

OPIC News

March 2005
Vol. 7 No. 2

Published by the **Overseas Private Investment Corporation**
An Agency of the United States Government

IN THIS ISSUE

Watson steps down at OPIC, Connelly acting president

Message from the President

OPIC insures International Rescue Committee for property & equipment in 17 countries

Mexico in focus:

OPIC announces \$570 million in new support for two funds, energy projects & Citigroup lending

OPIC funds poised for 'profound' impact in Africa

U.S. small business uses OPIC loan to build hotel in Turkey

UPCOMING EVENTS

see back page

Watson steps down at OPIC, Connelly acting president

Dr. Peter S. Watson concluded his 44-month presidency of OPIC on February 28, when he stepped down and accepted a visiting fellowship at the Brookings Institution's Center for Poverty and Global Economy. Ross J. Connelly, who has served as executive vice president and chief operating officer since August 2001, became acting president and CEO.

regions, while creating metrics to evaluate the developmental impact of OPIC supported investments. It also set in place protocols to complement, not compete with the private sector.

Watson placed significant focus on sub-Saharan Africa, expanding OPIC's portfolio considerably with innovative projects supporting water extraction and HIV treatment, as well as a housing project to construct 90,000 homes for

low-income users. Meeting critical foreign policy priorities during his tenure, OPIC programs opened in Pakistan, Afghanistan and Iraq, mobilizing capital for private sector-led economic growth in these critical countries.



Perpetual motion: OPIC President Dr. Peter Watson hit the ground running in June 2001, and never let up, speaking to (clockwise from upper left) a Corporate Council on Africa business summit, signing a bilateral agreement with Mexico, increasing U.S. investment in Ukraine, building ties with the new Afghan government, and testifying before the U.S. House of Representatives.

"Peter Watson was willing to take bold steps to lead the agency in a direction that left it better off as a consequence", Connelly said.

Watson's tenure saw the agency refocus on its core development mission while remaining an essential tool in U.S. foreign policy. The agency embraced financial intermediation as a means to inject capital into underserved

Watson's tenure also saw the creation of OPIC's Small Business Center and Small and Medium Enterprise Finance Department as well as a partnership with the U.S. Small Business Administration. In FY 2004, 75 percent of OPIC's 126 approved projects were for SMEs.

Under Watson, OPIC provided \$8 billion in support to 285 projects. Those projects supported over 15,000 U.S. jobs, \$5.7 billion in U.S. exports and helped create 67,000 host-country jobs. For his efforts, OPIC earned its first unanimous reauthorization from Congress in over a decade.

MESSAGE FROM THE PRESIDENT

Under President Bush's direction, over the past four years we have moved to refocus the agency on its core mission: to promote economic development through U.S. private sector investment in the developing world where, absent OPIC's support it would not materialize; and in so doing, advancing development-oriented foreign policy goals of the United States.

It sounds simple in a sentence, but it has taken considerable work over these past many years to achieve the results that I believe have made OPIC a more relevant, flexible, responsive and business-friendly government body.

And as acting president, I recognize that we cannot rest on our accomplishments. The variable nature of global markets will continue to demand of OPIC a commitment to innovation and entrepreneurship to better serve our sponsors, partners and U.S. policy.

OPIC's overall objective for the coming years is to maximize its role as a catalyst

for investment in regions and sectors where the private sector will not act alone. By deepening its competency and relevance in priority regions and sectors, OPIC will strive to become more effective in carrying out its mission and implementing foreign policy objectives.

For 2005 and 2006, OPIC has prioritized two regions of particular importance; the Middle East and Africa. These areas have attracted relatively little foreign direct investment, and, consequently, face critical economic development needs. Building on its past efforts in these regions, OPIC will focus its resources and expertise to achieve a substantive impact.

OPIC will also continue to leverage its resources to mobilize private capital for the housing and small business sectors. Small business is an important engine of growth, and small American enterprises can serve as useful role models for the typical business enterprise in the developing world. Housing is not only a pressing social need,

but also an area where U.S. private capital can make a substantial contribution.

