

MIGA in Italy

Mestre February 19, 2013



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

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The World Bank Group Instruments



- **The International Bank for Reconstruction and Development (IBRD)**
- **The International Development Association (IDA)**

IBRD:

- ❖ Loans to middle-income countries
- ❖ Advisory services
- ❖ Guarantees and risk management

IDA:

- ❖ Donations and zero-interest loans to least developed countries



The Multilateral Investment Guarantee Agency (MIGA)

- ❖ **Guarantees against non-commercial risks**
- ❖ **Dispute resolution services for guaranteed investments**



The International Finance Corporation (IFC)

- ❖ **Investment services for the private sector**
- ❖ **Advisory Services for companies and private investors for questions related to the private sector**
- ❖ **IFC Asset Management Company**

MIGA's Political Risk Insurance Coverage

1. Currency Transfer Restriction & Inconvertibility Cover

- Protects against losses arising from inability to convert local currency into forex for transfer outside the host country or transfer/excessive delays in acquiring forex (currency devaluation not covered)

2. Expropriation Cover

- Protects against losses arising from nationalization and confiscation; Creeping expropriation (series of acts that are expropriatory taken in sum, *e.g.* gradual changes in tax regime); Expropriation of funds (*e.g.* "account freeze")

3. War and Civil Disturbance Cover

- Protects against: Loss of Assets; Temporary or 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

4. Breach of Contract Cover

- Protects against losses arising from the government's breach or repudiation of a contract with the investor (*e.g.*, a concession or a power purchase agreement)
- Breach of Contract coverage extends to sub-sovereign risks, as well as for interest rate hedging instruments and capital market transactions

5. Non-Honoring of Sovereign Financial Obligations (NHSFO) Cover

- Protects against losses resulting from a government's failure to make a payment when due under an unconditional financial payment obligation or guarantee related to an eligible investment.

Eligibility Requirements for MIGA Guarantees

MIGA tailors its guarantees to meet the needs of diverse investor groups:

Eligible Investments

- Minimum one year, up to 20 years
- Cross-border from one member country into another developing member country
- Compliant with high social and environmental standards
- Coverage can be purchased against individual risks or for any combination

Amount and Coverage

- MIGA typically can arrange cover for all amounts
- No minimum amount for guarantee or size of investment
- Equity covered up to 90% and debt up to 95%
- Amounts can include interest and principal for debt and future retained earnings for equity

Pricing

- Premium rates are decided on a per project basis and vary by country, sector, transaction, and the type of risk insured
- Premiums are paid annually or semi-annually and are calculated as a percentage rate applied to the amount of coverage

MIGA's tailored Program for SMEs

- ❖ **MIGA's Small Investment Program (SIP)**: designed to facilitate investments into small and medium-size enterprises with **simple projects** and involved in the finance, agribusiness, manufacturing and services sectors.
- ❖ Eligibility: Fulfill two of the following three criteria:
 - no more than 300 employees
 - total assets not more than \$15 million
 - total annual sales not more than \$15 million .
- ❖ Standardized package of risk coverage: currency inconvertibility and transfer restriction; expropriation; war, terrorism and civil disturbance.
- ❖ 53 outstanding contracts for SIP projects (October 2012)

Terms and conditions for SME coverage by MIGA

- ❖ The application for investment guarantee must be less than \$10 million
- ❖ No minimum required amount of guarantee
- ❖ A single application form that can be completed online
- ❖ No application fee for eligible small and medium-size investors
- ❖ Discounted premiums ranging between 0.45 percent and 1.75 percent of the insured amount

MIGA's active support for SMEs

❖ In 2012, **51% of MIGA guaranteed projects had a value of less than \$10 million** ; 47% had a value of less than \$5 million

❖ MIGA helps the SME sector in emerging economies in two ways:

(1) by providing political risk insurance to **foreign investors** who wish to invest in SMEs (equity investments)

(2) by providing political risk insurance to **financial institutions** that will then lend to small and medium-size businesses through local affiliates (loan investments)

