

OPIC News

March 2003
Vol. 5 No. 3

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

IN THIS ISSUE

Afghanistan's recovery boosted by OPIC initiatives

Message from the president

OPIC project to employ Russian nuclear scientists for medical advances

Southeast Europe in focus:

▪ OPIC loan will help Bosnian city rebuild

▪ OPIC supports micro-financing efforts in Romania

US small business uses OPIC insurance to establish game park in South Africa

UPCOMING EVENTS

see back page

Afghanistan's recovery boosted by OPIC initiatives

OPIC President and CEO Dr. Peter Watson capped an historic week for OPIC's efforts in Afghanistan by increasing OPIC's line of credit to the country from \$50 million to a minimum of \$100 million, after meeting with Afghan President Hamid Karzai.

"OPIC has dedicated considerable resources to identifying projects which can best aid the reconstruction of Afghanistan. We informed President Karzai that OPIC will redouble its efforts to seek additional U.S. partners who will help speed that process," Dr. Watson said.



Karzai: OPIC project is "vote of confidence" in Afghanistan.

In January 2002, President Bush announced that OPIC would establish a \$50 million line of credit to promote private sector investment in Afghanistan.

On February 27, OPIC concluded a memorandum of understanding pledging support for the construction of a five-star international hotel in Kabul, managed by



A compressed earth block machine from an Iowa manufacturer will be used to build schools in Kabul, one of them for girls.



Afghan Minister of Foreign Affairs Abdullah Abdullah, left, and OPIC President & CEO Dr. Peter Watson conclude agreement to build a five-star international hotel in Kabul.

Hyatt International. OPIC anticipates providing up to \$35 million in financing and political risk insurance to the project. The project will employ about 300 Afghans.

President Karzai, in an interview on CNN's Inside Edition, said the project demonstrated "a vote of confidence in the stability of the government" by the Bush Administration.

On the same day, OPIC announced that it would provide insurance to enable a U.S. manufacturer to donate a compressed earth block machine for the construction of three schools in Afghanistan, at least one of them for girls.

OPIC will provide \$35,000 in insurance to Vermeer Manufacturing Company, an Iowa equipment manufacturer, for the transportation of an earth block machine to Kabul, where it will be donated to Shelter for Life (SFL), a non-governmental organization. SFL, which specializes in providing shelter to refugees and disaster victims, will construct the schools under the auspices of the U.S. Agency for International Development.

MESSAGE FROM THE PRESIDENT

Three zeroes separate the amount of support OPIC is providing two projects in Afghanistan -- \$35,000 in political risk insurance to help build schools in Kabul, \$35,000,000 for the construction of an international hotel in the same city - yet both will make important contributions to the reconstruction of that country's infrastructure. Economies of scale, therefore, don't necessarily result in developments of scale. Restoration of Afghanistan's commercial and educational systems are just pieces in the long-term effort to generate sustained economic growth in the country.

OPIC's support for the construction of an international hotel in Kabul, to be managed by Hyatt International, will help Afghanistan begin its reconstruction by meeting a market need and improving its investment climate. The Hyatt Regency Kabul will be located in the heart of Kabul's business district and will offer a full range of meeting facilities, as well as a business center and restaurant.

In an interesting sideline, the project will also engage the services of three Turkish construction companies, as well as the Afghanistan Reconstruction Company, an Afghan-American company committed to rebuilding the country's infrastructure.

OPIC also announced insurance support for Iowa-based Vermeer Manufacturing Company, which is donating a compressed earth block machine for the construction of three schools in Afghanistan, at least one of them for girls. Shelter for Life, a Wisconsin-based non-governmental organization, will use the machine to construct the schools.

This project, too, has a newsworthy aspect: the girls school resulting from Vermeer's machine will represent the first educational facility for girls in Afghanistan since the demise of the Taliban.

