

Overseas Private Investment Corporation

From Wikipedia, the free encyclopedia

The **Overseas Private Investment Corporation (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 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.

OPIC supports U.S. foreign policy objectives by encouraging development in regions that have experienced instability or conflict, yet offer promising growth opportunities, such as the Middle East and North Africa, sub-Saharan Africa, and Southeast Asia.

OPIC's work contributes to stability and economic opportunity, which helps mitigate risk to

U.S. companies investing abroad, and promotes a positive developmental effect for the host countries.

OPIC operates on a self-sustaining basis at no net cost to American taxpayers. It generated net profit of \$272 million in Fiscal Year 2012,^[1] helping to reduce the federal budget deficit for the 35th consecutive year. To date, OPIC has supported nearly \$200 billion of investment in more than 4,000 projects, generated \$75 billion in U.S. exports and supported more than 277,000 American jobs.

Overseas Private Investment Corporation (OPIC)



Agency overview

Formed	January 19, 1971
Headquarters	Washington, D.C.
Agency executive	Elizabeth L. Littlefield, President and CEO

Website

www.opic.gov (<http://www.opic.gov/>)

Contents

- 1 Products and services
 - 1.1 Financing
 - 1.2 Political risk insurance
 - 1.3 Investment funds
- 2 Investment projects
 - 2.1 Requirements
 - 2.2 Environmental and social standards
- 3 History
- 4 See also
- 5 References
- 6 Further reading
- 7 External links

Products and services

Financing

Medium- to long-term funding through direct loans and loan guarantees to eligible investment projects in developing countries and emerging markets. By complementing the private sector, OPIC can provide financing in countries where conventional financial institutions often are reluctant or unable to lend.

OPIC recognizes that businesses both large and small can play an important role in developing nations. In recent years, OPIC has made it a priority to work with American small businesses, which comprise, on average, 80 percent of projects supported by the agency. OPIC's Department of Small and Medium-sized Enterprise Finance offers qualified small businesses a streamlined approval process and direct loans from \$100,000 to \$10 million with terms from three to 15 years. While the eligible U.S. small business must own at least 25 percent of the overseas project, OPIC may be able to finance up to 65 percent of the total project cost. OPIC has conducted more than a dozen small business workshops around the United States since 2006, educating nearly 1,600 business owners about OPIC products and services.

Political risk insurance

OPIC's political risk insurance enables U.S. businesses to take advantage of commercially attractive opportunities in emerging markets, mitigating risk and helping them compete in a global marketplace. OPIC helps U.S. investors protect their investments in a variety of situations, including political violence, expropriation or other government interference, and currency inconvertibility.

Investment funds

OPIC provides support for the creation of privately-owned and managed investment funds. These funds make direct equity and equity-related investments in new, expanding or privatizing emerging market companies. OPIC-supported funds help emerging market economies to access long-term growth capital, management skills, and financial expertise, all of which are key factors in expanding economic development for people in developing nations.

Investment projects

OPIC supports projects in a range of industries—from energy to housing, agriculture and financial services. It focuses on regions where the need is greatest and in sectors that can have the greatest developmental impact. Geographically, OPIC services are available for new and expanding U.S. business enterprises in more than 150 emerging countries worldwide.^[2]

OPIC has increasingly focused on projects that encourage the use of renewable resources, which represent not only an urgent global need but also a significant investment opportunity. Another key priority is impact investing, which aims to produce positive social impacts while generating financial returns sufficient to make these projects sustainable.

Requirements

OPIC requires that its projects have a meaningful connection to the U.S. private sector. For financing, this means a U.S.-organized entity 25 percent or more U.S.-owned or a majority U.S.-owned foreign-organized entity; U.S. citizens, lawful permanent residents and U.S.-organized non-governmental organizations. OPIC does not support projects that negatively affect the U.S. economy.

Environmental and social standards

OPIC projects must meet congressionally mandated requirements regarding protection of the environment, social impacts, health, and safety.^[3] The guidelines and procedures are based in large part on environmental and social impact assessment procedures applied by organizations such as the World Bank Group, the European Bank for Reconstruction and Development, the Inter-American Development Bank and the U.S. Export-Import Bank. Projects that are likely to have significant adverse environmental or social impacts are disclosed to the public for a comment period of 60 days.

History

In the American effort to rebuild Europe following World War II, two facts became clear to policy makers: private investment is a more powerful generator of economic development than aid; and there is an appropriate role for government in encouraging private investment where it has the potential to do the most good. Accordingly, the Marshall Plan authorized the U.S. government to insure private U.S. investors against the risk that earnings generated overseas in foreign currencies might not be convertible into U.S. dollars. This new tool—political risk insurance—was expanded in the 1950s to cover losses from war and expropriation, as well as government interference with investors' rights to the proceeds of their investments. It was subsequently complemented with the addition of project financing.

In 1966 Congress established the International Private Investment Advisory Council (IPIAC) under the Foreign Assistance Act of 1966. In December 1968 IPIAC published "The Case for a U.S. Overseas Private Enterprise Development Corporation", a report articulating the need for such an entity.^[4] In the report, the IPIAC recommended the organization of an overseas private enterprise development corporation of and funded by the United States, as responsive to the Javits Amendment to the 1968 Foreign Assistance Act.

As administration of the U.S. guaranty program moved among various agencies, bipartisan support grew to establish it on a permanent basis as a self-sustaining, independent agency.