=> **MIGA guarantees help increase the available financing panel for SMEs and can ultimately lead to a decrease in financing costs while increasing the equity partners' confidence.**

MIGA and Italy – Active Projects

- ❖ Between 1995 and 2011, MIGA has guaranteed 12 projects of Italian investors in developing countries
- ❖ About 35 enquiries from 23 different Italian companies have been initiated since 2008, mainly in the manufacturing (40%) and infrastructure (33%) sectors (Discussion or underwriting still ongoing)

- ❖ **Active projects:**
 - **2000:** Guarantee of \$1.6 million to Ge.Por.Tur. of Italy for its equity investment in Giorgi Alfo Sh.p.k. in **Albania**
 - **Project:** Design, construction, and operation of a tourist marina on the southern Albanian coast

 - **2002:** Guarantee of \$885,000 to Italian Technology & Innovations S.r.l. (ITI) and \$10,500,000 to MCC S.p.A. (MCC) for their equity investment and loan, respectively, to the Manas Management Company (MMC) in the **Kyrgyz Republic**
 - **Project:** Construction and operation of an air cargo complex and an air catering center at the Manas International Airport in Bishkek (capital of the Kyrgyz Republic)

 - **2011:** Guarantees of \$2.1 million supporting investments by Icam SpA and Giovanni Aletti for the establishment of a new company in **Uganda**, Icam Chocolate Uganda Limited
 - **Project:** Collection, storage and processing facilities in 3 cocoa-producing regions in Uganda

MIGA complements the Italian export credit agency (SACE)

- ❖ MIGA is part of your national system acting for the promotion of international business
- ❖ MIGA offers multilateral rather than bilateral support for Italian companies investing in emerging markets; its shareholders include most countries in the world
- ❖ MIGA's product offering complements your national export credit agency; there is no competition between MIGA and SACE

Why Investors Choose MIGA

KNOWLEDGE AND EXPERTISE

- Largest multilateral PRI provider
- 25 years in emerging markets
- Expert staff
- Access to World Bank Group resources
- Best practice environmental and social standards

CLAIM DETERRENCE

- World Bank Group's umbrella
- 177 member countries
- Claims track record
- Assistance in dispute resolution

UNIQUE PRI SOLUTIONS

- Support investments in difficult markets
- Longer tenors (up to 20 years)
- May result in lower borrowing costs
- Reduce risk weighting and capital provisioning

FINANCIAL STRENGTH

- Recognized industry leader
- Strong balance sheet
- Diversified portfolio
- Implied AAA rating
- Reinsurance capacity

