MIGA and the Broader Middle East and North Africa

Inward Investment
Investors are increasingly seeking investment opportunities in the broader Middle East and North Africa (MENA) region. They are especially interested in infrastructure; financial services; conventional and Islamic capital markets; and manufacturing.

However, due to various constraints, this potential is still not being translated into significant investment inflows for some countries. The impediments include sub-investment grade sovereign ratings; perceptions of potential political instability and conflict; and concerns about enforceability of contracts.

In this environment, MIGA can play an important role, particularly in countries with recent experience of conflict or investment problems. MIGA’s coverage against political risks can provide investors and lenders the protection and confidence they need to invest in the region.

Supporting the region’s economic development is an important priority for the agency.

Outbound Investment
As investors in the region become global players, they are increasingly finding attractive opportunities in Africa, Asia, and Eastern Europe.

While few countries in the broader MENA region have national insurers, almost all investors in the region can use MIGA’s services. MIGA’s guarantees can mitigate perceived political risks, thereby improving risk/return profiles of investments and allowing investors (and lenders) from the region to concentrate on the commercial aspects of a transaction.

MIGA, a member of the World Bank Group, mitigates noncommercial risks by insuring investments against the risks of:

- Currency inconvertibility and transfer restrictions
- Expropriation
- War, civil disturbance, terrorism, and sabotage
- Breach of contract

MIGA provides mediation services for guaranteed investments to help resolve disputes between investors and governments.

MIGA also provides technical assistance to help countries attract and retain foreign direct investment, as well as free online information services about investment opportunities and business environments.

MIGA has already issued over 30 guarantees, supporting over $1 billion of investments, for companies and banks based in the region. Working with investors, lenders, and partners in the region, MIGA looks forward to significantly increasing that amount.

MIGA MEMBER COUNTRIES IN THE REGION

Afghanistan, Algeria, Bahrain, Egypt, Islamic Republic of Iran, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Sudan, Syrian Arab Republic, Tunisia, Turkey, United Arab Emirates, Yemen

* MIGA can support investments into the West Bank/Gaza through a special trust fund
**Investments into the Region**

**Wastewater Treatment in JORDAN**

In 2006, MIGA supported the As-Samra wastewater treatment plant – the first BOT project and the first public-private partnership in financing and management of a public infrastructure project in Jordan. MIGA guaranteed the investments of Infilco Degrémont Inc. and Suez Environnement S.A., for 15 years against the risk of breach of contract. The guarantees, totaling $41 million, cover an equity investment and a performance bond. The project consists of the design, construction, operation, maintenance, and financing of a new wastewater treatment plant in As-Samra, under a 25-year BOT agreement. It will have an average daily capacity of 267,000 m³ of water, and will treat wastewater from the Amman and Zarqa areas (with a combined population of approximately 2.3 million people).

**Power Plant in TURKEY**

MIGA issued a total of $35 million in guarantees to Tractebel S.A. of Belgium, and BNP Paribas of France, covering their respective loan guarantee and non-shareholder loan to Baymina Enerji A.S. in Turkey. The coverages extend up to 15 years, against the risks of transfer restriction, expropriation, war, civil disturbance, terrorism, and sabotage, and breach of contract. The project, near Ankara, consists of the construction and operation of a combined-cycle power plant, delivering a total net capacity of 763 megawatts. The complex multisource limited recourse financing for this project was nominated Power Deal of the Year for the Europe, Middle-East & Africa region by Project Finance International.

**Banking in PAKISTAN**

From 1993 to 2006, MIGA has issued more than $40 million in guarantees to Habib Bank AG Zurich, covering six separate investments in its branches in Pakistan. Recent MIGA coverage is helping Habib meet its immediate growth needs and help it comply with Basel II capitalization requirements. Habib’s continued presence in Pakistan has a strong demonstration effect on the banking sector, with its emphasis on good corporate governance and its stable capital base, high liquidity, and close cooperation with regulatory bodies.

