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OPIC in Afghanistan: hotel project, bilateral agreement herald investment

A groundbreaking ceremony in April attended by President Hamid Karzai marked the start of construction of a 205-room hotel in Kabul - the most recent example of the Bush Administration's commitment to the reconstruction of Afghanistan. OPIC will provide \$40 million in support to the project, comprising \$24.5 million in financing and \$15.5 million in political risk insurance. The project represents the largest U.S. private investment in Afghanistan since the fall of the Taliban.

During the same visit, OPIC also concluded an updated bilateral investment incentive agreement with the Afghan government, paving the way for more expedited delivery of OPIC financing and insurance to reconstruction efforts.

The hotel, to be called the Hyatt Regency Kabul, will be located in the heart of Kabul's

business, government, and diplomatic district, and will offer a full range of meeting facilities, as well as a communications and business center, restaurant and recreation facilities.

Hyatt International Corporation will serve as the hotel operator. Hyatt will provide technical services during the design and construction of the hotel, training and recruitment of the hotel staff prior to the hotel opening, and will manage the hotel after its opening. The project will result in the training and employment of about 300 Afghans.

"Establishment of the Hyatt Regency Kabul will help Afghanistan begin its reconstruction," OPIC President and CEO Dr. Peter Watson said. "OPIC looks forward to cooperating with the government of President Karzai on additional projects."

Construction of the hotel will engage the services of the Afghanistan Reconstruction Company, an Afghan-American company committed to assisting in rebuilding Afghanistan's physical infrastructure and reviving Afghan commercial institutions.



President Hamid Karzai of Afghanistan, left, took part in the groundbreaking ceremony for a Hyatt hotel supported by OPIC.



Photos: Suzanne Etcheverry

The Hyatt Hotel in Kabul will provide guests with a business & communications center, meeting facilities and access to government offices in the city.

MESSAGE FROM THE PRESIDENT

OPIC's investment funds program is roughly half as old as the agency itself. Established in 1987 as a complement to OPIC's financing and political risk insurance products, the funds program sought to inject equity capital into emerging markets, and by so doing lay the foundation for subsequent investment. In the process, the funds would help to modernize business practices in developing countries, setting in motion a cycle of good governance that would enable markets to grow further.

Over the past 17 years, the funds program has evolved into an flexible instrument that provides targeted - geographically and sectorally - support to markets that could use it most. I am particularly proud of the program changes implemented in the last two years, including greater transparency in the manager selection process and the development of a strategic plan for the launching of new funds.

OPIC's board in April approved \$155 mil-

lion in financing for the establishment of three funds - two in Asia, one in central and eastern Europe. The combined target capitalization of the funds is \$600-\$650 million.

The Asian funds are particularly innovative and, we like to think, opportune, given the region's recent turnaround. The first will invest in the credits of small and medium-sized enterprises in Asia that are financially distressed. Through the restructuring of these credits, the fund will enable companies to fix their balance sheets and allow banks to redeploy capital. The second fund will seek investments in high-growth sectors - pharmaceutical products, health care, manufacturing, consumer goods, retail, oil and gas, and financial services - in south Asian countries.

Similarly, establishment of the central and eastern European fund is the latest of several Bush Administration initiatives to stimulate investment in the region, including OPIC's conference in March.



Dr. Peter S. Watson

What mustn't be lost in this discussion, however, is truly the final beneficiaries of investments made by OPIC-supported funds: entrepreneurs and ordinary citizens in developing countries who look to free markets to improve their everyday lives.

U.S. small business uses OPIC support to build housing community in Honduras

A U.S. small business will use OPIC financing and political risk insurance to construct a 521-unit housing community in Honduras, helping that country meet a vast demand for low- and middle-income housing.

OPIC will provide \$1.5 million in financing and \$11.7 million in insurance to a subsidiary of Global Housing Partners of West Palm Beach, FL, for the construction of a residential housing community in the municipality of Zambrano, about 16 miles northwest of the capital, Tegucigalpa. The community will comprise two types of units, for low- and middle-income homebuyers. Additional space will be set aside for community recreation, commercial development and a health clinic.

OPIC President and CEO Dr. Peter Watson noted that the project borders an industrial area experiencing substantial population growth and will therefore help Honduras meet its growing need for low- and middle-income housing. "This project will help Honduras in several ways, foremost by providing much-needed housing, but also employment and training in new housing construction techniques."



Honduras, still reeling from 1998's Hurricane Mitch, has announced a housing policy to build 75,000 units in the next five years.



