



## MIGA's Support to the Middle East and North Africa

### Meeting the Challenge of the Times

Today's uncertain world has marked effects on prospects for growth for the Middle East and North Africa (MENA). Political changes in the region have captured the world's attention and reminded investors of the inherent risks of investing abroad.

Yet, the need for investments into MENA that create jobs and opportunity is greater than ever. This is an important moment for organizations like the Multilateral Investment Guarantee Agency (MIGA) to step up and fill in gaps that the private sector cannot address. Indeed, MIGA's political risk insurance can be an important risk-mitigation instrument to investors and lenders who may be nervous about maintaining existing investments or have plans to invest in the region that they would rather not put on hold. MIGA can also help banks by optimizing country limits management and reducing capital allocations for country risk.

To demonstrate its commitment to the region, MIGA, a member of the World Bank Group, has mobilized \$1 billion in insurance capacity precisely to retain and encourage foreign direct investment in MENA. The agency has rolled out a flexible plan to target existing and inbound foreign direct investment in order to ensure that political risk insurance market capacity is maintained and

bolster the efforts of national export credit agencies. Since the initiative was launched in 2011, MIGA has supported new and existing investments, in Egypt, Jordan, Lebanon, Libya, Morocco, Tunisia, and the West Bank and Gaza.

MIGA is also increasing efforts to reach out to investors, lenders, and governments around the world to make it clear that the agency is open for business in the region. The agency is sharing its global experience of managing political risks—in particular by reaching out to governments, presenting at conferences on investment, and scaling up business development efforts.

MIGA's outstanding exposure in MENA as of the end of fiscal year 2014 stood at \$822 million in support of 24 guarantees in most of the countries and the West Bank and Gaza. These guarantees have covered investments in agriculture, banking, manufacturing, sanitation services, sewerage systems, oil and gas, telecommunications, transportation, and tourism. In addition, MIGA had an outstanding exposure of \$237 million at the end of fiscal year 2014 in 10 guarantees for projects by MENA-based companies and banks investing in developing countries worldwide. MIGA's ability to guarantee projects under Islamic financing structures is also an important component of the agency's support to the MENA region.

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.

### What We Do

MIGA provides political risk insurance (guarantees) and credit enhancement support against certain noncommercial risks to investments in developing countries. 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 the communities where they invest.

## TYPES OF COVERAGE

**Expropriation** coverage protects against discriminatory administrative or legislative actions by governments at both national and sub-national levels that may result in nationalization and confiscation. This coverage also guarantees protection from “creeping expropriation,” a series of acts that eventually result in outright nationalization or confiscation.

**Transfer restriction** coverage insures policy holders against the possibility that governments would prevent earnings repatriation. The coverage also protects against the risk of currency inconvertibility. With these guarantees in place, lenders may be willing to reduce borrowing costs, since this mitigates concerns that foreign companies might not be able to get their cash out of a country, which would increase the potential for loan default. Even when governments impose a moratorium on moving currency, as shareholders of MIGA, they may agree to exclude revenues from projects backed by MIGA guarantees and permit the transfer. This has been the case in a number of moratoriums since 1990.

Coverage for **civil disturbance, war, sabotage, or terrorist activity** protects against physical damage and prolonged business interruption (lasting 180 days). Coverage extends to situations in which an investor is forced to abandon the project due to war or other political disturbance. In such cases, assets need not be damaged or destroyed for a claim to be made. While border closures or blockades do not cause destruction, they can significantly interrupt business activities; MIGA guarantees can cover associated losses. Coverage for temporary business interruption, including both costs and lost net income, is also available.

**Breach of contract** coverage protects investors when governments are contractual partners. Coverage extends to tariff, regulatory, and credit risks arising from a government’s breach or repudiation of a contract.

**Non-honoring of sovereign financial obligations** coverage protects against losses resulting from a national or sub-national government’s failure to make a payment when due under an unconditional 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 or sub sovereign’s financial payment obligation is unconditional and not subject to defenses. This product was recently extended to apply to state-owned enterprises under certain conditions.

### **MIGA’s Conflict-Affected and Fragile Economies Facility**

To further encourage foreign investment in conflict-affected and fragile economies, including in MENA, MIGA has launched a multi-country, donor-funded facility that will allow the agency to further expand its business in the riskiest of these countries. The Conflict-Affected and Fragile Economies Facility uses donor-partner contributions and guarantees, as well as MIGA guarantees, to provide an initial loss layer to insure investment projects in conflict-affected and fragile economies. MIGA anticipates providing aggregate risk mitigation of \$400 million in conflict-affected and fragile economies through the use of the Facility during its initial years.

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## MIGA’S WEST BANK AND GAZA GUARANTEE TRUST FUND

This trust fund, administered by MIGA on behalf of the government of Japan and the Palestinian Authority, aims at encouraging investment in the West Bank and Gaza by providing political risk insurance to both local and foreign investors. The Fund is designed to facilitate small and medium-size investments, with a special emphasis on projects with high employment-generating capacity.

The fund is currently backing the development of Medjool date palm and herb farms, a dairy factory, a plastic manufacturing plant, and the expansion of a company that produces and distributes beverages.

