



# Multilateral Investment Guarantee Agency

## Political Risk Insurance Solutions

Noureddin Ennaboulssi, Senior Underwriter

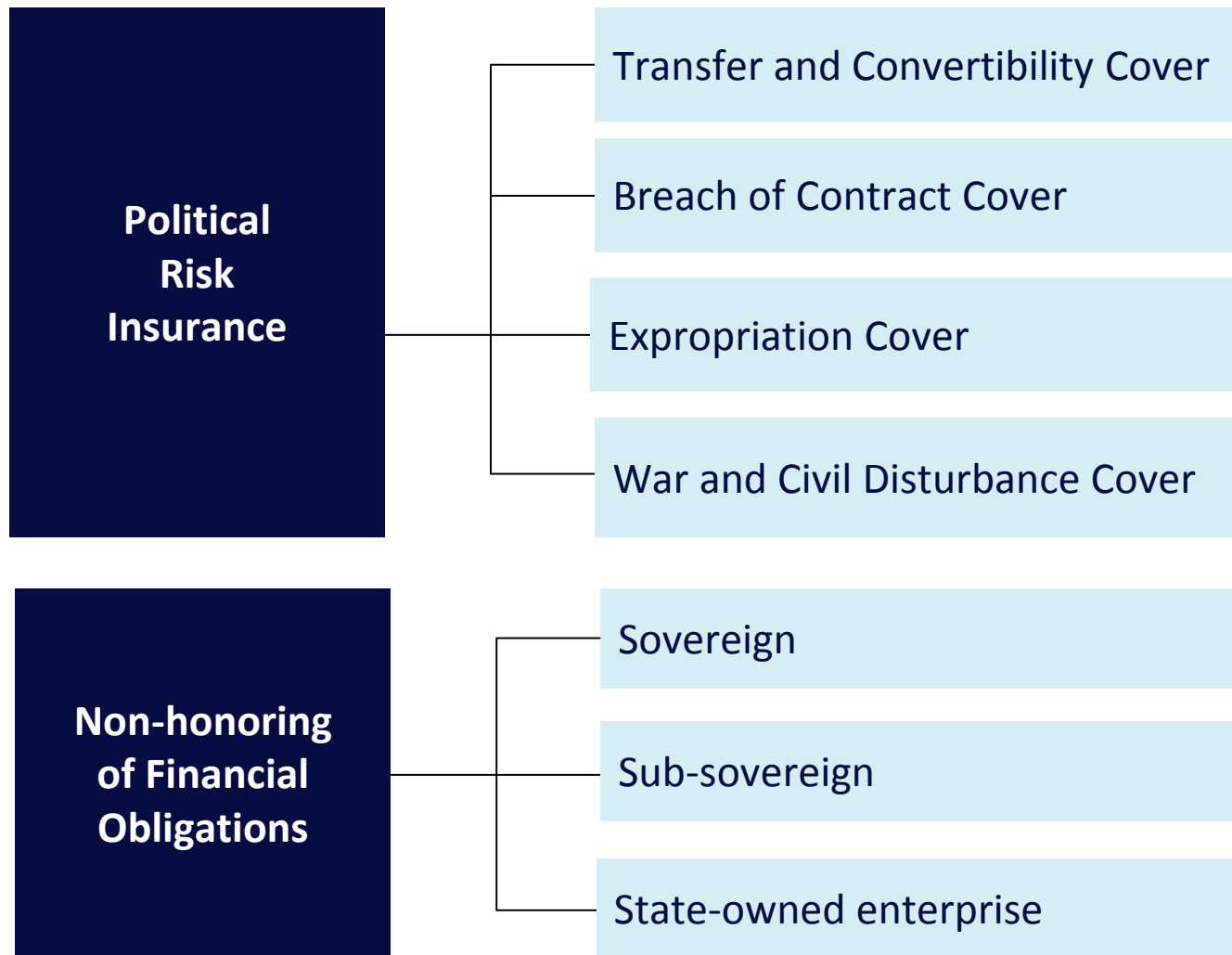


## MIGA is a member of the World Bank Group

	<b>IBRD</b> International Bank for Reconstruction and Development	<b>IDA</b> International Development Association	<b>IFC</b> International Finance Corporation	<b>MIGA</b> Multilateral Investment Guarantee Agency
	Est. 1945	Est. 1960	Est. 1956	Est. 1988
<b>Role:</b>	Support countries' economic and institutional development	Support countries' economic and institutional development	Promote private sector development	Promote cross-border investment and lending
<b>Clients:</b>	Governments of member countries with per capita income between \$1,025 and \$6,055	Governments of member countries with per capita income of less than \$1,025	Investors in member countries	Foreign investors and lenders in member countries
<b>Products:</b>	<ul style="list-style-type: none"> <li>- Technical Assistance</li> <li>- Loans</li> <li>- Policy Advice</li> </ul>	<ul style="list-style-type: none"> <li>- Technical Assistance</li> <li>- Interest-Free Loans</li> <li>- Policy Advice</li> </ul>	<ul style="list-style-type: none"> <li>- Equity/Quasi-Equity</li> <li>- Long-Term Loans</li> <li>- Advisory Services</li> </ul>	<ul style="list-style-type: none"> <li>- Political Risk Insurance</li> <li>- Credit Enhancement</li> </ul>

