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OPIC Board Approves \$360 Million for Investment Funds Targeting Consumer Populations in Africa, Indonesia & Russia

Thursday, September 13, 2012

Will tap middle-market opportunities in undercapitalized countries; funds' combined target capitalization is \$1.2 billion

WASHINGTON, D.C. – Emerging middle classes in Africa, Indonesia and Russia – all fast-growing markets with lucrative return potential – received a boost today when the Board of Directors of the [Overseas Private Investment Corporation](#) (OPIC) approved \$360 million in financing for three investment funds targeting consumer populations in each. The funds have a combined target capitalization of \$1.2 billion.

The growth of the middle class in each of these markets is ongoing but often ignored by investors:

- Africa is consistently growing faster than almost any other region of the world, with a dozen countries having averaged at least six percent growth for six or more years. By 2015, 100 million African households are expected to have annual incomes above \$3,000 a year, an increase of 40 million from 2011, putting Africa on par with India.
- Russia's economy is expected to grow twice as fast as the United States' in the next four years, driven largely by domestic demand. With the world's ninth largest population, Russia became the world's eighth-largest retail market in 2006, although official numbers probably underestimate its size—surpassing Brazil, Mexico, Spain, and Italy.
- Indonesia is forecasted to accelerate its six percent growth rate in the coming years, fueled mainly by private consumption. Economic growth has kept pace with population growth and transformed the world's fourth most populous country from a low-income country to a mid-income country by the mid 1990s.

"Emerging middle classes in markets such as Africa, Indonesia and Russia are a vital foundation of long-term economic growth," said OPIC President and CEO Elizabeth Littlefield. "These three funds will support sustainable economic development by providing essential financing to dynamic local companies serving a growing middle class."

All three funds were chosen from respondents to the [Global Engagement Call for Proposals OPIC issued in November 2011](#), which generated an agency record number of responses.

The funds approved by the Board were:

African Development Partners II

The Board approved up to \$150 million in OPIC financing for this pan-African fund, which will generally invest in companies that serve Africa's emerging middle class, such as financial institutions, pharmaceuticals and hospitals, telecommunications, food service and agribusinesses, consumer goods, education, engineering and construction. The fund has a target capitalization of \$500 million.

The fund will help to alleviate a shortage of long-term financing on the continent and will emphasize environmental, social, and corporate governance standards, supporting the development of African economies through sustainable investing.

OPIC selected as fund manager [Development Partners International LLP](#), a private equity management group founded in 2007 and focusing on investments across Africa.

Falcon House Partners Indonesia Fund I

This fund will invest in Indonesia's fast-growing middle and lower mid-market segments, with a focus on consumer-driven industries, including retail, food products, personal care products and health care. OPIC's Board approved up to \$60 million in financing for the fund, which has a target capitalization of \$225 million.

Indonesia is fast emerging as a profitable destination for emerging market private equity, driven by its strong economic fundamentals, favorable demographics, and a demand for growth capital that has outpaced supply, particularly for

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mid-market companies. Private domestic consumption accounted for 57 percent of Indonesia's gross domestic product in 2010, and 60 percent of its population is below 40 years of age.

OPIC selected as fund manager Falcon House, one of the most experienced fund managers in the region.

Elbrus Capital Fund II

Russia has experienced two decades of rapidly growing consumer spending power but, due to decades of underinvestment during the Soviet era, the country lags behind other regions in both consumer and business infrastructure. Both the government and the private sector are currently making efforts to close this gap, which creates attractive investment opportunities.

The fund will invest in the construction of mid-market companies to rapidly growing consumer in Russia, helping to build competitive businesses that respond to unsatisfied demand across a number of critical needs: changing consumer patterns, need for consumer and business infrastructure, efficient use of natural resources, and the increasing need for high-quality health care and education. It will also aim to stimulate economic development in regions outside of Moscow and St. Petersburg. OPIC's Board approved up to \$150 million for the fund, which is raising \$500 million in equity in addition to the OPIC commitment.

OPIC selected as fund manager [Elbrus Capital](#), which spun out of Renaissance Group, a large Russian investment bank and wealth manager, in 2010, having operated under the Renaissance umbrella for three years.

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OPIC is the U.S. Government's development finance institution. It mobilizes private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy. Because OPIC works with the U.S. private sector, it helps U.S. businesses gain footholds in emerging markets catalyzing revenues, jobs and growth opportunities both at home and abroad. OPIC achieves its mission by providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds.

Established as an agency of the U.S. Government in 1971, OPIC operates on a self-sustaining basis at no net cost to American taxpayers. OPIC services are available for new and expanding business enterprises in more than 150 countries worldwide. To date, OPIC has supported more than \$200 billion of investment in over 4,000 projects, generated an estimated \$75 billion in U.S. exports and supported more than 276,000 American jobs.

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