



# U.S. International Development Finance Corporation

*Political Risk Insurance*

# Who We Are

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U.S. International Development Finance Corporation (DFC) is **America's development bank**. DFC partners with the private sector to finance solutions to the **most critical challenges** facing the developing world today.

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# What We Offer



## Debt Financing

Direct loans and guaranties of up to \$1 billion for tenors as long as 25 years, with specific programs targeting small and medium U.S. businesses.



## Direct Equity Investments

Support for early and growth-stage companies, enabling investees to scale operations more efficiently and create greater development impact



## Political Risk Insurance

Coverage of up to \$1 billion against losses due to currency inconvertibility, political violence, expropriation, arbitral award default, denial of recourse, and non-honoring of sovereign financial obligations.



## Technical Assistance

Technical assistance develops projects in preparation for DFC investment and furthers the developmental impact of existing DFC investments.



## Investment Funds

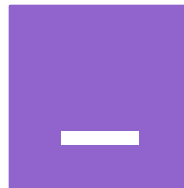
Support for emerging markets private equity funds to help address the shortfall of investment capital

# Political Risks Covered by DFC

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**Currency Inconvertibility & Transfer**



**Political Violence, War, & Civil Disturbance (Assets, Lost Business Income, Forced Abandonment)**



**Expropriation and Takings, Arbitral Award Default & Denial of Recourse**



**Breach of Contract for Capital Markets & Non-Honoring of a Financial Obligation**

# Currency Inconvertibility & Transfer

Protects against losses due to the inability to: (i) convert local currency into U.S. dollars or major currencies; or (ii) transfer local earnings out of the host country

## Examples:



Excessive delays in converting local currency caused by host government action or failure to act



Adverse changes in exchange control laws or regulations



Deterioration in conditions governing the transfer of local earnings

# Political Violence

Protects against losses due to political violence events in the host country

## Examples:



Assets destroyed or damaged by war, revolution, terrorism, and sabotage



Loss of Business Income due to damage to assets, (can include infrastructure not owned by investor)



Forced Abandonment due to political violence in host country or region where project is located

# Expropriation and Takings

Protects against losses due to acts by the host government that deprive the investor of its fundamental rights in the investment

## Examples:



Outright expropriation, nationalization, or confiscation of property or ownership rights



Discriminatory treatment and/or regulatory overreach that deprives the investor of its fundamental rights

# Arbitral Award Default & Denial of Recourse

When an investor has a contract with a foreign government or state-owned enterprise, arbitral award default insurance covers the government's failure to pay an arbitral award.

## Features:



Seat of arbitration  
must be acceptable  
to DFC



A final and binding  
arbitration award is  
required for DFC to  
pay a claim



A sovereign  
guaranty may be  
required depending  
on the project



# Benefits of DFC Insurance

## Experience

Insurance commitments of more than \$53 billion since 1971 in 150+ countries

## Catalyzing Role

Attract a larger pool of capital and obtain long-term financing for projects

## Halo Effect

Deterrent against detrimental government interference

## Advocacy

DFC provides advocacy to insured investors to avert claims situations

## Partnership

DFC cooperates with private insurers and multilateral insurers

## Claims Record

+\$1B in claim payments and settlements  
~nearly 100% recovery rate

# Types of Insurable Investments

## Equity

Equity, including retained earnings and shareholder loans

## Debt

Loans, bonds, and capital or operating leases from 3<sup>rd</sup> party financial institutions

## Gov't Agreements

Contracts to provide goods or services to government or SOE

Concession or offtake agreements

Wrongful calling on bid bonds, performance bonds, customs bonds

## Private Contracts

Service contracts between two private parties

## Assets

Tangible property, including consigned equipment

# Insurance Terms & Conditions

- Per project limit: US\$1 billion
- No minimum project size
- Term: 20+ year coverage (3 year minimum)
- Coverage and retained risk requirement:
  - 90% for equity (10% self-insurance)
  - 100% for debt
- Premium rates fixed for full term of coverage

## Eligible Investors:

- Private sector entities (U.S. and non-U.S. entities)
- Qualifying Sovereign Entities
- Private and public insurers

# Specialized Coverages

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**Breach of Contract for Capital Markets**

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**Non-Honoring of a Financial Obligation**

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# Breach of Contract for Capital Markets (BCCM)

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**Eligible Insured:** BCCM is available for investors (issuers of bonds) entering into a loan agreement with the host government related to a specific project. Target investors/noteholders include institutional investors (life insurance companies, private pension funds, asset managers).

