Early Warning System

IFC-33334

Internexa Brazil

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Quick Facts

Countries	Brazil
Specific Location	Rio de Janeiro; São Paulo; Curitiba; Belo Horizonte; Porto Alegre
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	U
Borrower	Internexa Participacoes S A
Sectors	Communications
Investment Amount (USD)	$ 25.00 million
Project Cost (USD)	$ 320.00 million

Project Description

PROJECT DESCRIPTION

As part of its ongoing regional expansion, Internexa S.A. ("ITX" or "the Sponsor"), a Colombian neutral carrier of carriers, has targeted Brazil as its main source of growth for the next five years. ITX's strategy is to expand its operations in the country through strategic investments in fiber optic network, equipment and operational assets that will complement an already existing operation that includes 3,300kms of fiber optic cable connecting Rio de Janeiro, Belo Horizonte, Sao Paulo, Curitiba and Porto Alegre. The latter also serves as connection point to ITX's approximately 22,000kms fiber optic network that provides fiber optic access to clients in Colombia, Ecuador, Peru, Chile, Argentina and Brazil.ITX has envisioned a five year multiphase project that seeks to increase supply, redundancy and competition for telecoms transmission infrastructure while offering connectivity opportunities to the Sponsor's clients in Brazil and other Latin American countries. ITX's expansion brings additional connectivity and redundancy opportunities to smaller operators that do not have the capacity to build their own network.Overall, the proposed project will help the Sponsor to ramp up operations by consolidating its position as backbone and metropolitan carrier. With the increased capacity and connectivity, ITX will be able to provide carrier services not only at Brazil level, but also to clients in the Southern Cone and Andean Region that are already using the Sponsor's extensive fiber optic network.

EXPECTED DEVELOPMENT IMPACT

- Access to Broadband: The Project addresses the growing demand for fiber communications and its supporting infrastructure.- Shared infrastructure: As mobile operators are under pressure to improve their networks, niche operators like Internexa are well positioned to provide basic infrastructure services to such Mobile Network Operators ("MNO"). For telecom operators, infrastructure sharing benefits include reduced capex which translate into lower cost of service. Infrastructure sharing is critical in further fueling the evolution of the telecom market, indirectly assisting in the development of broadband services, content and applications, mobile finance and mobile advertising, as several industry segments begin converging.- Reduce Pricing / Increase competition: By supporting a small operator, IFC would be contributing towards fuelling competition and reducing communication prices. Today, a country like Brazil still has one of the highest tariffs for broadband services in the region.- South - South Project: IFC would be supporting a Colombian Sponsor to undertake a regional Project, further contributing to regional integration. When fully operational, Brazilian operations for ITX may represent up to three times the size of their telecoms business in Colombia.

IFC'S EXPECTED ROLE AND ADDITIONALITY

- Long-term Partnership: Position itself for a critical phase in ITX's expansion, with plans to eventually build-out a pan-LAC fully redundant fiber backhaul network.-Regional Integration: With IFC's support ITX will help to further integrate Latin American countries via a high quality extensive fiber optic network. At project completion it is expected that ITX will be able to increase connectivity to clients anywhere in the region.- Best practices / experience / stamp of approval: Sponsor is aware of IFC's involvement with fiber conectivity projects in other countries. Bringing on a shareholder with the relevant industry background adds: (i) know-how, (ii) credibility in terms of negotiating Capacity Agreements, and (iii) visibility for attracting new investors in future funding rounds. Finally, adoption of environmental best practices is very relevant.- Long-term financing: IFC support will allow ITX Brazil to secure funds that will help to close the project. This is by far ITX's largest project to date and the first with an insitution such as IFC.- Support to a niche player: IFC will be providing long term financing to a niche player with a clear market strategy that is competing against larger players with ample financing opportunities.

Investment Description

- International Finance Corporation (IFC)

Private Actors Description

ITX is a connectivity infrastructure and telecommunication solution company in the region. With over 22,000kms, ITX manages the largest terrestrial telecommunications network in South America, providing connectivity to Venezuela, Colombia, Ecuador, Peru, Chile, Argentina, Brazil and soon, Central America. Its infrastructure is mainly supported on electricity transmission networks, providing high service availability, strength and reliability. Aside from the terrestrial networks, which are complemented by access to 7 heads of submarine cables, ITX is also a partner and landing-party with the ARCOS I-CFX cable. ITX has been the first Colombian telecommunication company to obtain the certification ISO 9001 for its "carrier" service at regional level. ITX provides connectivity service to 60 cities throughout Latin America and to over 150 clients. ITX is wholly owned by ISA, one of the largest energy transmission companies in Latin America.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	INTERNEXA S.A.	Client	-

Contact Information

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/