

# OPIC News

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## OPIC raises support for U.S. investment in Mexico

OPIC has committed more than \$40 million in financing to eight U.S. small businesses since opening its programs in Mexico last year and anticipates providing hundreds of millions more in the upcoming months, as American companies realize the potential return on investments in America's second-largest trading partner.

At the U.S.-Mexico Bilateral Commission on November 9, the Partnership for Prosperity (P4P) Principals announced OPIC's latest project in Mexico, a \$20 million loan to a U.S.

expects to establish a facility to support loans to small and medium-sized enterprises in several sectors, and another facility to support investment in energy infrastructure. Combined OPIC financing for the facilities could reach \$450 million.



Since concluding an agreement in June 2003, OPIC has committed more than \$40 million to American companies investing in Mexico. Projects include prefabricated housing (left) and vegetable growing in Yucatan (center); a future project will establish a technology park at the University of Guadalajara.

OPIC has also issued a call for proposals for management of a new private equity investment fund in Mexico, to which the agency will provide \$120 million; total capitalization of the fund is expected to reach \$400 million. Mexican companies also stand to benefit from another OPIC fund targeting Latin America's power sector, to



small business for the leasing of state-of-the-art information technology equipment to Mexican companies, making equipment upgrades more affordable to Mexican customers and opening a new market for American firms. The project is OPIC's largest in Mexico to date.



which OPIC will contribute \$40 million. At the same time, OPIC has committed \$90 million toward the establishment of two investment funds with a focus on Latin America. Each will devote 40 percent of its portfolio to Mexico.

OPIC is also working with the University of Guadalajara to support creation of a technology and research park that would enable Guadalajara to evolve from an out-sourcing center to a research and development hub.

The P4P Principals in Mexico and OPIC President Dr. Peter Watson in Washington simultaneously announced that OPIC

MESSAGE FROM THE PRESIDENT

At the head of the year, I wrote in this space that OPIC had entered 2004 with a good deal of enthusiasm, having forged new partnerships with the private sector, business associations and other government agencies in an effort to extend our reach and streamline our delivery.

Our strategy worked. Despite ongoing tensions in many parts of the world, OPIC expanded its horizons in every sense during 2004.

In its second year of operation, OPIC's Small Business Center again enabled more U.S. small businesses than before to bring their entrepreneurial skills to projects in the developing world. Small business projects - 95 of them - accounted for fully three quarters of OPIC's commitments in 2004.

Returning OPIC to its original development mandate was another priority. We successfully instituted a development matrix, based on 26 indicators which

measure the social and economic benefits of OPIC projects, and found that on a scale of 100, they averaged 91.1. This is an invaluable tool, for it provides OPIC an empirical body of evidence to guide our efforts to improve standards of living in the developing world.

We trained our attention in 2004 on those emerging markets which most needed investment, with satisfying effect. In countries as diffuse as Botswana and Pakistan, from Nigeria to Bolivia, OPIC supported infrastructure projects which will lay critical foundations for new economic growth.

And we began the process of mobilizing U.S. investment into regions of utmost strategic importance. Foremost was Iraq, where OPIC provided more than \$200 million in insurance and financing for vital reconstruction projects; and Afghanistan, where OPIC is helping to rebuild the Kabul-to-Kandahar highway destroyed during the 1979 Soviet invasion.



Dr. Peter S. Watson

Newly flexible and attuned to the needs of the private market, freshly aware of our capacity to support social and economic growth in the developing world, and a good partner to U.S. businesses large and small: OPIC is poised for an even better 2005.

## OPIC board approves \$250 million in insurance for natural gas pipeline in Israel

OPIC's board of directors in November approved \$250 million in political risk insurance for the construction of a 65-mile pipeline that will serve as the centerpiece of Israel's natural gas system, reducing that country's dependence on imported fossil fuels and generating \$200 million in annual savings for electricity generation.

OPIC's insurance will cover a loan for the construction of a pipeline that will be used to transport natural gas produced offshore, from Ashdod in southern Israel to Dor in the north, for downstream power projects in the country. Once completed, the pipeline will be owned by the Israeli government and operated by Israel Natural Gas Lines. The Israel Electric Corporation, the State of Israel,



OPIC insurance will support construction of a natural gas pipeline that will realize millions in annual savings for Israel.

OPIC and Citigroup are currently negotiating the loan documentation and are expecting to close the transaction by year-end.

OPIC President and CEO Dr. Peter Watson said, "Until recently, Israel had relied



almost exclusively on imports to meet its energy needs. This project will exploit recently-discovered offshore natural gas reserves to significantly reduce Israel's dependence, in the process using an energy source - natural gas - that is cheaper and less polluting than oil or coal."

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# Africa in focus:

## OPIC finalizes HIV+ mortgage project in South Africa, provides loan for leather operation in Mali

OPIC President and CEO Dr. Peter Watson announced in early December that OPIC had closed a groundbreaking project that is expected to provide funding for treat-

ment of HIV-positive homeowners in South Africa over ten years, enabling them to keep their homes by guaranteeing banks against the risk of defaulted mortgage payments. The project stands to help at least 350,000 South Africans obtain new mortgages and keep their homes.

