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OPIC board approves \$54 million loan for microfinancing facility



OPIC's board of directors recently approved a \$54 million loan for a lending facility that will use money raised from U.S. capital markets to lend to microfinance institutions (MFIs) in seven developing countries worldwide. The facility will be the first global MFI fund to access U.S. capital markets for such a purpose.

OPIC will provide the loan to BlueOrchard Microfinance Securities I; Developing World Markets, Inc., of Darien, CT, and BlueOrchard Finance s.a. will be the structuring partners. The OPIC loan, plus the proceeds from the issuance of subordinated notes on the U.S. capital markets and sponsor equity will be used to lend to MFIs in Latin America, Eastern Europe and Southeast Asia. The MFIs will use the funds to expand their microfinance business, and make investments in staff, branches and other infrastructure. Project sponsors predict that 63,000 new microentrepreneurs will receive financing due to the facility.

The Grameen Foundation USA, which works to lift the poor out of poverty through access to financial services and information, is also a sponsor of the project .



Microfinance institutions (MFIs) aided by the Grameen Foundation have enabled women globally to overcome lack of access to credit. A new MFI fund supported by OPIC will be the first to tap capital markets for funding.



Photos: Grameen Foundation



OPIC President and CEO Dr. Peter Watson said establishment of the facility reflected MFIs' recent efforts to diversify their funding bases by turning increasingly to commercial funding, in particular to enhance balance sheet sustainability and long-term stability.

"Microfinance institutions are becoming increasingly savvy financially, and as such have matured into a transparent and regulated industry with a solid legal, financial and political framework," Dr. Watson said. "This facility will provide much-needed capital to small entrepreneurs who have demonstrated their ability to spur local economic growth."

MESSAGE FROM THE PRESIDENT

Bilateral agreements and memoranda of understanding (MOUs) may seem to the casual observer arcane gestures of diplomacy, but they are in fact much more. The OPIC attorneys who work diligently to complete them understand that these agreements obligate the governments of both the United States and foreign co-signatories to undertake sound business practices that ultimately benefit both countries.

These agreements are therefore a vital initial step toward establishing more efficient systems of international trade and investment, as well as an important sign of American confidence in the ability of emerging markets to successfully absorb U.S. investment. Simply put, they make for better business partnerships, since such partnerships are based on willing acceptance of the rule of law.

A bilateral investment incentive agreement, of the kind OPIC recently concluded with Tunisia, is a necessary

prerequisite for the opening of OPIC programs in a given country. It commits both countries to business principles such as respect for private property and recourse to arbitration in the event of a dispute. Economic analysts look on such agreements as a valuable tool for measuring countries' ability - and willingness - to adopt transparent business practices that in turn augur increased levels of foreign investment.

Similarly, the two MOUs OPIC recently concluded with Madagascar, pledging cooperation in attracting U.S. investment to several sectors of the African nation's growing economy, are meaningful, both to Madagascar and to U.S. companies that would invest there, as votes of confidence in a country that is working hard to modernize its economy.

That these agreements concerned African countries reflects the region's stature as an OPIC priority, but more importantly as secure and lucrative



Dr. Peter S. Watson

destination for U.S. capital investment. Now that these important first steps have been taken, we look forward to stimulating the investment-led economic growth that should follow.

OPIC concludes bilateral agreement between United States and Tunisia

OPIC President and CEO Dr. Peter Watson and Mohamed Nouri Jouini, Minister of Development and International Cooperation for Tunisia, recently signed a bilateral agreement between the United States and Tunisia

intended to promote U.S. private sector investment in the North African nation. The agreement updates a document originally concluded between the two countries in 1959.

The bilateral agreement affirms the two nations' "common desire to encourage activities in the Republic of Tunisia that promote the economic resources and productive capacities of the Republic of Tunisia; and recognizes that "this objective can be promoted through investment support" by OPIC.

Dr. Watson said the agreement reaffirmed "the strong ties between our two nations.

"For OPIC, the strength of that tie lies in our ability to enable U.S. companies to contribute to the development of

Tunisia's free market economy. The projects OPIC supports devolve many developmental benefits to ordinary Tunisians, among them jobs, procurement of materials, technological expertise, and the growth of Tunisia's financial infrastructure."



Mohamed Nouri Jouini, Tunisian minister of development and international cooperation, and OPIC President and CEO Dr. Peter Watson.

