



MIGA

**Multilateral Investment
Guarantee Agency**

WORLD BANK

Political risk insurance and its growing role in mobilising private finance in an uncertain world

CFS Lecture Series

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MIGA, The World Bank Group

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Global Risk Context

Mounting geopolitical tensions have impacted negatively global confidence in doing business internationally

FT Financial Times

Geopolitical risks worst in 50 years, warns oil services boss

Baker Hughes CEO says wars in Ukraine and Middle East threaten instability similar to 1973 oil embargo.

Nov 12, 2023



FT Financial Times

Companies on the hunt for geopolitical advice as tensions rise

Businesses around the world are taking steps to boost their geopolitical expertise to help with increasingly delicate judgments about target...

Oct 16, 2023



Investopedia

Russia's Political Instability Increases Risks To Fragile Global Economy

"Russia's internal instability has increased geopolitical risks and could potentially disrupt global commodity supplies. Oil prices were steady..."

Jun 26, 2023

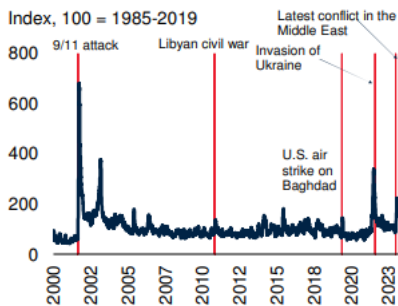


Elections in 2024 could drive political risk insurance demand higher: Chaucer

23rd October 2023 - Author: Kassandra Jimenez-Sanchez

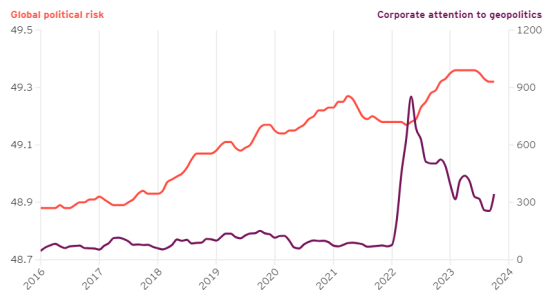
Demand for political risk insurance is predicted to grow in 2024 driven by an increase in the number of elections worldwide, an event that usually heightens the value of economies, and together increase political risk for businesses operating in countries facing political uncertainty, said Chaucer.

C. Geopolitical risk index and conflicts



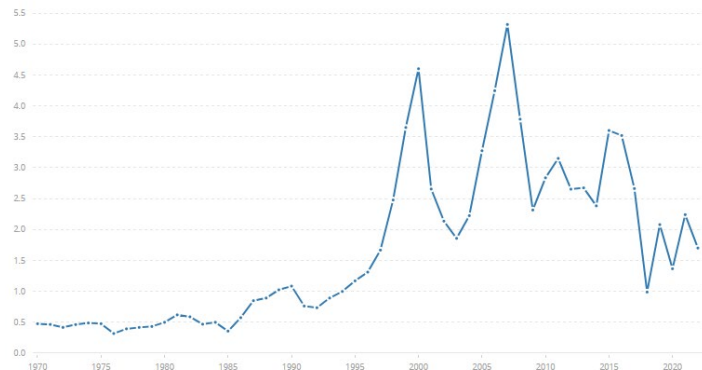
Source: World Bank, Global Economic Prospects Report (2024)

Corporate attention to geopolitics has waned somewhat since peaking in early 2022, even though global political risk remains elevated



Note: "Global political risk" is the GDP-weighted global average of political risk from GeoQuant. "Corporate attention to geopolitics" is the number of corporate event transcripts mentioning terms related to geopolitical risk. This data is presented as a rolling three-month average.
Source: GeoQuant, from BMI, a Fitch Solutions Company; AlphaSense; EY Knowledge analysis

Foreign Direct Investment (FDI) (World, Net inflows % of GDP)



Geopolitical risk was cited by world leaders in the 2024 Top 10 Risks that are likely to present a material crisis globally (WEF, 2024)

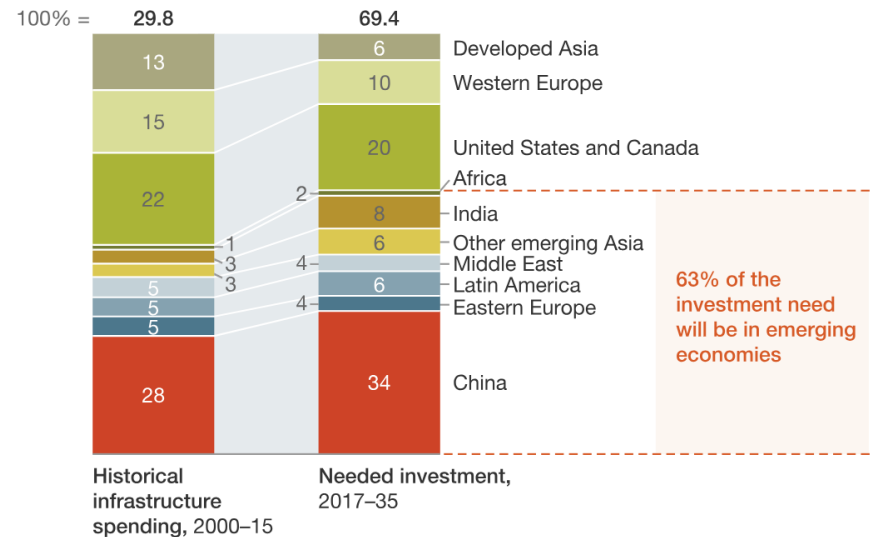
Infrastructure Investment Gaps & The Green Transition

Need to **catalyze capital flows** toward green infrastructure projects

The Present:

- **Important infrastructure investment gaps remain**
 - Estimated at **\$3.7tn/year** until 2035, the larger share needed in emerging economies
- **Green and climate investment needs**
 - IEA estimates investment needs in the energy sector alone to total **\$750bn/year** by 2030 and **>\$1.6tn/year** from 2030-2050 to reduce CO2 emissions by 50% by 2050
- **Financing climate mitigation** (GHG emission reduction) **and adaptation** (adjustment to climate change effects) is imperative - especially for developing countries often experiencing exacerbated effects of climate change
- Despite efforts to mobilize required capital, **remaining barriers** still see investments fall short

Investment needs, economic infrastructure, %, \$ trillion, at constant 2017 prices



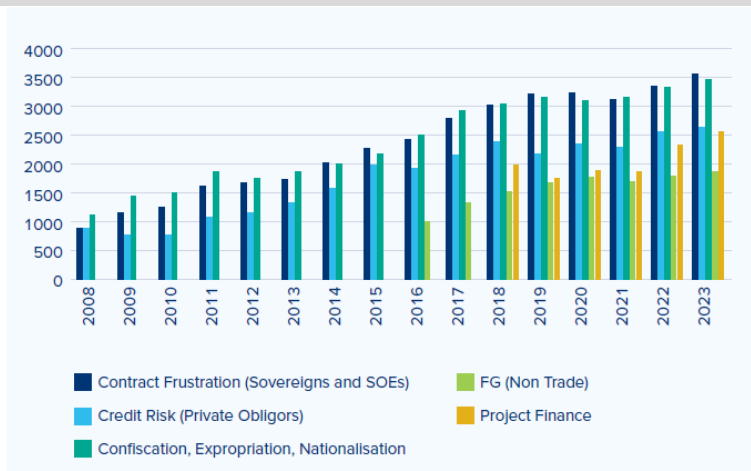
Sources: McKinsey Global Institute, Bridging infrastructure gaps (2017), World Bank Study, Green Infrastructure Finance (2012)

Private Sector Implications	<ul style="list-style-type: none"> • Investors: Pressure to deploy green finance, climate finance at a higher pace • Industry: Drafting of decarbonization plans towards net zero targets by 2030/45/50. Difficulty in hard-to-abate sectors (ex. aviation, construction, road freight, steel, etc)
Policy Implications	<ul style="list-style-type: none"> • Regulators: Prioritization of standards' development (Green Taxonomy, SFDR Art. 6, 8, 9, etc.), as well as transparency and disclosure to prevent greenwashing • Governments: Drafting climate pledges (NDCs) and strategies on they can be achieved

