



Presenter

Mobilizing Private Investment for Emerging Infrastructure Priorities: The Role of Risk Mitigation and Guarantees

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Head of Korea,
Multilateral Investment Guarantee Agency (MIGA)

Mobilizing Private Investment for Emerging Infrastructure Priorities: The Role of Risk Mitigation and Guarantees



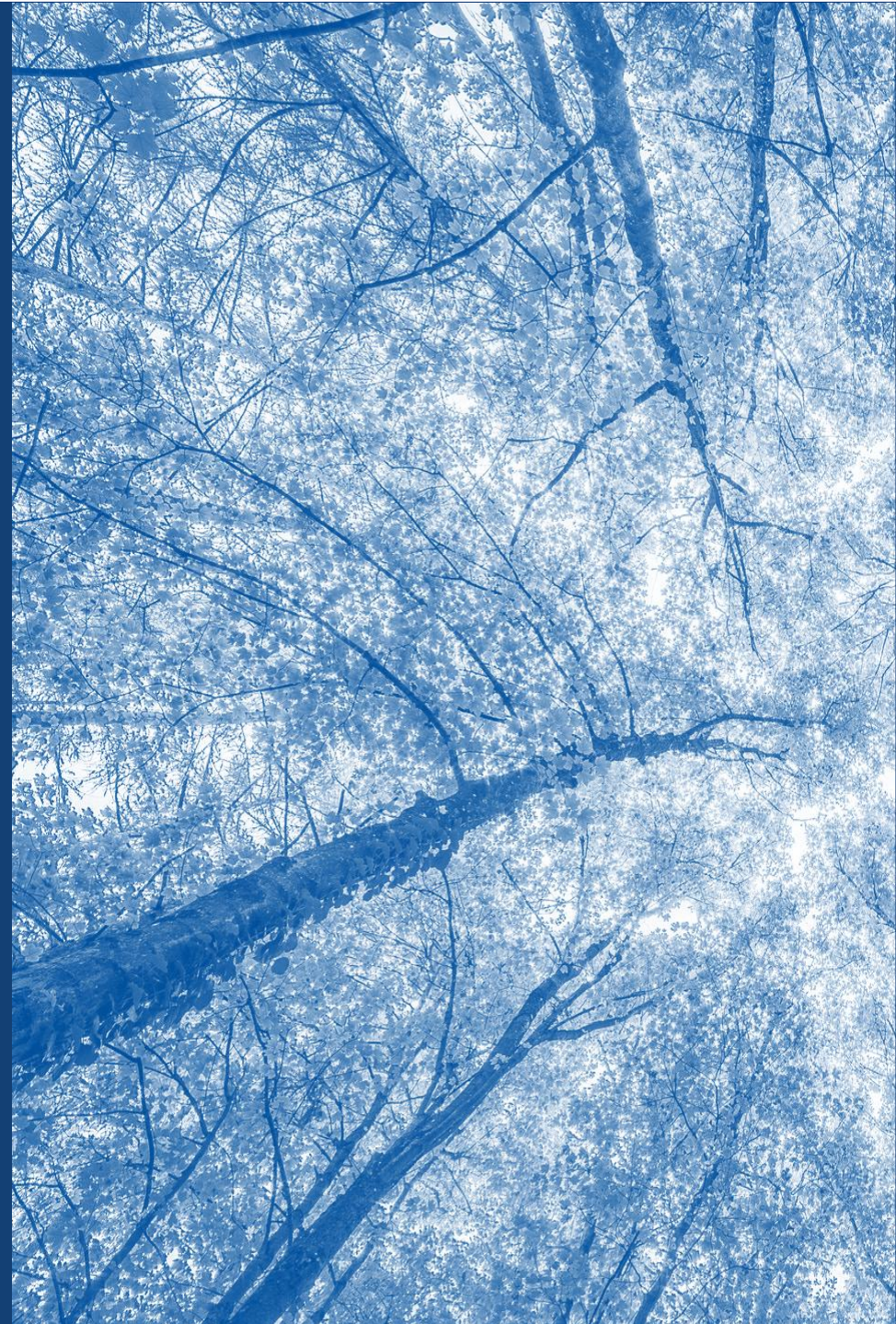
Mobilizing Private Investment for Emerging Infrastructure Priorities:

The Role of Risk Mitigation and Guarantees

Kyoung-ho Park

Head of Korea & Mongolia, MIGA
The World Bank Group

September 2026





Agenda



MIGA in the World Bank Group



MIGA’s roles in de-risking Political Risk for PPP Projects

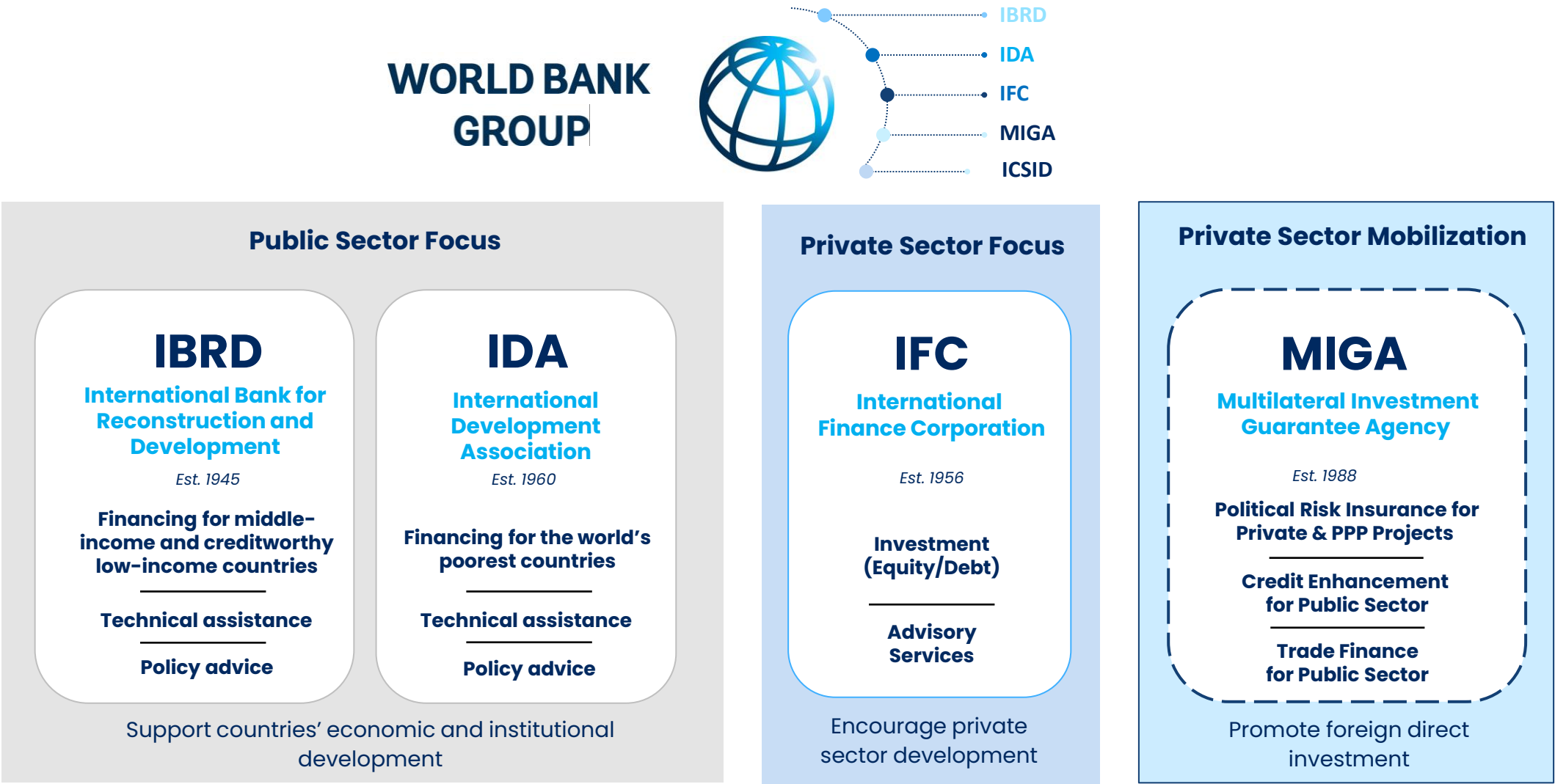


Annex

Mobilizing Private Investment for Emerging Infrastructure Priorities: The Role of Risk Mitigation and Guarantees