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

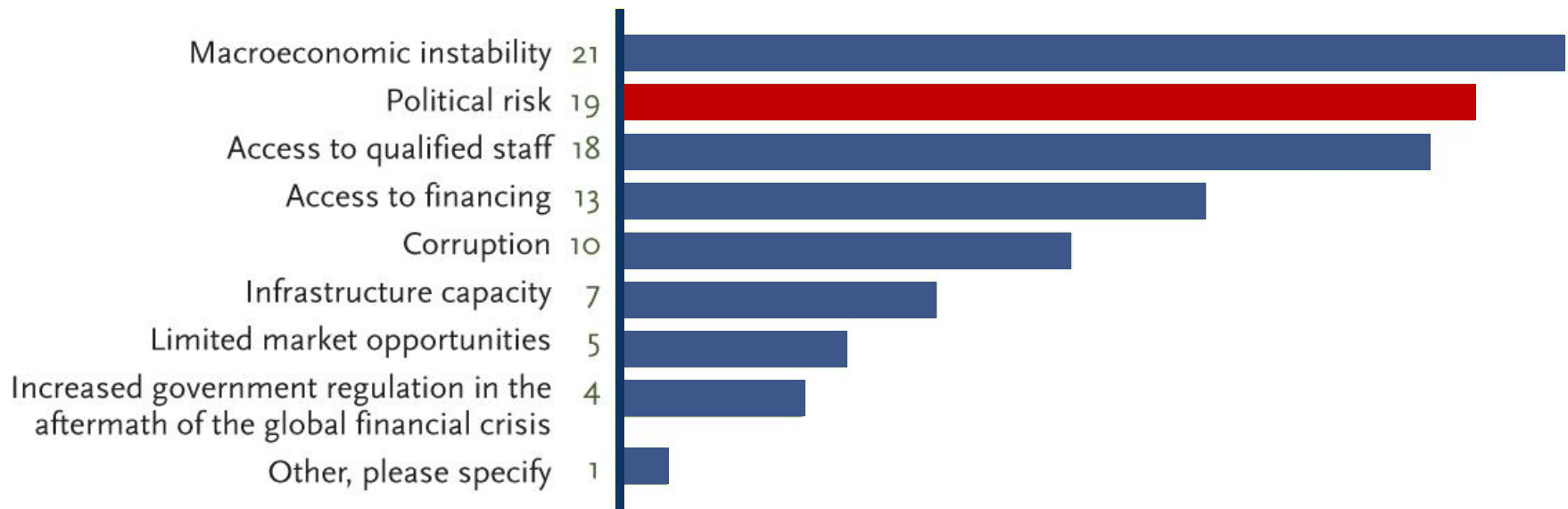
## MIGA's Product Line



# Perceived Risks in Emerging Market Investment

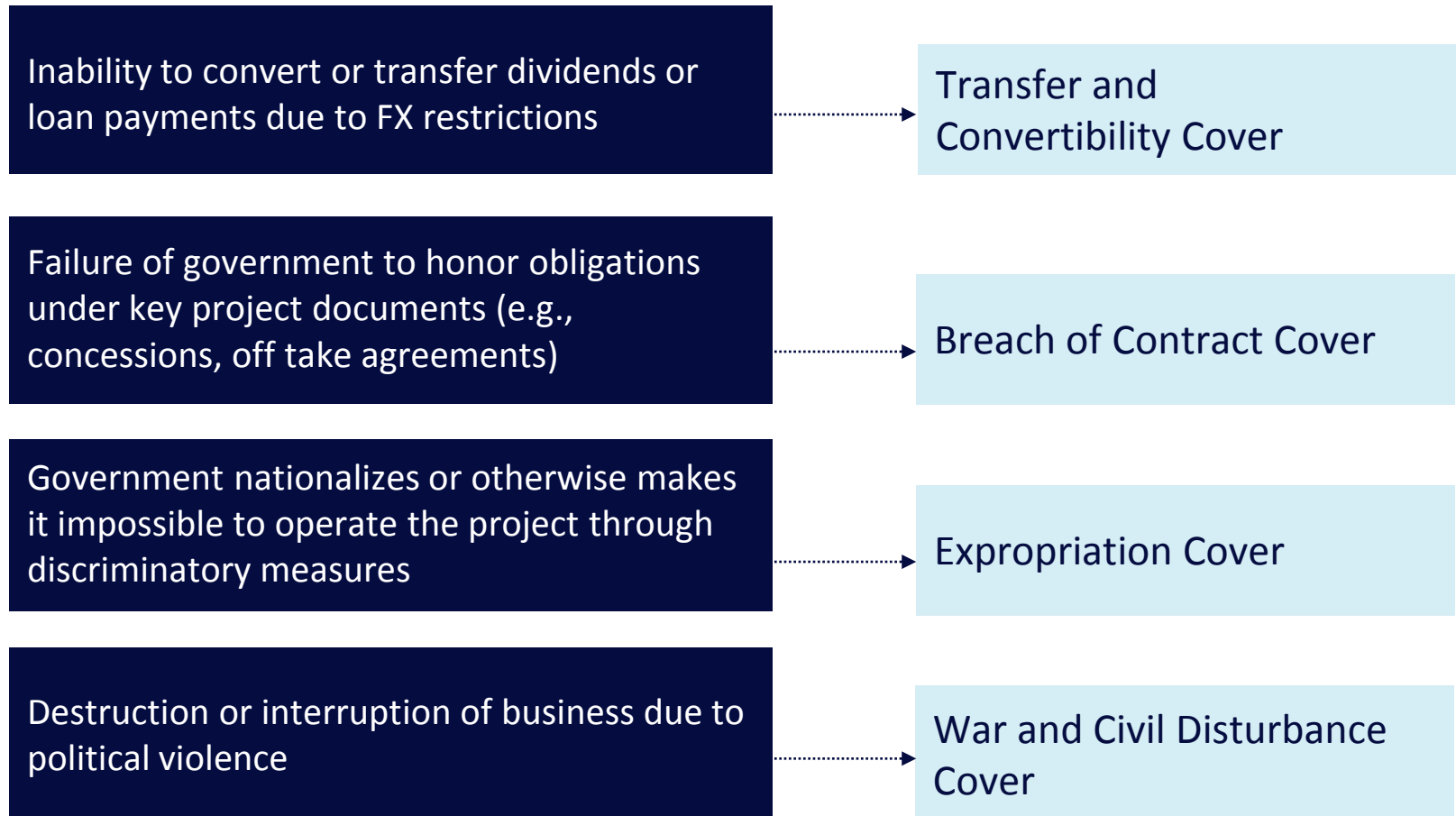
Percent of respondents

Over the next three years



Source: MIGA-EIU Political Risk Survey 2013

## Typical Risks Faced by Investors and Lenders: Political Risk Insurance Solutions



# Eligible Investments

- ◆ Equity
- ◆ Shareholder loans
- ◆ Non-equity direct investment (e.g. management contract)
- ◆ Non-shareholder loans (bank loans)
- ◆ Other forms of medium or long-term investment (e.g. bonds), subject to Board approval by special majority

*All investments must meet MIGA's environmental and social criteria and support the host country's development strategy*

