#30 ● FEBRUARY 2025

UN trade & development UNCTAD

# Investment Policy Monitor

# FDI derisking

## Political risk insurance

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) has a critical, and potentially growing role to play in fostering investment towards developing countries, and least developed countries (LDCs) in particular.
- 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. Developing countries are the largest PRI beneficiaries (70 per cent of the projects). 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.
- 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 developing countries and 2 per cent in developed countries.
- 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.
- Expanding the role of PRI as a derisking tool to support investment towards the SDGs requires in-depth analysis of the challenges and opportunities faced by PRI providers and investors alike. This Monitor is part of a broader UNCTAD research project that will examine those issues in the context of enhancing investment flows into SDG-related sectors in developing countries, with particular emphasis on LDCs.

# 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, 2023). 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 economies, 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, 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, 2024).

Emerging global challenges add significant uncertainty. Geopolitical tensions, rising protectionism and the threat of trade wars 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 and conflicts disrupt the business environment.

LDCs and other vulnerable countries 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 disproportionally affect LDCs, given their reliance on imports 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 & Laryea, 2021). Such factors create uncertainty about returns and the potential loss of assets, necessitating strong risk mitigation strategies.

The UN Trade and Development'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, 2024). Capital-exporting countries also have a key role to play in promoting risk mitigation strategies and facilitating outward investment towards developing countries and LDCs. 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. 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 Investment Policy Monitor explores the role and significance of PRI in fostering FDI in developing countries, particularly in LDCs, highlighting key industry trends, including major providers, primary recipients and the geographical and sectoral distribution of projects supported by PRI (box 1). This Monitor is part of a broader UNCTAD research project that will examine 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. The conclusions drawn from this analysis will inform policy recommendations to enhance the role of PRI to contribute more effectively to the SDGs.

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

**Box 1**
**Methodological note: UN Trade and Development's survey of PRI Providers**

In this report, 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 comprising 84 members, including most public providers of PRI, the largest multilateral providers and several private ones (see the full membership here). This data is complemented by publicly available project-level information from the Multilateral Investment Guarantee Agency (MIGA) and Development Finance Corporation of the United States (USDFC), as well as disaggregated data provided directly to UN Trade and Development by the African Trade & Investment Development Insurance (ATIDI), the China Export & Credit Insurance Corporation (SINOSURE), the Korean Trade Insurance Corporation (KSURE) and PwC Germany (the German ECA).

It is important to note that while the members of the Berne Union — and therefore its data — include most public providers of PRI, including all the large export credit agencies, they do not include all private insurers offering PRI. Notably, the approximately 20 Lloyd's syndicates that provide PRI are not members of the Berne Union. 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).

*Source:* UN Trade and Development.

# PRI and other FDI derisking tools

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. Typically, PRI protects against losses from risks that can disrupt investments, contracts or operations, including confiscation, expropriation, nationalization and deprivation; currency inconvertibility, non-transferability and exchange restrictions; public buyer payment risk and/or breach of contract; political violence (including riots and civil commotion, war and terrorism); embargo/licence cancellation and export/import restrictions.

Among the FDI derisking tools, PRI has a critical role to play in supporting investment to developing countries and LDCs. 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 (figure 1).[3]

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 (Mo Ibrahim Foundation, 2024). 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). A survey by MIGA on investment in developing countries in 2013 showed similar results.[4]

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

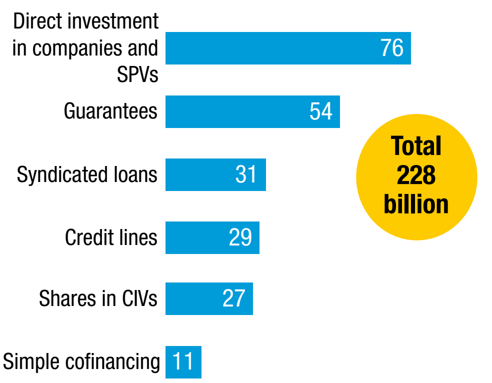
[3] For SINOSURE, the data include PRI to all countries.

