



MIGA

**Multilateral Investment
Guarantee Agency**
WORLD BANK GROUP

Political Risk Insurance and Credit Enhancement Solutions

Italy Virtual Outreach Event
May 6, 2021

1. MIGA in the World Bank Group

2. Key Terms and Product Line

- Political Risk Insurance
- Credit Enhancement

3. MIGA's Value Added

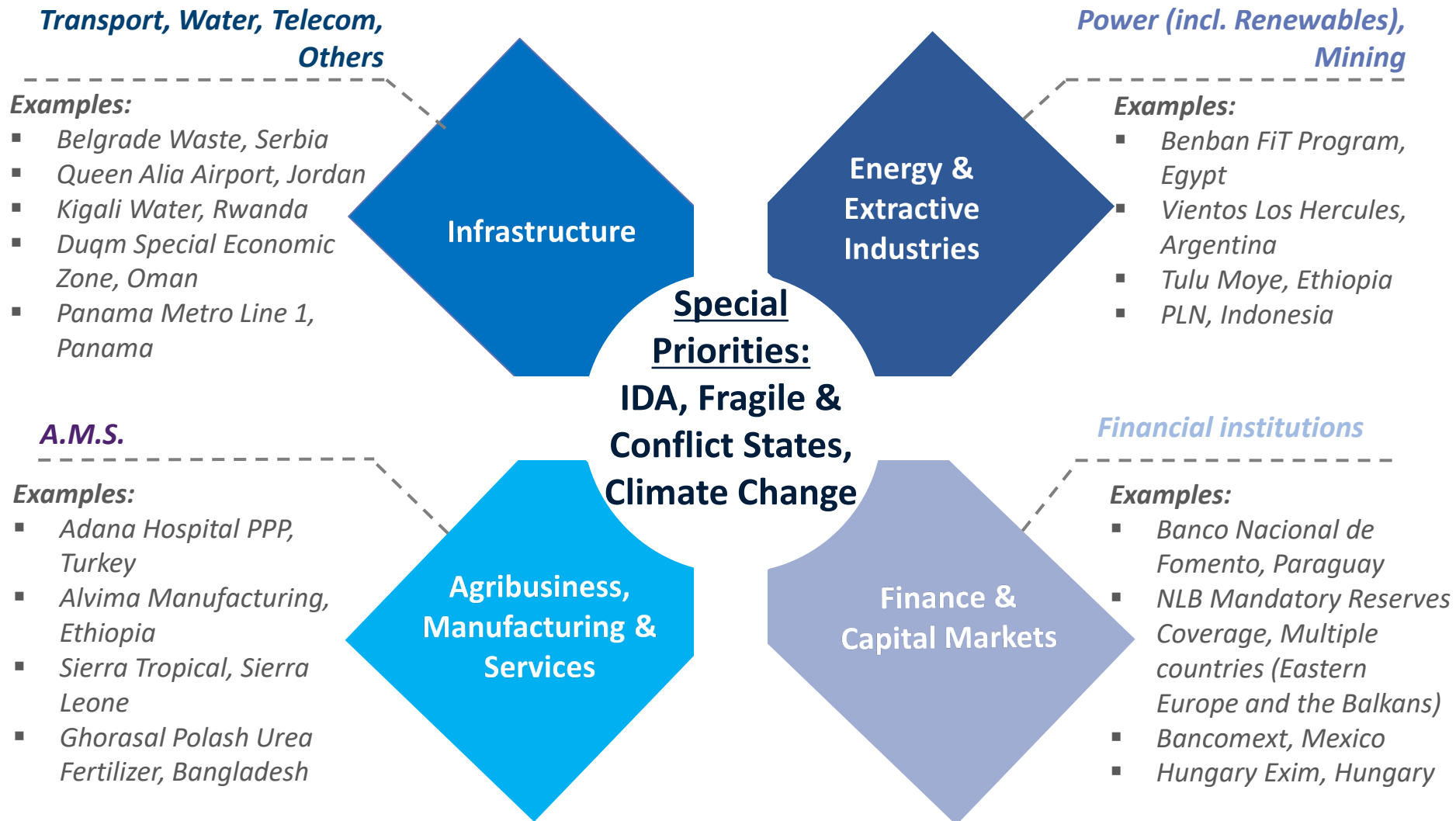
4. MIGA's Process

The World Bank Group

	IBRD International Bank for Reconstruction and Development	IDA International Development Association	IFC International Finance Corporation	MIGA Multilateral Investment Guarantee Agency
	Est. 1945	Est. 1960	Est. 1956	Est. 1988
Role	Support countries' economic and institutional development		Promote private sector development	Increase foreign direct investment
Clients	Governments of member countries with annual per capita income <i>over</i> \$1,165	Governments of member countries with annual per capita income <i>under</i> \$1,165	Investors in member countries	Debt and equity investors in member countries
Products	- Technical Assistance - Policy Advice - Loans with Interest		- Equity/Quasi-Equity - Long-Term Loans - Advisory Services	- Political Risk Insurance - Credit Enhancement

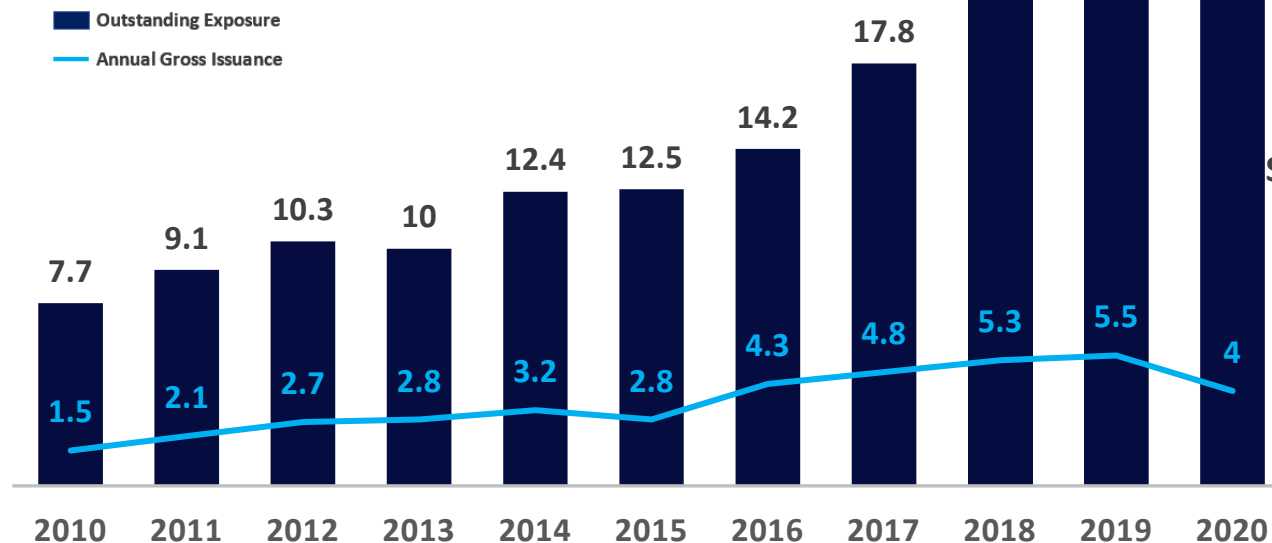
←..... **Shared Mission: “End extreme poverty and build shared prosperity”**→

MIGA's Sectors and Priority Areas

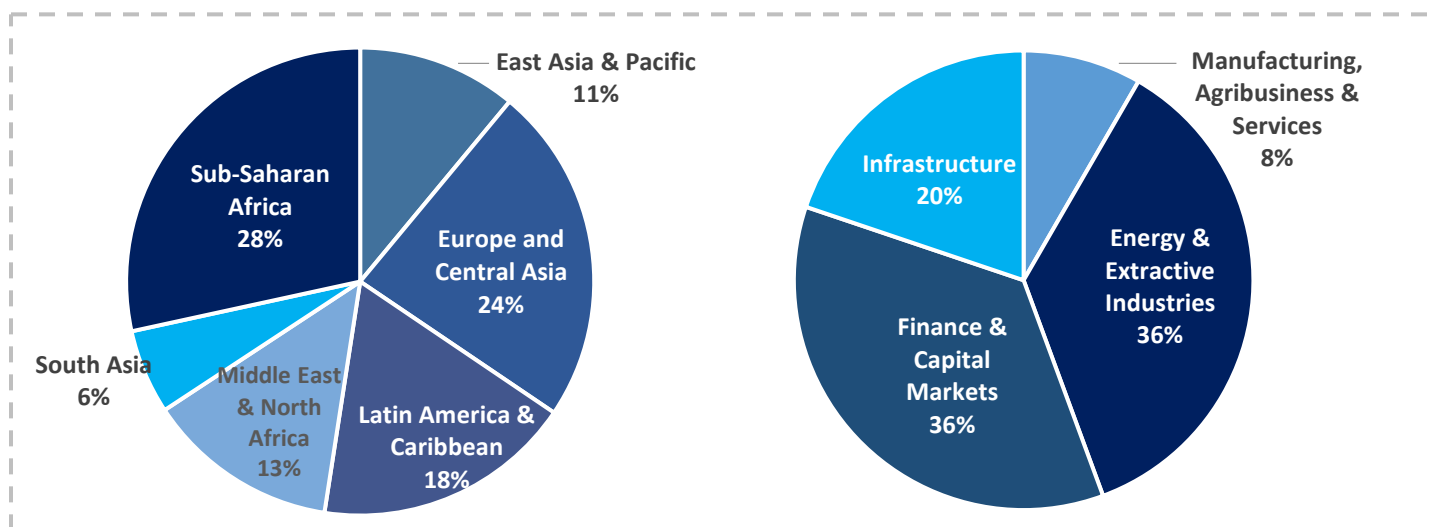


MIGA's Activity Overview

(US\$ billion in fiscal year)



