

MIGA in Conflict-Affected Countries

The Cost of Conflict

The annual global cost of conflict is estimated to be around \$100 billion. With few exceptions, conflict-affected countries are among the least developed and the world's poorest. In Africa, the Middle East, and elsewhere, conflict has become a major constraint to poverty reduction—halting social progress and preventing economic growth.

The needs of post-conflict countries are many. Basic infrastructure—such as homes, schools, factories, communications networks, roads and trade links—has been destroyed. Currency is weakened. Death, displacement, and lack of training result in seriously diminished human resources. And institutions are weak, with dysfunctional financial, government, and legal structures further complicating the recovery effort.

How MIGA Can Help

Foreign direct investment (FDI) can have a strong, positive impact on rebuilding conflict-affected countries, bringing much-needed private capital, technology, and new skills, and stimulating local spin-off industries. Foreign investment can also enhance confidence in a country as an investment destination, which encourages investors to take advantage of the opportunities presented by the rebuilding process.



The Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, promotes foreign direct investment in emerging economies to support economic growth, reduce poverty, and improve people's lives. It does this through providing political risk insurance, or guarantees, to investors and lenders, against losses caused by noncommercial risks.

The risks covered by MIGA include:

- Currency inconvertibility and transfer restrictions
- Expropriation
- War, civil disturbance, terrorism, and sabotage
- Breach of contract
- Non-honoring of sovereign financial obligations

MIGA provides dispute resolution services for guaranteed investments to prevent disputes from escalating.

But years of conflict can color investors' perceptions of risks, particularly those of a noncommercial nature. The Multilateral Investment Guarantee Agency (MIGA) was created in 1988 to mitigate some of these risks and encourage FDI through the provision of political risk insurance for developmentally sound projects. MIGA can play a critical role in encouraging FDI back into a country after the war's end, as shown in several countries, including Bosnia-Herzegovina, Afghanistan, Sierra Leone, and Mozambique.

MIGA plays an important role in post-conflict situations, providing coverage in countries where other insurers are often not willing to go. The agency's guarantees are particularly important when investors need the comfort that insurance provides, and private investment is needed to help cement the sometimes fragile peace. MIGA's guarantees can help by making a project more attractive to lenders by lowering its overall risk profile. Equally important, the projects supported

by MIGA create confidence among the international and domestic business communities, helping to attract even more investment and encouraging the return of flight capital. Each dollar of investments secured by MIGA brings to the country an estimated four dollars of FDI.

To promote peace and stimulate development, and in partnership with other agencies, MIGA has established trust funds for Bosnia-Herzegovina, Afghanistan, and for the West Bank and Gaza which allow the agency to facilitate urgently needed foreign investment in inherently riskier environments.

MIGA at Work:

MIGA Supports Landmark Telecom Investment in Afghanistan

In 2007, Afghanistan received a major cash injection with a MIGA-backed investment in a state-of-the-art

telecommunications network. The project is providing country-wide access to a range of affordable telecommunications services, including wireless cell phone, internet and satellite services, as well as public pay phones. The investor, the MTN Group of South Africa, installs, operates, and maintains a 100 percent digital GSM technology network via its Afghan subsidiary, Areeba Afghanistan LLC.

Afghanistan is a challenging environment, and MIGA's support helps boost investor confidence and catalyze further investment and development in the country.

Since 2006, MIGA has issued more than \$80 million in guarantees in support of investments in telecommunications, banking, agribusiness, and services in Afghanistan.

Selected MIGA Projects in Conflict-Affected Countries

Host country	Guarantee holder	Investor country	Sector	Guarantee amount (\$ million)	Fiscal year
Congo, Democratic Republic of	Mr. Ralph Freiha, Yousef Freiha & Sons, Freiha Feed Company SAL and African Company for Oil and Derivatives	Lebanon	Agribusiness	4.3	2009
Sierra Leone	Sierra Investment Fund LLC	Mauritius	Manufacturing	1.2	2009
Guinea-Bissau	Société Nationale des Télécommunications du Sénégal S.A. (Sonatel)	Senegal	Telecom	25.9	2008
Central African Republic	Orange Participations S.A.	France	Infrastructure	38.0	2008
Afghanistan	International Home Finance & Development, LLC	United States of America	Services	0.9	2008
Afghanistan	MTN Group	South Africa	Infrastructure	74.5	2007
Guinea	Sonatel	Senegal	Infrastructure	59.4	2007

For general inquiries and additional information on applying for a guarantee, contact migainquiry@worldbank.org, call 1.202.458.2538, or visit www.miga.org/guarantees.