



**Overseas Private Investment Corporation**  
*Supporting U.S. Investors in Emerging Markets*

*International Trade Association of Greater Chicago*  
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# Agenda

- Overview of OPIC
- OPIC priorities
- Investment Policy guidelines
- Tools to support U.S. investors:
  - Political Risk Insurance
  - Investment Finance (*Debt*)
  - Investment Funds (*Equity*)
  - Enterprise Development Network*



# OPIC's Mission

***“ ...mobilize and facilitate the participation of U.S. private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from non-market to market economies.”***



# OPIC Priorities

- Small businesses seeking to expand overseas
- Renewable energy, energy efficiency projects
- Projects important to U.S. investors and the U.S. economy
- Low-income countries with high developmental needs and hard-to-access markets
- Countries recovering from war or natural disasters
- Countries/regions of political/economic priority to the United States: food security, innovation and technology, access to capital, entrepreneurship



# Policy Issues

- Operate on a self-sustaining basis at no cost to the U.S. taxpayer.
- Provide positive U.S. effects and host country social and economic development effects.
- Complement the private sector and capital markets
- Assure that the projects are consistent with sound environmental, safety and worker/human rights standards.
- Take into account guidance from the Administration and Congress on critical policy issues.



# OPIC's Impact in Illinois

- \$2 billion in direct OPIC support to projects with Illinois companies
- \$2.1 billion in exports from these companies
- More than 8,000 Illinois jobs created by OPIC-backed projects
- \$1.3 billion in additional exports from Illinois, creating 3,900 jobs
- 44% of these are small businesses



# Political Risk Insurance

Political Risk Insurance covers U.S. Investors against:

- **Inconvertibility:** Inability to convert and transfer local currency into U.S. dollars.
- **Expropriation:** Losses due to expropriation, nationalization or confiscation by a foreign government.
- **Political Violence:** Losses due to war, revolution, insurrection or political motivated strife.



*PRI does not cover commercial or currency devaluation risks*

# Finance

- **Investment Guarantee Program:** Provides credit guarantees for loans ranging between \$10 million and \$250 million.
- **Direct Loan Program:** Reserved for small business and cooperatives ranging between \$100,000 and \$250 million.

OPIC will only finance projects that are commercially sound, have at least 25 percent U.S. ownership, have significant collateral and generate enough cash flow to pay the loan.





# Investment Funds

- OPIC supports 50 privately managed and owned equity funds that represent \$3.6 billion in aggregate debt and equity capital.
- The funds have invested more than \$4.6 billion in some 470 companies in 53 countries, helping U.S. investors get a foothold in key emerging markets





# **Investment Insurance**

*Political Risk Insurance*

*Unparalleled experience; unmatched claims handling reputation*

# Currency Inconvertibility

- Definition: deterioration in the investor's ability to convert profits, debt service, and other investment returns from local currency into U.S. dollars and to transfer U.S. dollars out of the host country.



# Political Violence

- Definition: loss of assets or income due to war, revolution, insurrection, politically motivated civil strife, terrorism, or sabotage.



# Expropriation

- Definition: loss of an investment due to expropriation, nationalization, or confiscation by the host government.



# OPIC Political Risk Solutions

- OPIC Insurance can protect various forms of investment including:
  - debt
  - equity
  - income
  - leasing, and
  - guarantees



# OPIC Insurance Special Programs

- Institutional Loans
- Capital Markets
- Leasing
- Contractors and Exports
- Oil & Gas
- Natural Resources (*non oil & gas*)
- Stand-alone Terrorism Coverage



# Eligibility

- Citizens of the United States; or
- Corporations, partnerships or other associations created under the laws of the United States, with up to 49% ownership by foreign citizens and beneficially owned (51%) by U.S. citizens; or
- Foreign corporations more than 95% owned by investors eligible under the above criteria; or
- Other foreign entities that are 100% U.S. owned.