Supported ~900 projects
in 114 countries



1. MIGA in the World Bank Group

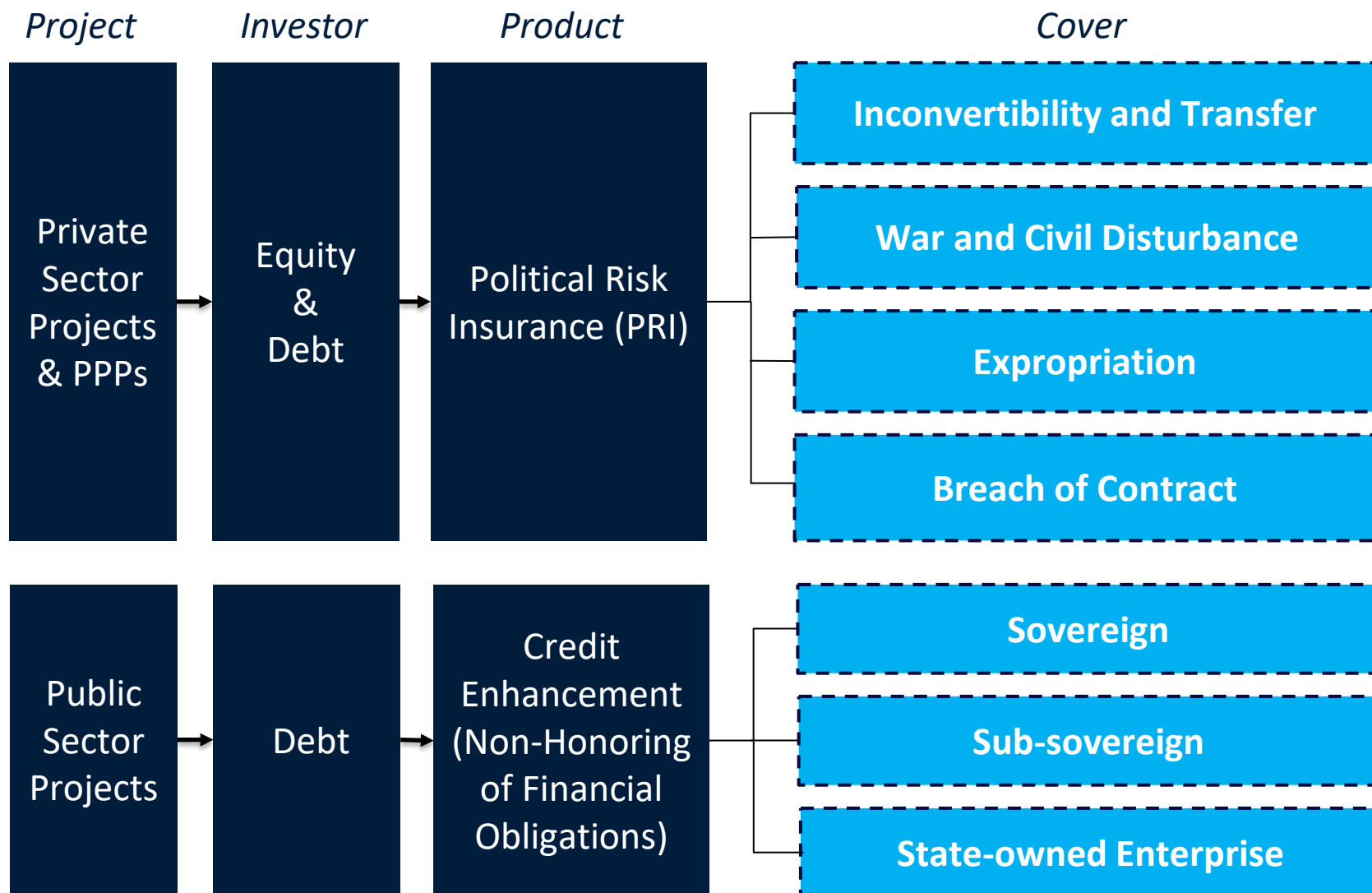
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MIGA's Product Line



Key Parameters of MIGA Cover



- ✓ 182 eligible investor countries
- ✓ Can cover all/some foreign investors in a project
- ✓ Collaborates with other development institutions (e.g. IFC)

- ✓ Open in 155+ countries, including challenging markets
- ✓ 95% coverage for debt, 90% for equity
- ✓ Broad range of cover size
- ✓ Tenors up to 15 years (up to 20 years exceptionally)
- ✓ Can cover multiple investments in same project
- ✓ Investor can transfer or assign the policy subject to approvals and cancel at no cost after 3rd year.

- ✓ Identified project
- ✓ Developmental impact
- ✓ E&S Performance Standards
- ✓ Exclusion list (*spirits, tobacco, nuclear power, etc.*)
- ✓ Integrity/ KYC

1. MIGA in the World Bank Group

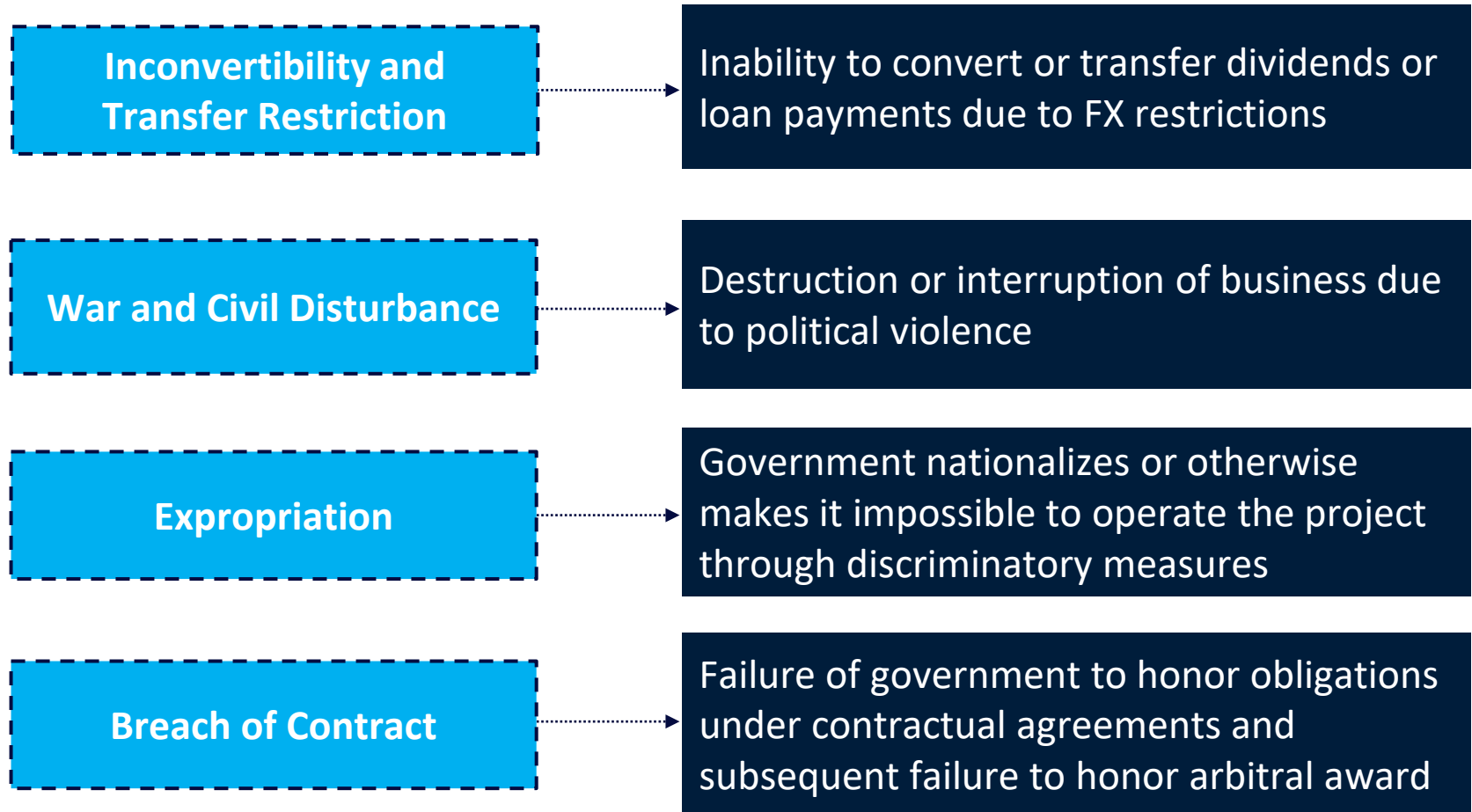
2. Key Terms and Product Line

- **Political Risk Insurance**
- Credit Enhancement

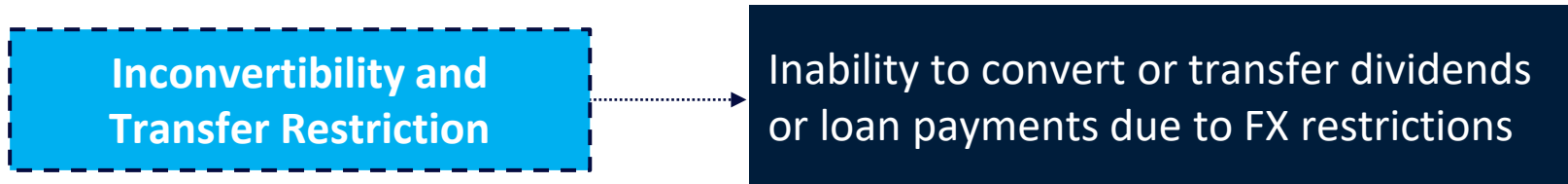
3. MIGA's Value Added

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Political Risk Insurance (PRI) solutions for Investors and Lenders



Inconvertibility and Transfer Restriction (TR)



Key features of the cover

- Protects against losses arising from:
 - ✓ The inability to convert local currency into foreign exchange within the host country, and
 - ✓ The inability to transfer funds out of the host country
- Currency depreciation and devaluation are not covered
- In case of convertibility restrictions, MIGA's compensation is based on official rate of exchange at the date of loss
- Conversion and transfer have to be lawful in the host country at the time MIGA's coverage is issued

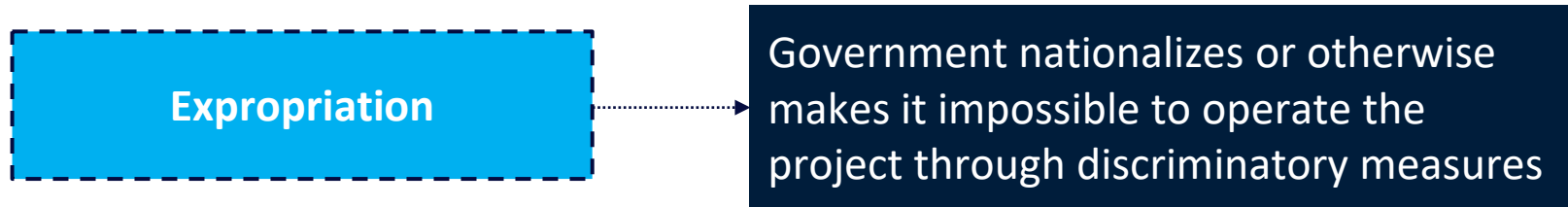
War and Civil Disturbance (WCD)



Key features of the cover

- Three forms of coverage:
 - ✓ Loss of assets
 - ✓ Temporary business interruption (for equity)
 - ✓ Permanent loss of use
- Loss has to be a direct and immediate result of acts of war, revolution, rebellion, insurrection, coup d'état, civil war, civil commotion, riots
- Acts of sabotage or terrorism can also be covered
- Acts must pursue a broad political or ideological objective

Expropriation (Expro)



Key features of the cover

- Protects against losses arising from:
 - ✓ Nationalization and confiscation
 - ✓ Creeping expropriation (a series of acts that are expropriatory taken in sum, e.g., gradual changes in tax regime)
 - ✓ Expropriation of funds (e.g., “account freeze”)
- Expropriation also if the Project Enterprise:
 - ✓ Is deprived of a substantial benefit
 - ✓ Constituting a fundamental right (e.g., under a project agreement)
 - ✓ Essential to its overall financial viability (normally this implies insolvency or impending insolvency of the Project Enterprise)
- Non-discriminatory regulatory measures not covered, unless such measures have a confiscatory effect

Breach of Contract (BoC)



Key features of the cover

- Protects against loss arising from breach or repudiation of a project agreement (e.g., in infrastructure and power projects)
- Project agreement must be entered between the host government on the one hand and guarantee holder and/or project enterprise on the other hand
- May cover obligations of sub-sovereigns and state-owned enterprises, subject to certain restrictions
- Covers against inability to obtain an award because of the government's interference with the dispute resolution mechanism (denial of recourse), or non-payment of an arbitral award (arbitral award default)

