1. MIGA in the World Bank Group
2. Product Line
3. Portfolio and Business
4. MIGA Support to the Transport Sector
5. Transport Project Case Studies
## World Bank Group

<table>
<thead>
<tr>
<th>Role:</th>
<th>Clients:</th>
<th>Products:</th>
<th>Products:</th>
</tr>
</thead>
</table>
| IBRD  | Support countries’ economic and institutional development | Governments of member countries with annual per capita income between $1,025 and $6,055 | - Technical Assistance  
- Loans  
- Policy Advice |  
- Technical Assistance  
- Interest-Free Loans  
- Policy Advice |
| IDA   | Support countries’ economic and institutional development | Governments of member countries with annual per capita income of less than $1,025 | - Technical Assistance  
- Policy Advice |  
- Technical Assistance  
- Interest-Free Loans  
- Policy Advice |
| IFC   | Promote private sector development | Investors in member countries | - Equity/Quasi-Equity  
- Long-Term Loans  
- Advisory Services |  
- Equity/Quasi-Equity  
- Long-Term Loans  
- Advisory Services |
| MIGA  | Promote cross-border investment and lending | Debt and Equity investors in member countries | - Political Risk Insurance  
- Credit Enhancement |  
- Political Risk Insurance  
- Credit Enhancement |

**Shared Mission:** “End extreme poverty and build shared prosperity”
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## Risks Faced by Investors and Lenders: Political Risk Insurance Solutions

<table>
<thead>
<tr>
<th>Risk</th>
<th>Insurance Cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inability to convert or transfer dividends or loan payments due to FX restrictions</td>
<td>Transfer Restriction and Convertibility Cover</td>
</tr>
<tr>
<td>Failure of government to honor obligations under contractual agreements and subsequent failure to honor arbitral award</td>
<td>Breach of Contract Cover</td>
</tr>
<tr>
<td>Government nationalizes or otherwise makes it impossible to operate the project through discriminatory measures</td>
<td>Expropriation Cover</td>
</tr>
<tr>
<td>Destruction or interruption of business due to political violence</td>
<td>War and Civil Disturbance Cover</td>
</tr>
</tbody>
</table>
Inconvertibility and Transfer Restriction

• Protects against losses arising from inability to:
  – convert local currency into foreign exchange within the host country
  – transfer funds out of the host country

• In case of convertibility restrictions, MIGA’s compensation is based on official rate of exchange at the date of loss

• Currency depreciation and devaluation not covered

• Conversion and transfer have to be lawful in the host country at the time MIGA’s coverage is issued
Expropriation

- Protects against losses arising from:
  - nationalization and confiscation
  - creeping expropriation (a series of acts that are expropriatory taken in sum, e.g., gradual changes in tax regime)
  - expropriation of funds (e.g., “account freeze”)
- Expropriation also if the Project Enterprise
  - is deprived of a substantial benefit
  - constituting a fundamental right (e.g., under a project agreement)
  - essential to its overall financial viability (normally this implies insolvency or impending insolvency of the Project Enterprise)
- Non-discriminatory regulatory measures not covered, unless such measures have a confiscatory effect
War and Civil Disturbance

• Three forms of coverage:
  – loss of assets
  – temporary loss of income (for equity)
  – 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

• Act of sabotage or terrorism can also be covered

• Acts must pursue a broad political or ideological objective
Breach of Contract

- Protects against loss arising from breach or repudiation of a project agreement (e.g., in infrastructure and power projects)
- Project agreement must be entered between the host government on the one hand and guarantee holder and/or project enterprise (for equity investments only) on the other hand
- MIGA covers “denial of justice” risks:
  - failure to pay on a valid arbitral award or judgment by a state court rendered against host government or
  - no recourse to judicial or arbitral forum by the investor or Project Enterprise
- May cover obligations of sub-sovereigns and state-owned enterprises, subject to certain restrictions
Typical Structure – Political Risk Insurance

- Investor (equity/quasi equity)
- Commercial Bank (foreign currency loan)
- Project Enterprise
- Investment Project

Guarantee Holder
**Credit Enhancement Solutions**

- Lower funding costs for sovereign and sub-sovereign borrowers
- Long-term financing for sovereign and sub-sovereign borrowers
- Lower funding costs and improved access to long-term financing for public entities (SOEs)