[4] The survey of 459 senior executives from multi-national enterprises investing in developing countries found that macroeconomic and political risks ranked first and second respectively in response to the question of which factors were most likely to place the greatest restraint on FDI in developing countries over the next three years (MIGA, 2013).

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, including PRI, to enable the promotion of FDI in the most vulnerable countries, particularly the LDCs.

**Figure 1**
**PRI helps drive investment in developing countries**

Private finance mobilized by official development finance interventions, 2018-2022, billions of dollars




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

PRI by ECAs and multilateral institutions for projects in developing countries, 2018-2022, billions of dollars


*Source:* UN Trade and Development based on Berne Union Secretariat data.

# Main providers of PRI

PRI is offered by public and private entities. Public providers include multilateral institutions, such as the MIGA, or bilateral entities, such as ECAs.[5] 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, a significant PRI provider implemented a change in 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 2). This decline is primarily attributed to a reduction in PRI issuance by SINOSURE during that period. PRI from other providers remained stable.

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.

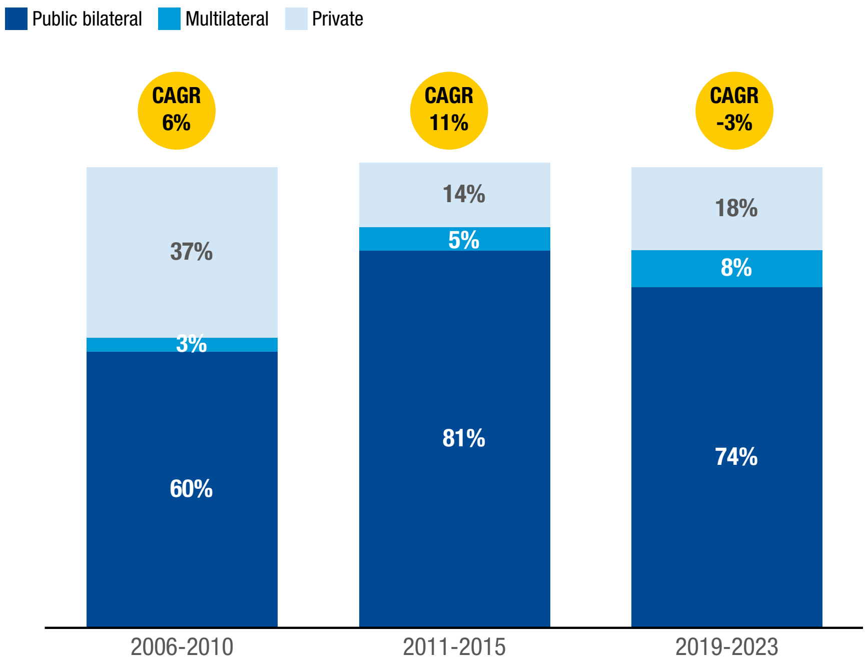
[5] ECAs include government agencies as well as private entities managing PRI issuance on behalf of their respective governments.

In 2023, new PRI policies underwritten by members of the Berne Union amounted to nearly $41 billion.[6] 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).

## Figure 2

**ECAs and multilateral institutions PRI share expanded over time**

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




*Source:* UN Trade and Development 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.

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 1). 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.

6 The Berne Union's 84 members include ECAs, multilateral financial institutions and private insurers of credit and political risk.

## Table 1

### 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:* UN Trade and Development 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.[7] 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.[8] As they are expected to recover claims paid, the complexity and time-consuming process of recovering payments for political 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). In Africa, ATIDI has also expanded significantly in recent years, increasing its overall portfolio by nearly 20 per cent in 2023.