# Terms of Coverage

## Amount of coverage

- ❖ No minimum amount
- ❖ Equity covered up to 90% and debt up to 99%

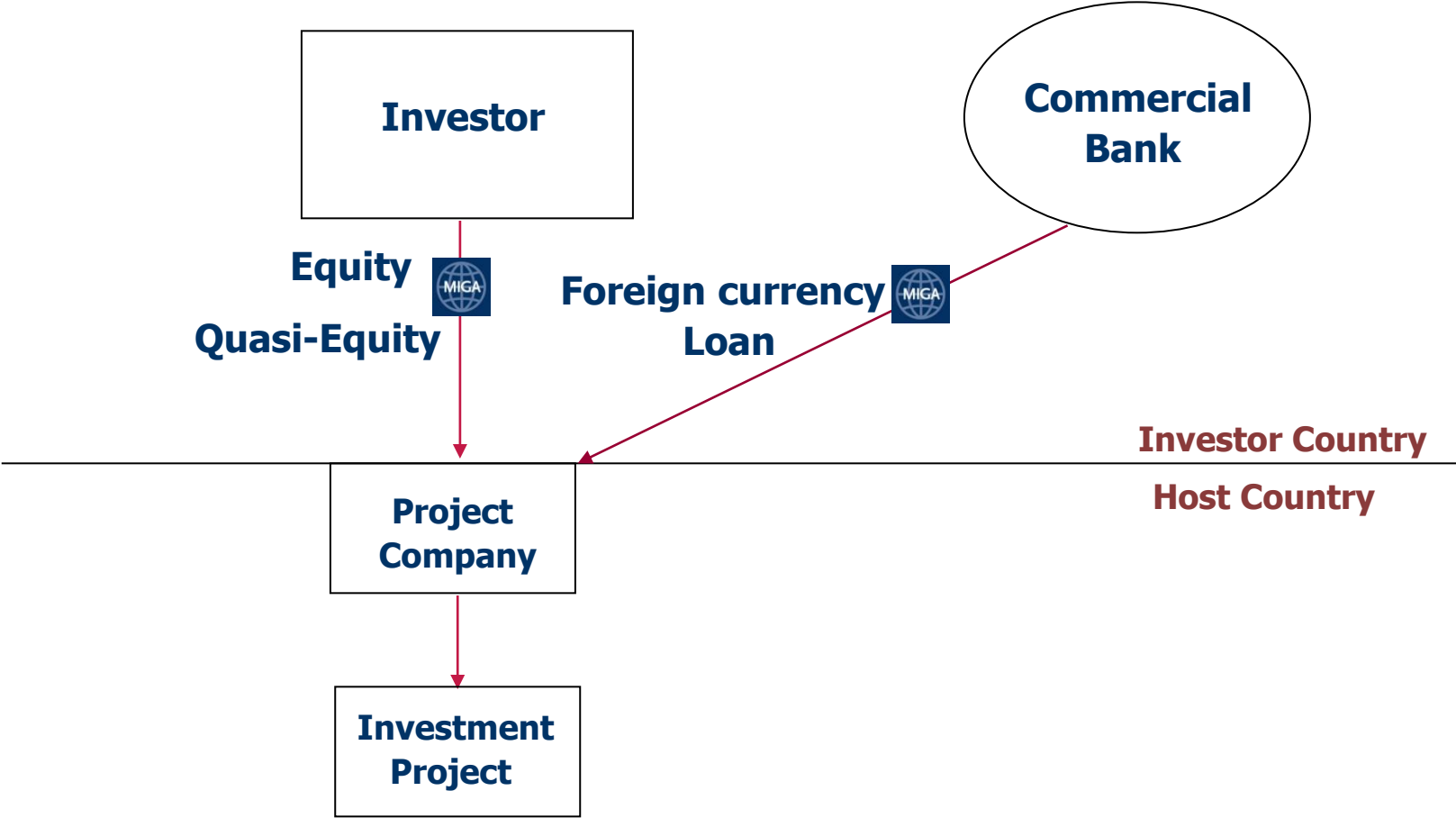
## Tenor

- ❖ Minimum 1 year, up to 20 years
- ❖ Investor can cancel after 3<sup>rd</sup> anniversary

## Pricing

- ❖ Decided on per project basis and vary by country, sector, transaction and type of risk
- ❖ Premiums paid annually or semi-annually

# Typical Structure





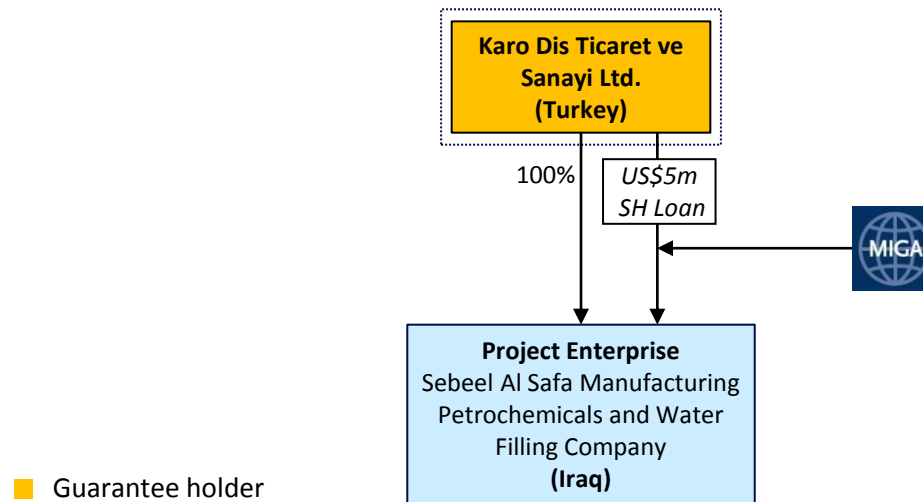
## Sebeel Al Safa Manufacturing Petrochemicals and Water Filling Company, Iraq

- ◆ Establishment of a manufacturing plant in the Baghdad area to produce polyethylene terephthalate (PET) preforms
- ◆ MIGA cover to Karo Dis Ticaret ve Sanayi Ltd. of Turkey
- ◆ Shareholder Loan: \$5.0M
- ◆ Tenor: Five years