The World Bank Group Operating Model

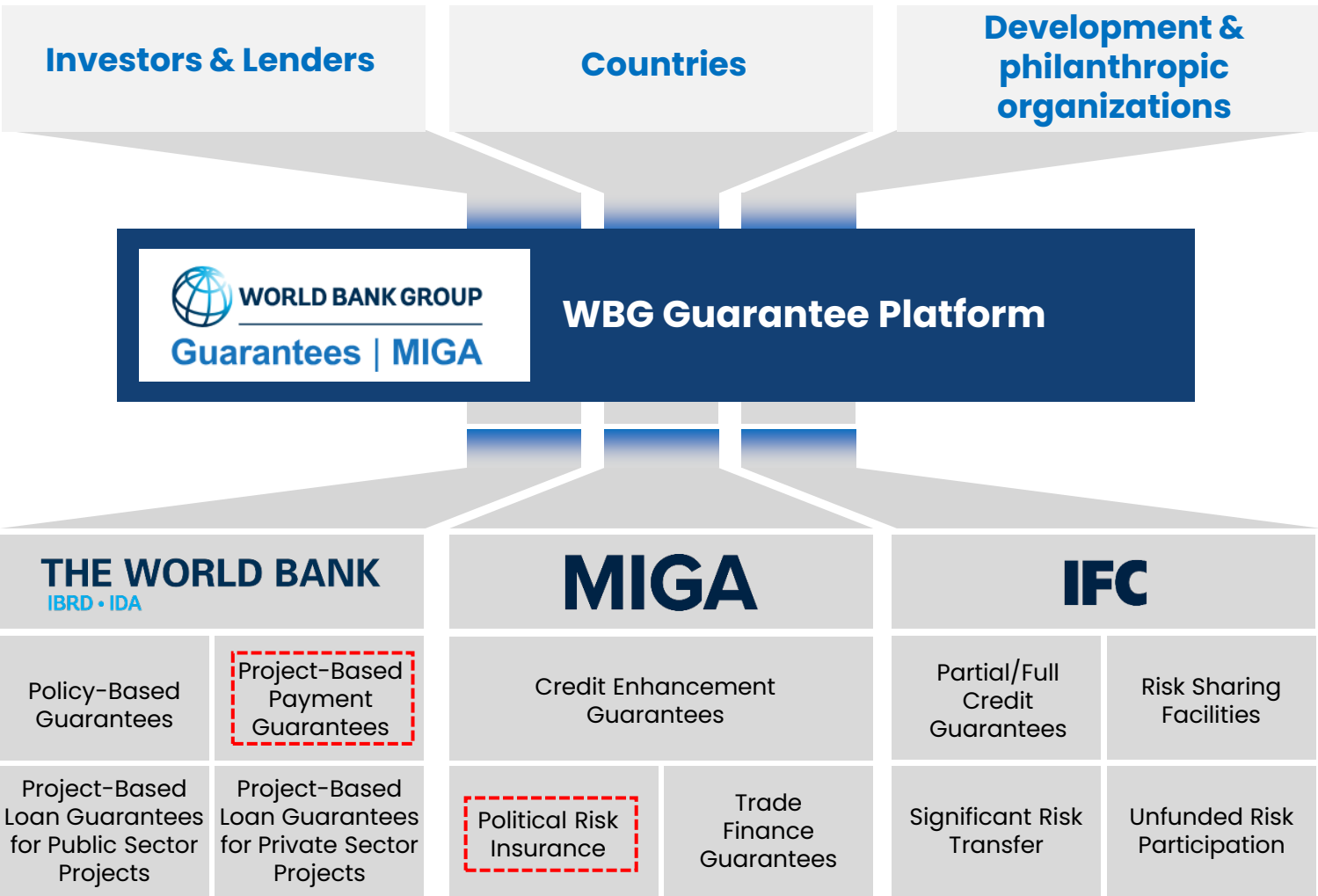


Shared Vision: Ending Poverty on a Livable Planet

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While WBG institutions have historically offered guarantees separately, the WBG Guarantee Platform unifies these products

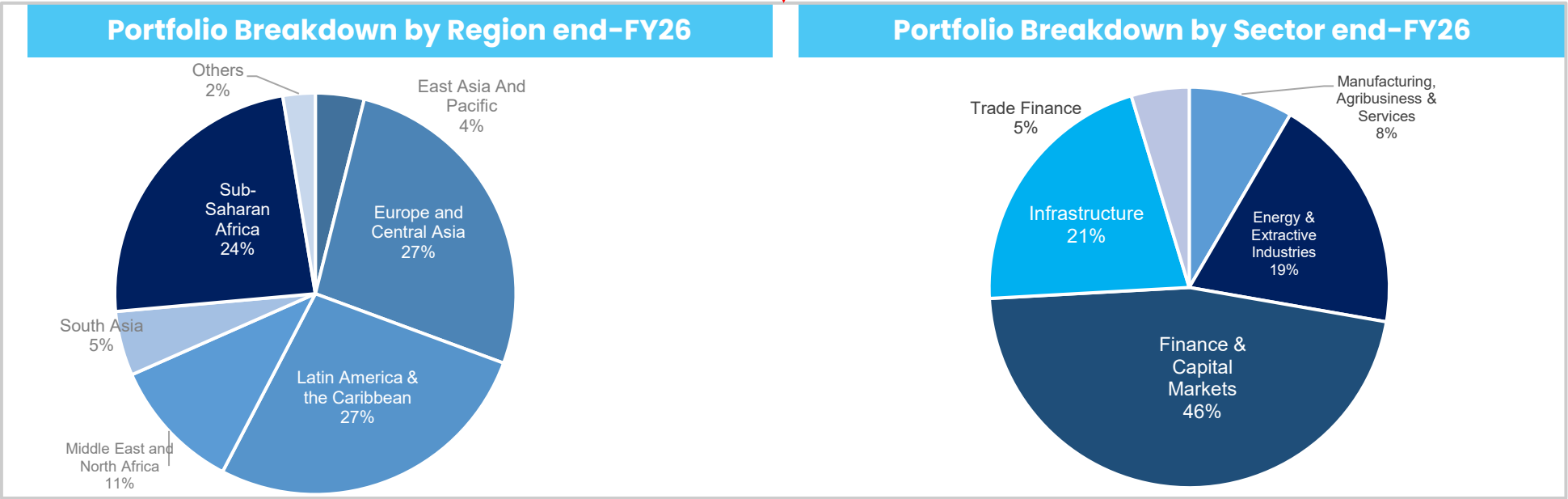
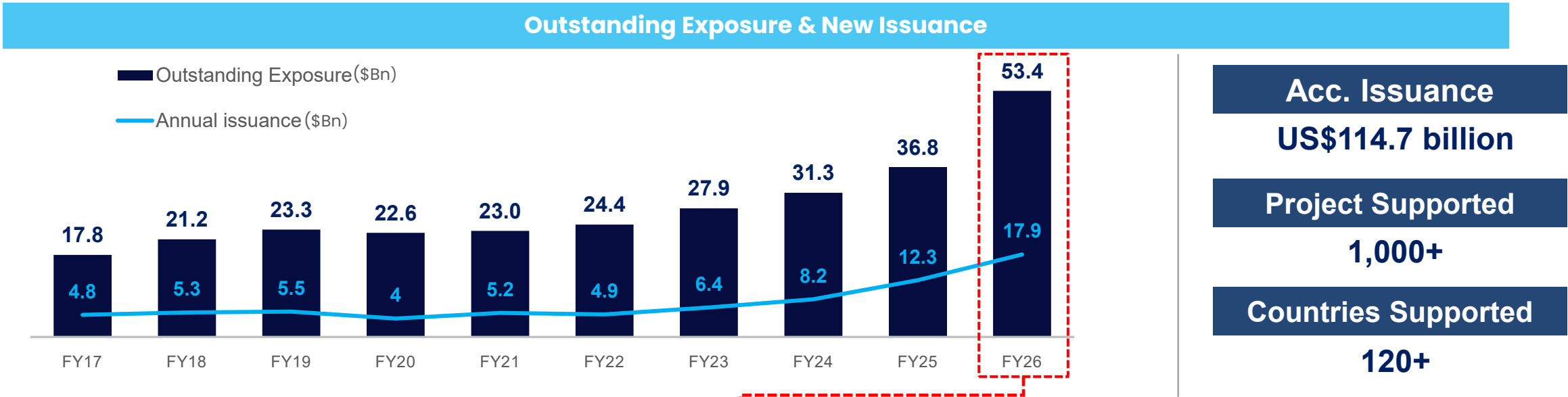