The Small Investment Program (SIP)

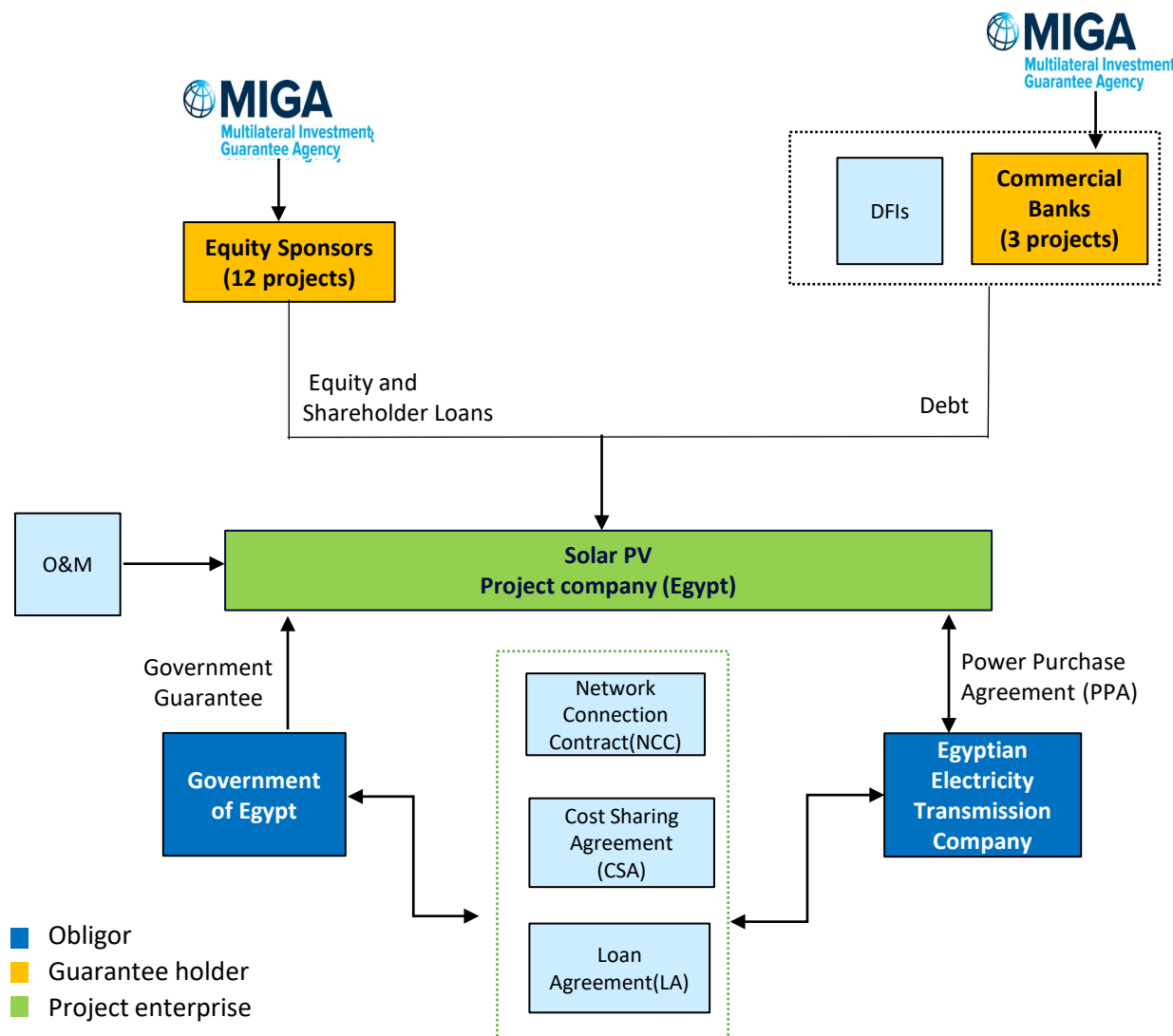
- Designed to facilitate investment into small and medium enterprises (SMEs) in the finance, agribusiness, manufacturing, and services sectors
- Eligibility of the investment: Establishment of an SME, or investment made into an existing SME, in a developing country
- SME definition: Project enterprise 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
- Features:
 - ✓ MIGA approval process: Streamlined
 - ✓ Coverage: Up to \$10 million
 - ✓ Covers: Inconvertibility and transfer restriction; Expropriation; and/or War and civil disturbance (no breach of contract).

Political Risk Insurance

Selected Case Studies – Energy Sector

Egyptian effort to build the world's largest solar generation park

Feed-In Tariff Benban Program, Egypt (Solar)



- ❖ **Project:** Construction, operation and maintenance of a green field solar Independent Power Producer facility
- ❖ Approval for 15 projects with total installed capacity of about 790MW
- ❖ 25-year Power Purchase Agreement (“PPA”)

❖ Guarantee holders:

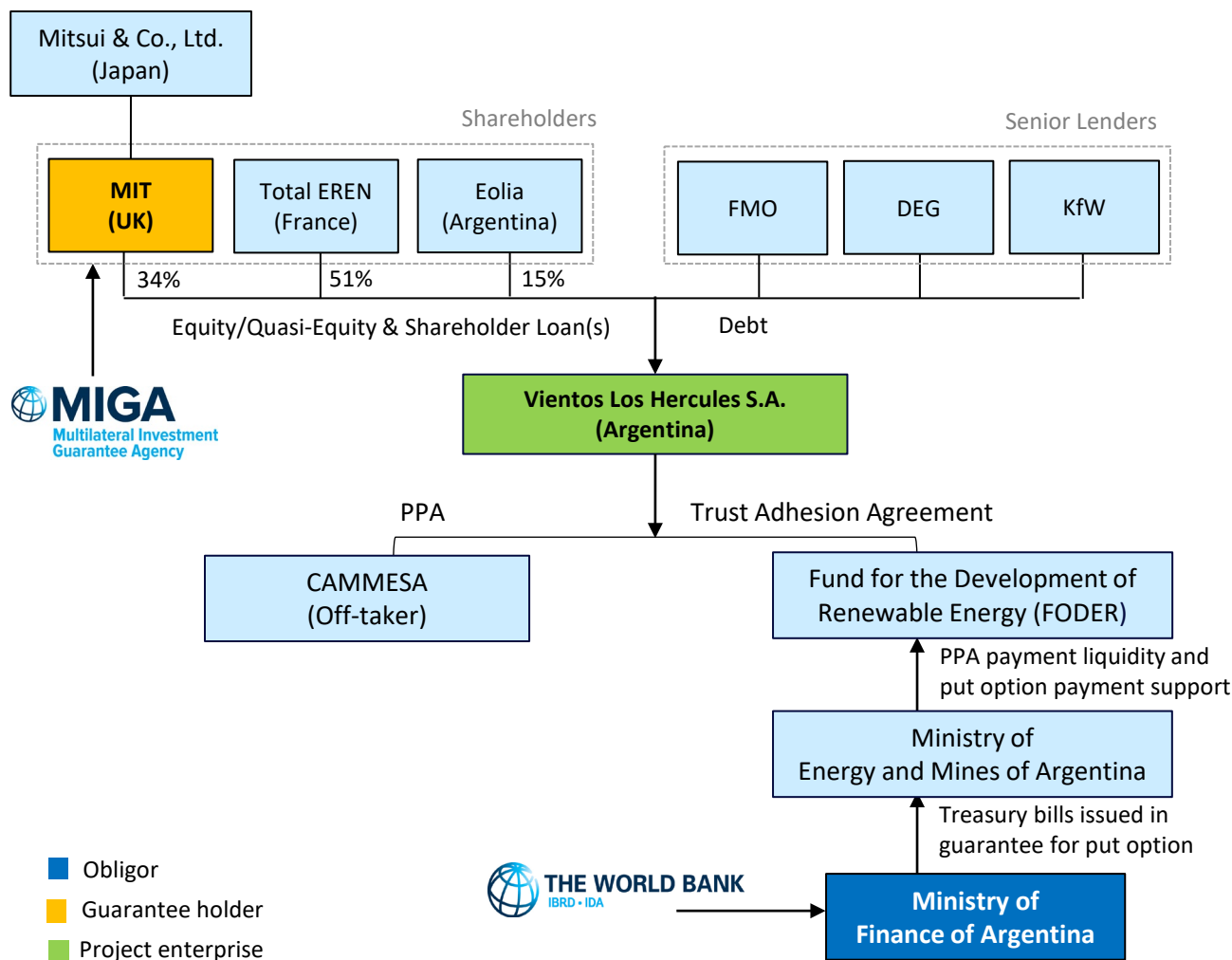


❖ MIGA cover:

- Amount: \$234m
- Tenor: 15 years for equity, 20 years for loan guarantee
- Covers (mix of the following): Breach of Contract, Expro, Inconvertibility and Transfer Restriction, War & Civil Disturbance
- Issued: End 2017/ 2018/ 2020

Development of Argentina's renewable energy resources

Vientos Los Hercules, Argentina (Wind)



❖ **Project:** Design, construction, operation and maintenance of a 97.2MW wind farm in Santa Cruz

❖ Part of the Government of Argentina's RenovAr public tendering program launched in May 2016

