

The mission of Multilateral Investment Guarantee Agency

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Resume: The article is about Multilateral Investment Guarantee Agency. It is a partner organization (the newest member) of the World Bank Group. It was established in 1988. MIGA's mission is to promote foreign direct investment into developing countries to support economic growth, reduce poverty and improve people's lives. In order to achieve this, the Agency needs a clear understanding of the development outcomes of the projects it supports. The article clearly shows development results and financing in different regions. MIGA's \$3.2 billion issuance in fiscal year 2014 was expected to catalyze an additional \$2.6 billion in public and private co-investment. MIGA's \$5.3 billion issuance in fiscal year 2018 was expected to support total project financing of \$17.9 billion in public and private co-investment. Some 65.5 million people will be reached through infrastructure services (new or improved electricity, air and public transport passengers, and new subscribers to telecommunications services) supported by MIGA.

Keywords: Multilateral Investment Guarantee Agency, Basel Committee, financing, different regions, IBRD.

1. The creation and history of Multilateral Investment Guarantee Agency

The idea for a multilateral political risk insurance provider was floated long before MIGA's establishment—in fact as far back as 1948. But it was not until September 1985 that this idea started to become a reality. On April 12, 1988 an international convention established MIGA as the newest member of the World Bank Group. The agency opened for business as a legally separate and financially independent entity. Membership was open to all IBRD members, and the agency began with capital stock of \$1 billion. MIGA's original 29 members were: Bahrain, Bangladesh, Barbados,

Canada, Chile, Cyprus, Denmark, Ecuador, Egypt, Germany, Grenada, Indonesia, Jamaica, Japan, Jordan, Korea, Kuwait, Lesotho, Malawi, Netherlands, Nigeria, Pakistan, Samoa, Saudi Arabia, Senegal, Sweden, Switzerland, United Kingdom, and United States.²³

MIGA was created to complement public and private sources of investment insurance against non-commercial risks in developing countries. MIGA's multilateral character and joint sponsorship by developed and developing countries were seen as significantly enhancing confidence among cross-border investors.

Today, MIGA's mission is straightforward: To promote foreign direct investment into developing countries to support economic growth, reduce poverty and improve people's lives.

Here is MIGA's history from its establishment up to now:

- 1988-MIGA is established, Mr. Yoshio Terasawa appointed the first Executive Vice President Foreign Investment Advisory Services (FIAS) established as a joint venture of MIGA and IFC;
- 1990-MIGA issues its first investment guarantee contracts supporting four projects representing a total of \$1.04 billion in direct investment; First reinsurance contracts signed with national agencies: the Export Credit Agency of Canada and the Overseas Private Investment Corporation of the United States; MIGA holds its first investment promotion conference— in Ghana;
- 1991-Membership tops 100 countries;
- 1992-Mr. Akira Iida appointed Executive Vice President;
- 1994-MIGA focuses its technical assistance activities exclusively on investment promotion;
- 1996-MIGA launches IPAnet—a global internet-based information exchange, communications network, and marketplace;
- 1997-First contract issued under MIGA's Cooperative Underwriting Program (CUP) for a power project in Indonesia; EU Investment

²³ www.worldbank.org last modified 01.14.2019.

Trust Fund for Bosnia and Herzegovina: \$12 million investment guarantee fund established in partnership with MIGA; The West Bank and Gaza Investment Guarantee Trust Fund: \$20 million in capacity established in 1997;