- 1 Single storefront and point of contact for all investors (sponsors and lenders), countries and partners**
Providing simplified access to all guarantee products to help: (a) investors to facilitate their investments, (b) countries to utilize guarantees to increase investment, and (c) partners to understand collaboration opportunities
- 2 Integrated menu of products leveraging the balance sheets and capabilities of the three WBG institutions**
Fostering innovative de-risking solutions
Combining financial strengths
- 3 Integrated and expanded team of guarantee professionals**
WBG guarantee team and experts accessible to clients through the Platform
Joint structuring of transactions and co-creation of innovative solutions tailored to our clients' needs
- 4 Streamlined processing and operations powered by MIGA**
Streamlining the approach to due diligence and project evaluation to remove redundant processes wherever possible

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MIGA’s portfolio has almost tripled in the past 10 years



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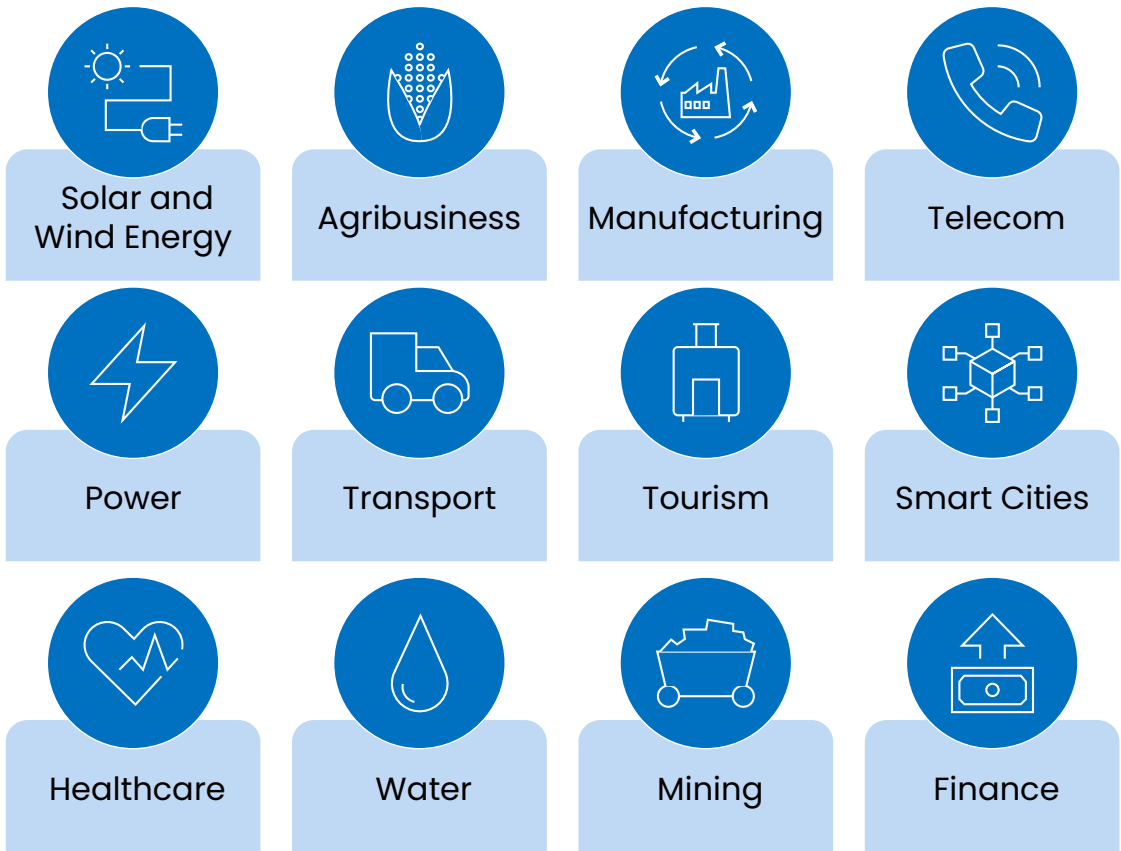
WBG Guarantees have supported clients across a broad spectrum of sectors

WBG Guarantees clients

Selected partners



Sectors covered by WBG Guarantees



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MIGA in the World Bank Group



MIGA's roles in de-risking Political Risk for PPP Projects



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What is PPP?

PPP is a long-term partnership between private party and government entity, to provide a public asset or service, where both parties share project risks and the private is remunerated in return to risk sharing

Typical PPP Concept



Commercial funding

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Key Risk Factors in PPP Projects

