

## MIGA in Warsaw

December 6 2012



maintaining **FDI** flows  
in a risk-averse world

### Why in **Warsaw** today?

- ❖ **Europe**: main base for international investors
- ❖ **Poland, a unique country for MIGA**
  - Supported investors to come to Poland
  - And now, with gaining investors base, supporting Polish investors internationally (ex: Can Pack)
- ❖ **Some characteristics**
  - Outflow destinations: essentially OECD and CIS
  - Sectors : manufacturing, construction...
- ❖ MIGA is **your institution** including for SMEs, complementing your national system with KUKI and BGK for Export.

## MIGA's Mission

to promote foreign direct investment  
into developing countries  
in order to support economic growth,  
reduce poverty, and improve people's lives.

## The World Today: diminished risk appetite



- ❖ Sovereign debt crisis in Europe
- ❖ Volatility in Middle East Africa
- ❖ Emerging market growth – can it be sustained?
- ❖ Systemic risks in financial system
- ❖ New Financial regulation

## Research and Knowledge

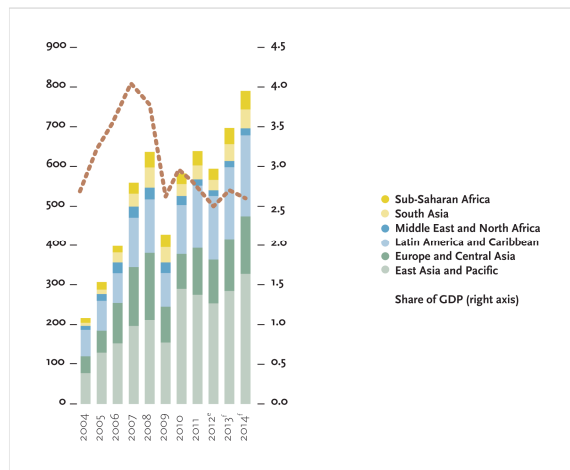


- ❖ *World Investment and Political Risk* report presented today in London in a joint FT MIGA Summit
- ❖ 2012 report focuses on sovereign default and expropriation
- ❖ Web and social media

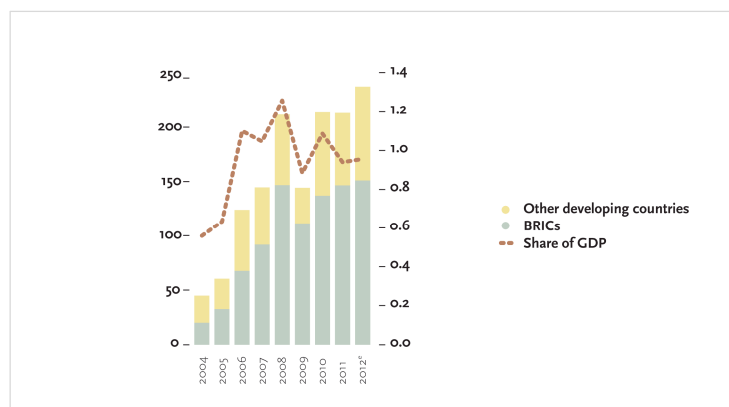
## FDI trends

- ❖ Global economic recovery stalls
  - Global GDP growth estimates for 2012 down to 2.3% from 2.8% in 2011
  - Developing country GDP growth estimates for 2012 down to 5.1% from 6.2% in 2011
- ❖ FDI falls back
  - Global FDI flows declined by from \$1.9 trillion in 2011 to \$1.7 trillion in 2012
  - Developing country FDI inflows declined by 7% to \$594 billion in 2012
- ❖ FDI from developing economies continues its increase
  - Developing country FDI outflows increased by 11% to \$237 billion in 2012
- ❖ FDI expected to regain speed in medium term
  - Developing country FDI inflows to rebound to \$697 billion in 2013 and \$790 billion in 2014
  - MIGA survey – 70% of respondents intend to increase FDI over the next 3 years

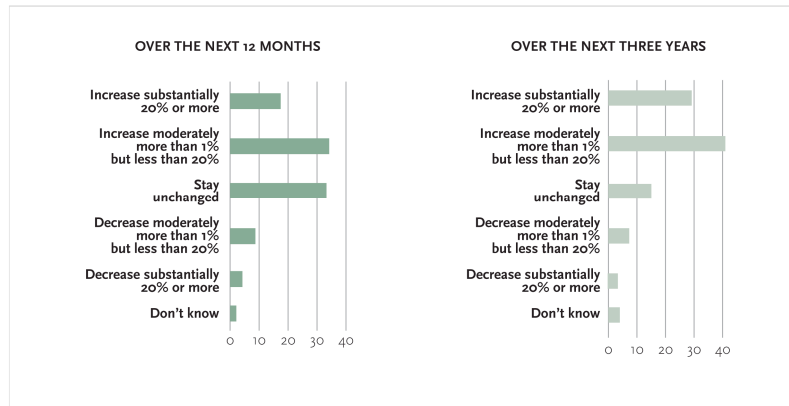
## Net FDI Inflows to Developing Countries by Region



