

# Investment Funds



**O**verseas  
**P**rivate  
**I**nvestment  
**C**orporation

# Investment Funds Program

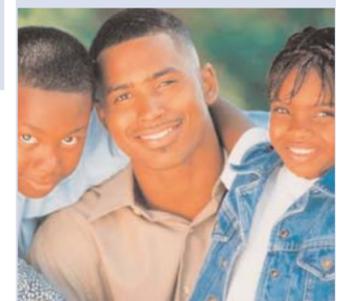
The Overseas Private Investment Corporation (OPIC) Investment Funds Program is designed to support the creation and capitalization of long-term, private equity funds in emerging markets. The funds are structured as limited partnerships or limited liability companies. They are managed by private sector fund managers and, like all OPIC programs, are self-sustaining. OPIC receives compensation for its support, calibrated to reflect the risk and reward represented by its investment.

These OPIC-supported funds invest in the development, expansion, or privatization of businesses and meet the sizable unmet demand for risk capital. OPIC is one of the largest providers of emerging market private equity. Since the inception of the investment funds program in 1987, OPIC has committed over \$2 billion to 35 private equity funds. These funds have invested in more than 350 new, expanding, or privatizing businesses -- approximately 90 percent of which are small- and medium-sized enterprises. For many of the investors in these funds, OPIC's unique role in using its guaranty authority to support capitalization was a key criterion in their investment decision. As a result, OPIC's participation has mobilized substantial capital and skills for investment in emerging markets.

The Investment Funds Program helps to fulfill OPIC's mission to mobilize and facilitate the participation of U.S. private capital and skills in the economic and social growth of less developed countries. Specifically, the funds program:

- Brings to the countries in which it invests modern business practices, improved corporate governance, improvements to the local regulatory and legal environments, and improved property and shareholder rights.*
- Fosters the development of capital and financial markets in emerging markets.*
- Helps achieve U.S. foreign policy objectives, such as promoting political and economic stability in emerging democracies through the development of the private sector and privatization of state-owned businesses, and promoting best practices in corporate governance, the environment, and worker rights.*
- Encourages the development of new markets and opportunities for American companies, facilitating early access to new consumers and improving competitiveness in the developing world.*
- Strengthens economic growth at home through connections that may be established between U.S. companies and the businesses supported overseas, such as joint ventures, franchising, supply or distribution arrangements.*

By supporting economic development, OPIC's investment funds program is also enhancing the quality of life in host countries. Companies in which OPIC's funds have invested are providing significant employment and training opportunities. Investment by OPIC's funds provides a catalyst for further economic growth and development in the local community and region. Funds projects are providing essential services such as the distribution of potable water, the processing of basic food supplies, or the accelerated introduction of new technology, which is helping to



Photos courtesy of :

Carulla Vivero  
Celtel  
Euro Cement  
Euronet  
Information Business Systems/North-West Telecom  
MTV Russia  
Russian American Glass Company  
Serbia Broadband  
Thomas Debass OPIC  
Kenneth Gray OPIC  
Constance Shinn OPIC

bridge the digital divide. The result is that OPIC's investment funds program is having a positive impact on the lives of those living and working in developing market economies.

