

Multilateral Investment Guarantee Agency- Role in Healthy Investment Environment



Introduction:

- Multilateral Investment Guarantee Agency (MIGA) is an international financial institution associated with the World Bank Group.
- It came into being in the year of 1988 and is primarily a development finance institution.
- It has its headquarters in Washington D.C., United States and has around 181 nations as its members.
- The prime motivation of MIGA as an International Financial Institution is to encourage a confident investment environment via the act of insurance against unforeseen situations, especially in developing nations.

Functions:

- Offers insurance to cover different types of non-commercial risks such as
 - (i) Risks associated with currency inconvertibility.
 - (ii) Risks associated with government expropriation.
 - (iii) Risks associated with war.
 - (iv) Risks associated with terrorism.
 - (v) Risks associated with civil disturbances in the host country.

- (vi) Risks associated with non-honoring of financial obligations between Investing and host entity
- Offers insurance coverage to investment vehicles such as
 - (i) Equity, loan, share holder loans and share holder guarantees.
 - (ii) Management contracts, asset securitization bonds, leasing activities, franchise agreements and license agreements.
 - Small Investment Programme by MIGA aims to promote FDI specifically into small and medium enterprises, via offering exclusive insurance coverage scheme SME's.
 - Offers political risk insurance to a wide range of investments effectively, especially in developing nations.
 - Promotion of Foreign Direct Investment into developing countries to support economic growth, reduce poverty and improve standard of living.
 - Creation of new Job opportunities, development of infrastructural facilities, generation of new tax revenues, as well as effective utilization of natural resources via adoption of Judicious programmes and policies.
 - Insurance of Long term debt equity as well as other assets and contracts of long gestation period.

Role in Healthy Investment Environment

MIGA endeavors to promote a healthy investment environment in developing nations by insuring the Investment against various risks associated with the peculiarities of developing nations, which ranges from political risks to investment related insecurities. It is being owned by its 181 member governments which includes both developing as well as developed nations. Membership in MIGA is available only to those countries who have membership with the World Bank especially International Bank for Reconstruction and Development (IBRD). It is being governed by the member countries, represented by the council of Governors, Board of Directors and an Executive Vice President who strategically coordinates the functioning of the organization.

Conclusion

MIGA which has the characteristics of a Development Finance Institution is a non-political entity that plays out its role as a multi lateral financial entity, offering insurance services to potential investors as well as the investments which they undertake in developing nations. This in fact ensures that Foreign Direct Investments do find destination in almost all developing nations irrespective of their internal as well as external environment and the investors do get the assurance, confidence as well as the expected potential benefits out of the same. This do well reflects the motives of the World Bank group which is to ensure the sustained development of the nations around the world.

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