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Business Focus Series

Sources of Finance For Private Power Projects In Asia

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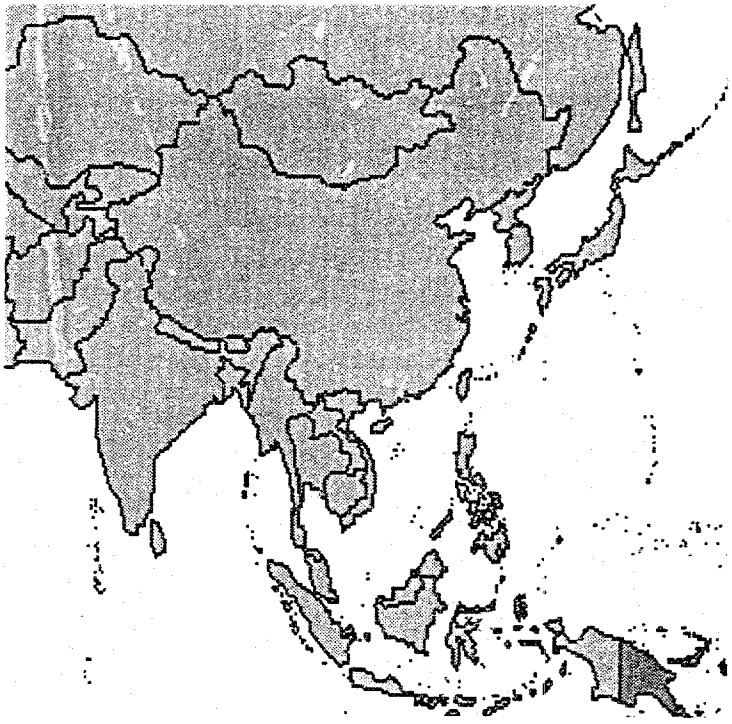
U.S. Agency for International Development

Office of Energy and Infrastructure

Private Sector Energy Development Program

Business Focus Series

Sources of Finance for Private Power Projects in Asia



Prepared by:

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on behalf of:
U.S. Agency for International Development
Office of Energy and Infrastructure
Private Sector Energy Development Program

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This document was prepared by Terry A. Newendorp, Taylor-DeJongh, Inc., from the program descriptions officially issued by the governmental agencies and multilateral institutions that are the focus of this report, as well as conversations with authorized officers of each program. However, changes in the programs, policies or applicability criteria may occur subsequent to this publication date.

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1.0 INTRODUCTION

Recent changes in the global economy are increasingly driving nations to the privatization of industries that historically were in the hands of government. The power generation sector is one of the foremost examples of new opportunity for private investment.

Many countries are enacting laws to permit the private sector to invest in and develop power generation and transmission facilities; but, the quid-pro-quo is that many of the Central Governments expect that in so privatizing this sector, they will no longer be unconditionally responsible for the financing of such major capital projects. Consequently, the methodology for financing such projects must also be developed or adapted, in order to maintain the momentum of economic development in the industrializing world.

The state of uncertainty in the world financial markets at this writing is such that most commercial banks and traditional sources of private capital for long term lending or investment are extremely wary of aggressively pursuing new business in cross-border lending. Home-country regulators of many of the major international banks require far greater balance sheet offsets for international loans than for domestic, single-country loans. Virtually all major international banks are in a "protect" mode, preserving their capital ratios by only conservatively parcelling out loans to well-established customers. There is little room in the commercial banks for major new initiatives in committing long-term capital to provide sector infrastructure projects in most of the developing world.

Therefore, some creative new methodologies are emerging out of the necessity of maintaining capital availability for private power development. Combinations of multilateral development institutions, bilateral development arms of industrialized governments, export credit agencies, and newly evolving capital markets in host countries, are all being brought to bear to complement available commercial bank credit.

Consequently, the development of a $500 million power generation plant is no longer as simple as a sovereign risk transaction. Multiple layers of security mechanisms must be put in place, and a variety of financial and insurance institutions utilized, in order to accumulate a package of financing for significant projects.

The project development cycle has many facets, and tends to be extended in duration, due to the relative unfamiliarity of many of the host government personnel with concepts of Build-Operate-Transfer (BOT), Build-Own-Operate (BOO), Build-Lease-Transfer (BLT) and other such mechanisms for private investment. Further, the issues of payment assurances, tariff calculations in currencies other than host country currency, foreign exchange availability and remitability, fuel supply and pricing risks, and other such issues, are generally not viewed the same by personnel with government bureaucracy backgrounds as by the private sector investors and lenders. Financing institutions with a familiarity in assessing risk and lending into the country where the power project is to be located, will be beneficial to the construction of a complete, bankable package.

Asia as a region has been the location of some of the major BOT/BOO power project closings. A Hopewell project in the Philippines and the Hub River Project in Pakistan have overcome significant hurdles to get to financial close and thence to construction. Many countries in the region have adopted laws and policies to permit private investment in power generation. Despite many difficulties in getting the theory converted to reality, the trend is clear in many of the countries that private sector power in the region will be a several-billion dollar per year opportunity. The marshalling of financial resources and the efficient layering of capital from various sources with different criteria, will be critical to the structuring of successful projects.

Sources of funding exist for project developers for various stages of project development. Some resources exist within U.S. Government and multilateral agencies for project identification. Some programs exist to help pre-feasibility and feasibility efforts. Some funding sources, such as export credits, can be utilized to support a specific developer or supplier which is in competition with other developers/suppliers, while some funding sources such as the multilateral focus on making a project commitment, rather than supporting any specific supplier.

Various official programs have different mandates, such as:

- Help fund a project, with international competition for the development/investment as well as construction;
- Focus support on a particular developer/supplier's proposed project;
- Fund studies that will make inroads for a particular country's suppliers;
- Fund projects based upon host country and regardless of home country of developer;
- Facilitate investment by insuring against political risks;

and so on.

This report summarizes the basic features of the principal programs, institutions and sources of financing that exist and that are most likely components of a U.S. developer's project financing package. This report is on conditions as of January 1993. In many cases, the programs and policies are evolving to cope with the new realities of privatization of infrastructure; and therefore, no rigid guidelines should be assumed to exist. The best procedure would be to present a thorough and complete analysis of a potential project to the prospective institution, and then to work closely with them to identify parts of the funding package that are suitable for their portfolio.

2.0 PROJECT FEASIBILITY STUDY ASSISTANCE

The assistance programs in this section are focused on the early development stages and feasibility study activities of a project. Some of the programs are geared to assisting the foreign buyer or project sponsor, without necessarily supporting any specific potential supplier. Funding assistance in such programs generally runs directly to the foreign sponsor, who then selects the firm to execute. Other programs are designed to provide assistance directly to the applicant US business entity to assist with the costs of project development or project feasibility analysis. Explanations of the program mandate and orientation appear for each program.

The following institutions are listed in this Section:

2.1 US Agency for International Development (USAID)
Private Sector Energy Development Program (PSED)

2.2 USAID Bureau for Private Enterprise (PRE)

2.3 USAID Private Biomass Energy Systems and Technology (BEST) Project

2.4 U.S. Trade & Development Agency (TDA)

2.5 Export-Import Bank of the U.S. (ExIm Bank) Engineering
Multiplier Program

2.6 Department of Energy (DOE)

2.7 International Fund for Renewable Energy and Efficiency (IFREE)

2.8 United Nations Technology Transfer Programs

2.9 Asian Development Bank (ADB)

2.10 Japan Industrial Cooperation Agency (JICA)

2.1 United States Agency for International Development (USAID): Private Sector Energy Development Program (PSED)

General Descri[illegible] Mandate:

USAID [illegible]mponent of the International Development Cooperation Agency. AID's role is to carry out U[illegible] b[illegible]eral development assistance in the form of grants, loans, technical assistance, and distribution of the Public Law 480 food program. USAID operates missions in over 80 countries. It is the "mother" institution of several of the assistance programs in this summary, including the Private Sector Energy Development (PSED) Program describe in this section.

Principal Activities:

To assist the private sector in developing solutions to the energy/power shortage problems of USAID assisted countries, PSED operates in the following areas:

1) Policy Reform and Institutional Development

- Conference and Workshops on Private Power Developments and Opportunities in Developing Countries
- Study Tours to the U.S.
- Technical Assistance and Training to Developing Countries

2) Private Power/Energy Project Development Assistance

- Cost-sharing Feasibility Study Fund for Private Companies
- Technical Assistance to Project Sponsors and Utilities
- Private Power Database
- Assistance with Project Financing Programs

3) Program Coordination

- Consultation with Private-Public Interest Groups
- Multilateral Development Bank and Donor Cooperation

Resources / Types of Assistance:

PSED was created in 1989 and authorized for five years. It has a target of $1.5 million per year for feasibility study funding assistance. Study Funds can be made available for up to 50% of the cost of pre-feasibility studies, feasibility studies or other project development activities. No limit is established, but because of overall program funding, PSED would like to limit its participation to approximately US $200,000 per project.

Criteria for Assistance:

In order to qualify for funding the following criteria must be met:

- Project must be a private energy/power project with equity investment in a developing country
- Applicant must share at least 50% of study cost
- Project must meet World Bank environment standards
- Applicant must be 51% U.S. owned

Application Procedure:

Application forms for the Feasibility Study Fund can be obtained by contacting the PSED Office or local AID Mission. For Technical Assistance and other PSED activities the office should be contacted directly or the local AID Mission.

Energy Experience:

PSED was established specifically to assist in the development of private power/energy developments. To date, it has sponsored conferences in Indonesia, Costa Rica, Washington D.C., Jamaica, the Philippines, Colombia, and India and given talks to representatives from many more countries. PSED has awarded feasibility cost sharing grants to companies to assess private power projects. Technical assistance has been provided to governments, utilities, the World Bank, and private power developers.

Contact:

Mr. Mark I. Croke
Deputy Director
Private Sector Energy Development Program
1601 North Kent Street, Suite 1102
Arlington, Virginia 22209

Telephone: (703) 524-4400
Facsimile: (703) 524-3164

2.2 USAID Bureau for Private Enterprise (PRE)

Office of Capital Projects and Engineering (PRE/CAP)

General Description / Mandate:

PRE was established within USAID to support and promote private sector activities in USAID assisted countries. The Office of Capital Projects and Engineering (PRE/CAP) was established in 1991 as the focal point of the Partnership for Business and Development Initiative. The Office was charged with consolidating engineering expertise, resources, and management of the Agency's capital project portfolio, which previously had been diffused throughout the five regional bureaus.

Principal Activities:

PRE/CAP provides direct project assistance for Agency efforts on a worldwide basis.

The office is a central source of expertise, information, policy guidance, and oversight of all engineering matters. The Office serves as the principal point of contact and the cooperative partner between the Agency and members of the private sector, other agencies and donors, on issues concerning capital projects, infrastructure, and engineering.

Central to PRE/CAPs mission is its effort to provide the leadership and critical support for the Agency's effort to promote local private sector while also contributing to U.S. trade and business opportunities through developmentally sound capital projects.

As part of this effort, PRE/CAP provides field assistance in developing scopes of work for technical services and/or evaluation of on-going projects and project designs.