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

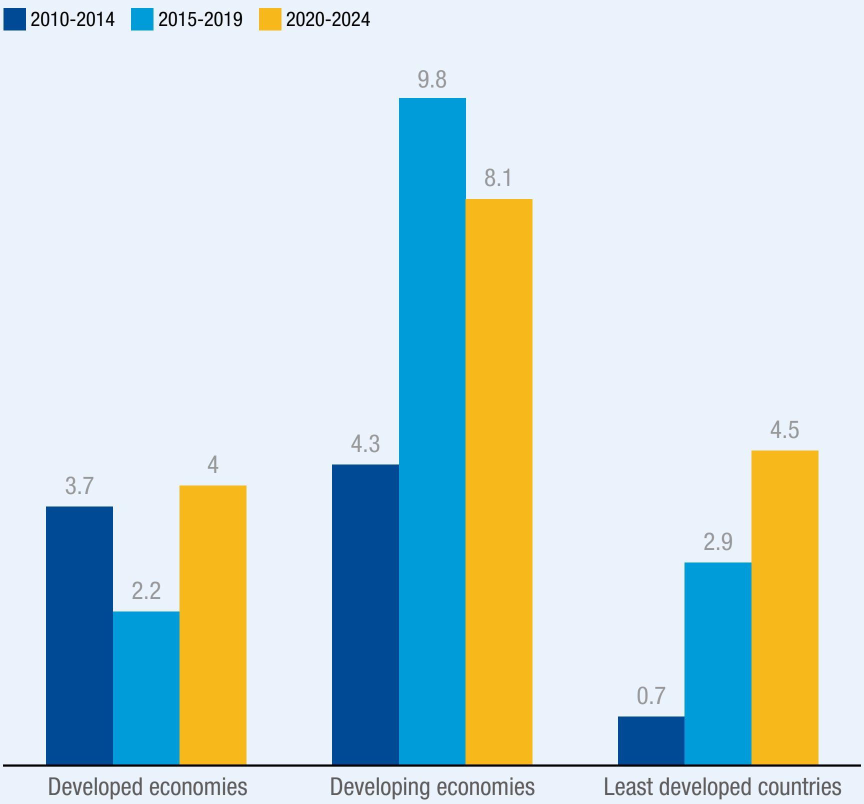
8 MIGA is not explicitly rated but recognised as a zero-risk weighted MDB by the Basel Committee on Banking supervision (ICIEC, 2020).

## 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 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 provider MIGA has a higher share of projects in LDCs.

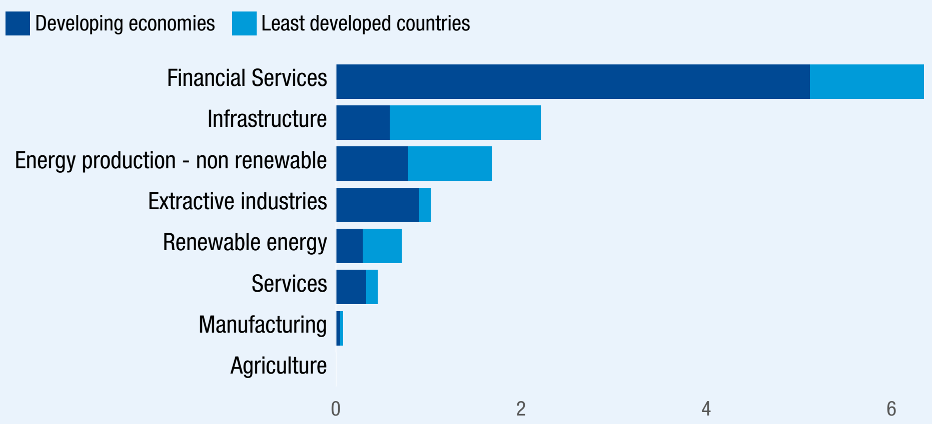
### Box figure 2.1
**PRI provided by MIGA, by level of development, 2010-2024 (billions of dollars)**



In the last five years, Africa represents 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 economies and LDCs, 2020–2024 (billions of dollars)**



