UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Policy review

# Derisking investment for the Sustainable Development Goals

## The role of political risk insurance

United Nations

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Policy review

# Derisking investment for the Sustainable Development Goals

## The role of political risk insurance

United Nations
Geneva, 2025

United Nations publication issued by the United Nations Conference on Trade and Development

UNCTAD/DIAE/PCB/2025/1

ISBN: 978-92-1-003489-0
eISBN: 978-92-1-107236-5
Sales No. E.25.II.D.15

# Note

Under its overall mandate on trade and development, the United Nations Conference on Trade and Development (UNCTAD) serves as the focal point within the United Nations Secretariat for all matters related to foreign direct investment (FDI). Its work is carried out through intergovernmental deliberations, research and analysis and technical assistance activities, as well as seminars, workshops and conferences.

Information about the products, frameworks, services and publications of the UNCTAD Division on Investment and Enterprise is available at www.unctad.org/diae and on the institution's investment policy hub (www.investmentpolicy.unctad.org).

Cover: © Adobe Stock

# Table of contents

# Figures



# Tables



# Boxes

# Acknowledgments

This report was prepared, under the overall guidance of Nan Li Collins, Director of the UNCTAD Division on Investment and Enterprise (DIAE), by a report team under the supervision of Massimo Meloni and comprised of Mathilde Closset and Andreas Klasen (UNCTAD consultant). Research support and inputs were provided by Dafina Atanasova, Madden Hall (intern), Heemin Kang, Guoyong Liang, Abraham Negash, Changbum Son (secondee), Christiane Stepanek and Astrit Sulstarova. Valuable comments and suggestions were also received from Ashraf Abdelaal, Kiyoshi Adachi, Habiba Ben Barka, Richard Bolwijn, Chantal Dupasquier, Hamed El Kady, Maha El Masri, Penelope Hawkins, Anastasia Leskova, Peter Lunenborg, Simona Marinescu (consultant), Amelia Santos Paulino, Claudia Trentini and Anida Yupari.

UNCTAD extends its appreciation to the Berne Union Secretariat for sharing data and insight on political risk insurance (PRI), including Yuichiro Akita (President), Maelia Dufour (former President), Paul Heaney (Secretary General), Lewis Evans (Junior Economic Research Analyst). The report also benefited from the collaboration of several PRI providers who participated in an UNCTAD survey, including Active Capital Reinsurance, Afreximbank, African Trade and Investment Development Insurance (ATIDI), AXA XL, Central Bank of Egypt (CBE), Compañía Española de Seguros de Crédito a la Exportación (CESCE), China Export and Credit Insurance Corporation (SINOSURE), Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE), Companhia de Seguro de Créditos (COSEC), Credendo, Credit Oman, Deutsche Eisenbahn Versicherungskasse (DEVK RE), Export and Investment Fund of Denmark (EIFO), Exportkreditnämnden (EKN), Eximbanka SR, Export Development Canada, Export Finance Norway, Finnvera, Hannover Re, Korea Trade Insurance Corporation (KSURE), Korporacja Ubezpieczeń Kredytów Eksportowych (KUKE), LCI / EYERIS, Munich Re, Nippon Export and Investment Insurance (NEXI), OeKB, PricewaterhouseCoopers (PwC) Germany, Qatar Development Bank (QDB), Servizi Assicurativi del Commercio Estero (SACE), Saudi EXIM, Swiss Export Risk Insurance (SERV), SID Bank, Sovereign Risk Insurance, Swiss Reinsurance Company, The Arab Investment and Export Credit Guarantee Corporation (DHAMAN), Tokio Marine Kiln, Türk Eximbank, United Kingdom Export Finance, Vantage Risk and Zurich Insurance Group. In addition, UNCTAD extends its appreciation to providers who shared PRI data, including ATIDI, KSURE, PwC Germany and SINOSURE, and to those who participated in follow-up interviews, including Persephone Economou (Multilateral Investment Guarantee Agency (MIGA)), Benjamin Mugisha (ATIDI), Yuichiro Akita (NEXI), Gerhard Kinzelberger (OEKB), Michael Huber-Saffer (PwC Germany), David Drysdale (USDFC), Carmen Vara Martin (CESCE) and Su-Un Shin (KSURE).

Administrative support was provided by Jovan Licina. Cover design and desktop publishing were undertaken by the UNCTAD Communication and External Relations Section.

# Abbreviations

| | |
|---|---|
| **ATIDI** | African Trade & Investment Development Insurance |
| **CBE** | Central Bank of Egypt |
| **CESCE** | Compañía Española de Seguros de Crédito a la Exportación |
| **COFACE** | Compagnie Française d'Assurance pour le Commerce Extérieur |
| **COSEC** | Companhia de Seguro de Créditos (export credit agency of Portugal) |
| **DFI** | development finance institution |
| **DIAE** | Division on Investment and Enterprise |
| **DEVK** | Deutsche Eisenbahn Versicherungskasse |
| **ECA** | export credit agency |
| **EIFO** | Export and Investment Fund of Denmark |
| **EKN** | Exportkreditnämnden (export credit agency of Sweden) |
| **ESG** | environmental, social, and governance |
| **FDI** | foreign direct investment |
| **IIA** | international investment agreement |
| **IPA** | investment promotion agency |
| **ISDS** | investor-State dispute settlement |
| **KSURE** | Korea Trade Insurance Corporation |
| **KUKE** | Korporacja Ubezpieczeń Kredytów Eksportowych (export credit agency of Poland) |
| **LDC** | least developed country |
| **MDB** | multilateral development bank |
| **MIGA** | Multilateral Investment Guarantee Agency |
| **NEXI** | Nippon Export and Investment Insurance |
| **NZECA** | Net-Zero Export Credit Agencies Alliance |
| **OECD** | Organisation for Economic Co-operation and Development |
| **OeKB** | Oesterreichische Kontrollbank (export credit agency of Austria) |
| **PRI** | political risk insurance |
| **PwC** | PricewaterhouseCoopers |
| **QDB** | Qatar Development Bank |
| **SACE** | Servizi Assicurativi del Commercio Estero (export credit agency of Italy) |
| **SERV** | Swiss Export Risk Insurance |
| **SDG** | Sustainable Development Goal |
| **SINOSURE** | China Export & Credit Insurance Corporation |
| **UNCTAD** | United Nations Conference on Trade and Development |
| **USDFC** | United States Development Finance Corporation |
| **WEF** | World Economic Forum |

# Highlights

- Climate change, geopolitical tensions and supply chain disruptions significantly amplify investment risks, particularly in structurally weak and vulnerable countries. Robust derisking strategies are needed to unlock private investment and bridge the financing gap to achieve the Sustainable Development Goals (SDGs).
- Among investment derisking instruments, political risk insurance (PRI), a type of guarantee that protects cross-border investments from losses due to political events, such as expropriation, political violence, currency inconvertibility or government contract breaches, has a critical and potentially growing role to play in fostering investment towards developing countries, and least developed countries (LDCs) in particular. Between 2018 and 2022, PRI providers insured projects worth approximately $150 billion in developing countries, including LDCs.
- Developing countries (excluding LDCs) are the largest PRI beneficiaries (70 per cent of the projects). LDCs account for only 15 per cent of projects covered by PRI. However, insured project values are equivalent to 28 per cent of foreign direct investment (FDI) to LDCs, compared to 6 per cent in other developing countries and 2 per cent in developed countries.
- Export credit agencies (ECAs) are the primary providers of PRI, accounting for 78 per cent of total issuance over the past decade, while multilateral institutions and private insurers account for 7 and 15 per cent respectively. Asia accounts for the largest share of PRI provided by ECAs and private insurers, reflecting China's dual role as a major recipient of PRI and a leading provider, while Africa receives the most PRI from multilateral institutions.
- From 2019 to 2023, PRI coverage was primarily extended to manufacturing projects (20 per cent), infrastructure (19 per cent), natural resources (14 per cent) and non-renewable energy (14 per cent). Renewable energy projects received just 4 per cent of total PRI. This excludes financial services, whose share cannot be precisely estimated due to the methodology employed for data computation.
- A survey by UNCTAD suggests that the development impact of projects in host economies rarely features among the criteria for the provision of PRI coverage to investors. In addition, while most PRI providers have adopted economic, social and governance (ESG) criteria, there is a lack of standardization. The findings also highlight key challenges to the expansion of PRI, including low awareness among investors and the high costs and complexity of PRI products.
- The analysis underscores the pivotal role of PRI as an investment derisking tool and calls for providers to enhance the sustainable development impact of PRI by:
  - Tailoring PRI offerings to emerging risks and SDG impact.
  - Streamlining processes and reducing costs to make PRI more accessible and attractive to investors.
  - Increasing awareness and education about PRI to expand its reach.
  - Implementing common sustainability standards to align PRI frameworks with global goals.
  - Enhancing their collaboration with multilateral development banks (MDBs) and development finance institutions (DFIs).

# Introduction

The investment gap to achieve the SDGs in developing countries by 2030 has widened from $2.5 trillion to approximately $4 trillion per year between 2014 and 2023 (UNCTAD, 2023a). This chasm underscores the urgent need for effective solutions. It is widely acknowledged that public resources alone, including official development assistance, will be insufficient for bridging the financing gap.[1] Mobilizing private sector finance is critical, with FDI playing a vital role.

However, private investment in developing countries, and LDCs in particular, is constrained by heightened real and perceived risks. Between 2015 and 2023, FDI flows saw modest growth of 17 per cent in developing countries (excluding LDC), and a concerning decline of nearly 20 per cent in LDCs. Although investment in renewable energy and infrastructure sectors has grown since the launch of the SDGs, investment in areas such as water, sanitation and health (WASH), and agrifood systems has decreased (UNCTAD, 2024a).

UNCTAD's World Investment Report 2024 highlights that, despite persistent regulatory gaps and bottlenecks, developing countries are implementing long-term derisking strategies by improving their business environments and enhancing their legal and regulatory frameworks for investment (UNCTAD, 2024a). Capital-exporting countries also have a key role to play in promoting risk mitigation strategies and facilitating outward investment towards developing countries and LDCs in particular. This aligns with the Addis Ababa Action Agenda and SDG indicator 17.5.1, which calls for home countries to adopt investment promotion regimes for developing countries, including LDCs. Political risk insurance (PRI), in particular, plays a crucial role in facilitating FDI inflows to the world's most vulnerable countries, acting as a key enabler for sustainable development and the achievement of the SDGs.

This report explores the role and significance of PRI in fostering FDI in developing countries, particularly in LDCs. The analysis draws on both quantitative and qualitative data, including insights from an UNCTAD survey of PRI providers followed by interviews with key actors in the field (box 1). Section 1 provides an overview of the importance of FDI derisking in achieving the SDGs and examines the main tools available for this purpose. Section 2 focuses on PRI, highlighting key industry trends, including major providers, primary recipients and the geographical and sectoral distribution of projects supported by PRI. Section 3 examines the main challenges and opportunities faced by PRI providers, in the context of enhancing flows into SDG-related sectors in developing countries, with particular emphasis on LDCs. Finally, the conclusion highlights five policy recommendations to enhance the role of PRI to contribute more effectively to the SDGs.

While the report focuses specifically on PRI, it does not cover the full spectrum of investment derisking instruments or the broader risk challenges faced by developing countries. The analysis centres on public PRI providers; although private insurers are acknowledged as important market actors, they are not reflected in the findings, as no interviews were conducted with them. Investor perspectives are also not covered. These topics represent promising avenues for future research.

[1] See for example: Development committee (2015); Baroudi (2017); OECD (2021); McHugh (2021); Bandura and Ramanujam (2019).

## Box 1
## Methodological note: UNCTAD's survey of PRI Providers

This report is based on an analysis of both quantitative and qualitative data. The quantitative data on PRI volumes, destination countries, and sectors utilizes aggregated figures from the Berne Union Secretariat, the leading global association for the export credit and investment insurance industry. The Berne Union comprises 84 members, including most public providers of PRI, the largest multilateral providers and several private ones (see the full membership here). It does not include the approximately 20 Lloyd's syndicates that provide PRI. However, this should only marginally affect the results of this study, as the volume of PRI issued by private providers that are not members of the Berne Union is estimated to be relatively small (WTW, 2024). This data is complemented by publicly available project-level information from MIGA and USDFC, as well as disaggregated data provided directly to UNCTAD by ATIDI, SINOSURE, KSURE and PwC Germany.