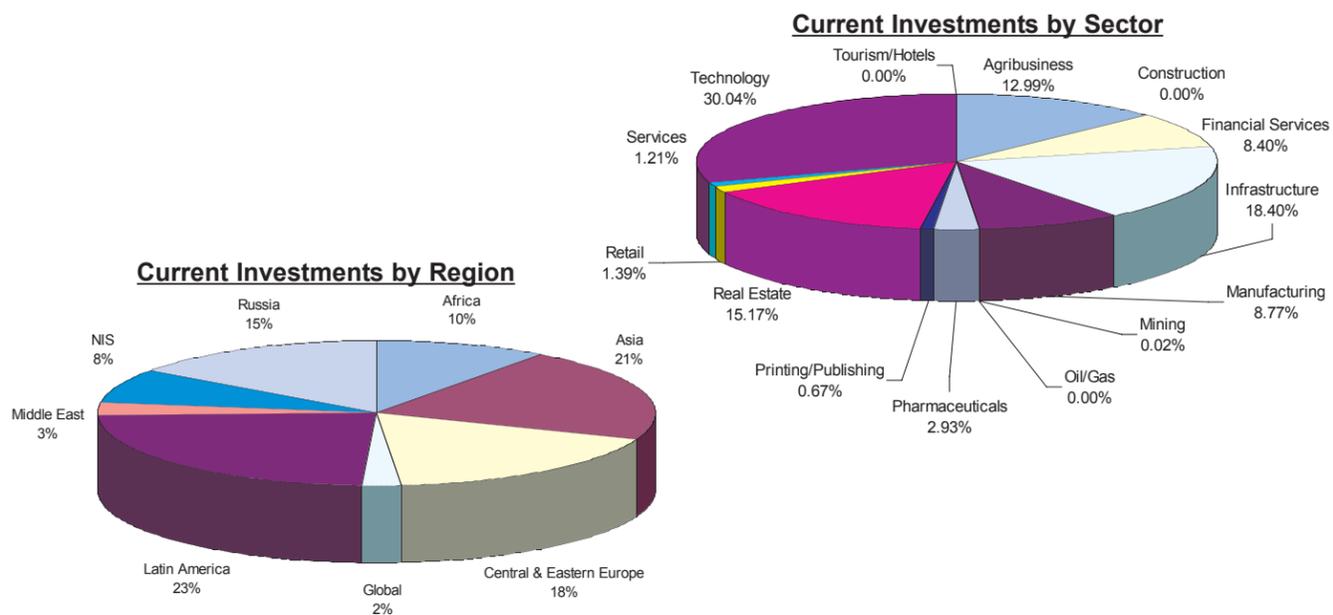
OPIC-supported funds operate in a variety of markets, including sub-Sahara Africa, Russia, Emerging Europe, Latin America and Asia. Sector-specific funds operate worldwide and include investments in environmentally friendly companies, small businesses, water related enterprises and maritime projects.

In order to provide funds with a substantial portion of their capital and enhance investor returns, OPIC can provide a percentage of a fund's capital through a loan or loan guaranty with most of the interest capitalized until the fund's liquidation. OPIC can also provide investors with downside protection by offering a partial principal protection product.

The beneficial impact OPIC has on the companies and countries in which its funds invest is significantly greater than the amount of capital that OPIC contributes directly. This occurs because private equity creates a "multiplier effect" whereby new capital attracts additional investment and financing in companies. A recent study performed by an OPIC-supported fund indicated that the \$100 million invested by OPIC in the fund generated an additional \$542 million in investments, at both the fund and portfolio company levels.

Because the funds program is a partnership between OPIC and the private sector, no element of the investment funds program is more important than working with fund managers of the highest caliber. To identify and retain such managers, OPIC conducts a transparent and public search, which includes a call for proposals that is highly publicized. Additionally, a selection committee is established within OPIC to evaluate fund proposals and make recommendations to OPIC's Investment Committee. OPIC also relies on the resources and experience of highly qualified private equity advisory consultancies to assist in fund manager evaluation and due diligence review.

With regard to its existing portfolio of funds, OPIC conducts ongoing reviews of each fund. OPIC also monitors individual fund portfolio companies to ensure that they meet OPIC policies regarding U.S. economic and environmental impacts, host country development impact, as well as worker and human rights.



## Bridging the Digital Divide

**Serbia Broadband (SBB)** is an investment of the Southeast Europe Equity Fund, Ltd. (SEEF), managed by SEEF Management, LLC. The investment in this start-up cable-TV and broadband company brought a new product with a superior infrastructure to the Serbian marketplace. The success of SBB, its fast growth from almost 2,000 subscribers to over 200,000 within two years, has created tremendous value for Serbian businesses and consumers, which until recently lacked developed telecommunications and media connections with the rest of the world.

