

CHAPTER IV

PROJECT FINANCING - JAPANESE INVOLVEMENT

1. POLICIES

- Huge investment demands for infrastructure in Asian countries are projected by the World Bank and other institutions.
- Infrastructure investment requirements in developing EAST Asian economies are projected at between \$1.3 - 1.5 trillion for 1995-2004.
- A Certain amount of commercial funds will be expected to fulfil the lack of official funds to meet the demand.
- A Japanese private institution projected a gap of \$ 630 billion for the investment requirements for 1995 - 2010 in Asian region.
- Privatisation or BOT¹ style project in such infrastructure areas as telecommunications, power generation, water supply and highways contributes to development of emerging countries.
- We positively support those transactions through M.I.T.I.'s insurance for commercial lenders, exporters and investors because development of those countries revitalises not only their economy, but also the world economy.

2. PROJECT FINANCE BUSINESS TERMS

COUNTRIES COVERED

- In principle, EID/MITI covers project finance transactions on a case by case basis to Non- L/G countries of our country classification.

RISKS COVERED

- EID/MITI provides a maximum percentage of 97.5% cover for political risk.
- We determine commercial risk percentage of cover on a case by case basis, with usual percentage of cover of 50%, in principle.

RATING OF EXPORT CREDIT PREMIA

- We do not differentiate in our premium system specifically for project finance.

INTERNATIONAL RULES

- All transactions should be structured to comply with OECD Arrangement and / or Berne Union Rules.

3. BUSINESS DIVERSITY

We committed 27 projects² in 11 countries, of which 21 cases have been contracted.

TOTAL INSURED AMOUNT: US \$4 billion

<u>SECTOR</u>		<u>AREA</u>	
Power	: 7	Asia	: 15
Natural Resources	: 6	South America	: 8
Petrochemical	: 6	Middle East	: 3
Telecommunications	: 2	Others	: 1

4. CO-FINANCING ASPECTS

- We have co-financed a project with the World Bank on Hub River Power Plant in Pakistan.
- We have two co-financed projects with International Finance Corporation Pagbilao Power Plant in Philippines and Lal Pir Power Plant in Pakistan.

¹ B.O.T. - Build, Operate, Transfer

² Of which two projects were withdrawn and one commitment has expired.

- We basically appraise and support the role, which the World Bank has played as catalyst for infrastructure development in developing countries through its guarantee function.
- Japanese exporters and commercial banks may feel the preferred payment status of the World Bank is somewhat of an obstacle to co-financing with it.
- We believe it useful to exchange information on each project.
- We believe it useful to co-operate in negotiation on security with a host country.

5. RISK SHARING

- We offer partial cover (reduced insured portion) on commercial risk on the whole of the project base.
- Although we do not have legal requirement for a minimum capital contribution, at least 20-30 % capital contribution is preferable as a minimum.
- We basically require a support letter or guarantee from sovereign governments according to the level of their involvement.
- With regard to risk sharing techniques, co-finance with multilateral, regional institutions or other ECA's is preferable.