- Non-Honoring of Sovereign Financial Obligations
- Non-Honoring of Sub-Sovereign Financial Obligations
- Non-Honoring of Financial Obligations/SOEs
Criteria for MIGA’s Non-Honoring Products

Non-Honoring of Sovereign and Sub-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
- Currently Eligible for Non-Honoring Cover in Sub-Saharan Africa: Angola, Botswana, Gabon, Mauritius, Namibia and South Africa

Non-Honoring for State-Owned Enterprises

- SOE must be creditworthy
- SOE must be under the supervision and control of government
- Government guarantee may be required by MIGA
- 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
Typical Structure (Non-Honoring of Financial Obligations)

- **Commercial Bank(s)**
- **EPC Contractor**
- **Sovereign, Sub-Sovereign, SOE**
- **Infrastructure project (toll road, power plant, etc.)**

Diagram:
- Commercial Bank(s) to Foreign currency loan
- Foreign currency loan to EPC Contractor
- EPC Contractor to Sovereign, Sub-Sovereign, SOE
- Sovereign, Sub-Sovereign, SOE to Infrastructure project (toll road, power plant, etc.)
- Non-honoring cover from Foreign currency loan to Commercial Bank(s)

Legend:
- Blue: Obligor
- Yellow: Guarantee Holder
# MIGA’s Value Added

<table>
<thead>
<tr>
<th>Strong pre-claim management</th>
<th>• Management of risks at pre-claim level (100+ pre-claims among over 792 projects. Two claims paid for expropriation, eight for war and civil disturbance  • Leveraging the World Bank network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly rated</td>
<td>• Highly rated multilateral by Basel Committee  • Reduce risk weighting and capital provisioning</td>
</tr>
<tr>
<td>Financially stable</td>
<td>• Strong capital base  • Mobilize reinsurance capacity</td>
</tr>
<tr>
<td>Strong Risk Appetite</td>
<td>• Open for business in more challenging markets  • Longer tenors (up to 20 years)</td>
</tr>
<tr>
<td>Environmental and social risk mitigation</td>
<td>Best practices in environmental and social standards</td>
</tr>
</tbody>
</table>
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MIGA’s Gross Exposure (US$ billion)

- Supported 792 projects in 109 countries
MIGA’s New Guarantee Issuance
(US$ billion in fiscal year)

- 2010: 1.5
- 2011: 2.1
- 2012: 2.7
- 2013: 2.8
- 2014: 3.2
- 2015: 2.8
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MIGA’s Transport Sector Portfolio

- From FY01-15, MIGA supported 31 transport projects (metro, railway, port, toll road, bridge, airport, etc.) with total gross exposure of $4.1 billion
- Countries supported include Turkey, Panama, Brazil, Honduras, Vietnam, Djibouti, China, Tunisia, Senegal, Côte d'Ivoire, Philippines, Dominican Republic, Costa Rica, etc.
- Projects concentrated in Latin America, Turkey and Africa, and demand for guarantees in the transport sector fluctuates significantly from one year to the other (see the chart below in the next page)
## Selected MIGA Transport Projects

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Investor/MIGA Guarantee Holder</th>
<th>Host Country</th>
<th>Gross Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>HKB Bridge Project</td>
<td>Bouygues, PAIDF, AFC, FMO, BMCE</td>
<td>Côte d’Ivoire</td>
<td>$145 mn</td>
</tr>
<tr>
<td>Panama City Metro Project</td>
<td>BTMU, Citi, Mizuho</td>
<td>Panama</td>
<td>$320 mn</td>
</tr>
<tr>
<td>BT 20 National Highway Project</td>
<td>SMBC, Bank of Tokyo-Mitsubishi UFJ, DBS Bank Ltd, etc.</td>
<td>Vietnam</td>
<td>$500 mn</td>
</tr>
<tr>
<td>Uskudar-Umraniye-Cekmekoy Metro Line Project</td>
<td>BNP Paripas, Credit Agricole Corporate and Investment Bank</td>
<td>Turkey</td>
<td>$192.9 mn</td>
</tr>
<tr>
<td>São Paulo Sustainable Transport</td>
<td>Santander</td>
<td>Brazil</td>
<td>$361 mn</td>
</tr>
<tr>
<td>Izmir Metro Project</td>
<td>ING Bank, a Branch of ING-DiBa AG</td>
<td>Turkey</td>
<td>$32.6 mn</td>
</tr>
<tr>
<td>Izmir Tramway Project</td>
<td>ING Bank, a Branch of ING-DiBa, AG</td>
<td>Turkey</td>
<td>$91.1 mn</td>
</tr>
</tbody>
</table>
**Political Risk Insurance** – Expropriation, Transfer and Convertibility, Breach of Contract, War and Civil Disturbance Cover