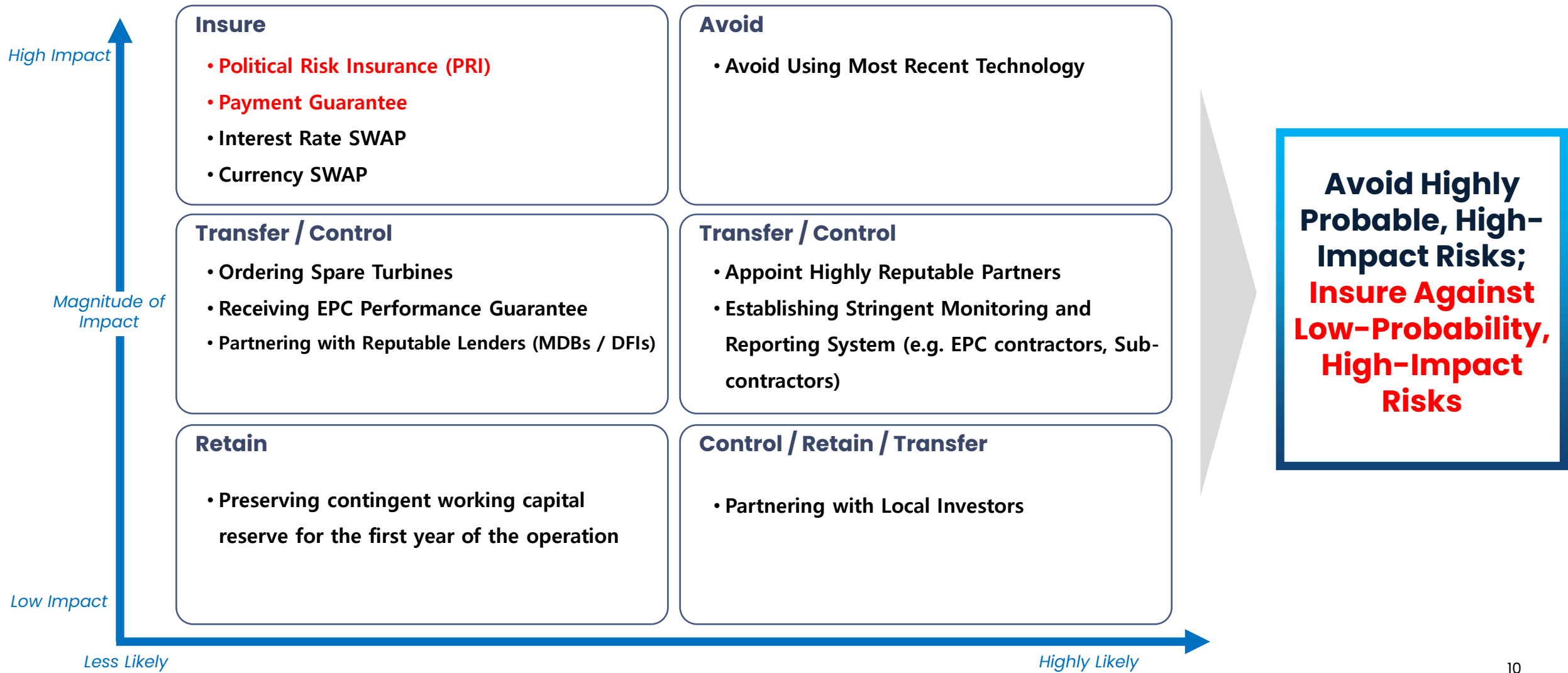
 Commercial / Market Risk	Directly related to the revenue stream – Mainly Demand Risk (e.g., lower-than-expected toll road traffic or introduction of newer cheaper source of energy)
 Financial & Economic Risk	Interest rate volatility, foreign exchange/currency convertibility restrictions, and lack of available project refinancing
 Political & Regulatory Risk	Government breach of contract, expropriation of assets, unexpected tax changes, transfer restriction, war & civil disturbance, or early termination of the concession
 Technical / Operational Risk	Engineering failures, performance standard shortfalls, and technological obsolescence

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Risk Allocation and Mitigation

Risk should be properly Allocated by considering its frequency and impact



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There are several benefits of guarantees for governments seeking to fund major projects with constrained public resources

Share risk and reduce financial burden



Share financial risks associated with large-scale development projects with private investors and MDBs

Access additional funding while minimizing the need for public debt



Encourage FDI into EMDEs by protecting foreign investors against specific risks, enabling projects to proceed while minimizing or eliminating the need for public debt

Reduce costs of borrowing



Access commercial financing at better terms (longer tenors/lower interest rates), enhancing sovereign credit rating

Enable demonstration effects



Spark a virtuous cycle of private sector investment in the country as projects are successfully implemented and funders gain confidence and local experience



MIGA Political Risk Insurance Solutions for Investors and Lenders

 Currency Inconvertibility and Transfer Restriction	Inability to convert or transfer dividends or loan payments due to FX restrictions
 Expropriation	Government nationalizes or otherwise makes it impossible to operate the project through discriminatory measures
 War and Civil Disturbance	Destruction or interruption of business due to political violence (incl. sabotage and terrorism)
 Breach of Contract	Failure of government to honor obligations under contractual agreements and subsequent failure to honor arbitral award

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MIGA POLITICAL RISK INSURANCE

Pakistan: Deliver climate change benefits & reducing power shortage Gulpur Hydropower Project

Project Overview

- Construction, operation, and maintenance of a 102-megawatt run-of-the-river hydropower plant under BOOT
- The Project will sell all of its electricity to the National Transmission and Despatch Company of Pakistan under a 30-year Power Purchase Agreement

Guarantee Holders

DAELIM

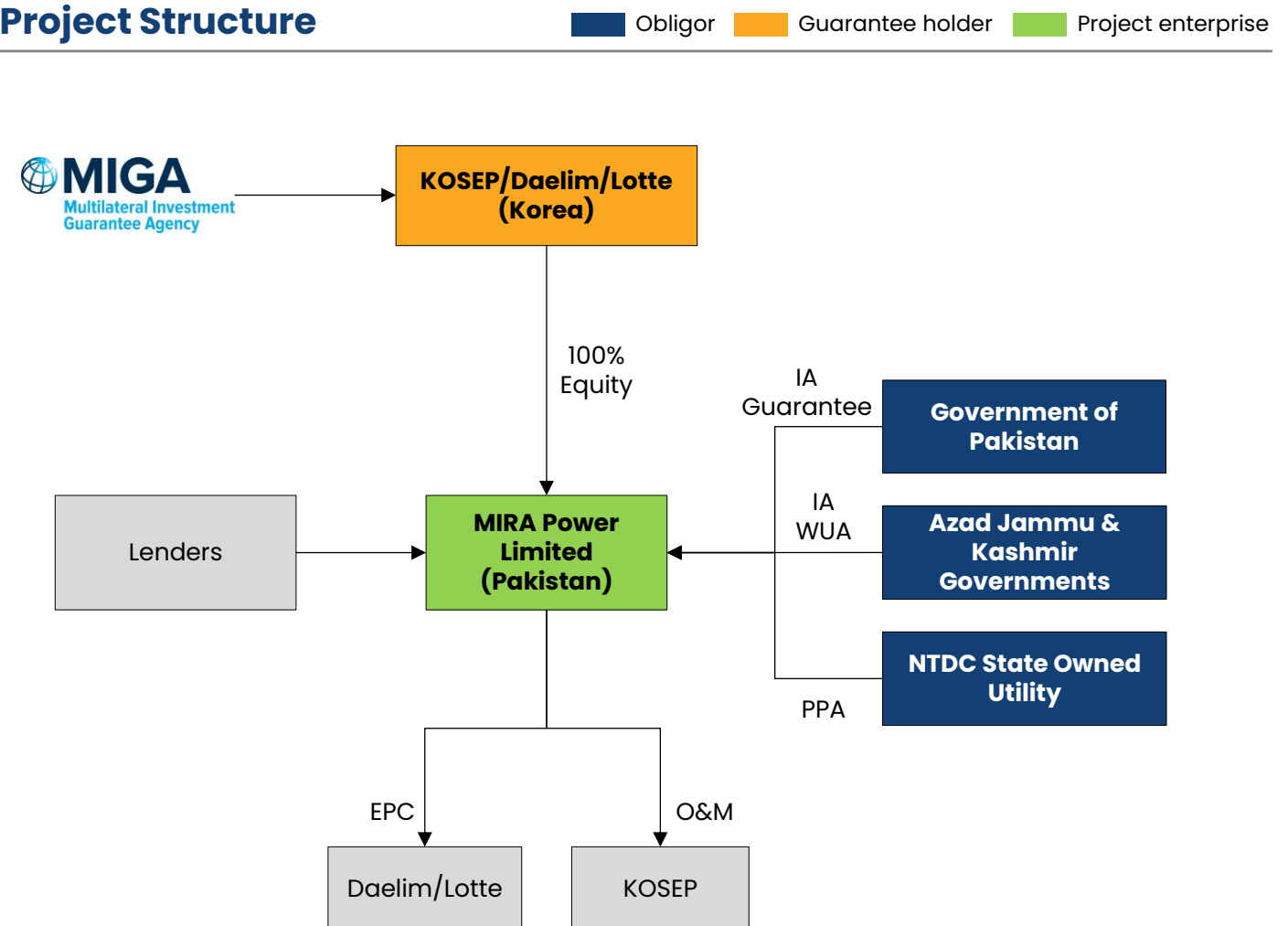
LOTTE

Cover Details

- Amount: \$82.7m (equity)
- Tenor: 15 years
- Risk: Breach of Contract
- Issued: June 2015

