

OPIC News

September 2003
Vol. 5 No. 9

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

IN THIS ISSUE

OPIC Insurance offers terrorism coverage and small business wrap

Message from the President

OPIC & Citibank implement \$100 million lending facility for Pakistan

Russia in focus:

■ financing agreement caps OPIC conference, US-Russia energy summit

OPIC, Citibank ready lending facility for Russia & Central Asia

OPIC board confirms VP for new small and medium enterprise department

UPCOMING EVENTS

see back page

OPIC Insurance offers terrorism coverage & small business wrap



OPIC President and CEO Dr. Peter Watson announced two new OPIC insurance products in the past month: stand-alone terrorism insurance to support the

international war against terrorism and further protect American businesses abroad; and a streamlined process to provide political risk insurance protection to U.S. companies receiving loans through OPIC's Small Business Center (SBC).

Dr. Watson noted that in January 2002, Congress passed the Terrorism Risk Insurance Act of 2002 (TRIA) to ensure the continued availability of terrorism insurance domestically. "OPIC's new product will do the same for insurance of American projects abroad, which

TRIA does not cover," he said. "We will also work with the private sector by reinsuring sabotage and terrorism coverages for U.S. corporations and U.S. lenders and by filling the gaps in coverage currently available."



"By offering stand-alone coverage for companies whose main insurance concerns are terrorist-related, we can provide a more cost effective product that will help to continue supporting foreign investment in these areas."

Dr. Peter Watson
OPIC President & CEO



OPIC's terrorism insurance will cover violent acts with the primary intent of achieving a political objective, undertaken by individuals or groups that do not constitute a national or international armed force. In addition, coverage will include protection against threats posed by weapons of mass destruction. OPIC will offer tenors of up to 10 years and will cover countries for which private sector insurance is not readily available. Previously, terrorism coverage was only available under OPIC's broader political violence coverage.

In an effort to better meet the growing needs of U.S. small business as they expand into overseas markets, OPIC will offer political risk insurance at a reduced rate as part of its small business loan program. OPIC will offer or 'wrap' insurance on equity investments to eligible U.S. equity sponsors or U.S. corporate borrowers receiving SBC loans of up to \$10 million from OPIC. The SBC loan borrower may elect this insurance coverage for up to \$6 million of their equity investments. Pricing will be based on a one-time fee for the life of the OPIC loan up to 15 years.

MESSAGE FROM THE PRESIDENT

The U.S.-Russia Commercial Energy Summit and the OPIC-sponsored *Investing in Russia - Partnership for Growth* conference, both held in September, yielded important advances in the economic relationship between the United States, Russia and its neighbors.

OPIC signed an agreement committing the agency to \$130 million in financing for a project that will enable Russia to expand its oil export capacity in a cost-effective manner. OPIC will provide the loan guaranty to a Dallas-based limited partnership for a loan the fund will make to an indirect subsidiary of OAO Lukoil for a project involving the construction of a crude oil and petroleum products export terminal on Vysotsky Island near St. Petersburg.

OPIC also announced that it was moving to implement a \$150 million OPIC guaranty to support Citibank projects in Russia, Azerbaijan, Kazakhstan, Ukraine and Uzbekistan. The guaranty is

designed to help Citibank expand availability of credit in the region, by helping to close the gap between loan opportunities and the limited amount of financing available in Russia and Central Asia.

OPIC has, in other words, worked hard to strengthen the U.S.-Russian economic partnership. Since signing a bilateral agreement with Russia in 1992, OPIC has committed more than \$3.6 billion in financing and political risk insurance support to more than 110 projects in Russia.

But I am optimistic about the partnership's chances for success mostly because we saw in St. Petersburg a new class of capable and experienced business professionals who see their futures linked inextricably to Russia's membership in the community of nations.

There is a sense now that Russia is moving in the right direction, and that businesspeople, like those who attended the two conferences, will help promote the



Dr. Peter S. Watson

sustained economic growth and development that will benefit our bilateral relationship with the Russian people.

OPIC & Citibank implement \$100 million lending facility for Pakistan



A ceremony in September marked the implementation of a risk participation agreement between OPIC and Citibank by which \$100 million in OPIC lending will be provided for private sector investment in Pakistan. Citigroup Country Officer Zubyr Soomro presented commemorative plaques to U.S. Treasury Secretary John Snow and Governor State Bank of Pakistan Dr. Ishrat Husain at the event.



From left, U.S. Secretary of the Treasury John Snow, Citigroup Country Officer for Pakistan Zubyr Soomro and Governor of the State Bank of Pakistan Dr. Ishrat Husain.

In the facility, OPIC and Citibank will share risk in new loans to borrowers in Pakistan. By teaming with Citibank, OPIC will leverage its ability to finance projects while helping the bank to expand its medium- and long-term lending. The facility will also help to alleviate the acute shortage of medium- and long-term commercial financing in Pakistan's

emerging market, a significant obstacle to economic development.