FOR MORE INFORMATION:

Overseas Private Investment Corporation
 1100 New York Avenue, NW
 Washington, D.C. 20527
 Tel: 202-336-8799
 Website: www.opic.gov

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

Investment Funds in focus:

OPIC board approves \$155 million for two funds in Asia, one in central & eastern Europe

OPIC's board of directors in April approved a total of \$155 million in investment guaranties for the establishment of three investment funds intended to support businesses in Asia and central and eastern Europe. The combined target capitalization of the three funds is between \$600 million and \$650 million.

growth sectors such as pharmaceutical products, health care, manufacturing, consumer goods, retail, oil and gas, and financial services. The capitalization target of the fund is between \$150 million and \$200 million. The fund will target investments in Pakistan, Afghanistan, Bangladesh, India and Sri Lanka.

OPIC board approves \$200 million for global lending facility

OPIC's board of directors in April approved \$200 million in financing for the establishment of a lending facility that will enable a major American bank to expand its lending to businesses and banks in developing markets overseas.

OPIC will provide the loan guaranty to Cleveland-based National City Bank for a guaranty facility in which the two will share risk in loans administered by National City to middle-market businesses and banks in developing countries worldwide.

The facility is the second such on-lending program entered into by OPIC and National City. The first, committed in 2003 in the amount of \$35 million, was fully committed in less than a year.

Under the new facility, National City will originate and manage the loans, and will be responsible for credit decisions made with respect to each loan. OPIC will review each downstream loan to ensure that it complies with agency policies concerning U.S. effects, worker and human rights, and the environment.



OPIC President Dr. Peter Watson, left, and National City Senior Vice President George Fowler after signing a framework agreement for a lending facility expanding National City's worldwide lending.

Investment Funds

growth

investment

development

OPIC

Overseas Private Investment Corporation

Board of Directors
Overseas Private Investment Corporation
April 29, 2004

APPROVED

Fund managers:

Actis

Advent International
GLOBAL PRIVATE EQUITY

Clearwater Capital Partners

OPIC will provide a guaranty of up to \$40 million to the first fund, which will invest in the credits of small and medium-sized enterprises (SMEs) in Asia that are financially distressed. Through the purchase and restructuring of these credits, the fund will enable companies to fix their balance sheets and allow banks to redeploy capital. The fund will focus its investments in South Korea, India, Indonesia, Malaysia, Thailand and the Philippines, with a target capitalization of \$100 million.

OPIC selected as fund manager Clearwater Capital Partners, LLC, a privately-owned firm with offices in New York, Hong Kong, Seoul and Singapore.

For the second fund, OPIC will provide an investment guaranty of up to \$50 million for the establishment of a fund that will seek investments in high-

OPIC selected as fund manager Actis Capital LLP, a fund management company with a strong history in Pakistan, where it has invested \$300 million in 25 transactions since 1986.

For the third fund, the board approved a \$65 million guaranty for an investment fund for central and eastern Europe managed by Advent International Corporation. The target capitalization of the fund is approximately \$350 million.

The investment fund will deploy risk capital for investments in privately-held companies in fund-eligible areas, which include Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Serbia and Montenegro, Slovakia, Slovenia, and Kosovo.

OPIC board approves \$325 million in financing for natural gas project in Nigeria

OPIC's board of directors in April approved \$325 million in financing for an offshore natural gas liquids (NGL) project in Nigeria that will contribute to the reduction of gas flaring and associated carbon dioxide emissions in the country.

OPIC will provide an investment guaranty to finance the project, which is owned by a joint venture between Mobil Producing Nigeria Unlimited, a wholly-owned subsidiary of Exxon Mobil Corporation, and the Nigerian National Petroleum Corporation. The project covers the construction and operation of an offshore NGL extraction platform, under-sea pipeline infrastructure, and onshore

fractionation and storage facilities. The project will extract propane, butanes and pentanes plus for export. The project represents an expansion of the joint venture's existing NGL extraction and fractionation operations.

"Both the Nigerian and U.S. governments are committed to increasing Nigeria's NGL reserves and production levels, while at the same time improving health and environmental standards. This project will help Nigeria achieve both goals," said OPIC President Dr. Peter Watson.



A natural gas liquids extraction complex off the Nigerian coast is expected to produce 15 million barrels of NGL annually. The project will contribute to the reduction of gas flaring at nearby offshore sites and related carbon dioxide emissions.

UPCOMING EVENTS

June 4-5, 2004, Dallas, Texas
National Association of Women Business Owners Conference
 Dr. Lawrence Spinelli, Office of External Affairs
www.nawbo.org

June 7-8, 2004, New York City
International Investor Private Equity Symposium
 James Gale, Investment Development & Economic Growth
www.iievents.com

June 14, 2004, Washington, DC
BG Consulting: Doing Business in Latin America and the Caribbean
 Deborah Moronese, IDEG
www.bg-consulting.com/events

July 23-24, 2004, Boston, Massachusetts
International Conference on Information Technology, Democracy and Development
 Marysue Shore, Director of African Affairs
www.tiada.org

