

# OPIC News

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# OPIC insurance wrap seals deals for U.S. small businesses

The OPIC political risk insurance 'wrap,' introduced a year ago as a streamlined form of coverage intended to ease the entry of U.S. small businesses into new markets overseas, has done precisely that, and emerged as one of OPIC's most successful products ever.



OPIC has issued more than \$6.5 million in wrap insurance to 11 small businesses for 12 projects on three continents (see table) since September 2003, covering about 30 percent of OPIC Small Business Center (SBC) financing deals.



The wrap is offered to OPIC projects as an additional layer of protection for U.S. companies receiving SBC loans of up to \$10 million. It offers several advantages to U.S. small businesses: discounted rates, one-time premiums and shorter tenors, typically matching the term of the SBC loan. Because the wrap covers projects already receiving OPIC financing, time-

consuming application and due diligence processes are averted, and wrap contracts are a mere five pages long.

"U.S. small businesses investing overseas need protection against political risks that they can't control, yet at the same time don't want to become mired in bureaucratic processes to obtain that protection. OPIC's insurance wrap, the evidence

clearly shows, has enabled small businesses to overcome both obstacles to serve as a vital conduit for increased



investment in new markets," OPIC President and CEO

Dr. Peter Watson said. "The efficiency of the wrap heralds new levels of investment, and with them important benefits for developing countries."

Country	Project	OPIC wrap
Afghanistan	beverage bottling	\$4.5 million
Brazil	health products	\$72,000
Brazil	telecom	\$135,000
Brazil	telecom	\$45,000
Brazil	telecom	\$45,000
Guinea-Bissau	cashew farm	\$810,000
India	geodesic homes	\$293,220
Mali	tannery	\$293,220
Philippines	water bottling	\$99,222
Philippines	water bottling	\$99,222

Clockwise from top: a cashew farm in Guinea-Bissau, geodesic dome housing in India, and a new leather tannery in Mali have all benefited from OPIC's political risk insurance wrap, a streamlined form of coverage designed for U.S. small businesses.

## MESSAGE FROM THE PRESIDENT

U.S. small businesses are known, historically and justifiably, as engines of the American economy. Their ingenuity and flexibility are marvels of the free enterprise system, and many of the most satisfying projects undertaken by OPIC during my tenure have involved American small businesses transferring their skills and developmental benefits to eager recipients in emerging markets.

Their entry into those new markets has not been a foregone conclusion, however. Typically, U.S. small businesses investing overseas have lacked financing and political risk insurance that would enable them to reproduce their domestic success in developing countries. Moreover, the specter of mountainous, bureaucratic paperwork and clearances, which they assume will accompany their investment, often dampen their enthusiasm.

OPIC introduced its political risk insurance 'wrap' a year ago to eliminate those obstacles to small business investment.

And, beyond even our most optimistic expectations, the wrap has worked.

The wrap is offered to OPIC projects as an additional layer of protection for U.S. companies receiving OPIC Small Business Center loans of up to \$10 million. It offers several advantages to U.S. small businesses: discounted rates, one-time premiums and shorter tenors, typically matching the term of the SBC loan. Because the wrap covers projects already receiving OPIC financing, time-consuming application and due diligence processes are averted, and wrap contracts are a mere five pages long.

The result? OPIC has issued more than \$6.5 million in wrap insurance to 11 small businesses for 12 projects since September 2003. Those projects run the gamut geographically and sectorally, from beverage and water bottling facilities in Afghanistan and the Philippines, respectively, to the construction of a new leather tannery in Mali.



**Dr. Peter S. Watson**

The genesis of the wrap was no mean feat, but rather the result of hard work and consultation. Its effect, however, is quite simple. It has newly unleashed the transformative power of free enterprise in new markets that thirst for conduits for their own entrepreneurial spirit.

## OPIC and Department of Energy partner to promote environmentally-sound economic development

U.S. Energy Secretary Spencer Abraham and OPIC President Dr. Peter Watson in September signed an agreement



OPIC President Dr. Peter Watson, left, and U.S. Energy Secretary Spencer Abraham after signing agreement to promote investment in clean energy technologies.

acknowledging their partnership to promote investment in cleaner, more efficient energy technologies in emerging markets throughout the world. Under this agreement, both agencies will work to create an *Efficient Energy and Renewables Program* focused on innovative financing and creative partnerships that will lead to environmentally-sound economic growth in developing countries.

"This forward-thinking initiative will help create jobs, improve infrastructure, and support economic growth in developing countries, while also creating new investment opportunities for American businesses," Secretary Abraham said.

"Renewable energy technologies are often the most cost-effective means to generate electricity in developing coun-

tries, particularly those with few fossil fuel resources," said Dr. Watson. "By cooperating with DOE, OPIC can help American companies access these new markets, and in the process deliver environmentally-friendly energy service."

