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In this issue we address some of the major trends affecting global project finance: the growing emphasis, especially in the power sector, on facilities selling on a market basis; the development of broader sources of capital; and the increasing diversity of risks and availability of risk management products.

Our first article, by Alex Urquhart and Matthew Siegel of GE Capital, discusses valuation of power assets in the U.S. The new world of merchant power now requires a much more sophisticated analysis of power markets and submarkets, participants in those markets, and available financing structures in order to structure a successful project. Adjusting the assumptions in such an analysis can lead to wide variations in the forecast of the future performance of the potential project-hardly a risk that would have been taken in the days of long-term, fixed-price power purchase agreements. But the number of utility asset acquisitions and greenfield development projects, as well as the growing list of financings for those projects, suggest that there is no shortage of appetite in the U.S. for the risks of the new market.

Next is an article on the rigors of railroad privatization. Railroad Development Corporation has made private railroad investments in the U.S., Central America, South America, and Africa. Henry Posner III, includes a case study on the company's experience in restoring an abandoned railroad in Guatemala. The lessons of that project will be useful for other emerging-market projects.

The heart of project finance, of course, is the assessment and allocation of risk. Over time, we have seen a greater appreciation of the number and complexity of the risks associated with the development and financing of projects, especially in emerging markets. Two articles, by Peter J. Haller and Bob Percopo of AIG and Gerald T. West of Multilateral Investment Guarantee Agency (MIGA), the insurance affiliate of the World Bank Group, address the application of various types of insurance to project finance and illustrate how the growing scope of derivative, insurance, and other risk management products are helping put deals together in today's challenging economic environment

We have included two articles assessing the challenges of financing infrastructure in emerging markets. Antonio Vives of

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Inter-American Development Bank discusses the need for continued development of the pension fund market in Latin America as a critical source of infrastructure funding, particularly in light of the foreign exchange risks associated with outside capital. Julia Cerenzia of the U.S. Department of Commerce, in her article on privatization of infrastructure in emerging markets, suggests that a country focus not just on the transfer of assets to the private sector but also on establishing a viable business environment in which the private sector can meet public infrastructure needs. The parallel trends of increasing privatization of infrastructure facilities and broadening of sources, terms, and application of project finance were arrested somewhat in the recent Asian, Latin American, and Eastern European financial crises.

The world of project finance is one of constant evolution. We hope you find the articles in this edition of the *Journal of Project Finance* are useful in keeping you in step with that world.

Edwin Feo
Editor

Henry Davis
Managing Editor