❖ **Guarantee holder:**

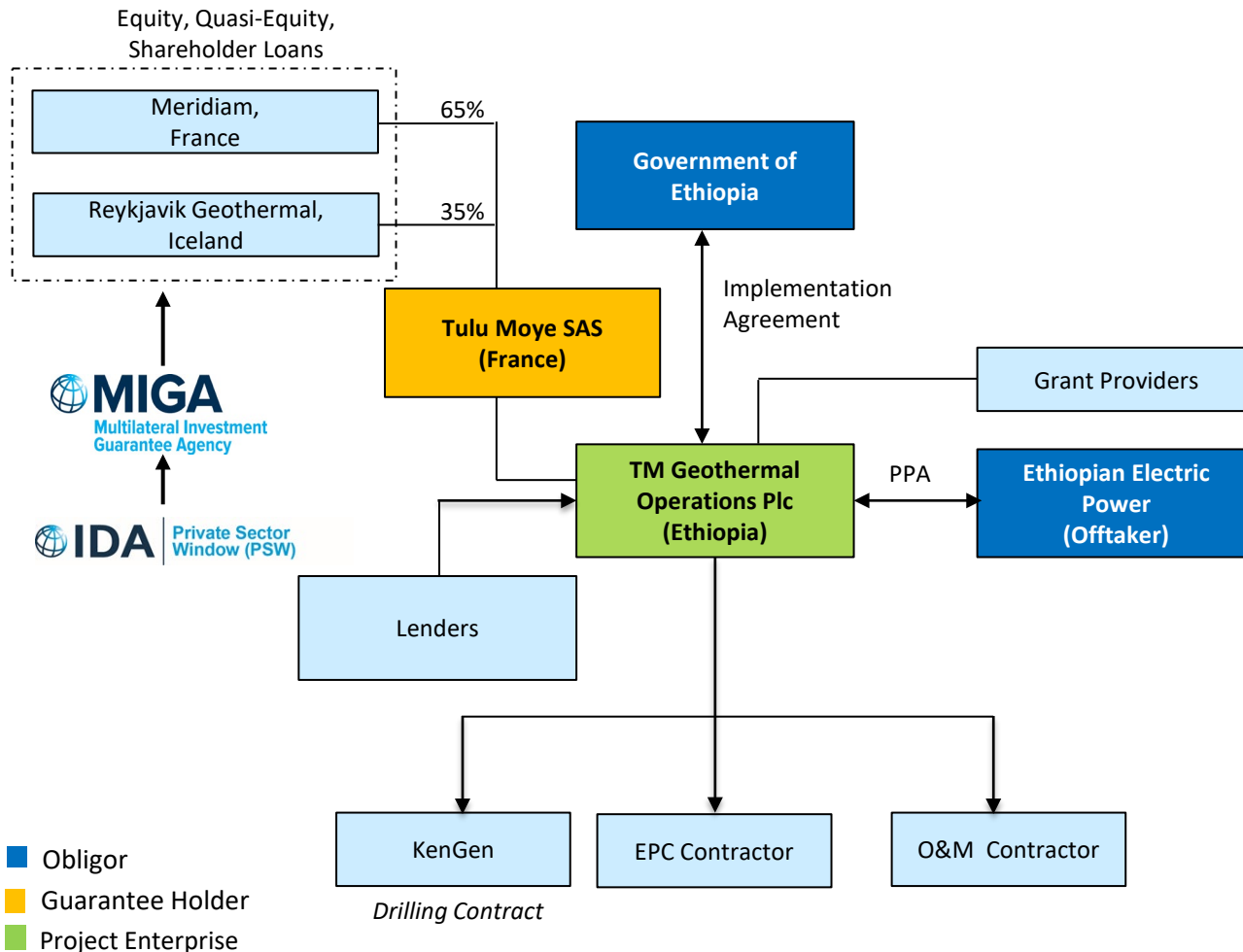


❖ **MIGA cover:**

- Amount: \$24m
- Tenor: 7 years
- Risks: Expropriation, War & Civil Disturbance, Breach of Contract
- Issued: December 2018

Support to geothermal exploration and production in sub-Saharan Africa

Tulu Moya, Ethiopia (Geothermal)



❖ **Project:** Design, development, construction, operation and maintenance of the first Phase of a greenfield geothermal power plant that will have a capacity of up to 50 MW. This initial investment includes the drilling of both exploration and production wells

❖ **Guarantee holders/ Beneficiaries:**



❖ **MIGA cover:**

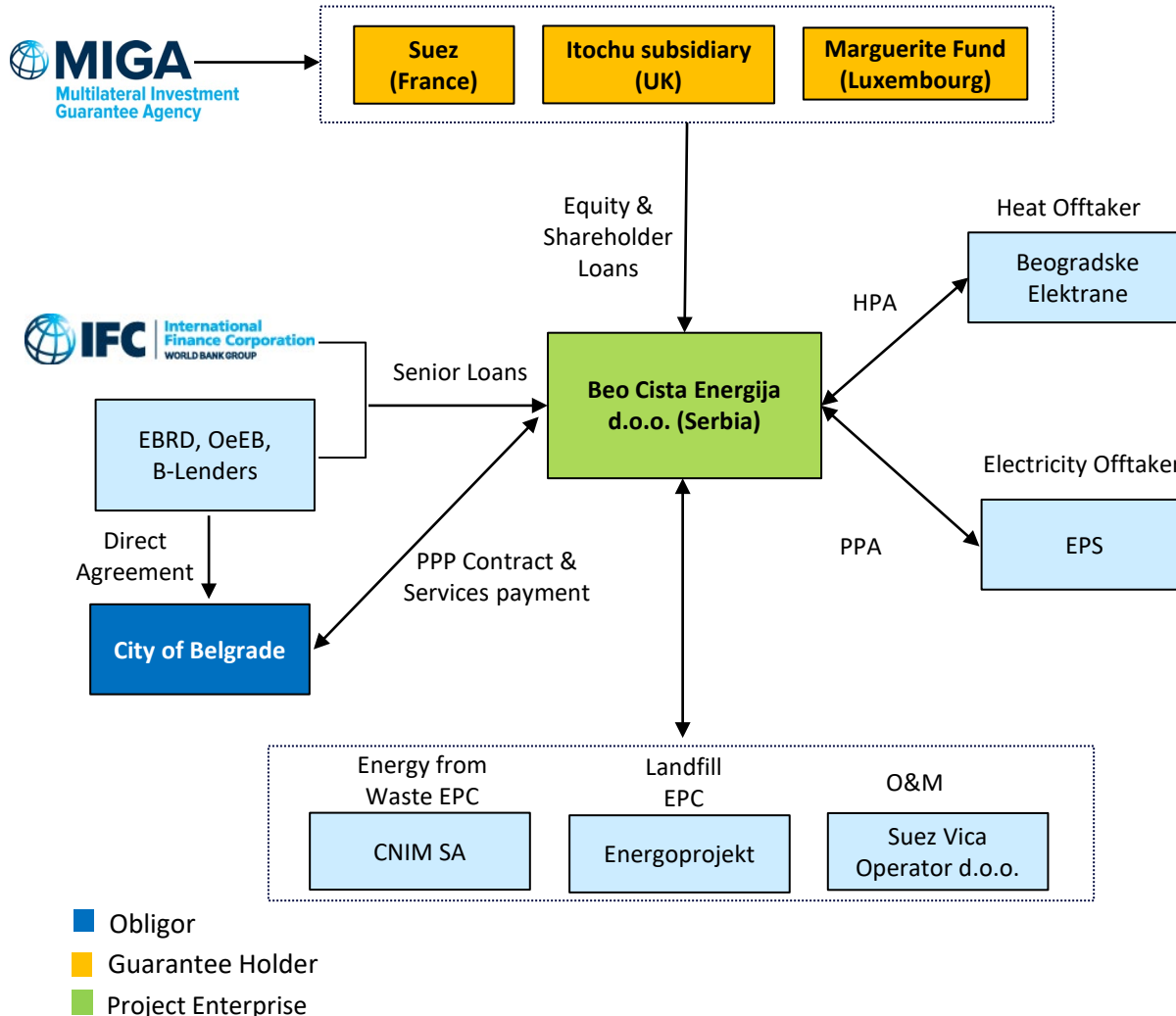
- Amount: \$67.5m (Equity and Quasi-Equity)
- Tenor: 15 years
- Risks: Breach of Contract, Expropriation and, War & Civil Disturbance
- Issued: March 2021

Political Risk Insurance

Selected Case Studies – Infrastructure Sector

Large scale PPP to manage city solid waste in Eastern Europe

Belgrade Waste Management Project, Serbia (Waste)



- ❖ **Project:** (i) Remediation, closure and aftercare of the existing landfill; (ii) Construction and operation of a new waste management infrastructure; and (iii) Use of up to 340,000 tons of municipal solid waste and landfill gas to generate up to 365GWh of renewable heat and electricity through a waste to energy facility

❖ Guarantee holders:



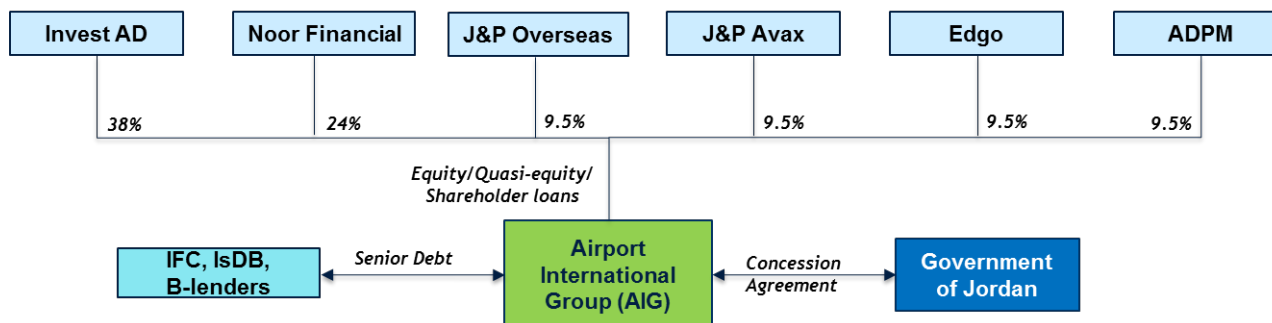
❖ MIGA cover:

- Amount: €97m
- Tenor: 20 years
- Risks: Expropriation, Inconvertibility & Transfer Restriction, War & Civil Disturbance, Breach of Contract
- Issued: October 2019

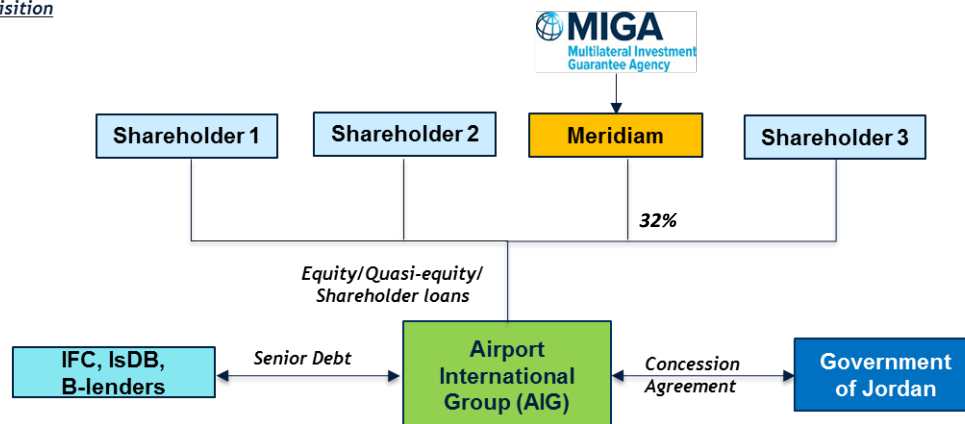
Expansion of the Middle East's first airport PPP

Queen Alia International Airport (QAIA), Jordan (Transportation/ Airports)

Pre-acquisition



Post-acquisition



- Obligor
- Guarantee Holder
- Project Enterprise

❖ **Project:** Acquisition of and investment in Airport International Group, the existing QAIA project located in Amman, Jordan, in support of its rehabilitation, expansion and operation