MIGA's Claims Track Record

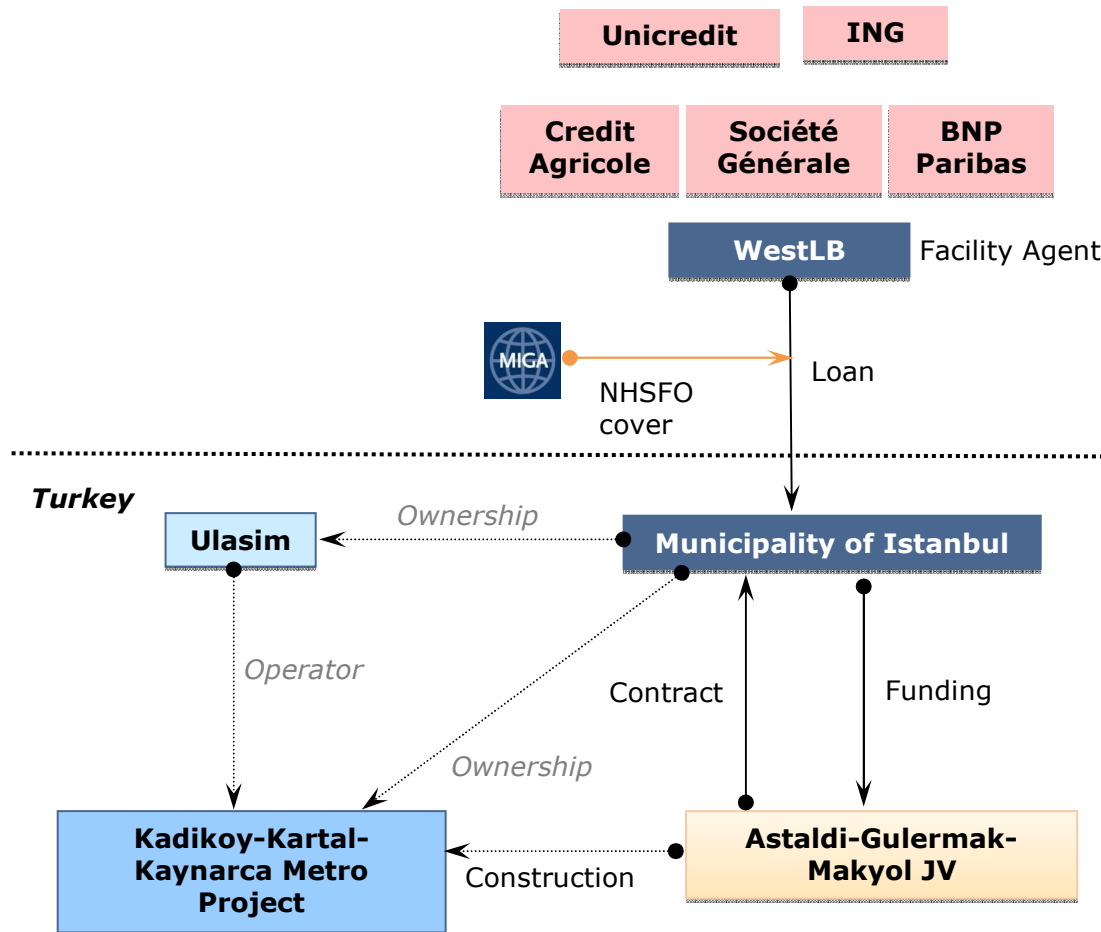
- ❖ MIGA has supported more than 700 projects and has assisted clients in resolving more than 90 disputes
- ❖ MIGA has successfully facilitated the settlement of disputes in all currency transfer/inconvertibility issues
- ❖ MIGA has paid claims in six cases since its inception
 - ❖ Afghanistan, Nepal, Kenya and Madagascar (war and civil disturbance)
 - ❖ Indonesia and Argentina (expropriation)
- ❖ All other cases have been resolved or the claim was withdrawn

- **Deterrence effect ensures that only a small number of projects that MIGA supports encounter problems.**

Application Process: How Does it Work?

