

OPIC News

January 2004
Vol. 6 No. 1

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

IN THIS ISSUE

Latin America focus of new OPIC funds and lending facility

Message from the President

U.S. small business uses OPIC loan for phone card project in Moldova

Caucasus in focus:

OPIC insurance helps Azerbaijan, Georgia & Turkey build Caspian pipeline

U.S. small business helps rebuild Afghan highway

Upcoming OPIC conference on investment opportunities in emerging Europe takes shape

UPCOMING EVENTS

see back page

Latin America focus of new OPIC funds and lending facility

OPIC's Board of Directors in January approved a trio of new initiatives intended to increase investment in Central and Latin America and the Caribbean.

First was a \$100 million investment guaranty for the establishment of a lending facility that will enable Citibank to expand its activity in Central America and the Caribbean, including lending to small businesses.

Under the facility, Citibank and OPIC will share credit risk in loans to eligible countries, and OPIC will provide clearances on worker rights and environmental issues for each downstream loan.

OPIC President and CEO Dr. Peter Watson said the facility "will enable Citibank to expand its medium- and long-term lending activity in the region, including lending to smaller companies. The facility will thereby support job creation and strengthen the financial infrastructure of a region, Central American and the Caribbean, with dynamic economic potential."

Next, the board approved a \$55 million guaranty for an investment fund intended to mobilize private sector investment capital for projects in Latin America, as part of Bush Administration efforts to stimulate trade and investment in the region.

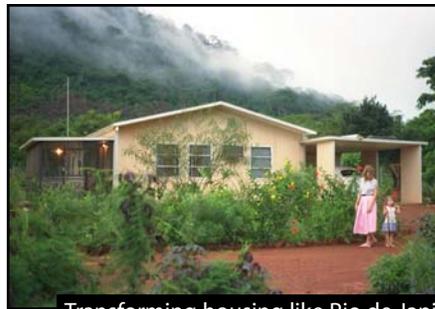
The fund will be managed by Darby Overseas Investments Ltd., a private investment firm based in Washington, D.C., and BBVA, the second-largest bank in Spain and second-largest banking group in Latin America.

Finally, the board approved a

\$35 million guaranty for an investment fund designed to deploy capital for the development of housing in Latin American markets where demand dramatically exceeds supply, many of which are capital-constrained. The fund will represent one of very few sources of investment

capital for real estate investment and specifically housing within the region.

The fund will be managed by Palador Realty, an affiliate of Paladin Realty Partners, which is headquartered in Los Angeles. Paladin manages nearly \$450 million in equity throughout the Americas.



Transforming housing like Rio de Janeiro's *favelas*, below, into comfortable and affordable homes, is the goal of one of two OPIC-supported investment funds approved in January.



MESSAGE FROM THE PRESIDENT

We at OPIC have entered the new year with a good deal of enthusiasm, confident that our strong record in 2003 heralds an even stronger 2004. Looking back at the previous twelve months, we were able to fulfill our developmental mission at a time of heightened tensions in large part through the vehicle of new and innovative partnerships.

By building a more complementary relationship with the private sector, we increased our support of investments in the most challenging emerging markets, as demonstrated by the 73 new projects we backed in 2003 with total commitments of \$2 billion in loans, guaranties or insurance.

Working with other government agencies, we embarked on an historic expansion of OPIC's commitment to America's small businesses. Officially launched in early 2003, OPIC's new Small Business Center succeeded beyond our most optimistic expectations. By year's end, over 40 enterprises had taken advantage

of our streamlined approval process to apply for and obtain OPIC financing or political risk insurance.

And we further demonstrated the value and importance of partnerships by launching a new Partners Program with trade councils, business associations and foreign policy organizations nationwide to increase public awareness and understanding of OPIC's programs and activities. By working more effectively with organizations and businesses that share our goals, we achieved another year of record accomplishment in all aspects of our mission.

Looking at our agenda for 2004, reconstruction efforts in Iraq will be a pivotal agency priority. OPIC's unique ability to mobilize capital and mitigate risk makes the agency an effective tool in moving toward genuine, private sector-led economic growth. Our efforts will empower investors to establish businesses in the new Iraqi economy, promoting development and reconstruction, and supporting the principles of free mar-



Dr. Peter S. Watson

kets, rule of law and private property that are prerequisites for sustained social and economic growth. This challenge, like those we successfully met in 2003, requires that we forge new and innovative partnerships; partnerships that will ultimately benefit the Iraqi people.

U.S. small business uses OPIC loan for phone card project in Moldova

A U.S. small business will use an OPIC loan to introduce prepaid telephone cards to Moldova, helping that nation extend and improve the efficiency of its telecommunications network, OPIC President and CEO Dr. Peter Watson announced in January.

OPIC will provide a \$150,000 loan to International Communications Systems, Inc. of New York for the purchase of phone cards, personal computer servers and software that will enable ICS to introduce the phone card to Moldova under the name GlobUS. ICS has an agreement with government-owned telephone provider, Moldtelecom, for the right to use its local access fixed lines for the prepaid card business.



