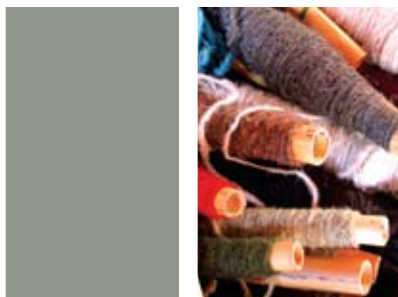


Small Investment Program



World Bank Group
Multilateral Investment
Guarantee Agency

MIGA:

Bringing Clients Unique Strengths

The Multilateral Investment Guarantee Agency's (MIGA) mission is to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives.

The agency provides political risk insurance (guarantees) to protect investments against potential political risks and provide investors with the confidence and comfort they need to venture into developing markets. As a member of the World Bank Group and having as our shareholders both host countries and investor countries, MIGA acts as a potent deterrent against government actions that may adversely affect investments. If disputes do arise, our leverage with host governments frequently enables us to resolve differences to the mutual satisfaction of all parties.

Small Investment Program

MIGA has developed a guarantee program called the Small Investment Program (SIP), which is specifically designed for small and medium-size investors (SMIs) investing in small and medium-size enterprises (SMEs). MIGA helps the SME sector in emerging economies in two ways: (1) directly, by providing political risk insurance (guarantees) to foreign investors who wish to invest in SMEs, and (2) indirectly, by providing political risk insurance to financial institutions that will then lend to small and medium-size businesses through local affiliates. MIGA's SIP offers a standardized package of risk coverages including currency inconvertibility and transfer restriction, expropriation, and war and civil disturbance.

The program is tailored to small and medium-size investors, offering:

- a quick and efficient underwriting process
- a single application form
- no application fee
- discounted premiums

MIGA has a dedicated SIP team that guides investors through the underwriting process. Depending on the availability of the necessary project information, MIGA can issue guarantees within 8-12 weeks of receiving an application.

What is Eligible?

ELIGIBLE INVESTMENTS

MIGA insures new investments destined for developing countries as well as investments associated with the expansion, modernization, or financial restructuring of existing projects. Acquisitions that involve the privatization of state-owned enterprises are also eligible. Other investments may be eligible and are considered on a case-by-case basis. Types of foreign investments that can be covered include equity, shareholder loans, and shareholder loan guaranties, provided the loans have a minimum maturity of three years. Commercial bank loans can also be insured, provided that an equity investment in the project is insured concurrently or has already been insured. Investments in the following sectors are eligible:

- Agribusiness
- Financial
- Manufacturing
- Services
- Tourism

New investments are those that have neither been made nor irrevocably committed on the date of submission to MIGA of an application for guarantee. In keeping with MIGA's objective of promoting economic growth and development, investment projects must be financially and economically viable, environmentally sound, and consistent with the labor standards and other development objectives of the host country.

SIZE OF INVESTMENT

Investments are eligible for coverage under SIP if they are related to the establishment of an SME, or made into an existing SME, in a developing member country. In order to qualify as an SME the project enterprise must fulfill two of the following criteria:

- No more than 300 employees
- Total assets should not be more than US\$15 million
- Total annual sales should not be more than US\$15 million

Investments in the financial sector are eligible under SIP if they are geared towards providing financial services for SMEs, and at least 50 percent of clients related to the investment are SMEs as defined above.

ELIGIBLE INVESTORS

Eligible investors include:

- Nationals of MIGA member countries
- Corporations if they are either incorporated and have their principal place of business in a member country, or if they are majority-owned by nationals of member countries.

The Small Investment Program has no restrictions with respect to the size of the investor. However, the program is specifically designed to assist small and medium-size investors. The application fee is waived for SMIs. In order to qualify as an SMI, the company must have no more than 375 employees and fulfill one of the following additional criteria: have no more than US\$50 million in assets or US\$100 million in annual sales.

TERMS OF SIP GUARANTEE

SIP guarantees have a term of up to 10 years (three years minimum), with the possibility of an extension of up to five years at the end of the original term, at MIGA's discretion.

The maximum amount of guarantee offered is US\$10 million (the actual size of the investment may be bigger). There is no minimum required amount of guarantee. Investments in infrastructure, oil, gas, and mining are not eligible for coverage under the SIP program. SIP covers up to 90 percent of the investment for equity and up to 95 percent for debt. For guarantee requests above this amount, investors may apply for coverage under MIGA's regular guarantee program.