SBB is helping the people of Serbia connect with cultures from around the world and become more globally informed by providing access to international cable channels such as CNN, BBC World, EuroNews, TV 5, MTV1 and the Discovery Channel.

SBB is also helping community-based efforts by providing free Internet connections for public schools in Belgrade. While the project is still in the early stages of implementation, SBB intends to educate students on educational and creative uses of the Internet and provide students with personal email addresses that will allow them to communicate easily and economically with people around the globe.

A final and very important element of SBB's activities has been the emphasis on customer care--a relatively new concept in this former communist society. SBB has opened a modern call center in Belgrade, launched a new Info Channel, which provides servicing and programming information to its customers, and publishes a free monthly magazine for all of its subscribers.

SBB appears to be on the right track to achieving its long-term goal: Serving as the number one cable television and data communications provider in Serbia.



## Improving Corporate Governance

**Celtel** international B.V. is a portfolio company of the ZM Africa Investment Fund (ZMAIF) managed by Zephyr Management, L.P., which draws upon its African experience and extensive African and international networks to strengthen the position of ZMAIF's portfolio companies while improving African economies.

"Celtel: Making life better for the people of Africa." Since 1998, Celtel has been building mobile phone operations in 13 African countries with the goal of being Africa's market-leading network. Celtel is also serving as an example that a pan-African company can experience financial success, with revenues in 2003 of \$446 million and net profits of \$74 million, and attract a good work force by instituting transparency, corporate governance and managerial leadership.

With the help of ZMAIF, Celtel is committed to a corporate culture that adheres to the highest standards of professional and corporate ethics, is implementing a strategy to operate on par with European and North American networks, and is dedicated to improving the lives of Celtel employees and customers.

Celtel employs more than 5,000 people (over 98 percent of whom are local staff), and strives to hire and train local people; providing them with skills for sustainable employment that will benefit their communities and families long-term.

The spirit of empowering the organization through its employees and communities is evident in the commitments Celtel has made regarding corporate transparency, education, and the environment. In 2003, Celtel won the Dutch Foundation for Business and Society (SMO) award for the Best Foreign Direct Investment by working for "profit, people and planet."

The role of a corporate governance director has been established to monitor revenue assurance and internal audits for the organization, and the company understands that a transparent and trustworthy business environment attracts both reputable investors and the best employees.

With a current revenue growth rate of some 50 percent, Celtel is an excellent example to other investors that Africa can be a successful destination for foreign investment.

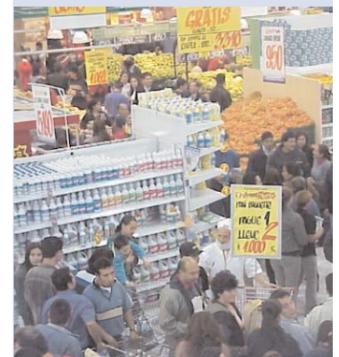


## Fostering the Development of Capital

**Carulla Vivero** is a leading retailer in Columbia invested in by Newbridge Andean Partners, L.P., a fund managed by ACON Investments (an affiliate of Texas Pacific Group).

In 1998, Newbridge invested in Vivero, a chain of supercenters in northern Columbia that sells clothing and other consumer products to middle and upper-income consumers. One year later, Newbridge invested in Carulla, a grocery store that caters to middle and upper-income shoppers and is the largest supermarket in Bogota. In February 2000, Newbridge proposed a merger of the two companies to form Carulla Vivero, S.A., making it the second largest retailer in Columbia. Samuel Azout, the CEO of Vivero, took over as CEO, and with the help of Newbridge, recruited a new management team to energize and create value for the company through an aggressive marketing strategy, improved store layout and design, modern merchandising techniques and an efficient balance sheet structure.