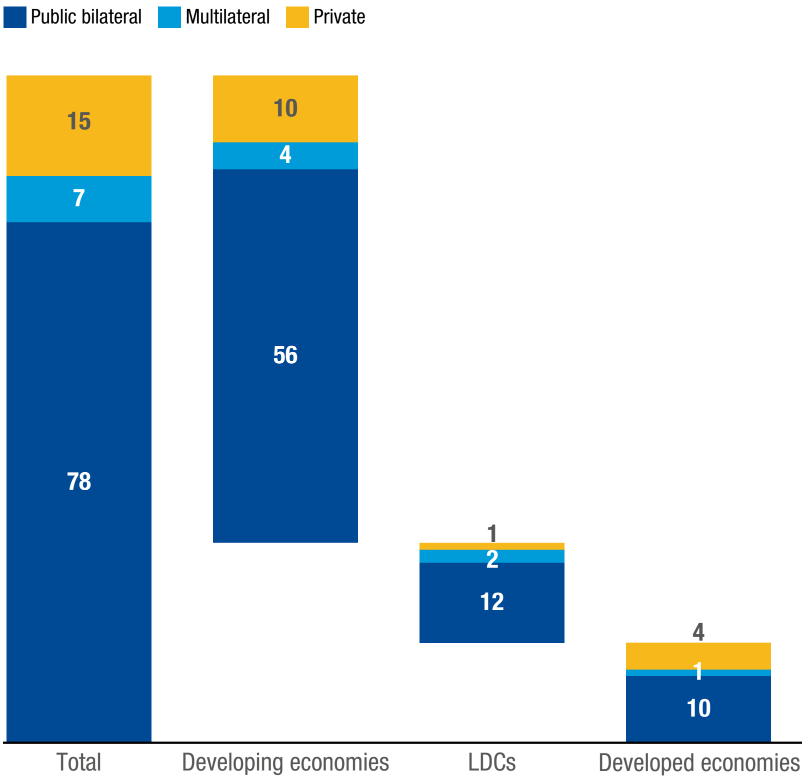

*Source:* UN Trade and Development based on MIGA PRI project data available at: https://financesone.worldbank.org/miga-issued-projects/DS00988.

[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)

# Geographical distribution

Between 2014 and 2023, new PRI issuance was predominantly directed towards projects in developing countries, which accounted for 70 per cent of the total coverage (figure 3). 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, 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 3
### Share of total new PRI volume issued between 2014 and 2023 by type of provider and level of development of recipient country of projects, per cent



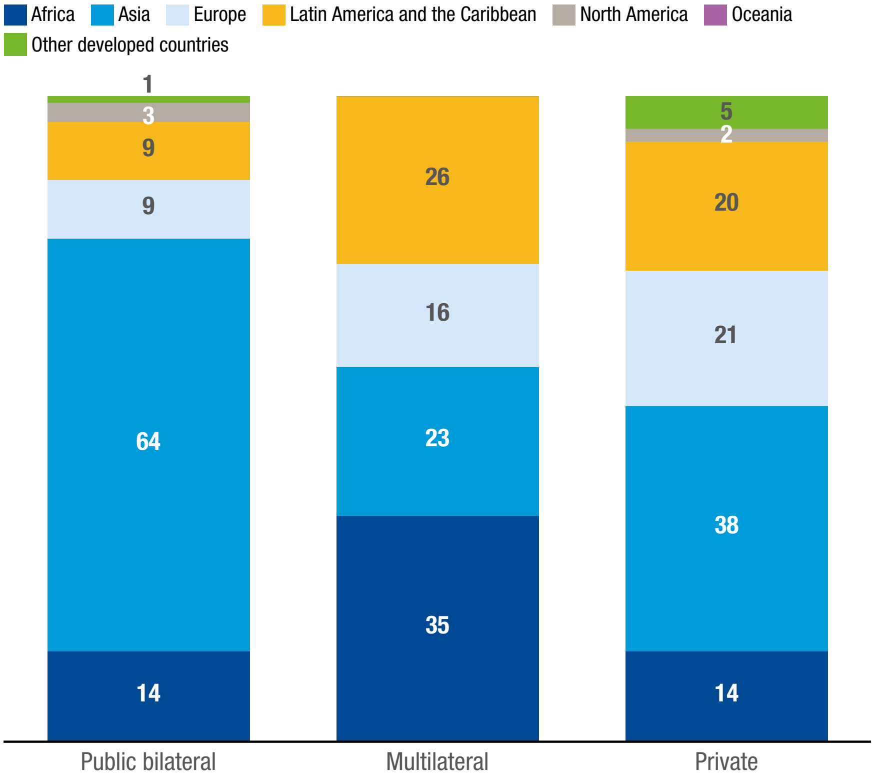

*Source:* UN Trade and Development based on Berne Union Secretariat data.

