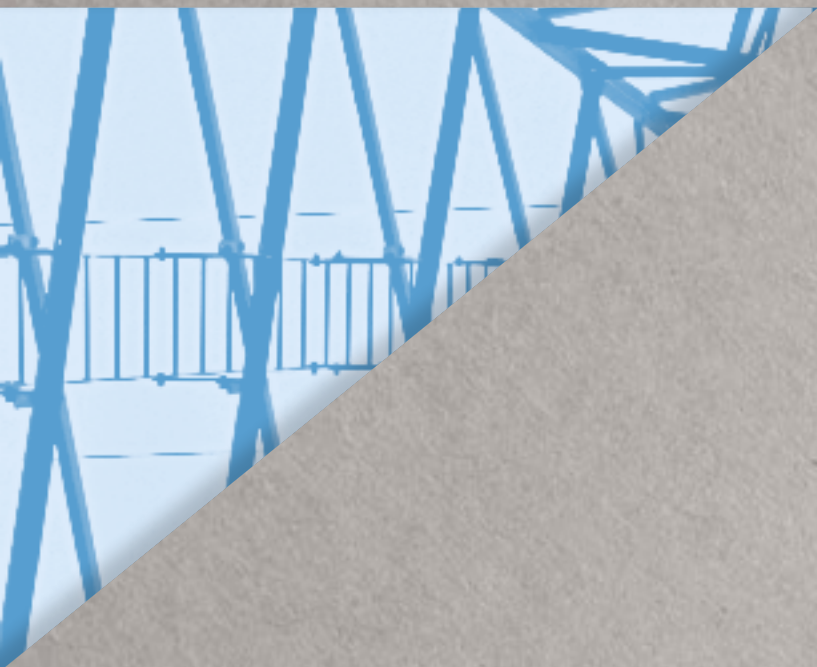


Investment Guarantee Guide

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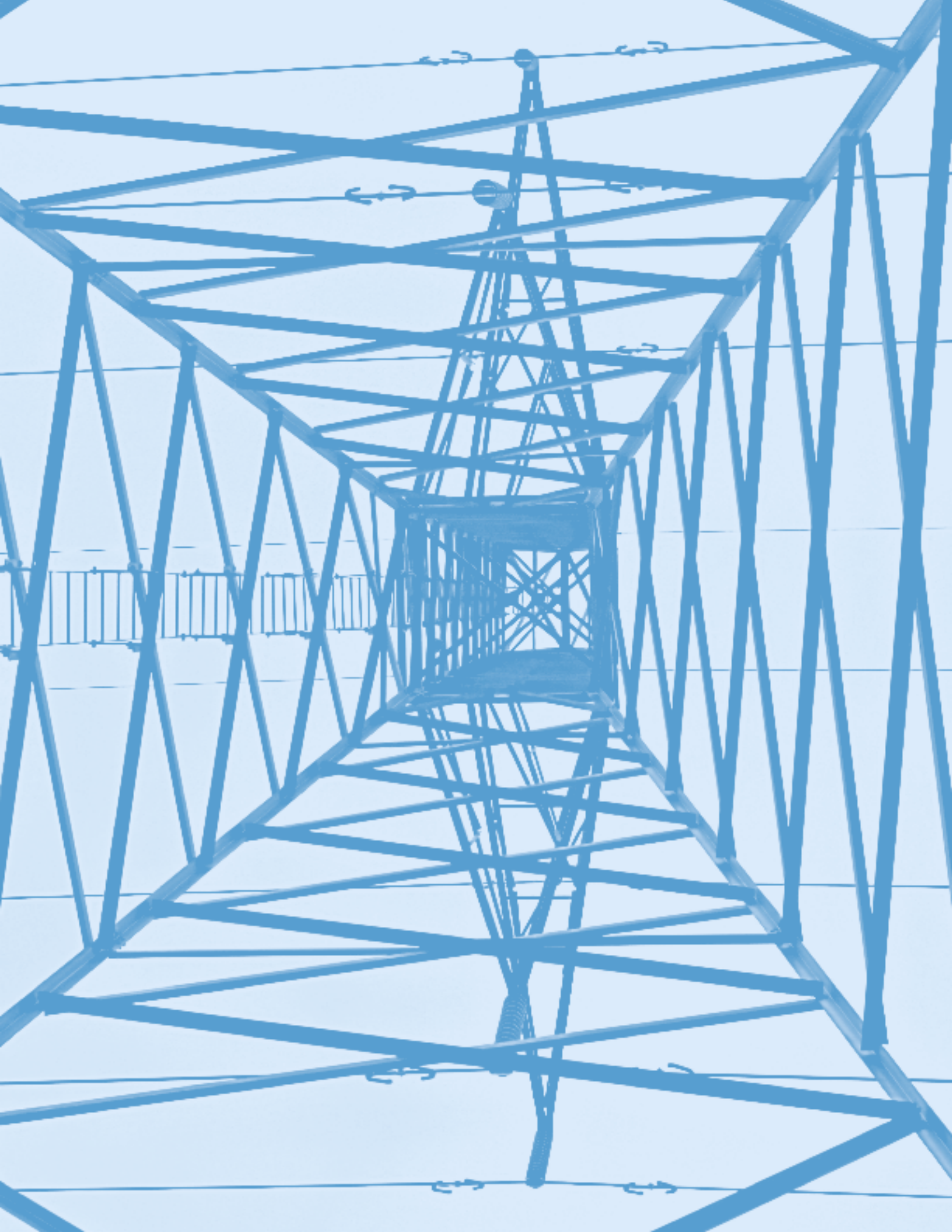
Insuring Investments
Ensuring Opportunities



