



# MIGA Infrastructure in Africa

Corporate Council on Africa  
October 2007



**World Bank Group**  
Multilateral Investment  
Guarantee Agency

# 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 (including sub-sovereign risk)
- Promoting cross-border investments between developing countries



# MIGA's strategy in Africa

- Countries recently the subject of civil strife suffer from poor investor perception
  - 16 of 47 SSA countries are classified by World Bank as conflict-affected



# Coverage

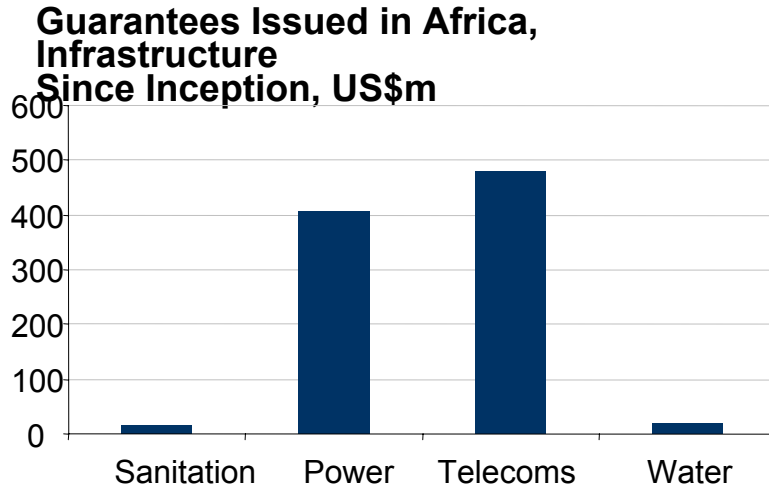
- **Currency transfer restriction and inconvertibility cover** protects against losses arising from:
  - inability to convert local currency into forex for transfer outside the host country
  - inability to transfer/excessive delays in acquiring forex (currency depreciation not covered)
- **War and civil disturbance cover** protects against losses arising from:
  - damage/disappearance of tangible assets due to war or civil disturbance (including revolution, insurrection, coups d'état, sabotage, and terrorism)
  - prolonged business interruption

# Coverage

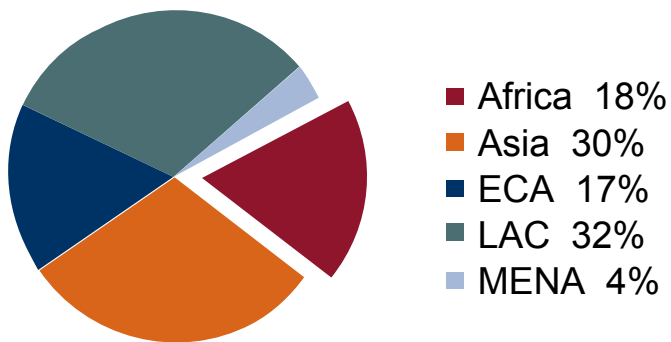
- **Expropriation cover** protects against losses arising from:
  - nationalization and confiscation
  - creeping expropriation, partial expropriation (limited coverage)
  - non-discriminatory measures may not be covered
- **Breach of contract cover** protects against government (including sub-sovereign) actions resulting in:
  - breach or repudiation of an agreement with the investor and non-enforcement of an arbitration award



# Infrastructure portfolio in Africa



**Current Gross Exposure, Infrastructure %, at June 30, 2007**



- Africa represents 18% of MIGA's infrastructure portfolio
- \$922m of guarantees issued in infrastructure in Africa since inception
- Examples of projects:
  - \$59.4m to Senegalese company for cell phone license in Guinea
  - \$36.9m to UK company for electricity distribution company in Uganda
  - \$15.7m to Italian company for waste management project in Senegal

# Small Investment Program (SIP)

- Coverage up to US\$5m
- Cheaper – Flat rate
- Faster – Single, free application
- Package - Transfer, Expropriation and War & Civil Dist. (no Breach of Contract cover)
- The SME (total size of investment) must fulfill two out of three criteria:
  - no more than 300 employees
  - total assets not be more than US\$15 million
  - total annual sales should not be more than US\$15 million
- Example of project: \$3.4m to Israeli company for wireless Internet in Sierra Leone



# ATF: Africa Trust Fund

- A new MIGA facility
- Supports technical advice on environmental and social issues to investors
- Works on a case by case basis with MIGA clients and prospective clients in Africa
- Examples:
  - assistance in preparing an environmental management plan for expanded operations
  - advice on developing a local supply chain
  - help in planning land acquisition and resettlement



# Bujagali Power Project- Uganda

## Project

250MW run-of-the-river power plant on the River Nile in Uganda, with a total cost of \$799m, and total WB support amounting to \$360m (MIGA guarantee, IDA Partial Risk Guarantee, IFC lending)

## Profile

Previous effort to develop a hydroelectric power project was withdrawn in 2001. Current project is a major infrastructure investment in E. Africa region