**Oil and Gas in ALGERIA**

In 1997 and 2003, MIGA provided $60 million in reinsurance to the Compañía Española de Seguros de Crédito a la Exportación (CESCE), Spain’s export credit agency, for its coverage of the Spanish investor, CEPSA. The insurance covers CEPSA’s $240 million investment in a Production Sharing Contract (PSC) with Sonatrach of Algeria in the Rhourde Yacoub Block 406A Oil fields. MIGA’s reinsurance provides coverage against the risks of expropriation, breach of contract, and war, civil disturbance, terrorism and sabotage.

The project involves one of the first PSCs signed by the state and a foreign firm in Algeria and provided an important demonstration effect for other potential foreign investors. During the period of maximum output of the new oil field, the project is expected to generate about $315 million a year in royalty payments (or 16 percent of the 2000 national budget), allowing the government to allocate funds to critical social services such as health and education.

**MIGA’s Portfolio in the Broader MENA Region**

Since 1989, MIGA has issued nearly $1.5 billion in guarantees for more than 30 projects in the region, covering a diverse range of sectors. While many investors are based in Western Europe or North America, MIGA is seeing increasing interest for coverage of intra-regional investments.

**MIGA Guarantees Issued in Broader MENA, by sector, in percent (1989-2006)**

**Selected MIGA Projects in the Region**

<table>
<thead>
<tr>
<th>Guarantee Holder</th>
<th>Investor Country</th>
<th>Sector</th>
<th>Host</th>
<th>Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orascom Telecom</td>
<td>Egypt</td>
<td>Telecom</td>
<td>Pakistan</td>
<td>90.7</td>
</tr>
<tr>
<td>British Gas</td>
<td>UK</td>
<td>Oil/Gas</td>
<td>Tunisia</td>
<td>65.0</td>
</tr>
<tr>
<td>Siemens</td>
<td>Germany</td>
<td>Leasing</td>
<td>Turkey</td>
<td>40</td>
</tr>
<tr>
<td>Natexis</td>
<td>France</td>
<td>Financial</td>
<td>Algeria</td>
<td>5.8</td>
</tr>
<tr>
<td>Itochu, Cementhai, National Petrochem. Co.</td>
<td>Japan/Thailand</td>
<td>Oil/Gas</td>
<td>Iran</td>
<td>122.0</td>
</tr>
<tr>
<td>Kemira Danmark</td>
<td>Denmark</td>
<td>Agribusiness</td>
<td>Jordan</td>
<td>14.7</td>
</tr>
<tr>
<td>WestLB</td>
<td>Germany</td>
<td>Financial</td>
<td>Turkey</td>
<td>72.0</td>
</tr>
<tr>
<td>Investcom/Al-Baraka</td>
<td>Lebanon/Saudi Arabia</td>
<td>Telecom</td>
<td>Syria</td>
<td>75.0</td>
</tr>
<tr>
<td>Dagriss</td>
<td>France</td>
<td>Agribusiness</td>
<td>Afghanistan</td>
<td>0.9</td>
</tr>
<tr>
<td>Kingdom Hotels</td>
<td>Saudi Arabia</td>
<td>Tourism</td>
<td>Syria</td>
<td>22.8</td>
</tr>
<tr>
<td>Uribase</td>
<td>Spain</td>
<td>Services</td>
<td>Egypt</td>
<td>6.4</td>
</tr>
<tr>
<td>El Paso</td>
<td>USA</td>
<td>Power</td>
<td>Pakistan</td>
<td>16.1</td>
</tr>
<tr>
<td>Investcom/Al-Baraka</td>
<td>Lebanon/Saudi Arabia</td>
<td>Telecoms</td>
<td>Syria</td>
<td>75.0</td>
</tr>
<tr>
<td>Cesur</td>
<td>Turkey</td>
<td>Manufacturing</td>
<td>Iran</td>
<td>5.0</td>
</tr>
</tbody>
</table>
Investments from the Region

Orascom Telecom (Egypt) in BANGLADESH
In 2006, MIGA issued a $78.3 million, 15-year guarantee to Orascom Telecom, covering its equity investment in Sheba Telecom Ltd. in Bangladesh. The guarantee covers the investor against the risks of transfer restriction, expropriation, and war, civil disturbance, terrorism, and sabotage. The project involves the acquisition, operation and maintenance of a national mobile telephone network based on GSM technology. Since acquiring Sheba, Orascom has upgraded the network, rapidly deployed new infrastructure, set up a distribution network, and is offering high-quality mobile services at competitive prices. By supporting this project, MIGA aims to help the government address the acute shortage of reliable telephone services in the country. The project will expand access to telecommunications throughout the country, thereby facilitating commerce.