## Political Risk Insurance – Expropriation, Transfer and Convertibility, War and Civil Disturbance Cover

Sebeel Al Safa Manufacturing Petrochemicals and Water Filling Company, Iraq



# Doraleh Container Terminal Project, Djibouti

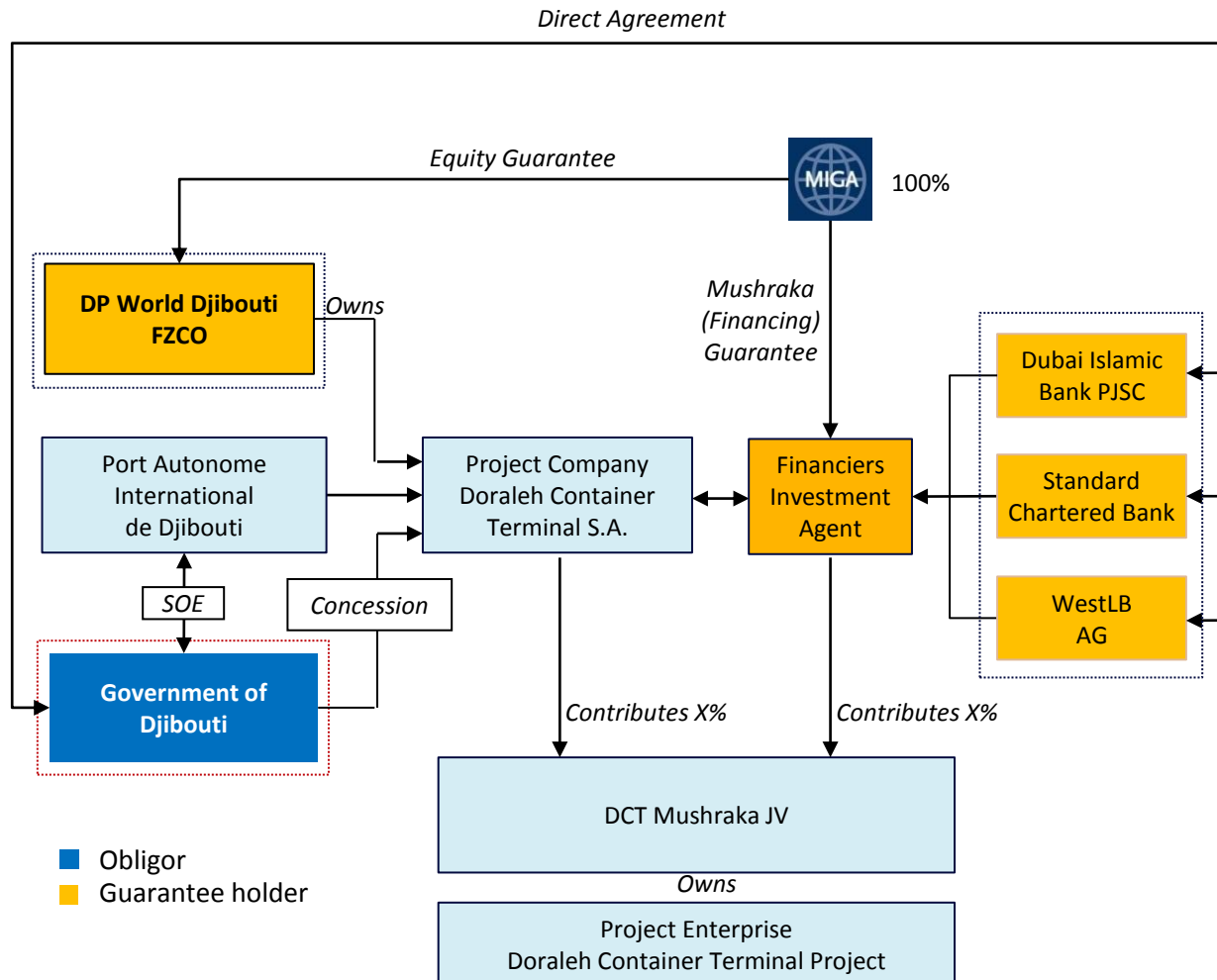
*MIGA guarantees of \$427 million*

- ◆ Help Djibouti meet growing volume of trade and strengthen its position as gateway to the African hinterland
- ◆ 30-year concession from Govt. of Djibouti to DP World, UAE; and Port Autonome International of Djibouti
- ◆ MIGA's first coverage of an investment supported by an Islamic financing structure