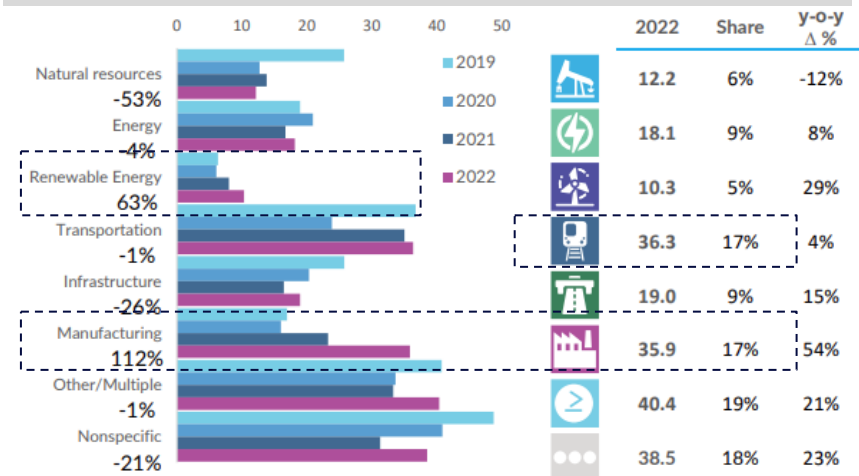
Credit and Political Risk Insurance (CPRI) Market Overview

- The Berne Union, officially the International Union of Credit and Investment Insurers, is the **leading international organization and community for the export credit and investment insurance industry since 1934**
- Its mission is to actively **facilitate cross-border trade and investment** by supporting international acceptance of sound principles in export credits and foreign investments and by providing a forum for professional exchanges among its members.
- Membership - most active **export credit agencies, multilateral financial institutions** and **private underwriters of credit and political risk insurance**. Together the members provided payment risk protection for c. 14% of world annual cross-border trade in goods and services, worth \$2.8tn in 2022

CPRI Market Capacity Expansion (2008-2023)



MLT, PRI and OCB New Commitment by Sector (2022, \$bn, % vs 2019)

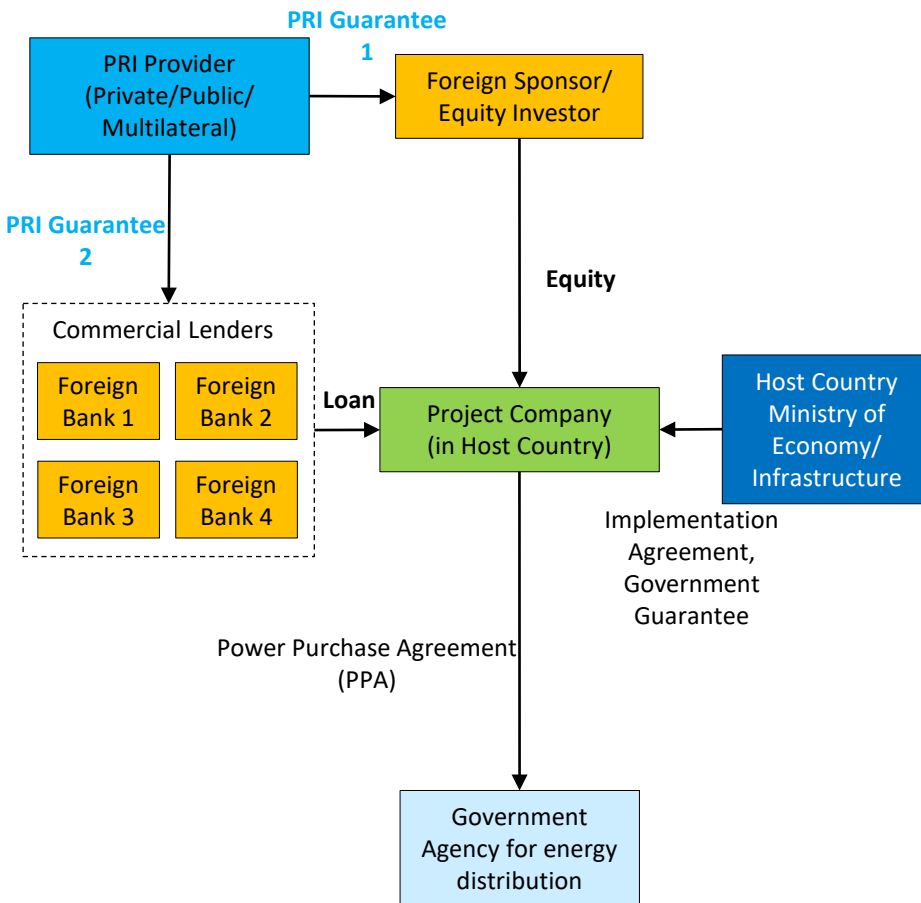


Recent growth of CPRI market driven by infrastructure and climate investment needs (renewable energy), as well as continued industrialization (manufacturing) in developing countries

Source: Berne Union Yearbook (2023) (left), Berne Union: State of the Industry (2022) (right)

Political Risk Insurance

Addressing the need to **de-risk political risk** and **facilitate cross-border** economic activity



- Obligor
- Guarantee holder
- Project enterprise

A risk-mitigation tool for businesses to mitigate and manage risks arising from the adverse actions—or inactions—of governments.

PRI benefit both the guaranteed party (investors and/or lenders to overseas projects), as well as the host country' businesses (destination of investments):

- Investors benefit from risk mitigation in **challenging markets**
- Host country businesses **gain better access to finance**

PRI Providers can be:

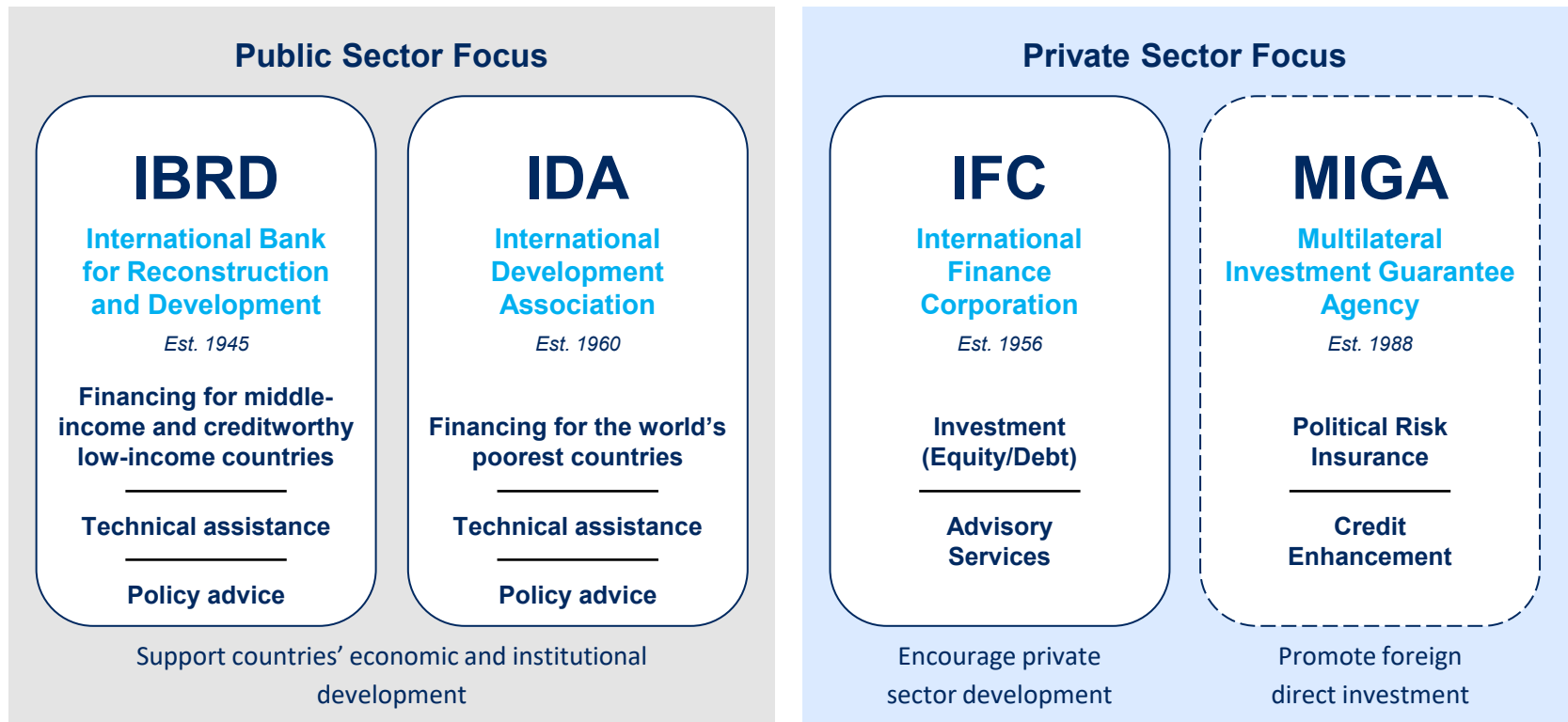
- Private: profit-oriented (re)-insurance companies
- Public: national export credit agencies (ECAs), which also cover export credit/trade transactions
- Multilateral Agencies: **MIGA/The World Bank** (largest), ADB, etc.