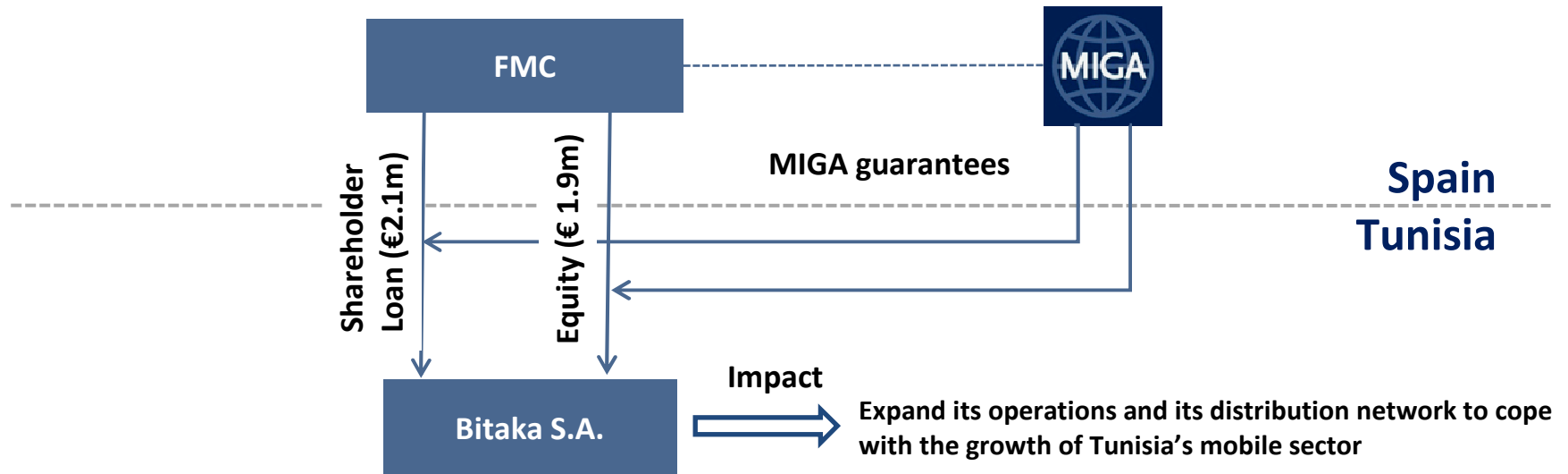


Project Example: Kadikoy-Kartal Metro Project in Istanbul (2011)



- ❖ **Project:** Expansion of the underground metro system on the Asian side of Istanbul, Turkey.
- ❖ Previous financing included IFC
- ❖ The loan Agreement was signed in April 2011
- ❖ The amount of guarantee is €280m (including principal, interest and premium); its tenure is 9.5 years
- ❖ The MIGA guarantee provides coverage against NHSFO on a loan provided to MMI by a consortium of banks, with WestLB acting as Facility Agent

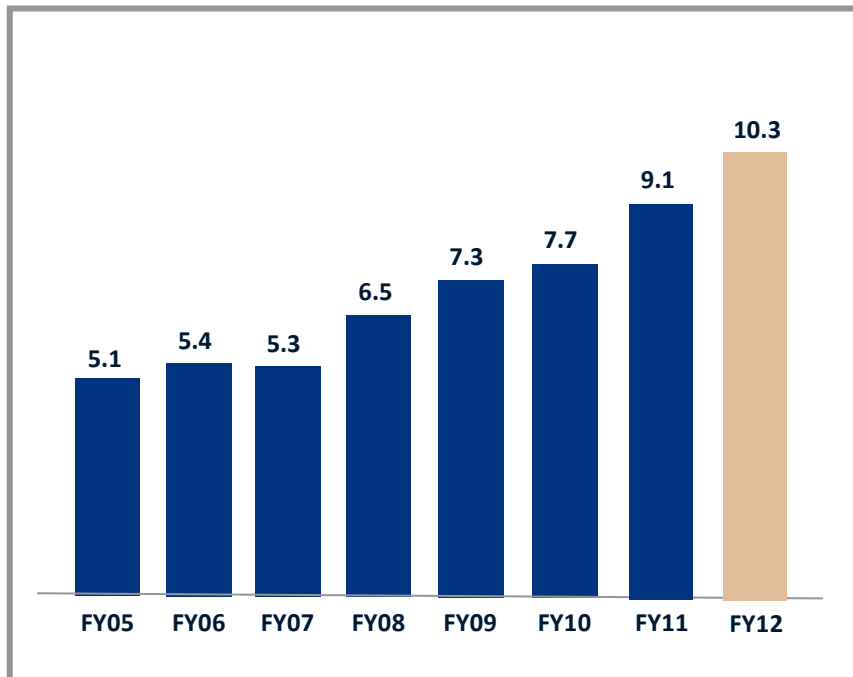
Project Example: Bitaka S.A. in Tunisia (2012)



- ❖ **Project:** Development of Bitaka S.A.'s operations and expansion of its distribution network: the company provides low-cost, innovative solutions (e.g. E-vouchers - mobile electronic recharge) to mobile operators in Tunisia
- ❖ MIGA issued guarantees covering FMC equity investment in, and shareholder loan from FMC (Fons Mediterrània Capital) of Spain
- ❖ The total amount of guarantee is \$5.1m for a period of up to five years
- ❖ It covers the risks of transfer restriction, expropriation, and war and civil disturbance.