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Simplified Project Structure



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Political Risk and **Payment Guarantees**

Political Risk Insurance
MIGA Balance Sheet

 Expropriation	Government nationalizes or otherwise makes it impossible to operate the project through discriminatory measures
 Currency Inconvertibility and Transfer Restriction	Inability to convert or transfer dividends or loan payments due to FX restrictions
 War and Civil Disturbance	Destruction of assets or interruption of business due to political violence (incl. sabotage and terrorism)
 Breach of Contract	Government failure to honor obligations under commercial contracts and subsequent failure to honor an arbitral award

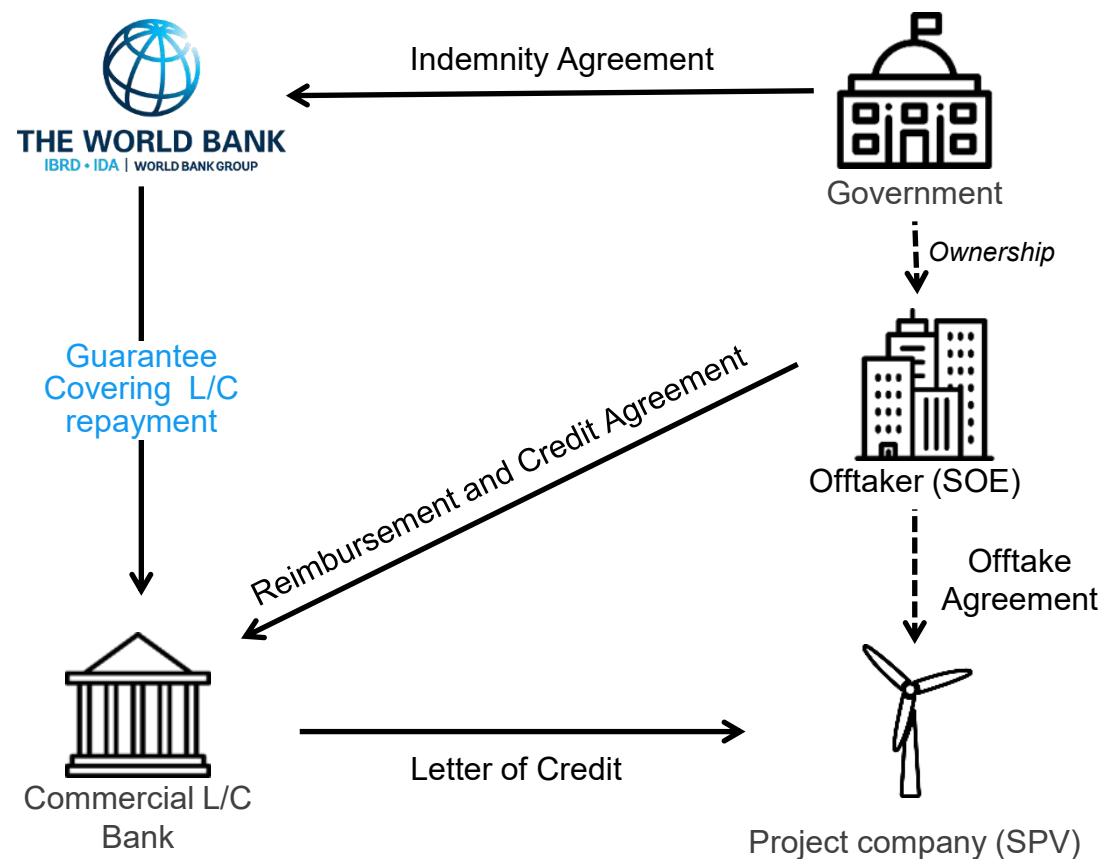
IBRD/IDA
Balance Sheet

 Payment guarantees for Private Projects	Government failure to pay financial obligations under non-debt commercial contracts
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PROJECT-BASED payment guarantee – Contractual structure

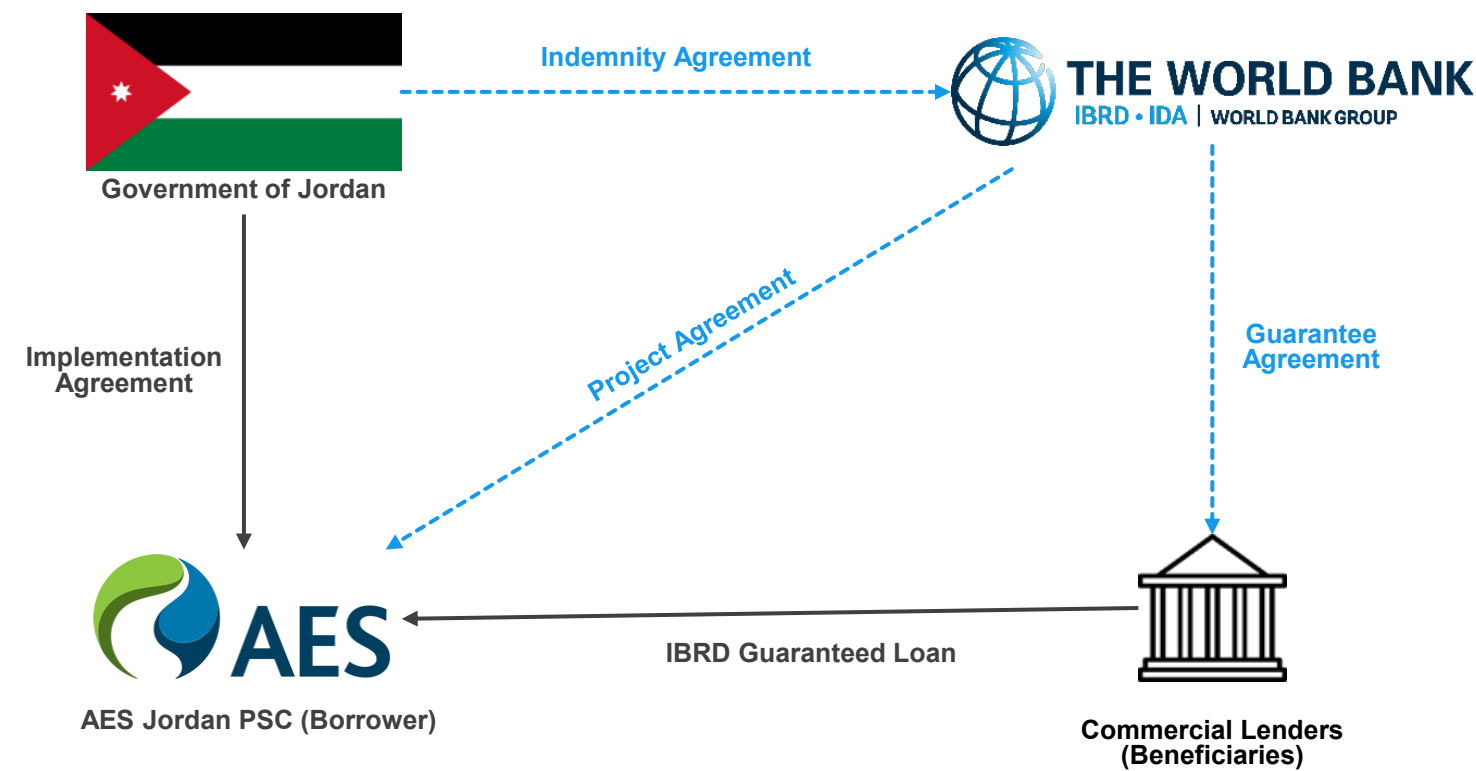


- Guarantee covers Letter of Credit (L/C) providing liquidity support to mitigate the public offtaker payment risk.
- Each drawdown on the L/C is converted into a 12-month loan to the SOE.
- Upon drawdown on the L/C by SPV, SOE and/or government has an obligation to repay the L/C Bank.
- If the SOE and/or the government fail to repay the L/C Bank, the World Bank steps in and reimburses the L/C Bank.