### FOR MORE INFORMATION:

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# Eastern Europe in focus:

## OPIC announces \$200 million facility for Ukraine, leasing project in Georgia

OPIC President and CEO Dr. Peter Watson in September announced a new \$200 million financial facility to support U.S. private sector investment in Ukraine,



OPIC President and CEO Dr. Peter Watson leads a press conference in Kiev announcing a \$200 million financial facility and \$40 million in OPIC financing for two new projects in Ukraine.

as well as \$40 million in OPIC financing for projects in Ukraine's housing and microfinancing sectors. Weeks earlier, he announced that a U.S. small business would use an OPIC loan to expand its financial leasing services to small and medium-sized enterprises (SMEs) in Georgia, providing an important boost to the Georgian economy by upgrading machinery in its manufacturing, agriculture and services sectors.

"OPIC is pleased to announce the establishment of this \$200 million private sector investment facility, which will help U.S. businesses investing in Ukraine by providing access to OPIC financing and political risk insurance, and two projects



A U.S. small business will use a \$1 million OPIC loan to expand equipment leasing in Georgia, enabling that country to upgrade machinery in sectors such as farming and manufacturing.

that enable us already to fulfill a substantial part of this commitment. These developments demonstrate OPIC's ongoing effort to encourage U.S. investment in Ukraine's growing economy since reopening in the country this year, and in turn reflect Ukraine's own commitment to economic reform."

In the first of the projects, OPIC will provide a \$30 million loan to a new Ukrainian mortgage bank, International Mortgage Bank, which will originate residential mortgage loans in Ukraine, thereby helping the country modernize its mortgage lending industry.

In the second project, OPIC will provide a \$10 million loan to help an international bank operating in Ukraine to increase the availability of financial services to micro and small businesses throughout the country. The bank, ProCredit Bank Ukraine, is the only such institution in the country focused on SME financing.

In the Georgian project, OPIC will provide a \$1 million loan to the Georgian Leasing Company (GLC), owned in part by two Americans, to expand its financial leasing portfolio to SMEs in the Georgian capital of Tbilisi. Tbiluniversal Bank (TUB), a top Georgian bank, will provide credit analysis and project monitoring. Potential equipment to be leased includes printing, manufacturing, office and construction equipment, vehicles, medical equipment and agricultural equipment.



## U.S. small business to sell beverages in Afghanistan

A U.S. small business will use OPIC financing to establish the first locally manufactured beverage facility in Afghanistan, helping the country both meet a strong demand for clean drinking water and continue its economic reconstruction.

OPIC will provide a \$9.2 million loan to ABI Group Ltd., a U.S. small business comprised of Afghan-American businessmen, to construct and operate a beverage manufacturing, packaging and distribution operation in Kabul. ABI will produce beverages for the Afghan market, including bottled water, carbonated soft drinks, and fruit juices.



ABI Group, a U.S. small business, will use a \$9.2 million OPIC loan to build a beverage manufactory in Kabul.

OPIC President Dr. Peter Watson said that one of the facility's principal products, high-purity bottled water, will help Kabul overcome an inadequate municipal water supply. The facility will pump water from an underground aquifer, then purify, bottle and distribute it directly to residential and commercial customers. Bottled water and beverages are currently imported from neighboring countries into Afghanistan and are extremely expensive.

# OPIC board approves \$250 million for two investment funds in Africa

OPIC's board of directors in September approved \$250 million in financing for the establishment of two private equity investment funds designed to support the growth of businesses in Africa.

OPIC will provide an investment guaranty of up to \$100 million to support the first fund, to be managed by Washington, D.C.-based Emerging Market Partnership (EMP), one of the largest private equity managers focused on the emerging markets and currently principal advisor to the AIG African Infrastructure Fund. EMP's Africa Fund II will target investments in infrastructure and related industries in Africa, including telecommunications, oil and gas, power, trans-

portation and agribusiness. The fund may also invest in the media, financial services and manufacturing sectors.

OPIC will provide up to \$150 million toward the second fund, which will promote the expansion of medium-sized enterprises in sub-Saharan Africa, with an emphasis on South Africa and the manufacturing and services sectors. Called Ethos Fund V, it will also support South Africa's effort to encourage black economic empowerment, as well as promote opportunities for women and low-income individuals through an arrangement with an investment firm, Sphere, which supports rural development and women-owned businesses.

The fund will be managed by Ethos Private Equity, one of the premier investment managers in Africa, having managed five successful private equity funds in South Africa since 1984.



EMP, manager of an OPIC-supported investment fund for Africa, has already invested in projects such as this fertilizer factory in Morocco.

## UPCOMING EVENTS

**October 26-27, 2004, Dubrovnik, Croatia**  
**Southeast Europe Finance & Investment Conference**  
 Peter Ballinger, Dept. of Investment Development  
 & Economic Growth  
[www.euromoneyplc.com](http://www.euromoneyplc.com)

**November 12, 2004, Washington, D.C.**  
**MIGA-Georgetown Symposium**  
**on International Political Risk Management**  
 Robert O'Sullivan, Associate General Counsel

**November 23-26, 2004, Prague, Czech Republic**  
**Global Airport Development 2004**  
 Nancy Rivera, Department of Structured Finance  
[www.icbi-uk.com/gad](http://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](http://www.c-caa.org)