❖ The largest single private sector investment in Jordan to date

❖ **Guarantee holder:**

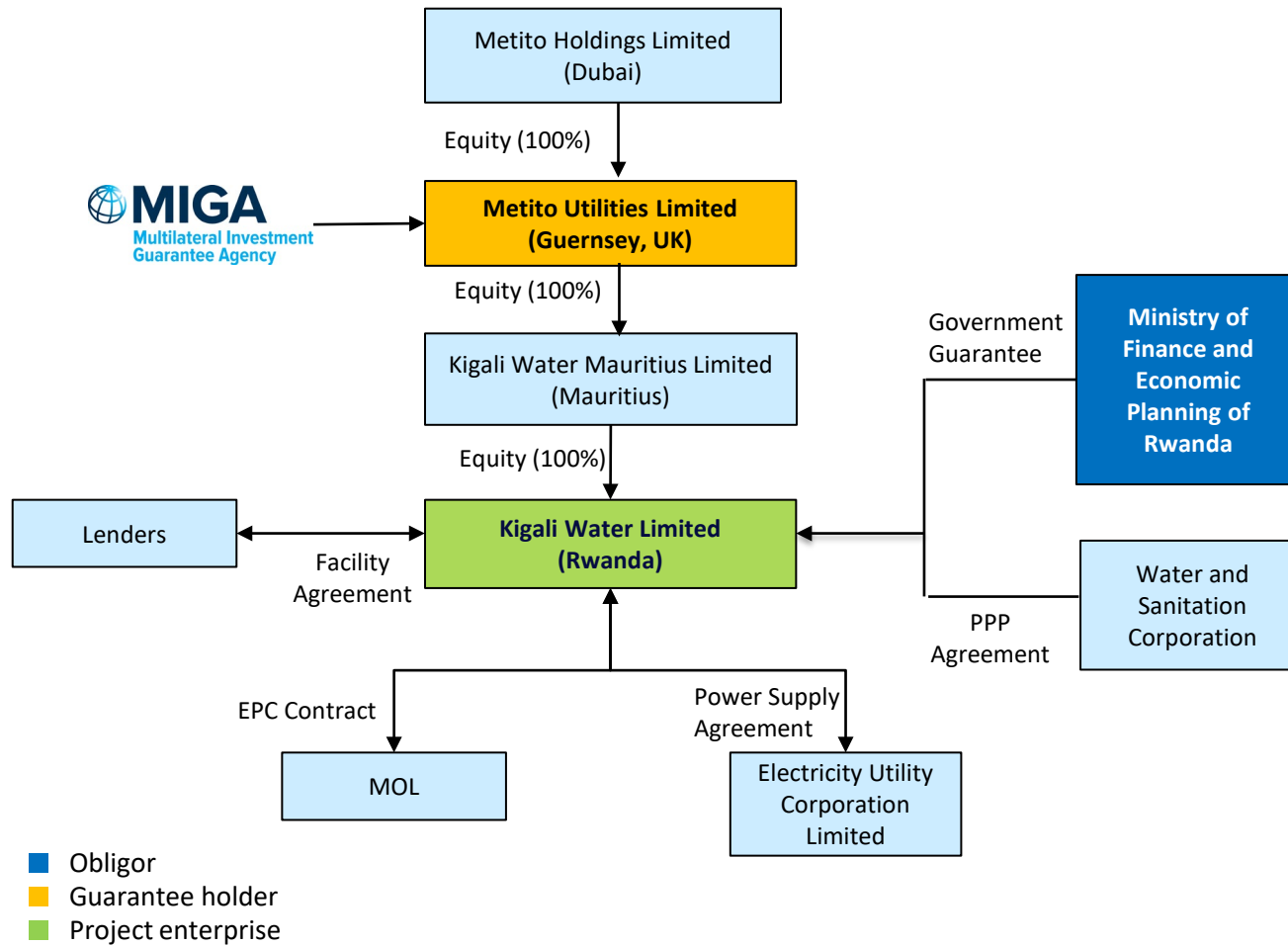


❖ **MIGA cover:**

- Amount: \$216m
- Tenor: 15 years
- Risks: Breach of Contract, Expropriation, Inconvertibility & Transfer Restriction, War & Civil Disturbance
- Issued: March 2018

Greenfield PPP increasing water supply in sub-Saharan Africa

Kigali Bulk PPP, Rwanda (Water)



❖ **Project:** Construction, operations and maintenance of a greenfield bulk water treatment facility with a daily capacity of 40,000m³ in Kanzenze, the southeastern part of Kigali, Rwanda.

❖ 27-year PPP agreement based on a “take-or-pay” scheme.

❖ **Guarantee holder:**

METITO

❖ **MIGA cover:**

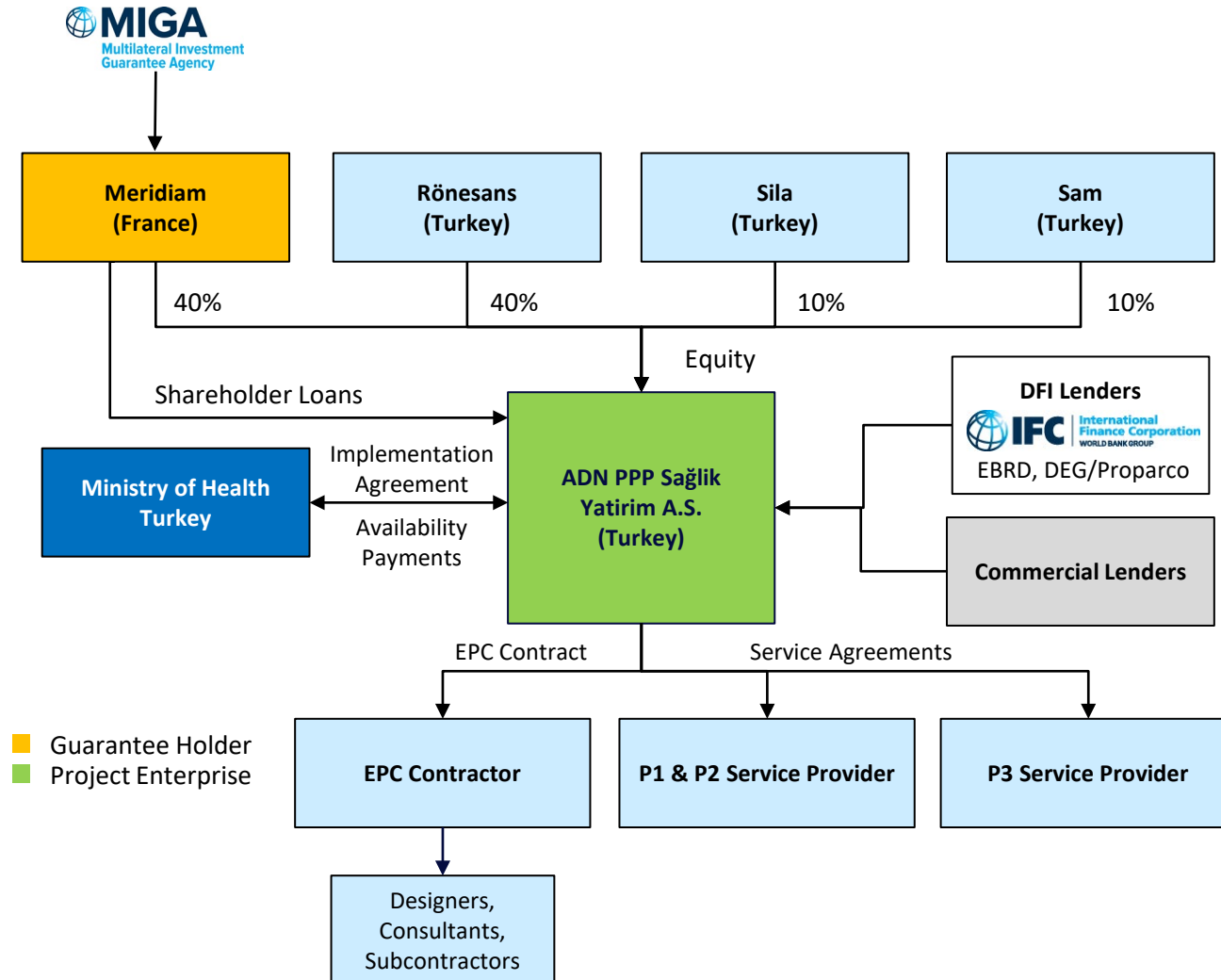
- Amount: US\$10m (Equity and Shareholder Loans)
- Tenor: 20 years
- Risks: Breach of Contract, Expropriation, Inconvertibility & Transfer Restriction, War & Civil Disturbance
- Issued: March 2018

Political Risk Insurance

Selected Case Studies – Manufacturing, Agribusiness and Services Sector

Large health PPP program in Turkey

Adana Integrated Health Campus, Turkey (Services/ Healthcare)



❖ **Project:** Design, construction, financing, and maintenance of a new integrated health campus in the southern Turkish city Adana structured as a public-private partnership (PPP)

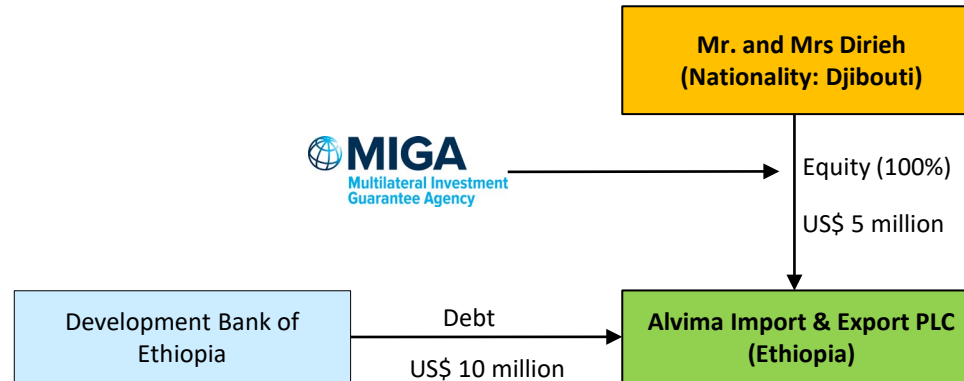
❖ **Guarantee holder:**



❖ **MIGA cover:**

- Amount: \$157.5m
- Tenor: 20 years
- Risks: Breach of Contract, Expropriation, Inconvertibility & Transfer Restriction, War & Civil Disturbance
- Issued: December 2014

Development of high-quality food processing facility Alvima Import & Export PLC, Ethiopia (Manufacturing)

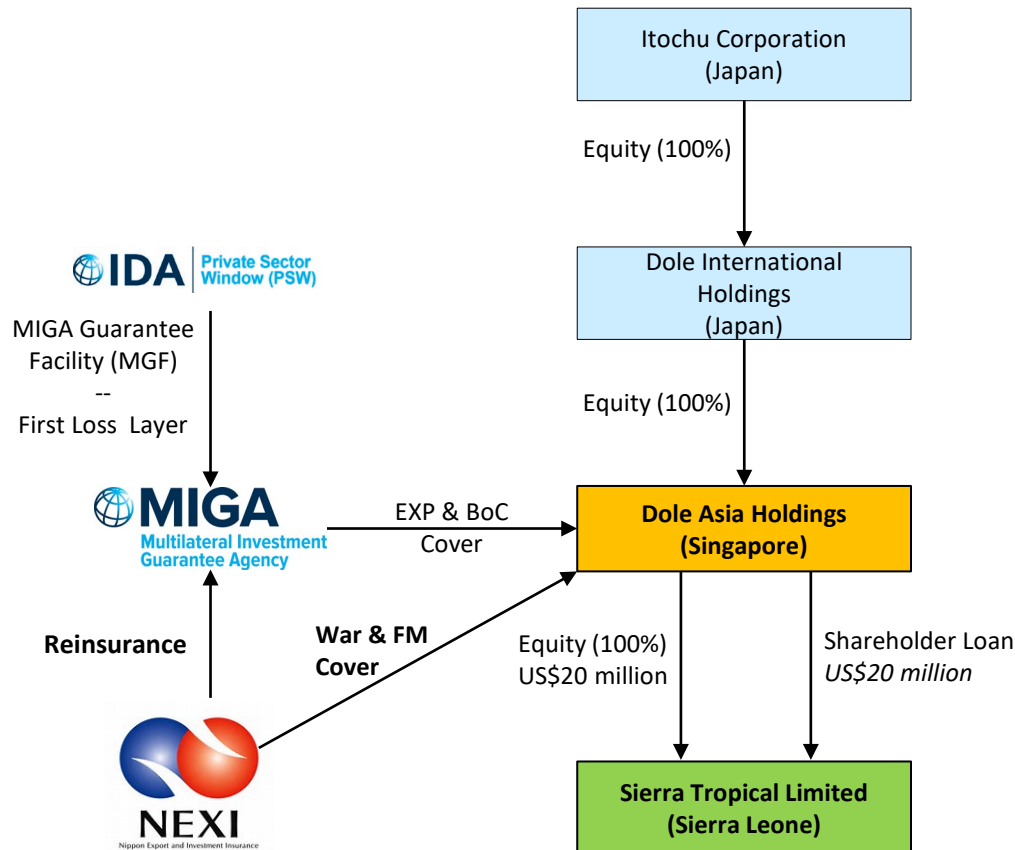


- Guarantee holder
- Project Enterprise

- ❖ **Project:** New flour processing and pasta manufacturing plant for high-quality pasta products, 90 km Southeast of Addis Ababa
- ❖ Daily manufacturing capacity of up to 66 tons of pasta and 95 tons of flour
- ❖ **Guarantee holders:** Mr. and Mrs Dirieh (Djibouti nationals)
- ❖ **MIGA cover:**
 - Amount: \$5m
 - Tenor: 10 years
 - Risks: Expropriation, War & Civil Disturbance
 - Issued: April 2017
 - Small Investment Program