None of this would be possible, however, without the dedicated efforts of OPIC's talented and experienced career staff. In my time at the agency I have come to admire and depend upon the entire OPIC team, and in my experience, finer civil servants are hard to come by. I look forward to working with the OPIC staff as we move forward. The excellence and experience of the OPIC staff and its proven capacity to work as a team to accomplish clear objectives, gives me every confidence that the agency will continue its track record of leadership in market-based development programs and projects in the months and years ahead.



Ross J. Connelly
Acting President & CEO
Overseas Private Investment Corporation

OPIC insures **International Rescue Committee** for property & equipment in 17 countries

OPIC will provide political risk insurance to the International Rescue Committee, Inc. (IRC), one of the world's leading humanitarian non-profit organizations, to cover IRC property and equipment in 17 countries worldwide, including Afghanistan.

OPIC will provide \$5 million in insurance to the IRC for property and equipment used to carry out humanitarian, disas-

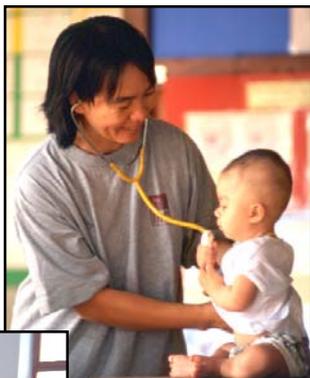
ter relief and medical assistance, refugee resettlement and retraining programs. The materials covered include computers,

furniture, office supplies, generators and pumps, as well as tools, medicines and vehicles.

The OPIC insurance will cover items in IRC offices in Afghanistan, Azerbaijan, Bosnia and Herzegovina, Congo, Croatia, Eritrea, Jordan, Kenya, Kosovo,

Pakistan, Republic of Congo, Russia, Rwanda, Sierra Leone, Tanzania, Thailand, and Uganda.

New York-based IRC is one of the world's largest humanitarian nonprofit organizations, with offices in 25 countries.



The International Rescue Committee has supported projects such as a clinic on the Thai-Myanmar border, above, and a rehabilitated school in Bosnia. OPIC is providing the IRC with \$5 million in political risk insurance for property & equipment in 17 countries. (Photos: Thatcher Cook/IRC, above, Peter Biro/IRC.)



FOR MORE INFORMATION:

Overseas Private Investment Corporation
1100 New York Avenue, NW
Washington, D.C. 20527
Tel: 202-336-8799
Website: www.opic.gov

To subscribe to *OPIC News*, please log onto OPIC's website and click on "subscribe" at the top of the page.

Inquiries concerning *OPIC News* content: Timothy Harwood, editor tharw@opic.gov

Mexico in focus:

OPIC announces \$570 million in new support for two funds, energy projects & Citigroup lending

OPIC increased its support for U.S. investment in Mexico more than ten-fold when its board of directors in February approved \$570 million in OPIC financing for four new projects in the country, setting the stage for even more U.S. investment under the auspices of the U.S.-Mexico Partnership for Prosperity.

The board first approved a \$200 million guaranty framework agreement by which OPIC will share credit risk with Citigroup subsidiary Banamex, S.A. in downstream project loans in Mexico. The facility will

focus on middle market lending, corporate lending and the microfinance sector. This is the first OPIC credit risk-sharing program in Mexico.



"These new projects specifically target sectors that drive the Mexican economy - the nascent purchasing power of its youngest generation, and energy infrastructure - and with their success will encourage even greater levels of American investment in the country." - OPIC President & CEO Dr. Peter Watson, left, with Mexican Secretary of the Economy Fernando Canales, Mexico City, February 21

when it builds energy infrastructure projects in Mexico.

The OPIC financing will guaranty a credit facility that will be provided by commercial banks to ICA-Fluor, which provides engineering, procurement and construction services in the energy sector.

Finally, the board approved up to \$120 million in OPIC financing for two new private equity investment funds focused on Mexico.