Weeks earlier, Dr. Watson announced that a U.S. small business would use an OPIC loan to expand its leather processing operation in Mali.

OPIC provided a \$250 million loan to Housing for HIV Inc., a nonprofit organization set up as a joint venture between New York based Shared Interest, Inc. and South African-based Home Loan Guaranty Company (HLGC). Housing for HIV Inc. raised an additional \$50 million from junior investors to form a \$300 million pool of funds.

JPMorgan assisted OPIC and HLGC with structuring the transaction and with placing the senior and junior investments. Net proceeds from the investment pool will be



used to purchase medication for HIV-positive homeowners in South Africa who hold mortgages from banks that are guaranteed by HLGC. Treatment and education for affected homeowners will be provided through additional agreements with South African clinics.

Under the project, provision of mortgages will not be limited to HIV-positive persons. Should a homeowner miss a mortgage payment and be found to be HIV-positive, the treatment program will be initiated for the



With support from JPMorgan, OPIC closed on a project that will both enable up to 350,000 South Africans obtain mortgages, and provide HIV treatment. Below, a U.S. small business is using an OPIC loan to expand its leather processing in Mali.

affected individual and monitored closely by participating clinics.

In the Mali project, OPIC will provide a \$1 million loan to Adoberia Sahel, a company owned in part by a U.S. citizen, to operate a new facility that will pickle sheep and goat hides for sale in the United States, Europe and Mali, enabling the company to raise its annual production capacity to 1.5 million skins. A majority of the leather prepared for the American market will be used for military glove contracts.

## OPIC board approves \$250m for global lending

OPIC's board of directors in November approved \$250 million in financing for a global framework agreement which will enable Wachovia Bank, N.A. to expand its lending to banks in emerging markets. The framework, which supplements an existing agreement between OPIC and Wachovia, will devote up to 60 percent of its lending - \$150 million - to banks in Turkey.

OPIC's financing will augment a \$100 million framework agreement by which OPIC and Wachovia share risk on loans administered by the North Carolina-based bank, America's fourth-largest in terms of assets. Since the existing framework agreement was executed in February 2004, OPIC has approved five Wachovia transactions with an outstanding exposure of approximately \$78 million, including two transactions with Turkish banks totaling \$45 million.

"OPIC's existing framework with Wachovia has been extremely successful, enabling the bank to expand its lending to customers in emerging markets worldwide, and we anticipate further success with this expansion," said OPIC President and CEO Dr. Peter Watson. "Turkey in particular represents an important market for Wachovia, and should derive important economic and developmental benefits from this facility."

"Wachovia's correspondent banks represent an effective conduit for channeling capital to borrowers in emerging markets, in turn increasing the availability of funds for other sectors of their economies. By supporting this framework, OPIC is diversifying its on-lending in eligible countries, while at the same time assisting an American bank in its efforts to increase its business overseas," Dr. Watson added.

## OPIC board approves \$65 million for Southeast Europe investment fund

OPIC's board in November approved \$65 million in financing for the establishment of a private equity investment fund that will support investments in southeast Europe. The target capitalization for the fund is approximately \$200 million, with a first closing targeted at \$100 million.

The fund, called Southeast Europe Equity Fund II, will make equity investments in a diversified range of companies and sectors in Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia & Montenegro, Slovenia and Turkey. Up to 20 percent of the fund may be invested in neighboring countries including



The Serbia Broadband company was one of several businesses that the Southeast Europe Equity Fund invested in, supported by OPIC.

Armenia, Azerbaijan, Czech Republic, Georgia, Hungary, Kosovo, Moldova, Poland and Slovakia.

OPIC selected as fund manager  
Bedminster Capital Management of

Bedminster, New Jersey, which manages the Southeast Europe Equity Fund Ltd, a \$200 million southeast Europe investment fund supported by OPIC that was organized in 2000.

"The first Southeast Europe Equity Fund is one of the top performing funds in the region, and we have every reason to expect similar success from this fund, given improving economic prospects in southeastern Europe and the management team's regional experience," said OPIC President and CEO Dr. Peter Watson. "OPIC is pleased to help provide a timely response to the need for private capital in southeastern Europe, by supporting direct investment in the region."

### UPCOMING EVENTS

**January 19-21, 2005, Miami, Florida**  
**Financing Latin American Energy Projects**  
Nancy Rivera, Department of Structured Finance  
[www.infocastinc.com](http://www.infocastinc.com)

**January 24, 2005, London, England**  
**Southern Africa Business & Investment Roundtable**  
Marysue Shore, Director of African Affairs  
[www.economistconferences.com](http://www.economistconferences.com)

**February 9-10, 2005, London, England**  
**15th Export Credit & Political Risk Insurance Conference**  
Robert O'Sullivan, Associate General Counsel  
[www.abc-financial.com](http://www.abc-financial.com)

**February 24-25, 2004, Vienna, Austria**  
**Leasing in Russia: 2005 International Conference**  
Kenneth Angell, Department of Structured Finance  
[www.marcusevans.com/subtype/conf.asp](http://www.marcusevans.com/subtype/conf.asp)