Large greenfield agribusiness in sub-Saharan Africa

Sierra Tropical Limited, Sierra Leone (Agribusiness)



- Guarantee holder
- Project Enterprise

❖ **Project:** Vertically integrated greenfield agro-industrial facility cultivating, harvesting, and processing tropical fruit for worldwide export

❖ **Guarantee Holder:**



❖ **MIGA cover:**

- Amount: \$40m (Equity & Shareholder Loans)
- Tenor: up to 10 years
- Risks: Expropriation, Breach of Contract
- Issued: June 2019
- Use of IDA Private Sector Window

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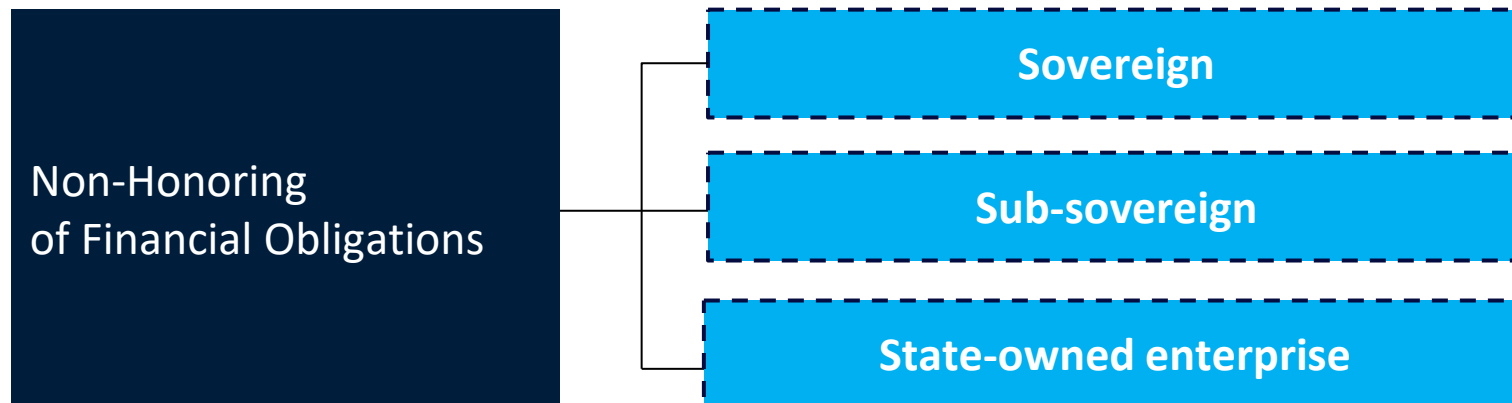
2. Key Terms and Product Line

- Political Risk Insurance
- **Credit Enhancement**

3. MIGA's Value Added

4. MIGA's Process

Credit Enhancement solutions



- **Investment:** Applicable for debt-like instruments (loans, bonds, swaps, etc)
- **Transaction type:** Structured/ Export Finance transactions - Borrower's payment obligation is unconditional and irrevocable. Not appropriate for non-recourse project finance
- **Eligible borrowers/ guarantors:** Sovereigns, sub-sovereigns and financial sector state-owned enterprises with credit ratings of BB- and above
- **Risk:** 95% coverage of principal and interest against losses resulting from non-payment
- **Project:** Must support an underlying investment project with measurable developmental benefits (cannot support general obligation financing)

Eligible Rated Countries for Credit Enhancement (as of March 30, 2021)

Europe and Central Asia

Azerbaijan
Bulgaria
Croatia
Cyprus*
Estonia*
Georgia
Hungary*
Kazakhstan
Latvia*
Lithuania*
Malta*
North Macedonia
Poland*
Romania
Russian Fed.*
Serbia
Slovak Republic*

Africa

Botswana
Mauritius
Namibia
Senegal

Middle East and North Africa

Israel*
Kuwait*
Morocco
Qatar*
Saudi Arabia*
United Arab
Emirates*

Asia

Bangladesh
China*
India
Indonesia
South Korea*
Malaysia
Philippines
Singapore*
Thailand
Vietnam

Latin America and Caribbean

Bahamas
Brazil
Chile*
Colombia
Guatemala
Mexico
Panama
Paraguay
Peru
Trinidad &
Tobago
Uruguay

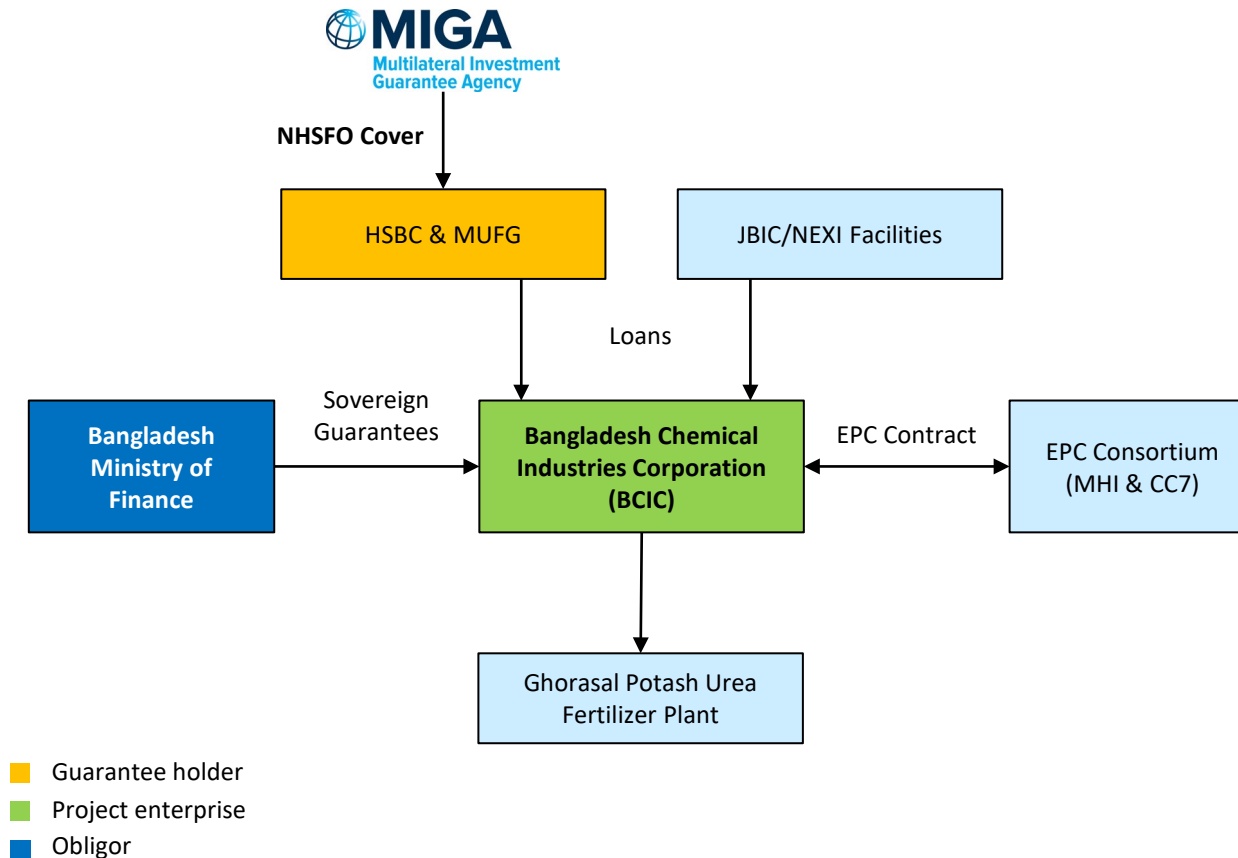
*High income countries, or countries with “political” eligibility challenges in the current environment.

Credit Enhancement

Selected Case Studies

Lowering reliance on fertilizer imports/ subsidies with positive impact on FX reserves

Ghorasal Polash Urea Fertilizer Project, Bangladesh (Sovereign)



❖ **Project:** Increases domestic production of important agriculture sector input while improving energy-efficiency and reducing CO2 emissions

❖ **MIGA-covered lenders:**

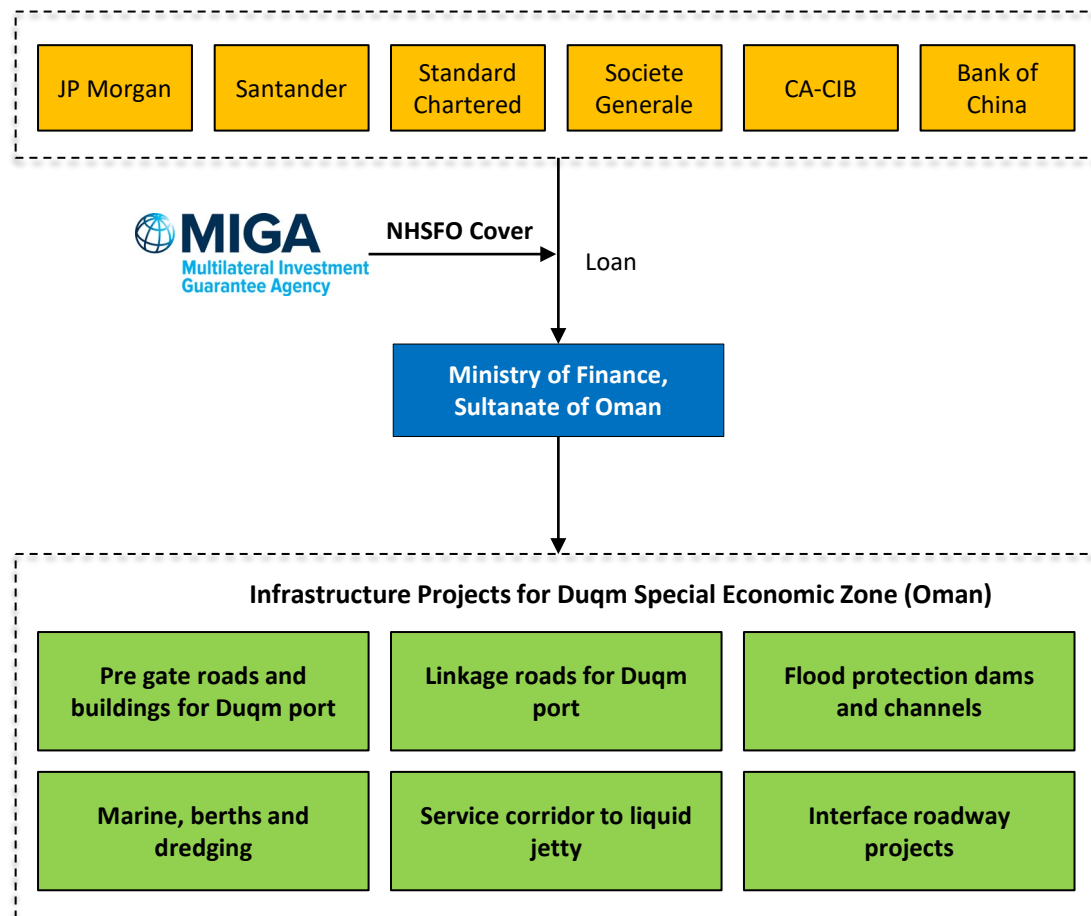


❖ **MIGA cover:**

- Amount: \$356.8m
- Tenor: 15 years
- Risk: Non-Honoring of **Sovereign** Financial Obligations (NHSFO)
- Government as **guarantor**
- Issued: Feb. 2020