After meeting with President Hamid Karzai last month, OPIC extended its line of credit to Afghanistan from \$50 million



Dr. Peter S. Watson

(announced by President Bush in 2002) to a minimum of \$100 million - in part because of the success of these two projects. That two very different American companies should make equally valuable contributions to Afghanistan's reconstruction is proof positive of the private sector's transformative power in emerging markets.

OPIC project to employ Russian nuclear scientists for medical advances

In a unique project facilitating U.S. Department of Energy (DOE) efforts to reduce nuclear proliferation, a U.S. small business will use political risk insurance from the Overseas Private Investment Corporation (OPIC) to employ former Russian nuclear scientists to manufacture medical equipment such as prosthetics and state-of-the-art burn treatments.

OPIC will provide \$25 million in insurance to Numotech, Inc. of Northridge, CA, for a joint venture to be located in Snezhinsk, Russia, that will manufacture the equipment, initially for Numotech and eventually for other companies.

Numotech will engage the scientists through a laboratory, Sandia, operated by Lockheed Martin for the U.S. Department of Energy (DOE), by participating in the DOE-funded Cooperative



Numotech, a California small business, will employ former Russian nuclear scientists at a facility in Snezhinsk to manufacture medical equipment such as the Numobag burn treatment.

Research and Development Agreement (CRADA) program.

As part of DOE's program to reduce the proliferation of nuclear and other weapons of mass destruction, Sandia provides employment for scientists and skilled technicians who formerly developed nuclear weapons in Russia.

The scientists will be drawn from a Russian company, Spektr, which is staffed with employees of the Russian Federation's All Russian Scientific and Research Institute for Technical Physics (VNIITF) who previously worked as scientists, engineers and technicians manufacturing and designing weapons.

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 send an email to opicnews@opic.gov with "subscribe" in the subject line.

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

Southeast Europe in focus: OPIC loans will help **Bosnian** city rebuild, microfinancing expand in **Romania**

OPIC stepped up its activities in eastern Europe during February, announcing that a U.S. small business would use an OPIC loan to build between 700 and 800 apartments in a Bosnian city which saw a significant portion of its housing stock damaged or destroyed during the war of the 1990s. OPIC will also provide a \$2.5 million loan to a U.S. nongovernmental organization (NGO) to support its microfinancing efforts in Romania, helping both the NGO and Romanian entrepreneurs expand their productive capacity.

OPIC will provide a \$2.5 million loan to the Roumel Development Corporation, a Bosnian-based corporation owned by a U.S. citizen, Lawrence Masserant, for the construction of up to 18 apartment/condominium buildings in Mostar, each with approximately 44 private residences as well as retail space on its ground floor. Called 'Sun Valley,' the development will target the middle-income professional market in Bosnia.

OPIC President and CEO Dr. Peter Watson said that "as Bosnia rebuilds, the



A \$2.5 million OPIC loan will enable a U.S. small business to build up to 18 apartment buildings in Mostar, which saw 60 percent of its housing damaged during the 1990s war.



provision of adequate housing is its first infrastructural priority. Housing in turn is a basic unit of subsequent economic development, providing a signal to other investors that an economy has means to grow. OPIC is pleased to work with a U.S. small business to start down that road with Bosnia."

In the other project, CHF International of Silver Spring, MD, will use the OPIC loan to on-lend funds, either directly or through Romanian NGOs, to individuals or small businesses, primarily for microfinancing purposes. CHF Romania anticipates that over the next five years it will extend more than 1500 loans with an aggregate \$12 million in total loan value.

"Microbusinesses are a vital source of entrepreneurial capacity in emerging markets, but too often exist outside of the formal sector to be captured as an economic indicator of growth. By working with an experienced partner such as CHF International, OPIC can help Romanian small businesses gain access to more formalized, long-term financing that in turn will set the stage for further economic development," Dr. Watson said.



Microfinancing support by CHF International has enabled Romanian small businesses to grow rapidly, including bookstore owner Zeno Poenariu, above, who doubled his profits and staff in one year.