The L/C Bank is ultimately only facing the World Bank counterparty risk.

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PROJECT Case: Aes Jordan project



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MIGA’s Products for De-Risking Carbon Markets

	Coverages	Description of risks	Potential De-Risking by MIGA
Underlying Investment Project	Expropriation 	Confiscation of company ownership or physical assets Revocation of land rights or operating licenses	Insure against Expropriation by government of ownership of project company, land rights, revocation of consents/permits/license or physical/bio assets, based on which carbon credits are generated
	War and Civil Disturbance 	Political violence leading to loss of assets or permanent closure of the project	Insure against war / temporary business interruption political violence , which would enable carbon development in places even with such risks, e.g., inability to deliver carbon credits due to loss of access or closure of the project permanently or for an extended period.
	Inconvertibility & Transfer Restriction 	Inability to convert or transfer investment proceeds due to FX restrictions	Protect against losses arising from: (i) the inability to convert local currency into foreign exchange within the host country, and (ii) the inability to transfer the carbon proceeds out of the host country
Carbon Credits	Breach of Contract 	Revocation of initial Authorization, or the government not honouring legally binding commitments	Insure against the risks of the government revoking its commitments under the Letter of Authorization or the investment agreement which leads to non-enforcement of arbitral awards, to provide assurance that host country would honor its legally binding commitments on granting the carbon rights or/and applying Corresponding Adjustment
		 Non-Enforcement of a Bilateral Investment Treaty (BIT)	Potential cover on carbon credit investment under relevant BITs (*) in case the rulings of a dispute resolution mechanism set forth in a BIT cannot be enforced for the losses arising from the government’s violation of fair and equitable treatment toward carbon investments.

* A legal assessment is required to determine if the carbon investment is considered as an eligible investment under relevant BITs.

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MIGA's Letter of Authorization Template

Uncertainties surrounding the legal nature of carbon credits and corresponding adjustments led MIGA to develop a Letter of Authorization (LOA) template to help secure insurable rights to carbon credits.

- This LOA would help unlock MIGA's Breach of Contract cover to cover the risks of revocation of host governments' corresponding adjustment commitments under the LoA.
- [The LOA template](#) launched at COP29 will also serve as a public good for standardizing host government commitments to private investors.
- It is also part of [the Article 6 Letter of Authorization and Acknowledgement package](#) launched by the World Bank.



LETTER OF AUTHORIZATION FOR USE OF EMISSIONS REDUCTIONS UNDER
ARTICLE 6.2 OF THE PARIS AGREEMENT FOR INTERNATIONAL MITIGATION
PURPOSES OR OTHER PURPOSES

TEMPLATE: November 2024

"This LoA template should be understood as a concerted effort in the market to assist project developers and investors in setting out their legal rights over emission reduction, thereby increasing the insurability and bankability of carbon projects."

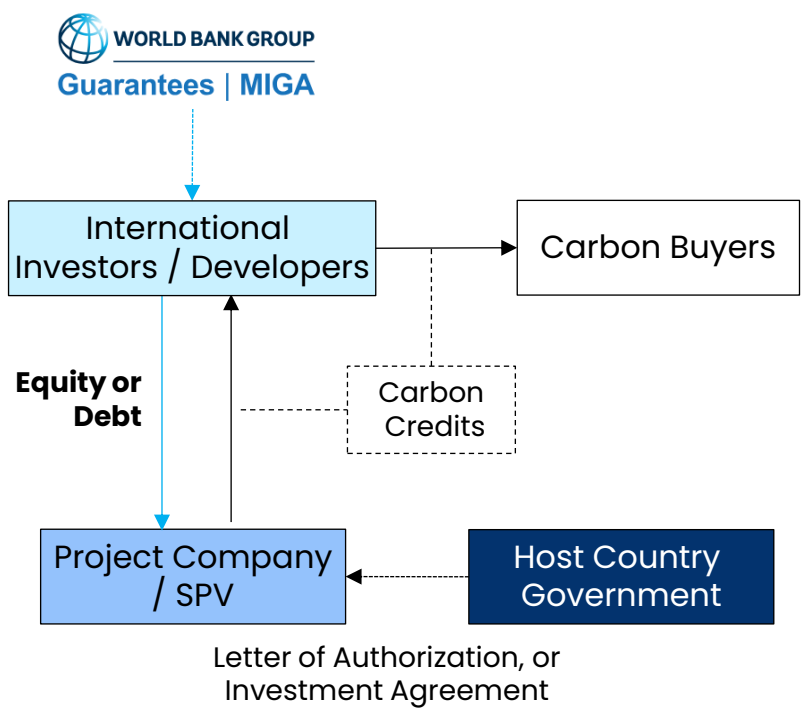
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Examples of Structures for De-Risking Carbon Credit Market

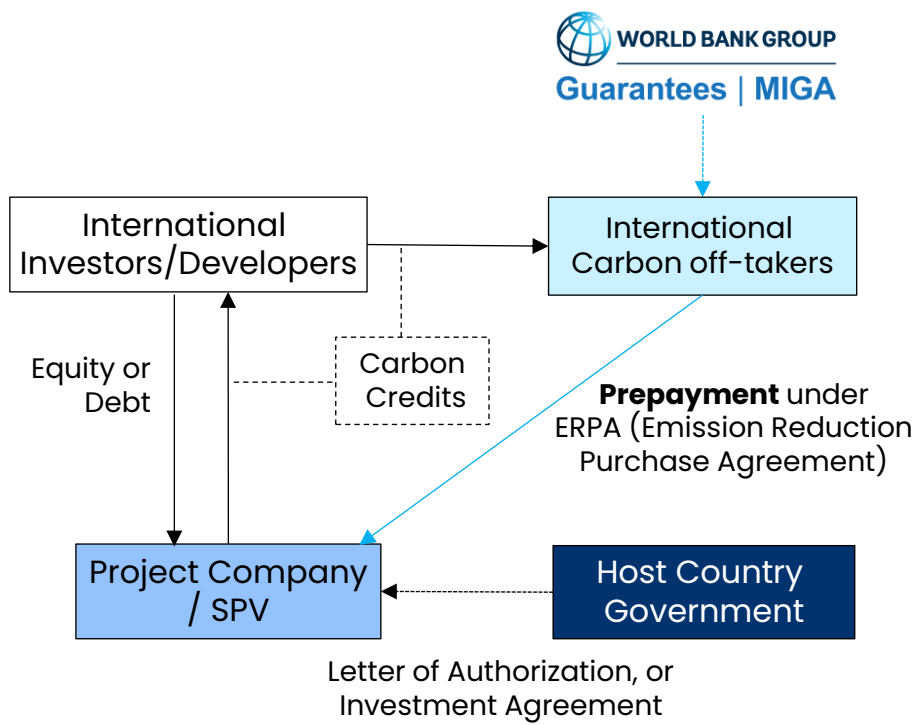
Structure A: Equity & Debts

This could apply whereby direct investment into the project company in the form of equity or debt is covered.



Structure B: Prepayment

This could apply whereby the client seeking protection is not a direct investor in the project but participating via a prepayment for the credit.



- MIGA Guarantee Holder
- Project Company
- Obligor

* The structure above is for the illustrative purpose only.

