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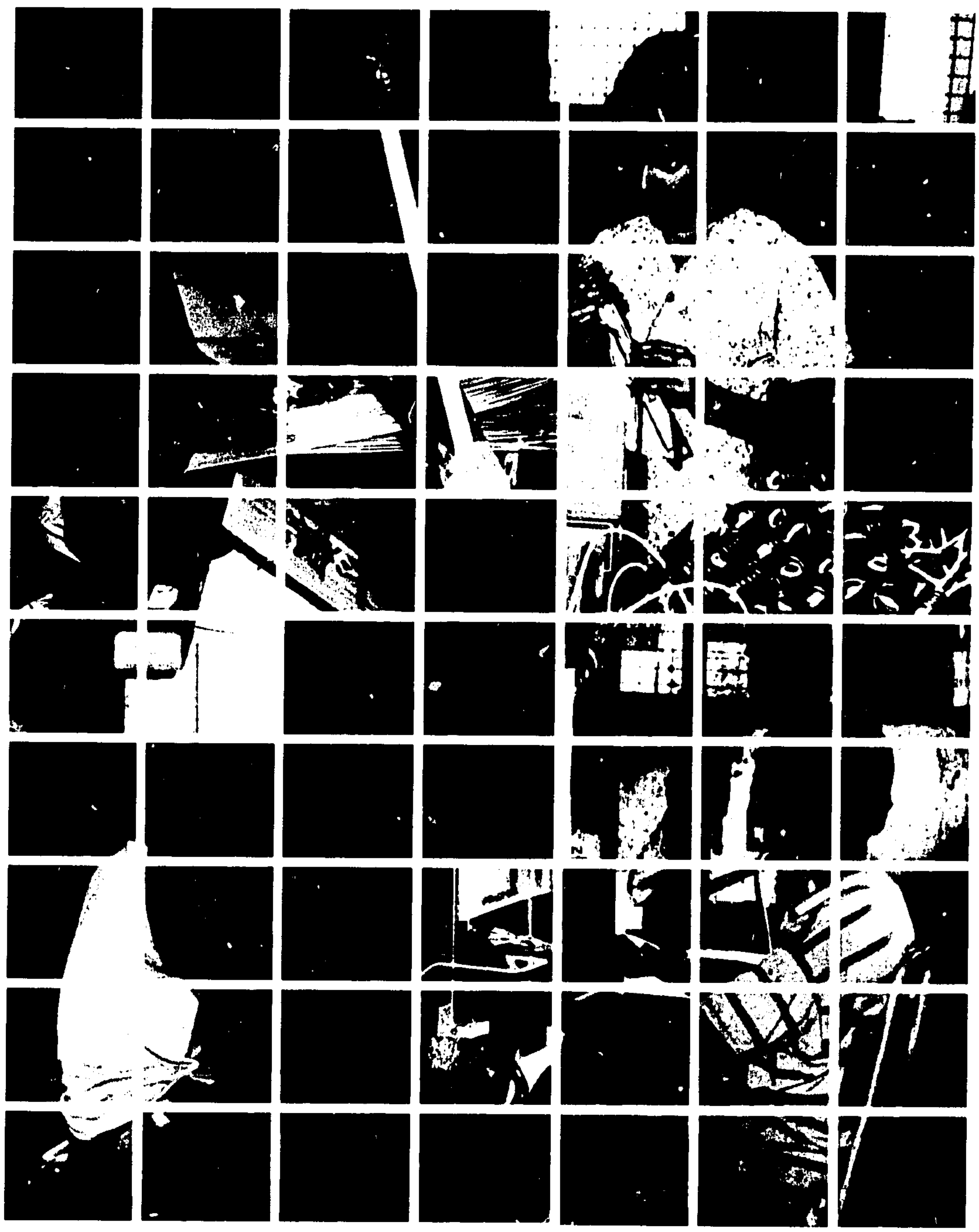
The Private Sector Investment Program



Annual Report
Fiscal Year 1991

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

"The Congress finds that the development of private enterprise, including cooperatives, is a vital factor in the stable growth of developing countries and in the development and stability of a free, open and equitable international economic system. It is therefore in the best interest of the United States to assist the development of the private sector in the developing countries and to engage the United States private sector in that process."

The Private Sector Investment Program
Section 108 of the Foreign Assistance Act of 1961, as amended

Private Sector Investment Program

Fiscal Year 1991

Annual Report

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It is a great pleasure for me to present this 1991 Annual Report of the Private Sector Investment Program on behalf of the staff of the Office of Investment and A.I.D. which have contributed so much to the success of this innovative developmental program. This past year brought several notable successes, continuing challenges, and most of all – new opportunities arising from profound changes, both here and abroad. Perhaps nothing captures this incredible year of change better than *The Washington Post* headline of December 18, 1991, announcing with straight-forward finality:

"Soviet Union to End December 31..."

Climaxing with that dramatic announcement, the many changes wrought in the political and economic landscape since the fall of the Berlin Wall in 1989 have created a new global context for economic development. To be fully responsive to the needs arising from such change, donor groups seeking to perform the pivotal development work for these emerging democracies must themselves be open to change.

Economic transition is ongoing not only in Eastern Europe and the former Soviet Republics, but also in many less developed countries that are now embracing free market principles. It is important that we find creative ways to assist the emerging democracies in Eastern Europe and the former Soviet Union while also maintaining our long-standing commitment to our development clients in Africa, Asia, Latin America and the Near East. The people, governments and businesses of these emerging economies need creative, responsive and energetic development assistance programs. To meet these needs, the Private Sector Investment Program is now even more relevant than it was when originally established in 1983, because it offers a new means of accomplishing economic development in an exceptionally cost-effective and sustainable manner. This Program also represents a dramatically different approach to development: that is, development led by the private sector – in collaboration with the public sector. And development led by the private sector is well accepted as an indispensable means to achieve sustainable, long-term growth and economic self-sufficiency.

Channeling increased financial resources, training and technical assistance to small business continues to be the dominant focus of this Program. Private sector small business includes: entrepreneurial start-ups; expansion of existing companies; cooperatives; non-profits; as well as families and individuals.

Loan guarantees have proved to be very powerful tools to mobilize the capital necessary for sustainable development. In addition, our partnership with local financial institutions and U.S. business through "risk-sharing" facilities, maintains the profit incentive essential to ensure responsible lending. Assisting local financial institutions in lending responsibly to smaller companies leads to profitable experiences that will therefore be sustainable.

During 1991 we continued our efforts to involve U.S. companies in a partnership for economic development. This involvement is good for development and good for U.S. business. Building increased links between the U.S. and foreign private sectors is a particularly effective means of sharing U.S. business skills and technology with developing country businesses and entrepreneurs. At the same time, these links help U.S. companies expand into new international markets. Of special interest are those areas where U.S. companies possess expertise such as

A.I.D.'s first Franchise Guarantee Program facility with AlphaGraphics, Inc. Office of Investment Director Stephen C. Eastham signing agreement with AlphaGraphics Executive Vice President Michael Amies.

franchising, financial services, agri-business, leasing and venture capital. We are particularly encouraged about our new Franchise Guarantee Program, which is designed to assist selected U.S. franchises expand their operations in developing countries. In 1991 we committed our first $3 million guarantee facility to assist a U.S. company seeking to expand its printing and graphic design services in international markets through franchising.

The profound changes that the world experienced in 1991 have had a significant impact on the investment climate around the world and on the Investment Program itself. Notwithstanding these changes, the performance of our existing portfolio has been exceptional. We continue to have an excellent record of loan repayment with minimal claims. Our development objectives remain on track and we continue to provide an important alternative means of accomplishing A.I.D.'s development objectives.

Fiscal year 1991 was a year of growth and innovation in establishing new facilities for the Investment Program. Eighteen guarantee facilities were committed, and four direct project loans were obligated. The current active portfolio of guarantees, loans, and grants was increased to $140 million, representing well over $300 million in capital mobilized by this Program for small businesses.

For the future, we are well positioned to assist developing countries in their efforts to build a competitive private sector. Around the world, the movement towards privatization, entrepreneurship, and market-based economies has created great opportunities.

The Office of Investment and its staff will continue to seek an expanded role for the private sector – for both U.S. and indigenous business – to serve as the primary vehicle for sustainable economic growth in developing and transitional economies. Applying our resources to meet these opportunities can help achieve our goal of creating the opportunity for economic self-sufficiency for everyone. Making the market work for everyone is the essence of our long-term vision. The goals are high, the challenges are great, and the rewards incalculable.

Sincerely,

Stephen C. Eastham

Stephen C. Eastham
Director
Office of Investment

Loan to Corporación Privada de Inversiones (PIC) which provides venture capital in Costa Rica. Senior Investment Officer Carolin Crabbe visits a client, a non-traditional exporter of ferns to Europe.

The Mercator Finance Corporation of the Philippines formally signed its first A.I.D. guarantee facility agreement to support expanded financing of productive industrial machinery for small businesses in the Manila and Cebu regions. Bryan Kurtz, Senior Investment Officer, signs agreement on behalf of A.I.D. with Vincente Ramirez, Jr., President of Mercator.