Promoting economic diversification away from hydrocarbons

Special Economic Zone at Duqm, Oman (Sovereign)



- Obligor
- Guarantee holders
- Project

❖ **Project:** Design and construction of infrastructure projects to develop the Special Economic Zone in Duqm

❖ **MIGA-covered lenders:**

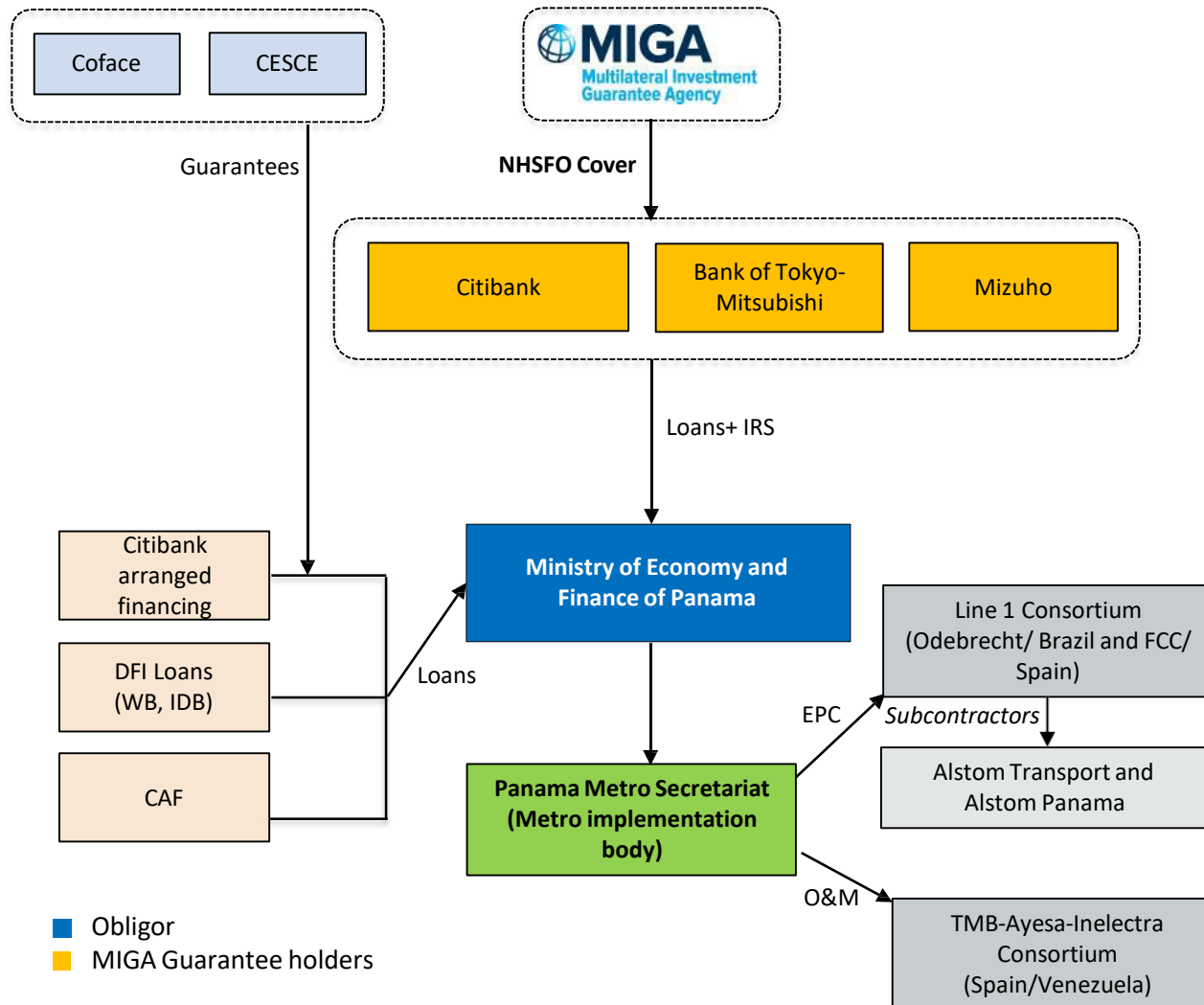


❖ **MIGA cover:**

- Amount: \$1.7billion
- Tenor: 15 years
- Risk: Non-Honoring of **Sovereign** Financial Obligations (NHSFO)
- Government as **borrower**
- Issued: June 2019

Reducing traffic congestion through metro construction

Panama Metro (Line 1), Panama (Sovereign)



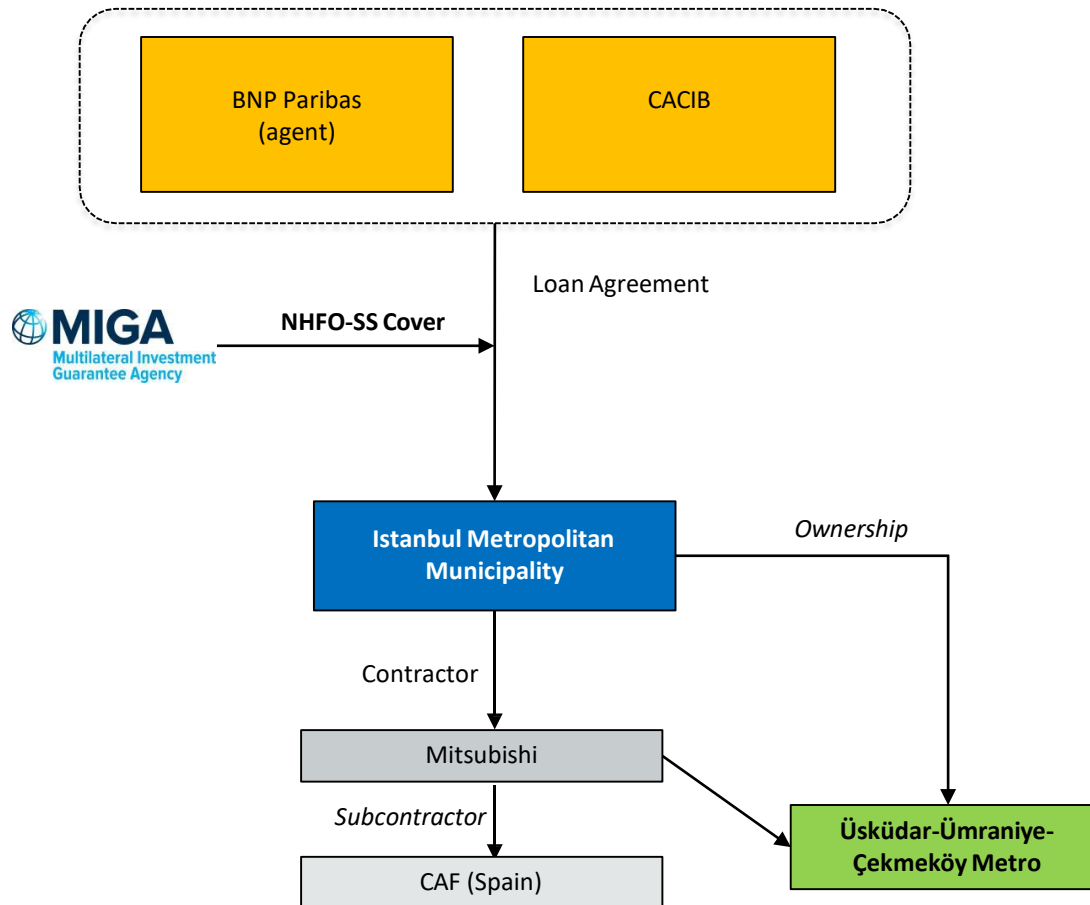
- ❖ **Project:** Greenfield construction (including acquisition of rolling stock and construction of depot and maintenance facilities) and operation of a 13.7 km metro in Panama City, connecting the northern and south- western areas of the city
- ❖ **Total project cost:** US\$1.9billion, of which US\$1.5billion in relation to the EPC contract
- ❖ **Coverage** from Spanish and French ECAs, as well as MIGA
- ❖ **MIGA-covered lenders:**



- ❖ **MIGA cover:** Financing for portion of general construction and civil works costs
 - Amount: \$320m (incl. \$250m loan as well as interest and other financing costs)
 - Risk: Non-Honoring of **Sovereign** Financial Obligations (NHSFO)
 - Government as **borrower**
 - Tenor: 12 years
 - Issued: June 2012

Reducing traffic congestion through metro development

Üsküdar-Ümraniye-Çekmeköy Metro, Turkey (Sub-sovereign)



- Obligor
- MIGA Guarantee holders

- ❖ **Project:** Procurement of rolling stock of 21 driverless trains of six metro cars each, as part of the commissioning of the Üsküdar-Ümraniye-Çekmeköy metro line (UUC Metro)
- ❖ Contract for the supply of trains and associated financing bid out as a single package
- ❖ Total project cost: €134m
- ❖ No ECA participation