Resources / Types of Assistance:

Devise and implement new methods and sources of financing:

-Capital Projects Fund - A $100 million Capital Projects Fund has been planned; it is intended to leverage other resources for capital development projects.

-Support Build-Own-Operate (BOO), Build-Own-Transfer (BOT), and similar private sector financing schemes.

-Credit / Guarantees authority is being sought to support future activities.

Energy Experience:

Office of Capital Projects and Engineering has extensive experience in energy projects and provides a full range of engineering and program development services to missions on a world wide basis.

Contact:

Mr. Fred Zobrist, Director
Office of Capital Projects and Engineering
USAID PRE/CAP
Room 550, SA-2
Washington, D.C. 20523-0223

PRE/CAP
U.S Agency for International Development, Room 550
515 22nd Street, N.W.
Washington, DC

Telephone: (202) 663-2189
Facsimile: (202) 663-2149

2.3 USAID Private Biomass Energy Systems and Technology (BEST) Project

General Description / Mandate:

The Biomass Energy Systems and Technology project operated by Winrock International for the USAID Office of Energy and Infrastructure, is designed to identify and reduce the technical, commercial, and institutional risks associated with implementing modern biomass energy projects in developing countries. The major emphasis of the program is on supporting site-specific projects in partnership with U.S. and developing country private companies.

Principal Activities:

To assist the private sector in developing and implementing commercially viable biomass energy projects, the BEST project works to identify promising project opportunities and solve key technical problems associated with the transfer of biomass energy technologies to developing country settings. BEST activities fall under two main program components:

1) Project Development and Implementation

- Industry resource assessments and commercial biomass fuel surveys
- Analyses of off-season fuel possibilities for on-grid systems
- Country-specific pricing studies for cogeneration
- Cost-shared prefeasibility and feasibility studies

2) Technology Adaptation and Transfer

- Applied research on off-season fuels, advanced conversion technologies, carbon sequestration, and utility planning for distributed renewable energy systems

Resources / Types of Assistance:

The BEST project offers cost-sharing assistance to private developers for feasibility and prefeasibility studies of project using commercially-proven biomass energy technologies. BEST may provide up to 50% of eligible study costs as an interest-free reimbursable grant to the project developer, to be repaid if the project reaches financial closure. There is no distinct budget for this cost-sharing program; funds are allocated as available.

Criteria for Assistance:

Candidate projects for prefeasibility and feasibility study support must meet the following threshold criteria:

1) The proposed project must be a privately owned or operated biomass energy project in a USAID-assisted country.

2) The project must be initiated by either a U.S. company or a host country company. If initiated by a U.S. company, the project must include a local company as a principal collaborator.

3) The project proposers must demonstrate a financial capability to carry the project forward if the study results are positive.

For prefeasibility studies, project site(s) and participants must be identified. For feasibility studies, a prefeasibility study or detailed project concept must demonstrate the existence of an attractive project opportunity.

Application Procedure:

Interested parties should contact Winrock and express their interest in cost sharing a study. Winrock will advise on project eligibility and funding availability and provide a list of information required for a proposal.

Energy Experience:

To date, BEST has awarded grants to project developers to cost-share feasibility and prefeasibility studies for projects in Costa Rica, the Dominican Republic, India, Jamaica, Pakistan, and the Philippines. In Asia specifically, BEST has worked extensively with the sugar industries of Thailand, Indonesia, and India to identify cogeneration project opportunities and off-season fuels.

Contact:

Renewable Energy and the Environment Program
Winrock International
1611 North Kent Street, Suite 600
Arlington, VA 22209, USA

Telephone: (703) 525-9430
Facsimile: (703) 243-1175

2.4 U.S. Trade and Development Agency (TDA)

General Description / Mandate:

TDA is an independent agency of the US Government. TDA's purpose is to increase US trade by financing the planning of projects in developing countries. A major purpose of TDA funding is to help US engineering/planning firms secure the initial stages of a major project development effort, so that U.S. technology, equipment and services will be utilized in the ultimate project execution in order to win major contracts overseas. Priority projects include energy, infrastructure, telecommunications, and natural resource development.

Principal Activities:

TDA supports feasibility studies for proposed public-sector projects in developing countries which involve significant developmental progress for the host country and significant opportunity for U.S. suppliers. The purpose of the support from TDA is to enable the host government to determine the technical and economic viability of a project with the application of U.S. technology

The majority of TDA's support goes to public sector projects announced by the host government. Feasibility study contracts are awarded to US companies who submit bids in response to these solicitations; the host country chooses the winning firm.

Resources / Types of Assistance:

TDA will fund 100% of a feasibility study for a public sector project supported by a host government. The host government selects, through a competitive process, the US firm which will carry out the study. The feasibility study funds are granted by TDA to the host government which selects the US company to complete the study. Grants range in size from $30,000 up to $2 million. These grants could be used to respond to a public sector offer for a BOT power project.

For private sector projects being developed by a US company which will be a significant investor in the project, funding assistance may be available on a cost-share basis. The investor is required to finance the cost of the feasibility study, but TDA will reimburse the investor for up to 50% once the study is complete. Financing for project implementation must be viable before TDA will commit to provide assistance.

Criteria for Assistance:

Support of a host government is required for a firm to submit a bid to conduct a feasibility study. Any US firm can submit a proposal to carry out a feasibility study. The selection process is made by the host government based on technical evaluations.

Any US company can submit a feasibility study proposal for a private sector project to TDA. Proposals will be evaluated on the basis of confirmation of support of host country government, level of priority placed on the project by the host government, evaluation of technical and financial factors, level and nature of competition for the project, level of expertise of the proposing firm, budgetary constraints, level of equity proposed by the US company and other such practical factors.

Application Procedure:

There is no formal application form. TDA should be contacted directly for assistance in developing proposals. For competitive bidding on proposed feasibility studies, announcements are placed in the Commerce Business Daily (CBD), which generally specify the proposed scope of work for a designated project and country study, along with a target budget. Instructions for bid responses are given in the CBD notice. Generally, 30-45 days are allowed for bid responses.

Energy Experience:

TDA has supported numerous public sector power project feasibility studies, ranging in size from US $40,000 to $900,000. It has also provided some support for private power project feasibility studies where the likelihood of U.S. equipment or services sales would be considerably enhanced by their providing of assistance.

Contact:

Mailing Address:

U.S. Trade and Development Agency
Room 309, SA-16
US Department of State
Washington, D.C. 20523-1602

Street Address:

Trade Development Agency
1621 N. Kent Street
Suite 309
Rosslyn, VA 22209

Telephone: (703) 875-4357
Facsimile: (703) 875-4009

2.5 Export-Import Bank of the U.S. (ExIm Bank) Engineering Multiplier Program

General Description / Mandate:

The Engineering Multiplier Program (EMP) aims to expand the sales of project-related feasibility studies and pre-construction engineering services in order to increase the potential for U.S. exports.

Principal Activities:

EMP will finance engineering services by offering fixed rate loans and guarantees to foreign buyers. The program is designed to generate additional overseas sales of U.S. goods and services (the "multiplier effect"). All projects must have the potential of generating subsequent U.S. export orders.

Resources / Types of Assistance:

ExIm Bank will offer the following services to eligible participants:

- Extend a direct loan or intermediary loan and/or guarantee if desired for up to 85% of the U.S. export value of the engineering services. The buyer must make a minimum of a 15% cash payment to the U.S. company.

- Guarantee commercial financing for approved project-related local costs in the host country for up to 15% of the U.S. contract.

- ExIm Bank may extend a loan and/or guarantee for the capital costs of the project itself, if the project goes forward with U.S. goods and services.

Criteria for Assistance:

EMP supports only sales of project-related feasibility studies and pre-construction design and engineering services. All services must be related to a project for which substantial additional U.S. exports will be needed once construction begins.

EMP will finance feasibility studies and engineering services with U.S. export value of up to $10 million. The services must involve projects which have the potential of generating subsequent U.S. export orders valued at $10 million or 10 times the value of the EMP loan, whichever is greater. Transactions that cannot meet the eligibility requirements of the program may be eligible for support under ExIm Bank's other loan and guarantee programs.

The buyer must have the ability to finance all stages of the project and must be in a country eligible for ExIm Bank financing assistance.

If the project goes forward, ExIm Bank will consider an application for financing the U.S. costs of the project.

Application Procedure.

Contact ExIm Bank's engineering division for appropriate procedure.

Contact:

Export-Import Bank of the United States
Engineering Multiplier Program
811 Vermont Avenue, N.W., Room 1167
Washington, D.C. 20571

Telephone: (202) 566-8802
Facsimile: (202) 566-7524

Requests for country specific information should be directed to the following bureau:

Africa and Middle East	(202) 566-8011
Asia	(202) 566-8885
Europe and Canada	(202) 566-8813
Latin America	(202) 566-8943

2.6 Department of Energy (DOE)

General Description / Mandate:

The Department of Energy (DOE) intends to establish a feasibility and planning study financing program, to be created through a formal cooperation and sharing of resources with USAID and TDA to support commercial development of international energy trade opportunities for U.S. industry and environmentally sound economic development worldwide. The program is called: " U.S. Federal International Energy Trade and Development Opportunities Program". The principal focus of the DOE support will be: international advanced coal technology projects.

Principal Activities:

The cooperative program will undertake the following activities:

- Issue of joint announcement of program and interest in receipt of proposals for study and/ or development of international energy trade and development opportunities (notice to be published in Federal Register and Commerce Business Daily)

- Joint participating agency review of proposals received with advice and recommendations of consulting agencies (State and Commerce Departments).

- Participation in funding support for proposals selected by the participating agencies, whether undertaken individually, or jointly, and in any combination thereof, and including cost sharing arrangements with the sponsor.

- Participation in nonfinancial support for proposals selected by the participating agencies, either individually, or jointly, and in any combination thereof.

Resources/Types of Assistance:

DOE will co-fund on a 50/50 basis, selected feasibility studies chosen from unsolicited proposals on qualifying projects. No budget numbers have been released as to total resources committed to this program by DOE, nor the amount of individual study co-funding that will be considered.

Criteria for Assistance:

Study assistance will be considered when the subject project:

- Involves advanced coal technology exports.

- Is acceptable to the host country and demonstrates in-country presence of proposer.

- Has a high probability of achieving a meritorious program objective, as determine by DOE, based on DOE's evaluation of the facilities or techniques proposed for use and the qualifications of the study personnel.

Furthermore, no study will be funded more than 50% by DOE, so evidence of proposer's capacity and intent to fund at least 50% of the proposed study's cost, is required.

Application Procedure:

An original and one copy of the study proposed must be forwarded to DOE and must deal fully with all relevant technical, economic, political and financial factors bearing upon the proposed study and the object project, including level of potential U.S. exports. Contents of each proposal must include, at minimum:

A description of the applicant:

- Company name and address
- Identity of ownership
- Nature of applicant's normal course of business
- Annual volume of total domestic and international sales
- A description of applicant's experience with the product
- A summary of applicant's experience in U.S. export trade
- A summary of applicant's experience in exports to the host country

A description of the proposed study

- Scope of study
- Cost including applicant and Agency shares
- Schedule, indicating dates for commencement and completion

A description of the potential export project

- Financial information
- Capital requirements
- Proposed debt and equity structure
- Source of equity financing
- Identification of sources of debt financing
- Content of project equipment and services manufactured or produced in the U.S. or provided by U.S. firms
- Evidence of host country (government and private) interest in potential project
- Identification of the product or service, together with a statement of its current commercial availability, or, if technology, the current status of its development
- A description of the Export Plan the applicant proposes to develop as part of the proposed study

Following initial review, the submission of additional information may be required as deemed necessary by the Agencies for the making of an informed decision concerning the Agencies.