# Political Risk Insurance – Expropriation, Breach of Contract, War and Civil Disturbance Cover

## Doraleh Container Terminal Project, Djibouti



## Jafara Co. for Food Production, Libya

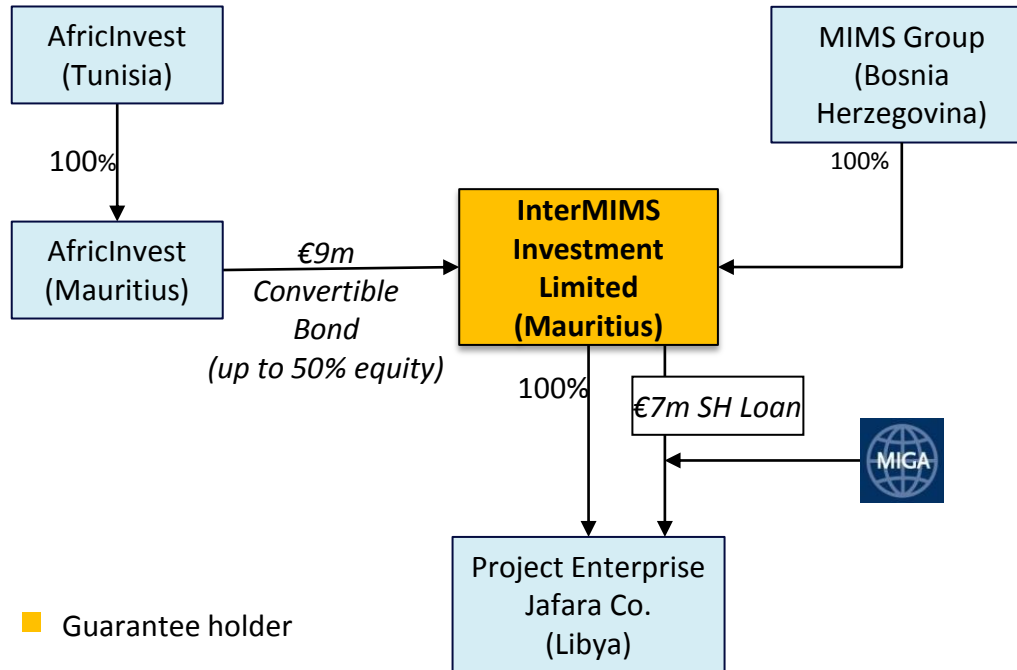
*MIGA guarantee of \$9.8 million*

- ◆ Expansion of company that produces, bottles, and distributes drinking water and juice products and harissa
- ◆ 158 jobs
- ◆ First use of WBG financial instrument in Libya
- ◆ Signaling that Libya is a viable investment destination

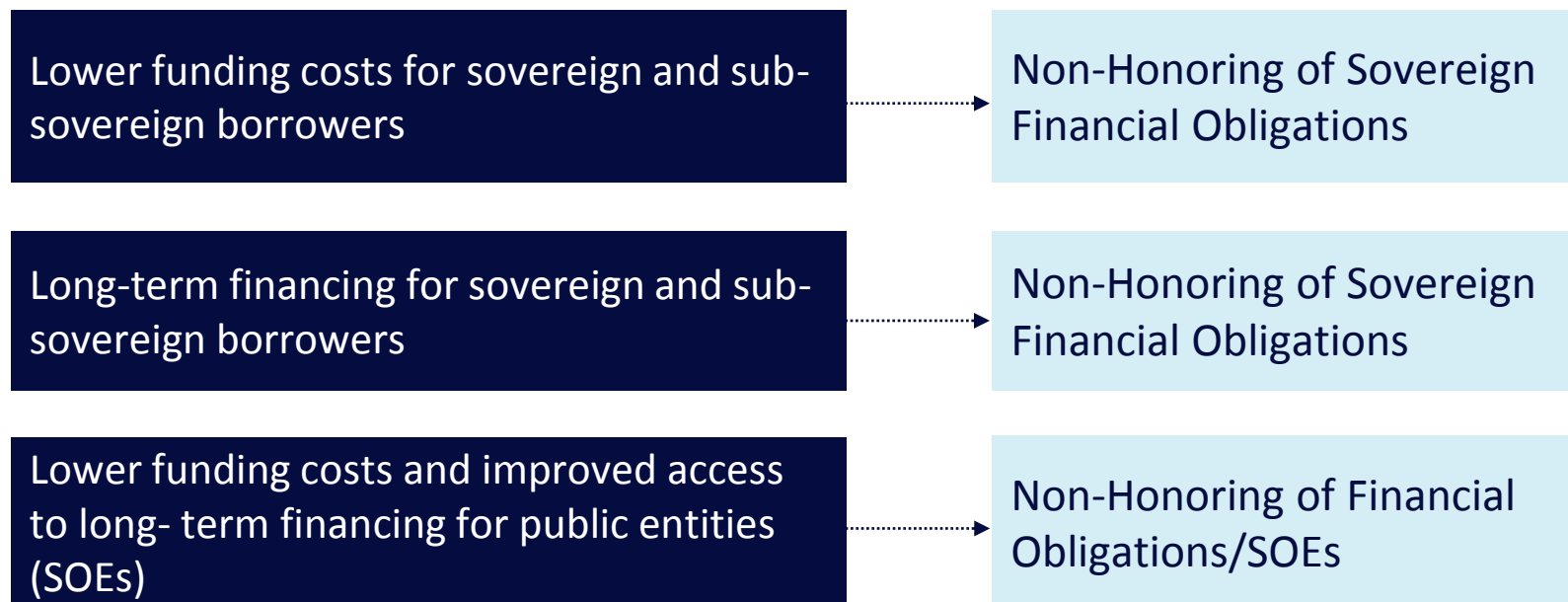


# Political Risk Insurance – Transfer restriction, Expropriation, and War and Civil Disturbance Cover

Jafara Bottling Company, Libya



## Credit Enhancement Solutions



## Criteria for MIGA's Non-Honoring Products

### Non-Honoring of Sovereign Financial Obligations

- Satisfactory credit rating for country/project based on MIGA analysis and rating agency data
- Financial payment obligation is unconditional and not subject to defenses
- Must support an underlying investment project with measurable developmental benefits