The qualitative analysis and findings are derived from a survey and interviews conducted by UNCTAD in October and November 2024, offering valuable insights into the perspectives and experiences of key PRI stakeholders. The survey was designed to explore PRI offerings, evaluation criteria, challenges and opportunities within the sector. It was distributed to all members of the Berne Union and received 41 responses from a diverse array of stakeholders, including private insurers, multilateral institutions and ECAs. Among the multilateral institutions, participants included Afreximbank, ATIDI and Dhaman. The ECAs that participated represented a wide geographical spread, including OeKB (Austria), Credendo (Belgium), Export Development Canada (Canada), SINOSURE (China), EIFO (Denmark), Finnvera (Finland), PwC Germany, SACE (Italy), NEXI (Japan), Export Finance Norway, KUKE S.A. (Poland), COSEC (Portugal), QDB (Qatar), Saudi EXIM (Saudi Arabia), Slovene Export and Development Bank (Slovenia), Eximbanka SR (Slovakia), SERV (Switzerland), CESCE (Spain), EKN (Sweden), Türk Eximbank (Türkiye), UK Export Finance (United Kingdom) and USDFC (United States).

In addition to the survey, UNCTAD conducted interviews with public PRI providers to enhance the qualitative dimension of the analysis. The interviewed organizations included MIGA, ATIDI, NEXI, OeKB, PwC Germany, USDFC, CESCE and KSURE. These interviews provided a deeper understanding of the operational strategies, challenges, and opportunities associated with PRI provision.

*Source:* UNCTAD

Chapter 1

# Foreign direct investment derisking

© Adobe Stock

## 1.1 Key risks and emerging challenges for investors

Investors consider diverse risks when evaluating opportunities, including country-level challenges such as macroeconomic instability and political uncertainty, as well as industry-specific issues like operational inefficiencies and project risks such as financial constraints (table 1). While macroeconomic and political risks are often highlighted as key obstacles to investment, other types of risk also tend to be more pronounced in developing countries due to factors such as inadequate infrastructure for specific projects, limited local technical expertise and skills shortages.

Emerging global challenges add significant uncertainty. Geopolitical tensions, rising protectionism, trade disruptions and increased fragmentation are reshaping the global investment and trade landscape, creating significant hurdles for internationally oriented firms. The COVID-19 pandemic amplified these challenges, triggering a surge in political violence and stricter foreign exchange controls, which have led to increased claims paid by political risk insurers (MIGA, 2024a). Climate risks, encompassing extreme weather events, regulatory shifts and liability exposures further complicate the investment climate (Nieto, 2019). Supply chain vulnerabilities threaten business continuity and profitability, and multipolarity and fragmentation add layers of unpredictability (Klasen et al., 2024). In addition, recent conflicts have increased risk aversion among investors, as heightened geopolitical tensions disrupt the business environment.

LDCs and other vulnerable countries, including small islands developing states (SIDS) and landlocked developing countries (LLDCs), are more affected by these emerging risks. Climate change disproportionately impacts them since their adaptive capacity is limited, making needed investments in infrastructure, including renewable energy, particularly challenging (Branchoux, Fang and Tateno, 2018). Supply chain disruptions hit LDCs harder, given their dependence on FDI and limited trade diversification. The risks linked to multipolarity are intensified by the geopolitical marginalization of these countries, which often leaves them vulnerable to the conflicting interests of external powers. For investors, these risks are further amplified by political instability, weak legal systems, and challenges in enforcing contracts (Heard and Laryea, 2021). Such factors create uncertainty about returns and the potential loss of assets, necessitating strong risk mitigation strategies.

> "LDCs, SIDS and LLDCs are more affected by emerging risks

**Table 1**
**Investment risks**

| | |
|---|---|
| **Macroeconomic risks** | Economic factors such as inflation, interest rates, balance of payment difficulties, exchange rate instability or economic downturns. |
| **Political risks** | Political factors such as political instability, policy and regulatory changes or civil unrest. |
| **Legal and regulatory risk** | Encompasses the stability and predictability of the legal framework, including sudden regulatory shifts, inconsistent enforcement, contract instability, and expropriation. |
| **Social and environmental risks** | Environmental factors such as natural disasters, climate change impacts and the availability of natural resource inputs.<br>Social risks related to labour practices, community relations and human rights issues. |
| **Market and commercial risks** | Factors such as changes in consumer demand, competition, price volatility, market access barriers or industry trend shifts. |
| **Operational risks** | Factors related to the construction and day-to-day operations, including, licensing and permitting delays, local capacity gaps, hiring and disruptions caused by external events. |
| **Financial risks** | Risks related to the financing of the project and its profitability. |
| **Technological risks** | Factors such as technology's maturity, challenges in adoption, integration into local conditions and lack of in-country expertise. |

*Source:* UNCTAD based on World Investment Report 2023 (UNCTAD, 2023).

## 1.2 Derisking instruments: PRI in context

A range of FDI derisking strategies are deemed essential to facilitate private investment flows in developing countries, and LDCs in particular, by mitigating both real and perceived risks. Public sector instruments, encompassing both financial and policy-based tools, play a pivotal role in this process, as they can be tailored to mitigate risks or improve returns for private investors, increasing the overall viability and appeal of projects. These instruments are implemented at various levels—by host countries, home countries and multilateral organizations—and target different dimensions of risk (table 2).

### Table 2
### Public derisking instruments for FDI in developing countries

| | |
|---|---|
| **Host country** | |
| **Business environment reforms** | Policy, regulatory, and institutional changes implemented by governments to create a conducive environment for private sector investment and economic activity. This includes, among others, investment protection policies in national investment laws and international investment agreements (IIAs). |
| **Investment promotion and facilitation policies** | Measures designed to promote foreign and domestic investments by facilitating investment and providing targeted support to investors. These include long term roadmaps, goals and targets, government support for licensing and services as well as facilitation services and investment projects pipelines. |
| **Incentives** | Includes all traditional incentives such as subsidies and tax incentives but can also include more complex incentive schemes such as feed-in tariff schemes. |
| **Contractual arrangements** | Off-take agreements, public-private partnerships (PPPs), investment contracts, and other arrangements where the host country directly engages with investors through formal agreements. These contracts can define mutual obligations, share risks, and provide guarantees to enhance project viability and investor confidence. |
| **Direct equity participation, loans and guarantees** | Direct equity participation involves the host country government or its entities investing directly in a project or enterprise by acquiring an ownership stake and reflecting the government's commitment to the project.. Some countries also provide loans (at various levels of seniority) and guarantees to promote FDI projects. |
| **Home country and multilateral institutions** | |
| **Equity participation** | Includes both direct investments in companies and in Special Purpose Vehicles (SPVs). It also encompasses participation in specialized equity funds targeting specific sectors or geographic regions to provide equity capital.<br>Equity is commonly provided by MDBs and host country DFIs. Additionally, it can be offered as an outward (OFDI) promotion mechanism by ministries responsible for economic development, investment, enterprise development or industry. |
| **Loans and grants** | Include financing through debt and grant, including syndicated loans, concessional and non-concessional loans. Typical providers include MDBs, DFIs and ECAs. |
| **Political risk insurance** | PRI is an investment guarantee designed to protect investors, financial institutions, and businesses from potential losses arising due to political events or actions by governments that could adversely affect their operations or investments abroad. They are typically provided by ECAs and specialized multilateral institution (e.g. MIGA, ATIDI). |
| **Other investment guarantees** | Investment guarantees covering commercial risks, natural disasters or other non-political risks, including credit enhancement guarantees Can be provided by multilateral funds, MDBs or home country DFIs and ECAs. |
| **Currency hedging** | Financial strategy employed to mitigate the risk arising from fluctuations in exchange rates. Hedging strategies use financial instruments such as forward contracts and swaps that can be offered through dedicated public funds and institutions. This support can be provided by MDBs and DFIs through multilateral initiatives (e.g. the TCX Fund). |

*Source:* UNCTAD

Derisking instruments implemented by the host country often aim to tackle the root causes of investment risk by fostering favourable regulatory frameworks and addressing operational uncertainties. These policy instruments typically reduce risk by ensuring a stable and predictable business environment and making investments more attractive for private investors. Targeted investment promotion and facilitation in high-potential sectors also contribute to a more predictable and secure investment climate, minimizing entry risks. Moreover, host countries play an important role in derisking through their involvement in investment projects via PPPs, investment agreements or other contractual arrangements as well as direct capital participation in the project. Finally, incentives provided by host countries can offset initial capital outlays and reduce the financial risk associated with entering a new market.

Derisking tools provided by the investor's home country and by multilateral institutions on the other hand, focus on transferring some of the investment risks to public actors such as MDBs, DFIs and ECAs. They include equity participation, investment guarantees, concessional financing and innovative financial structures designed to absorb or share risks, thereby providing a safety net for private investors. Adequately governed risk and return sharing arrangements can be a necessary condition for engaging private investors in projects with high perceived risks. Blended finance, which combines concessional and commercial funds, can further optimize the financial structure, making projects more attractive to investors.

Despite the critical role of derisking tools, their current availability and scope remain inadequate. Between 2012 and 2020, bilateral and multilateral development finance institutions mobilized only $300 billion in private finance for development outcomes, far short of what is needed to close the SDG financing gap (OECD, 2023). A survey of 42 key stakeholders, including institutional investors, banks, multilateral development banks, and project developers, found that most respondents viewed the global availability of risk mitigation instruments as inadequate in terms of provision, adequacy, and scale. Additionally, the existing range of instruments is considered overly complex and lacking standardization across providers, leading to high costs for private sector users (WEF, 2016).

Among the derisking tools, PRI has a critical role to play in supporting investment to developing countries and LDCs in particular. According to a survey by the Organisation for Economic Cooperation and Development (OECD) and the African Union Commission (AUC), political risks are cited as a key obstacle to investment in Africa by over 80 per cent of surveyed investors, ranking second after macroeconomic risk (AUC/OECD, 2023). Similarly, a survey of 37 pension funds and 30 insurance companies found that risks associated with corruption and political and macroeconomic instability are among the main factors influencing their investment decisions (OECD, 2021).

Climate risk exacerbates political risk, creating a vicious cycle where environmental challenges intensify conflicts and heighten political uncertainty. For instance, extreme weather events can disrupt local economies, leading to social unrest and weakening governmental institutions, thus affecting political stability. This interplay between climate and political risks underscores the growing need for derisking tools, particularly PRI, to foster FDI to the most vulnerable countries.

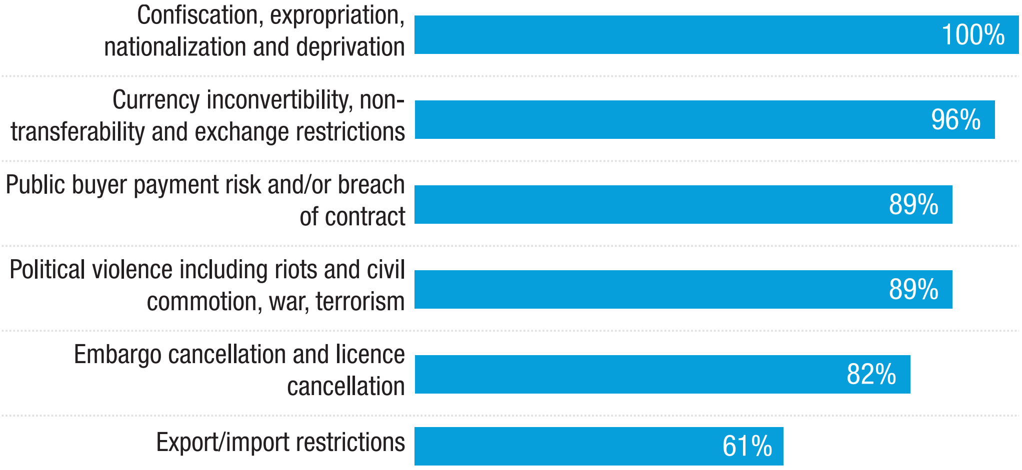
Adequately governed risk and return sharing arrangements can be a necessary condition for engaging private investors in projects with high perceived risks

Chapter 2

# Political risk insurance – key trends

**PRI is a type of guarantee that specifically safeguards investment abroad against political risk, either directly covering losses on international equity investments or insuring investors who have provided loans to finance international projects. It typically protects against losses from risks that can disrupt investments, including expropriation of assets, political violence (e.g., war or terrorism), currency inconvertibility, and government breaches of contract (figure 1). While PRI generally covers a broad range of political risks, the scope of coverage varies by provider. According to UNCTAD's survey, all PRI providers cover expropriation, and nearly all include protection against currency inconvertibility. However, only 60 per cent of the providers extend coverage to export-import restrictions.**

**Figure 1**
**Most PRI covers a wide range of risks**
Types of PRI coverage by PRI providers, per cent of the providers



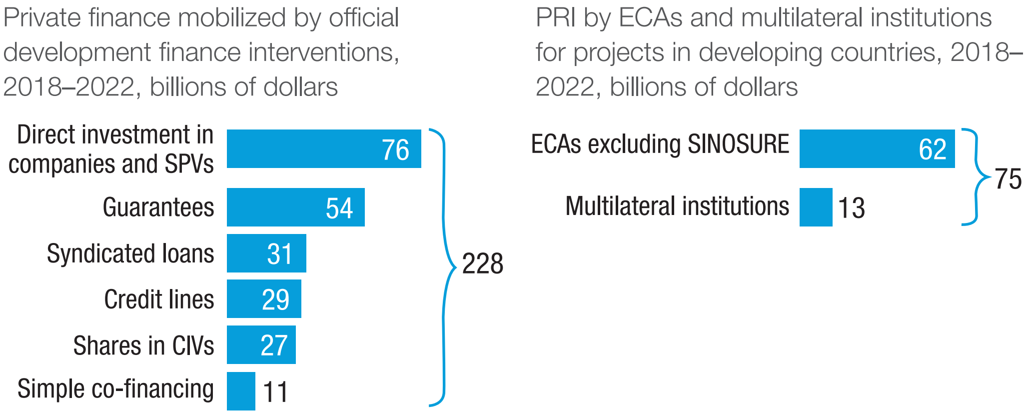

*Source:* UNCTAD based on the result of UNCTAD's survey to PRI providers. (N=28).