Contact:

Program Manager
Coal and Technology Exports
Office of Planning and Environment
Office of Fossil Energy
Department of Energy
Washington, D.C. 20585

Telephone: (202) 586-7297
Facsimile: (202) 586-1188

2.7 International Fund for Renewable Energy and Efficiency (FREE)

General Description/Mandate

The International Fund for Renewable Energy and Efficiency (IFREE) is a pre-investment finance facility funded by the U.S. Agency for International Development's Office of Energy & Infrastructure (USAID), U.S. Department of Energy (DOE), U.S. Environmental Protection Agency (EPA), and the Rockefeller Foundation.

Principal Activities:

One of IFREE's primary programs is the Pre-feasibility Study Program. This program is designed to facilitate the funding of environmentally sound energy technologies to meet the energy and development needs of countries in the developing world. The subject technologies include biomass, efficiency, geothermal, micro-hydropower, natural gas, solar photovoltaic, solar thermal, and wind energy.

Resources/Types of Assistance:

In its Pre-feasibility Study Program, IFREE makes conditional grants for a maximum of one-half the cost of project pre-feasibility studies. If the project is itself financed and implemented, the IFREE support will be treated as a loan or investment, as appropriate. If however, the project is not consummated, the IFREE funding will be treated as a grant.

Criteria for Assistance:

To be eligible for pre-feasibility funding, a project must be commercial, funding for full feasibility study must be identified, a capable in-country participant must exist, the project must be replicable, and it must use predominantly U.S. equipment, materials, and services.

Application Procedure:

Application forms for pre-feasibility funding can be obtained by contacting IFREE in Washington, D.C.

Energy Experience:

IFREE has provided financing for four pre-feasibility studies in its first round of funding for projects concerning: rural electrification in Indonesia; retrofit, operate, and transfer of a geothermal power plant in El Salvador; providing photovoltaic-powered battery chargers for electric powered vehicles in Hungary; and developing both in-mine and virgin coalbed methane resources in Ukraine.

Contact:

International Fund for Renewable Energy and Efficiency
777 N. Capitol Street, N.E.
Suite 805
Washington, D.C. 20002

Telephone: (202)962-3393
Facsimile: (202)962-3396

2.8 United Nations Technology Transfer Program (UNDP, UNIDO)

General Description / Mandate:

The UNDP program to foster technology transfer to developing countries includes occasional funding for feasibility activities for certain key industrial sectors in developing countries. The initiation of the request for funding must be from the appropriate host government entity, and funding decisions are based upon thorough evaluation by UNDP staff.

Principal Activities:

Increasingly the activity has moved into industrial sectors, away from the original focus on basic agriculture. Renewable energies and power generation from indigenous fuels are areas of interest that could receive funding support.

Resources / Types of Assistance:

There is no fixed amount of funding set aside for this type of activity, nor even a set formal procedure for reviewing and approving funds, but feasibility study and technical evaluations can be funded upon receipt of well-conceived requests from local governments.

Criteria for Assistance:

Applicants must be country members of the U.N. The project must have an environmentally beneficial impact as well as result in positive economic benefit to the country.

Application Procedure:

As indicated, a thorough project description, with fully-detailed scope of work and expected economic benefits analysis, must be submitted by the requesting host country government. Review of the project concept will be undertaken by UN staff prior to funding allocation. The entire process would typically take one year.

Contact:

Mr. Edward C. Mattes, Jr.
Manager, Division for Private Sector
UNDP-UNISTAR
One U.N. Plaza (TM-908)

New York, NY 10017

Telephone: (212) 697-4593
Facsimile: (212) 697-5058

2.9 Asian Development Bank (ADB)

General Description / Mandate:

Asian Development Bank (ADB) is one of the major multilateral development banks, with a mandate to provide developmental financing to its member nations, for economic development. It is headquartered in Manila, with representative offices throughout Asia.

Principal Activities:

ADB has been a major lender for infrastructure and agricultural development to its Asian members since its inception. With the recent wave of privatization of industry throughout the region, ADB's relatively small private sector investment arm has had its functions absorbed and adopted across a broader spectrum of activity by the Bank as a whole. Historically, ADB's lending has been at the government level. Now that there is a private sector mandate for the Bank as a whole, there should be even more focus on private power.

Resources / Types of Assistance:

ADB is a major funder of technical assistance in the region, generally for industrial development or major infrastructure planning, which can include feasibility studies for specific projects in an overall development plan, including power generation and transmission. Its technical assistance funding would run to the host government, and the entire program and scope of work would be developed between ADB and that recipient government. Generally, its technical assistance projects are publicized to international firms with particular expertise in the field of the technical assistance or the particular study (firms may pre-qualify by filing their experience and capabilities with ADB in advance), and interested firms must submit bids for evaluation under an international competitive award process. There is no program whereby a particular private sector firm would be able to initiate a funding request on behalf of itself.

Criteria for Assistance:

As indicated, the technical assistance funding from ADB is directed to a member country according to a process of mutual interaction between ADB and that country's officials, in a process of cooperative identification of priority areas for assistance.

Contact:

For more information on the ability to pre-qualify for consideration in ADB technical assistance programs, contact:

U.S. Executive Director
Asian Development Bank
6 ADB Avenue, Mandaluyong
Metro Manila,
Philippines

Telephone: (63 2) 711-3851
Facsimile: (63 2) 632-6816

2.10 Japan International Cooperation Agency (JICA)

General Description / Mandate:

JICA is an official agency of the Japanese government that sponsors and conducts surveys and studies for public projects in developing countries, primarily for infrastructure development in Asia. JICA officials generally deal directly with the relevant officials in the host country to select priority developmental programs that will then be the focus of an economic and technical analysis carried out by experts under the direction and control of JICA.

Principal Activities:

The types of studies that JICA conducts include master planning and integrated development studies for industrial sectors or geographic regions, feasibility studies for specific projects, resources surveys (for basis of long-range economic development plan for a territory), ground water surveys, and topographical and oceanographic surveys. All of these types of studies are intended to be basic reference materials for the relevant planning authorities in the host country, and they are also intended to identify specific areas of opportunity for technical and financial cooperation between the host country and Japan.

Criteria for Assistance:

There is increasing discussion by JICA of including U.S. experts in the study teams for various efforts backed by JICA. The goal, according to the official statements, is to make a majority of the funds available for studies open for U.S. and other non-Japanese firms to participate in technical and economic studies.

Application Procedure:

There is a JICA representative office now in Washington, D.C. Questions about utilization of and access to JICA feasibility study programs should be undertaken with that office on a case-by-case basis, as no fixed procedure yet exists for the inclusion of U.S. firms in JICA programs.

Contact:

Japan International Cooperation Agency
900 19th Street N.W., Suite 350
Washington, D.C. 20006

Telephone: (202) 457-0412
Facsimile: (202) 457-0415

3.0 PROJECT FINANCING SOURCES/INSTITUTIONS

The institutions described in this Section include the principal sources of financing or guarantees for the actual project realization, not the feasibility or development studies leading up to the project. The orientation of this report is toward a U.S. developer, contractor or supplier that is bidding on or pursuing on a negotiated basis a power project in Asia. Consequently, the export credit agencies of other developed countries, are summarized in Section 3.1, but are not dealt with in detail here. Rather, those US Government and multilateral institutions are listed that would be most amenable to approaches from a U.S. firm and most able to help that firm with financing suitable to that firm's project development plan.

Furthermore, the commercial banks that have been or might well be active in the region for BOT-type transactions have not been specifically listed, as lending policies at many major international commercial banks change regularly, and there is no assurance that banks that have been active will continue to be, nor that banks that have not been aggressive in the past would be uninterested if there were a proposed transaction from a customer or in a particular territory that suited their strategic interests.

The following organizations are included in this section:

3.1 Export Credit Agencies: Program Description

3.2 Export-Import Bank of the U.S. (ExIm Bank) Programs

3.3 ExIm Bank/ Japan ExIm Bank Cofinancing Arrangement

3.4 Private Export Funding Corporation (PEFCO)

3.5 Asian Development Bank (ADB)

3.6 International Finance Corporation (IFC)

3.7 The World Bank (International Bank for Reconstruction & Development)

3.8 Overseas Private Investment Corporation (OPIC)

3.9 USAID, Bureau for Private Enterprise, Office of Investment (PRE/I): Private Sector Investment Program

3.10 The World Bank ECO

3.11 Global Environment Facility (GEF)

3.12 Environment Enterprises Investment Fund

3.13 Overseas Private Investment Corporation (OPIC) Special Funds (Asia, Environment)

3.14 Commonwealth Development Corporation (CDC)

3.15 Non-OECD Export Credit Agencies

3.16 Small Business Administration (SBA) Export Finance

3.1 Export Credit Agencies: Program Description

Officially supported export credits can be used to finance the export of capital goods, consulting and planning and projects, as well as to finance export-type leasing. To avoid competing on credit terms, in the facilitation of export trade from their respective countries, OECD-member governments (Organization for Economic Cooperation and Development) have agreed on terms of Officially Supported Export Credit Credits (commonly referred to as the "consensus") which define the maximum credit amount and repayment period, the minimum rate of interest and the starting point of the repayment for all officially supported export credits. Recipient or buyer countries are classified into three categories, based on their per capita GNP. The credit terms are then determined according to the buyer countries category - the poorer the country, the easier the terms of financing.

Advantages of OECD Export Credits:

- The maximum cost and availability of financing are known in advance, therefore reducing the risks involved with financing abroad.
- An export financing officer on OECD terms is given for six months at a time. The offer confirms the principle terms of the credit: the maximum interest rate and repayment term.
- The interest rate is fixed throughout the repayment period.

The following summary provides a basic outline off the terms and conditions which are available from the Export Credit programs established by OECD member countries.

BORROWER:Exporter, buyer or buyer's bank. There is no restriction as to who files the application, however, those eligible for the credit do vary. In many European countries, the actual financing is paid to the manufacturer who uses the export credit to finance the sale. In the US, on the other hand, the borrower cannot be the manufacturer. The borrower must be a foreign buyer with no ties to an American corporation. Recently, the agencies have put policies in place stating that they will accept true project lending. However, most agencies have yet to close a deal based on "project" lending (non-recourse except to project's revenue stream).

CREDIT APPLICATION: Application for credit can be made before the terms of the contract have been agreed with the foreign buyer.

CASH PAYMENT: At least 15% of the export contract value, to be paid at the time of delivery.

AMOUNT OF CREDIT: Up to 85% of the export contract value.