Kocbank (Turkey) in AZERBAIJAN
MIGA issued a $2.7 million guarantee to Kocbank, A.S. for its investment in the establishment of Kocbank Azerbaijan, a commercial bank in Baku. The guarantee covered the investment against the risks of transfer restriction, expropriation, and war and civil disturbance. The bank focuses on export financing to promote the expansion of Azeri trade activities with Turkey.

Tunisie Telecom (Tunisia) in MAURITANIA
MIGA provided $40.76 million of guarantees to Tunisie Télécom investment in MATTEL of Mauritania. The coverages, for up to 15 years, are against the risks of transfer restriction, expropriation, and war, civil disturbance, terrorism, and sabotage. MIGA worked extensively with COTUNACE, Tunisia’s export credit agency, on this project.

In 1998, with World Bank assistance, the Mauritanian government began telecoms reforms to liberalize the market. It introduced private sector investors, thus improving the availability of service. In May 2000, through a competitive bid process, MATTEL was awarded the 1st mobile telephone operating license. The project involves the installation, operation, and maintenance of a new GSM network. MIGA has worked extensively with the investor and the host government since guarantee issuance to resolve potential problems related to the project.

Efes (Turkey) in KAZAKHSTAN
MIGA issued $13.3 million of coverage to Efes for its equity investment in Coca-Cola Almaty Bottlers (CCAB), a soft drink facility that will produce, bottle, and distribute Coca-Cola beverages in Kazakhstan. MIGA guarantees were issued against the risks of expropriation and war and civil disturbance. This investment helped CCAB establish an efficient product distribution system based on modern techniques, and has generated developmental benefits for both Kazakhstan and Turkey.

MIGA Issuance to Investors from the Region
MIGA has issued over $610 million in guarantees, supporting over 20 investments by companies and banks based in the region. These projects are in a wide range of sectors.

Projects Supported by Investor Country, in percent (1989-2006)

Selected MIGA Projects from the Region

<table>
<thead>
<tr>
<th>Guarantee Holder</th>
<th>Investor Country</th>
<th>Sector</th>
<th>Host</th>
<th>Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orascom</td>
<td>Egypt</td>
<td>Telecom</td>
<td>Bangladesh</td>
<td>78.3</td>
</tr>
<tr>
<td>Unatrac</td>
<td>Egypt</td>
<td>Services</td>
<td>Ghana</td>
<td>18.0</td>
</tr>
<tr>
<td>Investcom</td>
<td>Lebanon</td>
<td>Telecom</td>
<td>Ghana</td>
<td>99.0</td>
</tr>
<tr>
<td>Investcom</td>
<td>Lebanon</td>
<td>Telecom</td>
<td>Benin</td>
<td>8.1</td>
</tr>
<tr>
<td>Boulos Bros.</td>
<td>Lebanon</td>
<td>Manufacturing</td>
<td>Nigeria</td>
<td>6.3</td>
</tr>
<tr>
<td>Tunisie Telecom</td>
<td>Tunisia</td>
<td>Telecom</td>
<td>Mauritania</td>
<td>40.8</td>
</tr>
<tr>
<td>Turkcell</td>
<td>Turkey</td>
<td>Telecom</td>
<td>Azerbaijan</td>
<td>55.6</td>
</tr>
<tr>
<td>Efes</td>
<td>Turkey</td>
<td>Manufacturing</td>
<td>Turkmenistan</td>
<td>8.0</td>
</tr>
<tr>
<td>Kocbank</td>
<td>Turkey</td>
<td>Financial Services</td>
<td>Azerbaijan</td>
<td>2.7</td>
</tr>
<tr>
<td>Fatoglu</td>
<td>Turkey</td>
<td>Agribusiness</td>
<td>Azerbaijan</td>
<td>0.9</td>
</tr>
<tr>
<td>Efes</td>
<td>Turkey</td>
<td>Manufacturing</td>
<td>Kazakhstan</td>
<td>13.3</td>
</tr>
<tr>
<td>Efes</td>
<td>Turkey</td>
<td>Manufacturing</td>
<td>Kazakhstan</td>
<td>7.2</td>
</tr>
</tbody>
</table>
MIGA’s Value