While PRI is utilized in both developed and developing countries (see figure 4), it plays a particularly crucial role in derisking investments in developing countries, significantly complementing other private finance mobilization tools. Its importance becomes evident when comparing the scale of PRI coverage to the private finance mobilized by development finance interventions (figure 2). Between 2018 and 2022, private finance mobilized by development finance interventions from official donors totalled $228 billion.[2] Over the same period, PRI from countries and multilateral institutions member of the Development Assistance Committee (DAC) covered investment to developing countries for a total of about $75 billion. When including SINOSURE, the ECA of China and the largest (and non-DAC) member of the Berne Union, the figure rises to $152 billion.[3]

[2] Official donors include DAC countries and multilateral organizations. See OECD data explorer on private finance mobilization.

[3] For SINOSURE, due to the lack of disaggregated data, the figure includes PRI for all countries, not just developing countries.

## Figure 2
### PRI contributes to drive investment in developing countries




*Source:* UNCTAD based on OECD data explorer on private finance mobilization and UNCTAD classification of developing countries.
*Note:* CIV: collective investment vehicle; SPV: special purpose vehicle.

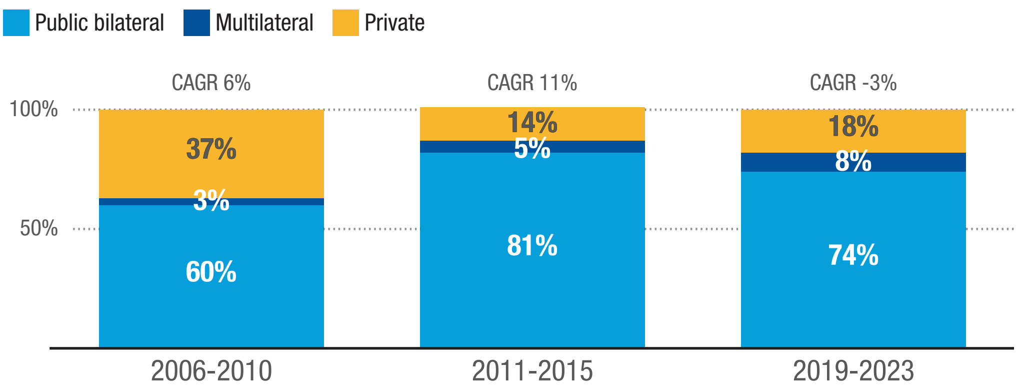
*Source:* UNCTAD based on Berne Union Secretariat data.

## 2.1 Main providers of PRI

PRI is offered by public and private entities. Public providers include multilateral institutions, such as MIGA, or bilateral entities, such as ECAs.[4] Between 2006 and 2015, the PRI market experienced steady growth, with a compound annual growth rate (CAGR) of 6 per cent from 2006 to 2010 and 11 per cent from 2011 to 2015. In 2018, SINOSURE implemented a change in the reporting methodology, rendering comparisons between earlier and later periods challenging. Nevertheless, the PRI market experienced a decline between 2019 and 2023, with a CAGR of -3 per cent (figure 3). This decline is primarily attributed to a reduction in PRI issuance by SINOSURE during that period. The PRI volume from other providers remained stable.

## Figure 3
### ECAs and multilateral institutions PRI share expanded over time

New PRI by type of provider and CAGR of total PRI for each period




*Source:* UNCTAD based on Berne Union Secretariat data.
*Note:* In 2018, a large public provider adjusted their methodology and has since reported noticeably lower figures for PRI cover provided. The analysis only accounts for private PRI providers member of the Berne Union.

4 ECAs include government agencies as well as private entities managing PRI issuance on behalf of their respective governments.

Within the Berne Union, the leading global association for the export credit and investment insurance industry, private insurers accounted for 37 per cent of total PRI during the period 2006–2010, but their share declined to 18 per cent in 2019–2023. Meanwhile, ECAs emerged as the dominant PRI providers, issuing 74 per cent of new coverage during the latter period. This trend may reflect the rising importance of large-scale infrastructure and development projects that require government-backed guarantees. Multilateral institutions also increased their share, from 3 per cent in 2006–2010 to 8 per cent in 2019–2023.

In 2023, new PRI policies underwritten by members of the Berne Union amounted to nearly $41 billion. Of this, ECAs contributed $28 billion, or 68 per cent of total new underwritten policies. Multilateral institutions contributed $6 billion (14 per cent) and the private sector $7 billion (18 per cent).

Public bilateral institutions and multilateral institutions hold a significant advantage in providing PRI. Supported by their governments or member States, they have the diplomatic leverage to proactively engage with host countries. Through diplomatic channels and collaborative efforts, they can address emerging issues early and resolve them before they escalate into formal claims or disputes.

The leading bilateral public providers of PRI are ECAs from countries that are OECD members along with SINOSURE. In 2023, SINOSURE accounted for 41 per cent of the total underwritten amount by public providers (table 3). The main mandate of all ECAs is to promote and support exports from their countries and to facilitate the internationalization of domestic enterprises. Their support for overseas investments aligns with this objective.

Public bilateral institutions and multilateral institutions, hold a significant advantage in providing PRI

## Table 3
### Asian ECAs provided more than half of public PRI worldwide
Main public PRI providers, 2023

| | New cover provided (billions of dollars) | Share of total public PRI provided (per cent) |
|---|---|---|
| **Sinosure (China)** | 13.7 | 41 |
| **NEXI (Japan)** | 5.4 | 16 |
| **MIGA** | 3 | 9 |
| **Investment guarantee (Germany)** | 1.5 | 4 |
| **SACE (Italy)** | 1 | 3 |
| **USDFC (United States)** | 0.9 | 3 |
| **KSURE (Rep. of Korea)** | 0.5 | 2 |
| **Total of main providers** | 26 | 78 |

*Source:* UNCTAD based on annual reports of NEXI, and SACE; on data from SINOSURE, K-SURE and German Investment Guarantee and estimate from project data from MIGA and USDFC; the total of the public providers is based on data from Berne Union Secretariat.

The relatively modest role of multilateral, compared to bilateral institutions, in the PRI industry may be attributed to the inherent characteristics of these entities such as limited size and capacities.[5] Most multilateral insurers, except MIGA, also face specific challenges due to their heavy reliance on maintaining strong credit ratings, which are crucial to their operations.[6] As they are expected to recover claims paid, the complexity and time-consuming process of recovering payments for political

5 A recent study highlights that multilateral insurers (e.g. ATIDI, Dhaman, ICIEC and MIGA) generally operate with significantly less capital compared to development banks. For instance, in 2018, the paid-in capital of the International Finance Corporation (IFC) was seven times larger than that of MIGA (ICIEC, 2020).

6 MIGA is not explicitly rated but recognised as a zero-risk weighted MDB by the Basel Committee on Banking supervision (BCBS) (ICIEC, 2020).

risk claims—such as expropriation—can hinder the expansion of PRI.

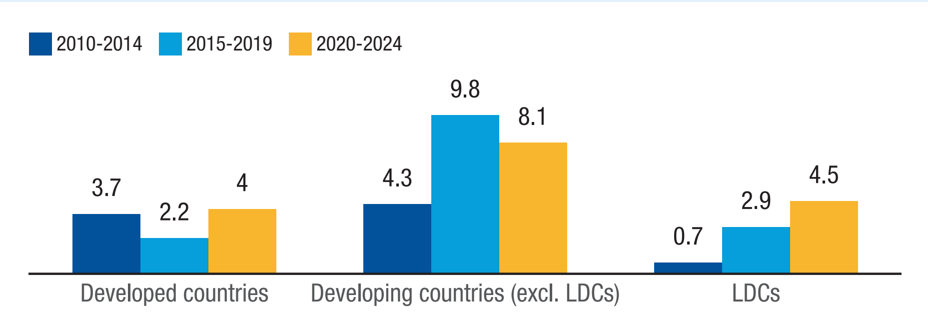
Despite these challenges, multilateral institutions have increased both their level of PRI coverage and their share of the total, which rose from less than 3 per cent of PRI underwritten during 2006–2008 to 10 per cent in 2021–2023. During the last 15 years, MIGA has significantly increased its PRI portfolio in developing countries and has particularly increased its support to projects in LDCs (box 2). ATIDI has also expanded significantly in recent years, increasing its overall portfolio by nearly 20 per cent in 2023. This growth has enabled ATIDI to play a key role in critical projects in Africa, including through information sharing and cooperation with ECAs that work in their member States (box 6).

## Box 2
## MIGA's PRI portfolio

MIGA is the principal multilateral provider of PRI. It was established in 1988 and aims at encouraging investment in developing countries. In the last 15 years, MIGA has provided $40 billion in PRI for projects globally, averaging $2.7 billion per year. The Agency's annual PRI provision has expanded significantly from less than $1.5 billion in 2010 to more than $4.6 billion in 2024. Although there was a slight decrease during the pandemic years, since 2022 MIGA has experienced an upward trend in its total PRI volume.

Over time, MIGA has increased its focus on LDCs (box figure 2.1). This reflects an active policy to support investments in these countries through collaboration with local governments and raising awareness among investors about the opportunities for PRI coverage. As a result, MIGA's share of PRI directed towards LDCs has grown continuously since 2010. It moved from less than $0.7 billion and an 8 per cent share during 2010–2014 to nearly $4.5 billion, representing 27 per cent of total PRI provided by MIGA in 2020–2024. During this latter period, projects in developing countries, excluding LDCs, accounted for 49 per cent of MIGA's PRI coverage, while those in developed countries represented 24 per cent, primarily concentrated in the Balkans (86 per cent) and Eastern Europe (14 per cent). In comparison with other PRI providers, MIGA has a higher share of projects in LDCs.

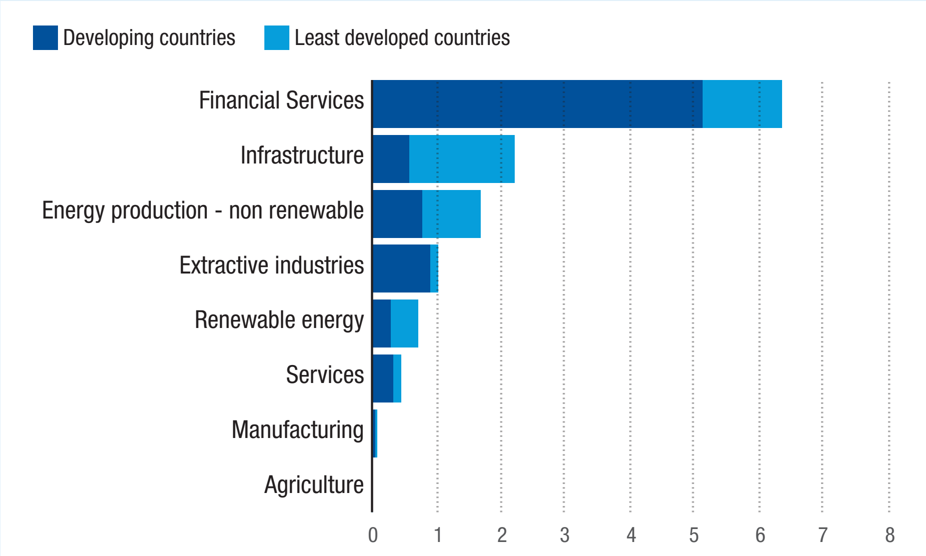
### Box figure 2.1
### PRI provided by MIGA, by level of development, 2010-2024
(billions of dollars)




In the last five years, Africa represented 35 per cent of MIGA projects, followed by Europe (24 per cent), Latin America and the Caribbean (23 per cent), and Asia (17 per cent). While PRI in Latin America and the Caribbean and Europe are nearly exclusively financial services, Asia and Africa have more diversified projects.