Best Available Copy

CREDIT CURRENCY:	Any of the major convertible currencies. Each of the agencies prefer to lend in their home currency. The European agencies, however, are fairly flexible about lending in other currencies (typically of the other European nations.) Repayment is in the credit currency.
DISBURSEMENT:	On delivery. Pre-delivery credits may be extended in some circumstances to meet some accrued costs. Progress payments on very large capital goods can be received for up to 70% of the costs drawn before delivery of the good,if the capital good "could not be readily marketed elsewhere". This language is ambiguous enough to allow most of the largest project expenditures to enjoy pre-delivery credit.
REPAYMENT:	In equal, semi--annual principal installments, the first installment six months after final delivery.
INTEREST RATE:	The interest rate of post delivery credits is fixed and depends on the buyer country, the repayment term and the credit currency. Pre-delivery credits have a floating market rate of interest. While there are officially set interest rates, recently the trend is to set the rate at a market-determined rate, utilizing a commercial Interest Reference Rate (CIRR).
COMMITMENT FEE:	0.25% on the undrawn balance of the credit from the date the contract is signed.
ARRANGEMENT FEE:	0.125% on buyer credits. (Out-of-pocket and legal expense are additional.)
SECURITY:	Credit is extended against adequate collateral. The preferred security is the borrowing country's central bank guarantee (if a project is being built in Thailand, the borrowing country would be Thailand). Most export financings into Category II and Category III countries are structured this way, as the large infrastructure projects were state-owned. The second choice of the agencies is a guarantee from any major international bank. Larger international borrowers may receive credit based on the security of their balance sheet.
INSURANCE:	All export credit agencies require political risk insurance. The insurance covers the goods against political risk from appropriation, war and insurrection. The cost of the insurance is included in the export credit financing package, and insures the goods for the full amount of the credit (85% of the purchase) for the length of the loan (up to ten years.)

3.2 Export-Import Bank of U.S. (ExIm Bank) Programs

General Description / Mandate:

ExIm Bank is an independent US government agency that facilitates financing export sales of US goods and services. It is the official export credit agency of the U.S. It supplements and encourages, and does not compete with, commercial financing. By neutralizing the effect of export credit subsidies from other governments and by absorbing risks that the private sector will not accept, ExIm Bank enables US exporters to compete internationally on the basis of product quality, service, and price.

Principal Activities:

ExIm Bank offers both direct loans and guarantees of loans made by commercial banks, up to 85% of the total export value from U.S. suppliers. Direct loans are extended to the foreign buyer, not to the U.S. exporter. Loan guarantees are provided to banks financing the export sales of a U.S. supplier. In all cases, ExIm Bank requires a "reasonable assurance of repayment", which very often takes the form of a guarantee from a minister of finance, in the case of a public sector project, or a first-class international bank, in the case of private sector buyers.

Resources / Types of Assistance:

Loans:

For rich and intermediate countries as defined in the arrangement ExIm Bank will lend at the commercial interest reference rate (CIRR). For poor countries ExIm Bank will lend at the lower of the CIRR or the OECD rate. The OECD rate is established every 6 months and was 8.1% at end-1992. The CIRR changes monthly and is based on a spread over Treasury rates.

ExIm Bank provides competitive fixed rate financing on a direct loan basis to foreign buyers or on an intermediary loan basis to banks on-lending to the foreign buyer. Interest rate is determined under the OECD Arrangement on Export Credits ("Arrangement"), which categorizes the recipient country by wealth and fixes an interest rate accordingly, to which all OECD export credit agencies are to adhere.

Terms of loans depend upon the size of the transaction and the nature of the export. For capital goods exports up to $10.0 million, a medium term loan of up to 7 years may be made. For larger transactions, terms up to 10 years are made. Under a particular transaction, term is measured from the completion of the final shipment of export goods or completion of a project.

Transaction fees are also part of the cost of the loan and an exposure fee is based on the risk profile of the host country, the type of borrower or guarantor and the repayment term. A commitment fee of 1/2% is charged on a loan option; a 1/8% commitment fee is charged on a guarantee option.

Guarantees:

ExIm Bank guarantees run to commercial banks which are the lenders to overseas companies, and the basis of the transaction is virtually identical to that of the direct loan program. The impact upon the U.S. exporter and the foreign buyer are virtually indistinguishable from a direct loan transaction.

Criteria for Assistance:

Application to ExIm Bank may be initiated by any interested party to a specific export transaction: the manufacturer, the exporter, the intermediary lender, the foreign buyer, the buyer's guarantor. Loans are available to support sales of U.S. capital goods, agricultural commodities, raw materials, or other goods and services restricted to short term financing. Military goods and services are not eligible.

If a US export item contains foreign-made components incorporated in the US, ExIm Bank will finance up to 100% of the US content provided the total amount financed does not exceed 85% of the total contract price and the total US content is not less than 50%.

Application Procedure:

Application forms for the loans program can be obtained by contacting the ExIm Bank Office of Public Affairs. The form is a simple 2-sided sheet requesting only the most basic outline of the transaction and the parties involved, along with the anticipated U.S. content. A $100 processing fee must accompany the form. All the form does, however, is to "open a file" for the proposed transaction, as satisfactory evidence of the exporter's capability to handle the transaction and the buyer's ability to repay any loan or guarantee, must be thoroughly established before the request may be taken for approval.

There are two stages of the approval process, Preliminary Commitment and Final Commitment. A Preliminary Commitment (PC) is actually an indicative loan or guarantee offer and is often used when the project is in an early stage of negotiation, and US exporters need to include a financing package as part of their marketing efforts. The PC outlines the amount, terms, and condition of financial assistance ExIm Bank is prepared to offer the foreign purchasers. The offer is normally good for 180 days and may be renewed for an additional 180-day period as long as the transaction is still being actively pursued.

Once the buyer commits to purchase the US goods, the buyer must apply to the ExIm Bank to convert the PC to a Final Commitment. It will be required to submit sufficient information to appraise the financial, technical, and economic conditions of the project. The borrower (foreign buyer of goods) must apply for the Final Commitment for the loan.

Energy Experience:

ExIm Bank loans and guarantees have often been used to support the export of power plant equipment for public sector projects. ExIm Bank has instituted an approach in favor of "project financing" for private sector transactions where the revenue stream of the project (the power sales tariff) is the source of repayment rather than some financial guarantor.

Contact:

Credit Information Section
Export Import Bank of the US
811 Vermont Avenue, N.W.
Washington, D.C. 20571

Telephone: (202) 566-4690
Facsimile: (202) 566-7524

3.3 ExIm Bank / Japan ExIm Bank Cofinancing Arrangement

General Description / Mandate:

An arrangement exits between ExIm Bank and Japan ExIm (JEXIM), Export Insurance Department (EID) of MITI and the Japan Development Bank whereby joint, rather than competitive, support is provided in financing offers for major capital projects in Asia where there is a consortium involving both Japanese and U.S. firms teamed together in bidding for a project.

Principal Activities:

The role of this facility is to permit cooperative cofinancing of major capital projects of priority interest to the political and economic interests of both Japan and US, without drawing either or both governments' financing institutions into a destructive cost-of-capital competition, and to encourage cooperative efforts between Japanese and U.S. firms in major capital projects of economic importance to the region. It is not a stand-alone facility in its own right, but rather a working procedure agreement between the 2 countries' official export financing institutions. A U.S. firm in the bidding consortium must apply to its own country's official export financing agency for its own portion of the supply. By notifying ExIm Bank of the involvement of a Japanese company in the bidding team, the U.S. company will activate a cooperative dialogue between ExIm Bank and the counterpart agencies in Japan, for the development of coordinated and complementary loan offers.

Resources / Types of Assistance:

There are no "extra" funds in this arrangement other than as already exist within the resources of ExIm Bank and its Japanese counterparts. The structure of the assistance for U.S. firms is identical to that available under ExIm Bank's regular programs, with the notable addition that JEXIM and EID/MITI will provide significant local cost cover for the project as a whole, so that, unlike under ExIm Bank's normal programs, there can be some financing offer for the local cost components of the U.S. supplier's scope of work in a particular project. JEXIM and EID/MITI can also cover third country costs on an untied basis.

Criteria for Assistance/Application Procedure:

The application procedure for a U.S. firm is identical to that of the standard ExIm Bank programs. (See section 3.2).

Energy Experience:

Several electric power projects in Asia have been supported through this cooperative program.

Contact:

Mr. Terrence Hulihan
Vice President-Asia
Export-Import Bank of the U.S.
811 Vermont Ave., N.W.
Washington, D.C. 20571

Telephone: (202) 566-8885
Facsimile: (202) 566-7524

3.4 Private Export Funding Corporation (PEFCO)

General Description / Mandate:

The Private Export Funding Corporation (PEFCO) was created by the Bankers Association for Foreign Trade, in conjunction with the ExIm Bank, to mobilize additional private capital to finance US exports. It is a private corporation owned by a group of 51 banks and 7 industrial corporations. PEFCO makes loans to foreign buyers of US goods and services who wish to obtain financing on terms that include US dollars, fixed rates and long repayment maturities. PEFCO operates exclusively with ExIm Bank guarantees, augmenting the capital projects, heavy capital equipment, and engineering services.

Principal Activities:

PEFCO makes loans and retains them in its own portfolio. It raises the majority of its funds by selling its own medium-term secured debt obligations to major securities underwriters for distribution to public markets. The principal and interest of PEFCO's loans is guaranteed directly by ExIm Bank.

Resources / Types of Assistance:

PEFCO offers direct loans that require long repayment terms and fixed interest rates to buyers of US exports. These funds are available when buyers cannot obtain the necessary funds from traditional private sector lenders at the term or fixed rate desired.

Criteria for Assistance:

All PEFCO loans must have an ExIm Bank guarantee. PEFCO has a capital base limited by their ability to raise money on the private capital market.

Application Procedure:

Applicants should contact PEFCO directly. The application process is similar to that for a commercial loan.

It is first necessary to obtain an ExIm Bank preliminary commitment for a loan guarantee on a specific project or sale. Once that is obtained an application can be made for a PEFCO loan, if it requires long repayment terms and fixed interest rates. Generally, it must be shown that commercial loans are not available for the full amount required.

After ExIm Bank has issued a preliminary commitment making available its guarantee for all or part of the financing of an export sale, the lender working on the transaction will usually contact PEFCO on behalf of the borrower or supplier. They will discuss the portion of the financing the lender chooses not to put in its own portfolio. In the case where no private lender is involved the supplier or borrower may contact PEFCO directly.

PEFCO can act as a co-lender with either a commercial bank and/or ExIm Bank or fund the transaction by itself.

PEFCO charges a fixed market rate of interest on loans. This fixed rate is based upon the estimated incremental cost of PEFCO funds with maturities similar to that of the loan, plus a spread for expenses, risk, and return on capital. PEFCO can make loans up to 15 years. Most loans are for large capital projects, ranging from US $20-150 million.

Contact:

Mr. Richard Youtz
Private Export Funding Corporation
280 Park Avenue, Suite 4W
New York, NY 10217

Telephone: (212) 557-3100
Facsimile: (212) 687-9351

3.5 Asian Development Bank (ADB)

General Description / Mandate:

The Asian Development Bank is the multilateral institution that has traditionally focused on government-level economic development in Asia. Its headquarters is in Manila, with representative offices scattered throughout Asia. It has no full-time representation in the USA.