SIP's contract of guarantee covers three types of risks:

- Currency inconvertibility and transfer restriction
- Expropriation
- War and civil disturbance

Breach of contract coverage and Category A projects—those which are likely to have significant adverse environmental impacts—are not available or eligible for coverage through SIP. Investors requiring breach of contract coverage or investing in a Category A project may apply through MIGA's regular guarantee program.

In order for MIGA to pay a claim on an insured investment, shares, assets and other securities obtained by the investor in connection with such investment must be assigned to MIGA unencumbered.

Guarantee Coverages

CURRENCY INCONVERTIBILITY AND TRANSFER RESTRICTION

Protects against losses arising from an investor's inability to convert local currency (capital, interest, principal, profits, royalties and other remittances) into foreign exchange for transfer outside the host country. The coverage insures against excessive delays in acquiring foreign exchange due to host government action or failure to act. MIGA pays compensation in the currency specified in the contract of guarantee.

EXPROPRIATION

Protects against losses arising from host government actions that may reduce or eliminate ownership of, control over, or rights to the insured investment. In addition to outright nationalization and confiscation, "creeping" expropriation—a series of acts that, over time, have an expropriatory effect—is also covered. Coverage is available on a limited basis for partial expropriation (e.g., confiscation of funds or tangible assets). Bona fide, nondiscriminatory measures by the host government in the exercise of legitimate regulatory authority are not considered to be expropriatory.

For total expropriation of equity investments, MIGA pays the net book value of the insured investment. For expropriation of funds, MIGA pays the insured portion of the blocked funds. For loans and loan guaranties, MIGA can insure the outstanding principal and any accrued and unpaid interest. Compensation will be paid upon assignment of the inves-

tor's interest in the expropriated investment (e.g., equity shares or interest in a loan agreement) to MIGA.

WAR AND CIVIL DISTURBANCE

Protects against loss from, damage to, or the destruction or disappearance of, tangible assets caused by politically motivated acts of war or civil disturbance in the host country, including revolution, insurrection, coups d'état, sabotage, and terrorism. War and civil disturbance coverage also extends to events that, for a period set forth in the contract of guarantee, result in an interruption of project operations essential to overall project financial viability. Business interruption coverage is effective when the investment is considered a total loss; at that point, MIGA will pay the book value of the total insured equity investment.

For equity investments, MIGA will pay the investor's share of the least of the book value of the assets, their replacement cost, and the cost of repair of damaged assets. For loans and loan guaranties, MIGA will pay the insured portion of the principal and interest payments in default as a direct result of damage to the assets of the project caused by war and civil disturbance or as a result of business interruption caused by covered events. Breach of contract coverage is not offered under SIP, but investors requiring this coverage may apply through MIGA's regular guarantee program.

How to Apply

APPLICATION PROCESS AND FORM

The SIP application, to be completed by the investor, provides MIGA with the information needed to underwrite a project and prepare a contract of guarantee. The application requires information on the amount and type of investment, the expected developmental and environmental impacts of the project, and its financial and economic viability. Once the SIP application is received, MIGA will register the project and contact the investor to begin the underwriting process.

Investors may download an electronic copy of the SIP application at www.miga.org or may receive a copy of the application by email, by sending a request to migasip@worldbank.org, or to:

MIGA Applications Office
MSN U12-1205
1818 H Street, NW
Washington, DC 20433
USA
f. 1.202.522.2630

Once the application is registered, implementation of the investment, through transfer or irrevocable commitment of investment resources to the project, may commence. Should the investor have insufficient information to complete the SIP application, we request that the investor submit Section 1 of the application and update once full information is available. This will allow MIGA to register the project and preserve its eligibility as a new investment. However,

until MIGA's analysis and due diligence is complete, the agency will not be able to commit to providing the requested guarantees.

The approval process should not take longer than 8-12 weeks if the information requested in the application is fully completed and MIGA is supplied with all relevant project documentation. Once the guarantee proposal has been approved by MIGA, the investor will receive a contract of guarantee, and on receipt, will have a period of six weeks to sign the contract. If the investor decides not to go ahead within this period, MIGA will terminate the guarantee process. To avoid delays in the application process, business and financial plans should be in place and financial projections available prior to filing the application.

PLEASE CONTACT US

Questions regarding SIP or the application process should be forwarded to:

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migasip@worldbank.org
t. 1.202.473.0993
f. 1.202.614.1579



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