The Private Sector Investment Program

Overview

Recognizing the pivotal role of private enterprise in fostering economic development, in 1983 Congress enacted Section 108 of the Foreign Assistance Act of 1961 to create the Private Sector Investment Program (formerly the Private Sector Revolving Fund). The Investment Program was designed to promote private sector development in developing countries, primarily through the strengthening of small private sector enterprises.

Small businesses are an important part of both developing and developed country economies, and play a significant role in creating jobs. In the United States alone, small businesses account for over 50% of the workforce.

A key constraint to the growth of many small businesses in developing countries is the difficulty of obtaining adequate financing due to their inability to present a credit history, a business plan, and/or acceptable collateral. Even where borrowers have collateral, banks are often forced to discount its value because of legal or other impediments that make appraisal and collection at full value uncertain. In addition, banks frequently perceive the risks and administrative costs of lending to smaller businesses to be excessive. The lack of alternative sources of finance outside the formal banking sector further exacerbates this critical constraint to small business formation.

A.I.D.'s Investment Program provides important risk-sharing vehicles to encourage developing country lending institutions to gain experience in small business lending. By offering partial guarantees to cover loan credit risk, the Investment Program helps banks become more comfortable with new borrowers and encourages them to extend additional credit to their existing small business clients. As a result of A.I.D.'s guarantee and related training programs, participating financial institutions often determine that small business lending can be profitable, both in terms of loan/interest repayment and increased bank deposits generated from these clients. The long-term goal of this Program is to create new links between banks and small companies which are sustainable even after the A.I.D. Guarantee Program is phased out.

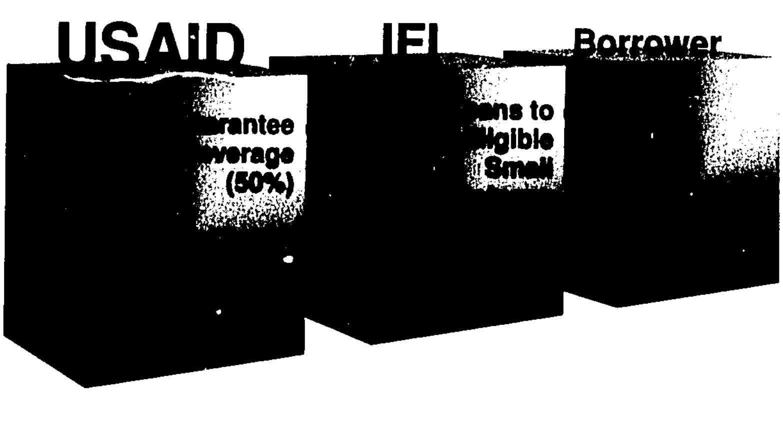
Private Sector Solutions for Market Imperfections

The Investment Program portfolio continues to evolve to meet the changing needs of the developing world. In 1988 Congress added loan guarantee authority to the direct lending authority of the Investment Program, indicating Congress' intent that guarantees backed by the full faith and credit of the United States Government would henceforth be the primary instrument used by the Investment Program to meet its legislatively mandated objectives. As a result, guarantees and training have become the primary tools of the Investment Program. Direct loans continue to be used selectively to finance pilot projects where a guarantee alone is not sufficient to mobilize local investment capital.

Loan guarantees backed by the full faith and credit of the United States Government effectively allow A.I.D. to assist in mobilizing expanded credit for small business without front-end cash outlays.

Guarantees backed by the full faith and credit of the United States Government effectively allow A.I.D. to assist in mobilizing expanded credit for small business without front-end cash outlays. A.I.D. issues guarantees to intermediary financial institutions (IFIs) to cover up to 50% of the principal amount of eligible loans placed under coverage. *(See Diagram 1.)* A $1.0 million guarantee facility will therefore mobilize at least $2.0 million in small business loans. Fees charged by A.I.D. are used to offset future claims. If a claim occurs, A.I.D.'s net outlay is further reduced by any recovery from collections on collateral. Currently, guarantees are limited to $3.0 million for any single project.

Diagram 1: How an A.I.D. Guarantee Works



Sharing risk equally between the IFI and A.I.D. on each loan enhances the probability of achieving a two-fold success: 1) a relatively low loss ratio for the Investment Program, and, more importantly, 2) the financial institution's profitable experience with small business lending – this is the best inducement for lenders to continue lending to small businesses eventually without the added comfort and expense of a guarantee.

The Guarantee Portfolio

The Office of Investment has developed a number of creative programs to meet the various needs of private businesses in developing countries.

Promoting Small Business Lending

Two facilities serve as the hub of the Investment Program's small business promotion activities - the Small Business Loan Portfolio Guarantee (LPG) Program and the Resource Mobilization Guarantee (Mobilization) Program.

Under the LPG facility, A.I.D. guarantees 50% of the risk exposure on a portfolio of loans made by participating financial institutions to small businesses. Eligible institutions include locally owned commercial banks, finance companies, specialized financial institutions, insurance companies, leasing companies, or other similar private financing entities. In response to the needs of small business, the types of credits guaranteed have been expanded since 1989 to include financial leases, lines of credit, and overdrafts. These forms of credit are often used by small businesses in developing countries to expand their operations.

By guaranteeing deposits of U.S. companies in local financial institutions, the mobilization facility provides a way for those institutions to increase their liquidity. That liquidity is then used to expand lending to small businesses. An advantage of this facility is that it increases liquidity for banks and other financial institutions without the foreign exchange risks and inflationary implications inherent in cross-border borrowing.

Promoting Lease Financing as a Development Tool

During 1989 and 1990 the Office of Investment developed a Leasing Guarantee Program to extend its risk-sharing coverage to transactions involving the leasing of capital equipment to small businesses. Leasing plays a significant role in small business development. It provides a business owner with the use of state-of-the-art technology while preserving bank lines of credit for the many other needs of a growing business. In many developing countries inadequate collateral for borrowing makes leasing one of the only means of medium- to long-term financing for capital equipment.

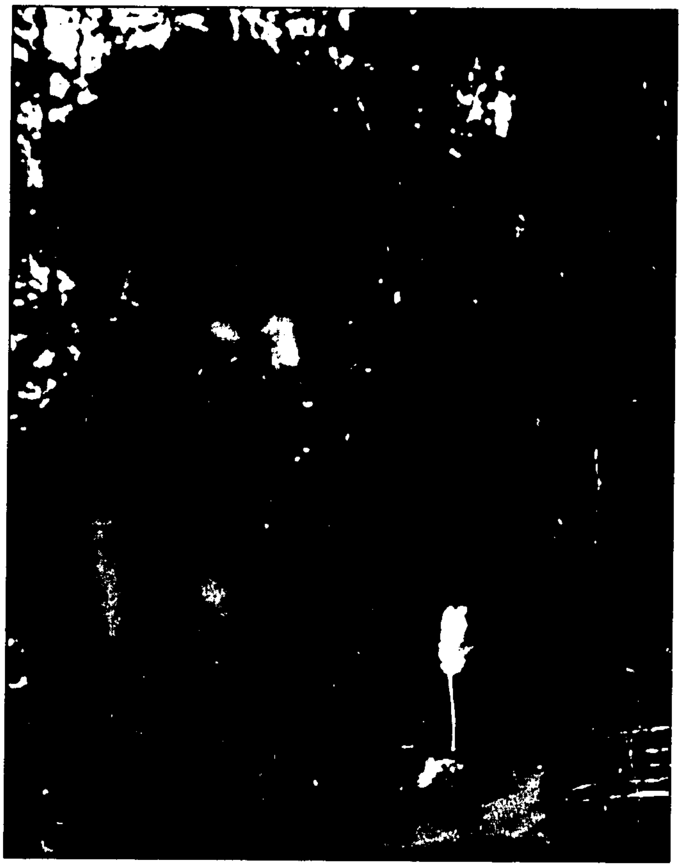
This innovative use of the Guarantee Authority allows A.I.D. to reach smaller lease financing companies and provide them with important risk-sharing coverage. Risk sharing with A.I.D. allows the leasing companies to expand their services to meet the needs of a broader range of developing country small businesses. The potential for this type of program is great; the highest levels of leasing growth are in the lower middle income countries – the principal targets of A.I.D. assistance.

Environmental Projects

As part of an Agency-wide initiative, the Office of Investment has made a concerted effort to target financial assistance to ventures in developing countries that promote 1) environmentally-sound, commercially-viable activities, 2) private sector development activities, and 3) sustainable longer-term development. These targeted ventures include traditional "green" environmental areas such as eco-tourism, forestry, and sustainable land and marine resource development, as well as waste management, pollution control, renewable energy development, and recycling.

A section of a factory of Mega Industrial Enterprises, manufacturers of commercial water heaters. The business was started by Mr. G.R. Ranasingha with self-made equipment. The industry was funded by an AID-guaranteed loan from Seylan Bank's Maharagama Branch to modernize its equipment and techniques. Mega Industries has a workforce of around 50 people and is one of the leading manufacturers of water heaters in the country.

Photograph courtesy of Sunil A. Mendis, Seylan Bank, Sri Lanka, 1991.