With the benefit of the capital contributed by Newbridge, Carulla Vivero grew from 90 stores in 2000 to over 130 stores in 2004. As a result of its scale and increased profitability, Carulla Vivero was able to issue bonds in the local capital markets in 2001, making it one of the first private sector companies in Colombia to issue debt in the public markets.



## Increasing Competitiveness

**Russian American Glass Company (RASKO)** is majority-owned by Agribusiness Partners International, L.P. (API), an investment fund managed by Agribusiness Management Company of Omaha, Nebraska, which was formed in 1995 to invest in agribusiness and food processing companies in the countries of the former Soviet Union.

Prior to API's investment, RASKO was a small-scale Russian glass bottle producer employing approximately 750 people. It could produce only clear flint-glass bottles. Its machinery was old and inefficient; it was unable to produce the standard of quality required by Western beverage producers. The fund's investment financed a plant expansion, the purchase of new production lines and the upgrade of existing machinery at the Anopino plant. The fund was also able to combine its cash flow with additional debt capital to finance RASKO's expansion and growth. This growth included the acquisition of a second plant in Voronezh. These expansions and improvements enabled RASKO to increase its production levels from 100 million to 780 million bottles per year. The company can also now produce quality amber and green bottles for the Western beer producers operating in Russia.

RASKO's operations have had a very positive impact on the Russian economy. For example, in 2003, RASKO procured \$14 million of raw materials from local suppliers. Much of the procurement is sourced from Ramininsky Quarry, a Russian flint and silica producer located in Nishny Novgorod. Ramininsky Quarry used to supply sand solely for the construction industry, and was forced to stop production during the winter months. After establishing a new production system, the company began supplying silica and flint to RASKO for the production of amber and green bottles. This enabled the company to remain open year-round and led to increased employment and profitability at the quarry.

RASKO is also actively involved in charitable causes in the local community. The company assists two orphanages, and has helped rebuild a gym and a church that had been destroyed. RASKO also opened a company-owned lake for use by the community and finances the quasi-government glass-training center in the region.

The company currently employs over 1,600 people including management personnel, which makes RASKO the largest employer in the town of Anopino. The plant located in Voronezh was an abandoned TV tube factory that had gone bankrupt and was forced to lay off hundreds of workers. The plant re-start was a significant boost to the local job market. Additionally, RASKO is committed to the well-being of its employees. The company pays about ten percent above the average Russian wage in the industry, and provides workers with several important employee benefits, including meals, transportation and housing assistance.

With the proceeds from the fund's investment, RASKO has installed some of the most efficient glass making equipment available. Its glass melting equipment uses less gas per unit than other equipment available in the market. The company's new pollution control and water treatment equipment has virtually eliminated water pollution as it recycles water in a closed system. RASKO also installed a filtered ventilation system to remove airborne dust.



## Enhancing Environmental Standards

**Jain Irrigation Systems Limited (JISL)** is an investment of the Aqua International Partners Fund. The fund invests in water projects and companies in developing countries such as India, where OPIC and Aqua have invested in Jain Irrigation.

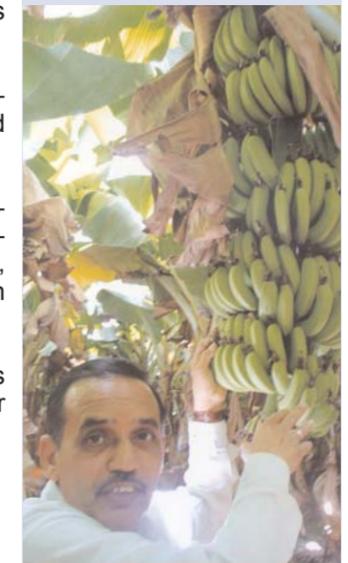
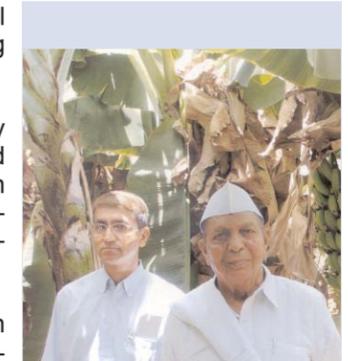
Jain Irrigation is the leading manufacturer of micro-irrigation systems (specifically drip irrigation and sprinkler irrigation systems), piping systems, water filters, and green houses, and has also developed world-class food processing facilities. Jain Irrigation's unique business plan is committed to total customer satisfaction and market leadership, while also protecting the environment with R&D focused on soil erosion prevention and water management techniques.