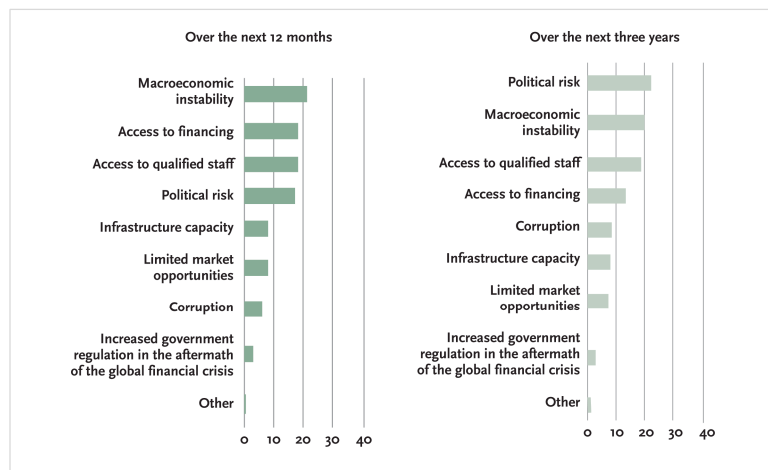
## FDI Outflows from Developing Countries



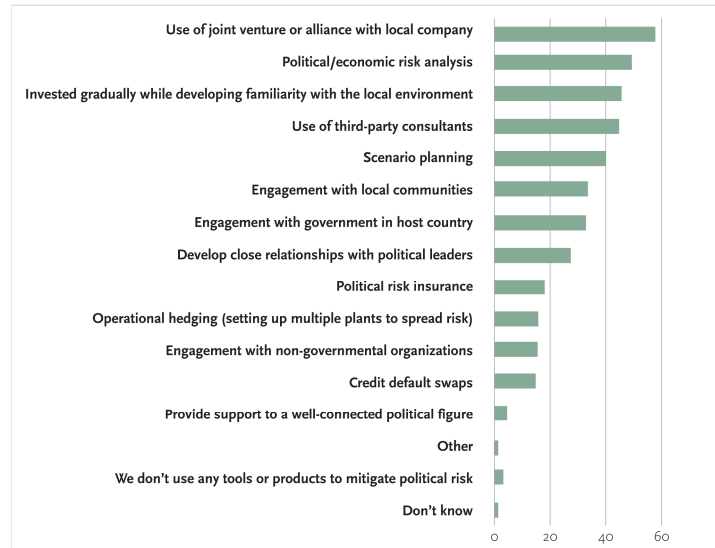
## Changes in Foreign Investment Plans



## Ranking of the most Important Constraints for FDI in Developing Countries



## Risk Mitigation Strategies by Foreign Investors



## How Can MIGA Help Facilitate FDI?

- ❖ By being a member of the World Bank Group
- ❖ Helping investors and lenders manage some risks
- ❖ Leading to capital relief for banks (recognized by Basel II)
- ❖ Enhancing credit
- ❖ Supporting private investment in infrastructure, services, and other public goods

## World Bank Group Instruments



### Guarantees

- partial risk
- partial credit

IBRD Loan

IDA Credits and Grants

Technical Assistance



### Political Risk Insurance

- expropriation
- transfer restriction
- breach of contract
- war & civil disturbance
- Non-honoring of sovereign financial obligations



IFC A-Loan

IFC B-Loan

IFC C-Loan

Equity

IFC Guarantees (partial credit structures usually for local financing)

Interest Rate and Currency Swaps

## What We Do

- ❖ Noncommercial risk insurance (guarantees) for investors and lenders
- ❖ Dispute resolution services for guaranteed investments
- ❖ Research and knowledge services (*World Investment and Political Risk* report, [pri-center.com](http://pri-center.com))

## Priority Areas



- ❖ In IDA-eligible countries
- ❖ In conflict-affected environments
- ❖ From one developing country to another (South-South)
- ❖ In complex projects

## Risks Covered

- ❖ Currency inconvertibility and transfer restriction
- ❖ Expropriation
- ❖ War and civil disturbance
- ❖ Breach of contract
- ❖ Non-honoring of sovereign financial obligations



## Instruments Covered



- ❖ Equity
- ❖ Shareholder loans
- ❖ Debt
- ❖ Loan guarantees
- ❖ Non-equity direct investment
- ❖ Capital markets