OPIC-backed Soros fund chalks up successes

The OPIC-supported Soros Investment Capital fund continues to invest equity capital in transactions throughout southeastern Europe. During 2002, the fund's management team established new regional offices in Belgrade, Serbia and Istanbul, Turkey to supplement the deal flow origination and project management capabilities of the existing regional office in Sofia, Bulgaria.

To date, Soros Investment Capital has completed investments in seven companies operating in the telecommunications, cable television/broadband, brewing, and financial services sectors. The fund is currently reviewing additional opportunities in sectors such as food processing, distribution and pharmaceuticals.

An example of the Fund's portfolio is its investment in Serbia Broadband (SBB), a rapidly-growing cable television and broadband services provider in Serbia. From a 'standing start; in May 2002, SBB has grown to be the largest cable system in Serbia with nearly 100,000 subscribers, over 200 employees, and market leading positions in Belgrade, Novi Sad, Nis, and nearly 20 other municipalities in Serbia. SBB has developed fiber optic backbone networks in Belgrade and Novi Sad and is currently rolling out Serbia's first-ever broadband internet access to its customer base. SBB is a significant importer of U.S.-made cable and telecommunications equipment and expects further aggressive development of its networks over the next several years.

US small business uses OPIC insurance to establish game park in South Africa

A U.S. small business will use OPIC political risk insurance to convert a cattle ranch in rural South Africa to a game park with guest lodges, OPIC President and CEO Dr. Peter Watson announced.

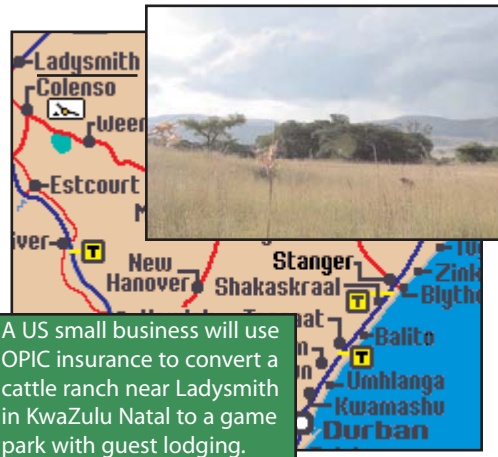
OPIC will provide \$742,500 in insurance to Granton Safaris, a South African-registered corporation owned by John R. Young, a U.S. citizen, for the acquisition and conversion of an existing cattle ranch near Ladysmith in KwaZulu Natal Province to a game park area with guest lodges for game viewing. To optimize its tourist potential, the project will be marketed through travel agents and at eco-tourism trade shows.

Three guest lodges will be built on the 7,712-acre property, each accommodating four people. Next year, game including zebra, eland, hartebeest and

warthog will be introduced into a fenced area for viewing purposes.

"South Africa has great tourist potential, most notably within its game and nature reserves. OPIC is pleased to be able to help a U.S. small business exploit that potential for the benefit of the South African economy," Dr. Watson said.

Mr. Young is a longtime U.S. land developer with projects including farm and timberland operations in Georgia, Alabama, Florida and South Carolina, as well as apartment complexes and commercial real estate development projects in Georgia and Mississippi.



UPCOMING EVENTS

March 31-April 2, 2003, London, England
CIS Gas & Oil Summit:
Russia, the Caspian and Central Asia
Rashmi Nehra, Senior Insurance Officer
www.theenergyexchange.co.uk

April 22-23, 2003, Washington, D.C.
Export-Import Bank 2003 Annual Conference
Judyth Gilbert, External Affairs & Protocol Officer
www.exim.gov

April 28-29, 2003, London England
Energy Investments: Strategies, Risk Management & Current Practice
Michael Lempres, Vice President of Insurance
www.ibcenergy.com

May 20-23, 2003, Luanda, Angola
7th African Oil & Gas, Trade & Finance Conference
Jill Bezek, Insurance Officer
www.ite-exhibitions.com/og