PRI Coverage generally encompasses adverse government actions (e.g., expropriation, breach of contract, war and civil disturbance and transfer restrictions) for investments.

However, coverages, pricing, tenor, eligibility vary by PRI provider, host country, sector and type of investment.

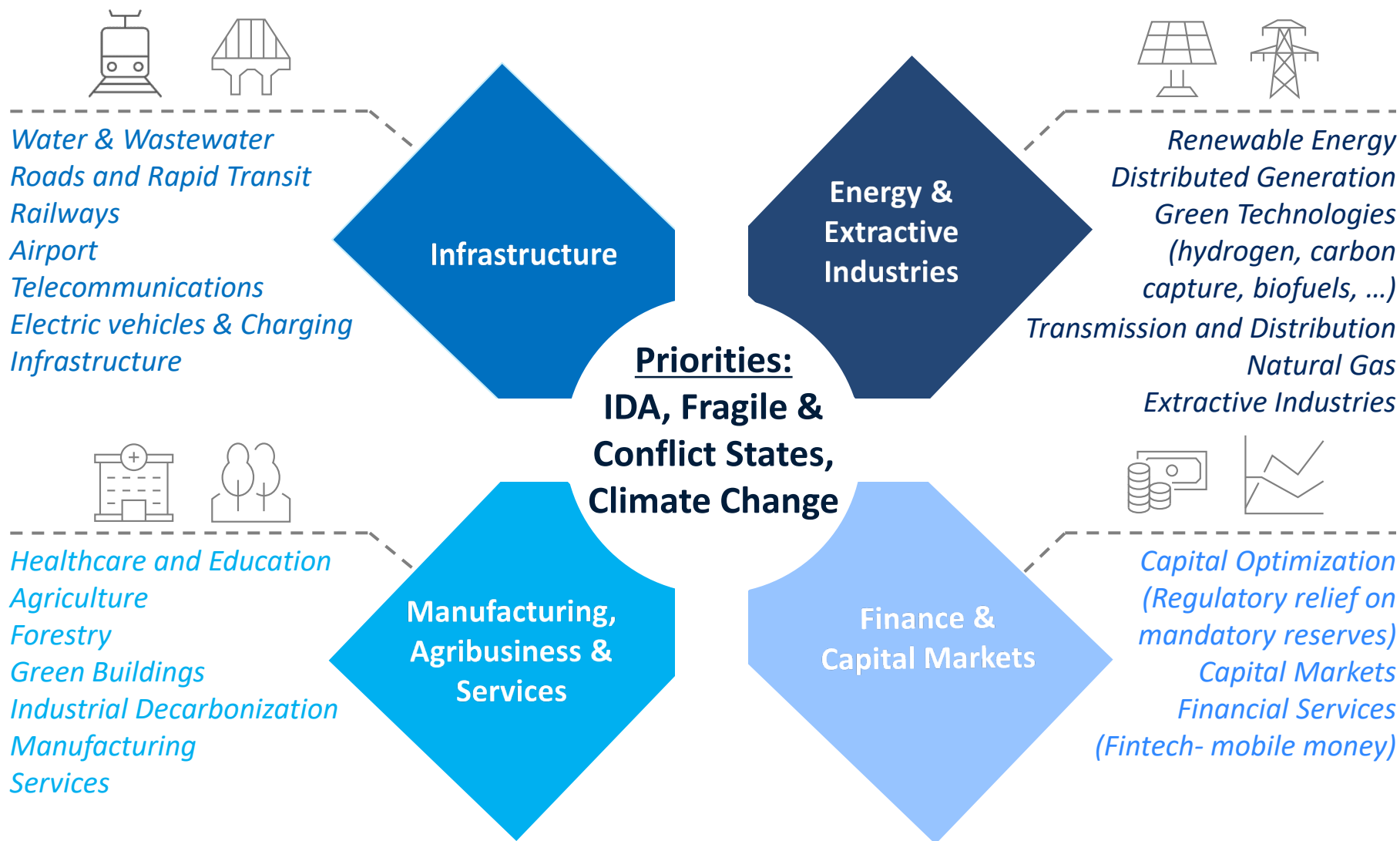
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The World Bank Group Operating Model



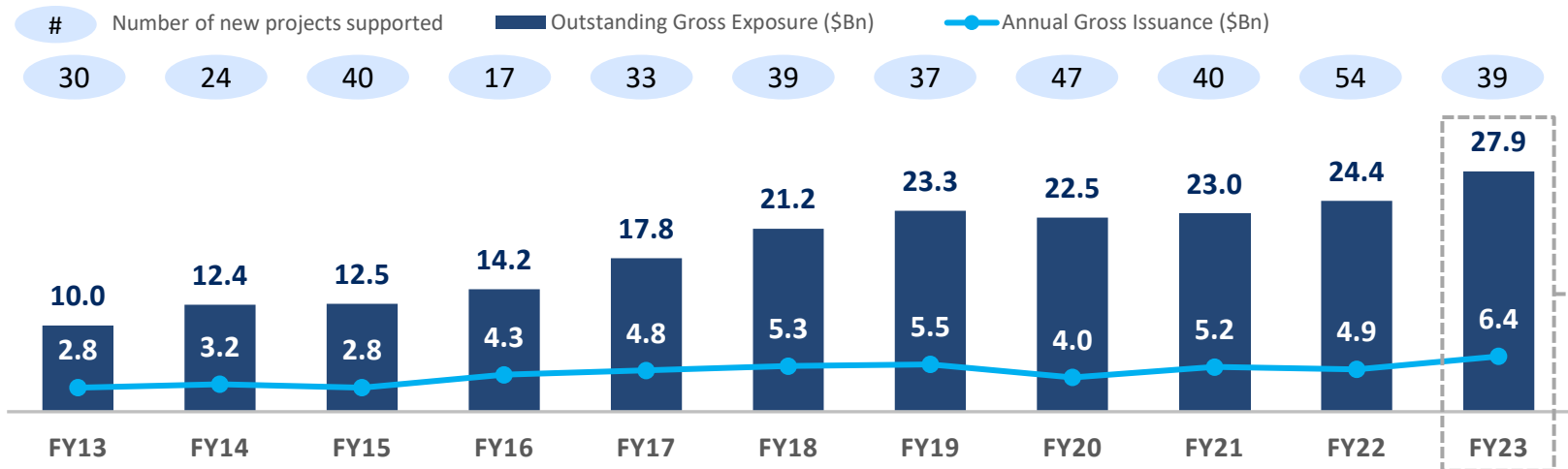
Shared Twin Goals: Eliminate Extreme Poverty and Boost Shared Prosperity

