



OPIC Special Report: Latin America & the Caribbean

OPIC-Backed Infrastructure Projects Set Stage for Future Growth

Across Latin America, massive infrastructure projects are being placed in private hands. From Argentina to Guatemala, governments eager to trim budgets and cut costs are selling off electric power and telecommunications companies to private investors. And American firms, with their cutting-edge technology and management skills, are leading the charge, bringing state-of-the-art services to newly opening markets.

Backing those U.S. companies with necessary financing and political risk insurance is the Overseas Private Investment Corporation (OPIC), providing investment services not commercially available. OPIC's products have enabled dozens of American businesses to take advantage of these sweeping economic changes, helping to develop the region and stimulate the U.S. economy through the creation of exports that support American jobs. And, all OPIC-backed projects meet established environmental standards, proving that smart environmental management today creates a competitive advantage tomorrow.

Since 1991, OPIC has committed \$1.4 billion of support to 17 power projects in Latin America, bringing more than 5,550 megawatts of power to the region. That's enough electricity to power about 2.2 million homes.

Powering Up in Bolivia. OPIC is backing two U.S. companies as they begin expanding Bolivia's private power industry, which is growing at about 8 percent a year. In this country's innovative privatization program, an investor's capital is injected directly into a project for expansion and other purposes, rather than to the government. And 50 percent ownership of a privatized firm will be transferred into a new private pension system for Bolivia's work force.

OPIC is providing \$110 million in political risk insurance to Parsippany, New Jersey-based Energy Initiatives, Inc., one of three U.S. firms that won international bids to invest in the privatization and expansion of Bolivia's national electric company, Empresa Nacional de Electricidad. Energy Initiatives invested in a new project which will own three natural gas-fired power plants located near the cities of Santa Cruz, Sucre and Potosí. The combined power of the three stations comes to 216 megawatts of electricity and represents around 30 percent of Bolivia's combined thermal and hydro generating ability.

For a second Bolivian power project, OPIC's Board of Directors approved up to \$200 million in political risk insurance for Richmond, Virginia-based Dominion Energy, Inc.'s involvement in the privatization and expansion of two hydroelectric power plants near the city of Cochabamba with a combined output of 126 megawatts.

Electric in Guatemala. In Guatemala, where the power sector continues to privatize, OPIC is helping a Florida company supply electricity to a local utility company. With limited opportunities for domestic growth, Tampa-based TECO Power Services Corporation began seeking out international possibilities when Central America caught the company's eye. In early 1994, TECO ventured across the Gulf of Mexico to explore investment options and by the end of the year had won a bid to supply electricity to a Guatemalan power company. Less than a year after the power supply agreement was signed, TECO completed a \$49 million oil-fired turbine facility to pump 78 megawatts of electricity into the country's power grid, increasing electric supply by 10 percent. OPIC is backing TECO in its first international investment with \$154 million in political risk insurance and nearly \$30 million in financing. The project is expected to buy nearly \$50 million in U.S. goods and services, supporting more than 150 American jobs.

OPIC Support for U.S. Firms in Latin America Continues to Expand

For the second year in a row, OPIC sold record amounts of finance and insurance to U.S. companies investing in Latin America, committing nearly \$1.7 billion in financing and political risk insurance to projects ranging from energy to financial services. As of the third quarter of fiscal year 1996, OPIC had disbursed more than \$782 million in financing and booked more than \$1.2 billion in new insurance business in the region.

OPIC continued its commitment to infrastructure in the region, providing support to telecommunications, power and transportation projects. The agency saw growth in the light manufacturing and financial services sectors, and launched two investment funds targeted at the region.

President Préval Outlines Haiti's Privatization Plans at OPIC Meeting

Executives from more than 60 U.S. companies packed OPIC's boardroom on March 22 to hear newly elected Haitian President René Préval outline plans for private U.S. investment in Haiti and, specifically, his support for privatization.

Préval assured the business leaders that privatization plans would be implemented. Following his March trip, President Préval submitted legislation to his Parliament that calls for the privatization of nine state-owned companies including the flour mill, power, cement and telecommunications companies. OPIC President and CEO Ruth R. Harkin, who chaired the meeting, called the initiative "an important first step in attracting U.S. investment into Haiti."

The morning's events were capped off with the signing of an agreement between OPIC and Citibank for a \$25 million on-lending facility at Citibank's Port-au-Prince branch. "This project is a signal of OPIC's continued commitment to the economic future of Haiti," Mrs. Harkin said. The on-lending facility will respond to Haiti's need for medium- to long-term funding and will offer loans to established commercially viable business ventures.

