

OPIC News

July 2004
Vol. 6 No. 6

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

IN THIS ISSUE

OPIC provides \$250 million to Croatian motorway project

Message from the President

U.S. small business uses OPIC financing for natural gas development in Botswana

Latin America in focus:

* OPIC insurance supports mining project in Bolivia;
* New bilateral agreements with Honduras, Nicaragua

OPIC helps small business build homes in Mexico

OPIC co-hosts seminar on minority- and women-owned enterprises

UPCOMING EVENTS

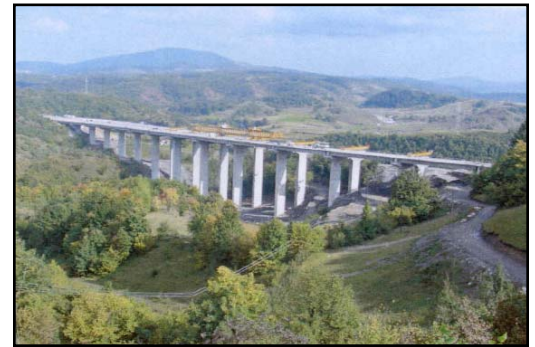
see back page

OPIC provides \$250 million to Croatian motorway project

OPIC has provided \$250 million in political risk insurance to support financing for the construction of a motorway in Croatia that will do much to improve the country's infrastructure, reduce transportation costs, and develop the tourism potential of the Dalmatian coast.

OPIC provided the insurance to Private Export Funding Corporation (PEFCO) to support PEFCO's financing to Croatia Motorways Ltd. for construction of a portion of the Zagreb-Split Motorway, consisting of a tolled four-lane highway connecting Bregana and Zagreb, and Bosilevo with Sveti Rok.

Construction of the motorway segments PEFCO is financing is being undertaken by a branch of Bechtel International, a U.S. construction and engineering company.



JP Morgan Chase Bank served as financial advisor and arranger of the financing.



Construction of a viaduct at Modrus, top right, and new asphalt on the road to Split are all part of the Croatian Motorway project supported by OPIC insurance.

The motorway is a key component of the Croatian government's plan to link Croatia to pan-European transportation corridors, and will provide the only highway connection between the capital of Zagreb and the central Adriatic coastal area of Dalmatia. Split, the second-largest city in Croatia, is currently not connected to

Zagreb or the rest of Europe by modern roadways, causing delays in transportation of goods and other commercial activity.

"The Croatian Motorway will have a profoundly positive effect on the Croatian economy, increasing the volume, efficiency and safety of commercial activity between the country's major cities," OPIC President and CEO Dr. Peter Watson said. "The project will also enable Croatia to exploit its great tourism potential, by opening the beauty of the Dalmatian coastline to new generations of visitors."



MESSAGE FROM THE PRESIDENT

Veteran observers of OPIC know of the agency's successful history of supporting projects which help develop the kind of physical infrastructure that is critical to any nation's economic growth. Such projects - whether they provide good roads, reliable electricity, or affordable housing - have a lasting impact that is both enormous and underappreciated. Their potential to unleash associated veins of economic activity is a matter of record.

Consider the three infrastructure projects featured in this issue of *OPIC News*. OPIC is providing \$250 million in political risk insurance to support a motorway project in Croatia that will link the country to pan-European transportation corridors. The motorway will dramatically increase the efficiency and safety of commercial activity between the country's major cities, and enable Croatia to exploit the tourism potential of the beautiful Dalmatian coastline.

Secondly, a U.S. small business will use OPIC financing to help Botswana take advantage of its natural gas reserves and thus meet a growing need for electricity. An \$8.5 million OPIC investment guaranty will finance the drilling of coal bed methane (CBM) wells in eastern Botswana; unlike coal, CBM does not contain particulate pollutants, and its production byproduct, water, can be used for irrigation or industrial process water. Currently, only 22 percent of Botswana's population has access to electricity.

Finally, another U.S. small business will use an OPIC loan to expand its production of prefabricated homes in Mexico, helping that nation meet a growing demand for housing. The company's homes will be sold to low-income buyers through a Mexican program similar to Fannie Mae in the U.S, collecting payroll deductions from employers on behalf of employees that can be used for down payments on homes.



Dr. Peter S. Watson

The link between modern infrastructure and economic growth in these projects is clear: they provide ordinary Croats, Batswana and Mexicans with the means to generate their own economic activity with increased speed, efficiency and ease. OPIC is pleased to be part of this evolving story.

U.S. small business uses OPIC financing for natural gas development in Botswana

A U.S. small business will use OPIC financing to help Botswana take advantage of its natural gas reserves and thereby meet a growing need for electricity.

OPIC will provide an \$8.5 million investment guaranty to Kalahari Gas Corporation, owned in part by Covalent Energy Corporation of Arlington, VA, to finance equipment purchase and the drilling of coal bed methane (CBM) wells located approximately 500 meters underground in eastern Botswana.