MIGA: Sectors and Priority Areas

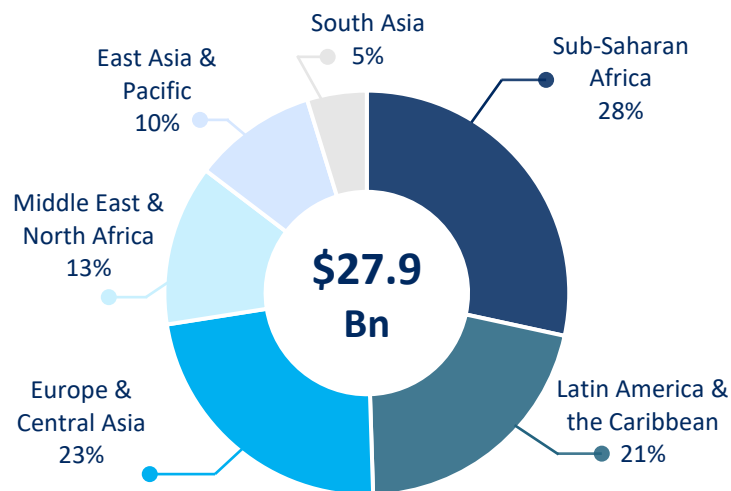


MIGA: Activity & Portfolio Overview

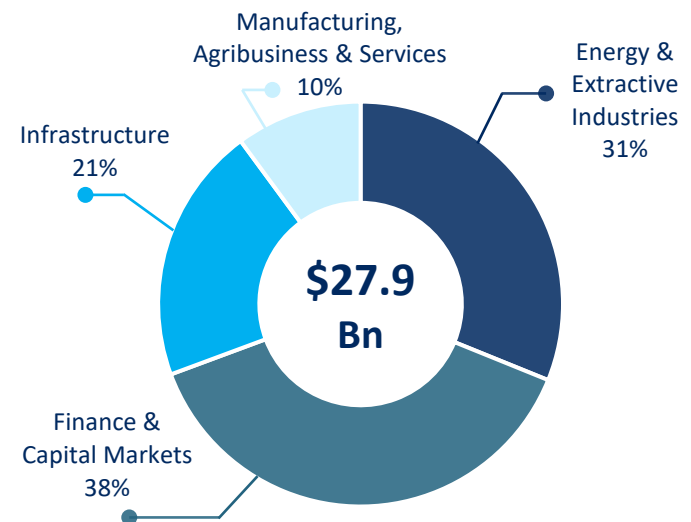
Outstanding Exposure & New Issuance



Breakdown by Region FY23



Breakdown by Sector FY23



MIGA Covers: Parameters Overview








- 182 eligible investor countries
- Can cover all/ some foreign investors in a project
- Collaborates with other development institutions (MDBs, DFIs, WB & IFC)

- 154 eligible host countries
- 95% coverage for debt, 90% for equity
- Broad range of cover size
- Tenors up to 20 years
- Client can reduce, cancel, and - subject to approval - transfer or assign the policy

- Identified project
- Developmental impact
- E&S Performance Standards
- Integrity/ KYC

MIGA's Product Line

Project	Beneficiaries of the Guarantee	Cover	
Private Sector Projects & PPPs	<ul style="list-style-type: none"> ✓ Equity Investors ✓ Lenders to the Project 	Political Risk Insurance	 Currency Inconvertibility and Transfer Restriction
			 Expropriation
			 War and Civil Disturbance
			 Breach of Contract
Public Sector Projects	<ul style="list-style-type: none"> ✓ Lenders to the Public Sector 	Credit Enhancement	 Non-Honoring of Financial Obligations <i>Sovereign</i> <i>Sub-sovereign</i> <i>State-owned Enterprise</i>

MIGA Outreach: Recent Clients Supported*

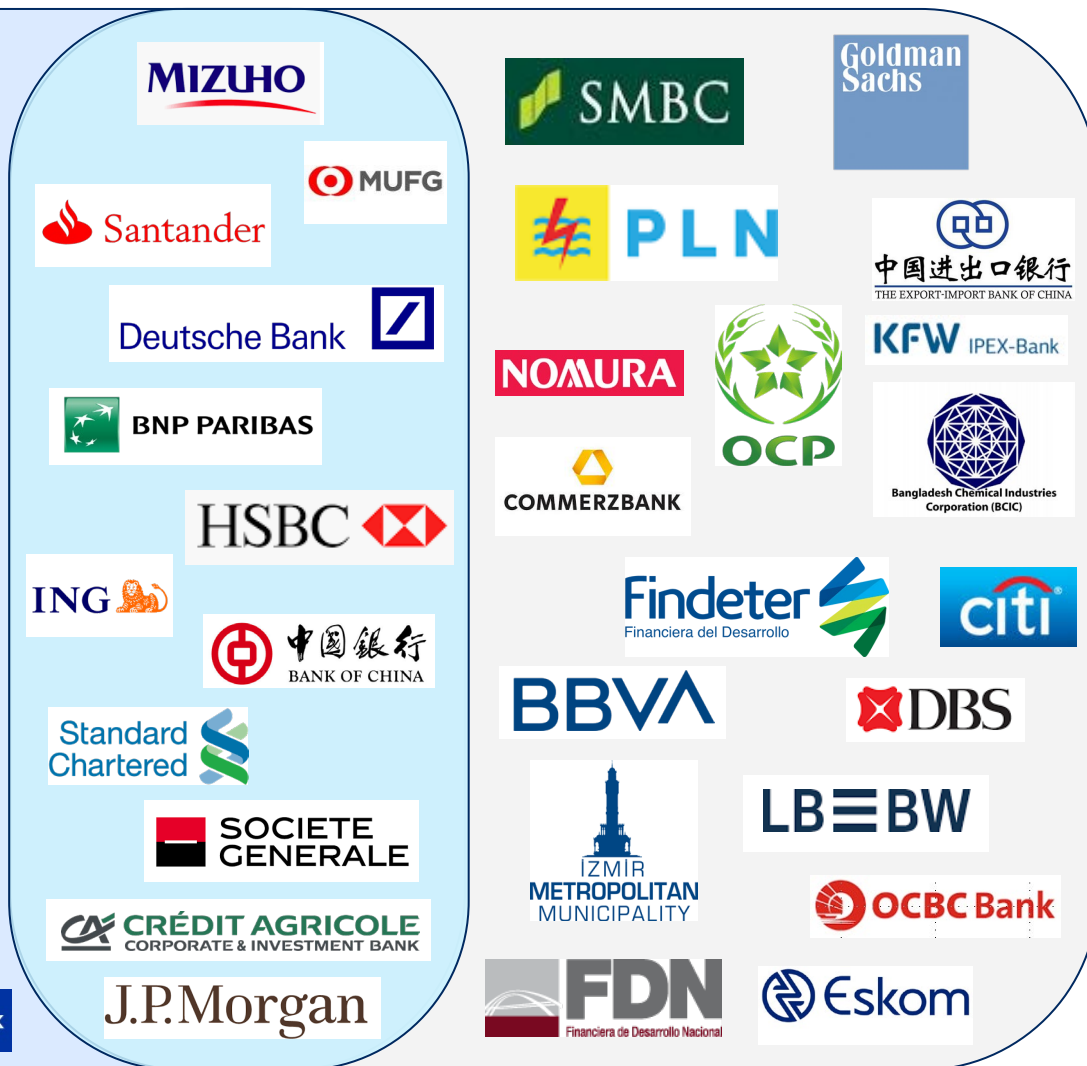
Political Risk Insurance

Guarantee holders



Credit Enhancement

Guarantee holders & Borrowing entities



MIGA's Value Added

Unrivalled country risk management

- Robust history of resolving potential political risks before client operations are impacted (155+ pre-claims managed among 1,000+ projects)
- Leverages World Bank network