Rubber tapper in the Amazon rain forest.
Photograph by © Paula Lerner 1990, courtesy of Cultural Survival, Inc.

To date, the Office of Investment has provided project funding for several innovative environmental projects. The Investment Program portfolio includes two direct loans to an organization that works with rainforest inhabitants to create environmentally-sound sources of income from non-timber forest products. Another direct loan provides funding for a non-profit U.S. corporation that invests in renewable energy businesses in developing countries. A third project is assisting an eco-tourism business located in Costa Rica in the Monteverde Cloud Forest region.

Privatization Guarantee Program

As the global trend toward privatization of state-owned industries continues, the need for medium and long-term credit to finance these privatizations has become acute. Lack of credit affects the ability of the government to privatize both small and large businesses and limits participation by small and large investors. In fiscal year 1991 the Office of Investment created a $20.0 million Worldwide Privatization Guarantee Program to address this market imperfection. Under a Privatization Guarantee facility, A.I.D. provides 50% guarantees on debt instruments made or issued by eligible banks, financial institutions and companies for viable privatization transactions, including divestitures, restructurings and liquidations that have been approved by host countries and are acceptable to A.I.D.

Examples of eligible transactions include: 1) loans to Employee Stock Option Programs so that individual employees can own part of the company; 2) loans to private local investors; 3) commercial debt incurred by enterprises that have been privatized; and 4) debentures issued by newly privatized companies.

Tire factory undergoing privatization in Sri Lanka.

Small Business/Bank Credit Training Program

To complement its guarantee programs, the Office of Investment designs and implements training programs for bankers and small business owners in developing countries. In addition to the successful implementation of past training programs, a new program has been initiated which will provide a series of 54 one-week courses over a three year period in selected A.I.D. countries. The purpose is two-fold: 1) to work with intermediary financial institutions in increasing their knowledge of the way loans to small businesses can be structured and managed, particularly cash-flow-based lending techniques; and 2) to help small business owners improve their financial management techniques, as well as increase their knowledge of how to successfully obtain and repay loans.

These training programs promote the ability of lenders to lend to small businesses and the ability of small business owners to successfully identify and utilize the potential resources available to them through the formal banking system.

A.I.D. and U.S. Businesses: Partnership for Development

As part of the Investment Program's legislative mandate and A.I.D.'s Partnership for Development Initiative, the Office of Investment continues to place an emphasis on getting the U.S. business community involved in A.I.D.'s international development activities. Such involvement has the dual benefit of efficiently transferring appropriate technology, credit and know-how to developing countries while helping U.S. companies improve their competitive positions and expand their international operations. The Investment Program focuses on fostering these relationships because they build long-term linkages, both economic and cultural, between private sectors in the U.S. and developing countries. Two Investment Program facilities in particular are effective in building these relationships – the Forfait Guarantee Program and the Franchise Guarantee Program.

Non-Recourse Export Finance

The Forfait Guarantee Program provides a credit bridge between U.S. exporters and importers in A.I.D.-assisted countries through support of non-recourse export financing (forfaiting) transactions. Under a forfaiting arrangement between a U.S. exporter and a developing country importer, the exporter accepts from the importer a series of promissory trade notes that are guaranteed by the importer's bank in payment of the export. The U.S. exporter then sells these notes at a discount to a forfait house, a financing organization that specializes in buying and selling these trade notes. Once the notes are sold, the forfait house or other buyers no longer have recourse to the exporter, but only to the importer who issued the notes and its developing country guarantor.

Forfaiting is a method of trade finance frequently used in more developed countries that could also be useful in the developing world. A.I.D. guarantees help to encourage forfait houses to assume developing country risk. Under its facility A.I.D. will cover up to 50 percent of the risk undertaken by the forfait house upon purchase of the developing country note. This facility has the advantage of promoting U.S. exports to developing countries, introducing an important financing mechanism to developing country importers, and creating trade relationships between U.S. exporters, the forfait houses, developing country importers and their guarantor banks.

U.S. Franchise Support Services

The second program designed to promote the private sector in developing countries utilizing U.S. business participation is the Franchise Guarantee Program. Franchising is a quick and lower-risk means to start small businesses. The business system included in the purchase of a franchise helps get new businesses up and running smoothly and efficiently and offers the business a higher probability of success than formation of new businesses without an established system. This is an accepted method of transferring U.S. technology, skills and training with relatively small capital investments.

Franchising provides important goods and services, as well as the transfer of technology, critical know-how, and general business skills needed to participate successfully in a market economy. As such, franchising is particularly attractive for the developing world. However, the lack of adequate finance for potential developing country entrepreneurs has created an impediment to the growth in this method of starting new, small businesses. U.S. banks are reluctant to extend credit in these countries, and local banks often have no experience with franchising.

To bridge this financing gap, A.I.D. provides loan guarantees for developing country entrepreneurs seeking to own a U.S. franchise. The guarantees will cover loans made by commercial banks to individual franchisees in developing countries. Initially, the emphasis will be on projects which support U.S. franchisors engaged in business-to-business services; as the program evolves franchises in a broader range of services will be considered.

To bridge a financing gap, A.I.D. provides loan guarantees for developing country entrepreneurs seeking to own a U.S. franchise.

The response to this program from the U.S. business community has been extremely positive; the Office of Investment continues to receive a steady stream of inquiries and applications. Given the significant demand from U.S. companies and the critical need for proven business products, services and systems in developing countries, we hope to expand this important development tool in partnership with U.S. companies.

1991 Operational/Financial Summary

FY 1991 was a year of change and challenge for the Private Sector Investment Program. Commitments totalling $34.8 million were made for 18 guarantee projects. Obligations totalling $8.5 million were made for 4 direct project loans. These 1991 projects were primarily focused on:

- *Mobilizing resources for small business lending*
- *Promoting institutional development*
- *Supporting the privatization of state-owned businesses*
- *Non-recourse export financing (forfaiting)*
- *Environmental promotion*
- *Promoting U.S. franchises*

The new investments brought the total value of the active portfolio to $139.5 million, consisting of 91 projects.

Direct Loans	$19.5 million
Guarantees	$119.3 million
Grants	$0.7 million

These projects cover 28 individual countries, with 4 regional and 7 multi-regional/country or worldwide projects.

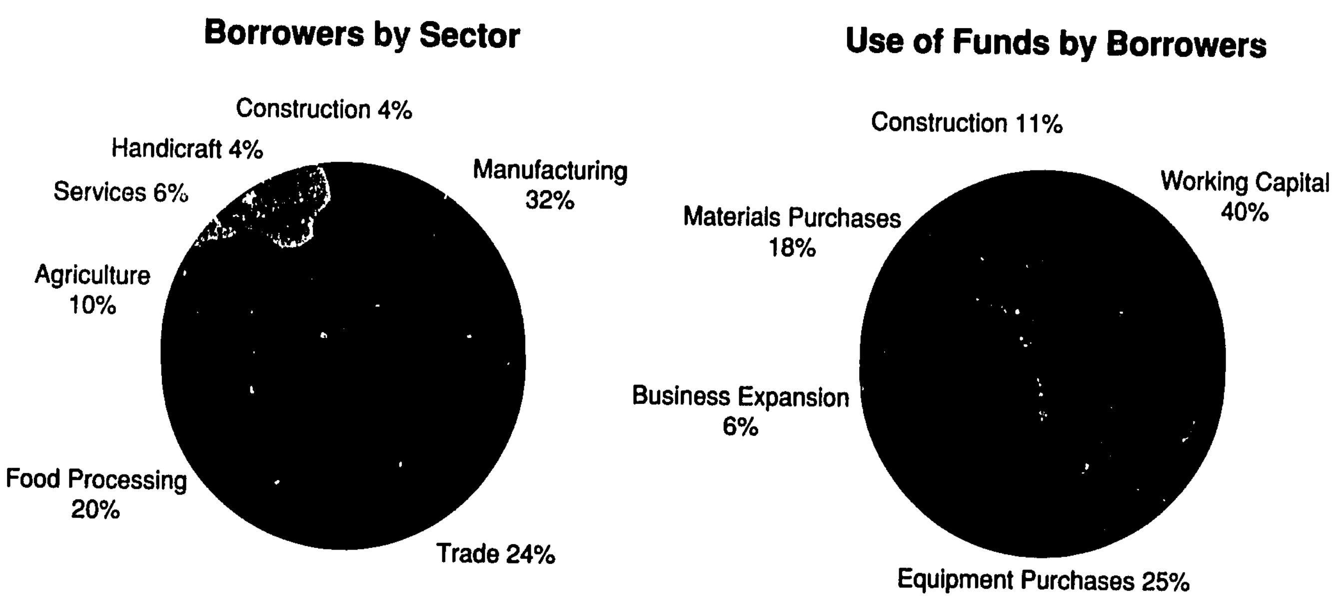
The risk ratings of these projects are as follows:

Low	29%
Medium	45%
High	26%

Developmental Review

The primary goal of the Private Sector Investment Program is to promote developing country private enterprise as a means of facilitating sustainable economic development. Its particular focus is on expanding small business activity. To assess the effectiveness of its various programs and individual facilities in meeting its development objectives, the Office of Investment initiated a system for the collection of base line data on individual financial institutions. These data are important in monitoring and evaluating the Investment Program's development impact. To date, investment monitoring and evaluations indicate that the Investment Program is achieving its development objectives.