Unlike coal, CBM does not contain particulate pollutants, and its production byproduct, water, can be used for irrigation or industrial process water, thereby replacing potable water used for that purpose. Currently, Botswana has no

infrastructure in place for developing CBM, either for extraction or end-use.

OPIC President Dr. Peter Watson noted the substantial developmental benefits of the project for Botswana's population, only 22 percent of which has access to electricity.



Covalent Energy Corporation of Arlington, VA, will use OPIC financing to drill environmentally-friendly coal bed methane wells in Botswana.

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

Latin America in focus:

OPIC insurance supports mine in Bolivia; new agreements with Honduras, Nicaragua

OPIC's board of directors in July approved up to \$135 million political risk insurance for a silver and tin mining project in Bolivia that stands to make an important contribution to one of the least-developed economies in Latin America.

OPIC will provide the insurance to Coeur d'Alene Mines Corporation of Idaho, the largest primary silver producer in North America, for the

construction and operation of a modern silver and tin mining operation near the historic mining city of Potosí in Bolivia. Coeur will process the silver ore on site, then ship silver bars to dealers in the United States and worldwide for final refining and sale.

Once underway, it is estimated that the mine will produce an average of six million ounces of refined silver per



A mining project supported by OPIC insurance will reduce unemployment in the Bolivian city of Potosí by 23 percent, generating 370 jobs.

year. The deposit also contains an estimated 30 to 50 million pounds of tin which may be processed during the life of the mine.

The project will also establish a foundation, called Fundespo, to assist in the development of the silver-smith, industrial and tourism industries in Potosí.

Also in July, OPIC concluded new bilateral investment incentive agreements between the governments of the United States and both Honduras and Nicaragua, paving the way for streamlined OPIC support for U.S. investment in the two Central American nations

The agreements, which update ones signed in 1966, are a prerequisite for OPIC activity in a country. The updated version reflects a contemporary approach to foreign investment, by eliminating outdated procedures which can delay projects' approval.

OPIC President and CEO Dr. Peter Watson said the new agreements "heralded streamlined OPIC efforts to encourage U.S. investment in Honduras and Nicaragua. In tandem with the Central American Free Trade Agreement (CAFTA), we can expect greater levels of American investment in the dynamic and growing market that is Central America." U.S. trade and investment with Central America verges on \$20 billion per year, and is likely to increase three-fold as a result of CAFTA.



OPIC Vice President of Insurance Michael Lempres, right, watches U.S. Ambassador Barbara Moore and Nicaraguan Minister of Foreign Affairs Norman Caldera sign a new bilateral agreement on July 20.

OPIC helps small business build homes in Mexico

A U.S. small business will use an OPIC loan to expand its production of prefabricated homes in Mexico, helping that nation meet a growing demand for low-income housing.

OPIC will provide a \$10 million loan to Prefabricados y Modular de Monterrey (PyMM) to expand production of pre-made concrete homes from its manu-



PyMM of Sugar Land, Texas, will build hundreds of prefabricated homes in Mexico with OPIC support. Inset: Mexican President Vicente Fox, left, with PyMM President Randall Byrd at PyMM's plant.

facturing facility in Monterrey, Mexico. PyMM has sold more than 700 of the homes, which cost approximately \$US 15,000, during its first four years of production.

PyMM's homes will be sold to low-income buyers through Mexico's Infonavit program, which operates in similar fashion to Fannie Mae in the U.S. Infonavit collects payroll deductions from employers on behalf of employees that can be used for down payments on homes and which enables Infonavit to provide long-term mortgage financing when those employees are ready to purchase their homes.

OPIC co-sponsors seminar on opportunities for minority- and women-owned enterprises

OPIC in June co-sponsored an international trade and investment seminar entitled *'Increasing International Trade and Investment Opportunities for Minority- & Woman-Owned Enterprises'* at California State University in Hayward. Other co-sponsors were the Export-Import Bank of the United States, the National Black Chamber of Commerce and the Global Diversity Initiative.

The seminar opened with a discussion, "Financing and Insuring International Trade and Investment," featuring a member of OPIC's Department of Investment



Recipients of OPIC-sponsored Gold Key Awards: from left, Herman Regusters (Taurean Exports Inc.), Emah Anyang (DFO Enterprises), Forrest Metz (OPIC), Rod Hirsch (U.S. Commercial Service Oakland) Dr. Abbas Attarwala (NematInternational, Inc.), Michael Kawamura (Kawamura Exports LLC), Idris Attarwala (Nemat International, Inc.).

Development and Economic Growth, Forrest Metz, along with Jim Lucchesi of Ex-Im Bank and moderator Rod Hirsch of the Oakland U.S. Export Assistance Center. Next was a videoconference on trade and investment opportunities in Africa, including a live video feed from U.S. Commercial Service specialists in Abidjan, Cote d'Ivoire.

Metz presented four free Gold Key Services to minority- and woman-owned business owners for use in Africa, through which they will receive customized market briefings and appointments with prospective trade partners.

UPCOMING EVENTS

September 1, 2004, Birmingham, Alabama
Minority Economic Development
Small Business Forum
Dr. Lawrence Spinelli, Director of Communications

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-cao.org