As the largest employer in the city of Jalgoan with 3,000 employees receiving health benefits and wages far beyond local standards, Jain Irrigation is also actively investing in its employees. The company operates an agricultural campus and farm where over 50,000 Indian farmers have attended workshops on new farming techniques and uses of innovative technologies in agricultural production.

Jain Irrigation established the Jain Foundation in 1982, to foster support for education, medical services, environmental and rural development, R&D, sports and health, and other fields committed to the general welfare of Indian society.

In that time, Jain has established a primary school, a junior college and a kindergarten, as well as medical camps and outdoor hospitals. The foundation has furnished its employees and community with a modern gymnasium, exercise facilities, and a coaching staff, and has made it an objective to support artistic activities such as theater, dancing, and singing.

The employees, customers, and communities touched by Jain Irrigation Systems have experienced first hand the company's mission, established by its founder Bhavarlal Jain in 1963, "Leave this world better than you found it."



## Modernizing Business Practices

**Information Business Systems (IBS) and North-West Telecom (NWT)** investments are managed by the AIG Brunswick Millennium Fund, a \$288.5 million fund that invests in companies primarily operating in the former Soviet Union.

After years of communist rule followed by the Russian financial crisis in 1998, these two companies are finding success in the Russian market thanks to the positive influence AIG Brunswick has had on the accounting, management and budgeting systems they now employ.

IBS was founded in 1992, and has since become IBS Group, which consists of IBS System Integration, Luxoft, Dell Systems Company, Dealine and Newspaper Direct, and offers services ranging from consulting and custom software development to PC assembly, hardware distribution and network design and installation.

IBS has emphasized the importance of having transparent management, an open Board of Directors, respect for shareholders' rights; and has been commended on several occasions for having met or exceeded Western business standards. In 2000, IBS was awarded a Certificate of Conformance to ISO 9001: 1994 International Quality Standards from Lloyd's Register Quality Assurance, and was named "The Company to Work At" (The Dream Job) by the Top Profi study for two consecutive years.

The investment by AIG in North-West Telecom has improved the local infrastructure by significantly modernizing the landline network and introducing a cell phone network to the Archangelsk region. Other regional providers are looking to follow their business models in these respects, which should lead to overall improved management and efficiency in the telecommunications sector.

North-West Telecom, established in 2002, is a result of a roll-up that occurred between Artelecom, Electrosvyaz and six regional telecom companies in northwestern Russia, and is currently one of the leading telecom companies in Russia serving over 14.5 million people in the mostly rural northwest region of Russia. NWT provides 3.8 million access lines to the region and offers local, long-distance and international communication services, data transmission services, Internet access, and audio/visual conference capabilities.

While NWT's goals and visions include expansion, diversification and increased product sophistication, the company is also striving to adopt American business standards and best practices by implementing modern budget systems and ever more transparent management and accounting reporting systems.

Both IBS and NWT acknowledge the change the fund has created within their organizations. The benefits of good corporate governance are not only felt by their management teams and employees, but transfer to their customers, competitors and other investors that are considering an investment in the region.