SMALL BUSINESSES UTILIZING A.I.D.–GUARANTEED LOANS*



**based on review of 606-Loans – 1991 Investment Program Analysis*

A 1991 Investment Program review indicates that both the small business borrower and the lending banks are significantly affected. A.I.D. guarantees have helped small scale enterprises in the following areas :

- *Reduction in collateral requirements*
- *Increased access/availability of credit*
- *Increased gross revenue and net income*
- *Increased export earnings*
- *Expanded employment (including a significant increase in female employment)*
- *Increased wages*

Intermediary financial institutions have had an equally positive experience. A.I.D.'s training and guarantee programs have had several important achievements:

- *New borrowers are brought into formal banking channels for the first time.*
- *Financial institutions increase the number and size of loans to small and medium scale enterprises (the average size of A.I.D.-guaranteed subloans since 1988 has been $37,500).*
- *Banks increase branch lending in rural areas.*
- *Exposure limits are increased in certain industries and sectors.*
- *Banks are able to increase leverage.*
- *Market competitiveness is enhanced.*
- *Banks receive training in cash flow analysis rather than collateral analysis as a basis of credit analysis.*
- *Loan terms are extended.*
- *Collateral requirements previously used have been reduced.*

The Office of Investment has also initiated a system of increased project monitoring, policy discussions on lending practices, and training to increase utilization of portfolio guarantee facilities. Our experience to date has shown that banks participating in the A.I.D. Guarantee Program frequently require additional encouragement and support to achieve a significant increase in their small business lending activity. By increasing the level of ongoing communication and training with these institutions, the Office of Investment is promoting full utilization of these facilities.

Mr. Reifus Prasad Fernando is a self-employed businessman who makes stuffed animal toys. He received an AID-guaranteed loan from the Moratuwa Branch of Seylan Bank for the purchase of sewing machines and other raw materials. The business has since expanded and makes around 40 to 50 toys per day.

Photograph courtesy of Sunil A. Mendis, Seylan Bank, Sri Lanka, 1991.

REGIONAL DISTRIBUTION OF INVESTMENT PORTFOLIO

■ Mexico

■ Dominican Republic

Guatemala ■

■ Jamaica

■ Costa Rica

■ Ecuador

LATIN AMERICA & CARIBBEAN

■ Bolivia

■ Paraguay

■ Chile

Turkey

ASIA

Morocco

Tunisia

Jordan

Pakistan

Nepal

Bangladesh

NEAR EAST & NORTH AFRICA

Mali

Thailand

Ghana

Philippines

Togo

Nigeria

Cameroon

Sri Lanka

Uganda

Kenya

Indonesia

AFRICA

Zambia

Botswana

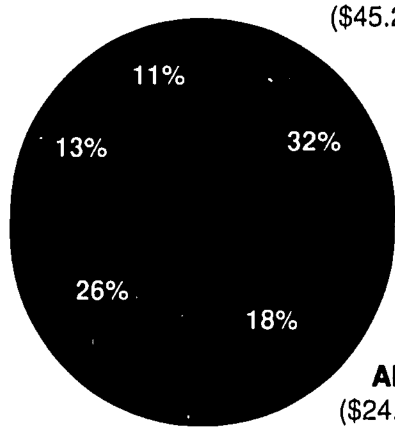
Mauritius

ACTIVE INVESTMENT PORTFOLIO REGIONAL DISTRIBUTION*

NEAR EAST AND NORTH AFRICA
($15.5 million)

ASIA
($45.2 million)

MULTI REGIONAL/COUNTRY FACILITIES
($17.8 million)



LATIN AMERICA & THE CARIBBEAN
($36.3 milion)

AFRICA
($24.7 million)

**by U.S. dollar contigent liability*

During 1991, many countries in Sub-Saharan Africa continued to face difficulties in achieving real economic growth. Performance was hindered generally by inappropriate economic policies, the slow pace of industrialization, the volatility of commodity prices, and political instability in some regions. The situation was further exacerbated by the Gulf conflict. Even Africa's oil-producing nations, which benefited from higher prices during this period, suffered from rising inflation and other distortions in the economy. Nevertheless, there were some bright spots. In many of those countries which have been participating in structural adjustment programs, reforms are making a measurable difference. Both growth rates and export performance have improved over the past three years in these countries, mainly as a result of trade and exchange rate liberalization, privatization, and fiscal discipline. Moreover, the trend in the deterioration of per capita income has been reversed in many cases.

The Sub-Saharan Africa region experienced unprecedented political changes during 1991 which ultimately can be expected to affect the policy environment and investment climate. Multi-party elections were held in a number of countries, including Cape Verde, Benin and Zambia, and several other countries are scheduled to hold multi-party elections in 1992. The outlook for improved political stability and democratic reform in the region is promising.

1991 Activities

The Office of Investment is currently active in ten countries in Sub-Saharan Africa. The Investment Portfolio includes some 22 projects totalling $24.7 million or 18 percent of the total portfolio.

Priority areas of focus this year were capital markets, export promotion, venture capital and small business. Two new guarantee facilities for small business were established through privately-owned banks in Ghana and Uganda. There are now eleven such small business guarantee facilities in ten countries in Sub-Saharan Africa. In addition, a $2.0 million guarantee facility was established for *EDESA S.A. Luxembourg*, in support of EDESA's venture capital activities in Sub-Saharan Africa.

Other projects undertaken in these areas during 1991 are highlighted as follows:

Botswana

The financial market in Botswana is relatively undeveloped. Lending practices of banks continue to be rather conservative, despite excess liquidity in the financial sector. Savers and investors focus on the short-term horizon. Consequently, financial institutions tend to make loans on a short-term basis. Therefore, it is often difficult for smaller companies to gain access to longer term investment capital.

If the fast-growing Botswana economy is going to maintain its momentum, a range of medium and long term savings and investment instruments must be developed to facilitate access to longer term credit and provide a stable source of capital for business expansion.

To address this market imperfection, ulc (Pty) Limited, Botswana, a newly-formed financial leasing company, plans to issue a series of Transferable Certificates of Deposits (TCDs) to local investors. These TCDs will be denominated in Pula with maturities of 18 to 36 months. Ulc plans to use the proceeds from this issuance to finance leasing transactions for small businesses.

A.I.D.'s $750,000 guarantee, which will be extended through *EDESA S.A.*, will serve to support the issuance of the TCDs. EDESA S.A., is a privately-funded development bank which provides equity and debt financing to support private sector development in Equatorial and Southern Africa.

A.I.D.'s guarantee will promote the development of capital markets by introducing a new money market instrument, encourage the mobilization of medium-term savings by extending institutional and individual investment horizons beyond the short term, and support the institutional development of a new financial intermediary in the Botswana financial sector.

Uganda

Uganda is in the early stages of an economic recovery program, following several years of economic and political instability. The Government of Uganda is actively encouraging private sector initiatives and strongly supports a market-oriented economy. The scarcity of foreign exchange, the general lack of liquidity in the economy, and the need to rehabilitate the export sector, particularly in the area of non-traditional exports, are among the Government's primary concerns at this time.

In support of the economic reform measures undertaken by the Government, A.I.D. has established a $1.5 million guarantee facility for *Equator Bank Ltd. (EBL).* The facility will assist EBL in providing short term trade financing for privately-owned small and medium scale Ugandan enterprises engaged in exporting. This facility is designed to address the critical need for both foreign exchange and local currency, the lack of which has been constraining the growth of activity in the export sector. EBL will be assisted in this undertaking by Nile Bank Ltd., a privately owned Ugandan financial institution, which will identify and screen potential candidates for this program.

Loans placed under guarantee coverage will be used primarily to finance the purchase of non-traditional agricultural export crops, raw materials and necessary production inputs. A.I.D.'s guarantee, which will cover up to 50% of the risk associated with losses on the principal amount of loans made by EBL to qualified exporters, will mobilize up to $3.0 million in short term financing for small and medium scale enterprises in Uganda. It will also serve to promote the economic recovery of Uganda by stimulating the non-traditional export sector and facilitating the generation of foreign exchange earnings. Finally, it will encourage privately-owned small and medium size enterprises to expand their sales into export markets.

Kenya

While progress has been made in Kenya in terms of developing capital markets, it is still difficult for entrepreneurs to obtain long term financing from institutional sources for new projects. Commercial banks, insurance companies and pension funds alike are generally reluctant to accept longer term credit risk. This reluctance inhibits the venture capital process by limiting access to long term investment capital. A stable source of capital for business expansion is clearly needed to promote and sustain the growth of the private sector.