MIGA

Multilateral Investment
Guarantee Agency

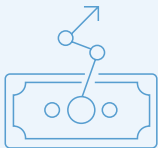
WORLD BANK GROUP



MIGA insures foreign direct investments against losses related to



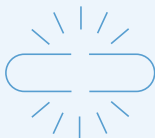
Breach of Contract



Currency Inconvertibility
& Transfer Restriction



Expropriation



War & Civil Disturbance



Non-Honoring
of Financial Obligations

MIGA: Bringing Unique Strengths to Investments

The Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank Group. Its mandate is to facilitate foreign direct investment (FDI) in developing countries by providing guarantees (political risk insurance and credit enhancement) to cross-border investors and lenders.

MIGA's guarantees protect investments against noncommercial risks and can help investors obtain access to funding sources with improved financial terms and conditions. The agency derives its unique strength from being a member of the World Bank Group and a treaty-based international organization whose shareholders include most countries of the world. This enables MIGA to provide an umbrella of deterrence against government actions that could disrupt projects and assist in resolving disputes between investors and governments. MIGA also adds value through its ability to offer clients extensive knowledge of emerging markets and of international best practice in environmental and social management.

The agency works closely with public and private political risk insurance providers to increase insurance capacity. MIGA can act as the arranger for a project's total noncommercial risk insurance requirements.