Power crisis in Uganda putting strain on economic growth

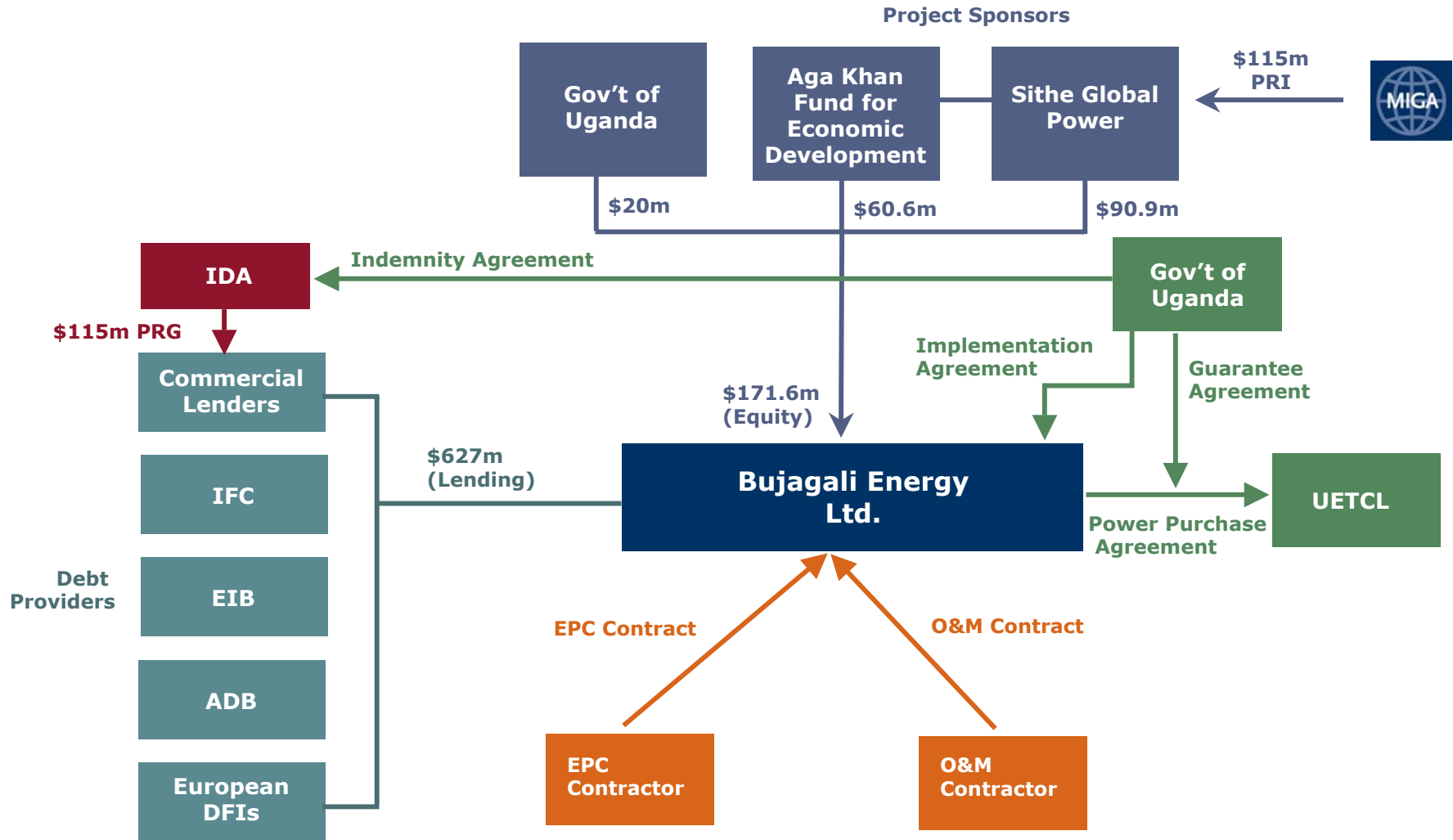
## Issues

Reliance on inefficient, stop-gap electricity supply, but still significant power shortages

New Electricity Act

Significant NGO concern

# Bujagali – Project Structure



# Bujagali – Risk Allocation

Phase	Risks/ Obligations	Sponsors	Lenders	GOU	World Bank Group
<b>Pre-Construction</b>	Project Design	✓			
	Debt and Equity Financing	✓	✓		
<b>Construction</b>	Cost Overruns	✓	✓	✓	
	Construction Delays	✓	✓	✓	
	Implementation of Environmental Management Plans and Resettlement Policy Frameworks	✓	✓	✓	
<b>Operation</b>	Operation and Maintenance	✓	✓		
	Output Quality Specs	✓	✓		
	Hydrology			✓	
	Payments under the IA and PPA	✓	✓	✓	✓
<b>Concession Term</b>	Currency Devaluation			✓	
	Currency Convertibility/ Transfer	✓	✓	✓	✓
	Political Force Majeure			✓	✓
	Changes in Law			✓	✓
	Natural Force Majeure	✓	✓	✓	



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## **For more information:**

Tom Vis  
Senior Risk Management  
Officer  
[tvis@worldbank.org](mailto:tvis@worldbank.org)

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

or

write to  
[migainquiry@worldbank.org](mailto:migainquiry@worldbank.org)