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OPIC establishes \$100 million Russia investment fund



Russian President Vladimir Putin, left, and President George W. Bush during recent meeting in Moscow.

President Bush makes announcement in Moscow

As President Bush announced during his recent trip to Russia, OPIC intends to support a \$100 million private equity fund to stimulate investment in Russia and surrounding regions.

OPIC, which will contribute a loan of at least \$33 million to the fund, issued a call for proposals for a fund manager with a deadline of June 21.

OPIC President and CEO Dr. Peter Watson said the fund will enhance U.S.-Russia ties and contribute importantly to President Bush's vision for accelerated economic growth in Russia and its neighboring states.

"This new, privately-owned investment fund will help provide long-term capital and critically-needed technology and management skills," Dr. Watson said. "In this way, OPIC is supporting President Bush's commitment to the economic development of Russia and its neighbors."

OPIC currently supports eight private investment funds, with committed capital of \$1.2 billion, which can invest in Russia and its neighboring states. Those

funds have already invested a total of \$820 million in 142 enterprises. Neighboring Eurasia is comprised of the republics of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

A study recently commissioned by OPIC to determine supply and demand for private equity in Russia found an equity gap of \$2.2 billion in 2003, which is projected to increase to \$4.6 billion by 2007.

Dr. Watson noted that the new fund will benefit from new internal controls, streamlined administration, a transparent and competitive selection process and a new leverage ratio that will both attract investment capital to Russia and provide an appropriate risk and return balance for the U.S. government.

MESSAGE FROM THE PRESIDENT

We have reached an exciting moment in Africa's determined effort to insert itself squarely into the global economy. African and Western leaders alike have embraced that goal, and foresighted businesses on both sides of the Atlantic are laying the groundwork for a new wave of investment.

The foundation for that investment is real. Many African countries have undertaken important economic reforms, improving macroeconomic management, liberalizing markets, and widening the space for private sector activity. Where these reforms have been sustained they have raised growth and reduced poverty. Quantitative restrictions, once widespread, have been replaced by tariffs; these in turn have been steadily lowered and their dispersion reduced.

Africa has huge potential for more diversified production and exports, including in agroprocessing, manufacturing, and services. The more successful African economies have already begun to diversify and make themselves more attractive business addresses. For some, nontraditional exports -including floriculture, other nontraditional agricultural goods, and nontraditional industrial products-have been growing by 30 percent a year since the mid-1990s.

According to the World Bank, if the median African country were to adopt East Asian exchange rate policy, its annual industrial exports would reach \$3 billion - up from the current \$28 million. Should it attain East Asian investment and education levels, its industrial and processed exports would reach \$20 billion a year.



Dr. Peter S. Watson

African leaders know full well the path they must take to integrate their nations into the global economy, and are acting accordingly. Positive results will follow, I assure you, in Africa as they would anywhere else.

US small business insured for electricity project in Nicaragua

OPIC is providing \$2 million in political risk insurance to a U.S. small business for the development of a diesel-fired power plant in northeastern Nicaragua - the first U.S. investment in that remote region of the country.

American & Caribbean International Corporation, an engineering firm from Pinecrest, FL, will use the OPIC coverage for construction and operation of a 4.5-megawatt power plant near Puerto Cabezas, a two-phased project that will serve as the sole source of energy for the city. The first phase will involve installation and start-up of a 1.5 MW unit; the second phase will see installation of two additional 1.5 MW units. Electricity generated by the plant will be sold to the Nicaraguan national electricity company, ENEL.

Nicaragua, the largest country in Central America, currently has one of

the lowest levels of electricity usage in the region: only 51 percent of the country's population has access to electricity, and the supply is unreliable, resulting in frequent brownouts. Nicaragua's Energy Institute expects power demand to grow by six percent annually over the next 20 years, requiring \$1.8 billion in investment to boost capacity by nearly 1,200 MW.



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Africa in focus: First OPIC project in Chad insured for \$250 million

OPIC's board of directors approved \$250 million in political risk insurance for the drilling and repair of oil and gas wells in southwestern Chad - OPIC's first project in the African country, one of the world's least-developed economically.