## Developing New Markets

The Russia Partners Fund, managed by Siguler Guff and Company, made an investment in **MTV Russia** that has helped to establish a music-focused television cable network in Russia, which broadcasts Russian and English language music programming to over 71 million viewers in 386 cities in the Russian Federation, Kazakhstan and Kyrgyzstan.

The investment has helped lay the groundwork for the network, obtaining the necessary licenses and permits, promoting the network's launch, and determining the best schedules for programs. The network is working collaboratively with MTV Networks in New York to develop a look and brand image similar to other MTV affiliates.

Although the majority of MTV Russia's programming is purchased from Viacom, the station has served as a vehicle to enhance the visibility of local musicians within Russia. The network has also integrated a significant amount of social awareness advertising into its operations. In conjunction with the New York offices, the network has been participating in global campaigns on AIDS awareness, and MTV Russia has adopted a local version of MTV's "Rock the Vote" campaign in an effort to encourage young people to participate in the country's nascent democratic election process.

MTV Russia's employees are compensated at a level exceeding local Russian standards, often more than double the average Russian salary. Further, the network collaborates closely with MTV in New York and Europe to foster creative thinking among all employees--an international partnership that would have been unthinkable under the Soviet Union.



## Expanding Access to Markets

OPIC's Global Environment Emerging Markets Fund II (GEEMF II) is managed by GEF Management Corporation, an international fund management firm. GEEMF II invests in companies that are focused on sustainable development and have a positive impact on human health and the environment. In conjunction with OPIC, GEEMF II has invested in **America Latina Logistica (ALL)**, a Brazilian-based integrated logistics company with roughly 16,000 km of contiguous railway in southern Brazil and northern and central Argentina.

As one of the premier logistics companies in South America, ALL is inherently promoting economic development in the region by increasing the availability and efficiency of commercial transportation. Additionally, the use of rail transport decreases the amount of highway traffic and is environmentally-friendly because of reduced particulate and hydrocarbon emissions resulting from the superior fuel efficiency of shipping cargo by rail over medium to long distances.

ALL is also making significant contributions to various community projects throughout Brazil. For example, ALL has distributed over 1.2 tons of food to underprivileged communities. The company has constructed an extensive water-recycling program to purify water from the locomotive cleaning process, which is then used for local irrigation. ALL has also sponsored an ongoing community education program to educate its neighbors about the dangers of crossing or playing near the tracks, which has resulted in a dramatic decrease in accidents.

ALL's corporate philosophy is that its value lies in its people. Therefore, the company spends a significant amount of its resources on training its employees. The company established a corporate university, UNIALL, to provide development and training courses to its staff. As a result of these efforts, ALL has been named one of the top 100 places to work by leading business journals in both Brazil and Argentina.



## Promoting Economic Stability

"Secure financial transactions-any time, any place."

**Euronet**, an independent operator of automatic teller machine networks located throughout Central Europe and the world's leading provider of top-up services for prepaid products, such as mobile airtime, long distance and debit cards, is an investment of the Poland Partners fund. The fund is managed by Innova Capital, one of the first private equity funds to be established in Central Europe, which has a primary focus on EU accession countries (particularly Poland, Hungary and the Czech Republic).

Euronet's mission --"To bring electronic financial payment convenience to millions of people who have not had it before"-- has become a reality by operating the only independent, non-bank owned ATM network in Central Europe. Euronet's core objective is to process ATM transactions, for which it receives fees from local banks and international card organizations that issue cards such as Visa, Plus, MasterCard, Europay, Cirrus, American Express, and Diners Club International.

Euronet installs the ATM machines, and then links the machines via satellite to Euronet's main AS400 computer located in Budapest. The transaction information is transmitted electronically to the processing center of the cardholder's financial institution, while Euronet manages the monitoring, cash dispensing and maintenance tasks required to operate the network.

In addition, with Euronet's prepaid solutions, consumers can top-up their prepaid accounts, including prepaid mobile phone airtime and prepaid long distance, at their favorite retail location. These electronic transactions help mobile operators increase their customer reach and at the same time provide a cost-effective electronic distribution channel for participating retailers and POS and ATM owners.