Principal Activities:

ADB has historically focused on funding assistance at the government level and for public sector infrastructure development. Its private sector financing arm was merged back into the bank in July 1992, so that the full resources of ADB can now be applied to projects in the private sector as well as public sector. Although many of the bank's policies toward large scale private sector projects are yet to be fully developed, this reorganization could make ADB a more significant force in BOT projects throughout the region.

Resources / Types of Assistance:

In public sector projects, ADB follows strict international competitive bid (ICB) process for all major project work. Its bidding procedures are readily available upon request to its Manila headquarters, or from U.S. Department of Commerce Foreign Commercial Service offices throughout the region. For private sector projects, ADB's history has been only in small projects with indigenous entrepreneurs, with bank participation not exceeding $5 million. The recent reorganization will presumably allow substantial resources to be committed to major capital projects in the BOT format, most probably in a cofinancing type of structure along with other financing sources.

Criteria for Assistance:

Projects must be targeted for countries that are members of the ADB, which includes virtually all of Asia, other than the Central Asian republics of the former Soviet Union. The project must have the approval of the principal planning and financial authorities of the host government, which approval will be confirmed through ongoing discussion between ADB and government personnel.

Application Procedure:

No application form exists. Dialogue with the appropriate sector (industry and geographic section) personnel of ADB is the appropriate way to initiate the consideration process of a particular project. As in all cases of lender/investor evaluation, the more complete and thorough the presentation is in regard to technical feasibility, financial analysis and financing plan, the more quickly ADB can evaluate.

Energy Experience:

ADB has had significant involvement in financing of many public sector power generation projects throughout the region. The staff is well experienced in technical, economic and financial issues of power projects. ADB participated in the Hopewell Philippines project and was significantly involved in evaluating the Hub River Project in Pakistan.

Contact:

Mr. V. Krishnaswamy
Deputy Director, Asian Development Bank
Energy and Industry Department
P.O. Box 789, 1099 Manila, Philippines

Telephone: (63 2) 632-6313
Facsimile: (63 2) 711-3851

3.6 International Finance Corporation (IFC)

General Description / Mandate:

The IFC is a multilateral development institution established in 1956 to promote productive investment in the developing world's private sector. IFC, the private sector of the World Bank Group, invests through loans or equity directly in private ventures without benefit or government guarantees. IFC is always a minority partner and works in collaboration with other domestic and foreign investors. In addition to direct investment, IFC provides advisory services and mobilizes additional financial resources through its support of capital market formation, technical assistance, technical and market assessments and privatization efforts.

Principal Activities:

IFC's principal task is to provide and bring together the financing, technical assistance and technical know how needed to develop productive investment opportunities in developing countries. IFC acts to provide confidence to outside investors. IFC is involved in all sectors and invests in projects ranging in size from small up to several hundred million dollars.

IFC has recently reorganized along regional and sectorial lines. Within this structure IFC also specializes in such areas as capital markets, corporate financial services, regional project development facilities and loan syndication. IFC has now established an Infrastructure Financing Group, with 3 separate divisions, Energy, Telecommunications, and Mining. The staff of these divisions will be responsible for any project within their category of interest, regardless of geographic location. IFC follows many of the overall policies of the World Bank Group, in terms of social and development goals. The projects IFC invests in must be financially sound.

Resources / Types of Assistance:

IFC has invested over $7 billion in projects with total capitalization of over $30 billion. In 1992 IFC approved new investments of US $3.2 billion. Additional capitalization in the past year has expanded its capabilities substantially.

IFC financing, whether equity or debt, is customized to fit the needs of the sponsor and the project. IFC will share in project financing up to 25% of project costs, either in the form of debt, equity or a combination of both. IFC will conduct its own technical and management evaluation of a project. IFC lends at market rates, generally LIBOR plus 1-3%. Maturities generally range from 8-12 years, normally for 10 years but longer periods can be arranged. Loans range in size from U.S. $1 to 50 million with an average of around $10 million. Equity investments are typically smaller with IFC taking no more than 25% share. No government guarantees are required. IFC will also serve as financial advisor to develop other sources of project financing; it charges a fee for such services comparable to commercial investment banks.

Criteria for Assistance:

IFC only finances ventures that have realistic prospects of being profitable and that will benefit the economy of the host country.

When appropriate, IFC supports joint ventures between private enterprises and government entities. In any project, local investors should be able to participate, either at the outset or later. IFC will invest in a venture only when appropriate arrangements exist for the repatriation of its investment capital and related earnings.

The adequacy of management arrangements on a long-term basis is a basic element of IFC's appraisal criteria.

Application Procedure:

IFC operates in a pragmatic and businesslike manner. There is no standard form of application for IFC financing. A company or entrepreneur, foreign or domestic, seeking to establish a new venture or expand an existing enterprise can approach IFC by requesting a meeting or by submitting preliminary project or corporate information. After these initial contacts and a preliminary review, IFC will request a detailed feasibility study or business plan to determine whether or not to appraise the project.

Energy Experience:

IFC has been involved in oil and gas operations since the mid 1980's. More recently, it has become an active player in the private power generation market in those countries where the legal structure is conducting private sector activity. IFC has made an equity investment of U.S. $1 million and a loan of U.S. $10 million in the Hopewell China private power project. The newly-formed Infrastructure Power Group is actively considering and evaluating several new private power projects in a dozen different countries.

Contact:

Mr. Vijay Chaudhry
Divisional Manager
Department of Investments
Infrastructure Power Division
International Finance Corporation
1850 I Street, N.W.
Washington, D.C. 20433

Telephone: (202) 473-0575
Facsimile: (202) 676-1719

3.7 The World Bank (International Bank for Reconstruction & Development)

General Description / Mandate:

The World Bank, as the principal developmental lending institution in the world, has traditionally been a lender directly to sovereign governments in the developing world. Its involvement in infrastructure financing and power generation/transmission financing has been extensive, but virtually exclusively on a broad country-wide, government level of participation in each host country. The projects involving the private sector investments have been the domain of IFC. With increasing activity in the developing world in the privatization of industry and services, there is some significant pressure on the Bank to look to ways to support private sector projects from its own programs in addition to IFC. There is continuing evolution on this issue.

Principal Activities:

The World Bank has been active in the financing of both power generation and transmission/distribution projects in virtually every country in Asia. Therefore, it is in a relatively unique position to provide insight and guidance with respect to power project developments in most of the countries. At the policy level, the World Bank actively worked with most of the Asian countries that have enacted laws to permit private investment in their power sectors. The spearheading of the Hub River power project in Pakistan was the effort of a special group within the Bank responsible for support of privatized power project development. By establishing the financing structure for Hub River, the Bank intends that a "template" has been created that other countries will model in order to truly establish private sector involvement in power sectors throughout the region.

Resources / Types of Assistance:

From the standpoint of a private developer, the Bank primarily serves as a resource for insight as to developments within a target country as to various priority projects or even policy development progress. The ECO program, discussed separately, could be available for projects in certain countries that have reached agreement with the Bank regarding that facility, and like the other financial resources of the Bank, the formal approach to the Bank for project assistance must be by the host government.

Criteria for Assistance:

As indicated already, funding assistance from the Bank is directed to, or for the benefit of, a member country government.

Application Procedure:

Application occurs in the form an approach to the Bank by the host government authorities. There is no formal "application".

Energy Experience:

As already indicated, the Bank has probably the most experience of any financing institution in the world with respect to developing country power projects. The Hub River project in Pakistan represents the latest thinking in utilization of Bank resources to support power generation development.

Recent Notable Involvements:

See Section 5, Hub River Power Project.

Contact:

Manager, Project Finance Group
The World Bank
1818 H Street, N.W.
Room Q5121
Washington, D.C. 20433

Telephone: (202) 473-1650
Facsimile: (202) 477-0218

3.8 Overseas Private Investment Corporation (OPIC):

General Description / Mandate:

OPIC is responsible for encouraging US business investment in developing countries. OPIC operates two key programs to do this: a project debt financing program and a political risk insurance program. The project financing program consists of both direct loans and loan guarantees. The political risk insurance is discussed in section 4. OPIC is charged with investing in manufacturing, agriculture, fishing, forestry, mining, energy, and services providing exceptional development benefits. OPIC invests in financially viable projects and plays a catalyst and confidence building role. Operating in over 100 countries, OPIC is a key player in US government efforts to support US business overseas.

OPIC is a self-sustaining agency of the US government. It has received no public funds since its inception and has repaid all those to the Treasury. OPIC has recorded a positive net income for every year of operation, with reserves currently of US $1.5 billion. OPIC is divided into divisions with regional responsibility.

Principal Activities:

Through direct loans and guarantees, OPIC supports US business investment in developing countries. OPIC provides support for investment, unlike ExIm Bank which provides support for export of US goods and services. OPIC support provides confidence to both project sponsors and other investors to invest in developing countries. Direct loans and guarantees have the same requirements for eligibility and the same application procedures. The size of loan guarantee resources are considerably larger than capital available for direct loans.

Resources / Types of Assistance:

OPIC's loan and guarantee authorization levels change each year. Recently, the direct loan authorization was $23 million/year whereas the loan guarantee authorization was $212 million/year. The maximum loan guarantee contingent liability is limited to $750 million. OPIC expects to expand its capital base in the future.

Direct loans can range up to $6 million, but are generally in the range of $1-2 million. Direct loans are available to small companies only. Loan guarantees can be a as large as $50 million. Guarantees are available to any US company regardless of size and can be utilized through any US financial institution. Repayment periods for both loans and guarantees range from 5 to 12 years. Grace periods are normally arranged. Both loans and guarantees will only fund up to 50% of project costs for new projects and 75% for expansions. OPIC guarantees cover 100% of the losses of principal and interest due to both commercial and political risk.

OPIC loans are made at or slightly below market rates (generally 1-2%). Loan guarantees are comparable to other US Government backed guaranteed issues, plus an OPIC charge of 1.75-3%.

Consistent with commercial lending practices, commitment, facility and cancellation fees as well as outside fees for counsel and consultants are reimbursable by the project. Proceeds from the loan may be spent in the US, the host country or other less developed countries for capital goods and services.

In evaluating a project, OPIC looks for a dedicated cash flow of US dollars to service the debt. Host government guarantees are not accepted by OPIC, as it is only to support private sector activities, not foreign government projects.

Criteria for Assistance:

OPIC's eligibility criteria are the same whether it makes a direct loan or issues a loan guarantee. The project must be environmentally and financially sound and be sponsored by an investor having a proven record of success in a closely related business. Financing is available for both new projects and expansion of existing businesses. The proposed project must not have a negative effect on the economy or employment in the US and be consistent with the social and economic interests of both the developing country and the US.

Projects can be owned wholly by US companies or be joint ventures with local companies. The US investor is expected to own 25% of the equity. At least 51% of the voting shares of an overseas venture should be held by private companies or individuals.

OPIC loans are reserved for projects sponsored by small or minority owned business (currently a manufacturing firm with revenues less than $142 million or a non-industrial firm with shareholders equity of less than $48 million). This size limitation does not include energy or resource development ventures or projects with unusually high developmental impact of promising significant positive net US trade effects. Loan guarantees are open to companies of any size.