Pride International, Inc., headquartered in Houston, sought political risk insurance coverage for its contract to provide oil field drilling services to Esso Exploration and Production Chad, Inc. Pride is deploying five mobile rigs in Chad's southwestern Doba Oil Basin, comprising the Miandoum, Bolobo and Komé oil fields.

OPIC President and CEO Dr. Peter Watson said the project reflected the high priority OPIC has placed on economic development in sub-Saharan Africa, following his three trips to sub-Saharan Africa this year and the announcement last October of a \$200

million support facility to augment the African Growth and Opportunity Act.

Dr. Watson also said the project satisfied OPIC requirements that projects provide substantial developmental benefits while also creating employment opportunities for American workers and having a positive impact on the U.S. balance of payments.

"OPIC is providing support to a project with substantial positive developmental benefits in both the short and long term and is providing long-term political risk insurance that Pride was unable to obtain in the private market," Dr. Watson said.

The project will generate nearly \$2 million annually in taxes for the Chadian government, employ more than 310 local workers, and lead to \$14 million in local procurement during the first five years of project activities.

US investment prospects rising

Three trips to Africa in three months by OPIC President Dr. Peter Watson reflected growing opportunities for US investment there.

In April, Watson joined managers of OPIC-supported investment funds on a trip to Ghana, South Africa



and Kenya that yielded 200 project proposals.

In May, Watson visited a proposed rail project in the Mozambican port of Nacala which will enable neighboring Malawi and Zambia to transport goods efficiently to port and outward.

In June, Watson participated in the World Economic Forum in Durban, South Africa, where he met with the presidents of South Africa, Zambia and Mozambique.

"I believe Africa is going to become one of the world's most dynamic capital markets in the next several years," Watson told the forum, noting that 11 African countries had signed up for sovereign credit ratings from Fitch in a bid to attract more investment to the region, in response to a U.S. State Department offer to fund the process.



Above, OPIC Executive Vice President Ross Connelly met with South African Housing Minister Sankie Mthembu-Mahanyele to advance a housing initiative in that country; Right, OPIC President and CEO Dr. Peter Watson with US Ambassador Johnnie Carson at a community well project near Nairobi, Kenya, funded in part by OPIC.

OPIC loan enables graphics franchise to expand in Brazil

OPIC is providing a \$1 million loan to a franchisee to expand its graphics business in northeastern Brazil, enabling it to provide products such as signs, exhibit graphics, posters and banners to clients in up to eight northeastern states in the country.

NH Servicos de Sinalizacao Ltda., a franchisee of Signs Now Brazil Corporation, will use the OPIC loan to purchase state-of-the-art printing equipment and move its store in Salvador, Bahia State, to a larger, more strategic location in the city. Bahia, with the fastest-growing economy in the country, has been targeted by the



Brazilian government for a ten-year investment program. Signs Now Brazil is a wholly-owned subsidiary of Florida-based Signs Now Corporation.

The project is the first to qualify for OPIC support under the agency's new franchise policy, by which the franchisor is not required to invest equity in the

project. Instead, Signs Now Brazil meets OPIC's requirement for significant involvement by a U.S. business by contributing business concepts, training programs and management expertise to the project. The project also falls under OPIC's program of support for U.S. small businesses.

Without the support of OPIC, Signs Now would have faced an uphill battle to find financing for its franchisee and not been able to take advantage of a thirsty new market in Latin America.

OPIC hopes the project shows U.S. franchisors that profitable opportunities await them in markets such as Latin America and sub-Saharan Africa, where consumers increasingly demand the quality, affordable services that American franchisors offer.

UPCOMING EVENTS

July 29-30, 2002, Miami, FL:
Financing Latin American Power Projects
 Nancy Rivera, OPIC Finance
 Registration: www.cbnet.com

September 10-11, 2002, Moscow, Russia:
Russia 2002: A Bull in a Bear Market
 Rashmi Nehra, OPIC Insurance
 Registration: www.euromoneyconferences.com

September 11-13, 2002, Almaty, Kazakhstan:
Kazakhstan International Metals and Metallurgy Exhibition and Conference
 Peter Ballinger, OPIC Investment Development and Economic Growth
 Registration: www.ite-exhibitions.com

October 18, 2002, St Louis, MO:
Annual Fall Symposium -St. Louis Chapter of the Association for Corporate Growth
 Lawrence Spinelli, OPIC External Affairs