# **Investment Finance**

*Large structured finance transactions to small business loans*

# OPIC Finance Products

- Direct loans
  - Available to firms with under \$250 million in sales, or \$67 million in net worth
- Investment guaranties



# Critical Elements

- Involvement of a U.S. investor, U.S. connection or other U.S. nexus
- Commercially and financially sound
- Strong track record of borrower



# Overview of Financing

Medium- to long-term funding

- **Minimum 3-5 years**
- **Average loan tenor 6-9 years**
- **Up to 15 to 20 years**



# Overview *(continued)*

- Analysis of economic, technical, marketing and financial soundness of project
- **Evaluate risks to OPIC and investor and over life of project**
  - **Structure transaction to minimize risks and make them acceptable to all parties**
  - **Interactive process with client**



# Overview *(continued)*

Adequate cash flow to:

- **Pay all operational costs**
- **Service all debt**
- **Provide owners with adequate return on their investment**



# Project Ownership

U.S. debt or equity investor must assume a meaningful share of the risk

- 25 percent equity participation
- U.S. bank involved in transaction
- Franchise involvement
- Significant long-term involvement of contractors and/or operators
- Private sector majority ownership
- Government participation



# Financing Techniques – 1

## Project finance

**OPIC loan made directly to the overseas venture for the defined investment project**

- **Repayment from project cash flows**
- **Need not pledge general credit beyond cash flows, other than completion support, but it helps!**
- **Completion support is critical**





# Financing Techniques – 2

## Corporate finance

**OPIC loan made to the parent company, the proceeds of which are to fund a defined investment project abroad**

- **Repayment by U.S.-based corporate entity**
- **Credit standing and cash flow of this company**
- **Strength of project company also important**



# Financing Plan - Structure

Strong finance structure with sound debt-to-equity ratios to avoid excessive leverage:

- New projects: 60/40, with OPIC providing no more than 50 percent of TPC in debt
- Expansions: 75/25, where OPIC may provide more than 50 percent of TPC in debt



# Financing Plan – Costs

- Pre-investment/feasibility studies
- Organizational expenses
- Land and buildings
- Construction
- Equipment, machinery
- Financings costs
- Training and market development expenses
- Start-up expenses, including initial losses
- Adequate working capital
- Inventory expenses
- Legal costs



# Completion/Sponsor Support

An agreement that guarantees the OPIC loan in the event of:

- Late completion
- Cost overruns
- Early operating problems



# Completion Definitions

- Includes certain financial, legal, operation and commercial tests as well as physical completion.
- Agreement covers the cost overruns prior to project completion and the project's debt service requirements.
  - Helps assure a strong, viable project
  - Sponsor must have financial capability to perform these obligations
  - Protects OPIC



# Loan Terms – Costs

Cost of financing is based on OPIC's assessment of the risks involved and a U.S. Treasury note

- Base rate reflects like or similar termed U.S. Government debt instruments\*\*
- Guarantee fee or risk spread is added
- Fixed or floating rates available
- Other costs include a retainer fee, commitment fee, and an annual maintenance fee
- Outside legal counsel and the services of experts or consultants can also be charged



*\*\*Base rate info. available on the OPIC website!*

# Loan Terms – Repayment

Repayment schedule is based on:

- Purpose of loan
- Projected cash flows
- Quarterly or semi-annual payments
- Normally no early repayment charges



# Enterprise Development Network

Supports SMEs with:

- Loan application packaging by Loan Originators\*
- EDN Program Manager assures application package is complete
- Possible funding by OPIC Designated Lender (*Wells Fargo*), or
- Funding provided by OPIC

**Ennes International, *Oak Park***

**Int'l Trade Management Services, *Mahomet***

**Allied Emerging Markets, *Chicago***



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# Conclusion – Comments, Q&A

- Key U.S. Government agency supporting U.S. businesses investing overseas
- Emphasis on the private sector in support of economic development policies
- Target key sectors, regions and U.S. private sector and government priorities
- Complement the private sector
- Coordinate with other U.S. Government trade and investment and development agencies
- Operate at no cost to the U.S. taxpayer and leverage OPIC resources to make most effective use of OPIC programs
- Prudent management of OPIC reserves and the existing portfolio



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