Over 50 per cent of the PRI provided by MIGA is allocated to the financial services sector. The sector primarily covers the mandatory reserves held by subsidiaries of international banks in central banks. Notably, three banks—Santander, HSBC (in Latin America and the Caribbean), and ASBA/Barclays (in Africa)—account for $5.3 billion (83 per cent) of PRI provided by MIGA in this sector. In contrast, infrastructure projects account for 18 per cent, while electricity production from non-renewable sources (primarily gas) represents 13 per cent, which is more than double the PRI allocated to FDI in renewable energy (6 per cent).[1] Additionally, projects in the extractives industry make up 8 per cent, with the remaining 5 per cent distributed among other services, manufacturing and agriculture (box figure 2.2).

### Box figure 2.2
**Sectoral distribution of MIGA's PRI provided to developing countries (excl. LDCs) and LDCs, 2020–2024**
(billions of dollars)




*Source:* UNCTAD based on MIGA PRI project data available at: https://financesone.worldbank.org/miga-issued-projects/DS00988.

[1] MIGA set a target to align 85 per cent of its new projects with the goals of the Paris Agreement starting on 1 July 2023, advancing to 100 per cent by 1 July 2025 (MIGA, 2024b).

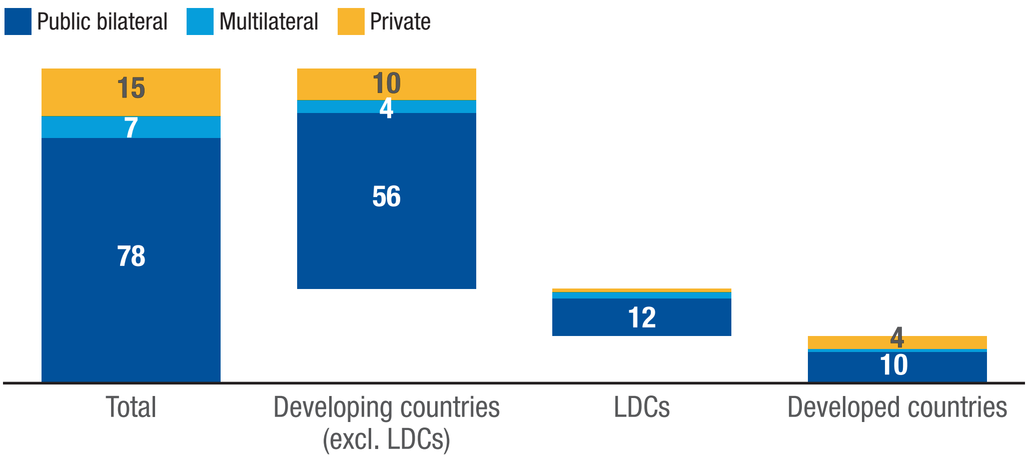
## 2.2 Geographical distribution of projects covered by PRI

Between 2014 and 2023, new PRI issuance was predominantly directed towards projects in developing countries (excluding LDCs), which accounted for 70 per cent of the total coverage (figure 4). LDCs and developed countries each represented 15 per cent of insured projects. Private insurers, focused more on developed markets, covering 27 per cent of projects, while LDCs made up less than 6 per cent of their portfolio. In contrast, as expected, multilateral institutions allocated a significant share of their PRI coverage to LDCs, with over a quarter of their insured projects in these countries. Bilateral public providers, however, focused primarily on developing countries (excluding LDCs), especially higher middle-income ones, which comprised 72 per cent of the projects they insured. Only 15 per cent of their coverage extended to LDCs.

**Figure 4**

**PRI mainly covers FDI projects in developing countries**

Share of total new PRI volume issued between 2014 and 2023 by type of provider and level of development of recipient country of projects



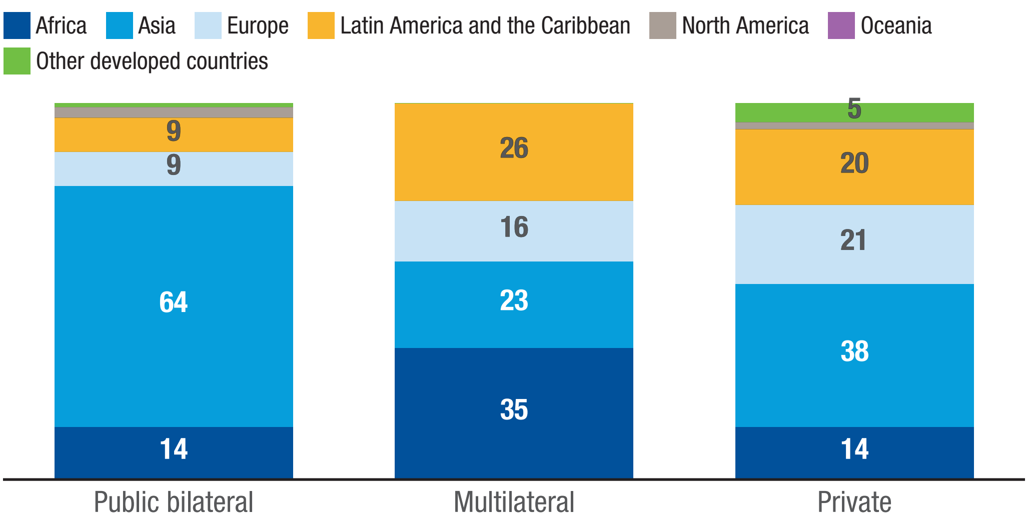

*Source:* UNCTAD based on Berne Union Secretariat data.

The geographical distribution of PRI coverage also varies by type of provider (figure 5). Public bilateral institutions concentrated 64 per cent of their coverage in Asia, reflecting strategic priorities and China's dual role as a major recipient of PRI and a leading provider (tables 3 and 4). Private insurers similarly focused on Asia, where they insured nearly 40 per cent of their projects. In contrast, multilateral institutions dedicated a larger share of their coverage to Africa, which accounted for 35 per cent of their projects (box 2). The remainder of their coverage was distributed across Latin America and the Caribbean (26 per cent), developing Asia (23 per cent) and Europe (16 per cent).

**Figure 5**

**Asia receives most ECA and private PRI, Africa most multilateral PRI**

Geographical distribution of countries covered by PRI, in percentage of total PRI volume by type of provider 2014–2023




*Source:* UNCTAD based on Berne Union Secretariat data.

According to the survey carried out by UNCTAD, the majority of PRI providers are ECAs that limit the provision of PRI to their domestic companies or to foreign companies that advance their national interests and exports, such as subsidiaries of domestic firms or international companies based in their country. This aligns with their mandate to promote exports and domestic firms' internationalization. While most PRI providers operate globally, regional multilateral institutions like Dhaman in Arab countries, ATIDI and Afreximbank in Africa, focus exclusively on specific regions.

Exclusions from PRI coverage are typically based on risk assessments and may include countries subject to bilateral or multilateral sanctions, those without diplomatic relations with the provider's home country, or those facing extreme levels of conflict. Despite the ongoing conflict, however, many ECAs have maintained and even expanded PRI support for projects in Ukraine.

In determining PRI eligibility, some providers also take into account the existence of an IIA relationship between the home and host country (box 3). While the exact proportion of ECAs enforcing this remains unclear, according to UNCTAD's survey, three quarters of PRI providers consider the existence of these treaties a significant factor in project risk assessment. Even with these limitations, no country has been universally excluded from PRI coverage. Over the past decade (2014–2023), almost all countries have hosted FDI projects insured by PRI.[7]

The top recipients of PRI are located in Asia, with Kazakhstan receiving the highest PRI coverage during the period 2008–2023.[8] Other leading recipients in Asia include China, Indonesia, Pakistan and Viet Nam. In Latin America, Brazil and Mexico lead, along with Peru, which stands out for its significant mining projects. The Democratic Republic of the Congo and Egypt are the only African countries among the top 20 recipients of PRI in 2016–2023. While projects in Egypt are relatively diversified, those in the Democratic Republic of the Congo are focused on mining and are predominantly underwritten by SINOSURE.[9] SINOSURE also plays a major role in insuring projects in the United States.[10] Among LDCs, Cambodia and the Democratic Republic of the Congo are the only ones in the top 20 PRI recipients for 2016–2023. Cambodia hosts insured projects across infrastructure, renewable energy and manufacturing. Lao People's Democratic Republic, Myanmar and Sierra Leone, which were part of the top 20 recipients during the period 2008–2015, dropped from the 2016–2023 list (table 4).

The top recipients of PRI are located in Asia

7 The only exceptions are Nauru, South Sudan, Tokelau, Tuvalu and Vanuatu.

8 Sectoral data have been available only since 2019, but during the period 2019–2023, 90 per cent of the projects covered in Kazakhstan were in the infrastructure sector and are primarily insured by bilateral ECAs.

9 in 2023, SINOSURE accounted for more than 90 per cent of the PRI provided for projects in the Democratic Republic of the Congo (UNCTAD compilation of data from the Berne Union Secretariat and SINOSURE).

10 In 2023, SINOSURE accounted for 100 per cent of PRI provided for projects in the United States (UNCTAD compilation of data from the Berne Union Secretariat and SINOSURE).

## Box 3
## The IIA regime and PRI

International investment agreements (IIAs) regulate the treatment of cross-border investment. They form a regime consisting of over 2,600 treaties that are currently in force. Approximately 90 per cent of these are old-generation agreements, concluded in the 1980s, 1990s and 2000s. They generally contain unrefined protection standards and grant broad access to investor–State dispute settlement (ISDS) in the form of binding international arbitration.

The IIA regime is linked to PRI in several ways, in view of their partially overlapping content. From a PRI perspective, the existence of an IIA has been among the risk assessment factors used by some providers.[a] ISDS can also at times be an avenue for the recovery of claims paid out under PRI (HOCHTIEF v. Argentina, Alschner, 2025).

IIA protections partially overlap with PRI coverage, typically in relation to expropriation, currency inconvertibility and to a lesser extent political violence and breach of contract. Yet, important differences mark both types of instruments. Contrary to PRI, old-generation IIA protections tend to be broad and include additional vaguely formulated standards, such as the fair and equitable treatment (FET) provision. IIAs typically cover investors and investments across all economic sectors and do not condition their application on sustainable development impact or ESG performance. As ISDS tribunals often calculate compensation based on cash flow methods, they also tend to award significantly higher amounts than those recoverable under PRI (Kantor, 2015).

By the end of 2023, there were over 1,300 ISDS cases based on IIAs filed by investors, in which developing countries are frequent respondents (over 60 per cent) (UNCTAD, 2024b). In more than a quarter of the cases decided in favour of the investor, tribunals have awarded sums exceeding $100 million, including at times for investments that were never fully operational in the host country (Tethyan v. Pakistan: $4 billion; Rockhopper v. Italy: €190 million) (UNCTAD, 2024c). In view of the lack of predictability of old-generation IIA protection standards, ISDS proceedings also tend to be lengthy and costly, with average costs of several million US dollars (Hodgson, 2021).

The unanticipated and far-reaching interpretations of IIA standards in ISDS have led to a growing realization that old-generation IIAs can limit countries' ability to adapt to changing economic realities and new regulatory imperatives to address climate change and other emerging global challenges. The most litigated IIA provision, the FET standard (together with indirect expropriation), has been at the heart of these concerns. It has at times led to countries' liability for measures taken in the public interest, including the protection of the environment (Eco Oro v. Colombia) and local communities (Bear Creek v. Peru) or action to respond to an economic crisis (e.g. Continental Casualty v. Argentina) among others.

In 2022, the Intergovernmental Panel on Climate Change highlighted the risks of ISDS being used to challenge climate action measures (IPCC, 2022). About a quarter of ISDS cases have related to the energy sectors and recent years have seen the first cases directly related to climate action as well (RWE v. Netherlands, ExxonMobil v. Netherlands) (UNCTAD, 2023b). As broader and innovative PRI risk coverage tools are being considered to support the green transition, a nuanced recovery strategy would be of particular importance to ensure that countries are not held financially liable for regulating in the public interest under unrefined protection standards under old-generation IIAs. Conversely, IIA reform could be informed by certain of the sustainability considerations used in PRI, in particular to focus their coverage on investments based on sustainability considerations (Alschner, 2025).

Efforts to reform the IIA regime and rebalance the rights and obligations of States and investors are becoming increasingly prominent[b] – the majority of IIAs concluded since 2020 contain regulatory space safeguards and the majority of countries have adopted refinements to the key substantive standards in their recent practice (UNCTAD 2024d). In light of the above, countries may wish to consider dissociating PRI and old-generation IIAs and continuing to reform their IIA networks to align them with sustainable development considerations.

[a] In determining PRI eligibility, some providers may also take into account the existence of an IIA relationship between the home and host country as part of the criteria in their assessment of the host country legal framework.

[b] UNCTAD's work on IIA reform is guided by the Addis Ababa Action Agenda (para 91) and the Nairobi Maafikiano Mandate (paras 38(l) and 55(h)), as also mentioned in the zero draft of the outcome document of the Fourth International Conference on Financing for Development (para 43 (i)).