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West Africa in focus:

OPIC hosts conference on ecotourism in Gabon, provides loan to cashew project in Guinea-Bissau

Resource-rich west Africa took center stage at OPIC recently, as the agency hosted a conference aiming to increase investment in Gabon, and announced a small business project that will produce organically-grown cashews in Guinea-Bissau, which account for 90 percent of the nation's exports.

In early May, OPIC President and CEO Dr. Peter Watson told a conference co-sponsored by OPIC and U.S. State Department's Bureau for Oceans, International Development and Scientific Affairs that Gabon's ecotourism sector offered promising investment opportunities for U.S. companies willing to invest there. The conference was attended by U.S. and Gabonese officials, executives from international conservation organizations and leading investors in the ecotourism industry.

"Conservation of Gabon's abundant natural resources is not only an important environmental priority for the international com-



A Virginia small business is using an OPIC loan to update Guinea-Bissau's cashew industry for sales to U.S. markets.

munity, but also presents investment opportunities for American companies interested in taking advantage of the tourism potential linked to conservation," Dr. Watson said.



The conference also reinforced the Bush Administration's commitment to the Congo Basin Forest Partnership, designed to promote economic development, alleviate poverty, improve governance and conserve natural resources in the region.

One week later, Dr. Watson announced that a U.S. small business will use an OPIC loan to produce organically-grown and processed cashews in Guinea-Bissau, in the process significantly updating the industry.



Photos: The Edge of Africa, Smithsonian Institution

R.O.T.A. International of Virginia will use a \$1.7 million OPIC loan to produce and process 100-percent organically-grown cashews in Guinea-Bissau for export to the United States. By adding processing to the country's cashew industry, which currently exports only raw product, the project will help to update the sector. Guinea-Bissau is the fifth-largest exporter of unprocessed cashews in the world, but derives little value from the resource.

OPIC agreements target investment in Madagascar

OPIC and the government of Madagascar recently concluded two memoranda of understanding (MOUs) pledging cooperation in attracting U.S. investment to several sectors of the African nation's growing economy. OPIC President and CEO Dr. Peter Watson encouraged American companies to invest in Madagascar, which was recently named eligible for support by the Millennium Challenge Corporation.

Both agreements were concluded during recent visits to Madagascar by senior OPIC staff members. The first com-



During meetings of the U.S.-Madagascar Business Council, OPIC concluded two memoranda of understanding with the Malagasy government, pledging cooperation to attract U.S. investment to the African nation.

mits OPIC and Madagascar to work together to take advantage of investment opportunities in several sectors, including telecommunications and information technology, agribusiness, mining, energy and tourism. The second targets investment in mining, gemstone and energy projects.

"Madagascar is working hard to establish a positive enabling environment for American investment, and we strongly encourage U.S. companies to take advantage of the many opportunities which now exist there," Dr. Watson said.

OPIC partners with Zions Bank and Interlink to support U.S. small businesses

OPIC in May entered into a cooperative agreement with Zions First National Bank and a financial consultant, Interlink Capital Strategies, to facilitate efforts by Zions' U.S. small business customers to invest in emerging markets through the support of OPIC financing.

Through the agreement, Interlink will prepare applications for OPIC financing by Zions' small business customers, in return for a small packaging fee. Interlink's involvement will ease the application process and thereby encourage investment overseas by small businesses from the western part of the United States.

"OPIC's partnership with Zions Bank and Interlink will open new opportunities for U.S. small businesses from the western part of the country to invest in dynamic markets overseas," OPIC President and CEO Dr. Peter Watson said. "Interlink's involvement will result in a valuable 'force multiplier' effect, extending OPIC's outreach to small businesses in the American west. We expect this partnership to yield significant benefits to both U.S. small businesses and the developing nations where they invest."



Left to right, seated: Alan Beard, managing director, Interlink Capital Strategies; Jim Polan, OPIC vice president; Scott Anderson, president and CEO, Zions Bank. Left to right, back row: Bruce Cameron, OPIC senior investment officer; Lew Cramer, Interlink managing director; Mac Epps, Zions Bank vice president.

UPCOMING EVENTS

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

November 4-5, 2004, Chicago, Illinois
Bankers' Association for Finance and Trade
14th Annual Conference on International Trade
www.baft.org/events/event_918.html

November 23-26, 2004, Prague, Czech Republic
Global Airport Development 2004
 Nancy Rivera, Department of Structured Finance
www.icbi-uk.com/gad

December 6-8, 2004, Miami, Florida
Caribbean Central American Action
28th Miami Conference on the Caribbean Basin
www.c-caa.org