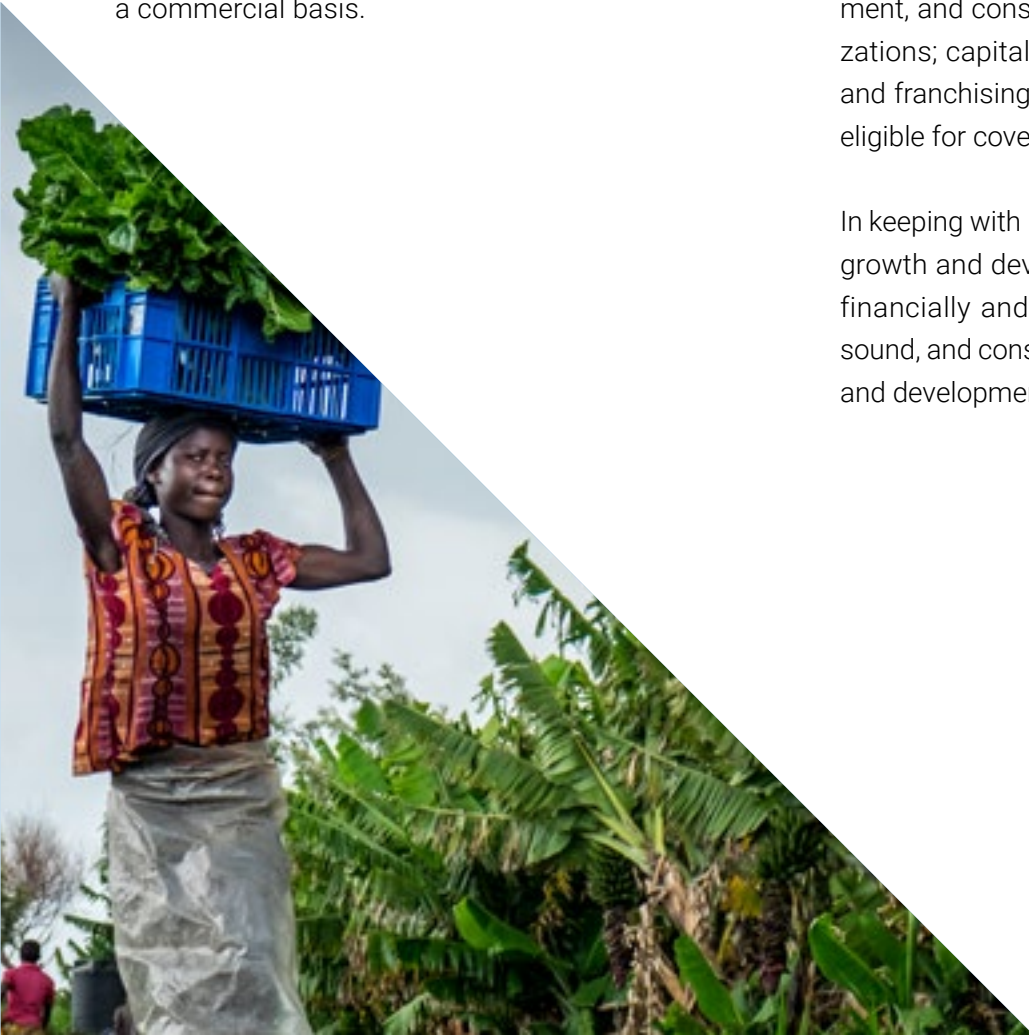
Eligible Clients

MIGA insures investments made by investors from a MIGA member country into a developing member country. Most nations are MIGA member countries (listed at www.miga.org). Corporations or financial institutions are eligible for coverage if they are either (a) incorporated in and have their principal place of business in a member country other than the host country, or (b) incorporated in the host country, with most of their capital owned by nationals of member countries other than the host country. In certain cases, the agency may also insure an investment made by a national or juridical entity incorporated in the host country, provided the assets and funds originate from outside that country. Investments by state-owned corporations are also eligible if they operate on a commercial basis. Investments by a nonprofit organization may be eligible if it is established that the specific investment will be carried out on a commercial basis.

Eligible Investments

MIGA insures cross-border investments. These include new investments as well as investments (a) associated with the expansion, modernization, improvement, or enhancement of existing projects, or (b) where the investor demonstrates a medium- or long-term commitment to the project, so long as in both (a) and (b) the project has a high developmental impact in the host country. Acquisitions of existing projects by new investors, including the privatization of state-owned enterprises, may also be eligible. MIGA can cover equity investments, shareholder loans, and shareholder loan guarantees, provided the loans have a minimum maturity of more than one year. Nonshareholder loans can also be covered if they relate to a specific investment or project in which some other form of direct investment is present. Other forms of investment, such as profit and production sharing contracts; management contracts; engineering, procurement, and construction (EPC) contracts; asset securitizations; capital market bond issues; operating leases; and franchising and licensing agreements may also be eligible for coverage.

In keeping with MIGA's objective of promoting economic growth and development, projects supported must be financially and economically viable, environmentally sound, and consistent with the country's labor standards and development objectives.



Political Risk Insurance



Breach of Contract

Breach of Contract coverage protects against losses arising from a host government's repudiation or breach of a contract entered with the guarantee holder or the project company, provided that a final and binding arbitration award or judicial decision has been rendered in favor of the guarantee holder and cannot be enforced against the host government. Compensation is based on the amount that the guarantee holder is entitled to recover from the host government in accordance with the terms of the arbitration award or judicial decision.

Currency Inconvertibility and Transfer Restriction

Currency Inconvertibility and Transfer Restriction coverage protects against (a) the inability to convert, from local currency into guarantee currency, loan payments, dividends, profits, and proceeds from the disposal of the guaranteed investment; and (b) host government actions that prevent the transfer of the guarantee currency outside the host country, including the government's failure to authorize the conversion or the transfer of such currency. Compensation is based on the guaranteed percentage of any payments that cannot be converted or transferred.

Expropriation

Expropriation coverage protects against losses attributable to measures taken or approved by the host government that deprive the guarantee holder of its ownership or control over its investment, or in the case of debt, results in the project enterprise being unable to meet its obligations to the lender. Both direct and indirect (creeping) expropriation are covered. Compensation for equity is based on the guaranteed percentage of the net book value of the guaranteed investment in the project enterprise. For debt, compensation is based on the guaranteed percentage of the principal and interest that is in default as a result of expropriation.

War and Civil Disturbance

War and Civil Disturbance coverage protects against losses arising as a result of military action or civil disturbance in the host country, including sabotage and terrorism, that (a) destroys or damages tangible assets of the project enterprise or interferes with its operations (business interruption); or (b) in the case of debt, results in the project enterprise being unable to meet its obligations to the lender. Compensation is based on the guaranteed percentage of the value of the assets destroyed or damaged or, in the case of business interruption, the net book value of the guaranteed equity investment. For debt, compensation is based on the guaranteed percentage of the principal and interest that is in default as a result of war or civil disturbance.