*Source:* UNCTAD

## Table 4
### Asian countries are the leading recipients of PRI
Political risk insurance, top 20 recipient countries, billions of dollars, 2008–2023

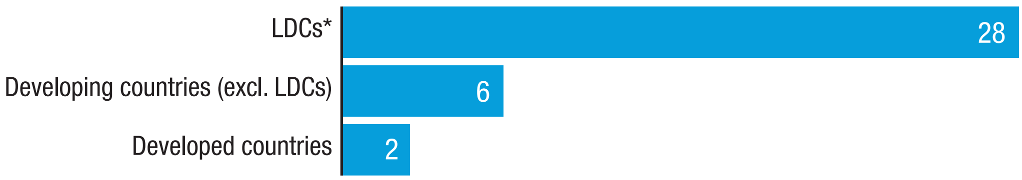
| 2008–2015 | | 2016–2023 | |
|---|---|---|---|
| Kazakhstan | 61 | Indonesia | 33 |
| Russian Federation | 43 | Kazakhstan | 31 |
| China | 34 | China | 31 |
| Brazil | 24 | Viet Nam | 24 |
| Indonesia | 24 | Peru | 14 |
| Uzbekistan | 17 | Pakistan | 14 |
| India | 16 | Brazil | 12 |
| Peru | 14 | Saudi Arabia | 12 |
| Mexico | 14 | Mexico | 12 |
| Türkiye | 13 | Uzbekistan | 11 |
| United States of America | 13 | Egypt | 11 |
| Cambodia | 10 | Democratic Republic of the Congo | 11 |
| Egypt | 9 | Russian Federation | 10 |
| Myanmar | 9 | India | 10 |
| Saudi Arabia | 8 | Türkiye | 9 |
| Lao People's Democratic Republic | 7 | Argentina | 8 |
| Viet Nam | 7 | Cambodia | 8 |
| Thailand | 7 | United States of America | 8 |
| Malaysia | 7 | Thailand | 8 |
| Sierra Leone | 7 | Malaysia | 8 |
| Total | 344 | Total | 286 |

*Source:* UNCTAD based on Berne Union Secretariat data.

The relative significance of PRI compared to total FDI varies by region and income group, shedding light into its potential impact on investment dynamics. Between 2014 and 2023, PRI issued by Berne Union members equated to 2 per cent of FDI inflows in developed countries, 6 per cent of FDI inflows in developing countries (excluding LDCs) and 28 per cent in LDCs, reflecting the higher reliance on PRI in countries with higher perceived risks (figure 6). In Africa, PRI is equivalent to 18 per cent of FDI inflows, a reflection of the high presence of LDCs in the continent.

By comparison, the PRI to FDI ratio was 7 per cent in Asia and Oceania and 6 per cent in Latin America and the Caribbean.

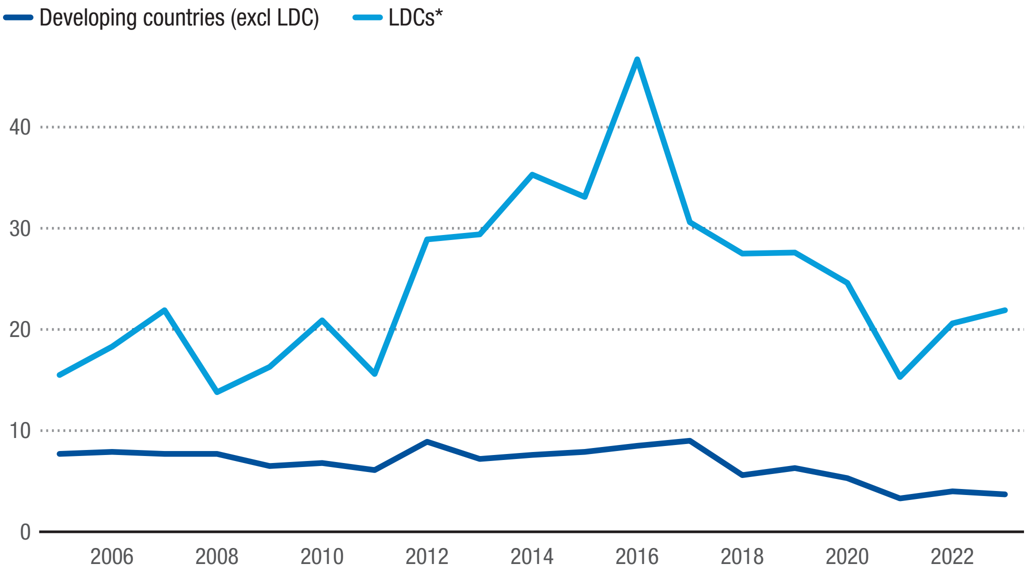
## Figure 6
### PRI equates over a quarter of FDI in LDCs
PRI to FDI ratio by level of development, 2014–2023, per cent




*Source:* UNCTAD based on data from UNCTAD and the Berne Union Secretariat.
*Note:* * LDCs excluding Angola, which has recorded negative FDI flows in the last eight years.

While the PRI to FDI ratio in developed countries has remained constant over the past 20 years, it has differed markedly in LDCs and in other developing countries. In developing countries, excluding LDCs, the relative importance of PRI has been gradually declining. In 2005, PRI represented 8 per cent of FDI inflows to these countries, but by 2023, the figure had halved to 4 per cent. Conversely, the PRI to FDI in LDCs has been significantly more variable. Between 2011 and 2016, it surged from 16 to 47 per cent, driven by a sharp increase in PRI allocated to four countries: Cambodia, the Lao People's Democratic Republic, Myanmar and Sierra Leone. During this period, these four countries accounted for nearly two-thirds of the PRI allocated to LDCs. It fell back to 30 per cent during 2017–2023, as projects in the four countries came to fruition and SINOSURE changed the methodology for the computation of PRI (see above) (figure 7).

## Figure 7
### PRI covers large proportions of FDI to LDCs
PRI to FDI ratio by level of development, 2005–2023, per cent

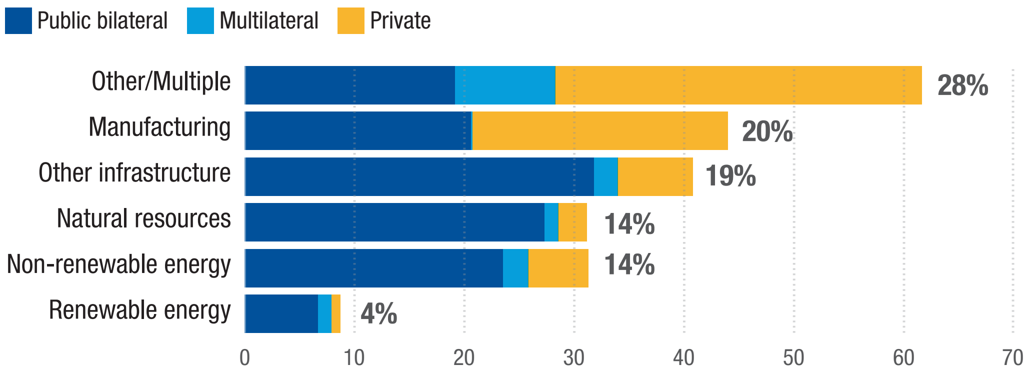



*Source:* UNCTAD based on data from UNCTAD and the Berne Union Secretariat.
*Note:* * LDCs excluding Angola, which has recorded negative FDI flows in the last eight years.

## 2.3 Sectoral distribution of projects covered by PRI

With the exception of financial services,[11] PRI coverage is predominantly provided to industries involving large-scale, capital-intensive projects with long-term payback periods, which heightens perceived risks for private investors (figure 8). Between 2019 and 2023, manufacturing accounted for the largest share of PRI coverage at 20 per cent, followed by non-energy infrastructure (19 per cent), natural resources—including mining and fossil fuel extraction (14 per cent)—and non-renewable energy projects (14 per cent). In stark contrast renewable energy projects received only 4 per cent of PRI coverage during the same period, though this share has increased from 3.7 per cent in 2019 to 6.2 per cent in 2023. This disparity is particularly striking given the commitments made by G7 and OECD countries to phase out support for fossil fuel projects. Despite these pledges, fossil fuel initiatives received more than three times the PRI coverage allocated to renewable energy, underscoring a disconnect between policy commitments and the allocation of derisking resources by PRI providers. Nevertheless, many public PRI providers have taken steps to align their offerings with their countries' climate commitments by implementing sectoral restrictions, such as excluding support for coal-fired power plants (see section 3.4).

**Figure 8**
**Renewable energy projects represent only 4 per cent of total PRI**
New PRI coverage by sector 2019–2023, billions of dollars and percentage




*Source:* UNCTAD based on Berne Union data

*Note:* Other/ multiple: included all other projects not applicable to any other sectors or projects that are applicable to more than one sector. It for instance includes projects in the financial services sector, other services and agriculture. PRI classified as "non-specific", i.e. PRI coverage for which the sector is unknown or was not disclosed by the PRI provider to the Berne Union Secretariat, was not included in the sectoral analysis.

Bilateral public providers dominate PRI provision in the energy and natural resources sectors, likely reflecting a strategic alignment with the interests of multinational enterprises from their home countries. In contrast, multilateral providers support investments across a broader range of sectors, with a higher proportion of their projects focused on renewable energy and other infrastructure, aligning with their mandates to promote sustainable development. The significant involvement of MDBs in the "other/multiple" sector category reflects MIGA's substantial role in covering the financial sector against political risks (box 2).

Private providers, on the other hand, concentrate their PRI efforts on manufacturing and other service-oriented sectors, such as financial services, with

[11] Due to the methodology employed for data computation, it is not possible to estimate the exact share of PRI in financial services, which are included in the category "other/multiple".

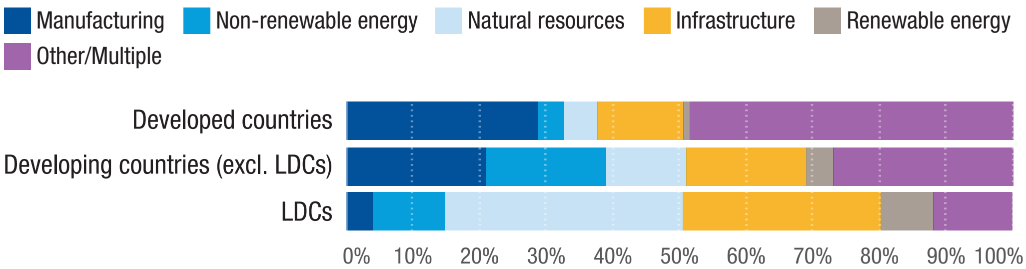
limited engagement in politically sensitive/ riskier sectors, such as natural resources, energy, and infrastructure.

The sectoral distribution of PRI also varies significantly by region and level of development. In LDCs, PRI coverage is more heavily concentrated in infrastructure (30 per cent of PRI projects in LDCs), and natural resources (36 per cent) projects. Conversely, in developing countries excluding LDCs, PRI tends to focus more on non-renewable energy (18 per cent) and manufacturing projects (21 per cent). Notably, in developed countries, the "other/multiple" category, which include financial services account for half of PRI, while manufacturing accounts for 30 per cent of insured projects (figure 9).

