

THE CORPORATE COUNCIL ON

AFRICA

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U.S.-Africa Infrastructure Conference: Building On Stability

***Risk Mitigation Workshop
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Jim Williams

Director, OPIC Political Risk Insurance

-Africa and the Middle East

-Global Housing Development Task Force

-Enterprise Development Network



Pragmatic Solutions to Mitigate Risk

- OPIC's Infrastructure Experience
 - Energy Infrastructure Projects
 - Other Infrastructure Projects
- Dispute Resolution
- Risk Retention vs. Risk Sharing
- Political Risk Insurance

Energy Infrastructure Projects

Country/ Region	Year	Investor/Sponsor	Type	Amount Insured
West Africa	2005	West African Gas Pipeline Co. Ltd.	Gas Pipeline	\$37 MM (I)
Central Asia	2003	BTC Pipeline Project (2003) Financing	Oil Pipeline	\$142 MM (I)
Chad	2002	Pride Forasol S.A.S./Esso Chad	Oil/Gas Drilling	\$100 MM (I)
Cote D'Ivoire	2001	Mondoil/Foxtrot International LDC	Oil/Gas	\$25 MM (I)
Algeria	2000	Petrofac Resources Ltd.	Gas Processing	\$93 MM (I)
Algeria	1994	Bechtel/Sonatrach	Gas Pipeline	\$55 MM (I)

Other Infrastructure Projects

Country	Year	Investor/Sponsor	Type	Amount Insured/Financed
DR Congo	2005	Ministry of Finance DRC	Road	\$12 MM (I)
Afghanistan	2004	ARC Construction Company LLC	Road	\$5 MM (I)
Mozambique	2004	Corredor De Desenvolvimento Do Norte Sarl	Railway	\$18 MM (F)
Peru	2004	Alterra Partners, LLC	Airport	\$9 MM (I)
Jamaica	1994	Sangster Int'l Airterminal Ltd.	Airport	\$90 MM (I)
Turkey	1993	Ministry of Public Works Turkey	Road	\$7 MM (I)

Dispute Resolution

- Host government participation
 - Degrees of influence and control
 - Directional changes very likely over long periods of time
- Terms of agreements governing your investment
 - Guarantees and “Guarantees”
 - Force Majeure
- New York Convention
- Arbitration Rules and Forum
- Choice of Law, Venue, Language
- Bilateral Investment Treaty
- Cost of disputes with host government and other stakeholders

Risk Retention vs. Risk Sharing

- Cost benefit analysis of retaining risk (self-insuring) versus having an insurer cover the risk of loss
- Cost of PRI insurance:
 - Time to identify risks of concern and work to get coverage
 - Premium cost likely to be minimum of 0.40% to 1.70% per annum on the amount of investment at risk
- Benefits of PRI insurance:
 - Ability to attract and protect long term investment
 - Protect balance sheet and income statement
 - Necessary in certain high risk countries or projects

Political Risk Insurance (“PRI”)

Inconvertibility

Expropriation

Political Violence



Why OPIC Political Risk Insurance?

- To facilitate, mobilize and support U.S. investment and financing in the face of a unique set of risks
- To deter the risk of loss thru the participation of an agency of the U.S.A.
- To take advantage of OPIC's proven capability to advocate for the insured Investor
- To benefit from OPIC's excellent track record of claims payments for covered losses

Additional Sources of PRI

U.S. PRI Insurance Companies

- AIG Global Trade & Political Risk
- Chubb Group Insurance Companies
- Zurich U.S. (Political Risk)
- Coface North America

U.S. PRI Brokerage Firms

- AON
- Marsh Global Broking Inc.
- Willis Structured Financial Solutions
- Other regional brokers such as
 - McGriff, Seibels & Williams of Texas (Houston)
 - International Risk Consultants (Columbus, OH)

