

PROJECT ABSTRACT

Project number	BR-0350
Project name	Light – Electricity Services
Country	Brazil
Sponsors	Light – Serviços de Eletricidade S.A.
Total project cost	US\$301.5 million
IDB participation	IDB A-Loan: US\$100 million
Department	Private Sector Department
Status	Approved by the Board of Executive Directors
Date	September 20, 2000

This operation consists of a political risk guarantee (the “Guarantee”) for currency convertibility and transferability (“CCT”) to be granted to Light–Serviços de Eletricidade S.A. (“Light”, the “Company” or the “Issuer”), to cover up to US\$100 million of a US\$200 million senior unsecured floating rate note issuance with a five-year maturity (the “Guaranteed Notes”). The Guaranteed Notes will be purchased by commercial banks in the United States and abroad (the “Guaranteed Lenders”). Coverage for up to the remaining US\$100 million will be provided by the Multilateral Investment Guarantee Agency (“MIGA”).

Light is a private electricity distribution company and a leading provider of electric power in Brazil that operates primarily in the State of Rio de Janeiro. The Guaranteed Loan will finance Light’s capital investment program for the period 2000–2001, which is aimed at: (a) improving quality of service in residential and commercial areas; (b) expanding the distribution area; and (c) creating and upgrading network support systems.

IDB’s Guarantee will protect the Guaranteed Lenders against the Borrower’s inability to make a scheduled Note payment in respect of Guaranteed Notes as a result of a convertibility or transfer restriction. It will also provide coverage against an expropriation of funds designated for a Note payment.

To increase service coverage and quality as well as to satisfy the requirements under its concession, Light has developed a US\$270.0 million capital expenditure programme for 2000-2001 (the “Capex”). The Capex will result in a significant expansion of Light’s network, enabling it to supply approximately 130,000 new non-industrial customers and 250 new industrial customers through upgraded and expanded infrastructure. In addition to expanding services, the Capex comprises network development, quality improvements, distribution automation, and investment in other support systems. Light will undertake the construction of the different investment projects using a variety of suppliers for equipment and services.

Light’s distribution, transmission and generation activities are subject to comprehensive federal and state environmental, social, health and safety and labor laws and regulations, all of which Light is presently complying with.