

a pre-agreed formula, thus becoming the direct owner;
c) pay a pre-agreed fee to extend the arrangement for a specified period. In the worst of cases, the co-investor is assured of recovering the principal amount invested.

The Multilateral Investment Guarantee Agency (MIGA)

MIGA is a new member of the World Bank Group whose primary function will be to issue foreign investment assurance against non-commercial risks in developing countries. To restore growth in debt-ridden developing countries, more investment is needed. Moreover, foreign direct investment has many advantages compared to commercial bank lending. Not only does it provide non-debt creating financing, but also an integrated package of managerial skills, technical knowledge and marketing connections.

MIGA is meant to be the main international policy instrument for the encouragement and protection of investment flows among nations. MIGA is authorized to:
a) issue guarantees against non-commercial risks in host countries, b) provide a broad range of promotional services, including technical assistance and policy advice, and c) take any other incidental action which is necessary or desirable to achieve its overall objective. It is expected that MIGA will co-operate with and complement national investment guarantee schemes such as EDC's foreign investment insurance.

MIGA's guarantee function extends in principal to any non-commercial risk that impedes the flow of investments: a) the transfer risk resulting from host government restrictions on conversion and transfer of funds; b) the expropriation risk; c) the risk resulting from the repudiation of a contract by the host government when the investor has no access to a competent forum, faces unreasonable delays, or is unable to enforce a final judgment; d) the war and civil disturbance risk. MIGA will focus on equity interests, including equity-type loans, and will also extend its coverage to other types of investment co-operation, such as management and service contracts, licensing and franchise agreements, turnkey contracts and arrangements involving the transfer of technology and know-how.