Henri Konan Bédié Bridge, Abidjan, Côte d’Ivoire

- **Project:** Design, construction, and operation of a toll bridge in Abidjan, Côte d’Ivoire
- **First PPP in Côte d’Ivoire since civil war and one of the first in West Africa
- **MIGA covering all private sector participants in transaction on their equity and subordinated loans**
  - Amount: $145m
  - Tenor: 10-15 years
  - Issued: June 2012

**Note:** PAIDF = Pan African Infrastructure Development Fund; AFC = Africa Finance Corporation, FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.; BMCE = BMCE Bank International Plc
Non-Honoring of Sovereign Financial Obligations
Panama City Metro Project, Panama

- **Project**: Construction of first line of Panama metro-rail, connecting northern and southern Panama City

- **MIGA Cover**
  - Amount: $320 million
  - Tenor: 12 years
  - Issued: June 2012

**Loan**
- Citi (Guaranteed by COFACE, CESCE); Andean Dev. Corp; GoP Cash & T Notes
- BTMU
- Citi
- Mizuho

**EPC Contractor**
- Line One Consortium

**O&M Contractor**
- TMB-Ayesa-Inelectra

**Government of Panama – Secretariat of the Metro**

**Line 1 Metro Project**
- Metro de Panama S. A. (Operator)
Non-Honoring of Sovereign Financial Obligations
BT20 National Highway 20, Vietnam

Project: Upgrading of highway connecting Ho Chi Minh City to Central Highlands

Rehabilitation of a severely deteriorated section of the road, a source of significant transportation bottlenecks and accidents.

MIGA Cover
- Amount: $500m
- Tenor: up to 15 years
- Issued: March 2014
Non-Honoring of Sovereign Financial Obligations
São Paulo Sustainable Transport

- **Project**: rehabilitation of about 800 kilometers of roads, reconstruction of two bridges, and other works to improve road safety.

- **MIGA Cover**
  - Amount: $361 million
  - Tenor: 12 years
  - Issued: November 2014
Political Risk Insurance – Expropriation, Transfer and Convertibility, War and Civil Disturbance, Breach of Contract Cover
Autopistas del Atlantico S.A. en C.V., Honduras

- **Project**: Rehabilitation of 220km of roads and reconstruction of bridges.
- **30-year concession agreement with a minimum revenue guarantee from the State.**
- **Financing**: 15yr USD 145M of debt.
- **MIGA cover**
  - Against the risks of TR, Expro, WCD, BoC.
  - Debt: 15yr, USD 115M cover to JPMorgan and CIFI.
  - Equity: 20yr, USD 60M cover to Grodco.
  - Both issued 2015.
Non-Honoring of Sub-Sovereign Financial Obligations
Izmir Tramway, Turkey

- Project: Construction of two urban tramway lines and related rolling stock in the Metropolitan Municipality of Izmir
- MIGA Cover
  - Amount: $91.1 million
  - Tenor: 13 years
  - Issued: June 2014
Non-Honoring of Sovereign Financial Obligations:
Compagnie Tunisienne de Navigation (CTN), Tunisia

- **Project:** financing of a passenger-car ferry for CTN, the Tunisian state-owned shipping line to reinforce transport links between Tunisia and Europe.

- **MIGA cover**
  - Amount: $270m
  - Tenor: 13 years
  - Issued: June 2011

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- **Obligor**
- **Guarantee holder**
- **Project to be funded**
MIGA’s Future Support to the Transport Sector

• Continue collaboration and cooperation with the World Bank and IFC
• More and proactive marketing and business development to expand client base
• Further diversify transport business by region and country
• Use of full guarantee products if applicable (PRI and Credit Enhancement)
• Achieving continued strong development impact
INSURING INVESTMENTS  ■ ENSURING OPPORTUNITIES