

MESSAGE FROM THE PRESIDENT

North Africa, its outward-looking governments in place and economic reforms underway, is poised to welcome new levels of foreign direct investment. OPIC is sponsoring *Expanding Horizons in North Africa*, a trade and investment conference, precisely to point American companies in its direction.

I welcome the U.S. and North African companies who have come to this conference with a genuine interest in investing in Algeria, Egypt, Libya, Mauritania, Morocco and Tunisia. We have put together an informative program of speakers and discussions designed to expand mutual understanding of the investment climate and protocols of North Africa, as well as ample matchmaking opportunities to enable businesses to pursue real deals.

We at OPIC are determined to judge the success of this conference by the number of genuine opportunities for economic cooperation it generates,

and by its ability to raise confidence levels among American and local companies considering investment in North Africa by demonstrating precisely how dynamic and lucrative a market this is.

North Africa is a priority region for OPIC, more so for the investment we *could* support in the region than that which we already have. OPIC is currently providing more than \$892 million to 21 projects in the region. But we at OPIC see the opportunity for so much more, and for two reasons.

One, the region is not taking its share of foreign direct investment (FDI). A recent World Bank report indicates that North Africa receives slightly more than *one* percent of foreign direct investment to all developing countries

Secondly, American companies in particular are not investing in North African countries at a level commensurate with the opportunity for positive returns. In 2002, for example, Morocco received more than \$34 million in US FDI, but more

than \$388 million from EU countries.

Therefore, we at OPIC are indeed eager to support an increase in American FDI in North African countries, not least because increased FDI will be critical to addressing the region's most pressing economic challenges.

It is our hope that this conference will stimulate ideas for joint ventures which will expose to the greater international business community the good sense of doing business in North Africa. The region, by any measure of entrepreneurial capacity and acumen, is certainly deserving of its share of investment. Our purpose is to help bring that prospect to fruition.



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

OPIC provides insurance for natural gas development in Egypt

OPIC has committed to provide \$300 million in political risk insurance to a U.S. company that is helping Egypt shift the emphasis of its energy production from oil to more environmentally-friendly natural gas.



Apache Corporation, which is helping Egypt develop its natural gas resources with the support of OPIC insurance, also invests in a girl-friendly school near Sakarra, above right.

Apache Corporation will use the insurance to develop various oil and gas concessions in Egypt. Apache's natural gas discoveries in the Western Desert have already played a significant role in helping Egypt to convert much of its thermal power generation capacity from oil to natural gas, and in providing the resources necessary to meet growing local energy needs as well as expanding Egypt's hydrocarbon exports. Egypt's production of crude oil from maturing oil fields is declining, while large discoveries of gas have emerged in the Western Desert and Nile Delta.

"With the Egyptian General Petroleum Corporation as our partner and now with OPIC's substantial support, we look forward to further developing Egypt's considerable hydrocarbon potential," said G. Steven Farris, Apache president and CEO.



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North Africa in focus: Infrastructure projects in Algeria and Morocco showcase reforms -- and opportunity

Development of reliable infrastructure is critical to North Africa's economic growth, and two OPIC-supported projects - one new, one ongoing - demonstrate the region's growing capacity to work successfully with U.S. investors.

OPIC is providing \$200 million in financing to GE Ionics for a desalination



The Hamma desalination facility will deliver deliver potable water to one quarter of Algier's population daily. The Jorf Lasfar power plant near Casablanca, below, provides Morocco with 1.32 gigawatts of electricity, and is considered a model of successful project finance.

project in Algeria that will supply urgently needed potable water to 25 percent of its capital city's population. The project could transform fresh water management in Algeria: as the first private reverse osmosis desalination facility in the country, it offers an environmentally clean source of fresh water and a departure from thermal evaporation systems, which rely on waste steam from power stations.

Ark Pang, vice president of GE Ionics, said the project distilled the improving investment climate in North Africa: "Algeria's financial infrastructure is becoming more entrepreneurial: there is insurance, accounting and legal support available now, where there was not just five years ago. Add to that a skilled labor pool and a good privatization program

started by [Algerian President] Bouteflika, and you find excellent investment opportunities for U.S. companies - particularly now. The early time is the right time to go in: there is less competition and more incentives from the government."

In the second project, OPIC provided \$200 million in financing to the privatization of the Jorf Lasfar power plant near Casablanca, Morocco - Africa's biggest independent power project to date. In cooperation with U.S. sponsor CMS Generation Company, the facility is not only providing Morocco with 1.32 gigawatts of electrical power, but tax revenue, new jobs, and sales opportunities for local and U.S. companies. *Project Finance Magazine* gave Jorf Lasfar its Project of the Year award in 1996.



And it's still going strong: OPIC's latest annual loan review



concluded the project demonstrated "efficient and profitable plant operation, mature and proven technology, seven years of perfect payment history by the off-taker, increasing domestic demand for power (it now provides more than 60 percent of Morocco's electricity), large cash reserves and experienced, stable management."

Opportunity knocks for Egyptian housing - OPIC report

An OPIC overview of the housing sector in Egypt found that "there are substantial opportunities for foreign investors in housing finance, construction and infrastructure projects."