## MANUFACTURING IN EGYPT

In Egypt, MIGA is providing \$36.6 million in guarantees to Turkish investor Elif Global for their greenfield investment in a packaging plant near Cairo. Elif Plastik, the main operating company of the Elif Group, is a global supplier in the flexible

thin films packaging industry, mainly supplying consumer products companies, including Procter and Gamble. The company’s main products are used for packaging cleaning, personal hygiene, and food products. Elif Plastik’s proposed plant in Egypt will initially have a production capacity of 15,000 tons per year. MIGA’s coverage is against the risks of risks of transfer restriction, expropriation, and war and civil disturbance, including temporary business interruption for a period of up to 15 years.

## SELECTED MIGA PROJECTS IN THE MIDDLE EAST AND NORTH AFRICA

INVESTOR/GUARANTEE HOLDER	PROJECT	PROJECT LOCATION	GUARANTEE AMOUNT (\$M)
DEUTSCHE INVESTITIONS UND ENTWICKLUNGSGESELLSCHAFT MBH	EGYPTIAN REFINING COMPANY	EGYPT	23.4
ELIF GLOBAL AMBALAJ SAN. VE TIC. A.S.	ELIF GLOBAL PACKAGING S.A.E	EGYPT	36.6
ALCATEL-LUCENT INTERNATIONAL	REGIONAL TELECOM	IRAQ	10.4
ALBERMARLE CORPORATION UNITED STATES	JORDAN BROMINE COMPANY LIMITED	JORDAN	199.8
BUTEC INTERNATIONAL LTD AND EL SEWEDY	BUTEC UTILITY SERVICES S.A.L.	LEBANON	35.5
SOCIÉTÉ GÉNÉRALE S.A. AND BNP PARIBAS	PASSENGER-CAR FERRY TANIT	TUNISIA	217.7
MR. NIDAL SUKHTIAN AND UNITED PHARMACEUTICAL MANUFACTURING COMPANY	BEIT JALA PHARMACEUTICAL COMPANY	WEST BANK AND GAZA*	1.7

\* UNDERWRITTEN THROUGH THE MIGA-ADMINISTERED WEST BANK AND GAZA INVESTMENT GUARANTEE TRUST FUND

### POWER IN LEBANON



MIGA is providing guarantees of \$35.5 million to Butec International Ltd. of Cyprus and El Sewedy of Egypt for their investment in Lebanon's power sector. The investors will implement a four-year power distribution services contract

servicing 350,000 households in Northern Lebanon. This includes new metering systems; asset-management services involving operations and maintenance, planning and design, construction, and network surveys; and customer care services including the establishment of call and contact centers, meter reading, and reduction of non-technical losses.

MIGA's guarantees will cover the risks of non-payment by the government of Lebanon of an arbitral award in favor of the guarantee holders; denial of recourse to the guarantee holders to an arbitral forum to determine such a claim; and war and civil disturbance.

### TELECOMS IN IRAQ

In Iraq, MIGA is providing a guarantee of \$10.4 million for an investment by Alcatel-Lucent International of France in Regional Telecom in Iraq. The project involves the provision of high speed mobile broadband data and internet service. The project is expected to expand Iraq's information and communications technology sector by providing high-speed mobile data and voice services to the main cities in the Kurdistan region. MIGA's coverage is for a period of up to three years against the risks of transfer restriction, expropriation, and war and civil disturbance.

AS A MEMBER OF THE WORLD BANK GROUP, MIGA OFFERS A **RANGE OF BENEFITS** TO INVESTORS AND LENDERS SEEKING **PROTECTION** AND CONTINUITY FOR THEIR PROJECTS IN DEVELOPING MARKETS.

### Keeping Developmentally Sound Projects on Track

- **Mobilizing sound investments:** As a multilateral development agency, MIGA supports investments that are developmentally sound and meet high social and environmental standards. Governments have a vested interest in the sustainability of investments covered by MIGA.
- **Resolving disputes:** By demonstrating the investments being supported are developmentally sound, meet high social and environmental standards, and are approved by the host country government authorities as well as by MIGA's Board, MIGA is in a strong position to help resolve disputes that might arise. MIGA has supported more than 700 different projects in its history, and has been able to resolve disputes that would have led to claims in all but two cases. (MIGA has paid four claims resulting from damage due to war and civil disturbance.) MIGA is able to work effectively with all parties to resolve disputes, keeping projects on track.
- **Prompt claims payment:** When claims do need to be paid, MIGA is able to pay them promptly, based on a strong balance sheet and a stable stream of operating income.

### Improving 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 risk-capital ratings of projects, leading to lower borrowing costs.
- **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.
- **Mobilizing reinsurance capacity:** MIGA is able to provide guarantee support for effectively any size project, through MIGA's ability to secure reinsurance capacity.

### Knowledge and Experience

- MIGA can help clients structure transactions to mitigate risk efficiently.
- Clients can benefit from the agency's decades of experience, global reach, and knowledge of developing countries.
- MIGA works with clients to implement social and environmental best practices.
- MIGA ensures that appropriate risk solutions are implemented at various stages of the project life cycle.

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