Additional Sources of PRI

Bilateral and Multilateral Sources of PRI

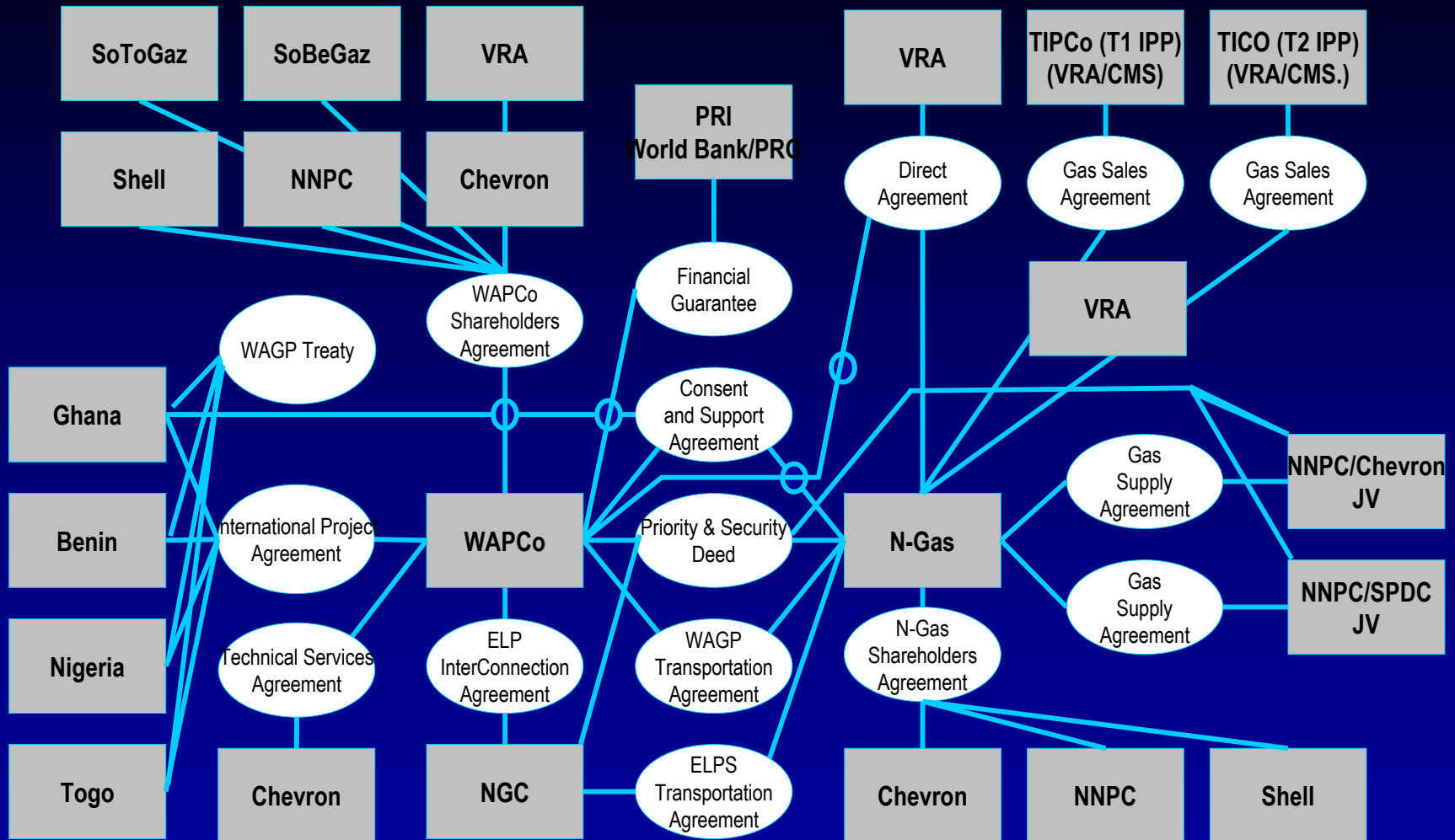
- Export-Import Bank of the United States
- Export Credit Agencies (Bern Union)
- World Bank
 - Multilateral Investment Guarantee Agency (MIGA)
 - Partial Risk Guarantee Program

West African Gas Pipeline “A Triple Play”

681 km natural gas pipeline capable of transporting gas from Nigeria to Benin, Togo and Ghana.