## Eligible Investments



- ❖ Cross-border from one member country (developed or developing) into another developing member country
- ❖ Primarily *greenfield* investments
- ❖ High developmental impact

## 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; varies by country, sector, transaction, and type of risk
- Premiums paid annually or semi-annually

## MIGA's Value Added

- ❖ Expertise in complex projects and challenging environments
- ❖ Credit enhancement
- ❖ Longer tenors (15-20 years)
- ❖ World Bank Group "umbrella" of deterrence
- ❖ Dispute resolution record
- ❖ Mobilization of reinsurance capacity
- ❖ Environmental and social management

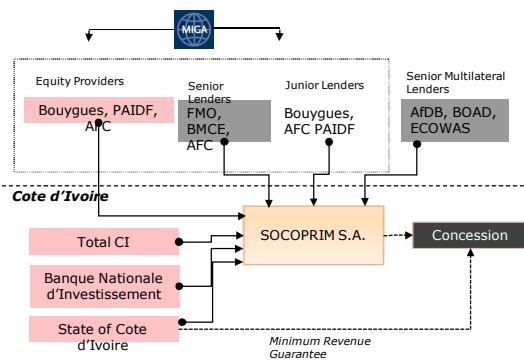
## MIGA's Underwriting Process

- |                             |   |
|-----------------------------|---|
| <b>1. Investor</b>          | <ul style="list-style-type: none"> <li>Marketing and origination</li> <li>Preliminary Application</li> </ul>  |
| <b>2. MIGA</b>              | <ul style="list-style-type: none"> <li>Definitive Application</li> <li>Early Screening Project Review Meeting ("ESM")-chaired by the Director of Operations Group</li> <li>Underwriting and host country approval                             <ul style="list-style-type: none"> <li>Developmental impact</li> <li>Environmental, social review</li> <li>Pricing and reinsurance</li> <li>Economic financial viability, country risk</li> <li>World Bank Group policy</li> </ul> </li> <li>Project Review Committee ("PRC")-Track "A" projects (complex/high risk)</li> <li>Final Approval Meeting ("FAM")-Track "B" projects (simpler/low risk)</li> </ul> |
| <b>3. Investor and MIGA</b> | <ul style="list-style-type: none"> <li>Sign contract of guarantee</li> <li>Monitoring, evaluation, contract maintenance</li> </ul>  |

- Available online
- Free, confidential
- 2 pages
- Determines eligibility

- More detailed information
- Fees (\$5-10k + processing fees, depending on project)
- Starts underwriting process

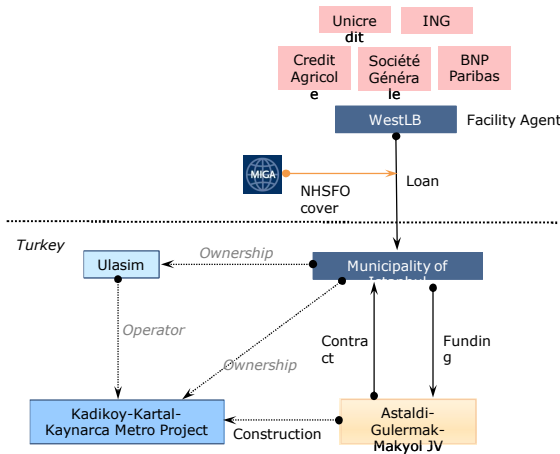
## Konan Bédié Bridge, Abidjan, Côte d'Ivoire (BoC)



- Project: Design, construction and operation of toll bridge in Abidjan, Cote d'Ivoire
- First PPP in Cote d'Ivoire since civil war and one of the first in West Africa
- MIGA covering all private sector participants in transaction with cover on equity, senior and subordinated loans
- Amount of Guarantees: US\$145m
- Tenor of Guarantee: 10-15 years
- Cover: Expro, W&CD, TR and BoC which included cover on a minimum revenue guarantee provided by the State

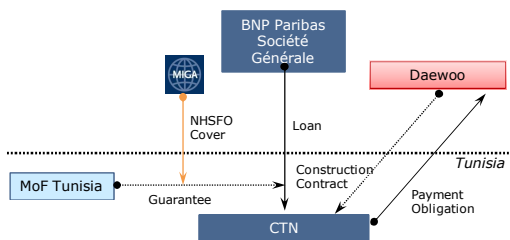
Note: PAIDF = Pan African Infrastructure Development Fund; AFC = Africa Finance Corporation, FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.; BMCE = BMCE Bank International Plc

## Kadikoy-Kartal Metro Project, Istanbul (NHSFO)



- > Project: Expansion of underground metro system on Asian side of Istanbul, Turkey.
- > Previous financing included IFC
- > Loan Agreement: signed in April 2011
- > Amount of Guarantee: €280m, including principal, interest and premium
- > Tenor of Guarantee: 9.5 years
- > Cover: NHSFO on a loan provided to MMI by a consortium of banks, with WestLB acting as Facility Agent

