

World Bank Group's MIGA Promotes Foreign Investments in Africa

Sub-Saharan Africa is increasingly becoming a more attractive and hospitable destination for investors. Over the last decade, Africa's economic growth has averaged at 5.3 percent. Even if one takes into account the current global economic crisis, Africa's average growth is expected to be only half a percentage point below the projected 6.4 percent this year.

"We are now seeing increases in African countries' per capita income consistent with those of other developing countries, and African countries have made great strides in expanding access to health and education," said Obiageli Ezekwesili, World Bank Group Vice President for Africa.

Opportunities Abound for Investors

These gains have not gone unnoticed by foreign investors. According to UNCTAD's [World Investment Report 2008](#), Africa received record FDI flows of \$53 billion in 2007 and "prospects for increased FDI inflows in 2008 are promising in light of continued high prices for commodities."

Important regulatory reforms undertaken by many African countries are making it easier for businesses in the continent. According to the World Bank Group report [Doing Business 2009](#), three of the world's top 10 reformers of business regulations were in Africa this year. These were Senegal, Burkina Faso and Botswana.

Despite its enormous potential, low cost labor and vast natural resources, many investors still remain wary of investing in Africa. While Africa loses out on the developmentally beneficial impact of FDI — tax revenues for governments, jobs for the unemployed, essential infrastructure like roads, clean water and electricity — investors miss opportunities to capture potential high yields from a vast, largely untapped market.

MIGA Guarantees Encourage Investments

The [Multilateral Investment Guarantee Agency](#) (MIGA), the political risk insurance arm of the World Bank Group, is helping change the status quo. [MIGA's mandate](#) is to support economic growth, reduce poverty and improve people's lives by promoting FDI into developing countries. It does this by covering FDI against political risks, encouraging investors to go into the countries that need their investments the most.

For investors, MIGA's added value, on top of investment protection, lies in its ability to deter harmful government actions and [resolve disputes](#) to keep investments on track. The agency derives the strength to do this by virtue of its status as a member of the World Bank Group and as an entity whose shareholders include [173 countries of the world](#). No investor supported by MIGA guarantees in the continent has had to resort to filing a claim.

MIGA's Diverse Portfolio in Africa

To date MIGA has issued \$2.5 billion in guarantees to support investments in about [100 projects](#) in all sectors across sub-Saharan Africa. MIGA specializes in supporting

investments in countries just emerging from conflict, providing coverage where other insurers are often not willing to go, such as Angola, the Democratic Republic of Congo, Mozambique, and Sierra Leone.

Projects supported by MIGA have ranged from the rehabilitation of sugar plantations to the establishment of broadband wireless service. They vary in size — from \$115 million in guarantee coverage for a hydropower project in Uganda to a \$600,000 [hotel privatization project in Guinea-Bissau](#). MIGA projects in Africa include the [OrPower 4, Inc.](#), a geothermal power plant in Kenya; [a PVC pipe manufacturing plant](#) in the Democratic Republic of Congo; [the Bujagali Hydropower Project](#) in Uganda; the [Sasol gas pipeline project](#) in Mozambique, and many more.

MIGA also disseminates information about investment opportunities in Africa through its online investment information portal, [FDInet](#). The portal provides investors with information on specific investment opportunities in developing countries and on the full spectrum of business resources needed to make decisions about cross-border investing.

Risks Covered by the Agency

MIGA can help investors and lenders deal with political risks by insuring [eligible projects](#) against losses relating to [currency transfer restrictions, expropriation, war and civil disturbance \(including terrorism\) and breach of contract](#). These guarantees offer much more than just the assurance that losses will be recovered. The guarantees can benefit investors and lenders by helping to access funds from capital markets, lowering borrowing costs and increasing tenors. Investors keen to manage reputational risk also stand to benefit from MIGA's extensive country knowledge.

“MIGA projects can play a critical role in advancing social and economic development in Africa,” said James Bond, Acting Executive Vice President and Chief Operating Officer at MIGA. “We hope that MIGA's support will help boost investor confidence and catalyze further investment and development in the continent.”

For more information about MIGA's guarantee program, visit www.miga.org.

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