

INTERNATIONAL FINANCING FOR EMERGING MARKETS: A MARKETING APPROACH

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It is clear that the investment environment and the attitude of lenders toward Emerging Markets have dramatically changed over the last two years. As lenders come to terms with their losses, investment strategies have been revisited. Although Portfolio investors will not be back very soon, Strategic investors are looking around for bargains now. International lenders will be relying on the presence of international strategic investors with whom they are comfortable working and whom they know.

International Lenders will return to Emerging Markets but they will be making lending decisions on the basis of the quality and transparency of each proposed project. To get their attention, owners of potentially profitable projects will have to apply basic marketing and sales principles. Projects will have to be packaged to draw the attention of the investors and lenders.

Packaging -- A consumer chooses between otherwise identical quality products based on the packaging. The packaging communicates how the product works and its benefits but most importantly it catches the eye of the buyer because it positions the product apart from others on the shelf. Similarly, investors will be drawn to projects that are packaged in such a way that they properly communicate the underlying quality. PRI has found that in most projects, the problem begins with lack of relevant information and a financing structure, which show how the project will repay its debts. These are elements that are critical to lenders and investors and must be part of the "packaging".

Information -- Business plans and feasibility studies, which have traditionally been used by financiers to evaluate projects in developed markets, have not produced results in Emerging Markets. Prepared according to standard formulae and with little regard for the information needs of lenders and investors, these documents often exclude the most important information and are insufficient as the basis for credit and investment decisions. There is no doubt that in the near future, properly packaged information will make a huge difference in the chances of a project to attract financing.

Structure -- Areas such as contracts, insurance and technical verification are important for creating a financing structure in compliance with lender and investor requirements. Many project owners in Emerging Markets have no previous experience in implementing recommendations made by consultants. Trying to attract international financing for the first time, they need on-going assistance and guidance in developing and structuring their projects to be creditworthy. ,

Unfortunately, most project owners in Emerging Markets mistrust advisors because of the negative experience created by consultants who were paid by Western government agencies to produce reports, which in turn produced no results and no financing.

Project Development -- The development of a project, the preparation and packaging of the information and the marketing effort to inform the financial market is a long and expensive process. Owners of projects in Emerging Markets must accept the fact that it is necessary to invest and risk seed capital in the predevelopment of their projects in order to bring them to the point when they can attract financing. This requires the combined expertise of the project owner's team and international experts who understand the language and needs of International banks. This period in the life of project development involves the ability to manage and coordinate the activities of various team members who are working on parallel tracks to meet one goal: to get the project properly structured so it can be financed.

From our experience in Emerging Markets, we have found that it is necessary to continuously process, analyze and filter information. This allows for the flexibility needed to modify the structure of the project in order to increase the comfort level of investors and lenders in a particular project. The combined local and international team must stay with the project until it is successfully implemented. During the process, trust develops. A few months of close cooperation creates a project team, which can present the project to the sources of money in the most effective and coordinated way.

Marketing

Marketing to international lenders. Conditions have changed dramatically and project owners have to focus their marketing efforts on specifically identified lenders and target its packaging (presentation of information) to meet their needs. An independent international financial advisor will narrow-cast investors and involve them in the design of the information package to make it most appealing to them and increase the probability of financing. What needs to happen now is a deeper understanding on the part of Management of the steps that need to be taken to meet the requirements of international sources of money and how to market the appropriate information to them.

Marketing to Government: We have found concrete evidence that where a project is well presented, information is transparent and complete and there is demonstrated investor interest, government agencies in Emerging Markets will react, to remove barrier and on occasion, change policies to help a project get implemented.