Application Procedure:

The sponsor of a project should provide OPIC with a business plan which at a minimum contains the following:

1) Description of sponsors, including financial.

2) Description of products, markets, raw material supply and sales projections.

3) Summary financial plan.

4) Description of the contribution the business is expected to make to local economic and social development.

Energy Experience:

OPIC loan guarantees were committed to help build coal-fired generating units in the Mid-East. Due to the large nature of many power projects, OPIC may be limited in its ability to participate in many private power projects. OPIC is currently analyzing private power projects in several jurisdictions. They have an interest in supporting smaller renewable energy based power systems.

Contact:

Finance Department
Overseas Private Investment Corporation
1100 New York Ave., N.W.
Washington, D.C. 20527

Telephone: (202) 336-8799
Facsimile: (202) 408-9859

3.9 USAID, Bureau for Private Enterprise, Office of Investment (PRE/I): Private Sector Investment Program

General Description / Mandate:

The Bureau for Private Enterprise supports private sector development in USAID assisted countries. PRE has responsibility for programs, technical assistance, privatization assistance, financial market development, and information collection and dispersal. PRE established an Office of Investment in 1983 to finance innovative private enterprise projects.

Under the Office of Investment (PRE/I) a Private Sector Investment Program (PSIP) assists indigenous private sector development through loan and guarantee projects with technical training, where appropriate, for introduction of new financial market instruments and concepts.

Principal Activities:

The PSIP provides direct loans or loan guarantees to projects in developing countries. All private sectors are eligible for assistance, although environmental projects are given a high priority. Small renewable energy projects or discrete environmentally related segments of medium sized energy projects would have a good chance of approval. Assistance may be either direct or through PRE/I's association with its technical partner in the energy field.

Resources / Types of Assistance:

As directed by Congress, small businesses are the primary beneficiaries of PSIPs developmental activity. This is accomplished through guarantees to financial institutions for up to 50% of the funds they are lending, guarantees for innovative assistance to expand financial markets, or occasional direct loans/guarantees for exceptionally developmental projects.

The PSIP is oriented towards assistance of under $3 million per project. Through 1992 the PRE/I has committed some $150 million in assistance. Loan guarantees are easier to obtain than direct loans. Increasingly, financing from the PSIP is made in conjunction with AID Country Mission strategy and target sectors.

Financing may never exceed 50% of the project cost. The maximum period is ten years, with negotiable grace periods. Interest rates are at market rates. There are no fixed requirements for collateral or guarantees.

Criteria for Assistance:

The following conditions apply to the PRE/I's project assistance:

1) Sponsors may be either US firms or host country private sector firms, and the project must have substantial local ownership and/or funding.

2) Projects must have substantial development impact by: sustaining sound environmental development, generating net employment, earning net foreign exchange, developing managerial and technical skills, and/or transferring technologies.

3) Loans may be used to capitalize a new enterprise or expand an existing company.

Projects which receive capital are expected to serve as demonstration projects for replication by AID Missions and financial institutions. The PSIP managers give priority to innovative and financially viable projects benefiting mainly small business in developing countries.

Application Procedure:

A business plan should be submitted to PRE/I, which should include: project description, financing requirements, technical plan, marketing plan, management, and development and economic justification. Discussions should be held with PRE to determine their level of interest in the proposed project

Energy Experience:

Small privately owned energy projects have been developed using the PSIP. It is anticipated that PSIP will continue to extend its assistance to projects in the less than $15 million range suitable for its present $3 million limit on assistance to any one project.

Contact:

Director
Office of Investment (PRE/I)
Bureau for Private Enterprise
Room 301, SA-2
515 Twenty-second Street, N.W.
Washington, D.C. 20523-0231

Telephone: (202) 663-2288
Facsimile: (202) 663-2708

3.10 The World Bank ECO Program (Expanded Cofinancing Options)

General Description:

The ECO program is intended to catalyze private financial flows into projects in developing countries, implemented through the World Bank. The World Bank provides guarantees in support of borrowing by client countries in order to attract new sources of finance, reduce costs, and extend maturities by moderating the risks of lenders.

Principal Activities:

An ECO guarantee would complement bank lending serving as a catalyst for additional financing for projects financed through direct World Bank loans. In other instances, ECO's would enable the Bank to attract financial support for projects to which the Bank is not lending directly, such as private sector projects that may, but need not, have IFC participation.

Resources / Types of Assistance:

Through the ECO program, the World Bank can provide credit enhancement to support developing country borrowing through public bond issues, private placements, and commercial bank loans and syndications.

The Bank can provide comprehensive, partial guarantees on public sector borrowing and guarantees of specific government-related risks on private sector borrowing. The Bank can guarantee up to 100 % of sovereign and other government-related risks in private sector projects. The bank can, however, only guarantee a maximum of 50% of the present value of public sector borrowing.

Criteria for Assistance:

The ECO program is intended to assist countries which have not restructured their external debt within the past five years. Exceptions could be considered for countries which have substantially and appropriately dealt with indebtedness problems.

Governments, government-owned entities, and private sector entities are eligible to receive credit enhancement under the ECO program. However, the World Bank must receive a counter guarantee from the member government if the guarantee is made to a borrowing entity rather than the government.

Application Procedure:

No formal application exists, as the ECO, just like most World Bank activity, is activated through ongoing mutual discussions between the Bank and the member country government.

A fee for ECO credit enhancement will be charged on the amount guaranteed. The fee is equivalent to the loan spread on regular World Bank loans.

Energy Experience:

In October 1991, The board of the World Bank approved an ECO operation to assist in the financing of an energy project in Pakistan, the Hub Power Project.

Recent Notable Involvements:

In August, 1990 the Hungarian State Development Institute launched a U.S. $200 million Eurobond issue with a ten year bullet maturity. The World Bank's credit enhancement, under the ECO program, is in the form of a non-accelerable guarantee of the entire principal amount.

ECO operation are now under consideration in East Asia and Latin America. In East Asia, the proposal is for an ECO supported long term borrowing in international credit markets by a private sector utility company.

Contact:

The World Bank Project Finance Group
1818 H Street, N.W.
Room Q 5121
Washington, D.C. 20433

Telephone:(202) 473-1650
Facsimile: (202) 477 0218

3.11 Global Environment Facility (GEF)

General Description / Mandate:

GEF is the vehicle created to execute the environmental grants pledged by the G-7 nations to encourage environmentally sound development in the industrializing world. The pilot phase of GEF is now essentially completed, with a permanent institutionalized level of sustained activity scheduled to be effective in 1994. Its mandate is to provide grants that will provide the margin of difference of economic viability for environmental or clean-energy projects in which the IFC has an active participation.

Principal Activities:

GEF works closely in concert with IFC to participate in private sector projects that involve conventional energy generation representing an emission reduction or carbon offset or "carbon savings" (e.g. gas versus coal; CFB or pulverized coal versus old technology, etc.) or renewable energy, provided that the technology is already commercially viable, though not necessarily in the country that is the site of the project. IFC must be interested in participating in the project and the GEF grant involvement must be necessary to make the difference in the economic viability of the project.

Resources / Types of Assistance:

GEF is awaiting its second round of funding in 1994, as pledged by the G-7 nations at the Rio summit. At that time, it will get back into active participation according to its mandate. The type of assistance offered during the pilot phase consisted of grants to specific projects that the IFC is actually participating in. In the operational phase a mix of approaches may be applicable.

Criteria for Assistance:

GEF works closely in conjunction with IFC, as previously stated. The technology in a potential project must not be unproven and must represent a net savings or reduction in carbon emissions in the atmosphere. The GEF level of grant is tailored specifically to the level of financial assistance or "buy-down" that IFC recommends in order to assist a project that is marginally viable to be rated as "bankable".

Application Procedure:

There is no formal application but detailed project feasibility studies must be part of the review process for GEF, in order for evaluation of suitability of GEF participation in the project. Dialogue with GEF basically follows in step with discussions and evaluation by IFC.

Energy Experience:

There are several GEF commitments for grants to power generation projects that involve gas or renewables as fuel. In the permanent phase of its operation, it is expected to be an active participant in a significant number of qualifying power generation projects.

Contacts:

Mr. Dana Younger, IFC GEF Coordinator
International Finance Corporation
1850 I Street, N.W.
Washington, D.C. 20433

Telephone: (202) 473-4779
Facsimile: (202) 676-9495

Mr. Ken Newcombe
GEF Operations Coordinator
The World Bank
1818 H Street, N.W., S-5041
Washington, D.C. 20433

Telephone: (202) 473-6010
Facsimile: (202) 676-0483

3.12 Environmental Enterprises Assistance Fund

General Description / Mandate:

Environmental Enterprises Assistance Fund provides investment capital either in the form of equity or debt for renewable energy, energy efficiency and other environmentally responsible technologies in developing countries. It may also provide, on a limited basis, business advisory services to companies utilizing these technologies, including technical analysis, entrepreneurship training and managerial assistance.

Principal Activities:

Environmental Enterprises was established in 1990 with the help of the United States Agency for International Development, Winrock International and the Rockefeller Foundation. It will use its funds in a carefully targeted manner to catalyze projects in order to overcome non-market barriers encountered by small scale renewable energy and environmentally responsible technologies. It will also examine opportunities to utilize funds from large bilateral and multilateral sources by creating renewable energy country-specific funds. Most importantly, its goal is to have a presence in the developing countries through local funds which will cultivate the skills of "environmental entrepreneurs." Environmental Enterprises will recycle all earnings into new projects.

Environmental Enterprises is a not-for-profit, 501(c)(3) corporation. It will provide investment capital through two mechanisms. The first is direct loans and equity placement in commercially viable and environmentally attractive projects. The second is via capitalization of local investment funds to be created by Environmental Enterprises in developing countries. These local investment funds will be responsible for project identification, development, structuring and monitoring.

Resource / Types of Assistance:

Environmental Enterprises plans to raise $10 million over the coming five years from foundations and private institutions that are committed to international development and/or environmentally positive projects. With this base, Environmental Enterprises expects to be able to access for investment a minimum of $20 million in additional loaned funds from other sources including multilateral institutions and government agencies.

Environmental Enterprises expects that it will hold minority equity positions in projects, provide both senior and subordinated debt for terms not longer than seven years and act as a catalyst for raising debt. Environmental Enterprises will also consider providing venture capital-like funds for new, innovative technologies in the renewable energy field that may have a significant future positive impact on the environment or on sustainable economic development.

Criteria for Assistance:

Any commercially viable project utilizing renewable energy or, on a limited basis, environmentally sound technology is eligible to apply to the program. Guidelines are outlined in the company's brochure.

Application Procedure:

No specific application forms are necessary. A letter outlining the project and a detailed feasibility study would be sufficient to start discussions concerning potential Environmental Enterprises participation. Interested parties should contact Environmental Enterprises directly.

Energy Experience:

The majority of Environmental Enterprises' investments will be in renewable energy technology systems, although other environmentally responsible technologies and energy efficiency programs will also be supported.