The geographical distribution of PRI coverage also varies by type of provider (figure 4). 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 1 and 2). 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 36 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 4**

**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:* UN Trade and Development based on Berne Union Secretariat data.

The top recipients of PRI are located in Asia, with Kazakhstan receiving the highest PRI coverage during the period 2008–2023.[9] 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.[10] SINOSURE also plays a major role in insuring projects in the United States.[11] 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 among top 20 recipients during the period 2008–2015, dropped out of the list for 2016–2023.

[9] 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.

[10] In 2023, SINOSURE accounted for more than 90 per cent of the PRI provided for projects in the Democratic Republic of the Congo.

[11] In 2023, SINOSURE accounted for 100 per cent of PRI provided for projects in the United States.

## Table 2
**Asian countries are the leading recipients of PRI**
PRI, 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 | 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 |
| Laos People's Democratic Republic | 7 | Argentina | 8 |
| Viet Nam | 7 | Cambodia | 8 |
| Thailand | 7 | United States | 8 |
| Malaysia | 7 | Thailand | 8 |
| Sierra Leone | 7 | Malaysia | 8 |
| **Total top 20** | **344** | **Total top 20** | **286** |

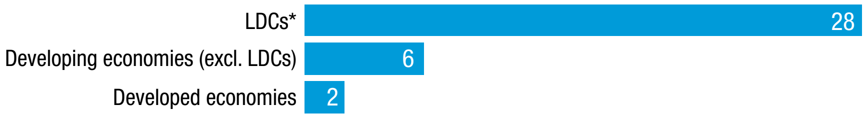
*Source:* UN Trade and Development, based on Berne Union Secretariat data.

The relative significance of PRI compared to total FDI varies by region and income group, shedding light into its potential impact on investment dynamics. Although LDCs account for only 15 per cent of the total value of projects insured by PRI providers, the ratio of PRI to FDI inflows in these countries underscores its critical role. Between 2014 and 2023, PRI issued by Berne Union members equated to 2 per cent of FDI inflows in developed countries and 6 per cent of FDI inflows in developing countries. However, in LDCs, this ratio surged to 28 per cent, reflecting the higher reliance on PRI in countries with higher perceived risks (figure 5). 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 5