Kenya Equity Capital Limited (KECL) is a newly-formed, privately-owned venture capital firm. It makes equity investments in primarily small and medium scale business enterprises in Kenya. Often, long term debt financing is required to complement the equity financing that is contributed by KECL and the project sponsor. KECL proposes to utilize A.I.D.'s guarantee to encourage local financial institutions to make credit available for these projects. Being able to mobilize financial resources on a timely basis is critical to the success of a new project. The enhancement value of A.I.D.'s guarantee in this regard is significant and will aid in supporting the venture capital process presently being tested in Kenya.

A.I.D.'s $2.0 million guarantee will cover up to 50% of the risk associated with losses on the principal amount of loans made by Kenyan financial institutions to KECL investee companies, and will mobilize up to $4.0 million in debt financing for small and medium scale enterprises in Kenya. In addition, it will promote the development of capital markets, facilitate access to long term investment capital, and support the institutional development and sustainability of a new financial intermediary in Kenya's financial sector.

A.I.D.-assisted countries in Asia exhibited varying degrees of growth during the past year. At the high end of the spectrum were Thailand and Indonesia, followed by, Pakistan, Sri Lanka, Bangladesh, India, and Nepal. The Philippines continued a moderate economic recovery rate, although less than the previous year. Affecting this rate was a variety of natural disasters that struck the country, including the eruption of Mt. Pinatubo, an earthquake north of Manila, a major typhoon, and the increase in oil prices in 1990.

The policy reforms undertaken by A.I.D.-assisted countries in Asia helped the region in maintaining growth in 1991 in spite of unfavorable world conditions, including recession in several major developed countries and the conflict in the Gulf. The policy reforms affecting private enterprises have included: deregulation of trade and industrial markets; import liberalization; capital and financial market reforms; efforts to improve fiscal accounts; and decreased subsidization. In the area of trade, the region as a whole has continued its efforts to maintain competitive foreign exchange rates, decrease tariff and non-tariff barriers to imports, and pursue greater market diversification.

1991 Activities

At year end, the Private Sector Investment Program had 33 project investments in Asia totalling $45.2 million. These projects comprise 32 percent of the active Investment Program portfolio. Highlights of new investments made in fiscal year 1991 follow.

Indonesia

A.I.D. committed a $3.0 million small business guarantee facility to *Bank Umum Nasional*. Started in 1952, Bank Umum is one of the five largest private foreign exchange banks in Indonesia. One of its major strategic objectives is to remain a secure source of short and medium term capital to support the grassroots development that is so important for Indonesia's economic growth.

A second investment with a significant developmental opportunity was the commitment of a $0.5 million loan guarantee facility to *Niaga Factoring Corporation*. Niaga is one of the first factoring companies in Indonesia to be created under recent financial sector reform legislation.

Factoring corporations provide credit to companies by purchasing their receivables based on the credit rating of the buyers of company products, not on the credit standing of the company itself. Thus small companies which produce quality merchandise are able to obtain financing without the typically high collateral demanded by commercial banks. By its very nature, factoring provides an alternative financing option for small business. This is the first A.I.D. loan guarantee facility anywhere devoted exclusively to the factoring industry.

Limcoma Marketing Cooperative, Inc. of Sabang, Lipa City in the Philippines. This feedmill operation supplies soya, corn and fishmeal feeds and offers flexible credit terms to over 2,000 member hog and poultry farmers. A.I.D. has supported the cooperative's financing provided by Philippine Commercial International Bank with a partial A.I.D. guarantee.

Philippines

Adding to its growing Philippine investment portfolio, A.I.D. has committed a $0.5 million guarantee facility to *Asiatrust Bank*. Asiatrust Bank is a 100% Filipino owned bank formed in 1960 as a development bank. It emphasizes lending to small and medium size businesses in the Philippines.

This facility brings to eleven the number of private sector financial institutions utilizing the Private Sector Investment Program's facilities through USAID/Manila. The combined portfolio now mobilizes over one billion pesos for small and medium enterprises in the Philippines. USAID/Manila's Private Enterprise Support Office sees these guarantee facilities as an integral part of its overall mission programming for the private sector. Asiatrust Bank will utilize its small business guarantee facility in combination with the USAID's Small Enterprise Credit (SEC) project. That facility is a market rate liquidity facility designed to generate rural deposits.

Sri Lanka

A.I.D. expanded its Sri Lankan investment portfolio by committing a $0.5 million small business guarantee to Citibank, Colombo. This facility will guarantee up to 50% of the principal loss on qualifying loans extended by *Citibank, Colombo* to small businesses.

For the approximately 15 years that Citibank has been active in Sri Lanka, the bank has primarily focused on larger corporate customers. With the A.I.D. guarantee facility Citibank will be able to expand its client base to the smaller-sized business customer, use the guarantee to mitigate its risk, and gain valuable experience in servicing small business customers more actively. Because of Citibank's global role in international banking, this facility has the important added benefit of serving as a model for local banks as well as other large international banks considering small business lending.

A.I.D. has also committed a $1.5 million guarantee to *Seylan Bank*, Sri Lanka's newest privately owned bank. As with the Citibank facility, this new guarantee program is designed to encourage Seylan Bank to extend affordable credit to smaller companies.

To supplement the guarantee facility, A.I.D. has also extended a $1.0 million direct loan to *Seylan Bank* to finance up to 50% of the costs of computerizing Seylan Bank's headquarters and branch offices. Approximately ninety percent of the $2.2 million project budget will be devoted to the purchase of U.S. made materials, including hardware, software, and automatic teller machines. Through this venture, A.I.D. assists the bank in its rapid delivery of credit to rural customers, and promotes private sector involvement in Sri Lanka's banking sector. Currently, two fully-computerized public sector banks account for two-thirds of commercial bank assets and dominate business with government and state-owned enterprises. Private sector participation in the Sri Lankan financial community is relatively small but growing: the four privately-owned banks hold approximately 16% of commercial bank assets.

Batik Printing Textile Industry in Pekalongan, Central Java, Indonesia. The owners, Mr. Aminoto Tendean and Ms. Lanny Tan, have been banking with PT. Bank Umum Nasional since 1988. They have received A.I.D.-guaranteed financing for a set of boilers and steamer machines. This machinery has reduced their production costs and created new job opportunities for local people.

Photograph courtesy of Tiurma Siabaan and Nathalie R. Prijosembodo, Bank Umum Nasional, Indonesia, 1991.

During 1991, as in the "Lost Decade" of the 1980s, economic growth in Latin America and the Caribbean continued to be very slow. The heavy foreign debt burden and persistently high levels of inflation continued to dampen opportunities for investment and private sector growth.

Yet, this year many countries in the region made considerable progress towards deregulation and liberalization of trade, raising exports, diversification of agriculture, and implementation of stringent structural adjustment programs. To a large extent, these measures reflect the new political thinking in Latin America and the Caribbean, and offer hope that the trends of the past decade may be reversed. In light of these reforms, and of the Enterprise for the Americas Initiative, Latin America and the Caribbean appear better positioned to move toward economic recovery.

1991 Activities

The Office of Investment is currently active in nine countries in Latin America and the Caribbean. The investment portfolio includes 21 projects totalling $36.3 million or 26% of the total portfolio.

This year, the Office of Investment's projects in the region supported the important objectives of increasing trade, reducing public participation and hence expenditures in industry and business, and creating a more efficient financial structure. In fiscal year 1991, the Office of Investment: 1) created a new financial guarantee facility to assist in the privatization process so essential to reducing the region's public sector deficit; 2) launched a venture capital initiative to support non-traditional exports which are vital to the reduction of the debt burden; and 3) expanded its microenterprise lending activities and its training program for small business lending. The projects undertaken in these areas are described in the paragraphs which follow.

Regional (Microenterprise Lending)

Through an additional $2.0 million direct loan to *ACCION International*, A.I.D. continues to support the expansion of microenterprise lending in Mexico, Chile, Costa Rica, Ecuador, Paraguay, as well as in other countries. A.I.D.'s prior support for ACCION's microenterprise programs has resulted in over 15,000 loans from 1989 to 1991. Microenterprises have difficulty in acquiring funding to finance operations or expansion because of (1) the exceptionally high rates charged by lenders in the informal sector, and (2) the unwillingness of commercial banks to lend to them because of the high costs of transacting small loans, higher perceived risk, and lack of collateral.

This additional funding will enable ACCION to expand its microenterprise lending activities by increasing the pool of resources available to ACCION's local affiliates for on-lending to microenterprises. A large percent of all economic activity in Latin America and the Caribbean takes place in the informal sector through microenterprises. Through this loan, A.I.D. therefore addresses several crucial developmental goals. It increases access to credit of literally thousands of microenterprises, which, as noted, comprise significant percentages of the economy. Moreover, because

The Saez family works six days a week selling produce at a local market in Maipu, on the outskirts of Santiago, Chile. In 1990, they obtained an AID-guaranteed microenterprise loan from an ACCION International affiliate in Santiago, the first loan in more than 10 years of operating their business. As a result, they have been able to expand their variety of produce and purchase a truck to transport their produce.

Manuel Fallas Campos and his wife started and own their bakery business, Reposteria Santa Elena, in San Jose, Costa Rica. Since January 1989, Mr. Fallas has received four loans from AVANCE Microempresarial, a micro-enterprise organization in Costa Rica that has been supported by USAID. Since its first loan, Reposteria Santa Elena has experienced tremendous growth, doubling sales and net income, expanding product lines, and generating employment for 7 people, 4 of whom are women.