OPIC Funds Take Off in Latin America

OPIC supports a family of privately managed and capitalized investment funds that provide critical equity growth capital to private sector businesses in key developing markets. Latin America is an area of enormous growth potential, and targeted OPIC-backed funds provide necessary financial and management support American businesses need as they seek new opportunities in this exciting market.

Recent activity by OPIC-backed funds in the region has meant good news for American investors and our neighbors to the south. OPIC's Board of Directors approved a fund that will make investments targeted in Latin America's Andean region. Newbridge Andean Partners, L.P., a \$150 million fund managed by Andean Advisers, L.L.C. of Washington, D.C., will make direct investments

targeted in new, expanding or privatizing companies in Bolivia, Ecuador, Peru and Venezuela (and Colombia when OPIC programs become available there). The Fund will pursue equity investments in diversified manufacturing, financial and service industries.

OPIC's first regional fund in Latin America, the \$180 million South America Private Equity Growth Fund, L.P., is managed by New York-based WestSphere Equity Investors, L.P. This Fund generally focuses on service and distribution opportunities in agribusiness, consumer, telecommunications and financial services companies that require \$10-20 million in growth capital and have superior growth prospects. In February, the Fund completed its first investment in Mobitel S.A. Telecomunicações, Brazil's largest mobile paging services company. This investment will help Mobitel to purchase U.S.-supplied pagers and communications equipment. In May, together with Bank-America Capital Corporation, the Fund made its second portfolio investment in Drogueria Monroe, S.A., the second largest wholesale distributor of pharmacy products in Argentina.

In addition, Allied Capital Corporation's OPIC-backed Allied International Small Business Fund, which invests globally in projects sponsored by U.S. small businesses, has invested in a wireless communications service that will operate in countries including Argentina and Brazil. More than \$22 million in American-made communications equipment and network infrastructure materials are expected to support the project. Investments made by OPIC-backed funds must meet OPIC environmental and worker rights standards.

U.S. Investors Have a Major Role to Play in Latin America

OPIC business in Latin America has grown substantially in the last two years, reflecting the investment boom for U.S. businesses. OPIC President and CEO Ruth R. Harkin talks about the opportunities and the challenges facing American companies and the agency as they work together to further investment in Latin America.

Q How has OPIC worked to satisfy the large demand by U.S. companies for support in Latin America?

A As privatizations and infrastructure development began sweeping through Latin America, OPIC took steps to prepare for growing demand, increasing project support levels to \$400 million for any one project.

In our Insurance Department, where a deep understanding of a country's political history is critical, we restructured our Latin America team into subregions: South America, Central America and the Caribbean. OPIC clients now have specialized teams to provide the detailed and prompt service needed to complete deals in these growing markets.

To speed the progress of each finance project, Business Development officers work with clients during a project's early phases, providing direction and advice on a deal's structure and on OPIC policies.

In the Finance Department, where deal closing is a priority, officers now work in teams that are organized on a project by project basis. The teams are led by officers with experience in particular sectors. This structure allows us to devote greater staff resources to projects that are nearing completion. So for Latin America projects, we are able to assign as many officers as needed to meet client demand.

Q What have been the major sectors for investors in Latin America, and what do you predict as industries of the future?

A Basic infrastructure and privatization projects have been the major part of OPIC's Latin American portfolio. Since 1991, we have provided \$1.4 billion to support 17 private power projects in Latin America. Power projects are some of the most important ventures we support, not only because of the U.S. exports that result, but also because they impact the everyday lives of average citizens.

Telecom is another important sector for OPIC clients, as are the manufacturing and financial services sectors.

Looking to the future, I see the next generation of development in the water sector. Water projects are just beginning to take off and OPIC is poised to help U.S. businesses capitalize on these ventures. Currently, only 2 percent of sewage in Latin America is treated and half of all Brazilians don't have access to safe drinking water. American businesses have the skills and technology needed to address these issues and OPIC has the resources to back them.

We support two private equity funds that invest globally in environment and water projects. Our first fund in this sector has already made substantial investments in Latin America, including several water ventures. And, as a result of that demand, our second fund will focus on the water sector.

Q Why do Latin American countries seek American investment?

A First of all, we have experience in the region. That's important. People want to do business with people they know and trust. Secondly, American businesses are recognized world leaders in environmental technology and services and infrastructure development. This also is important to Latin American nations that value their resources and want to preserve them.

I recently visited an OPIC-supported project in Brazil that is a model of sustainable development. Larson Wood Products out of Eugene, Oregon has invested in a forestry project in the Amazon that has been certified by the Rainforest Alliance as supporting sustainable development.

While this is just one example of the kinds of investments OPIC backs, all OPIC projects work to protect the local environment. It's an issue OPIC and our clients care about.