**PRI equates over a quarter of FDI in LDCs**

PRI to FDI ratio by level of development, 2014–2023, per cent



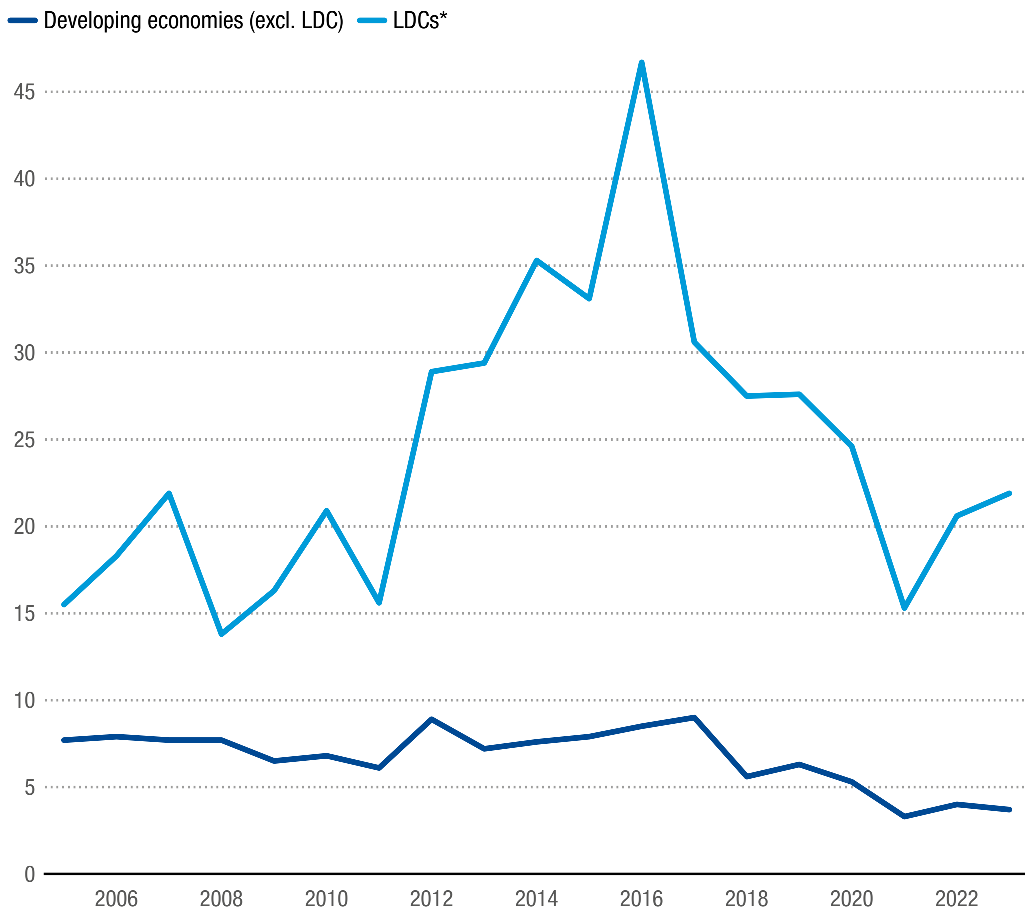

*Source:* UN Trade and Development based on data from UN Trade and Development and the Berne Union Secretariat
*Note:* * LDCs excluding Angola, which has recorded negative FDI flows in the last eight years.

While the PRI to FDI ratio in developed economies has remained constant over the past 20 years, it has differed markedly in developing economies and LDCs. In developing countries, 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 6).

## Figure 6

**PRI covers large proportions of FDI to LDCs**

PRI to FDI ratio by level of development, 2005–2023, per cent




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

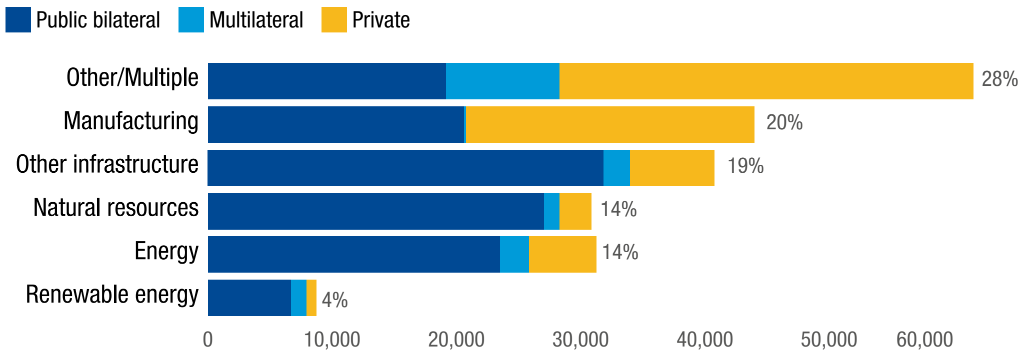
# Sectoral distribution

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 7). 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 less 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.

### Figure 7

**Renewable energy projects represent only 4 per cent of total PRI**

New PRI coverage by sector, 2019–2023, millions of dollars and percentage




*Source:* UN Trade and Development 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).