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MIGA in the World Bank Group



MIGA's roles in de-risking Political Risk for PPP Projects



Annex



Political Risk Insurance Solutions for Investors and Lenders



**Currency Inconvertibility
and Transfer Restriction**

Inability to convert or transfer dividends or loan payments due to FX restrictions



Expropriation

Government nationalizes or otherwise makes it impossible to operate the project through discriminatory measures



War and Civil Disturbance

Destruction or interruption of business due to political violence (incl. sabotage and terrorism)



Breach of Contract

Failure of government to honor obligations under contractual agreements and subsequent failure to honor arbitral award

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Currency Inconvertibility and Transfer Restriction

Guarantee details

- Provides protection against losses to investors or lenders arising from the inability to legally convert local currency (capital, profits, interest & principal loan payments) into hard currency, and/or transfer hard currency outside the host country due to government action or failure to act

When to use

- International Investors /lenders seeking to invest in countries with a history of currency inconvertibility and/or transfer restriction
- Investors investing in projects that receive revenue in local currency

Benefits

- Mobilizes foreign investment by managing the risks of transfer restriction and currency inconvertibility for international investors and lenders

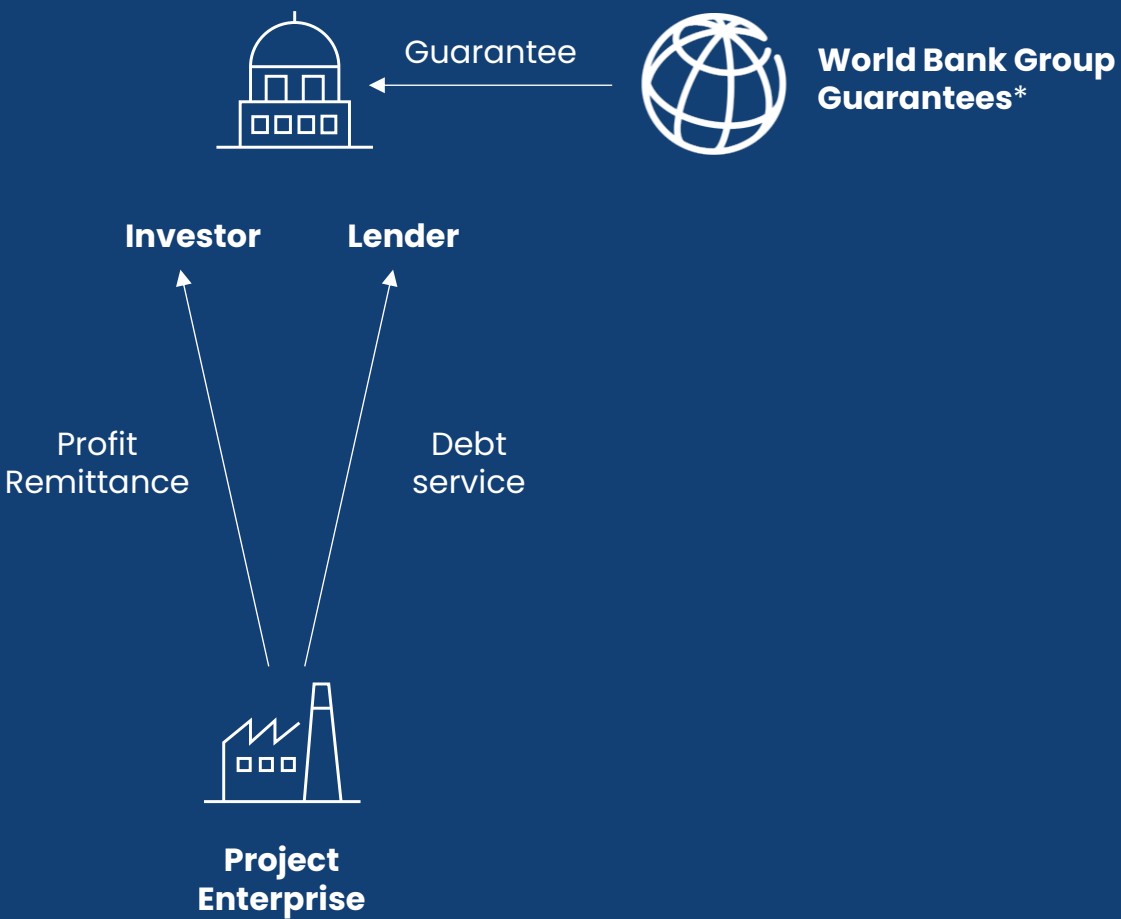
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NON-COMMERCIAL RISKS

PRIVATE SECTOR
MOBILIZATION

CROSS BORDER
TRANSACTIONS

ILLUSTRATIVE



*On MIGA's balance sheet

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Expropriation

Guarantee details

- Provides protection against losses to international investors or lenders arising from government actions that reduce ownership of, control over, or rights to the insured investment (e.g. outright nationalization, confiscation, and “creeping” expropriation—a series of acts that, over time, have an expropriatory effect)

When to use

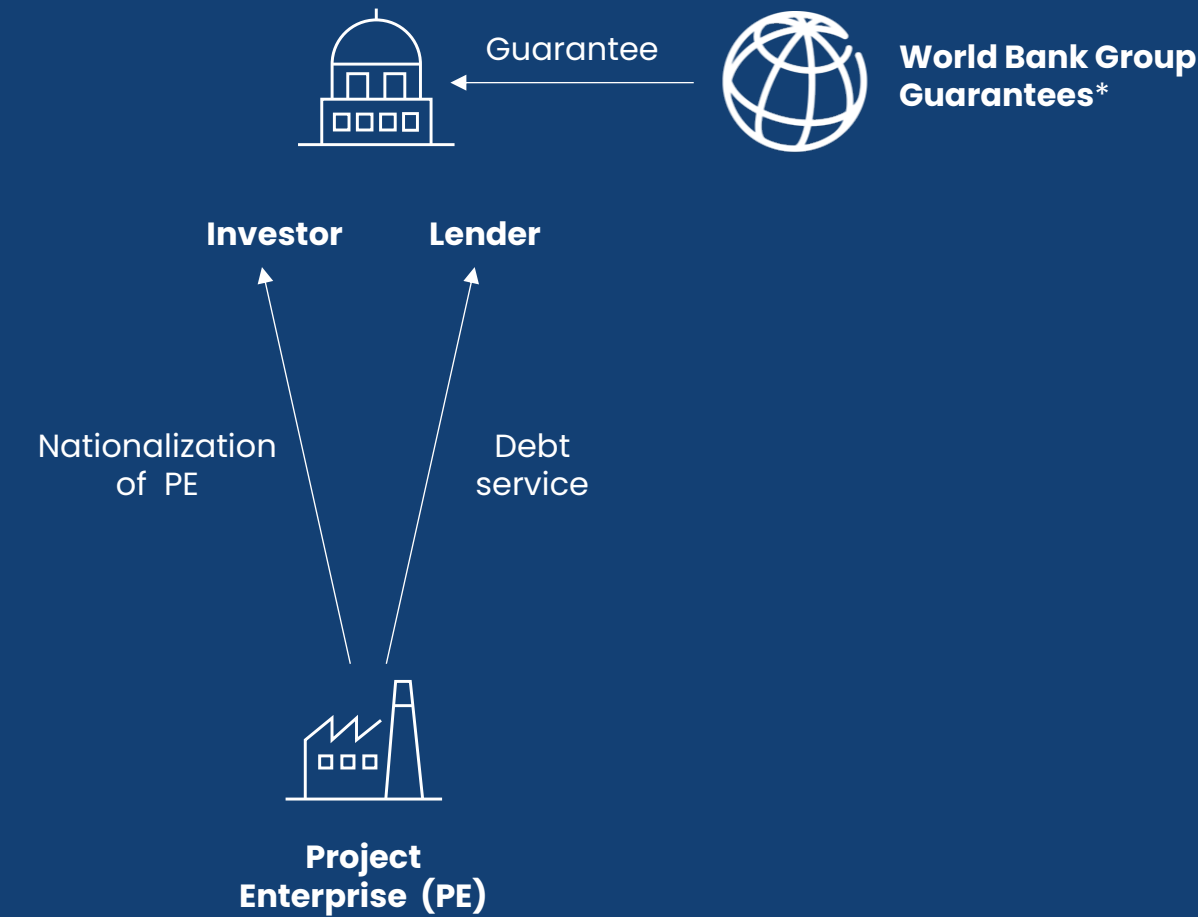
- Investments in countries with risk of nationalization or government intervention in private enterprises
- More prominent, long-term projects such as infrastructure or utilities that have a higher risk of expropriation