Credit Enhancement

Non-Honoring of Sovereign Financial Obligations

Non-Honoring of Sovereign Financial Obligations coverage protects against losses resulting from a government's failure to make a payment when due under an unconditional and irrevocable financial payment obligation or guarantee given in favor of a project that otherwise meets all of MIGA's normal requirements. It does not require the investor to obtain an arbitral award. This coverage is applicable in situations when a sovereign's financial payment obligation is unconditional and not subject to defenses. Compensation is based on the guaranteed percentage of the amount that the guarantee holder is entitled to recover from the host government pursuant to the terms of the obligation.

Non-Honoring of Financial Obligations by a State-Owned Enterprise

Non-Honoring of Financial Obligations by a State-Owned Enterprise coverage protects against losses resulting from a state-owned enterprise's failure to make a payment when due under an unconditional and irrevocable financial payment obligation or guarantee given in favor of a project that otherwise meets all of MIGA's normal requirements. It does not require the investor to obtain an arbitral award. This coverage is applicable in situations where the financial payment obligation is unconditional and not subject to defenses. Compensation is based on the guaranteed percentage of the amount that the guarantee holder is entitled to recover from the state-owned enterprise pursuant to the terms of the obligation.



MIGA has issued more than
\$65 billion in guarantees
since its creation in 1988





Terms of Coverage*



Pricing

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

* This description is only a summary. 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.

Duration of Guarantee

MIGA provides coverage for more than 1 year and a maximum of up to 15 years (and possibly 20 years under special circumstances). Once a guarantee is issued and effective, MIGA may not terminate the contract except in the case of noncompliance with the terms, conditions, and covenants of the MIGA contract, but the guarantee holder may reduce or cancel coverage without any penalty on any contract anniversary date starting with the third anniversary.

Amount of Coverage

For equity investments, MIGA typically guarantees up to 90 percent of the investment. For loans and loan guarantees, MIGA generally offers coverage of up to 95 percent of the principal (or higher as determined on a case-by-case basis). For non-equity direct contracts such as EPC contracts, turnkey contracts, management contracts, and such similar contractual agreements, MIGA typically guarantees up to 90 percent of the total value of payments due under the project agreement and can guarantee up to 95 percent.

Sectors Supported by MIGA



Agribusiness



Capital & Financial Markets



Energy



Extractive Industries



Manufacturing & Services



Telecommunications



Tourism



Transport



Water

The Small Investment Program (SIP)

MIGA's Small Investment Program (SIP) is designed to facilitate investment into small and medium enterprises (SMEs) involved in the finance, agribusiness, manufacturing, and services sectors.

Investments are eligible for coverage under the SIP if they are related to the establishment of an SME, or made into an existing SME, in a developing member country. To qualify as an SME, the project enterprise must fulfill at least two of the following criteria:

- / **Direct employment not to exceed 300 employees**
- / **Total assets not to exceed \$15 million**
- / **Total annual sales not to exceed \$15 million/year**



Since 1988, MIGA has supported over **900 projects** in **120 countries**

Investments in the financial sector are eligible under the SIP if they are geared toward providing financial services for SMEs, and at least 50 percent of clients related to the investment are SMEs as defined above.

The SIP offers

- / **Coverage up to \$10 million (the actual investment may be bigger);**
- / **A guarantee covering the risk(s) of Currency Inconvertibility and Transfer Restriction, Expropriation, and/or War and Civil Disturbance**;**
- / **A streamlined approval process.**

The SIP has no restrictions regarding the size of the investor.

** Breach of Contract and Non-Honoring of Financial Obligations coverages are not offered under the SIP, but investors requiring these coverages may apply through MIGA's regular guarantee program.





How to Apply

Applicants seeking MIGA coverage should submit a completed Preliminary Application as soon as feasible. 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, by email, or by post.

MIGA Application Office

Mail Stop U12-1205
1818 H Street, NW
Washington, DC 20433, USA

Tel: +1 (202) 458-2538
migainquiry@worldbank.org





WORLD BANK GROUP

THE WORLD BANK
IBRD • IDA



International
Finance Corporation

MIGA

Multilateral Investment
Guarantee Agency

As a member of the World Bank Group, MIGA contributes to its twin goals of ending extreme poverty and boosting shared prosperity by mobilizing private investment into developing countries and supporting projects that deliver sustainable development impact.

MIGA-supported investments help bring jobs, innovation, technology, and skills transfer while also addressing climate change.

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