Euronet has hired local architects, installation engineers, and maintenance engineers to create the infrastructure, and has contracts with four small local businesses to provide security services for the transfer of cash to the banks. Euronet is listed on the NASDAQ exchange in New York.



Fund	Fund Manager	Region
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<b>The Actis South Asia Fund L.P.</b>	Actis Capital LLP	Pakistan, Bangladesh, India and Sri Lanka
<b>Agribusiness Partners International</b>	Agribusiness Management Company, LLC	Newly Independent States (NIS) and Baltics
<b>AIG Brunswick Millennium Fund</b>	AIG Capital Partners/Brunswick Capital Management	Russia, NIS and Baltics
<b>AIG-Global Emerging Markets Fund II, L.P.</b>	AIG GEM II, Ltd.	All OPIC eligible countries
<b>Allied Small Business Fund</b>	Allied Capital Corporation	All OPIC eligible countries
<b>Aqua International Partners Fund, LP</b>	Texas Pacific Group	All OPIC eligible countries
<b>Asia Development Partners, L.P.</b>	Olympus Central Holdings (Asia)	India, Indonesia, Korea, Thailand, Singapore and Hong Kong
<b>Bancroft Eastern Europe Fund, L.P.</b>	Bancroft Advisors, LLC	Central Europe/Baltic republics: Czech Republic, Hungary, and Romania
<b>Clearwater Capital Partners Investments II, L.P.</b>	Clearwater Capital Partners LLC	OPIC eligible countries in Asia
<b>Darby-BBVA Latin American Private Equity Fund, L. P.</b>	Darby-BBVA Latin American Investors, Ltd	Latin America
<b>Draper International India Fund</b>	Draper International	India
<b>The Emerging Europe Fund for Sustainable Development, L.P.</b>	TDA Capital Partners, Inc.	Central and Eastern Europe: Poland, Czech Republic, Luxembourg, Romania, and Hungary
<b>Global Environmental Emerging Markets Fund I &amp; II</b>	GEF Management	All OPIC eligible countries
<b>The Great Circle Fund, L.P.</b>	Great Circle Capital, LLC	All OPIC eligible countries
<b>India Private Equity Fund, L.P.</b>	CIBC World Markets	India
<b>Israel Growth Fund</b>	Apax-Leumi Partners, Inc.	Israel
<b>Modern Africa Growth and Investment Fund</b>	BPEP MA Ltd.	Sub-Saharan Africa (excluding S. Africa)
<b>Newbridge Andean Partners, L.P.</b>	ACON Investments, LLC	Columbia, Venezuela, Argentina, Brazil and Chile
<b>New Century Capital Partners, L.P.</b>	NCH Advisors	Ukraine, Russia, Kazakhstan,Georgia, Romania, Bulgaria, Moldova, Estonia, Lithuania, and Latvia
<b>Paladin Realty Latin America Investors II, L.P.</b>	Palador Realty I GP, LLC	Latin America
<b>Poland Partners</b>	Landon Butler & Company	Poland
<b>Russia Partners A &amp; B</b>	Siguler Guff & Co.	Russia and OPIC-covered NIS states
<b>Russia Partners II “O” Series, L.P.</b>	Siguler Guff & Co.	Russia
<b>South America Private Equity Growth Fund, L.P.</b>	Baring Latin America Partners, LLC	Argentina, Brazil, Chile, Colombia and Ecuador
<b>Southeast Europe Equity Fund, Ltd.</b>	Bedminster Capital Management, LLC	Albania, Bosnia & Herzegovina, Bulgaria, Croatia, FYR Macedonia, Montenegro, Romania, Slovenia, Turkey, and, should they become eligible, Serbia and Kosovo
<b>ZM Africa Investment Fund</b>	Zephyr Management, LP	South Africa and regional SADC countries



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