- 1998-Mr. Motomichi Ikawa takes office as Executive Vice President; MIGA marks its 10th anniversary; The Council of Governors adopts a resolution for a general capital increase of approximately \$850 million, accompanied by a grant of \$150 million transferred from the World Bank's IBRD to MIGA. The doubling of MIGA's capital resources to \$2 billion enables the agency to deliver and expand its services to developing-member countries; MIGA holds first symposium with Georgetown University on international political risk—the symposium remains an influential, biannual event;
- 1999-MIGA for the first time issues guarantees exceeding \$1 billion in a single year, reaching a total of 1.3 billion; MIGA approves Environmental Assessment and Disclosure Policy and implements environmental standards for all new MIGA-insured projects;
- 2000-First MIGA/IFC Compliance Advisor/Ombudsman appointed; The Government of Ethiopia appoints MIGA as mediator for the resolution of the disputes between the Ethiopian government and foreign investors for projects not guaranteed by MIGA; Country membership tops 150; MIGA pays first claim;
- 2001-New issuance reaches \$ 2 billion; Four MIGA-supported projects, including a telecommunications project in Brazil and a mining project in Russia, receive industry awards from major publications; Investment Promotion Toolkit launched;
- 2002-MIGA conducts investor survey in the wake of September 11, 2001 attacks; Project Finance Magazine names the MIGA-supported Manila North Tollways Corporation project the "Asia-Pacific Transport Deal of the Year 2001";
- 2003-Two MIGA-supported projects, a power project in Turkey and hospital renovation project in Romania financed by Volksbank Romania S.A., receive "Deal of the Year" awards
- 2004-Ms. Yukiko Omura takes office as Executive Vice President;

- 2005-MIGA launches Small Investment Program to encourage investment in small and medium-size enterprises; MIGA launches Afghanistan Investment Guarantee Facility to support foreign direct investment into that country; MIGA-backed projects receive five “Deal of the Year” awards;
- 2006-MIGA supports project in El Salvador that sells carbon credits gained by reducing greenhouse gas emissions; MIGA supports first project under the new facility for Afghanistan to promote development in the cotton sector;
- 2007-MIGA supports its first project funded through an Islamic financing structure, issuing guarantees for a port in Djibouti; MIGA launches PRI-Center.com, a political risk management and insurance portal, and consolidates its existing investor information services into FDI.net, providing a single entry point for investors seeking information on foreign direct investment;
- 2008-MIGA celebrates 20th anniversary; Issued guarantees reach historic \$2.1 billion; Four MIGA-supported projects—in Uganda, Djibouti, Costa Rica, and Kazakhstan—win top industry honors; MIGA’s technical assistance services integrated with FIAS, a multi-donor funding platform for World Bank Group investment climate reform programs; Ms. Izumi Kobayashi named Executive Vice President;
- 2009-MIGA’s Board of Directors approves substantial changes to the agency’s operational regulations encompassing a number of measures including one new type of coverage: non-honoring of sovereign financial obligations. The changes represent the largest and most significant expansion of MIGA’s business toolkit since 1988; MIGA’s support to investors this year includes \$1.2 billion in guarantees to support the real economy in the Europe and Central Asia region, which was hit particularly hard by the financial crisis; MIGA launches World Investment and Political Risk as an annual “flagship” publication;
- 2010-Basel Committee on Banking Supervision classifies MIGA as a “highly-rated multilateral,” a treatment that recognizes the special

value of MIGA's insurance to banks; MIGA launches Asia hub to expand physical presence in the region;

- 2011-Council of Governors approves amendments to MIGA's convention to enhance MIGA's effectiveness as a multilateral provider of political risk insurance;
- 2013-MIGA celebrates 25th anniversary; Ms. Keiko Honda named Executive Vice President; MIGA extends non-honoring of financial obligations cover to include financial obligations from state-owned enterprises;
- 2014-MIGA issues a record \$3.2 billion in new guarantees while gross exposure reaches \$12.4 billion;
- 2015-MIGA introduces a new model for blended financing in Brazil; MIGA provides its first guarantee in support of the pension funds sector in El Salvador;
- 2016-Of a record \$4.3 billion in guarantees issued, 53 percent of investments insured by MIGA are in poverty-afflicted areas; MIGA launches its first Gender CEO Award; MIGA opens its first Africa regional hub in Dakar, Senegal;
- 2017-MIGA issues a record \$4.8b in guarantees to private sector investors and lenders; MIGA brings to the market an innovative project bond, in support of Turkey's ambitious 'Health Public-Private Partnership' program, that segregates project risk from sovereign risk. A 20-year MIGA guarantee and an EBRD liquidity facility allow an infrastructure bond to obtain a credit rating two notches above the sovereign rating;