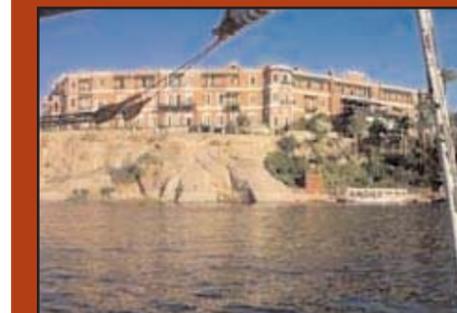
Among its findings: "In recent years, Egypt has passed a number of laws helping to establish a legal framework for housing finance, though a number of shortcomings remain.

"The main challenge facing the housing sector in Egypt and other Middle Eastern and North African countries is the lack of affordable housing, not a lack of available housing stock. The lack of efficient financing options is a large component, and the single most correctable component."

Possible investment areas:

New cities: In 2000, about 64 percent of Egypt's population lived in urban areas. By 2025, this number is projected to rise to 83 percent. To accommodate demand, Egypt plans on increasing the number of new urban cities from the current 17 to 59 by 2017.

New housing developments: Analysts suggest that the most potential in Egypt may be in projects that support construction of low-income housing, with a lease-purchase option, rather than in straight mortgage finance.



OPIC board approves \$75 million for Middle East & North Africa fund

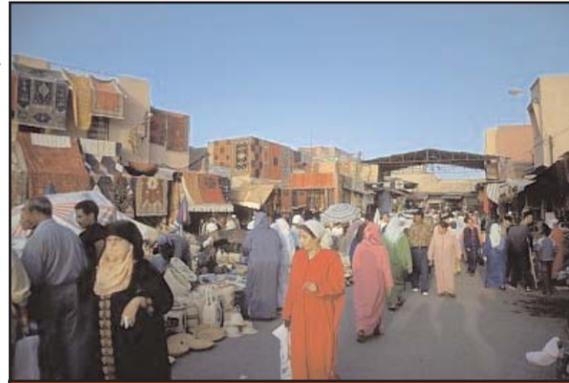
OPIC's board of directors in July approved up to \$75 million in financing for the establishment of a new private equity investment fund intended to support economic growth in the Middle East and North Africa (MENA).

The board approved the financing for a fund that will target investments in Morocco, Algeria, Tunisia, Egypt, Lebanon, Jordan, the West Bank and Gaza, Bahrain, Kuwait, Oman and Iraq. The fund will focus its investments on sectors including food processing, consumer-related retail and distribution, telecommunications, media, energy, light manufacturing, transportation, chemicals, logistics and

financial services. The fund has a target capitalization of \$225 million.

OPIC selected as fund manager EMP MENA Fund Management LLP, an affiliate of EMP Global LLC. Headquartered in Washington, D.C., EMP Global is one of the largest private equity fund managers in emerging markets. Since 2000, EMP has committed \$306 million to eight investments in the region.

Through this experience, EMP has developed strong relationships both in the MENA region and



A new investment fund supported by OPIC is expected to create over 2,800 permanent jobs in the Middle East and North Africa, of which about 40 percent will be professional or technical positions. Over \$1 billion will be spent in the fund's countries on procurement over five years.

elsewhere from which to source transactions for the fund.

OPIC insurance used to help renovate school in Tunisia

A U.S. nonprofit corporation will use OPIC political risk insurance to renovate a school in Tunisia which provides primary and secondary education to both Tunisian and American students.

OPIC will provide \$4.5 million in insurance to the American Cooperative School of Tunis

Association for renovations to the American Cooperative School outside Tunis. The school offers an educational program equivalent to an American university preparatory school, from pre-kindergarten through grade twelve, for students of all nationalities. Approximately one fourth of the student population is American.



Renovations to the American Cooperative School in Tunisia, including a new library, will benefit from OPIC insurance.

"The presence of a strong international school supports American expatriates with dependent children living in Tunisia - and also provides valuable educational opportunities to Tunisian children," said OPIC Acting President and CEO Ross Connelly. "The school generates local salaries, fees and expenses in U.S. dollars, thereby bringing hard currency into Tunisia."



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An OPIC-sponsored conference: September 20-22, 2005, in Marrakech, Morocco

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Relatively few American companies know about the dynamic, but largely untapped, 180 million-person market that is North Africa. After *Expanding Horizons in North Africa*, an OPIC-sponsored trade and investment conference being held in Marrakech, Morocco, that may change.

Identifying new opportunities for U.S. investment in Algeria, Egypt, Libya, Mauritania, Morocco and Tunisia is indeed the goal of the conference.

Dozens of American and North African companies in attendance will learn about investment opportunities in priority sectors; discuss opportunities for joint ventures and private equity investment; and hear

from senior government officials and financial experts about economic reform programs in the individual countries, as well as financing available from the private sector, multilateral institutions, OPIC and the U.S. government.

"The emerging markets of North Africa offer a great deal of promise, as yet unrealized, for American companies interested

in expanding overseas. North African governments are accelerating their efforts to attract foreign investment, especially as their economies begin to diversify beyond the energy sector - and that should send a strong signal to U.S. companies to consider investing in the region," said OPIC Acting President and CEO Ross Connelly. According to *The Economist*, GDP growth for the region is expected to



Eyes on distant shores: a trader looking beyond Tetouan to markets like the *Jemaa-el-Fna* in Marrakech knows well that North Africa is a 180 million-person market waiting to be tapped.

exceed five percent in 2005, with low inflation.

North Africa is a priority for OPIC -- currently providing \$892 million to projects in the region -- but receives only one percent of FDI to all developing countries. OPIC is eager to demonstrate to American companies the wisdom of investing in North Africa, not least because FDI will help address its most pressing economic challenges.