MIGA: Guaranteeing Investments in Water and Sanitation Projects

The Water and Sanitation Investment Challenge

Today, nearly 750 million people lack access to clean and safe water; 2.5 billion people live without adequate sanitation. The need for investment in the water and sanitation sector is clear.

Yet private financing for water supply and sanitation in developing countries has lagged far behind that for other infrastructure sectors, reflecting in part the limits of private capital contributions and the lack of appetite to bear the political risks associated with these projects. Investor losses in various regions—caused by contract breaches related to tariff adjustments, protests, exchange rate fluctuations, and currency devaluations—illustrate the reality of these risks.

Risks in Water and Sanitation Projects

As with other infrastructure investments, water and sanitation projects are affected by political and macroeconomic instability, inadequate legal and regulatory environments, and insufficient government commitment to contractual obligations. These projects are also exposed to risks related to the decentralization of service oversight from the national level to provincial and municipal authorities. Sub-sovereign regulatory and contractual risks can pose a different set of challenges than sovereign risks. Local authorities may have less experience dealing with the private sector and may lack a solid understanding of investors’ needs.

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

Our guarantees are well-suited to mitigate the particular risks associated with investing in water and sanitation projects in developing countries. These guarantees, covering both new investments and project expansions, help to ensure that investors are able to operate in a stable and predictable environment.

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 financial obligations

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

MIGA’s expropriation and breach of contract coverage protects investments against a variety of regulatory and contractual risks. Our guarantees can improve the risk/return profile of projects, lower the cost of capital, and foster positive relationships with local governments.

MIGA’s guarantees can be used on a standalone basis or in conjunction with other World Bank instruments, which offer an additional set of benefits. World Bank partial risk guarantees, for example, promote stable regulatory and contractual frameworks, while helping investors obtain capital market financing on better terms and securing public obligations by
MIGA AT WORK

MIGA's Value

As a member of the World Bank Group, 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 $30 billion in political risk insurance for more than 750 projects throughout the world 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 has been able to resolve disputes that would have led to claims in all but two cases and has paid six claims resulting from damage due to war and civil disturbance.

MIGA Guarantees Back Desalination Plant in Ghana

Accra is one of the major cities in Ghana that is experiencing rapid urbanization and population growth. Many residents in the city lack access to piped or safe water, and many old settlement areas and urban suburbs are facing water shortages. A MIGA-backed desalination plant is providing potable water to up to 500,000 residents in the Teshie-Nungua catchment of the capital and improving the overall security and quality of the water supply.

MIGA’s guarantees for this project total $179.2 million covering an equity investment and shareholder loan by Abengoa Water Investments Ghana, BV of the Netherlands; an equity investment and a shareholder loan by Daye Water Investment (Ghana), BV of the Netherlands; and a non-shareholder loan and an interest rate swap agreement by Standard Bank of South Africa for the Seawater Desalination Project in Ghana.

Befesa Desalination Developments Ghana Ltd, a joint venture company of Abengoa Water Investments Ghana, BV; Daye Water Investment (Ghana), BV; and their local partner Hydrocol Ltd. constructed and are operating the plant, which is being built on a 25-year build-operate-transfer basis.

Wastewater Treatment Plant is Jordan’s First PPP for Public Infrastructure

Jordan is one of the ten most water-deprived countries in the world and water scarcity is one of the country’s biggest impediments to sustainable economic growth. A MIGA-supported plant treats wastewater from the Amman and Zarqa areas, which have a combined population of approximately 2.3 million people. With a peak flow of 840,000 cubic meters each day, the facility treats an average flow of 267,000 cubic meters of wastewater on a daily basis.

In fiscal year 2006, MIGA provided guarantees of $4.1 million to Infilco Degremont Inc. and Suez Environnement S.A. covering their equity investment and performance bond for As-Samra Wastewater Treatment Plant Company Limited. In 2013, MIGA provided additional coverage for the expansion of the facility, bringing MIGA’s total gross exposure to $13.1 million. MIGA’s coverage is for a period of 20 years against the risk of breach of contract.

The project represents the first build-operate-transfer project in Jordan, as well as the first public-private partnership in financing and management of a public infrastructure project in the country.

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