2. MIGA's support for economic growth

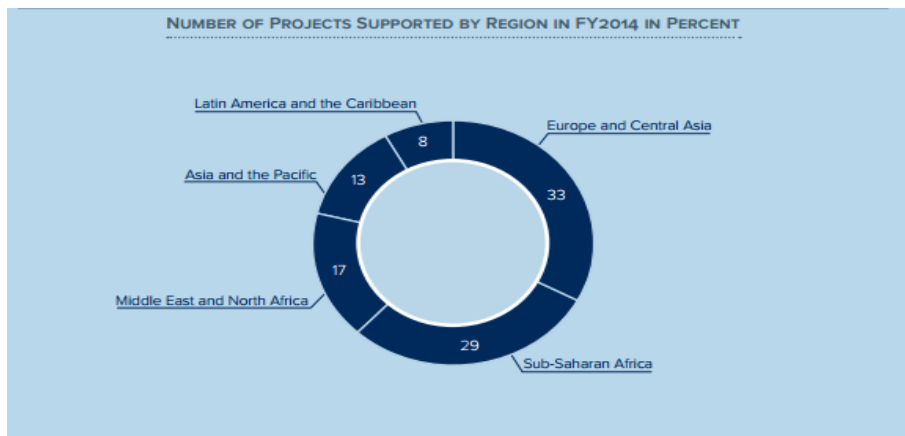
MIGA's mission is develop foreign direct investment into developing countries to support economic growth, reduce poverty and improve people's lives. MIGA's financing has a following look:

Table#1 Amount of financing²⁴

²⁴ www.miga.org last modified 01.14.2019.

<u>Years</u>	<u>Amount of financing (in millions of dollars)</u>
2010	1,464
2011	2,099
2012	2,657
2013	2,781
2014	3,155
2015	2,828
2016	4,258
2017	4,842
2018	5,251

The picture below shows the distribution of projects in different regions of the world in 2014.



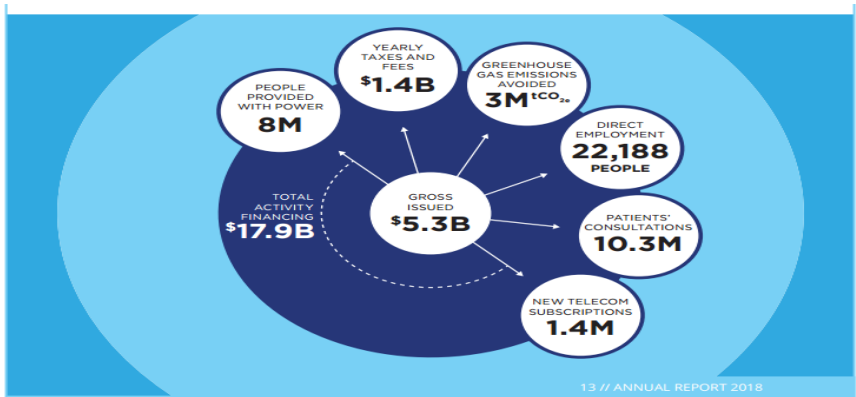
Table#2 Number of projects in 2014

8 % of MIGA's projects goes to Latin America and Caribbean, 33%-in Europe and Central Asia, 29% in Sub-Saharan Africa, 17 % in Middle East and North Africa and 13 % in Asia and the Pacific.

MIGA’s mission is to support economic growth, reduce poverty, and improve people’s lives. In order to achieve this, the Agency needs a clear understanding of the development outcomes of the projects it supports. MIGA’s \$3.2 billion issuance in fiscal year 2014 was expected to catalyze an additional \$2.6 billion in public and private co-investment.



Here are highlights of the development results expected from projects supported by MIGA guarantees signed in fiscal year 2014:



MIGA’s \$5.3 billion issuance in fiscal year 2018 was expected to support total project financing of \$17.9 billion in public and private co-investment. Some 65.5 million people will be reached through infrastructure services (new or improved electricity, air and public transport passengers, and new

subscribers to telecommunications services) supported by MIGA.²⁵ There are the highlights of the expected development results below.



In 2018, MIGA issued more than \$50 billion in guarantees, in support of over 845 projects in 111 of its member countries. The Agency also supported multiple programs at regional and global levels in member countries.

Bibliography

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2. <https://www.miga.org/> last modified 01.14.2019.
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²⁵ www.miga.org last modified 01.14.2019.