Contact:

Ms. Helen Chaikovsky
Environmental Enterprises Assistance Fund
1611 N. Kent Street
Suite 202
Arlington, VA 22209

Telephone: (703) 525-9430
Facsimile: (703) 234-1175

3.13 Overseas Private Investment Corporation (OPIC) Special Funds (Asia, Environment)

General Description / Mandate:

OPIC has sponsored and backed two special interest funds for investment in and financing support for categories of projects that could include private sector power projects in Asia. One of the funds is targeted to Environmental projects (which includes clean-energy projects) without regard to geographic territory, and the other fund is focused on investment projects by U.S. firms in Asia. Both funds are to provide capital to projects that meet the OPIC criteria for support (developmental projects including a substantial equity investment from U.S. company/sponsor).

Principal Activities:

Both funds are new to operation and have minimal track record, but are anticipated to function much as the African Growth Fund, another OPIC special-purpose fund. Essentially, they are to serve as an additional pool of capital for projects that meet all of OPIC's criteria for support but which need additional capital to accomplish financial closing.

Resources / Types of Assistance:

The target level of funding for the capitalization of these special funds is $75-100 million.

Criteria for Assistance:

Approval of and participation in the project by OPIC can be an expected criteria for involvement by the special funds.

Application Procedure:

Interested parties should deal through OPIC to access these funds.

Energy Experience:

No experience exists yet in the power generation sector.

Contact:

Mr. Graham Williams
OPIC
1100 New York Ave., N.W.
Washington, D.C. 20527

Telephone: (202) 336-8479
Facsimile: (202) 408-9859

3.14 Commonwealth Development Corporation (CDC)

General Description / Mandate:

The Commonwealth Development Corporation is a non-profit organization owned by the British government. It was established in the 1950's to assist in the commercial development of the British Commonwealth countries. CDC provides both debt and equity for projects which have a strong commercial potential and contribute to the overall development goals of the country. CDC has a long history of investing in power projects. They were instrumental in establishing most of the electric utility companies in the Eastern Caribbean.

CDC was established with funds from the British government, but operates as a private corporation drawing on a pool of funds comprising return on previous investments and repayment of loans.

CDC is headquartered in London, with offices in most Commonwealth countries. The country offices have the ability to make investment decisions without recourse to headquarters for projects under several million Pounds. The CDC offices are operated like private investment companies. They evaluate projects on financial criteria and expect to earn market rates of return on their investments.

Principal Activities.

CDC was originally funded by the British government. They are still able to access government funds at below market interest rates. The majority of the funds they have are earnings on investments and repaid loans.

Similar to IFC, CDC makes investments based on financial criteria, but will often invest in a new type of or a relatively high risk project to achieve development goals.

CDC makes both equity investments and loans funds to projects. CDC focuses on investment in discrete projects, rather than large funds which would on-lend to smaller projects.

Resources / Types of Assistance:

Projects in which CDC invests are expected to earn market rates of return and in general be commercially viable projects. All investments are made in Pounds Sterling and are expected to be repaid in Pounds. CDC can invest in both private and public projects. No government guarantees are normally required for CDC investments.

Loans are generally made for up to 10 years. In some exceptional circumstances, 15-20 year terms can be arranged. These circumstances may increase the perceived risk of the project and reduce CDC's interest in investing. A moratorium of up to 4 years on principal can be obtained. Interest rates currently are between 10-11%. A maximum debt of 10 million Pounds can be loaned to a single project.

CDC can hold up to 20% of the equity in any one project. There is no upper limit on equity

investments, although most are under two million Pounds. CDC looks for a return of around 20% for equity investments. They normally prefer to take a 10-20% equity position.

Criteria for Assistance:

There are no specific eligibility requirements for CDC to participate in a project. CDC is a United Kingdom government owned investment company and operates under general policies of promoting economic development and the private sector.

Application Procedure:

A project developer should contact the CDC office in London with a description of the project and an outline of the proposed financing package. CDC can provide technical assistance in developing projects. CDC will work with the developer to evaluate the project. Once CDC has indicated an interest in the project, they will undertake a full internal review and determine their level of investment.

Energy Experience:

CDC has considerable energy experience, primarily in the Caribbean, having started and operated 5 electric utilities in the eastern Caribbean.

Contact:

Commonwealth Development Corporation
1 Beesborough Gardens
London SW1 V2JQ
England

Telephone: (44 71) 828-4488
Facsimile: (44 71) 828-6505

3.15 Non-OECD Export Credit Agencies

General Description / Mandate:

Two notable examples exist in the region of export credit resources that are not OECD country based: Korea and Taiwan. Both countries have Export-Import Banks that have official government sanction and which have a certain mandate to support exports from their respective countries. However, the practice has become slightly altered due to circumstances, primarily in the case of Taiwan.

Principal Activities:

Korea ExIm Bank extends loans to both suppliers (Korean exporters) and buyers, as well as relending facilities to foreign (non-Korean) financial institutions. It issues guarantees and provides export insurance services, much the same as U.S. ExIm Bank.

Taiwan Export-Import Bank was originally founded to support exports from Taiwan, but in the 1980's, with Taiwan accumulating overwhelming surpluses in its trade with other countries, the subsidized interest rate program was essentially withdrawn from active service. The primary function today is to assist Taiwanese buyers with credit to purchase goods from overseas for the purpose of importing into Taiwan. The commercial banks in Taiwan, with their extremely supportive relationships with the country's manufacturers and trading companies, provide the overwhelming bulk of the trade and project credits to Taiwanese companies in pursuit of projects in Asia.

Criteria for Assistance:

In both cases, approach must be through a company of nationality the same as that of the institution.

Contact:

In the case of Taiwan:
Coordinating Council of North America (CCNA)
4200 Wisconsin Avenue, N. W.
Washington, D.C. 20016

Telephone: (202) 895-1800
Facsimile: (202) 363-6294

In the case of Korea ExIm Bank:
Korean ExIm Bank
460 Park Av e., 20th Floor
New York, NY 10022-1906

Telephone: (212) 355-7280
Facsimile: (212) 308-6106

3.16 Small Business Administration (SBA) Export Finance Program

General Description / Mandate:

The SBA's export finance programs guarantee up to $750,000 for either short- or long-term loans to help small business develop export markets.

Principal Activities:

The programs are designed to assist small businesses requiring capital to expand sales or manufacturing for international markets. Loan proceeds may be used for working capital or fixed assets. Loan proceeds may not, however, be used to establish operations overseas.

Resources / Types of Assistance:

SBA guarantees 90% of the principal amount up to $150,000 and 85% of amounts more than $150,000 up to the maximum of $750,000. Guarantees are also available for refinancing, in which case SBA guarantees up to 80% Although the interest rate is negotiated with the commercial lender, SBA caps allowable interest at 2.25 points over the New York prime rate for loans up to seven years. For longer maturities, the rate may not exceed prime plus 2.75 percent.

Criteria for Assistance:

A borrower must meet SBA's "small business" definition, which is determined by the number of employees (generally 500 or fewer for manufactures) or maximum revenues (based on type of industry).

Application Procedure:

Contact any local SBA office or either of the Washington offices listed below:

Office of International Trade
(202) 205-6720, or

Office of Financial Assistance
(202) 205-6570

at the
U.S. Small Business Administration
409 Third Street, S.W.
Washington, D.C. 20416

4.0 INVESTMENT INSURANCE AND GUARANTEES

The institutions and programs listed in this portion of this report are the primary sources for investment insurance and political risk coverage. These are the vehicles of protection for both debt and equity flows into projects, and may be viewed as credit enhancement mechanisms, as contrasted, with sources of capital, per se. Their role is vital in the financing package and the attraction of capital to projects in developing countries.

The following organizations are included in this section:

4.1 Overseas Private Investment Corporation (OPIC)

4.2 Export-Import Bank of the U.S. (ExIm Bank)

4.3 Multilateral Investment Guarantee Authority (MIGA)

4.4 World Bank ECO

4.5 Private Insurance

4.1 Overseas Private Investment Corporation (OPIC)

General Description / Mandate:

OPIC offers a number of insurance programs designed to encourage US private sector investment in developing countries. OPIC's primary program comes under the heading of political risk insurance. This protects the overseas investments, enterprises, or contracts of US companies doing business overseas. The basic program of political risk insurance covers currency inconvertibility, expropriation, or political violence. In addition to its investment insurance OPIC offers special insurance programs for 1) oil and gas exploration and production, 2) mineral development, 3) construction and other contracting projects, 4) cross-border lease transactions, and 5) institutional loans.

Principal Activities:

Investment insurance is available for qualifying projects in less developed countries against losses caused by the following occurrences:

1) Inability to convert earnings, capital, principal, interest and other eligible remittances into US dollars;

2) Loss due to expropriation, nationalization or confiscation by action of a foreign government;

3) Loss due to political violence such as war, revolution, insurrection, and/or civil strife;

4) Loss of business income due to interruption of business caused by any of the above.

OPIC also provides pre-investment assistance to US companies considering overseas investments in the form of:

1) Investment missions for US business executives;

2) Databases on investment opportunities and potential US based investors;

3) Information kits on 110 developing countries and 16 major geographic regions.

Resources / Types of Assistance:

The insurance offered by OPIC is backed up by a 25 % reserve based upon outstanding obligations as well as the full faith and credit of the US government. The commitment level for OPIC is decided on an annual basis and is generally around US $2.5 billion.

The insurance covers up to 90% of the investment and can be for a term as long as 20 years. No single project can exceed $100 million in total coverage.

Insurance premiums are generally paid annually in advance. Premiums are calculated for each type of coverage based on a maximum insured amount. Each year the investor chooses a current amount he wishes to insure the project for, the difference between this amount and the maximum amount is called the standby amount. The premium is based on the current insured amount, with a reduced premium applied to the standby amount. This allows the investor to vary his cost based on his appraisal of the risks currently associated with the project. Conversely, if a project increases in value over time the investor can increase the level of coverage.

Annual base rates for manufacturing, agribusiness, and service projects are as follows:

	Current	**Standby**
Inconvertibility	0.3%	0.25%
Expropriation	0.6%	0.25%
Political Violence		?
Business Income	0.45%	0.25%
Assets	0.6%	0.25%

Rates may vary by as much as one-third depending on the risk profile of the project and the country. OPIC insurance contracts contain provisions that allow for an increase in initial coverage rates by 50% during the first and second ten-year period of the contract.

Criteria for Assistance:

Eligible investors must be: 1) citizens of the US, 2) Corporations, partnerships or other legal entities which are substantially owned (over 50%) by US citizens, 3) a foreign business at least 95% owned by investors eligible under the preceding criteria. OPIC will show a preference to smaller investors.

Eligible countries for private investments include over 115 less developed, friendly countries. In countries with high GNP levels, insurance is available for small US business sponsored projects or projects involved in mineral or energy development and production (except OPEC countries). OPIC's board of directors reserves the right to allow insurance coverage for projects which offer significant US trade or host country developmental benefits.

Eligible investments include new projects as well as for expansion, modernization and to fulfill working capital needs, although the primary use is for new investments. In some cases insurance can include the cost of acquiring an existing business. Coverage is available for loans, equity and exposure of goods and services under various contractual arrangements.

Investors are required to obtain the foreign governments approval for each individual project. Insurance coverage cannot begin until OPIC receives an acceptable Foreign Government Approval (FGA) covering the project. Investors also have to supply OPIC with information on the project's impact on employment, the environment, balance of payments and contribution to social and economic goals of the host country.