## Figure 9

### PRI coverage by sector varies by country development level

New PRI coverage by sector 2019-2023, percentage

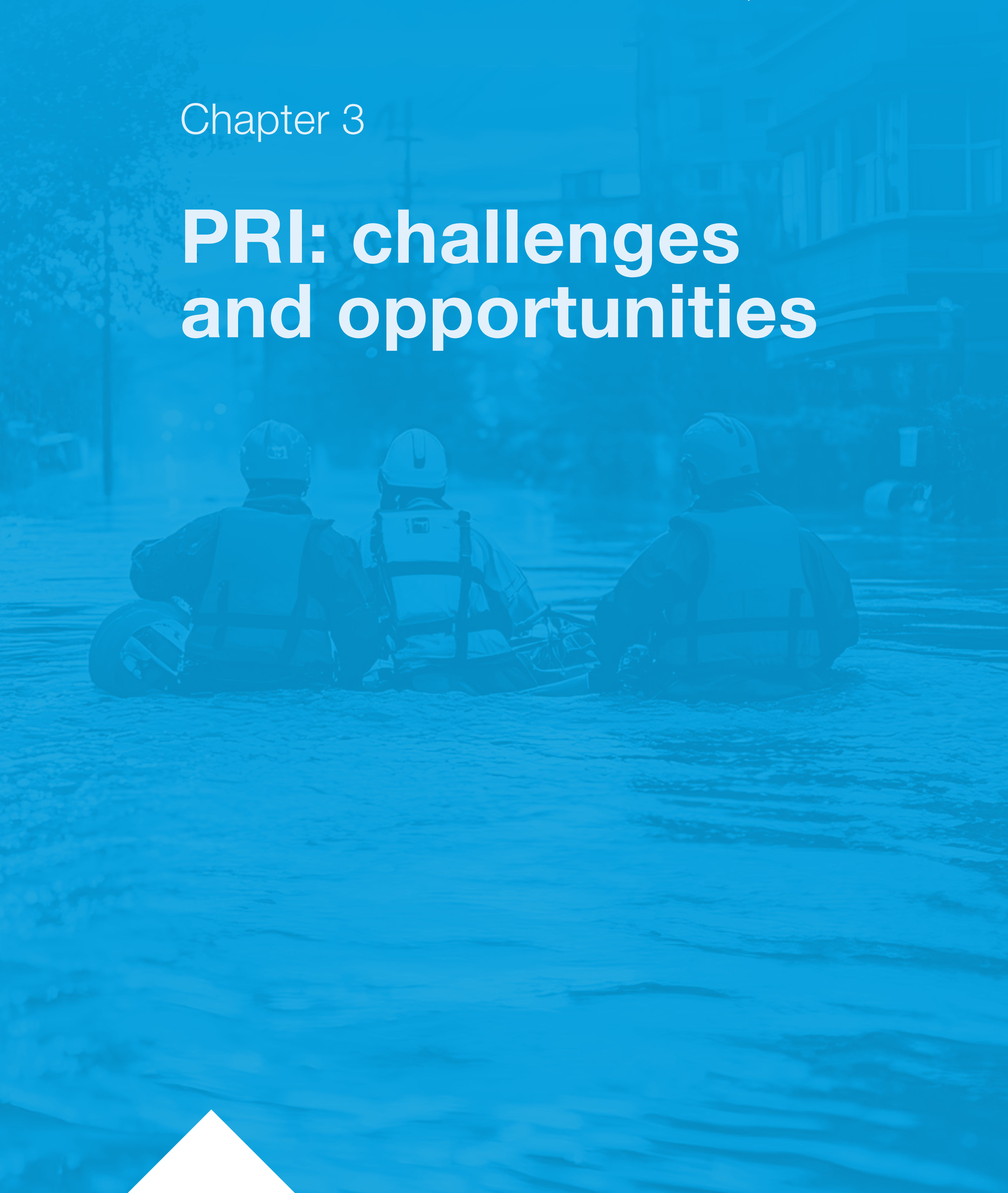



*Source:* UNCTAD based on Berne Union data.

*Note:* "Other/ multiple": included all other projects not applicable to any other sectors or projects that are applicable to more than one sector. It for instance includes projects in the financial services sector, other services and agriculture. PRI classified as "non-specific", i.e. PRI coverage for which the sector is unknown or was not disclosed by the PRI provider to the Berne Union Secretariat, was not included in the sectoral analysis.

Chapter 3

# PRI: challenges and opportunities



## 3.1 Increasing and emerging risks

As mentioned, the global investment and trade landscape is becoming increasingly complex and uncertain due to factors such as climate change, supply chain disruptions and geopolitical fragmentation. These challenges exacerbate existing risks in developing countries and LDCs in particular (see part 1). In this context, PRI providers face their own set of challenges in addressing these emerging risks.

Climate change, for instance, introduces uncertainty and variability in underwriting processes, complicating risk assessments, as it increases the frequency and severity of extreme weather events, disrupts supply chains, and intensifies geopolitical tensions over scarce resources. UNCTAD's survey of PRI providers highlights a growing concern about the rising significance of climate and environmental risks, particularly in LDCs. The climate crisis has intensified these risks, which have historically been insufficiently addressed in existing risk assessments and mitigation tools.

Similarly, supply chain risks, which can involve multiple jurisdictions and stakeholders, add complexity to premium pricing and claims assessment, as disruptions in critical supply routes can trigger political instability, trade restrictions and regulatory interventions. The shifting dynamics of multipolarity require PRI providers to anticipate and adapt to rapidly changing geopolitical contexts, often with incomplete or conflicting information. In addition, insuring investments in LDCs poses challenges due to the limited availability of reliable data, higher loss probabilities and difficulties in engaging with local authorities and institutions.

These challenges call for new and innovative approaches to strategic directions, policy design, risk assessment and engagement with public and private stakeholders. At the same time, the evolving risk landscape offers significant opportunities for PRI providers.

Increasing demand for risk mitigation in emerging and frontier markets offers a growing client base. Climate change and supply chain disruptions highlight the need for tailored insurance products that address cross-border risks, allowing providers to develop new markets. Multipolarity, while risky, creates opportunities for PRI providers to act as intermediaries, facilitating investment flows across regions with varying degrees of political and economic stability.

Innovative solutions in the PRI industry can bring significant benefits to both investors and insurers. Some PRI providers have already adapted to this changing context and developed innovative PRI products that extend coverage to a broader range of risks. For instance, the Nippon Export and Investment Insurance (NEXI), Japan's official ECA, includes coverage for natural hazards and force majeure. This has generated increasing interest in the country's PRI offering, particularly during the supply-chain related disruptions generated by the COVID-19 pandemic and the increasing climate-related risks faced by MNEs in vulnerable countries. The success of NEXI's product is such that the institution is considering alternative approaches to secure its continued viability. Indeed, as climate-related risks continue to grow, they prompt concerns about the financial sustainability of utilizing traditional PRI to cover for such risks. Another example of adaptation to new priorities is MIGA's involvement in carbon markets. In November 2024, MIGA introduced a Letter of Authorization template to facilitate guarantee issuance to support private investors participating in carbon markets.

Additionally, some public ECAs have started providing comprehensive coverage for overseas investments, offering insurance for both political and commercial risks, including to support outward investment in environmentally sustainable projects. This is the case for one of the investment insurance products developed by the Spanish ECA, CESCE (box 4). This broader risk coverage enables ECAs to address

The global investment and trade landscape is becoming increasingly complex and uncertain due to factors such as climate change, supply chain disruptions and geopolitical fragmentation

increased demand from banks financing overseas investments and companies seeking more comprehensive insurance options. Indeed, the increasing use of PPPs and the critical role of public offtake agreements and other contracts with public entities in sectors such as renewable energy are making the distinction between political and commercial risks less clear in many projects, emphasizing the need for comprehensive insurance solutions.

### Box 4
### Targeting sustainable projects: CESCE's green investment policy

In December 2021, CESCE, the Spanish official ECA, launched its Green Investment Policy, a targeted initiative to support environmentally sustainable projects. This product aims to facilitate and derisk green investments abroad by Spanish companies. Compared with traditional PRI, this product offers comprehensive coverage, insuring up to 80 per cent of both commercial and political risks associated with green investment projects, without limitations on value or duration. It supports all types of investments made by Spanish parent companies or their subsidiaries abroad, provided they are classified as "green" under the EU taxonomy or Annex I of the OECD consensus.

Since its introduction, the Green Investment Policy has gained traction, particularly from mid-2022. In 2023, it supported 17 contracts valued at €1.82 billion, showing that the product was effectively addressing market demand for derisking sustainable investments. At present, it primarily supports projects in the solar, wind and e-mobility sectors, representing over 50 per cent of long-term credit issuance in 2023. It also helped turn around CESCE's portfolio, with green sector accounting 40 per cent of CESCE's total exposure (including traditional buyer credit and other cover programs) in 2023.

The product was developed by CESCE to contribute to the SDGs while aligning with clients' needs. Its development involved assessing the requirements of Spanish companies abroad and the banks that support these companies in their investments. While this product changed the paradigm by providing comprehensive investment insurance instead of only political risk insurance, CESCE already possessed the necessary internal capacities to assess those risks. The company extended its existing processes for export credit to cover investments abroad, requiring no additional resources.

*Source:* UNCTAD based on interview with CESCE.

## 3.2 Complexity and cost of PRI Products

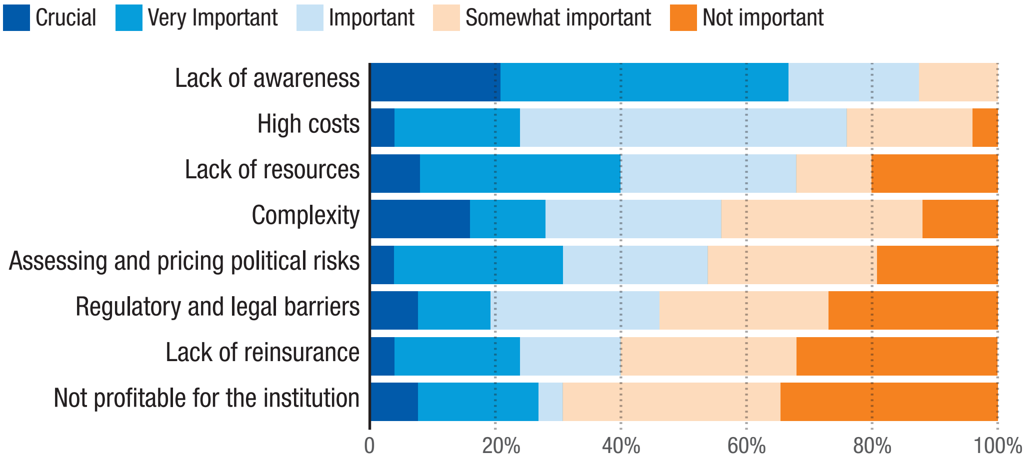
In addition to the challenges related to emerging risks, investors face significant hurdles in navigating the complexities of PRI products, which can be limited in scope and overly rigid. Standard terms and conditions can fail to address the nuanced risks that vary by region, industry or project, reducing the value of PRI (Soopramanien, 2017). The (perceived) high cost of PRI and the complexity of application processes further limit accessibility, compounding barriers to much-needed FDI (Adarkwah and Benito, 2023). In addition, outdated conditions and restrictive policy wording do not reflect the evolving needs of investors, leaving significant gaps in coverage. Operational inefficiencies and fragmented regulatory frameworks add layers of complexity, complicating underwriting and enforcement while undermining investor confidence and satisfaction (Waters, 2015). Lengthy and opaque claims processes, coupled with policy exclusions, can further discourage investment in volatile markets.

The results of the UNCTAD's survey suggest that the high cost and complexity of PRI are important challenges also for providers. Three quarters of respondents (76 per cent) identified high costs as one of the main barriers to the expansion of PRI products. Additionally, more than half of the respondents (56 per cent) highlighted the complexity of these products as a key obstacle (figure 10).

## Figure 10

### Lack of awareness and high costs are key barriers to PRI for investors

Main barriers to the expansion of PRI (providers' perspective)




*Source:* UNCTAD based on a survey to PRI providers.

PRI providers have an opportunity to modernize and adapt their offerings to meet the growing demand for risk mitigation in a volatile global environment. Developing even more flexible, modular policies that allow investors to tailor coverage to specific risks, such as industry-specific challenges or regional vulnerabilities, would increase the attractiveness of PRI products (Petrović, 2022). Reduced premium rates for high-impact projects, supported by blended finance mechanisms such as primary loss guarantee funds, along with simplified procedures, particularly for investments in LDCs, would address cost barriers while encouraging investment where needed. The use of technologies, such as artificial intelligence (AI) for advanced risk modelling and blockchain for transparent claims management, can streamline processes and improve efficiency. Providers can also adopt more dynamic pricing mechanisms and expand their data sources to improve underwriting accuracy and competitiveness.

This approach is evidenced by public agencies such as Bpifrance (France) and Credendo (Belgium), which have successfully introduced modular designs and enhanced products tailored to emerging needs. For example, Bpifrance can cover capital investments, shareholder loans, long-term bank loans, guarantors on bank loans and royalties for losses due to voluntary action by host country authorities, political violence or non-transfer. Premium approaches have been modified with single rates between 0.2 per cent and 0.8 per cent per annum for insured causes of loss. Credendo allows investors to tailor the cover to their needs and to choose which political risks they wish to insure. The Belgian ECA has also modified the premium system with a much more granular approach tailored to investors' needs.

Similarly, the World Bank has made significant strides in simplifying access to guarantees. In July 2024, it launched a centralized guarantee platform to address inefficiencies in its fragmented operations. Previously, clients had to navigate varying processes across the World Bank, the International Finance Corporation (IFC), and MIGA, which slowed operations and created inefficiencies. The new platform, hosted by MIGA, consolidates all guarantee experts, products and processes into a one-stop shop to optimize the use of limited capital to catalyse private-sector participation and foster greater investment in high-impact development projects worldwide.

## 3.3 Lack of awareness

PRI providers identify the lack of awareness as the single most important barrier to the expansion of PRI

Despite the growing need for risk mitigation tools in volatile markets, many investors remain unaware of the benefits and availability of PRI. The survey from UNCTAD's shows that PRI providers identify the lack of awareness as the single most important barrier to the expansion of PRI (figure 10). This stems from the perception that PRI products are complex or only relevant to large multinational corporations. Smaller investors and those new to emerging markets often underestimate their exposure to political risks, prioritizing financial or operational concerns instead. Other contributing factors include limited marketing efforts by public agencies and insufficient outreach by private PRI providers. This lack of understanding leads to under-utilization of PRI, leaving investors exposed to unforeseen disruptions such as expropriation, political violence or currency inconvertibility (Braun and Fischer, 2018). The result is a market inefficiency where the full potential of PRI remains unrealised.