ACCION offers credit at market rates of interest, the loan encourages micro-entrepreneurs' operational efficiency. Finally, the A.I.D. loan creates employment opportunities as sub-loans allow micro-entrepreneurs to improve and expand their operations.

Costa Rica (Support for Non-traditional Exports and Venture Capital)

During 1991, A.I.D. also extended a $3.0 million loan to the *Corporacion Privada de Inversiones, S.A. (PIC)*. PIC is one of the few Costa Rican institutions that serves as an investment bank for the financing of non-traditional exports and tourism projects and that provides venture capital and start-up support for such endeavors. PIC, founded in 1984, is now a leader in providing medium- to long-term financing, equity investments, and other financial services not readily available from other Costa Rican financial institutions. PIC has concentrated its investments in industries that generate foreign exchange, particularly non-traditional exports such as cut flowers, ferns, garments, and shoes.

The A.I.D. loan serves several important goals: increased credit to smaller businesses and entrepreneurs (venture capital for start-ups); expansion of non-traditional exports; and deepening of Costa Rica's financial markets through support of its only investment bank. Because PIC will also direct resources to non-traditional exports and tourism projects, the loan will also promote income and employment opportunities in these sectors.

Jamaica (Privatization)

A.I.D. has established its first *Privatization Guarantee Facility* for $10.0 million in Jamaica. This facility will provide 50% guarantees on debt instruments made or issued by eligible banks, financial institutions, or companies for viable privatizations. Initial subscriptions will be limited to five organizations, which will compete on a first-come, first-serve basis.

The Privatization Guarantee Facility holds particular promise and significance in the Jamaican context, since the Jamaican government has demonstrated a solid commitment to privatization. For example, it has sold $200 million in state-owned assets, including 10 (of 15) major hotels, 20 large enterprises (3 by public offering and 17 by private placement), 57,000 acres of land (mostly sugar cane fields), and various public services transport, garbage collection, and hospitals. Another 75 companies, hotels, financial institutions, and free zones are scheduled for privatization. However, because most of these have operated in the red for a continued period, many investors have wondered whether the private sector could operate them efficiently. A.I.D.'s guarantee facility will strengthen the existing momentum to complete these privatizations.

Private enterprise activities in all A.I.D.-assisted countries in this region were significantly impacted by the Gulf conflict. Extensive war damage, disruptions in trade, costs of financing military activities, ecological destruction, and refugee and repatriated worker expenses have had serious consequences for countries throughout the region. The Gulf conflict froze the tourism industry throughout the Near East and North Africa, the loss of revenue from which was especially felt in Egypt and Israel. However, the situation launched by the Gulf conflict may lead to unexpected market advances as the region rebuilds its infrastructure, ushering in new private sector development.

Middle Eastern nations – particularly Kuwait, Iraq and Jordan, now face significant post war restructuring challenges. In spite of the war, several economies in the Near East region are managing to prosper. Turkey started to reap the fruits of its economic liberalization program with a high growth rate in 1991. Morocco also has improved trade prospects through liberalizing market controls and the launching of the US-Morocco Bilateral Investment Treaty.

1991 Activities

The Office of Investment is currently active in three countries in North Africa and the Near East. The Investment Portfolio includes some 8 projects totalling $15.5 million, or 11 percent of the total active portfolio.

The primary concentration of activity is in Morocco and Tunisia. This year a new small business guarantee facility was established in Morocco to support small business lending, bringing the total number of such facilities in Morocco to 5. Participating financial institutions include four privately-owned banks and one leasing company.

In addition, a new guarantee facility was designed this year in support of privatization in Tunisia. Highlights of this facility follow.

Tunisia

USAID/Tunisia has provided significant support for privatization in Tunisia over the past three years, including a Resident Advisor to the Committee for Restructuring Public Enterprises (CAREPP), Office of the Prime Ministry. The new Private Enterprise Promotion (PEP) project will continue with assistance in investment banking and financial analysis, as well as research and training relevant to the privatization process.

In support of USAID Tunisia's activities in this country, the Office of Investment committed a $3.0 million Privatization Guarantee Facility to the *Banque Internationale Arabe de Tunisie (BIAT)*, a privately-owned financial institution. The A.I.D. guarantee will cover loans made by BIAT to employees to finance the purchase of shares and/or assets of publicly-owned companies which are being privatized. This program is a direct response to the government of Tunisia's request that employee participation be a focus of the Office of Investment's support under a pilot facility. BIAT has been providing advisory services and financing for a number of the early privatization transactions. In addition to loans that it may extend under the guarantee facility or otherwise in support of qualified privatization activities, BIAT is capable of providing equity financing through two investment funds that it has established and manages, as well as through its brokerage activity on the Tunisian Stock Exchange.

1991 Activities

The portfolio, as of the end of fiscal year 1991, included 7 multi-regional/country investment projects totalling $17.8 million. These projects comprise 13 percent of the active portfolio. Investments in fiscal year 1991 are as follows.

Forfaiting

Adding to its Forfait Guarantee portfolio, A.I.D. committed a $2.5 million guarantee facility to *Barclays'* U.S. based forfaiting operations. Barclays, a major international financial institution based in the U.K., has a diverse global presence and a long history of successful trade and financing transactions in developing countries, with particular strength in Africa. It has branches and affiliates in 40 A.I.D.-assisted countries, and the necessary in-depth country knowledge and experience to generate forfait transactions. This facility is designed to increase the flow of trade credit to A.I.D.-assisted countries, while at the same time promoting U.S. exports.

Environment

In fiscal year 1991 a $2.5 million direct loan was extended to *Cultural Survival Enterprises (CSE)*, adding to the $0.5 million A.I.D. loan made in 1990. CSE is the trading division of Cultural Survival, a non-profit human rights organization whose primary objective is to aid indigenous people who inhabit some of the world's most threatened eco-systems. Cultural Survival's mission is to assist these people in: 1) protecting their legal rights to hold land and derive income from the world's rain forests; and 2) finding and developing sources of income that will not destroy either the environment or their resource base.

CSE has been established as the trading division to help in carrying out this mission. The A.I.D. direct loan provided working capital to assist CSE in purchasing an inventory of non-timber raw materials harvested in the rain forests by local inhabitants which will be resold by CSE on international markets.

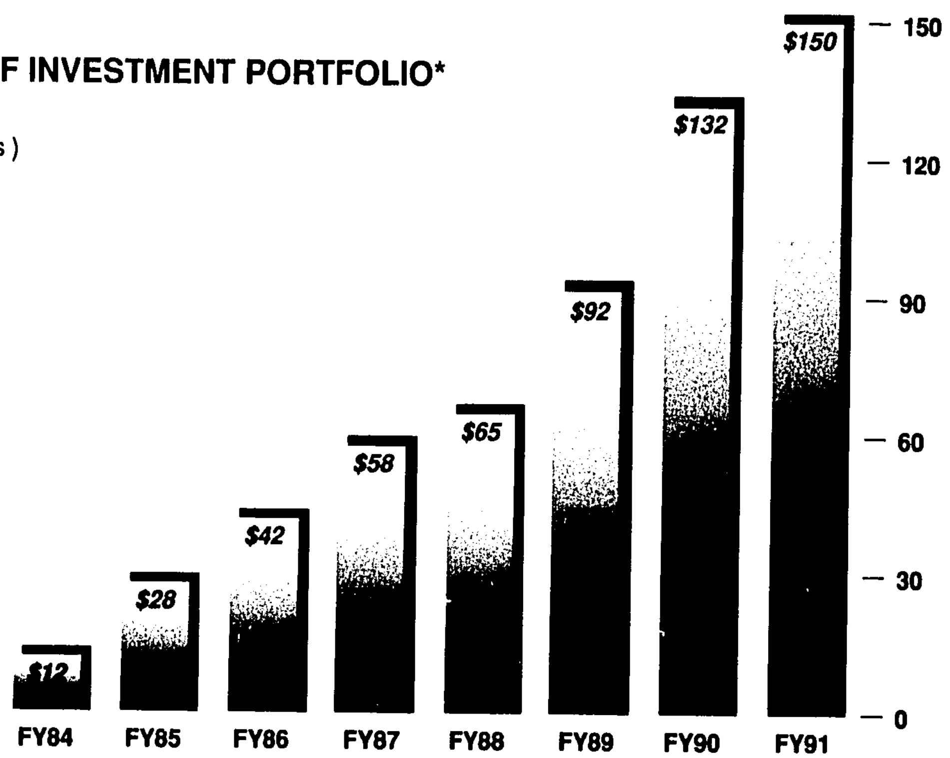
Franchising

In fiscal year 1991 A.I.D. started a new Franchise Guarantee Program designed to assist U.S. franchises in expanding their operations in developing countries. A.I.D. launched the new program with a $3.0 million pilot facility with a rapidly growing printing and copying business that is seeking to expand its overseas operations. This initial request for an A.I.D. guarantee facility was sought in order to increase franchise activities in A.I.D.-assisted countries, including Eastern Europe. Franchise companies offering critical business services, such as printing and copying, provide important goods and services to local and foreign businesses, as well as the transfer of appropriate state-of-the-art technology. Additionally, U.S. franchises provide first-hand experience for developing country entrepreneurs in profit-oriented businesses and transfer critical know-how and general skills needed to participate successfully in a market economy.