“The most original of [President Nixon’s] recommendations is the one dealing with the establishment of an Overseas Private Investment Corporation. Even opponents of foreign aid agree, I feel sure, that the burden of our international development program can and should be shifted increasingly from public to private resources. The Administration’s proposal to set up a Corporation has as its basic objective stimulation of American businessmen into examining the possibility of profitable and productive enterprises in countries hungry for development. I believe OPIC means business—a businesslike approach to foreign aid. After all, the profit motive was the prime mover in our own Nation’s development. Why not use this profit motive in helping the development of others?” —Representative Clement Zablocki (D-WI) during Congressional debate preceding establishment of OPIC November 19, 1969

“[OPIC is the] first really big initiative that has come along in the foreign aid field almost since it began, which goes back to 1948 and 1949...this corporation will for the first time apply business methods and business accounting procedures to the business operations of project development, investment, insurance, guarantees and direct lending—that is, to private activities which are sensitively and directly geared into the development of the less-developed areas which we propose to help in the foreign aid program.” —Senator Jacob Javits (R-NY) during Congressional debate preceding the establishment of OPIC, December 12, 1969

Congress created OPIC in 1969 through an amendment to the Foreign Assistance Act, and the agency began operations in 1971, during the Nixon Administration,^[5] with a portfolio of \$8.4 billion in political risk insurance

and \$169 million in loan guaranties. In a special message to Congress in 1971, President Nixon stated that OPIC's establishment will help "give new direction to U.S. private investment abroad... and provide new focus to our foreign assistance effort."^[6]

Organized as a corporation with a corporate structure, OPIC is governed by a Board of Directors,^[7] President and CEO,^[8] and Executive Vice President,^[9] all nominated by the President of the United States and approved by the U.S. Senate. The majority of the Board of Directors, including its President, are "drawn from private life and have business experience."^[6] Although it operates on a self-sustaining basis at no net cost to American taxpayers, OPIC is appropriated administrative funding, and reauthorized on a regular basis, by the U.S. Congress.

Both Republican and Democratic administrations have since expressed strong support for OPIC:

"I am a strong believer in the importance of private investment to the development process. It is the most effective way of transferring the financial resources, technology, and management skills which play so vital a role in stimulating development." —President Richard Nixon on the publication of OPIC's first annual report, October 25, 1971

"The greatest contribution this nation can make to developing countries is through increased investment in their developing markets. Private investment by American companies continues to be the most effective way to transfer the financial resources, technology and management skills that play such a vital role in stimulating long-term and independent development. OPIC fulfills an important responsibility by encouraging greater involvement of American business in developing countries, in the process helping our own economy to expand as well." —President Ronald Reagan in a letter to OPIC President Craig A. Nalen, October 15, 1981

"As OPIC expands into new markets and countries, it is at the crest of a new wave of American assistance, bringing growth, business know-how, and prosperity to the developing world. Millions of people in this country benefit at the same time. While it promotes investments in freedom abroad, OPIC is also creating jobs here at home and increasing American exports." —President George H. W. Bush on OPIC's 20th anniversary, December 17, 1991

"Since 1971, OPIC has harnessed the resources of American businesses to build hope and opportunity through investment and commerce in countries around the world. By standing behind the U.S. private sector, OPIC has both encouraged long-term stability in developing markets and made significant contributions to America's economic growth. Small, efficient, and self-sustaining, OPIC is the very essence of good government." —President Bill Clinton on OPIC's 25th anniversary, November 15, 1996

See also

- Export Development Canada
- Multilateral Investment Guarantee Agency (MIGA)

References

- ↑ OPIC 2012 Annual Report (http://www.opic.gov/sites/default/files/files/OPIC_2012_Final.pdf)
- ↑ 150 emerging countries worldwide (<http://www.opic.gov/doing-business/investor-screener>)
- ↑ environment, social impacts, health, and safety (http://www.opic.gov/sites/default/files/consolidated_esps.pdf)
- ↑ http://pdf.usaid.gov/pdf_docs/PNABF662.pdf

5. ^ National Archives (<http://www.archives.gov/federal-register/codification/executive-order/11579.html>)
6. ^ ^a ^b UCSB (<http://www.presidency.ucsb.edu/ws/index.php?pid=2073&st=&st1>)
7. ^ Board of Directors (<http://opic.gov/about/board-of-directors>)
8. ^ President and CEO (<http://www.opic.gov/about/board-of-directors/Littlefield>)
9. ^ Executive Vice President (<http://www.opic.gov/about/executive-staff/alemayehou>)

Further reading

- Benard, Alexander (July/August 2012). "How to Succeed in Business: And Why Washington Should Really Try" (<http://www.foreignaffairs.com/articles/137684/alexander-benard/how-to-succeed-in-business?page=show>). *Foreign Affairs*. Retrieved 22 August 2012.
- Ilias, Shayerah (5). *The Overseas Private Investment Corporation: Background and Legislative Issues* (http://www.relooney.info/0_New_10533.pdf) (7-5700 / 98-567 ed.). Congressional Research Service.

External links

- Official website (<http://www.opic.gov>)
- Governing Legislation through 2005 (http://www.house.gov/international_relations/109/24796.pdf#page=126)
- U.S. Fiscal Commission Suggests Killing OPIC - The Government's Cash Cow (http://www.huffingtonpost.com/ben-leo/us-fiscal-commission-sugg_b_782687.html)

Retrieved from "http://en.wikipedia.org/w/index.php?title=Overseas_Private_Investment_Corporation&oldid=568244017"

Categories: 1971 establishments in the United States | Overseas Private Investment Corporation
| Independent agencies of the United States government | Government-owned companies of the United States
| Corporations chartered by the United States Congress

-
- This page was last modified on 12 August 2013 at 18:17.
 - Text is available under the Creative Commons Attribution-ShareAlike License; additional terms may apply. By using this site, you agree to the Terms of Use and Privacy Policy.
Wikipedia® is a registered trademark of the Wikimedia Foundation, Inc., a non-profit organization.