

MIGABRIEF

CONFLICT-AFFECTED AND FRAGILE COUNTRIES



INSURING INVESTMENTS ■ ENSURING OPPORTUNITIES

MIGA: Mobilizing Investments, Rebuilding Confidence

How MIGA Can Help

Years of conflict can color investors' perceptions of risks, particularly those of a noncommercial nature. A survey of foreign corporate investors conducted by the Multilateral Investment Guarantee Agency (MIGA) in 2013 found that political risk was by far their principal concern when investing in developing countries. MIGA was created in 1988 to encourage FDI in its developing member countries by providing political risk insurance for developmentally sound projects, including those in the most challenging environments.

Over the years, MIGA has played an important role in conflict-affected and fragile economies, providing coverage where other insurers are often not willing or unable to go. The *World Development Report 2011* finds that investment and private sector engagement are important for creating economic opportunities and reducing the risk of relapse into conflict. But, because of perceived risks, these essential projects are often hindered by the inability of investors to secure financing including equity participation and long-term lending from commercial banks. The presence of a MIGA guarantee can help make an investment more attractive to potential investors and lenders by lowering its overall risk profile. Equally important, the projects supported by MIGA create confidence among the international and domestic business communities, helping to attract even more investment and encouraging the return of flight capital.

Supporting investments into fragile and conflict-affected countries remains a strategic priority for MIGA and the

Agency has supported investments into many countries that have experienced conflict including Afghanistan, Bosnia and Herzegovina, Côte d'Ivoire, Iraq, Libya, Mozambique, Rwanda, Sierra Leone, and others.

MIGA AT WORK

Restoring Connectivity

Reliable telecommunications networks are the backbone of any well-functioning economy. MIGA has supported 35 telecoms projects since inception—many of them in conflict-affected countries.

In fiscal year 2007, MIGA provided guarantees of \$76.5 million to MTN Group covering its equity investment in Areeba **Afghanistan** LLC (now MTN Afghanistan). This included \$2 million under MIGA's Afghanistan Investment Guarantee Facility designed to encourage foreign investment into the country. The project entailed the installation, operation, and maintenance of a GSM network, wireless communication services, internet and satellite services, and public pay phones.

MTN Afghanistan exceeded most expectations. The project introduced the latest GSM technology covering over 80 percent of Afghan territory. Profitability margins are higher than expected despite very real and grave risks, including security threats from insurgent forces, as well as a highly uncertain policy environment. A thorough evaluation demonstrated the project's high financial return and high development impact. MTN has been playing an important role in helping expand coverage in remote areas of the country, with the number of subscribers

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 sovereign financial obligations

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

expected to grow to over 18 million by 2014. The project has also created jobs through local companies. In fiscal year 2012, MIGA supported the expansion of the project through additional guarantee coverage bringing MIGA's total gross exposure under the project to \$150.8 million.

RESTORING BASIC INFRASTRUCTURE

In **Côte d'Ivoire**, which is rebuilding and growing rapidly after a prolonged civil conflict, MIGA is supporting several transformational infrastructure investments, including the Henri Konan Bédié Toll Bridge. The plans to build the bridge over Abidjan's Ebrié Lagoon were shelved after the outbreak of conflict



more than 10 years ago, but the project is now moving forward with the backing of MIGA. The Agency is providing \$145 million in insurance covering 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.

MIGA is also helping Côte d'Ivoire meet its burgeoning demand for electricity through its backing of offshore oil and gas facilities. The natural dry gas produced by operator Foxtrot International is supplied directly to the country's power plants. The company is improving its existing operational production platform and constructing a greenfield production platform. Investor SCDM Energie SAS of France and lender HSBC Bank sought MIGA's coverage to mitigate the perceived high political and regulatory risks of investing in a post-conflict country. MIGA's guarantees of \$437 million are protecting the investments against the risks of transfer restriction, war and civil disturbance, expropriation, and breach of contract.

In addition, together with the International Finance Corporation (IFC), the World Bank Group's private sector lending arm, MIGA is supporting the expansion of Côte d'Ivoire's Azito power plant. This independent power producer operated continuously during the ongoing conflict with employees guarding the plant around the clock. The company is now in the process of converting its existing simple-cycle

plant to combined-cycle, increasing total capacity from 290 to approximately 430 megawatts while avoiding 225,000 tons of CO2 emissions per year. Upon completion, the facility will become one of the largest independent power generators in sub-Saharan Africa.

Together MIGA's guarantees of \$698 million are leveraging \$2 billion in new investment into Côte d'Ivoire. Support to investments such as these sends strong signals to the international business community about a country's stability and potential as a business destination. These large projects also play an important role in creating a blueprint for assessing and processing FDI proposals, strengthening the government's capacity, and encouraging it to develop a more responsive regulatory framework and investment climate.

CONFLICT-AFFECTED AND FRAGILE ECONOMIES FACILITY



To further encourage foreign investment in conflict-affected and fragile economies, MIGA has established a multi-country, donor-funded facility that will allow the Agency to further expand its business in conflict-affected and fragile economies. The Conflict-Affected and Fragile Economies Facility uses contributions from Canada, Sweden, and the United Kingdom as well as MIGA guarantees, to provide an initial loss layer to insure investment projects in conflict-affected and fragile economies. MIGA anticipates providing

an additional \$400 million of gross guarantees in conflict-affected and fragile economies through using the Facility during its initial years, over and above its normal operations. The Facility's impact is expected to be substantially in excess of this amount over its twenty-year life.

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