September 30, 1991
Expressed in U.S. $ millions

	LOANS	GUAR.	GRANTS	TOTAL	% OF PORTFOLIO	NO. OF PROJECTS
Africa	3.00	21.65	0.05	24.70	18%	22
Asia	4.38	40.71	0.12	45.21	32%	33
Latin America & Caribbean	6.76	29.00	0.50	36.26	26%	21
Near East and North Africa	–	15.50	–	15.50	11%	8
Multi Regional/Country Facilities	5.40	12.42	–	17.82	13%	7
Total	19.54	119.28	0.67	139.49	100%	91
% of Total	14.0%	85.5%	0.5%	100%		

GROWTH OF INVESTMENT PORTFOLIO*
1984-1991
(in U.S. $ millions)



**Authorizations/obligations less write-offs and de-obligations*

September 30, 1991
Expressed in U.S. $ million

	PRIMARY SECTOR	FY	TYPE	LOANS	GUAR.	GRANTS	TOTAL
Africa Regional							
EDESA S.A. (Sub Sahara)	Small Business	FY86	LNG	–	1.50	–	1.50
EDESA S.A. (Sub Sahara)	Small Business	FY91	RMG	–	2.00	–	2.00
Botswana							
Barclays Bank	Small Business	FY88	LNG	–	0.75	–	0.75
BCCI	Small Business	FY88	LNG	–	0.15	–	0.15
EDESA S.A. (Botswana)	Small Business	FY91	RMG	–	0.75	–	0.75
Standard Chartered Bank	Small Business	FY88	LNG	–	0.50	–	0.50
Cameroon							
CCEI	Small Business	FY90	LPG	–	1.00	–	1.00
Ghana							
Continental Acceptances	Small Business	FY91	LPG	–	1.00	–	1.00
Kenya							
Barclays Bank of Kenya	Small Business	FY89	LPG	–	1.00	–	1.00
Diamond Trust (Kenya)	Small Business	FY87	LNG/GRT	–	1.00	0.05	1.05
Middle Africa Finance Co.	Small Business	FY89	LPG	–	0.50	–	0.50
Standard Chartered Bank	Small Business	FY90	LPG	–	1.00	–	1.00
Kenya Equity Capital Limited	Small Business	FY91	RMG	–	2.00	–	2.00
Mali							
Bank of Africa	Small Business	FY90	LPG	–	0.50	–	0.50
Mauritius							
Trident Foods (*)	Fish./Process.	FY87	DIL	1.24*	–	–	1.24
Nigeria							
Chartered Bank	Small Business	FY90	LPG	–	1.00	–	1.00
Investment Banking & Trust	Small Business	FY90	LPG	–	1.00	–	1.00
Meridien Equity Bank	Small Business	FY90	LPG	–	1.00	–	1.00
Togo							
Ecobank	Small Business	FY90	LPG	–	3.00	–	3.00
Uganda							
Equator Bank	Small Business	FY91	LNG	–	1.50	–	1.50
Nile Bank	Small Business	FY91	LPG	–	0.50	–	0.50
Zambia							
Masstock	Agribusiness	FY88	DIL	3.00	–	–	3.00
Total for Africa Active Portfolio				**3.00**	**21.65**	**0.05**	**24.70**
Total for Africa Cumulative Portfolio (includes completed facilities)				**4.24**	**21.65**	**0.05**	**25.94**

* *Completed facility*

KEY

DIL	Direct Loan	FRA	Franchise Guarantee	LPG	Loan Portfolio Guarantee
FOR	Forfait Guarantee	GRT	Grant	PRV	Privatization Guarantee
		LNG	Loan Guarantee	RMG	Resource Mobilization Guarantee

September 30, 1991
Expressed in U.S. $ million

	PRIMARY SECTOR	FY	TYPE	LOANS	GUAR.	GRANTS	TOTAL
Bangladesh							
Industrial Dev. Leasing Co.	Leasing	FY90	LPG	–	0.50	–	0.50
Indonesia							
Bank Bali	Small Business	FY89	LPG	–	1.00	–	1.00
Bank Niaga	Export Promotion	FY85	LNG/GRT	–	2.00	0.05*	2.05
Bank Niaga	Small Business	FY90	LPG	–	3.00	–	3.00
Bank Umum Nasional (*)	Rural Lending	FY85	LNG	–	0.60*	–	0.60
Bank Umum Nasional	Small Business	FY91	LPG	–	3.00	–	3.00
Niaga Factoring	Small Business	FY91	LPG	–	0.50	–	0.50
Nusa Bank	Small Business	FY90	LPG	–	0.50	–	0.50
Overseas Express (*)	Small Business	FY85	LNG	–	0.50*	–	0.50
Pan Indonesia Bank	Small Business	FY89	LPG	–	2.00	–	2.00
Nepal							
Nepal Grindley's	Small Business	FY91	LPG	–	0.50	–	0.50
Pakistan							
Pakistan Indust. Comm Leas.	Leasing	FY90	LPG	–	0.06	–	0.06
Philippines							
Asiatrust	Small Business	FY91	LPG	–	0.50	–	0.50
Bk. of Philippine Islands	Agribusiness	FY86	LNG	–	2.40	–	2.40
Far East Bank I (*)	Export Promotion	FY85	LNG	–	2.00*	–	2.00
Far East Bank II	U.S. Exports	FY88	LNG	–	2.19	–	2.19
FEB Leas. & Finance Corp	Leasing	FY90	LPG	–	0.50	–	0.50
Mercator Finance Corp.	Leasing	FY90	LPG	–	0.50	–	0.50
Metrobank	Rural Lending	FY86	LNG	–	0.50	–	0.50
Phil. Commercial Intl Bank	Rural Lending	FY86	LNG	–	2.40	–	2.40
Phil. Commercial Intl Bank	Small Business	FY90	LPG	–	3.00	–	3.00
Planters Develop. Bank	Small Business	FY90	LPG	–	1.00	–	1.00
SolidBank	Small Business	FY89	LPG	–	1.00	–	1.00
Sri Lanka							
Citibank	Small Business	FY91	LPG	–	0.50	–	0.50
Finance Company Ltd.	Small Business	FY90	LPG	–	0.50	–	0.50
Hatton National Bank	Small Business	FY90	LPG	–	3.00	–	3.00
Sampath Bank Ltd.	Small Business	FY90	LPG	–	2.50	–	2.50
Seylan Bank	U.S. Exports	FY91	DIL	1.00	–	–	1.00
Seylan Bank	Small Business	FY91	LPG	–	1.50	–	1.50
Thailand/Indonesia							
Healthlink/Path	Health	FY84	LNG	–	0.31	–	0.31
Thailand							
Bank of Asia (†)	Small Business	FY90	LPG	–	3.00	–	3.00
Thai Danu	Rural Lending	FY85	LNG/GRT	–	2.35	0.05*	2.40
Thai Pacific Foods	U.S. Exports	FY84	DIL/GRT	2.50	–	0.07	2.57
Thai Venture Capital	Venture Capital	FY87	DIL/GRT	0.88	–	0.05	0.93
Total for Asia Active Portfolio				**4.38**	**40.71**	**0.12**	**45.21**
Total for Asia Cumulative Portfolio (includes completed facilities)				**4.38**	**43.81**	**0.22**	**48.41**

* *Completed facility*
(†) *Suspended due to coup in Thailand*

September 30, 1991
Expressed in U.S. $ million

	PRIMARY SECTOR	FY	TYPE	LOANS	GUAR.	GRANTS	TOTAL
LAC Regional							
ACCION I	Microenterprise	FY85	LNG/GRT	–	1.00	0.39	1.39
ACCION II	Microenterprise	FY91	DIL	2.00	–	–	2.00
Bolivia							
Union of Bolivian Banks (8 banks)	Small Business	FY86	LNG/GRT	–	2.00	0.06	2.06
Caribbean							
Agribusiness (*)	Agribusiness	FY85	DIL	0.15*	–	–	0.15
Caribbean Basin Corp.	Venture Capital	FY84	DIL	0.26	–	–	0.26
International Multifoods	Agribusiness	FY85	DIL	1.00	–	–	1.00
Costa Rica							
Banco de Comercio	Small Business	FY90	LPG	–	2.00	–	2.00
COFISA	Small Business	FY89	LPG	–	0.50	–	0.50
Costa Rica Ecotourism	Environment	FY90	DIL/GRT	0.50	–	0.05	0.55
PIC	Venture Capital	FY91	DIL	3.00	–	–	3.00
Dominican Rep.							
Banco de Desarrollo BHD	Small Business	FY89	LPG	–	0.50	–	0.50
Confisa Leasing	Leasing	FY90	LPG	–	0.50	–	0.50
Finade	Export Promotion	FY84	LNG/GRT	–	2.00	–	2.00
Ecuador							
Finguasa (*)	Small Business	FY84	LNG	–	1.40*	–	1.40
Finiber I (*)	Small Business	FY84	LNG	–	1.40*	–	1.40
Guatemala							
Guatemala LGF (*)	Agribusiness	FY87	LNG	–	0.50*	–	0.50
Jamaica							
ALICO Jamaica (2 banks)	Small Business	FY89	RMG	–	2.00	–	2.00
Bank of Novia Scotia	Small Business	FY89	LPG	–	3.00	–	3.00
Century National Bank	Small Business	FY90	LPG	–	2.00	–	2 00
Jamaica Citizens Bank	Small Business	FY89	LPG	–	0.50	–	0.50
Jamaica Privatization (5 banks)	Privatization	FY91	PRV	–	10.00	–	10.00
Mutual Security Bank	Small Business	FY89	LPG	–	3.00	–	3.00
Total for LAC Active Portfolio				**6.76**	**29.00**	**0.50**	**36.26**
Total for LAC Cumulative Portfolio (includes completed facilities)				**6.91**	**32.30**	**0.50**	**39.71**