The board approved up to \$60 million for the Baring Mexico Private Equity Fund II, with a target capitalization between \$150 and \$200 million. The fund will invest in sectors expected to benefit from the increasing purchasing power of the young Mexican population, including consumer goods, financial services, housing, healthcare and entertainment.

The board also approved up to \$60 million for Conduit Capital Partner LLC's third Latin American fund. The fund will invest in independent power projects (IPPs) in Latin America and the Caribbean, with a focus on renewable energy and Mexico. The IPPs will consist primarily of electric power-generating facilities targeting greenfield construction, development equity or acquisitions requiring expansion capital. The fund has a target capitalization of \$200 million.

Next, the board approved up to \$250 million in OPIC financing for the Mexican affiliate of a U.S. company to finance its working capital needs



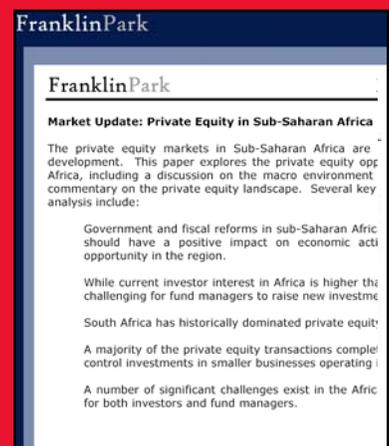
OPIC funds poised for big impact in Africa

An analysis of private equity markets in Africa has found that OPIC is well-positioned to have a "profound impact" on the development of economies in the region, by virtue of improvements to its Investment Funds Department.

Franklin Park, a Philadelphia-based investment advisor, concluded that "in recent years, OPIC has significantly improved its manager selection process and it has made its investment structure more attractive to both fund managers and global institutional investors. Based on these improvements, OPIC is now able to attract the interest of the highest-quality private equity fund managers in [Africa]."

The analysis also found that the developing trend toward democracy in Africa "has provided a general framework for sound economic activity;" and that ongoing development of the continent's physical infrastructure should encourage economic growth. It acknowledged ongoing challenges for prospective fund managers in the region, as well, including political risks, viable exit strategies, and economic problems caused by the HIV epidemic.

The analysis's findings were based on a 2004 survey of 53 private equity fund managers focused on Africa.



U.S. small business uses OPIC loan to build hotel in Turkey

A U.S. small business will use an OPIC loan to convert an historic 19th century building in Istanbul to a small hotel, OPIC Acting President and CEO Ross Connelly announced in March.

OPIC will provide a \$3 million loan to M&N Butler Mimarlar Ltd, an architecture and development firm comprised of a Turkish-American family, for the construction of a 14-suite hotel on the Asian side of the Bosphorus, in the township of Cengelkoy. The property is part of a complex of 19th century Ottoman factory buildings that were initially used as warehouses and later as factories.

The hotel will cater to tourist and business interests, mainly from North America, Europe and Turkey. Connelly noted that there is significant demand for hotel accommodation on the Asian



When completed, the Sumahan hotel in Istanbul will offer beautiful views of the Bosphorus, upper right. OPIC is providing a \$3 million loan to the project.



side of Istanbul, which lacks international branded hotels.

"Istanbul's rich history offering significant investment potential for the tourism industry. OPIC is pleased to support a U.S. small business that has identified an underrepresented niche in the Istanbul hotel market, and in the process will support the development of the Turkish economy," Connelly said.

UPCOMING EVENTS

April 7-8, 2005, Los Angeles, California
Asia/Pacific Business Outlook 2005
Carl Reinhardt, Investment Development Director
www.apbo2005.com

April 27-29, 2005, Bangkok, Thailand
USTDA Southeast Asia Telecommunications/ ICT Conference
Marysue Shore, Director of African Affairs
www.trademeetings.com

April 28, 2005, Washington, DC
Small Business Administration Expo 2005
OPIC-staffed booth
www.sba.gov/expo

May 18-29, 2005, Miami, Florida
Securitization in Latin America Summit
Ruth Ann Nicastri, Insurance Manager
www.euromoneyseminars.com