In LDCs and other vulnerable countries awareness of PRI products is even more limited, creating significant barriers to investment. Local companies and foreign investors operating in these markets often lack access to information about available PRI options or misunderstand their applicability. This lack of awareness exacerbates the already challenging investment climate in LDCs, reducing capital inflows.

PRI providers, particularly public institutions, face structural and operational barriers to closing the awareness gap. A focus on traditional clients, such as medium-sized or large export-oriented companies, often diverts attention away from smaller or first-time investors. As discussed above, the technical nature of PRI products and the lack of simplified educational materials make it difficult to effectively communicate their value to a broader audience. Public providers also face challenges in working with local governments and financial institutions to improve market penetration in underserved regions.

The low level of awareness presents significant opportunities for PRI providers to expand their reach and impact. By investing in targeted marketing campaigns and using digital platforms, providers can educate diverse investor groups about the benefits of PRI. Germany is an example of a client-centric approach. Promotion and distribution activities of the public PRI programme include public relations, personal selling, cross-selling, as well as direct and online marketing. PRI providers have a unique opportunity to frame their offerings within broader economic and development goals, aligning PRI with global priorities such as sustainable development, climate resilience and gender equality.

Enhanced collaboration between PRI providers and outward investment promotion agencies (IPAs) in home countries and IPAs in host countries is a critical step forward. Such partnerships can bridge awareness gaps and increase the effectiveness of PRI. IPAs are uniquely positioned to identify local investment opportunities, provide market intelligence, and facilitate engagement with potential investors. By collaborating with IPAs, PRI providers can leverage local expertise to better understand regional risks, tailor their products to local needs, and increase visibility among foreign investors.

For example, MIGA has increased PRI provision in LDCs (box 2) by partnering with host countries to raise awareness of their products among investors. Such strategy can be as simple as incorporating information about MIGA's PRI offerings in project descriptions promoted by IPAs. These partnerships can also streamline the investment process by integrating risk mitigation strategies into promotional campaigns, showcasing PRI as a critical tool for derisking high-potential projects.

Additionally, IPAs can act as trusted intermediaries, fostering collaboration between public and private stakeholders, building investor confidence, and aligning PRI offerings with host countries' economic priorities. The approach of ATIDI in partnership with African IPAs exemplifies a collaborative framework that seeks to address investor concerns while promoting sustainable development in high-risk markets. This collaboration includes joint marketing initiatives, such as investment forums, to raise awareness of opportunities in African markets and the availability of PRI.

## 3.4 Sustainability standards

Another important challenge for investors lies in addressing ESG considerations. Companies increasingly seek to integrate ESG considerations into their decision-making processes. However, in the absence of standardized frameworks related to PRI, investors often rely on voluntary guidelines or proprietary benchmarks that may lack consistency and credibility. The challenge is particularly pronounced in LDCs and other vulnerable countries that often face heightened scrutiny from investors concerned about reputational risks. Some LDCs lack the financial and institutional capacity to implement and enforce robust ESG regulations, leading to gaps in enforcement and reporting. Such gaps deter investors, who may perceive projects in these areas as misaligned with ESG priorities or too complex to assess. Paradoxically, the emphasis on ESG benchmarks can disadvantage LDCs further, as they are frequently excluded from green finance initiatives due to perceived non-compliance.

UNCTAD's survey of public PRI providers indicates that while most ECAs incorporate some ESG criteria (figure 11), there is no unified approach among providers. Insuring projects in countries with weak or inconsistent ESG frameworks requires balancing financial risk mitigation with ethical and development considerations. The survey also indicates that over half of the PRI volume is provided by ECAs that lack any environmental sustainability criteria when assessing projects. ECAs from OECD countries generally adhere to the OECD's "Common Approaches" recommendations in the provision of export credit related to capital goods and services (box 5). Some ECAs interviewed by UNCTAD, however, indicated following these recommendations also for PRI. In most other cases, projects applying for PRI are evaluated on a case-by-case basis, with each institution using its own assessment criteria.

> Over half of the PRI volume is provided by ECAs that lack any environmental sustainability criteria

Unlike multilateral institutions or development agencies with development-focused missions, ECAs prioritize supporting domestic exporters and achieving national economic objectives. In this context, the majority of the projects are assessed based on home country benefits and commercial viability (figure 11). While the projects they support may yield positive developmental impacts in host countries, UNCTAD survey results suggest that most ECAs lack criteria to assess and measure such impacts. Nonetheless, ECAs are increasingly expected to address broader stakeholder demands, including net-zero commitments from governments, multilateral organizations, and private sector clients. By aligning their operations more closely with global sustainability goals, ECAs have an opportunity to enhance their impact on host countries while meeting evolving stakeholder demands.

## Box 5
## OECD's "Common Approaches" for officially supported export credits

The OECD's Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (The "Common Approaches") provides guidelines to address environmental and social issues related to the export of capital goods and services (except exports of military equipment or agricultural commodities), with a repayment term of two years or more.

Key measures include screening, classification, assessment and decision-making with monitoring. In the screening phase, applications for export credits are reviewed to identify potential environmental and social impacts. Projects with significant potential impacts on human rights, proximity to sensitive areas, or values exceeding 10 million Special Drawing Rights must undergo further classification and assessment.

During the classification stage, projects are categorized according to the severity of their potential impacts:

- **Category A:** Projects with significant adverse impacts that are diverse, irreversible, or unprecedented. These require an environmental and social impact assessment (ESIA).
- **Category B:** Projects with less severe impacts, which are site-specific and few, if any, are irreversible. A full ESIA is not mandatory, but the review scope must align with the project's potential impacts and risks.
- **Category C:** Projects with minimal or no adverse impacts. No environmental and social assessment is required.

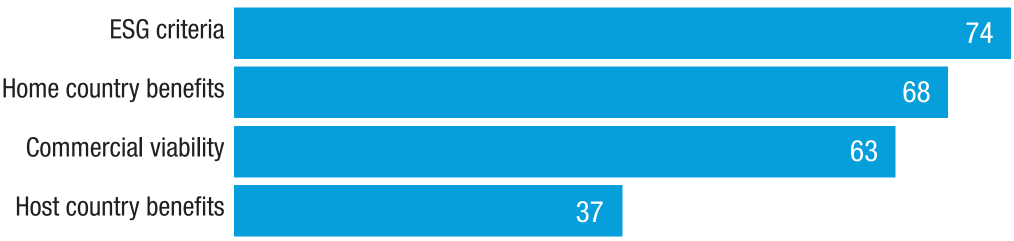
The environmental and social review ensures project compliance with host country legislation and international standards, such as the IFC Performance Standards or the World Bank Environmental and Social Standards. Mitigation measures are identified and incorporated where necessary.

Finally, during the decision-making and monitoring phase, projects are evaluated for support based on compliance with conditions, including mitigation measures. Ongoing monitoring ensures adherence to environmental and social commitments.

*Source:* UNCTAD based on OECD (2024)

## Figure 11
## Limited focus on host country benefits in PRI eligibility criteria

Eligibility criteria used by public bilateral PRI providers, percentage of total providers adopting each criterion




*Source:* UNCTAD based on the result of UNCTAD's survey to ECA providers. (N=28).

The UNCTAD's survey highlights evolving practices among ECAs regarding sustainability. Among the five public bilateral PRI providers in the survey without sustainability criteria, three are considering adopting them. Additionally, almost half of the bilateral public providers enforce sectoral restrictions tied to climate commitments. These include excluding coal-fired power plants from eligibility for PRI, the gradual phase-out of fossil fuels and combustion engine technologies, and restrictions on projects linked to deforestation or the exploitation of primary forests and valuable tree species. Beyond adopting restrictions, at least three other countries have introduced incentives for green projects. These initiatives provide favourable conditions and lower costs for climate-friendly investments, such as renewable energy and projects aligned with the EU taxonomy (box 4).

PRI providers and, particularly, public institutions are well positioned to contribute to bridging the ESG standardization gap. By leveraging their unique mandate and public trust, they can establish and promote best practices in ESG risk assessment and reporting. Approaches based on lessons learned from the public export credit system can bring significant benefits to both investors and PRI providers. For example, adapting frameworks such as the OECD Common Approaches for officially supported export credits, principles from the UN-convened Net-Zero Export Credit Agencies Alliance (NZECA) or the Principles for Responsible Investment to PRI could establish consistent criteria, thereby increasing transparency and investor confidence. Public PRI providers could also further develop modular policies that incentivise sustainable practices, such as premium discounts for projects aligned with ESG objectives. In addition, working with international bodies to develop a global ESG taxonomy can provide clarity and reduce duplication of effort across jurisdictions. These innovations not only strengthen the role of PRI in promoting sustainable investment but also position providers as catalysts for systemic change.

## 3.5 Multilevel collaboration

Investors seeking to mitigate political risks in volatile markets often face challenges due to fragmented and inconsistent offerings from multilateral, bilateral public and private providers. Public entities, such as MDBs and ECAs, typically focus on home and host country development objectives, whereas private insurers prioritise profitability and risk mitigation (Waters, 2015). This divergence creates coverage gaps, particularly for complex, high-risk projects requiring tailored solutions. Navigating multiple providers with varying terms and disconnected processes increases administrative burdens and uncertainty, particularly for smaller investors and those operating in emerging markets, often discouraging risk-taking and limiting access to much-needed insurance products.

The need for stronger cooperation between multilateral, bilateral public and private PRI providers is especially pressing in LDCs. These markets face heightened risks perceptions, which often deter private insurers. Public providers play a critical role in addressing these gaps but may lack the capacity or resources to cover all projects comprehensively. Insufficient collaboration leads to missed opportunities to pool resources, share risks, and leverage complementary strengths.

Despite promising developments in recent years, collaboration between public and private PRI providers still faces institutional and operational challenges. Divergent mandates and risk appetites hinder joint underwriting or co-insurance arrangements, both in LDCs and globally. Public providers often prioritise political objectives, resulting in longer decision-making timelines and stricter compliance requirements, which conflict with the speed and flexibility demanded by private insurers. Additionally, the lack of standardised processes and

PRI providers, particularly, public institutions are well positioned to contribute to bridging the ESG standardization gap

communication channels complicates information sharing and coordination. Competition for clients and overlapping roles further inhibit effective collaboration, as providers may perceive each other as competitors rather than partners.

More strategic collaboration among multilateral institutions, ECAs and DFIs can substantially enhance FDI flows into developing countries

Enhanced collaboration between public and private PRI providers holds significant potential to improve service delivery and expand market reach. By leveraging complementary strengths, providers can develop hybrid solutions that combine the financial resources and credibility of public institutions with the efficiency and innovation of private insurers. Risk-sharing mechanisms can enable coverage for larger or more complex projects, while co-insurance arrangements can simplify access to comprehensive policies. PPPs can also extend PRI coverage to underserved markets and promote investment in critical sectors, such as renewable energy, infrastructure, and healthcare.

Innovative collaborations are already transforming the PRI landscape. One example is the partnership between MIGA and Lloyd's to promote sustainable development through investment cover. The alliance aims to increase MIGA's annual issuance by using Lloyd's reinsurance capacity to support larger projects in developing countries. Another example involves the USDFC, which underwrites primary PRI for commercial loans and engages private insurers through facultative reinsurance placements. For instance, AXA XL recently led a quota share policy covering non-payment of principal and interest on a marine conservation bond, with USDFC's structure playing a central role in attracting investor interest.

Broader, more strategic collaboration among multilateral institutions, ECAs and DFIs can substantially enhance FDI flows into developing countries, particularly the LDCs. By combining their distinct financial tools, risk mitigation instruments, and technical expertise, these organizations can create more conducive investment environments and help unlocking greater private sector participation. A prime example is the telecommunications project in Ethiopia (box 6), where multiple bilateral and multilateral actors worked together to leverage complementary strengths, derisk the project, and amplify both its commercial viability and developmental impact.

Looking ahead, these expanded partnerships can be further leveraged to channel investment toward projects aligned with the SDGs, including those in climate mitigation and adaptation sectors. In this context, the involvement of ECAs, DFIs, MDBs and specialized climate and development funds would facilitate the blending of PRI with dedicated liquidity facilities. Such blended structures can help absorb the higher levels of risk associated with transformative, high-impact projects, those that may otherwise remain underfinanced.

## Box 6
## Safaricom Ethiopia: a showcase of collaboration between DFIs, ECAs and multilateral institutions in supporting a major FDI project

In 2018, the Government of Ethiopia started liberalizing its telecommunications sector to attract private investment and improve service quality. In May 2021, the first competitively tendered licence was awarded to the Global Partnership for Ethiopia consortium for $850 million. The consortium, now operating as Safaricom Telecommunications Ethiopia, plans to invest $8 billion between 2022 and 2030 to enhance telecommunications infrastructure and services and increase high-speed mobile penetration to 98 per cent by 2027. Safaricom Telecommunications Ethiopia was established as a joint venture involving Safaricom Plc (Kenya), Vodafone Group Plc (UK), Vodacom Group Ltd (South Africa), Sumitomo Corporation (Japan) and the United Kingdom's development finance institution –British International Investment (formerly CDC Group).