Benefits

- Mitigates risk of losing control or ownership of investments
- Provides compensation based on Project Enterprise net book value, asset book value or blocked funds

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War and Civil Disturbance

Guarantee details

- Provides protection against losses to international investors or lenders arising from damage to, or destruction or disappearance of tangible assets, or total business interruption of the Project Enterprise, or default on debt service, due to political violence (incl. sabotage and terrorism)

When to use

- Investments in regions with a history of instability, particularly for projects involving significant physical assets

Benefits

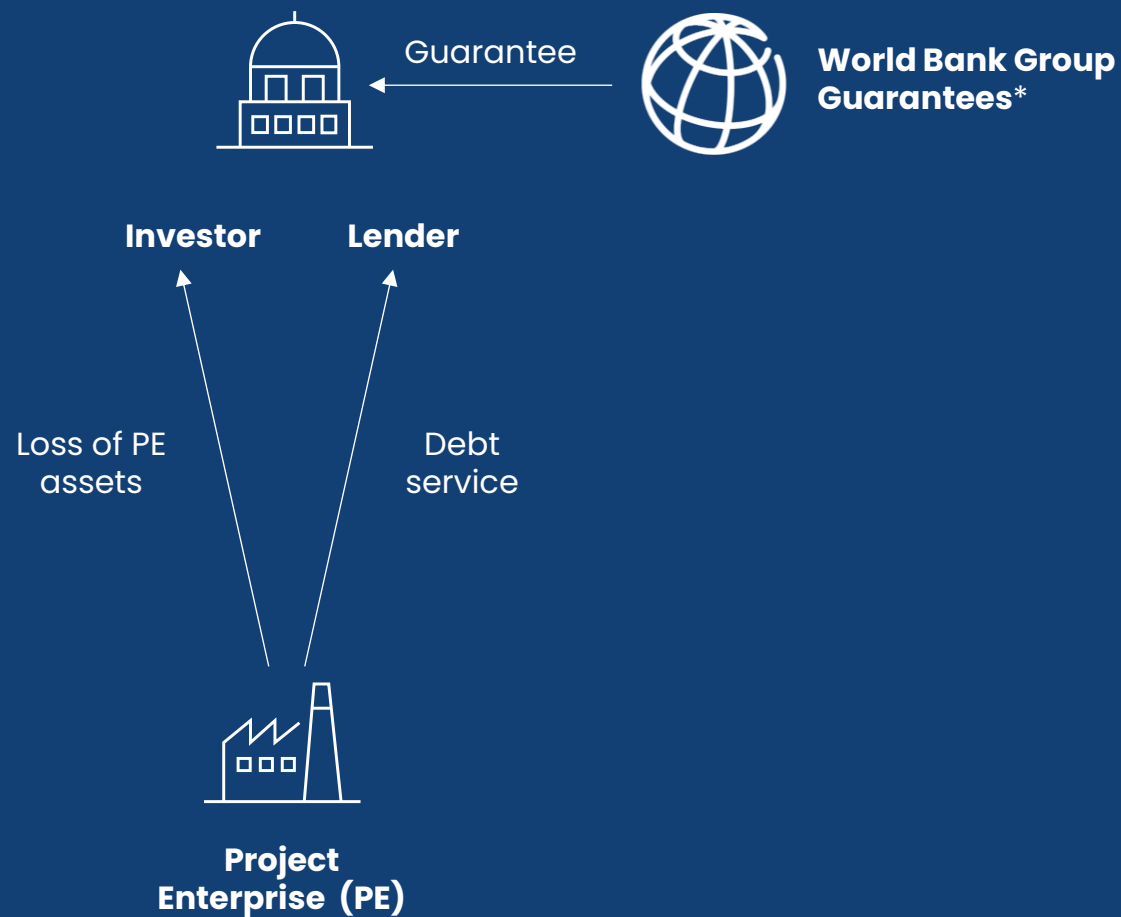
- Mobilizes private sector investment into regions with elevated risk of civil disturbance and war by de-risking loans and equity investments

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Breach of Contract

Guarantee details

- Provides protection against losses to international investors or lenders arising from breach or repudiation of a contractual obligation by the government or, in certain circumstances, a state-owned company, for which an award has been entered in favor of an investor and the government/SOE refuses to pay

When to use

- Investments involving long-term contracts with governments or state-owned enterprises, such as power purchase agreements or concessions

Benefits

- Encourages investment by reducing contract enforcement risk
- Provides compensation for non-payment of an arbitration award or denial of recourse
- Facilitates dispute resolution and enforcement of contracts

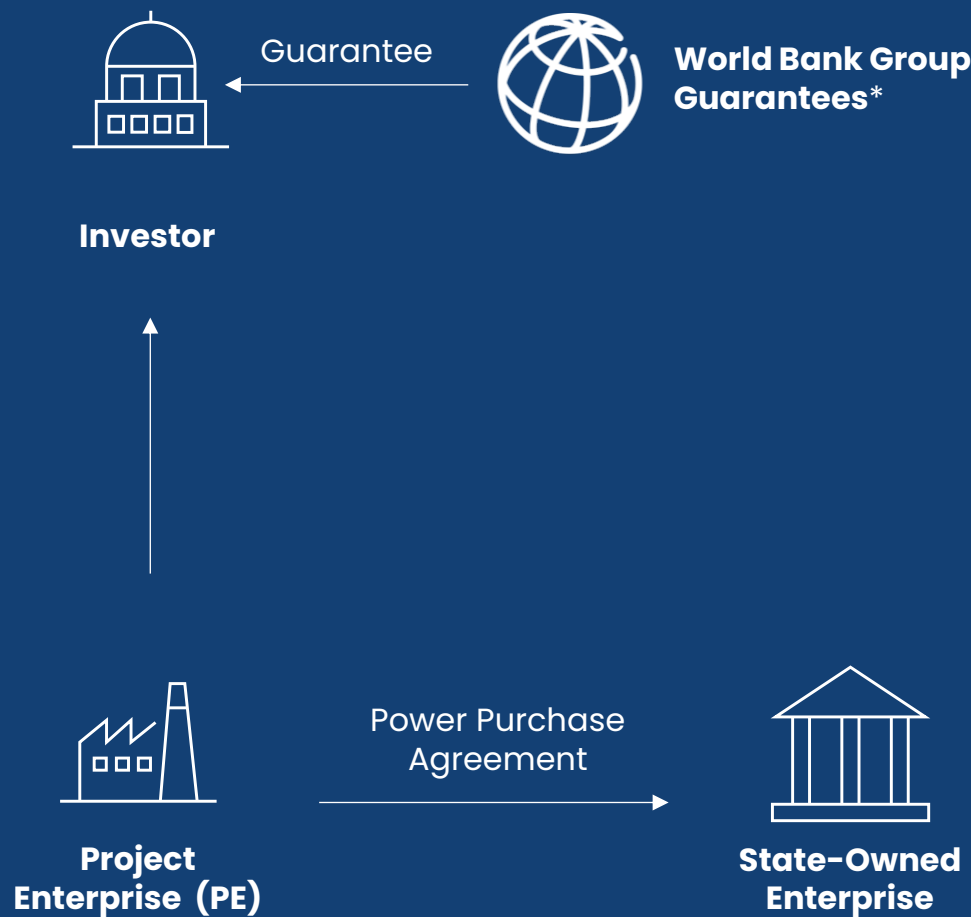
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Thank You