Ion Rosca, commercial director of Moldtelecom, left, and Nabil Fareed, president of ICS, a New York-based small business, flank computer servers that will enable Moldova to introduce phone cards to its population.

The project will use the existing ICS technical infrastructure, with additional servers, routers and software, to route international traffic from Moldova to the rest of the world. ICS will conduct a

marketing campaign to advertise the cards, which be sold in the retail marketplace.

Currently, only 16 percent of Moldova's population is connected to the national telephone network.

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Caucasus in focus:

OPIC insurance helps Azerbaijan, Georgia & Turkey connect Caspian oil to Mediterranean

OPIC is providing \$100 million in political risk insurance to a pipeline project connecting the Caspian Sea oil fields to the Mediterranean Sea, enabling Azerbaijan, Georgia and Turkey to realize a vital economic priority, OPIC President and CEO Dr. Peter Watson announced.

The BTC pipeline is the largest foreign investment currently being undertaken in any of the three host countries. The project will generate nearly 9800 local jobs at the peak of construction, as well as 700 full-time jobs once operation of the pipeline begins.

The pipeline, known as BTC for connecting the cities of Baku in Azerbaijan, Tbilisi in Georgia, and Ceyhan in Turkey, will have a transportation capacity of one million barrels of oil per day, generate approximately \$262



Photos: BTC Co.

Routing of the pipeline was carefully planned, taking into account local and international security, human rights, environmental and social concerns. OPIC worked closely with the BTC company and international lenders to ensure the applica-

Construction is underway near Ceyhan in Turkey on a pipeline connecting Caspian oil fields to the Mediterranean Sea. Seventy percent of the workforce is drawn from local labor.



million in annual revenues for the three host countries, and will protect the Bosphorus Straits from additional oil tanker traffic. Currently, some two million gallons of crude oil pass daily through the Bosphorus.

Construction of the pipeline being undertaken by BTC Co., a joint venture pooling the resources of leading international oil companies, local companies and the three host governments. The pipeline is due to be completed in 2005.



tion of best practices in all areas, including public consultation, monitoring and transparency.

"This project establishes an essential energy corridor for

exporting Caspian Sea oil to global markets, and does so without adding additional oil tanker traffic to the already-congested Bosphorus Straits," Dr. Watson said. "In an environmentally-sensitive way, it contributes importantly to the integration of the Caucasus into the global economy, and will thereby provide significant developmental benefits to the people of Azerbaijan, Georgia and Turkey."

U.S. small business helps rebuild Afghan highway

A U.S. small business will use OPIC political risk insurance to help repair a vital highway in Afghanistan, reducing traveling time from Kabul and the country's second-largest city from two days to six hours.

OPIC will provide \$5.4 million in insurance to ARC Construction Company of New York City for heavy equipment used to repair the first 30 miles of the Kabul-to-Kandahar highway, as well as to construct a U.S. Embassy in Kabul, and for future projects. ARC was established specifically to undertake infrastructure reconstruction projects in Afghanistan, and employs trained Afghans to do so.

Both President Hamid Karzai and the U.S. government have made reconstruction of the highway a priority, with the United States pledging \$80 million to the effort. The 745-mile road is a principal trade route in the land-locked country, parts of which were destroyed during fighting with the Soviet Union in 1979. Its reconstruction will lower trading costs, as well as improve safety and access to health care and education. The project is due to be completed in 2005.



Upcoming OPIC conference on investment opportunities in emerging Europe takes shape

OPIC's upcoming conference, *Forging New Partnerships in Emerging Europe*, gathered momentum in January with the announcement that Romania's two top officials would attend: President Ion Iliescu and Prime Minister Adrian Nastase. The event is designed to highlight investment opportunities in emerging Europe for both U.S. and local companies looking to invest or undertake joint ventures in the region.

The conference will target opportunities in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Poland,



Romanian President Ion Iliescu, pictured with President Bush in 2003, will open the OPIC-sponsored *Forging New Partnerships in Emerging Europe* conference in March.

Romania, Serbia and Montenegro, Slovakia and Slovenia. Key sectors to be highlighted include information and communications technology,

housing, tourism and small business. The conference will feature presentations by officials from each government, regional experts, businesses currently investing in the region, senior level U.S. government officials and also include one-on-one matchmaking meetings.

Forging New Partnerships in Emerging Europe expects to generate interest among small and medium-sized enterprises, larger companies and financial institutions in the region looking for investors and joint venture partners. Registration information is available at www.trademeetings.com.

UPCOMING EVENTS

February 9-11, 2004, London, England
**Insuring Export Credit Political Risk,
 14th Annual Convention**
Michael Lempres, Vice President of Insurance
www.ibt-financial.com/exportcredit

March 9-11, 2004, Bucharest, Romania
**Investment Conference: Forging New Partnerships in
 Emerging Europe**
Dr. Peter S. Watson, President and CEO
www.trademeetings.com

March 9-12, 2004, Paris, France
Latest Trends and Developments in Project Finance
**Robert Drumheller, Vice President of
 Structured Finance**
www.icbi-uk.com

March 23-24, 2004, London, England
TransAfrica 21 Africa Investment Forum
Marysue Shore, Director of African Affairs
www.energynet.co.uk/aif