OPIC will deny coverage for investments that will have a negative impact of US employment, US balance of payments, or investments used primarily to finance the procurement of goods and services from non-US industrialized countries.

Application Procedure:

OPIC should be contacted in the early stages of project development to determine their interest in insuring the investment. A preliminary approval can be obtained for purposes of negotiating the project. Once negotiations are complete OPIC will give final approval for the insurance.

Energy Experience:

OPIC has substantial experience in insuring power projects throughout the developing world. They have indicated a willingness to provide insurance to private power BOO type projects.

Contact:

Ms. Jackie Crumpler
Overseas Private Investment Corporation
1100 New York Ave., N.W.
Washington, D.C. 20527

Telephone: (202) 336-8799
Facsimile: (202) 408-9859

4.2 Export Import Bank of the U.S. (ExIm Bank)

General Description:

ExIm Bank has a specific trade insurance designed to protect the US seller of goods from default by the purchaser, normally a business within the host country.

Principal Activities:

The ExIm Bank program offers several types of credit insurance to cover the risks of nonpayment on export credit transactions. ExIm Bank policies cover political and commercial risks of non-payment on short-term (up to 180 days) and medium-term (181 days-5 years) export receivables. Political risks include war, cancellation of licenses, expropriation, confiscation of or intervention in the buyers business or currency transfer risk. Commercial risks cover non-payment for reasons other than specified political risk.

ExIm Bank has provided approximately $4-5 billion annually in export credit insurance for US exports. Over 90% of this has been for short-term credit insurance.

Resources / Types of Assistance:

The ExIm Bank offers many different export credit insurance programs, including:

- New-to-Export Insurance Policy - a one year blanket policy insuring short-term export credit sales.
- Umbrella Insurance Policy - a one year blanket insurance policy insuring short-term export credit sales of exporters with average annual export credit sales of less than $2,000,000 for the past 2 years and who have not used ExIm Bank in the past 2 years.
- Bank Letter of Credit Insurance Policy - a one year blanket policy insuring commercial banks against loss on irrevocable letters of credit issued by foreign banks for US exports.
- Financial Institution Buyer Credit Insurance Policy - a single-buyer policy insuring individual short-term loans by financial institutions to foreign buyers for the importation of US goods and services.
- Multi-buyer Insurance Policy - generally a one-year blanket policy insuring either short-term or medium-term, or a combination export credit sales.
- Short-term Single Buyer Insurance Policy
- Medium-term Single Buyer Insurance Policy
- Lease Insurance Policies - policies for operating and financing leases are available for both the stream of lease payments and the fair-market value of the leased products.

- Service Insurance Policy - a policy to insure service companies against failure of customer to pay obligations.

For most of these policies, the premiums are determined based upon the country sold to, the credit history of both the buyer and the exporter and the repayment terms.

Criteria for Assistance:

Insurance policies cannot be used to support military equipment are limited as to countries of final destination. Preference is shown for less developed countries. Any US exporter or US financial institution working with an exporter is eligible to make the application for an insurance policy.

Application Procedure:

Application forms for insurance policies can be obtained by contacting ExIm Bank. Requests for assistance in filling out the application are considered.

Energy Experience:

ExIm Bank insurance has been used to support the export of power plant equipment.

Contact:

Mr. Richard D. Crafton
Senior Vice President
Export Import Bank of the U.S.
811 Vermont Ave., N.W.
Washington, D.C. 20571

Telephone: (202)566-8197
Facsimile: (202)566-7524

4.3 Multilateral Investment Guarantee Agency (MIGA)

General Description / Mandate:

MIGA was established by the country members of the World Bank Group to help alleviate political risk in developing country business transactions. MIGA provides investment insurance and is designed to complement the activities of national investment insurance programs, private insurance companies, the World Bank and the IFC. To facilitate foreign investment in developing countries, MIGA also provides advisory and consultative services. MIGA offers risk insurance to investors against losses due to currency transfer, war and civil strife, expropriation and breach of contract.

Principal Activities:

MIGA became operational in 1988 and has 96 member countries as of December 1, 1992. It is a self-sustaining, independent member of the World Bank. Its objective is to facilitate private investments in its developing country members. The agency also provides advisory and technical services on investment policies to governments.

Resources / Types of Assistance:

MIGA was authorized to begin operation with $1 billion. This will initially support $1.5 billion in guarantees. It is expected that the amount of guarantees that can be underwritten will increase to $5 billion. MIGA has already issued over $500 million of coverage with respect to more than 40 projects, several of these projects also involve other investment insurers such as OPIC.

MIGA must limit its insurance coverage to investments between member countries where the investment is located in developing country. Projects which are new investments or expansion, modernization, or financial restructuring of an existing enterprise are eligible, as are privatizations.

Types of investments that are eligible for coverage include equity, loans, and loan guarantees made by equity holders. Other forms of non-equity direct investments may also be covered such as management contracts, franchising agreements, and licensing agreements.

MIGA guarantees are typically available for 15 years, but can be extended up to 20 years in some cases. MIGA will insure up to 90% of the investment amount. No minimum investment level is required and the current maximum limit is $50 million per project. Premium rates vary for the type of project, the risk profile of the project, and the type of guarantee requested.

Criteria for Assistance:

To obtain coverage under MIGA, an investor must be from a country which is a member of MIGA, not simply the World Bank Group. Only investments between member countries of MIGA are eligible. Only new investments are eligible for MIGA guarantees. MIGA will only consider investments that have not been made or committed prior to the filing of the Preliminary Application for Guarantee. Potential investors should investigate the program while their project is in the planning stages.

Investments must be financially and environmentally sound and contribute to the host country's economic and social development priorities.

Application Procedure:

There are three steps to apply for a MIGA guarantee. First is to contact MIGA during the planning stages of the project, prior to any assets having been committed, the investor should obtain and file a Preliminary Application for Guarantee. This one page form is free of charge and does not oblige the investor to purchase insurance or MIGA to issue coverage. Subsequent to MIGA acceptance of the application, the project is registered and the investor is requested to complete a definitive application; thereupon, MIGAS's underwriting review begins and is usually completed in 1-4 months.

Contact:

Mr. Gerald T. West
Guarantees Office
Multilateral Investment Guarantee Agency
1818 H Street, N.W.
Washington, D.C. 20433

Telephone: (202) 473-2060
Facsimile: (202) 477-9886

4.4 The World Bank ECO

General Description / Mandate:

See comments in Section 3.10.

4.5 Private Insurance

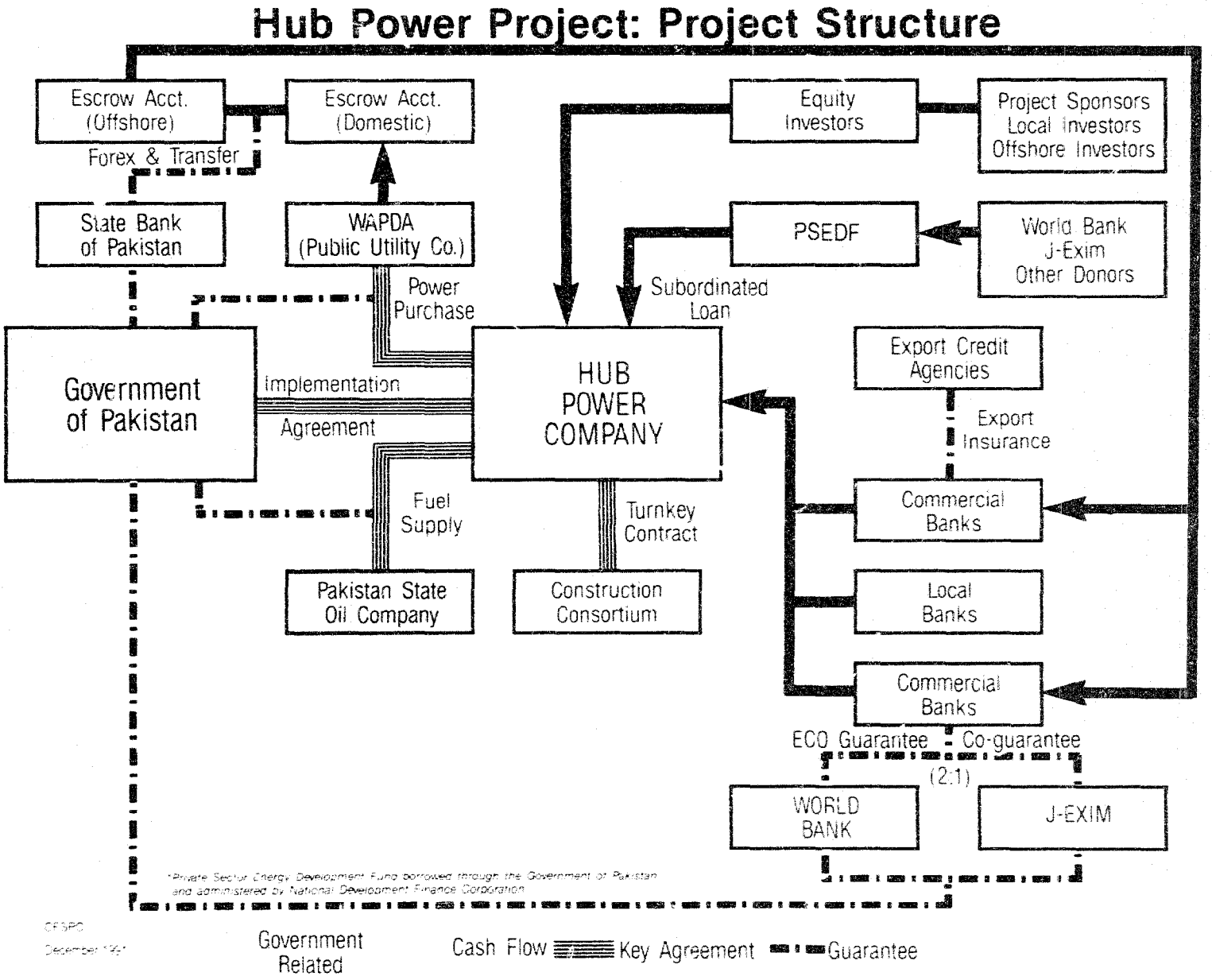
General Description / Mandate:

The private insurance market is also available in many Asian countries for political risk and comparable matters requiring security. Notable sources of such coverage would include Lloyd's (London) and AIG (New York). Many insurers participate in selected markets in Asia.

Application Procedure:

For all of the above, contact your insurance broker for further advice and direction.

5.0 REPRESENTATIVE FINANCING STRUCTURE FOR MAJOR PRIVATE POWER PROJECTS

The largest private sector power project in Asia that has gone to financial closing is the Hub River Power Project in Pakistan, approximately 1700 MW, costing over $1.5 billion. The project development effort took approximately 3.5 years to get its precedent-setting financing structure completed and closed. The World Bank hopes that Hub River Power Project will now function as a model for other structures.

The following diagram shows graphically how many of the institutions and programs described in Sections 3 and 4 of this report have been used to complement each other in packaging the comprehensive financing scheme for the project.