* *Completed facility*

September 30, 1991
Expressed in U.S. $ million

	PRIMARY SECTOR	FY	TYPE	LOANS	GUAR.	GRANTS	TOTAL
Jordan							
Bank of Jordan (*)	Small Business	FY88	LNG	–	1.00*	–	1.00
Cairo Amman Bank	Small Business	FY88	LNG	–	0.50	–	0.50
Morocco							
SMDC	Small Business	FY91	LPG	–	1.00	–	1.00
Wafabail	Leasing	FY90	LPG	–	1.50	–	1.50
Wafabank	Small Business	FY85	LNG/GRT	–	2.50	0.05*	2.55
Wafabank	Small Business	FY90	LPG	–	3.00	–	3.00
Tunisia							
Arab Tunisian	Small Business	FY90	LPG	–	2.00	–	2.00
CFCT	Small Business	FY90	LPG	–	2.00	–	2.00
BIAT	Privatization	FY91	PRV	–	3.00	–	3.00
Turkey							
Securitized Trade (*)	Small Business	FY87	LNG	–	2.40*	–	2.40
Total for Near East Active Portfolio				**0.00**	**15.50**	**0.00**	**15.50**
Total for Near East Cumulative Portfolio (includes completed facilities)				**0.00**	**18.90**	**0.05**	**18.95**

* *Completed facility*

September 30, 1991
Expressed in U.S. $ million

	PRIMARY SECTOR	FY	TYPE	LOANS	GUAR.	GRANTS	TOTAL
Environment							
Cultural Survival Enterp.	Environment	FY90	DIL	3.00	–	–	3.00
Environ. Enterp. (Winrock)	Environment	FY90	DIL	2.40	–	–	2.40
Forfaiting							
Barclay's Forfaiting	U.S. Exports	FY91	FOR	–	2.50	–	2.50
Midland Bank Aval, Ltd.	U.S. Exports	FY89	FOR	–	2.50	–	2.50
Monaval Finanz A.G.	U.S. Exports	FY89	FOR	–	2.50	–	2.50
Westdeutsche Landesbank	U.S. Exports	FY90	FOR	–	1.92	–	1.92
Franchising							
AlphaGraphics	U.S. Franchising	FY91	FRA	–	3.00	–	3.00
Total for Multi Regional/Country Active Portfolio				**5.40**	**12.42**	**0.00**	**17.82**
Total for Multi Regional/Country Cumulative Portfolio				**5.40**	**12.42**	**0.00**	**17.82**

Exhibit A:

BALANCE SHEET

FOR FISCAL YEARS ENDED SEPTEMBER 30, 1990 AND SEPTEMBER 30, 1991
In thousands of United States dollars – See Notes to Financial Statements

	1990	1991
ASSETS		
Fund Balance with Treasury and Cash - Exhibit C	$39,290	$68,469
Investments – Short-term U.S. Government Obligations (At amortized cost which approximates market value)	22,744	0
Total Loan Commitments	60,943	56,772
Less Undisbursed & Repayments	(37,895)	(36,608)
Loans Outstanding	23,048	20,164
Less Provision for Losses	(1,446)	(1,435)
Net Loans Outstanding	21,602	18,729
Accrued Interest on Loans and Guarantees	605	647
Total Assets	**$ 84,241**	**$ 87,845**

CAPITAL		
Appropriated Capital	$76,000	$76,000
Accumulated Earnings – 9/30/91	4,717	8,241
Net Income, FY 1991 – Exhibit B	3,524	3,604
Accumulated Earnings – 9/30/91	8,241	11,845
Total Capital	**$ 84,241**	**$ 87,845**

Exhibit B:

COMPARATIVE STATEMENT OF INCOME

FOR FISCAL YEARS ENDED SEPTEMBER 30, 1990 AND SEPTEMBER 30, 1991
In thousands of United States dollars – See Notes to Financial Statements

OPERATING INCOME	1990	1991	INCREASE/ DECREASE
Income from U.S. Government Obligations	$ 1,460	$ 1,984	$ 524
Income from Loan Investments and Guarantee Authority:			
Interest	2,286	1,788	(498)
Fees	239	235	(4)
Gross Income	3,985	4,007	22
Less Provision for Losses	461	403	(58)
Net Income	$ 3,524	$ 3,604	$ 80

Exhibit C:

COMPARATIVE STATEMENT OF FUNDS AVAILABLE AND UTILIZED

FOR FISCAL YEARS ENDED SEPTEMBER 30, 1990 AND SEPTEMBER 30,1991
In thousands of United States dollars – See Notes to Financial Statements

FUNDS AVAILABLE	1990	1991
Fund Balance Beginning	$ 41,510	$ 39,290
Less: Post-Closing Adjustment to FY90 Ending Fund Balance	0	(1,389)
Appropriated Capital	0	0
Net Income	3,524	3,604
Loan Principal Repayments	6,021	4,889
Non-cash Provision for Losses	461	403
Less Loan Write-Off	0	(876)
Non-cash Increase in Accrued Income	(477)	(221)
Redemption of U.S. Government Obligations (at Cost)	0	31,591
Total Funds Available	$ 51,039	$ 77,291
FUNDS UTILIZED		
Loan Disbursements	4,714	1,858
Increase in U.S. Government Obligations (At Cost)	7,035	6,026
Appropriations Withdrawn	0	938
Total Funds Utilized	11,749	8,822
Ending Fund Balance – Exhibit A	$ 39,290	$ 68,469

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1991

NOTE A - During fiscal year 1989, Congress authorized a loan guarantee program to be conducted as part of the Revolving Fund's activities. The legislation authorized the Bureau for Private Enterprise to issue guarantees with a reserve against losses equal to 25 percent of the guarantee outstanding. As of September 30, 1991 the total guarantee commitment is $95.2 million and accordingly, the total reserve amount is $23.9 million.

NOTE B - In accordance with generally accepted accounting principles and a policy decision taken by fund managers early in fiscal year 1988, the current financial statements as of September 30, 1991 have been adjusted to reflect a provision for losses of two percent of the loans outstanding at the end of the fiscal year. During the year, fund managers determined that six loans totalling $875,773 were uncollectible and that amount was written off. To date, the net provision for losses is $1,434,491. Accounting for losses for the direct loan and guarantee programs will be modified starting in fiscal year 1992 to conform with the guidelines established by the Credit Reform Act of 1990.

NOTE C - Under Exhibit C, "Comparative Statement of Funds Available and Utilized," the appropriated funds of $938,750 was withdrawn due to the liquidation of the Private Sector Investment Program's "M" account with the U.S. Treasury.

NOTE D - These statements are for comparison and performance use only. Figures are based on current information. These statements have not been audited or certified, and post-closing adjustments may occur. Fully audited and certified financial statements for fiscal year 1991 will be submitted to the Office of Management and Budget by June 30, 1992 and will include a full accounting of operating and allocated administrative expenses.

INVESTMENT PROGRAM MANAGEMENT

U.S. Agency for International Development

Administrator	Dr. Ronald Roskens
Deputy Administrator	Ambassador Mark Adelman

Bureau for Private Enterprise

Assistant Administrator (Interim)	John E. Mullen

Office of Investment

Director	Stephen C. Eastham
Deputy Director	James Dempsey
Chief Credit Officer	Daniel Roberts
Senior Investment Officers	
Africa and the Near East	Sandra Goshgarian
Asia	Bryan Kurtz
Latin America & the Caribbean	Carolin Crabbe
Investment Officer	Judith Coker Evans
Assistant Investment Officer	Frank Nieves

Office of the General Counsel

Assistant General Counsel (PRE)	Michael Kitay
Attorney Advisor	Dale M. Sarro
Attorney Advisor	Paul Weisenfeld

Investment Advisory Board

Daniel Callahan, III
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former Chairman of the Board, Marine Midland Bank

Alexander Tomlinson
President and CEO, Hungarian-American Enterprise Fund
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George Williams
Chairman, Allied Capital Corporation

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