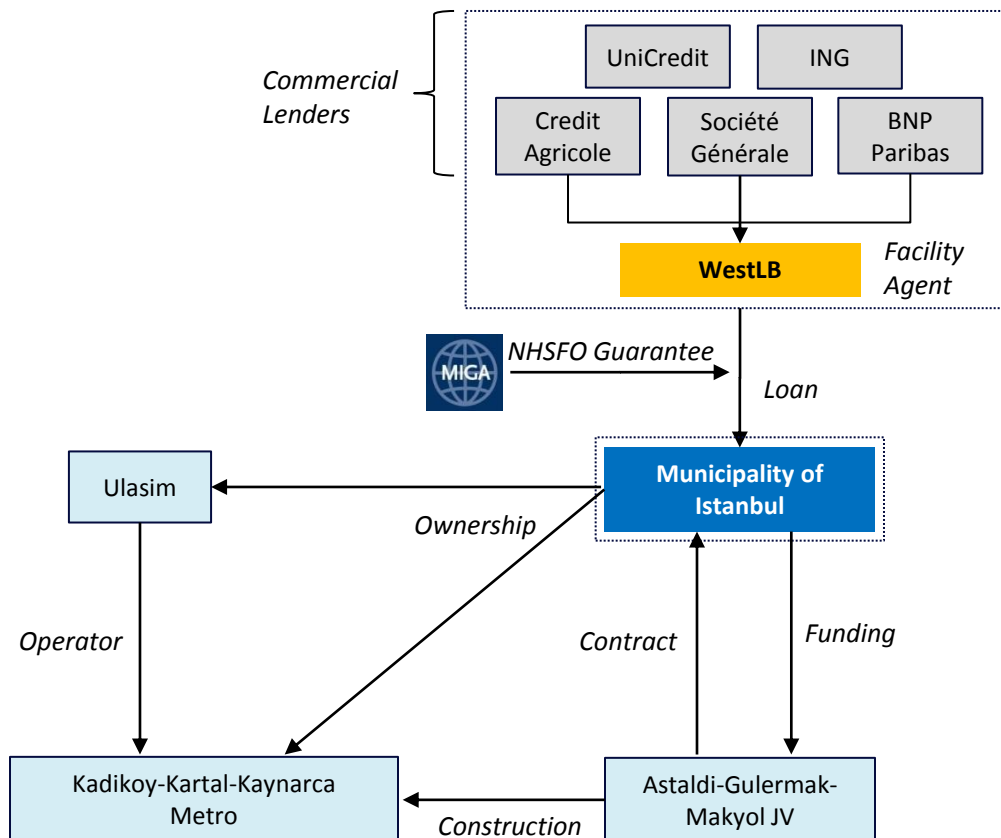
### Non-Honoring SOE

- SOE must be creditworthy
- SOE must be under the supervision and control of government
- SOE must perform a public function
- Financial payment obligation is unconditional and not subject to defenses
- Must support an underlying investment project or portfolio with measurable developmental benefits



# Non-Honoring of Sovereign Financial Obligations

## Kadikoy-Kartal-Kaynarca Metro, Istanbul



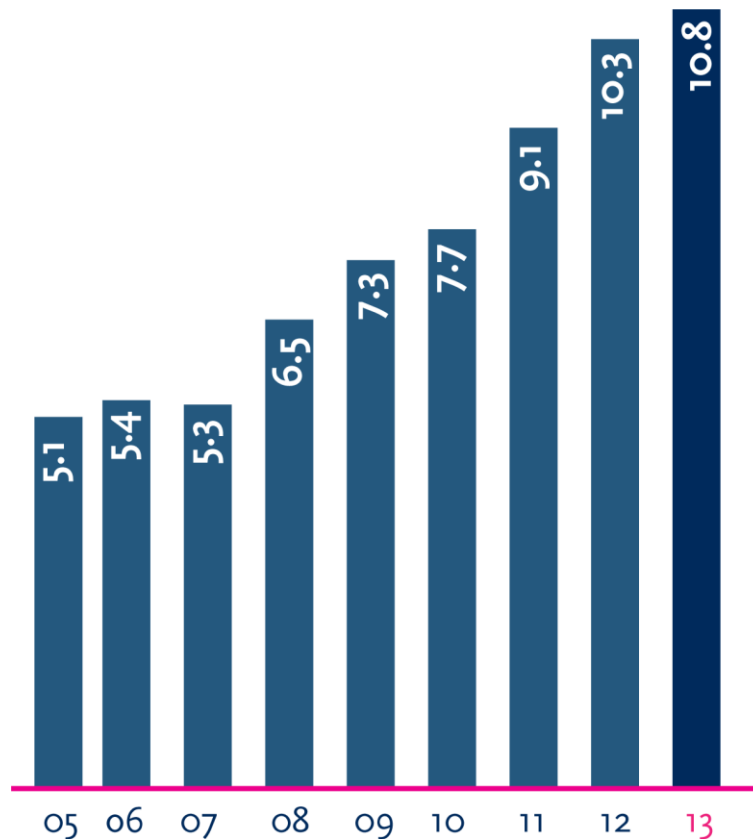
- Obligor
- Guarantee holder

- ❖ **Project:** Expansion of underground metro system on Asian side of Istanbul, Turkey
- ❖ **MIGA Cover – NHSFO**
  - NHSFO on a loan provided to MMI by a consortium of banks, with WestLB acting as Facility Agent
  - Amount: €280m, including principal, interest & premium
  - Tenor: 9.5 years