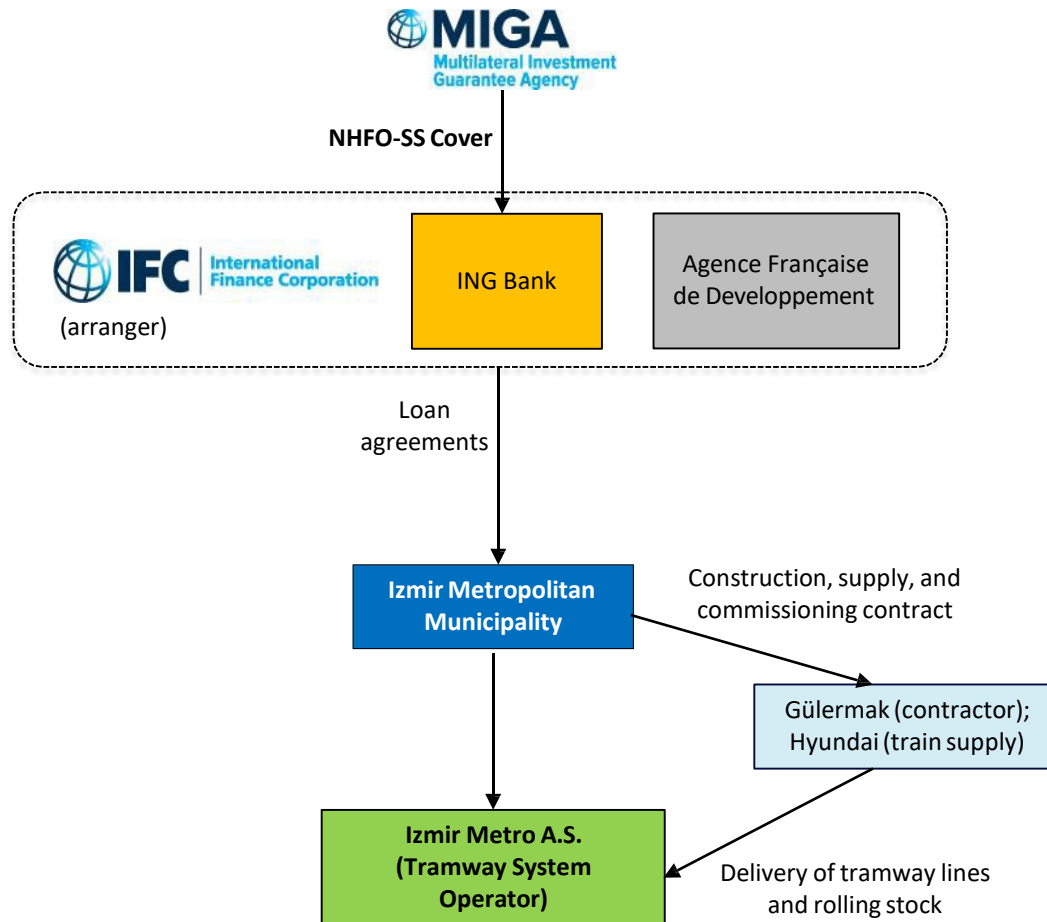
❖ MIGA-covered lenders:



- ❖ **MIGA cover:** Financing package for the procurement of rolling stock
 - Amount: €170m (incl. €119m loan, interest and MIGA financed premium)
 - Tenor: 13 years
 - Risk: Non-Honoring of **Sub-Sovereign** Financial Obligations (NHFO-SS)
 - Issued: February 2015

Developing urban connectivity between public transport modes

Izmir Tramway, Turkey (Sub-sovereign)



- Obligor
- MIGA Guarantee holder

- ❖ **Project:** Construction of two urban tramway lines on each side of the Gulf of Izmir and procurement of related rolling stock
- ❖ Project designed to integrate with other modes of mass transit (incl. transfers at various stations to the metro line, commuter rail and ferry piers)
- ❖ Total project cost: €283m, incl. equity financing from the Municipality and three parallel loans from IFC, ING and AFD

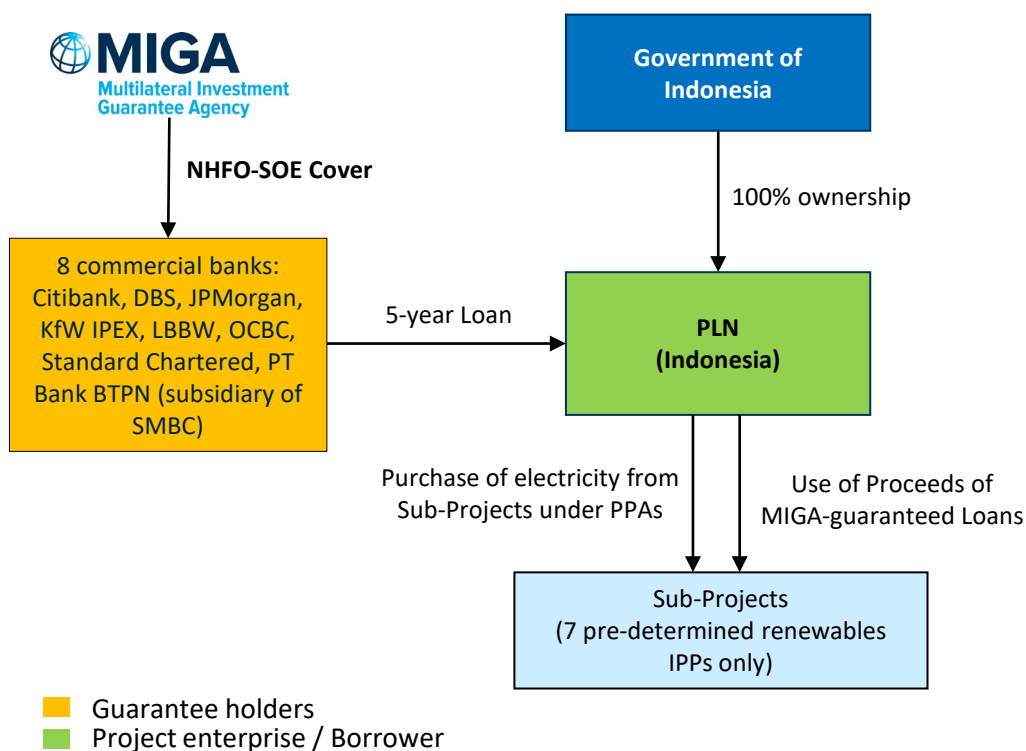
❖ MIGA-covered lender:



- ❖ **MIGA cover:** Financing for portions of civil works and tramway vehicles
 - Amount: €68m (incl. €55m loan, interest and premium)
 - Tenor: 13 years
 - Risk: Non-Honoring of **Sub-Sovereign** Financial Obligations (NHFO-SS)
 - Issued: June 2014

COVID-19 Response - Providing working capital facility for PPA payments to seven renewable energy IPPs

PT Perusahaan Listrik Negara (PLN), Indonesia (SOE)



- ❖ **Project:** COVID-19 Response Package for PLN, a nationally integrated, state owned electricity company in Indonesia
- ❖ Use of funds is restricted to PLN's U.S. Dollar denominated tariff payments under PPA for selected 7 renewable Sub-Projects (geothermal and hydroelectric power)
- ❖ Project enabled PLN to access medium-term credit from commercial lenders during COVID-19 pandemic

❖ MIGA-covered lenders:



❖ MIGA cover:

- Amount: \$522.3m
- Tenor: Up to 5 years
- Risk: Non-Honoring of Financial Obligations by a **State-Owned Enterprise (SOE)**
- Issued: Jan. 2021

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Pre-claim management & Compensation track record

Deterrence Effect

- **World Bank Group “Umbrella”:**
 - Host Countries mindful of perceived impact on WBG relationship and international investment community if MIGA were to pay a claim
- **Shareholder Structure:**
 - Host Countries are represented at MIGA’s Board of Directors
 - MIGA generally has access to officials at the highest level

Facilitating Amicable Resolution of Disputes

- **Confidential Discussions among Stakeholders:**
 - Confidentiality ensures open discussion
 - MIGA does not impose settlements: request for MIGA’s help is voluntary
- **MIGA as “Honest Broker”:**
 - MIGA has a contractual obligation to honor the guarantee contract
 - It seeks amicable resolutions between Host Countries and Guarantee Holders



900

projects since 1988

130

pre-claims managed

10

claims paid in total with 8 claims
due to War and Civil Disturbance

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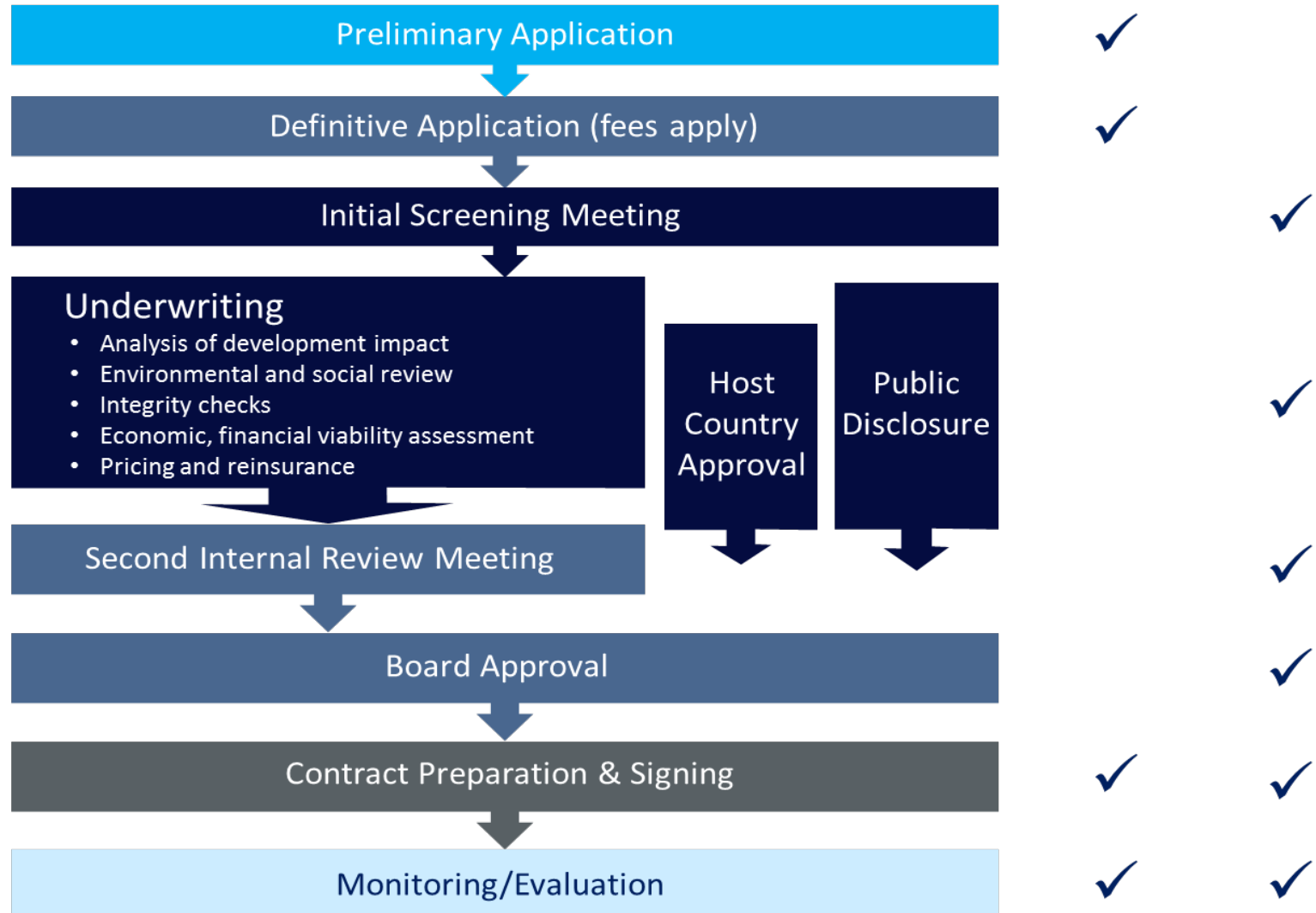
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Underwriting Process



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