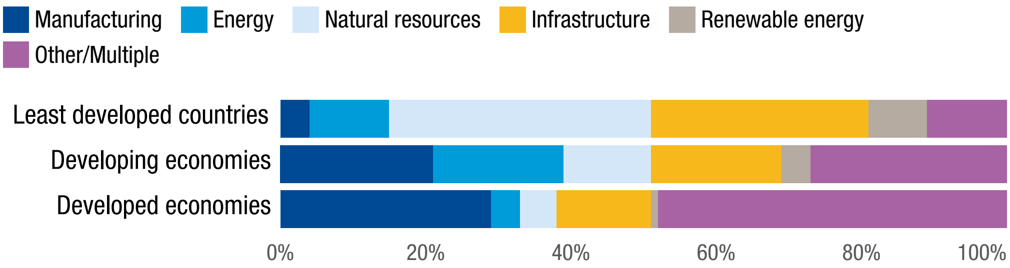
Private providers, on the other hand, concentrate their PRI efforts on manufacturing and other service-oriented sectors, such as financial services, with limited engagement in politically sensitive/riskier sectors, such as natural resources, energy, and infrastructure.

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). Conversely, in developing countries, 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 includes financial services, accounts for half of PRI, while manufacturing accounts for 30 per cent of insured projects (figure 8).

**Figure 8**

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

New PRI coverage by sector, 2019-2023, percentage




*Source:* UN Trade and Development 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.

# Conclusion

PRI plays an important role in facilitating capital flows into developing countries. As demonstrated in this report, it serves as a critical enabler for investment in infrastructure, renewable energy, and other SDG-related sectors, particularly in LDCs. However, its application remains uneven, with certain industries and geographies receiving disproportionately lower coverage. The data underscores the need for a more targeted and inclusive approach that ensures PRI mechanisms support sustainable and climate-resilient investments while balancing the interests of investors and host countries.

Looking ahead, expanding PRI coverage of investment in underrepresented sectors and LDCs will require collaborative efforts between multilateral institutions, ECAs and private insurers. Encouraging innovation in risk mitigation instruments, fostering greater PPPs, streamlining PRI processes and leveraging blended finance solutions are essential to bridging the financing gap for sustainable development. This Monitor is part of a broader UN Trade and Development research project that will examine the main challenges and opportunities faced by PRI providers in the context of enhancing investment flows into SDG-related sectors in developing countries, with particular emphasis on LDCs. The conclusions drawn from this analysis will inform policy recommendations to enhance the role of PRI and ensure it contributes more effectively to achieving the SDGs.

# References

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. & 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.

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

Heard, J. & 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.

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

Klasen, A., Krummaker, S., Beck, J. & 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. https://doi.org/10.1080/00220388.2021.1945042.

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.

Mo Ibrahim Foundation (2024). Financing Africa Where is the money? Forum report, June 2024.

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.

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

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

# Acknowledgments

This report was prepared by Mathilde Closset, Policy Research Section, Division on Investment and Enterprise (DIAE), UN Trade and Development and Andreas Klasen, from Brunel University of London and Oxford University, under the supervision of Massimo Meloni, Chief, Policy Research Section, DIAE. Overall guidance was provided by Nan Li Collins, Director, DIAE.

Research support and inputs were provided by Madden Hall, Guoyong Liang, Abraham Negash, Changbum Son, Christiane Stepanek and Astrit Sulstarova.

UN Trade and Development gratefully acknowledges the valuable comments and suggestions from Ashraf Abdelaal, Kiyoshi Adachi, Richard Bolwijn, Chantal Dupasquier, Hamed El Kady, Maha El Masri, Anastasia Leskova, Amelia Santos Paulino and Claudia Trentini. Production of the report was supported by Beth Helfand.

The team extends its sincere gratitude to the Berne Union Secretariat for sharing data and insight on 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 shared PRI data, including ATIDI, KSURE, PwC Germany, and SINOSURE.

Investment

**Policy Monitor**

This document has not been formally edited -UNCTAD/DIAE/PCB/INF/2025/1

Division on Investment and Enterprise