

the financial institutions observed that examination of project financial viability and risk is now viewed as an important feature of loan appraisal. Even if borrowings for power sector developments may be fully supported by sovereign guarantees, the capacity of the project to service debt is generally accepted as an essential lending criterion.

The creditworthiness of the enterprise will be judged not only on the basis of the financial viability of the project, but also on the credibility and experience of the enterprise management in undertaking projects of the type and magnitude contemplated. This requires evidence of strong financial as well as technical expertise in enterprise management.

If China were to establish conditions allowing for joint venture development of power projects, equity participation would likely be limited to large corporate investors (in combination with a power utility). The corporate investors would likely have to perceive a long term interest in establishing ongoing relationships within China's power sector and possibly with related energy intensive industrial developments. It is considered unlikely that institutional investors (pension and insurance funds and similar institutional sources of capital) would be attracted to project investment in China.

To support Canadian equity participation, it has been suggested that Canadian and Chinese participation in the Multilateral Investment Guarantee Agency would be advantageous. It may be noted however that the Export Development Corporation does offer and could, in principle, provide similar insurance coverage for Canadian equity investors in China.

At this time it has not been possible to establish any firm sense of how potential Canadian investors would view a specific opportunities to invest in China's power sector. Clarification of MWREP's position with respect to how far it may wish to proceed in establishing a framework to facilitate joint venture cooperation is seen as the next step necessary to further consideration of this approach.