Highly rated and financially stable

- The World Bank and its unique structure of 189 member countries provide unparalleled stability and strength valued by investors entering situations with high perceived risk

Innovative product applications

- Strong record of customized solutions for debt and equity investors, governments, project sponsors, and service providers

Strong risk appetite and global reach

- History of operating in the most challenging markets, including low-income and fragile and conflict affected states
- MIGA can support projects with long tenors, of up to 20 years

Pioneer of ESG Investments

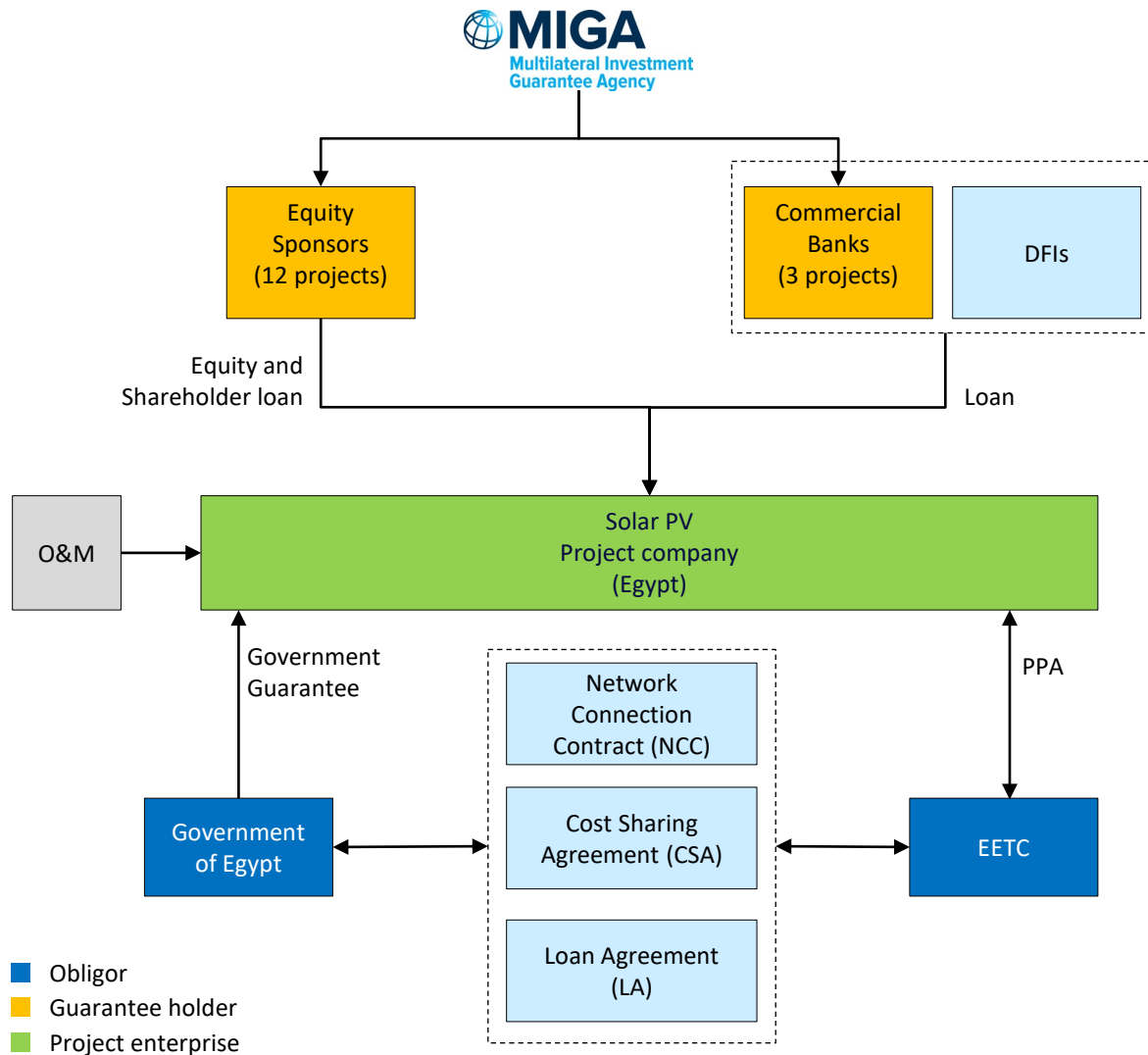
- Internationally recognized E&S standards and best practices that significantly reduce investor/ client project and reputational risk

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➤ Political Risk Insurance	
➤ Credit Enhancement Guarantees	
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Supporting Egyptian effort to build the world's largest solar generation park

Feed-In Tariff Benban Program, Egypt

Project Structure



Project Overview

Description:

- Construction, operation and maintenance of a green field solar Independent Power Producer facility
- Support for 12 projects with total installed capacity of about 600MW
- 25-year Power Purchase Agreement ("PPA")

Guarantee Holder(s):



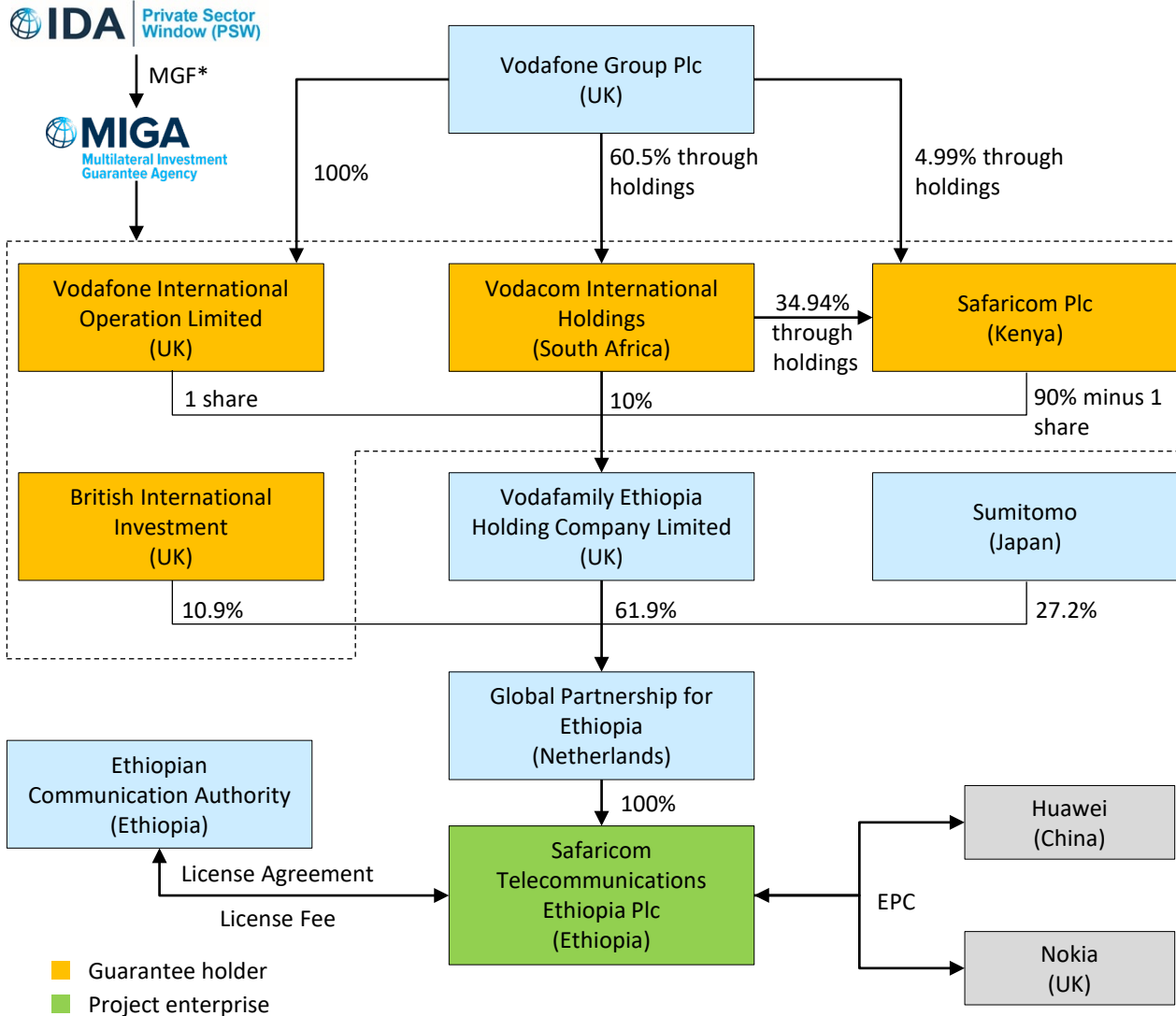
MIGA cover:

- Amount: \$234m (equity, shareholder loan)
- Tenor: 15 years (equity), 20 years (shareholder loan)
- Risk(s): Breach of Contract, Expropriation, Currency Inconvertibility and Transfer Restriction, War and Civil Disturbance
- Issued: End 2017/ 2018/ 2020

Liberalizing the telecom sector and enhancing broadband connection

Wakanda Telecom, Ethiopia

Project Structure



Project Overview

Description:

- This transformational Project will enable the roll-out of high-quality network all over Ethiopia, a country that was until recently one of three African countries that maintained an absolute state monopoly over telecommunications services, which hindered the development of its digital infrastructure.
- The Project is expected to support efficiencies, innovation and inclusion across the economy, contributing to increased GDP per capita by approximately 7% by 2028, corresponding to more than two million full-time equivalent jobs created.

Guarantee Holder(s):



MIGA cover:

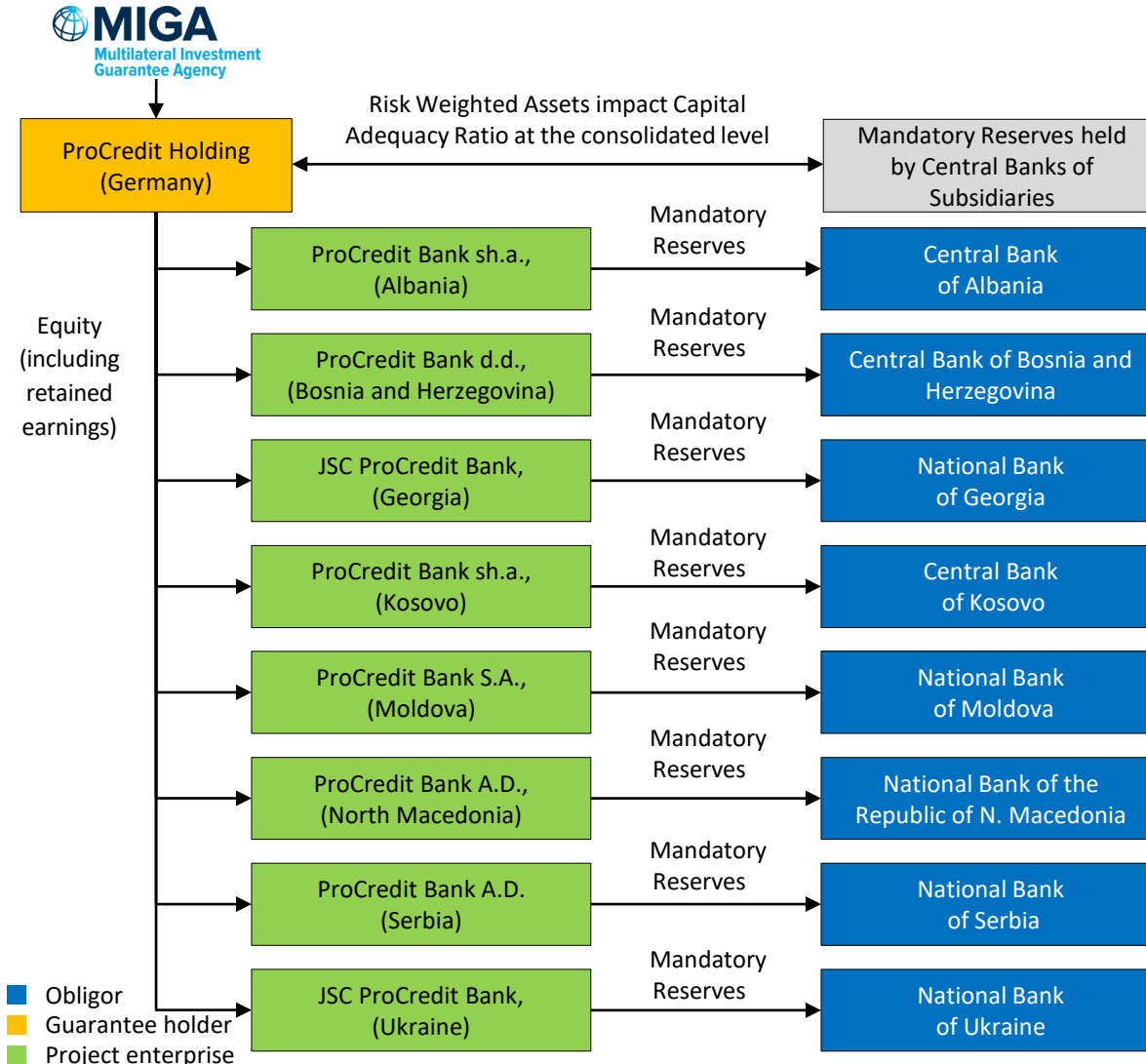
- Amount: \$1,000m (equity)
- Tenor: 10 years
- Risk(s): Expropriation, War and Civil Disturbance
- Issued: March 2023

Increased Lending Through Release of Regulatory Capital

ProCredit, Western Balkans and Central Asia*

Project Structure

Project Overview



Description:

- Reduction of the risk weighting applicable to the mandatory reserves held by the respective Central Banks of the Subsidiaries
- All freed-up capital from MIGA guarantee deployed towards climate financing

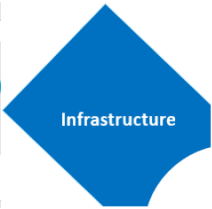
Guarantee Holder(s):



MIGA cover:

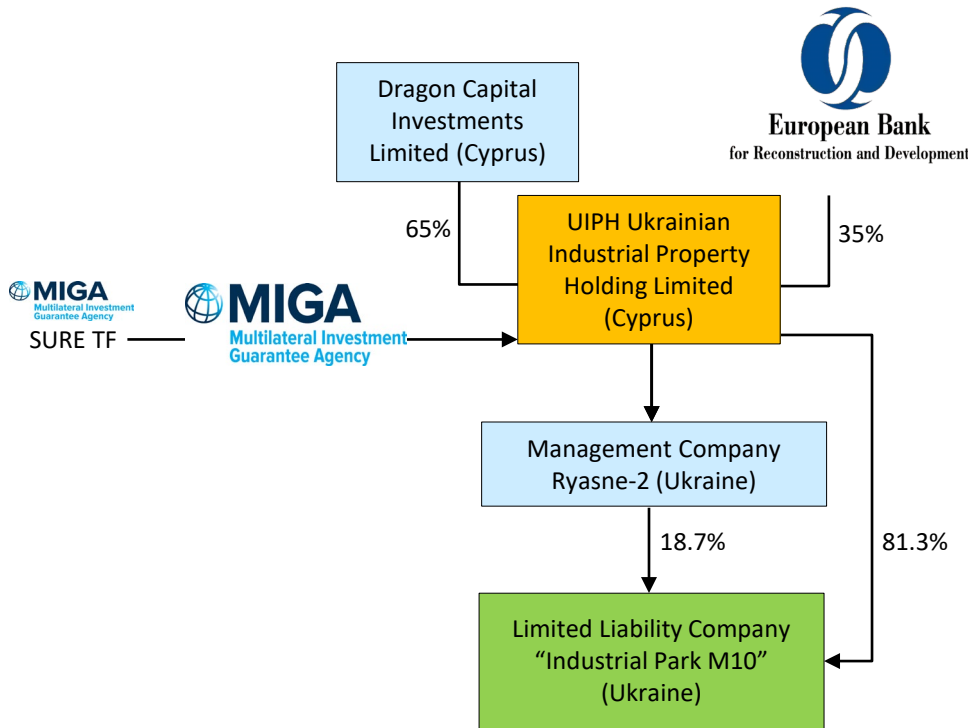
- Amount: €218.5m (equity)
- Tenor: 5 years
- Risk(s): Expropriation of funds
- Issued: December 2020