## MIGA's Value Added

Strong pre-claim management	<ul style="list-style-type: none"><li>• Management of risks at pre-claim level (100+ pre-claims among over 700 projects. Two claims paid for expropriation, four for war and civil disturbance)</li><li>• Leveraging the World Bank network</li></ul>
Highly rated	<ul style="list-style-type: none"><li>• Highly rated multilateral by Basel Committee</li><li>• Reduce risk weighting and capital provisioning</li></ul>
Financially stable	<ul style="list-style-type: none"><li>• Strong capital base</li><li>• Mobilize reinsurance capacity</li></ul>
Strong Risk Appetite	<ul style="list-style-type: none"><li>• Open for business in more challenging markets</li><li>• Longer tenors (up to 20 years)</li></ul>
Environmental and social risk mitigation	Best practices in environmental and social standards

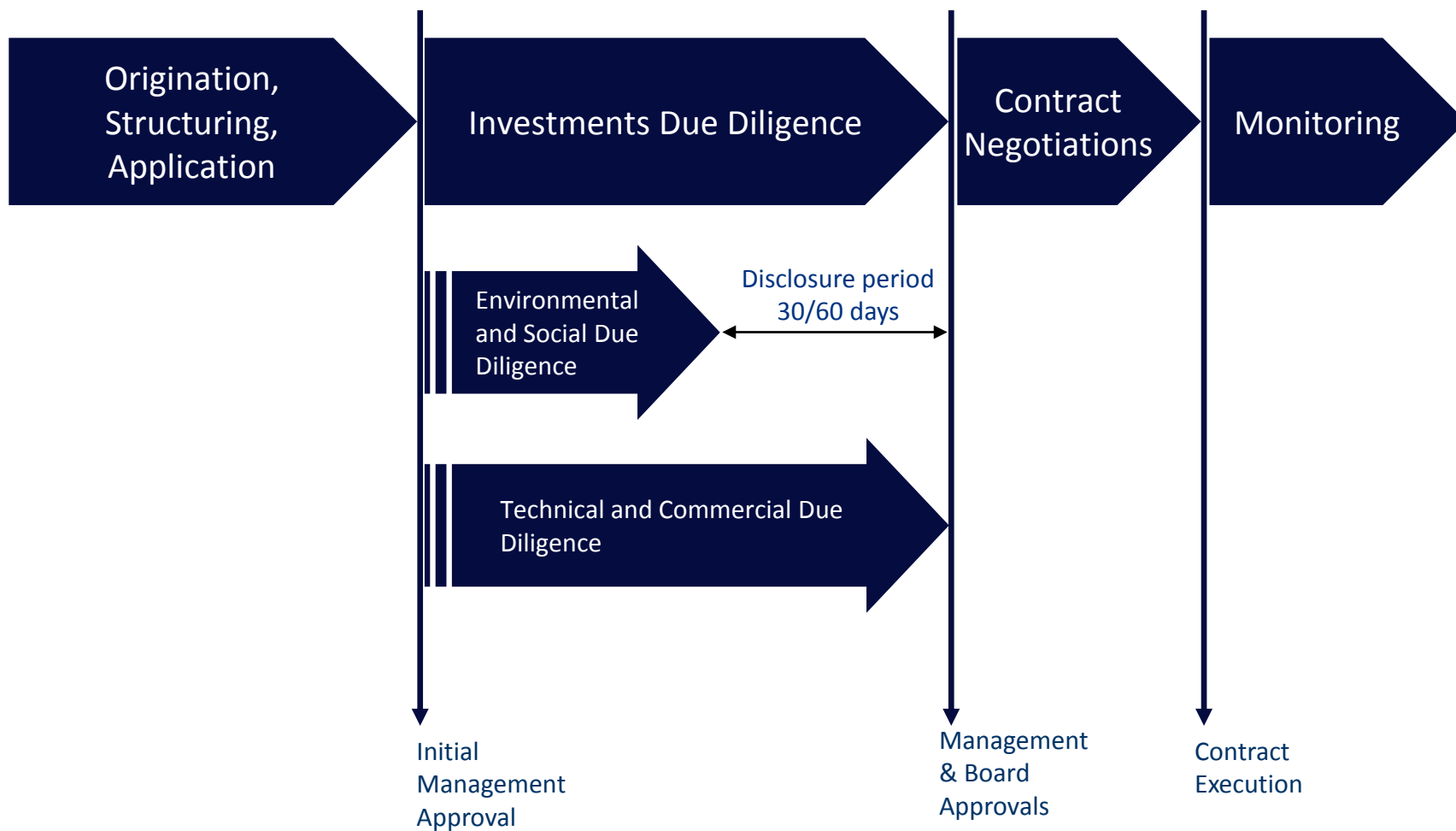
## MIGA's Gross Exposure (US\$ billion)



Note: CAGR (05 -13): 9.8%

- ❖ Supported more than **700 projects**
- ❖ Issued record **\$2.8 billion** of guarantees in FY13 ended June 30

## Underwriting – Process and Timeline



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