## CTN Ferry Financing, Tunisia (NHSFO)

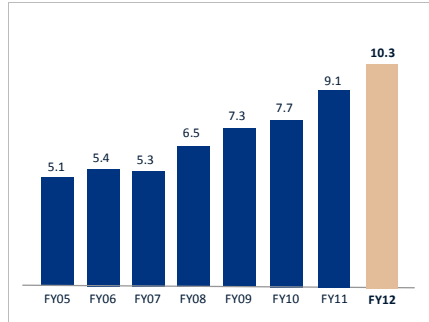


- > Project: Financing of a new passenger/car ferry for Compagnie Tunisienne de Navigation S.A.
- > MIGA stepped in due to last-minute withdrawal of ECA
- > Interest/Currency: Exchange rate<sup>1</sup>/interest rate fixed shortly before drawdown
- > Amount of Guarantee: €138.8m, including principal, interest and premium
- > Tenor of Guarantee: 13 years
- > Cover: NHSFO on a guarantee provided by MoF on a loan from BNP Paribas and SocGen to CTN

<sup>1</sup> Payment obligation of CTN to Daewoo was in US\$, loan denominated in Euros in order to match revenues with debt payments

## MIGA's Highlights

GROSS EXPOSURE (\$ BILLION)



### Key Figures

- Supported more than 700 projects for a total of \$27.2 billion during FY90-12
- Portfolio: \$10.3 billion
- Issued record \$2.7 billion guarantees in FY12

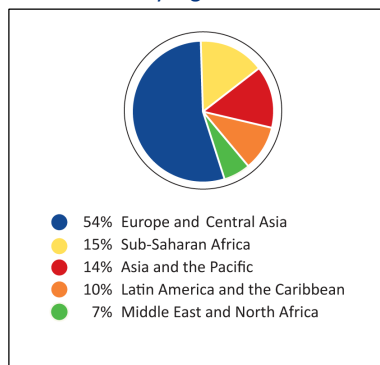
### MIGA's Strengths

- Total subscribed capital: \$1.9 billion
- Strong capital base and ability to pay compensation in the event of large-scale losses
- Implied **AAA** by major credit rating agencies

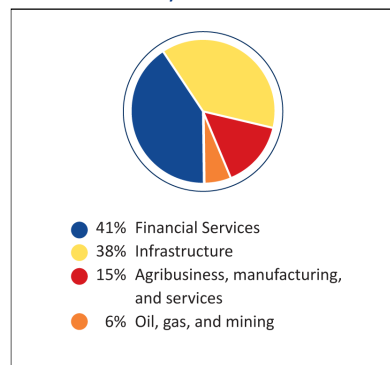
## Gross Exposure

By region and sector

### By region

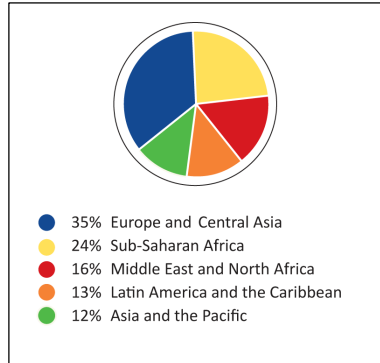


### By sector

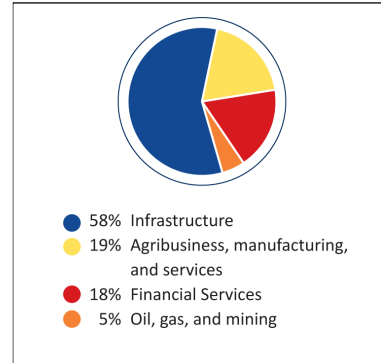


## Guarantees Issued in FY12

By region



By sector



## MIGA Management

[www.miga.org](http://www.miga.org)

### SENIOR MANAGEMENT

Izumi Kobayashi, Executive Vice President  
 Michel Wormser, Vice President and COO  
 Edith Quintrell, Director of Operations  
 Ravi Vish, Director and Chief Economist  
 Ana-Mita Betancourt, General Counsel  
 Lakshmi Shyam-Sunder, CFO  
 Kevin Lu, Director  
 Marcus Williams, Strategy and Operations Advisor

### REGIONAL RESPONSIBILITIES

Asia—Kevin Lu  
 Europe—Olivier Lambert

### SECTOR LEADERS

Nabil Fawaz, Agribusiness, Manufacturing, and Services  
 Olga Sclovscaia, Financial Sector and Telecommunications  
 Margaret (Peggy) Walsh, Infrastructure  
 Antonio Barbalho, Oil, Gas, Mining, Chemicals, and Energy

## Contacting MIGA

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