Multilateral Investment Guarantee Agency
Enhancing Investments in Africa
WBG – Japan Business Meeting on Investments in Africa
Tokyo, March 2014
1. **Typical Risks Faced by Investors in Developing Countries**

2. Why Africa?

3. Overview of MIGA and its services

4. Sample Guaranteed Investments in Africa

5. MIGA Asia Contacts
Perceived Risks in Emerging Market Investment by Investors

Percent of respondents

- Macroeconomic instability: 21%
- Political risk: 19%
- Access to qualified staff: 18%
- Access to financing: 13%
- Corruption: 10%
- Infrastructure capacity: 7%
- Limited market opportunities: 5%
- Increased government regulation in the aftermath of the global financial crisis: 4%
- Other: 1%

Source: MIGA-EIU Political Risk Survey 2013.
Typical Risks Faced by Investors and PRI Solutions

- Inability to convert or transfer dividends or loan payments due to FX restrictions → Transfer and Convertibility Cover
- Failure of government to honor obligations under key project documents (e.g. concessions, off take agreements) → Breach of Contract Cover
- Government nationalizes or otherwise makes it impossible to operate the project through discriminatory measures → Expropriation Cover
- Destruction or interruption of business due to political violence → War and Civil Disturbance Cover
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**Africa: Higher Growth and Returns**

**Robust GDP growth rates**

Growth driven by investments backed up by improved governance and economic policymaking

*Source: World Bank*

**FDI returns (2010)**

Africa provides higher returns on FDI compared to Latin America and Asia

*Source: Development Prospects Group*
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### World Bank Group

| Role: To promote institutional, legal and regulatory reform |
| Clients: Governments of member countries with per capita income between $1,025 and $6,055. |
| Products: - Technical Assistance - Loans - Policy Advice |

<table>
<thead>
<tr>
<th>BRD</th>
<th>International Bank for Reconstruction and Development</th>
<th>Est. 1945</th>
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<tbody>
<tr>
<td>IDA</td>
<td>International Development Association</td>
<td>Est. 1960</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
<td>Est. 1956</td>
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<tr>
<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
<td>Est. 1988</td>
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**Role: To promote cross-border investments**

- Foreign investors in member countries
- Credit Enhancement and Political Risk Insurance for Financial Institutions (loans) and Investors (equity & shareholders loans)

**Clients:** Private companies in member countries

**Products:** - Equity/Quasi-Equity - Long-term Loans - Advisory Services

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**Shared Mission:** “End extreme poverty and build shared prosperity”
What We Do

- Noncommercial risk insurance (guarantees) for investors and lenders
- Proven success in supporting resolution of investment disputes
- Technical assistance to help countries attract and retain FDI through FIAS (Foreign Investment Advisory Services)
Our Development Priorities

- Focusing on sustainable development
- Opening up difficult or frontier markets, especially in conflict-affected countries
- Supporting investments in Africa and the world’s poorest countries
- Supporting infrastructure projects, at both the sovereign and sub-sovereign levels
- Promoting cross-border investments between developing countries
Our Risk Coverages

- Currency Transfer Restriction and Inconvertibility
- Expropriation
- War and Civil Disturbance
- Breach of Contract (including against SOEs)
- Non-honoring of Sovereign Financial Obligations (including against SOEs)
Our Performance: Gross Exposure (US$ billion)

- Supported more than 750 projects
- Issued record $2.8 billion of guarantees in FY13 ended June 30

Note: CAGR (05-13): 9.8%
Our Performance: Issuances

Gross Exposure By Region – FY13

- 41% Europe and Central Asia
- 26% Sub-Saharan Africa
- 15% Asia and the Pacific
- 10% Latin America and the Caribbean
- 8% Middle East and North Africa

Sector Breakdown – FY13

- 36% Power
- 23% Oil and Gas
- 17% Financial
- 9% Manufacturing
- 6% Water
- 8% Other
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Political Insurance – Standard Risks Protection, Hitachi Construction Machinery investment in Zambia, Southern Africa

- **Project:** Construction and operation of a remanufacturing plant in Lusaka, Zambia.
- **Cover for standard political risks of Expropriation, War & Civil Disturbance, and Currency Inconvertibility / Transfer Restriction Risks**
- **Tenor:** 20 years
- **Amount:** US$13.5m
**Political Insurance** – Standard Risks Protection, Sojitz Corporation investment in Mozambique, Southern Africa

- **Project**: Development of a greenfield wood-chipping operation in Maputo, Mozambique
- Cover for standard political risks of Expropriation, War & Civil Disturbance, and Currency Inconvertibility / Transfer Restriction Risks
- **Tenor**: 10 years
- **Amount**: US$13.9m
Political Insurance – Standard Risks Protection + Breach of Contract, Daye Water Investment BV (Sojitz Corporation) investment in Ghana, Western Africa

- **Project:** Construction and operation of a seawater desalination plant in Accra, Ghana
- **Cover for standard political risks of Expropriation, War & Civil Disturbance, Currency Inconvertibility / Transfer Restriction Risks, plus Breach of Contract**
- **Tenor:** 20/14/12 years (equity/shareholder loan / commercial debt)
- **Amount:** US$179.2m
Political Insurance – Breach of Contract, Energy Sector

*Azito Energie S.A., Côte d’Ivoire*

- **Project:** Conversion of the existing Azito Thermal Power Plant from simple-cycle to combined-cycle
- **20-year power purchase agreement with CIE**
- **MIGA’s BoC cover on a shareholder loan from Globeleq**
- **Tenor:** 20 years
- **Amount:** US$116.1m
**Political Insurance** – Breach of Contract, Transportation sector

*Doraleh Container Terminal Project, Djibouti*

- **Project**: Development, design, construction, management, operation, and maintenance of a new container port terminal in Doraleh, Djibouti
- **30-year concession from Govt. of Djibouti to DP World, UAE; and Port Autonome International of Djibouti**
- **MIGA’s BoC, EXPRO, WCD & TR covers. MIGA’s first guarantee for an Islamic financing structure**
- **Tenor**: 10 years
- **Amount**: $427m ($5m DP World equity and $422m Islamic project financing)
**Political Insurance** – Breach of Contract Cover, Energy sector

*Thika Power Ltd., Kenya*

- **Project:** Construction of a heavy fuel oil plant near Nairobi (87 MW)
- **20-year power purchase agreement with Kenya Power and Lightning Co.**
- **MIGA cover Breach of Contract of a loan from ABSA**
- **Tenor:** 15 years
- **Amount:** US$62m
**Political Insurance – Coverage for Private Equity, Agribusiness sector**  
*Chayton Africa, Zambia*

- **Project:** Master contract for Chayton Africa for investments in farming
- 3-year master contract leading to 3 specific investments projects (wheat and barley)
- MIGA cover: BoC, TR, EXPRO and WCD
- Tenor: 15 years for specific projects
- Amount: US$50m

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**Graphical Representation:**

- **Obligor:**
  - Norfund (Norway)
  - Zeder/PSG (South Africa)
  - Chayton Management

- **Guarantee holder:**
  - Chayton Africa

- **Equity:**
  - 21.8%
  - 73.4%
  - 4.8%

- **Commercial Lenders:**
  - IPPA
  - Government of Zambia and Zambia Development Agency

- **Projects:**
  - Project #1
  - Project #2
  - Project #3
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