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**Coverage:** BCCM protects the Insured against the risk of the host government's failure to pay a final and binding arbitral award (Arbitral Award Default) and any efforts of the host country to thwart or frustrate the Insured's reasonable efforts to arbitrate disputes (Denial of Recourse).

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# Key Features of BCCM Coverage



## Arbitral Award Required

A final and binding arbitration award is required for DFC to pay a claim



## Long Policy Terms

Policy terms may be 20+ years in length



## Coverage Amounts & Premium Rates

Net coverage up to \$1 billion per project. Pricing locked in for life of coverage



## Government Guaranty

A sovereign guaranty may be required depending on the project




## Coverage Amounts

100% available for commercial banks and bond capital


# Guidelines for BCCM Coverage



**New York Convention:** the sovereign must be a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (the New York Convention)



**Sovereign Guaranty:** if a loan is to a State-Owned Enterprise, DFC might require that the host government provide a sovereign guaranty



**Arbitration:** arbitration proceedings must have a seat acceptable to DFC and follow the rules of a recognized international arbitration body (e.g., UNCITRAL, ICSID, ICC, etc.); capital markets financings can require expedited arbitration administration with debt service and arbitration cost reserves

# Non-Honoring of a Financial Obligation (NHFO)

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**Eligible Insured:** NHFO is available for commercial banks and financial institutions (including syndicated loans), and capital markets investors (privately placed bonds and 144A issuances).

**Coverage:** NHFO provides assurance of timely debt service payments to banks or bondholders if the borrower (the host government or a state-owned entity of the host government) defaults on its payment. If the borrower is a state-owned entity, DFC might require a sovereign guaranty.



# Key Features of NHFO Coverage



## Basel Compliant

Backed by the full faith and credit of the U.S. Government



## Timeliness of Payment

No arbitration award is required for DFC to pay a claim



## Long Policy Terms Available

Policy terms may be 20+ years in length



## Coverage Amounts & Premium Rates

Net coverage up to \$1 billion per project with customized pricing locked in for the life of the coverage



## Customized Coverage

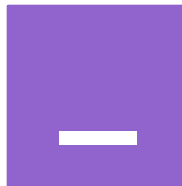
100% Coverage of the loan value for unaffiliated financial institutions/bond capital markets; 5% self-insurance requirement for commercial banks

# Guidelines for NHFO Coverage

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**Sovereign Guaranty:** if required by DFC, the host government must provide an unconditional, irrevocable guaranty with no defenses, with a dispute resolution clause acceptable to DFC



**Public Rating:** the sovereign must have a public rating of at least B/B+ or B2/B1; support for a country subject to an IMF/World Bank Debt Sustainability Framework is considered on case-by-case basis



**New York Convention:** the sovereign must be a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (the New York Convention)



**Legal Opinion:** internationally recognized legal counsel must provide an unqualified opinion that the insured agreement has been executed in accordance with local law and is valid, binding, enforceable, unconditional, and irrevocable

# Guidelines for NHFO Coverage

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**Development Impact:** the project must be strategic for the host country and highly developmental, with significant anticipated impacts in local job creation and/or in one or more of DFC's priority investment areas



**DFC Policy Standards:** project proposals must satisfy all DFC policy criteria, including international environment and social standards, and anti-corruption practices



**Private Sector Risk:** the project must have private sector participants at risk in the host country, which may include private sector ownership, private suppliers, or private sector contractors or construction companies



**Project Financial Viability:** the project must be financially sustainable, with significant revenues and cost savings that result directly from the project, such as user fees, tolls, or off-take commitments.

# Contacts & Resources

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## Contact

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**Anthony Pollak** / Ukraine  
anthony.pollak@dfc.gov

**U.S. International Development  
Finance Corporation (DFC)**

1100 New York Avenue, N.W.  
Washington, D.C. 20527 USA

## Resources

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For more information,  
visit [www.dfc.gov](http://www.dfc.gov).

# Additional Information

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[Read the Belize Blue Bonds Case Study](#)



[Review DFC's Past Claims and Arbitral Awards](#)



[Apply for Insurance through the DFC Forms Portal](#)