As a member of the World Bank Group, MIGA is able to provide a unique umbrella of deterrence against political risks and can offer comfort to clients by improving projects’ risk/return profiles.

**Investment Protection and Prompt Claims Payment**

- **Deterring harmful actions.** MIGA’s relationship with shareholder governments provides additional leverage in protecting investments.
- **Mediating disputes.** As an honest broker, MIGA intervenes at the first sign of trouble to resolve potential investment disputes before they reach claim status, helping to maintain investments and keep revenues flowing. In almost all cases, MIGA is able to resolve these disputes.
- **Ensuring prompt claims payment.** In the event that a dispute cannot be mediated, MIGA ensures that valid claims are paid promptly.

**Improving Financial Terms and Conditions for Investors/Lenders**

- **Accessing funding.** MIGA guarantees help investors obtain project finance from banks.
- **Lowering borrowing costs.** MIGA-guaranteed loans may help reduce the cost of capital.
- **Increasing tenors.** MIGA can provide insurance coverage for up to 15 years (in some cases 20), thereby increasing the tenor of loans available to investors.
- **Helping to structure project financing.** MIGA also ensures that risks are allocated properly.

**Country, Social and Environmental Expertise**

- **Providing extensive country knowledge.** MIGA applies the World Bank Group’s decades of experience, global reach, and knowledge of developing countries to each transaction.
- **Offering environmental and social expertise.** MIGA helps investors and lenders ensure that projects comply with what are considered to be the world’s best social and environmental safeguards.

**Types of Coverage Offered**

- **Transfer restriction** coverage protects against losses arising from an investor’s inability to convert local currency into foreign exchange for transfer outside the host country. The coverage also insures against excessive foreign exchange delays caused by the host government’s actions.
- **Expropriation** coverage offers protection against loss of the insured investment as a result of acts by the host government that may reduce or eliminate ownership or control of the insured investment. This policy also covers partial losses and “creeping expropriation,” a series of acts with an expropriatory effect.
- **War, civil disturbance, terrorism, and sabotage** coverage protects against loss due to the destruction, disappearance, or physical damage to tangible assets caused by politically motivated violence. It also extends to events that result in the total inability of the project enterprise to conduct operations essential to its overall financial viability.
- **Breach of contract** coverage protects against losses arising from the host government’s non-payment of an arbitral award in favor of the investor, due to the government’s breach or repudiation of a covered contractual agreement with the investor.

**Partnerships**

MIGA works with the following key partners in the region to better support inward and outbound investments:

- **Islamic Corporation for Insurance of Investments and Export Credits (ICIEC), part of the Islamic Development Bank Group, based in Jeddah, Saudi Arabia.**
- **Inter-Arab Investment Guarantee Corporation (IAIGC), based in Kuwait.**

**Online Services**

MIGA provides the following free online services for investors and lenders:

- **FDI.net** (www.fdi.net)—information on investment opportunities, regulatory and legal frameworks, and contacts in 175 countries
- **PRI-Center** (www.pri-center.com)—risk mitigation information—a one-stop portal on political risk insurance
- **FDI Promotion Center** (www.fdpromotion.com)—knowledge-sharing and learning portal for investment promotion professionals—Arabic version developed with IAIGC

**Contact**

World Bank Group
Multilateral Investment Guarantee Agency
1818 H Street, NW
Washington, DC 20433
t. 1.202.478.4798
f. 1.202.522.0316
migainquiry@worldbank.org
www.miga.org