In May 2022, ATIDI provided a 10-year Investment Risk Insurance cover to Sumitomo Corporation for its investment in Safaricom Telecommunications Ethiopia. Nippon Export and Investment Insurance (NEXI), Japan's official export credit agency, partnered with ATIDI to provide reinsurance support for the project. This collaboration leveraged ATIDI's regional expertise and NEXI's financial backing, enhancing the security of Sumitomo Corporation's investment. In October 2022, Safaricom Telecommunications Ethiopia launched mobile voice, SMS, and data services.

In June 2023, IFC and MIGA announced their support for Safaricom Ethiopia, providing significant financial backing and guarantees to ensure the successful rollout and operation of its telecommunications network. The IFC made a $157.4 million equity investment in Global Partnership for Ethiopia BV and provided a $100 million A-loan to its wholly owned subsidiary, Safaricom Telecommunications Ethiopia. MIGA issued 10-year guarantees totalling $1 billion to cover the equity investments of Safaricom Ethiopia's shareholders, including Vodafone Group, Vodacom, Safaricom, and British International Investment.

The collaboration between various institutions was instrumental in supporting the establishment and operation of Safaricom Telecommunications Ethiopia. These partnerships combined financial resources—through IFC financing and equity from British International Investment—risk mitigation tools from MIGA, ATIDI and NEXI, and regional expertise to support this major FDI project. Further collaboration with the National Bank of Ethiopia resulted in May 2023 in the granting of a licence to Safaricom Ethiopia to launch M-PESA financial services. This regulatory support enabled the introduction of mobile financial services, which are crucial for enhancing financial inclusion and digital payments in Ethiopia.

*Source:* UNCTAD

Chapter 4

# Way forward and policy recommendations

**This report explored key trends and challenges in PRI and examined how PRI providers can address emerging risks (including those related to climate change, supply chain disruptions and geopolitical tensions) while fostering investment aligned with the SDGs. The findings underscore the critical role of PRI as a derisking tool and call for providers to innovate, collaborate, and adapt their frameworks to align with global commitments, such as the Paris Agreement and the 2030 Agenda for Sustainable Development. The report identifies an opportunity for ECAs to broaden their mandates to incorporate a stronger focus on sustainable development, alongside their traditional roles of export promotion and internationalization support. The following recommendations aim to enhance the role of PRI in promoting investments aligned with the SDGs:**

## 4.1 Tailor PRI offerings to emerging risks and SDG impact

To effectively address the complex and evolving risks in the global investment landscape, PRI providers can expand their products to address new global risks that hinder investment, including those related to climate change and supply chain vulnerabilities related to geopolitical uncertainties. This includes products that integrate advanced risk modelling for climate change and can address multi-jurisdictional supply chain risks associated with geopolitical fracturing.

By developing targeted products, ECAs and multilateral PRI providers can also play a more pivotal role in supporting investment towards the SDGs and the most vulnerable countries. They can design solutions that incentivize FDI in LDCs, SDG-related initiatives, or climate-focused sectors by offering lower premia and more favourable conditions for high-impact projects, including through blended mechanisms involving donor support, such as primary loss guarantee funds. The expansion of some ECA activities in Ukraine after the start of the conflict and despite the high risk for claims and losses, showcases that PRI is a public policy instrument that can be adapted to quickly address a country policy's priorities.

In addition, States may wish to reconsider linking PRI to IIAs, particularly older ones that limit their ability to regulate for public policy objectives and include broad protection standards, increasing exposure to costly ISDS disputes. Efforts should prioritize reforming the IIA regime to align with sustainable development goals.

## 4.2 Streamline PRI products and reduce costs

To overcome key barriers to PRI, such as high costs and complex processes, providers can focus on enhancing the product's accessibility and efficiency. Leveraging technologies such as AI for advanced risk modelling and transparency can streamline underwriting and claims processes, improving both efficiency and investor confidence. By enhancing accuracy in risk assessments and premium pricing, the adoption of new technologies can also promote the development of the innovative products discussed above.

Streamlining application procedures for projects in critical sectors such as renewable energy can also make PRI more accessible and attractive for investments in LDCs and other vulnerable countries. In addition, PRI providers should prioritise an enhanced harmonization of policy terms across jurisdictions to reduce complexity and enable investors to navigate the global risk landscape with greater ease and confidence.

## 4.3 Increase awareness and education about PRI

Targeted outreach and education campaigns to bridge the awareness gap and make PRI offerings accessible to a broader audience should be a key priority. This is particularly relevant for smaller investors and those new to emerging markets. Leveraging digital platforms can help demystify PRI products and showcase their benefits through practical examples and success stories. PRI providers should also develop multilingual, user-friendly educational materials and actively engage local stakeholders through forums and roadshows to build trust and demonstrate relevance.

Furthermore, enhancing collaboration between home and host countries can increase awareness of PRI offerings in regions where they are most needed. In particular, partnerships between ECAs and IPAs (both those in charge of inward and outward investment) can strengthen market intelligence and tailor outreach efforts to local contexts. Such collaboration can also facilitate direct engagement between PRI providers and investors while improving understanding of developing countries investment needs in capital-exporting countries.

## 4.4 Implement common sustainability standards

ECAs can enhance the alignment of their PRI framework with their country's global commitments to development and climate goals by consistently adopting sustainability criteria in project selection. They can also take a more proactive role in addressing the lack of consistent global ESG standards by driving the development of harmonised rules and promoting best practices in ESG risk assessment and reporting applied to the provision of PRI. Collaboration with multilateral institutions and the use of existing international frameworks can provide a basis for establishing consistent ESG criteria, thereby increasing transparency and investor confidence.

PRI providers, for long on the margin of the international dialogue on sustainability, can also act as conveners, fostering dialogue among governments, private investors and international stakeholders on the need for consistent ESG standards. These efforts will mitigate the challenges posed by fragmented standards and ensure that PRI offerings contribute to systemic change and promote equitable investment across all regions, including LDCs.

## 4.5 Enhance collaboration to expand derisking solutions

Building collaborative frameworks that leverage the complementary strengths of public multilateral and bilateral providers and private insurers can help addressing coverage gaps for complex, high-risk projects, particularly in LDCs. By establishing more joint underwriting arrangements and risk-sharing mechanisms, resources and expertise can be pooled to provide comprehensive coverage for larger and high impact investments.

Improving processes and communication protocols between public and private providers will streamline coordination, reduce administrative burdens for investors, and build trust among stakeholders. Providers could also explore more co-insurance and re-insurance arrangements that offer investors a single point of access to integrated policies, simplifying decision-making and increasing market penetration.

Moreover, ECAs and multilateral PRI providers can deepen collaboration with DFIs, multilateral banks and organizations to deliver holistic derisking solutions. By integrating PRI with liquidity facilities and other risk mitigation instruments (such as dedicated climate mitigation and adaptation funds), they can develop innovative financial mechanisms that effectively manage the higher levels of risk inherent in transformative, high-impact initiatives, contributing to development and climate goals.

# References

Adarkwah, G. K. and Benito, G. R. G. (2023). Dealing with high-risk environments: Institutional-based tools to reduce political risk costs. Journal of International Management, 29, 101033.

Alschner W. (2025). "To transform the international investment regime, look to political risk insurance and not (only) to investment treaties". International Institute for Sustainable Development, Investment Treaty News, 27 January 2025.

Bandura, Romina and Ramanujam, R. Sundar (2019). Innovations in Guarantees for Development, Centre for Strategic and International Studies, Washington D.C.

Baroudi, Merli M. (2017). "Innovation in Political Risk Insurance: Experience from the Multilateral Investment Guarantee Agency". Global Policy, 8(3), pp.406-413.

Branchoux, C., Fang, L. and Tateno, Y. (2018). Estimating Infrastructure Financing Needs in the Asia-Pacific Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States. Economies, 6(43). doi:10.3390/economies6030043.

Braun, A. and Fischer, M. (2018). Determinants of the Demand for Political Risk Insurance: Evidence from an International Survey. The Geneva Papers on Risk and Insurance, 43, 397-419.

Development Committee (2015). From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance. Development Committee Discussion Note.

Heard, J. and Laryea, E. T. (2021). Export credit agencies, international investment law and the spectre of unsustainable developing countries' debts. African Journal of International and Comparative Law, 29(4), 612-643.

Hodgson, M., Kryvoi, Y. and Hrcka, D. (2021). "2021 Empirical Study: Costs, Damages and Duration in Investor-State Arbitration". British Institute of International and Comparative Law and Allen & Overy. London. June 2021.

IPCC (Intergovernmental Panel on Climate Change) (2022). Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Geneva: IPCC.

ICIEC (2020). Stock-take report of MDBs' responses to the G20 action plan in response to COVID-19. Available at: https://www.isdb.org/sites/default/files/media/documents/2020-10/G20%20stock-take%20clean%20copy%2015092020%206h53pm.pdf

Kantor, M. (2015). "Comparing Political Risk Insurance and Investment Treaty Arbitration". Transnational Dispute Management, 6.

Karagöz, T. (2018). The Influence of Investor-Centered Values in the Operation of Political Risk Insurance. Journal of World Investment & Trade, 19, 118-153.

Klasen, A., Krummaker, S., Beck, J. and Pennington, J. (2024). Navigating Geopolitical and Trade Megatrends: Public Export Finance in a World of Change. Global Policy, 15(5), 1007-1014.

McHugh, C. A. (2021). Mobilising Private Funding of Development Finance. The Journal of Development Studies, 57(12), 1979–2001.

MIGA (2013). World Investment and Political Risk, The World Bank, Washington D.C. Export Finance in a World of Change. Global Policy, 15(5), 1007-1014.

MIGA (2024a). Shifting Shores: FDI Relocations and Political Risk. Washington, DC: MIGA, World Bank.

MIGA (2024b). The MIGA Sustainability Report 2024. Washington, DC: MIGA, World Bank.

AUC/OECD (2023), Africa's Development Dynamics 2023: Investing in Sustainable Development, AUC, Addis Ababa/OECD Publishing, Paris.

Nieto, M. J. (2019). Banks, climate risk and financial stability. Journal of Financial Regulation and Compliance, 27(2), 243-262.

OECD (2021). Mobilising institutional investors for financing sustainable development in developing countries: Emerging evidence of opportunities and challenges, OECD Publishing, Paris.

OECD (2023). Private finance mobilised by official development finance interventions, Development Co-operation Directorate, OECD Publishing, Paris.

OECD (2024). Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (The "Common Approaches"), OECD/LEGAL/0393.

Petrović, M. M. (2022). Political and economic risks and insurance. Tokovi osiguranja, 38(99-110).

Soopramanien, R. D. (2017). Mind the GAP: Tailoring the Form and Substance of Political Risk Insurance in Order to Bridge the 'Enforcement Gap' in Investment Arbitration. International Lawyer, 50(3), 585-611.

UNCTAD (2023a). World Investment Report 2023: Investing in Sustainable Energy for All, United Nations, New York and Geneva.

UNCTAD (2023b). "Trends in the investment treaty regime and a reform toolbox for the energy transition". IIA Issues Note 2. August. (For information: we can alternatively use WIR 2023 as a reference for the same statement).

UNCTAD (2024a). World Investment report 2024: Investment facilitation and digital government, United Nations, New York and Geneva.

UNCTAD (2024b). "Facts and figures on investor–State dispute settlement cases". IIA Issues Note 3. November.

UNCTAD (2024c). "Compensation and damages in investor-State dispute settlement proceedings". IIA Issues Note 1. September.

UNCTAD (2024d). "International investment agreements trends: the increasing dichotomy between new and old treaties". IIA Issues Note 2. October.

Waters, J. J. (2015). A comparative analysis of public and private political risk insurance policies with strategic applications for risk mitigation. Duke Journal of Comparative & International Law, 25, 361-384.

Webb, K. (2012). Political risk insurance, CSR and the mining sector: An illustration of the regulatory effects of contracts. International Journal of Law and Management, 54(5), 394-415.

WEF (World Economic Forum) (2016). Risk Mitigation Instruments in Infrastructure Gap Assessment, Geneva.

WTW (2024). Credit and Political Risk Insurance Capacity Survey and Market Update Financial Solutions March 2024. Available at: https://www.wtwco.com/-/media/wtw/insights/2024/03/credit-and-political-risk-insurance-capacity-survey-and-market-update.pdf

unctad.org

ISBN 978-92-1-003489-0

Printed at United Nations, Geneva
2506187 **(E)** – April 2025 – 236

**UNCTAD/DIAE/PCB/2025/1**

United Nations publication
Sales No. E.25.II.D.15