MIGA 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

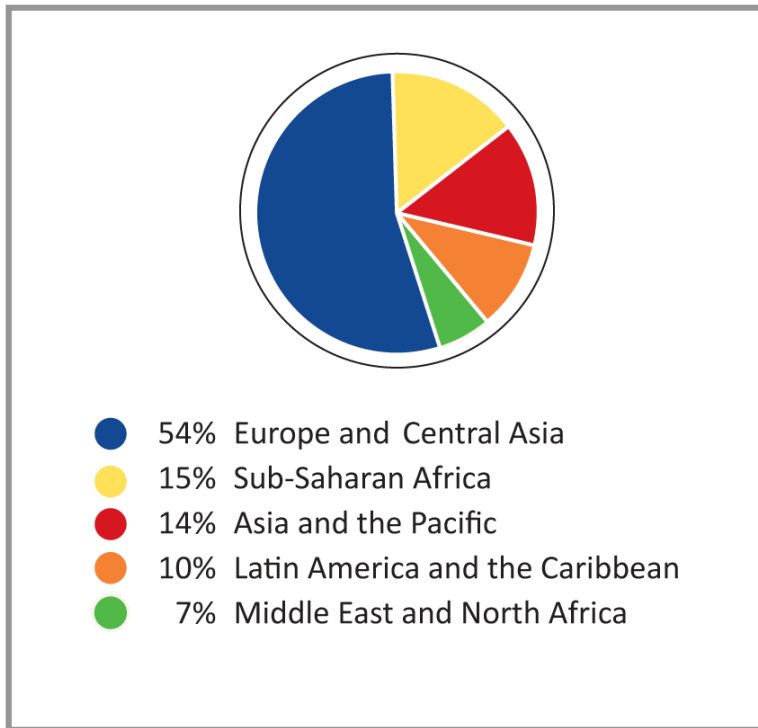
MIGA's Strengths

- 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
- Pre-claim resolution actions: very few claims.

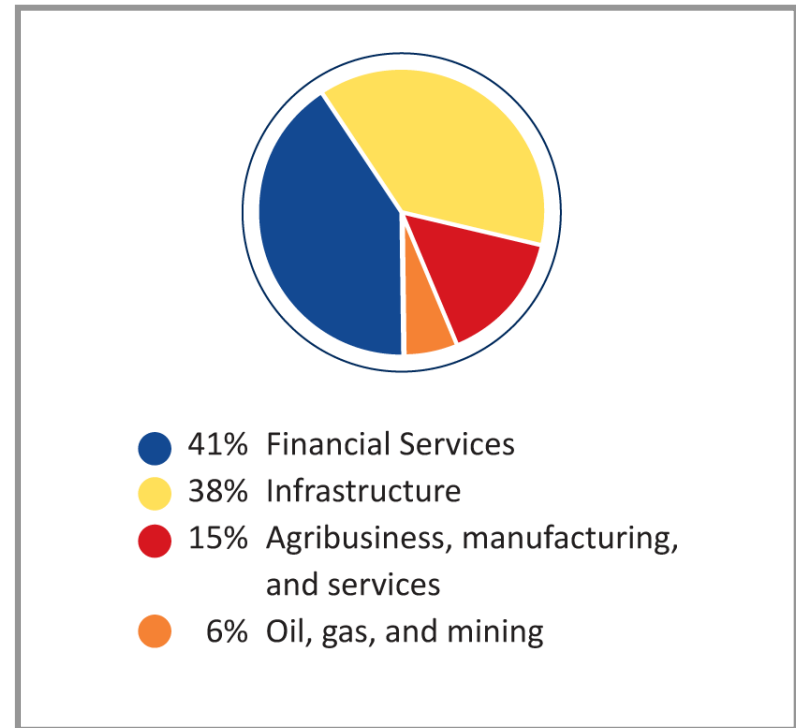
Gross Exposure

By region and sector

By region



By sector



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