Supporting the development of Lviv Industrial Park in partnership with the EBRD Dragon Capital, Ukraine



Project Structure

Project Overview



- Guarantee holder
- Project enterprise

Description:

- Development and operation of a new modern multi-tenant warehouse and the supporting infrastructure (utility lines, roads, gate, etc.) located within Lviv's Ryasne-2 industrial zone at the borders of the city of Lviv, Western Ukraine. It provides new industrial and logistics warehouse space that will help the country expand access to vital services and products both during the war and the post-war reconstruction period

Guarantee Holder(s):

UIPH Ukrainian Industrial Property Holding Limited (Cyprus)

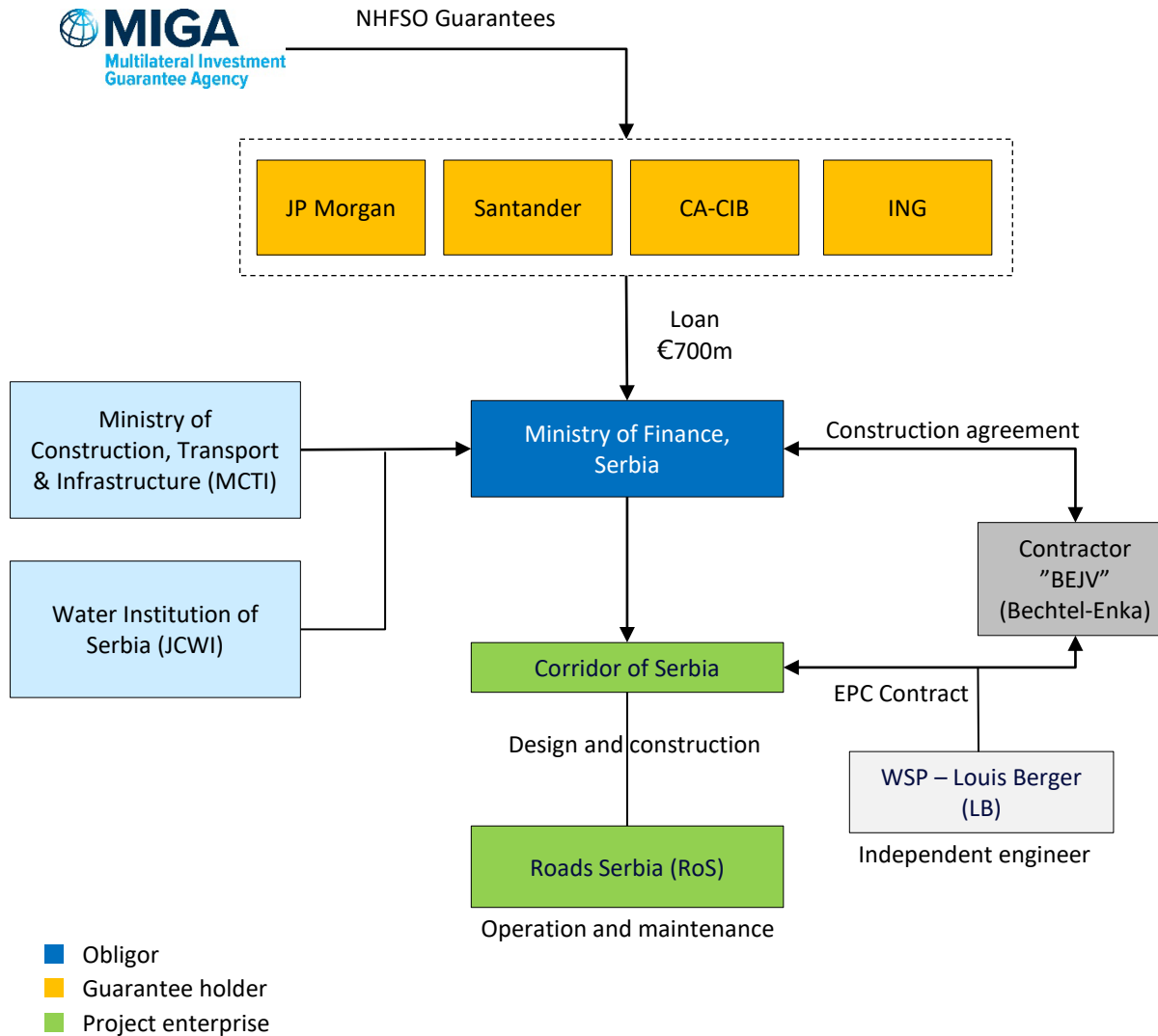
MIGA cover:

- Amount: \$9.1m (equity and shareholder loan)
- Tenor: 10 years
- Risk(s): War and Civil Disturbance
- Issued: September 2023

Improving connectivity by creating a climate resilient infrastructure

Morava Corridor Motorway Tranche II, Serbia

Project Structure



Project Overview

Description:

- Complete the construction of the 112-kilometer motorway linking the cities of Preljina and Pojate in central Serbia (the Project), a priority project in Serbia's infrastructure development plan.

Guarantee Holder(s):



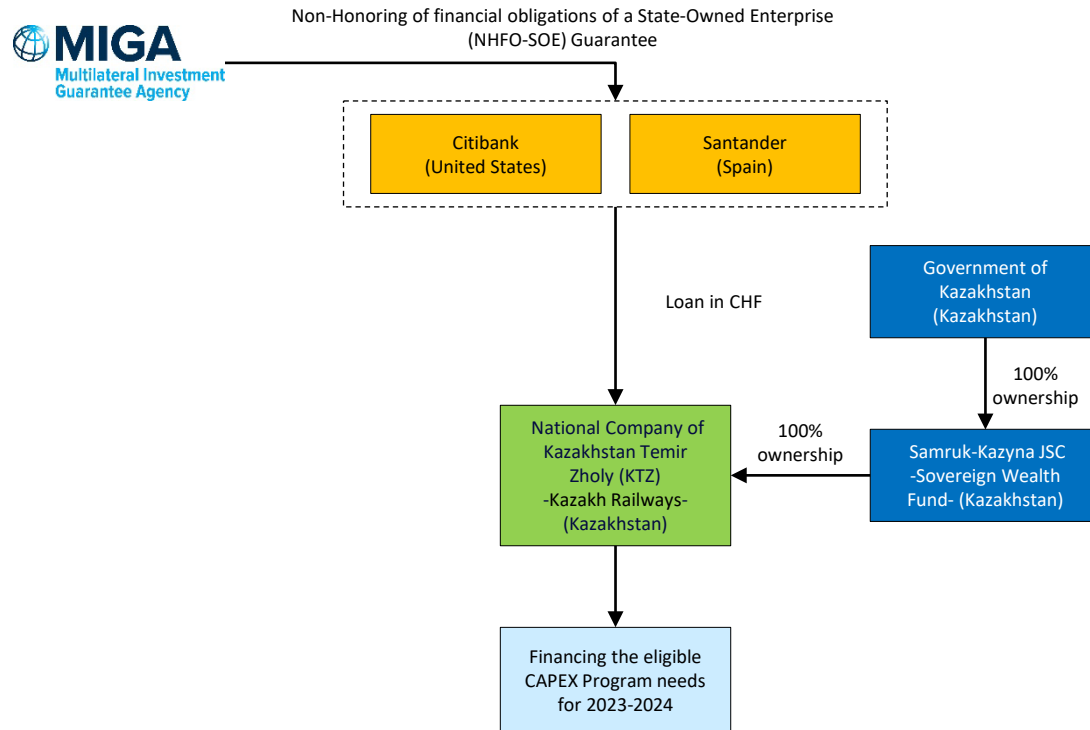
MIGA cover:

- Amount: up to €900m (Loan, Interest)
- Risk(s): Non-Honoring of Sovereign Financial Obligations
- Issued: December 2023

Increasing the safety, reliability and the quality of the railway network and rolling stock

Kazakh Railways – National Company of Kazakhstan Temir Zholy (KTZ), Kazakhstan (SOE)

Project Structure



- Obligor
- Guarantee holder
- Project enterprise

Project Overview

Description:

- MIGA guaranteed loan will be used to finance the eligible CAPEX program needs of KTZ (or its subsidiaries) for the period 2023-2024 that includes: (i) the rehabilitation, overhaul and repairs of the railway track network, (ii) the purchase of electric freight and passenger locomotives; and (iii) the purchase of passenger cars.

Guarantee Holder(s):



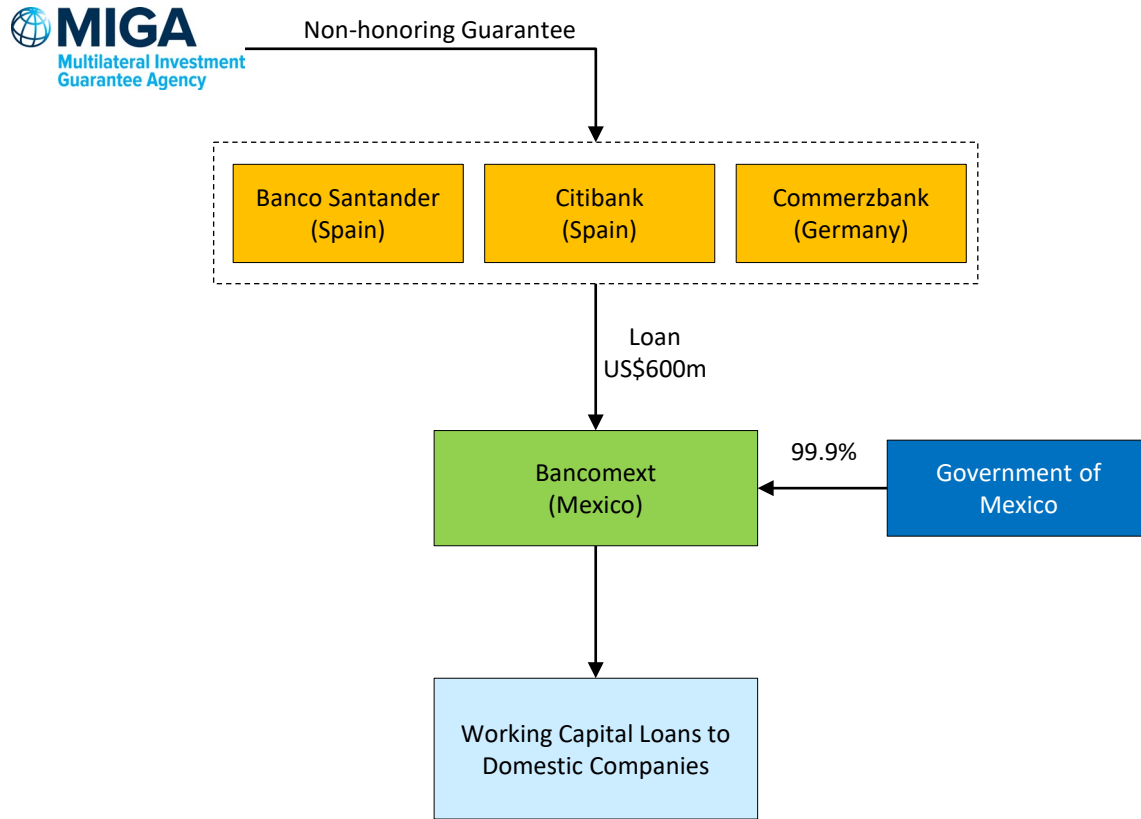
MIGA cover:

- Amount: CHF 554.7m (including the loan principal amount, future interest, and MIGA's premium)
- Tenor: 10 years
- Risk(s): Non-Honoring of Financial Obligations of a State-Owned Enterprise
- Issued: September 2023

Providing Liquidity to support Working Capital Loans to Mexican Companies

Bancomext, Mexico

Project Structure



- Obligor
- Guarantee holder
- Project enterprise

Project Overview

- **Description:**
 - Working capital loans aimed at mitigating the impact of COVID-19 on Mexican companies. MIGA-covered loans will support Bancomext's Emergency Liquidity Program as well as other working capital loans to companies in the following export-oriented sectors: automotive, aeronautic, transport and logistics, tourism, manufacturing, construction, and agriculture

□ **Guarantee Holder(s):**

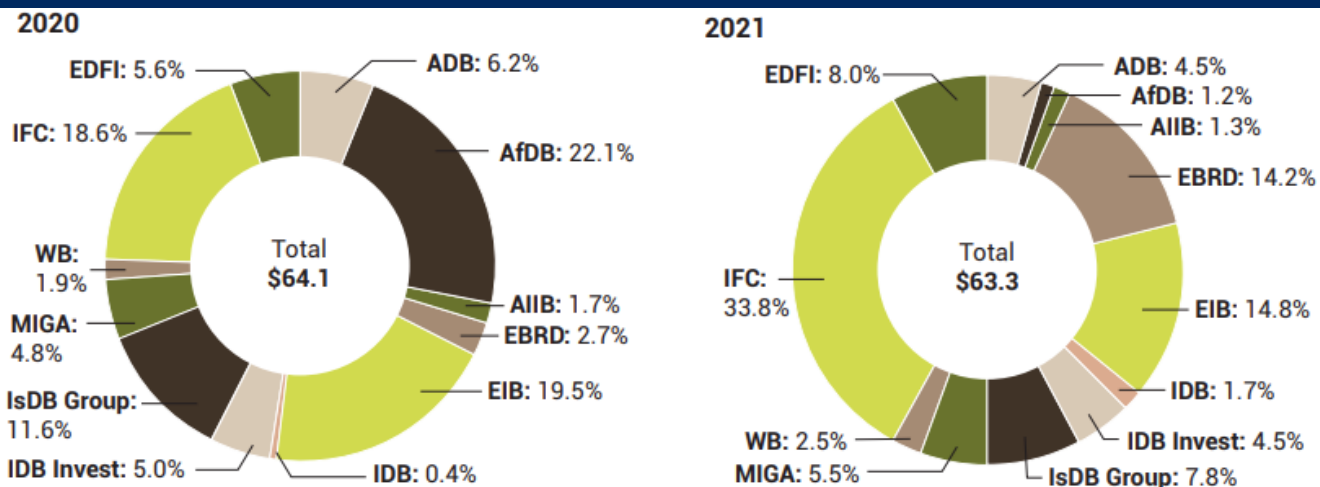


- **MIGA cover:**
 - Amount: \$675.1m (loan)
 - Tenor: 8 years
 - Risk(s): Non-Honoring of Financial Obligations of a State-Owned Enterprise
 - Issued: October 2020

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MIGA Track Record: Private Sector Mobilisation

Total Private Capital Mobilization by Institution, Middle-Income and Low-Income Countries (\$Bbn)



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Source: *Mobilization of Private finance 2020+2021 By Multilateral Development Banks and Development Finance Institutions (Joint report, 2023)*

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