



## Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) is also a member of the World Bank Group and also has its headquarters in Washington, D.C. MIGA promotes foreign direct investment into emerging economies by offering risk-mitigation products to companies and lenders, and technical assistance to developing countries to help them to attract and retain private investment.

MIGA's investment guarantee program protects investors and lenders against the non-commercial risks of currency inconvertibility and transfer, breach of contract, expropriation, war and civil disturbance. MIGA's involvement in a project can deter government actions that could jeopardize an investment and gives confidence that projects are safe from non-commercial risks. MIGA can also act as an intermediary in the settlement of disputes between investors and host governments. In the short term, a MIGA guarantee can improve access to financing and lower the financial costs of projects in both developing countries and countries in transition.

To qualify, investment projects must be new and of at least three years in duration. Projects must also be sound financially and economically, and support the development goals of the host country. The types of investments eligible for insurance include equity interests, shareholder and non-shareholder loans, loan guarantees and certain other types of transactions.

Since its inception in 1988, MIGA has issued 550 guarantees for projects in 79 developing countries. MIGA has worked with several Canadian companies, particularly

in the mining and financial sectors. Mining clients have included companies such as Barrick, Rio Algom and Cameco.

MIGA has also worked with the Canadian banking sector and its affiliates abroad. MIGA issued a \$24-million guarantee against the risks of expropriation and transfer restriction to cover a loan made by a Canadian parent bank to expand the operations of its Jamaican subsidiary. The subsidiary operates a number of branches in Jamaica, providing retail and corporate banking services, and four wholly owned subsidiaries provide specialized banking services such as mortgage finance and merchant banking. MIGA played a key role in helping the subsidiary to provide loans to some of its clients at significantly lower rates.

### Doing Business with MIGA

Investors interested in MIGA involvement should contact the Agency early in the project-development cycle to ensure eligibility. The application process for a MIGA guarantee is relatively easy. Applicants first submit a confidential preliminary application, free of charge, which can be accessed on-line at [www.miga.org/screens/infokits/infokits.htm](http://www.miga.org/screens/infokits/infokits.htm). This is followed by a definitive application. Depending on the project's complexity, MIGA typically issues guarantees within three to four months of receiving the definitive application.



### FAST FACTS ► Multilateral Investment Guarantee Agency

<b>Headquarters</b>	Washington, D.C.
<b>Purpose</b>	To promote foreign direct investment by providing political risk insurance to investors and lenders
<b>Services</b>	Political risk insurance
<b>Restrictions</b>	Applicants must be a national of a member country, but not the country in which the investment is to be made.
<b>Minimum Project Size</b>	None
<b>Min/Max Investment</b>	Up to \$200 million
<b>Annual Project Approvals</b>	66 guarantees for \$2 billion (2001)
<b>Web Site</b>	<a href="http://www.miga.org">www.miga.org</a>



## Inter-American Investment Corporation

The Inter-American Investment Corporation (IIC) is affiliated with the Inter-American Development Bank, the regional international financial institution for Latin America and the Caribbean. The IIC began operations in 1989, and provides small and medium-sized private companies in Latin America and the Caribbean with medium- to long-term financing. The organization is based in Washington, D.C. and has field offices in Colombia, Costa Rica and Uruguay.

The IIC is similar to the IFC, although considerably smaller and with a much more restricted mandate. The IIC focuses on sectors and areas of Latin America, where credit or capital is difficult to obtain on reasonable terms. About three quarters of its investments are in the form of loans. Project loans may be up to a third of the capital cost of a new project, or up to 50 percent of the cost of an expansion project. The repayment period is usually five to eight years. The typical loan size is about \$10 million, but can be as little as \$1 million. There are no particular project preferences.

Like the IFC, the IIC can also take equity positions, holding up to a third of the equity in a company for a predetermined investment period, normally five to eight years. At the end of the period, the IIC sells its shareholding through exit mechanisms like private placements, public stock issues or share repurchases.

### Doing Business with the IIC

To obtain financing from the IIC, a company must be a profitable venture with growth potential and sales in the range of \$5 to \$35 million. The Corporation will also look at deals with larger companies. Eligible companies are usually majority-owned by citizens of the IIC's 26 member countries in Latin America and the Caribbean. Much less frequently, they are joint-venture companies with majority ownership from outside the region. Projects must demon-

strate a positive developmental impact on government priorities like employment, foreign-exchange earnings, health, safety and the environment.

A company seeking medium- or long-term financing to expand its operations sends a brief description of the company and a business plan to the IIC regional office for the country, or directly to the IIC Corporate Finance Division Chief in Washington, D.C. More details will be requested, if the project or institution meets preliminary eligibility criteria. After reviewing the detailed information, the IIC may decide to conduct an on-site project appraisal and arrange a meeting of the project sponsors with IIC senior management. At this point, the IIC will begin charging a project appraisal/processing fee and other fees. Full details of the application process are available on the IIC Web site at [www.iadb.org/iic/english/programs/financing\\_how.htm](http://www.iadb.org/iic/english/programs/financing_how.htm)

Canada is a full member of the Inter-American Development Bank, but has determined that membership in the IIC would not be advantageous to Canada at this time. Canadian firms can still participate in IIC deals, although Canadian leads are less likely to receive priority.

On the other hand, more than 60 percent of IIC funds are placed with financial institutions in the region. These institutions, which include private equity trusts, leasing companies and banks, on-lend or invest directly in private companies. The financial institutions are not restricted from participating in projects that include Canadian companies.



### FAST FACTS ► Inter-American Investment Corporation

<b>Headquarters</b>	Washington, D.C., with regional offices in Colombia, Costa Rica and Uruguay
<b>Purpose</b>	To promote the economic development of its 26 member countries by financing small and medium-sized private enterprises
<b>Services</b>	Direct loans and equity investments to companies; lines of credit and risk capital to financial intermediaries
<b>Restrictions</b>	Must be a member country. Canada is not a member at this time.
<b>Minimum Project Size</b>	\$2 million
<b>Min/Max Investment</b>	\$1 million to \$15 million
<b>Annual Project Approvals</b>	Approximately 20 projects a year. \$142.7 million in debt and equity financings (2000)
<b>Web Site</b>	<a href="http://www.iadb.org/iic">www.iadb.org/iic</a>