With all regulatory approvals now in place the facility is effective and will be utilized primarily for local currency financing. The

facility implementation is particularly timely: given recent reforms by Pakistan's, as well as low interest rates in the country, the arrangement will facilitate project finance and provide an impetus for further growth of the economy.

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

Russia in focus:

Financing agreement caps OPIC conference, US-Russia energy summit



OPIC Executive Vice President and Chief Operating Officer Ross J. Connelly, right, and Lukoil President Vagit Alekperov sign agreement for OPIC financing of an oil export project in Russia. Standing behind Connelly is U.S. Secretary of Commerce Donald Evans.

OPIC Executive Vice President and Chief Operating Officer Ross J. Connelly signed an agreement in September with Russia's leading oil producer committing OPIC to \$130 million in financing for a project that will enable Russia to expand its oil export capacity in a cost-effective manner.

Connelly and Vagit Alekperov, president of OAO Lukoil, signed the agreement at the U.S.-Russia Commercial Energy Summit in St. Petersburg, sponsored by the U.S. Departments of Commerce and Energy and their Russian counterparts. U.S. Secretary of Commerce Donald Evans witnessed the signing.

The agreement was concluded on the eve of *Investing in Russia - Partnership for Growth*, an OPIC-sponsored conference in St. Petersburg intended to support U.S.-Russian trade and investment.

OPIC will provide the loan guaranty to HBK Fund LP, a Dallas-based limited partnership, for a loan the fund will make to an indirect subsidiary of Lukoil.

The project consists of the construction and operation of a crude oil and petroleum products export terminal on the western coast of Vysotsky Island on the Gulf of Finland. OPIC financing will cover the first two phases of the project, including construction of rail links and upgrades, two tank farms and a marine jetty, as well as dredging in the Gulf of Finland to allow for the passage of crude and product tankers.

The OPIC conference drew dozens of US and Russian companies to a comprehensive overview of the financing, insurance and technical assistance available to them from OPIC, the Export-Import Bank of the U.S., and the U.S. Trade and Development Agency. Conference sessions reviewed investment success stories and the regional investment climate.



OPIC board member Samuel Ebbesen, left, addresses the US-Russia Commercial Energy Summit in St. Petersburg in September.

OPIC, Citibank ready lending facility for Russia & Central Asia

OPIC announced at the *Investing in Russia: Partnership for Growth* conference in St. Petersburg that it was moving to implement a \$150 million OPIC guaranty to support Citibank projects in Russia, Azerbaijan, Kazakhstan, Ukraine and Uzbekistan.



OPIC Executive Vice President Ross J. Connelly, right, with Citigroup Russia Managing Director and Corporate Finance Head Steven Fisher in St. Petersburg.

The guaranty is designed to help Citibank expand availability of credit in the region. Citibank and OPIC will share the risk for individual loans originated under the facility, each of which will be cleared by OPIC for U.S. effects, environmental, human and workers' rights.

The OPIC facility will enable Citibank to expand its presence in those countries by helping to close the gap between loan opportunities and the limited amount of financing available in Russia and Central Asia.

OPIC board confirms VP for new small and medium enterprise department

OPIC's board of directors in September confirmed the appointment of James C. Polan, a longtime director of project finance at OPIC, as vice president of the new Small and Medium Enterprise Department.

"Jim Polan, with his highly successful tenure in OPIC's Finance Department, business experience in emerging markets, and copious work with small and medium-sized U.S. businesses, is the ideal person to enable OPIC to better fulfill its important role in helping small businesses invest overseas," OPIC President Dr. Peter Watson said.

The Small and Medium Enterprise Department will be responsible for

OPIC's Direct Loan program which provides financing to small and medium-sized U.S. businesses with annual revenues under \$250 million. The Small Business Center, a special initiative for small businesses with annual revenues under \$35 million, will also be part of the new department.

Polan has been with OPIC since 1995. Since 1997, he served as a director of project finance, and was from 1995 to 1997 a senior investment officer. He provided leadership on the agency's African initiatives, and played a key role in the creation of OPIC's Small Business Center.



James C. Polan

Prior to coming to OPIC, Polan was managing director of Ngami Group Limited in Gaborone, Botswana; served as chief executive officer for Healthcare Holdings (PTY) Ltd. in Gaborone.

UPCOMING EVENTS

October 23, 2003, Vienna, Austria

Oil and Gas Transit and Supply in Central and Eastern Europe and the Balkans

John Moran, OPIC Director, Business Development for Southeast Europe

www.theenergyexchange.co.uk

October 29-30, 2003, Cartagena, Colombia

The Second Central America Investment Forum: Meeting the Challenge of Economic Integration

Juan Carlos Rivera-Montes, Investment Insurance Officer, Latin America

www.latinfinance.com

November 3-4, 2003, Manila, Philippines

4th Annual Asia Pacific Political Risk, Project Finance & Trade Credit Conference

Marc Monheimer; Associate General Counsel

www.abc-asia.com

December 8-10, 2003, Miami Beach, FL

27th Miami Conference on the Caribbean Asia: Strengthening the Third Border; www.claa.org