WAGP Project Structure



WAGP – Project Details

- Project Sponsors:
 - Chevron/Texaco (41.87%)
 - Shell (16.5%)
 - NNPC (25.25%)
 - Takoradi Power Company Ltd (VRA) (16.38%)
 - Potentially SoBeGaz (Societe Beninoise de Gaz S.A.) and SoToGas (Societe Togolaise de Gaz S.A.)

WAGP Project Details cont'd

- Key Project Agreements
 - WAGP Treaty:
 - Signed by the Heads of State of Benin, Ghana, Nigeria and Togo in January 2003
 - International Project Agreement:
 - Signed by the 4 project countries and WAPCo in May 2003
- Provide for harmonized fiscal and regulatory framework for cross-border WAGP construction and operations
- Arrangements ratified and Enabling Legislation passed by 4 project countries

Project Risk Mitigation

Payment Risk

- Issue: Off-take by the Volta River Authority in Ghana
- Solution: Government Consent and Support Agreement backing the obligation
- “Triple Play” = PRI protection provided by:
 1. Private Sector/OPIC (Zurich Emerging Markets Solutions, reinsured by OPIC)
 2. World Bank Partial Risk Guaranty
 3. MIGA

OPIC's Mission

“ To mobilize and facilitate the participation of U.S. private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from non-market to market economies...”

U.S. Foreign Assistance Act of 1961

OPIIC's Principle Activities

- Political Risk Insurance
- Finance
 - Small and Medium Enterprise Finance
 - Structured Finance
- Investment Funds



OPIC Worldwide

One of the most experienced political risk insurers in the world

- A wholly-owned, self-sustaining U.S. Government Corporation
- Approximately \$4 billion in reserves
- Facilitation of U.S. foreign direct investment (FDI) in over 150 countries
- Additional or complementary to available private market insurance
- 30+ years of experience
- \$150 billion in U.S. investment supported to date
- OPIC Insurance has supported over 2,740 projects
- Present portfolio of about \$5.3 billion in political risk insurance (PRI)

OPIC's High Priorities

Regions

- Africa
- Broader Middle East
- CAFTA countries

Sectors

- Housing
- Education
- Information Technology

Small Business

- U.S. manufacturing company with revenues between \$35 million and \$250 million
- U.S. management or services company with net worth of under \$67 million

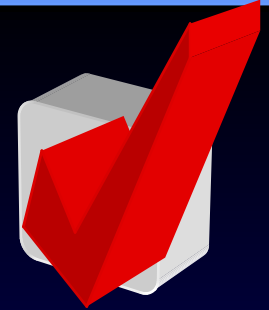
Insurance Programs

- Equity: capital, in-kind contributions, parent company debt, loan guaranty
- Management/Technical Assistance Agreements: investment of technology and “know how”
- Leasing Agreements: operating and capital leases
- Financial Institutions: bank loans, cross border leases, debt for equity investments, commodity price or interest rate swaps
- Capital Markets: private placements, Rule 144A bond issuance
- Oil & Gas and Mining/Natural Resources: production sharing and concession agreements, and service contracts
- Contractors and Exporters: wrongful calling of bids, expropriation, political violence, and inconvertibility losses due to contractual breaches of arbitral awards

Terms of Coverage

- Amounts up to \$250 million (\$300 million on oil and gas projects with export revenues and \$400 million on an investment grade rated project)
- Tenors of up to 20 years on equity and matching tenors on loans and leases
- Premium rates are locked in for duration of contract
- Up to 90% coverage on equity; 100% on debt and other third party financing arrangements

Eligibility



- Investor insured by OPIC must be U.S. citizens, or corporations created under the laws of the United States, and 50%+ owned by U.S. citizens or foreign corporations at least 95% owned by U.S. investors
- Project must be highly developmental
- Project must be environmentally sound
- Project and Investors must comply with worker rights
- Project must not have a negative impact on the U.S. economy
- Project must be in an OPIC eligible country or area

Timing, Costs, and Pricing

- Detailed information available at www.opic.gov
- Call OPIC at 202 336-8400 and ask for the person responsible for the country or area where your project is located.
- “Register” your project to obtain indications of timing, costs, and pricing!
 - Registration Form #50 available on OPIC website