The Overseas Private Investment Corporation (OPIC) provides financial support to U.S. companies undertaking large-scale foreign direct investment in developing countries. For example, OPIC activities help protect U.S. firms from foreign government expropriation. These financial services include loan guarantees, long-term project financing, risk insurance, among others. Cumulatively, OPIC has financed about $200 billion of investment for over 4,000 projects in over 150 countries.

OPIC is an independent Federal entity designed to operate without cost to U.S. taxpayers; operating funds are self-generated through OPIC activities including premiums paid by participating corporations.

OPIC supports projects in high-risk environments where private capital markets might choose not to operate. OPIC support should encourage profitable U.S. investment, with benefits accruing to shareholders and U.S. citizens working in those corporations. In principle, this also should help the developing country economy since otherwise U.S. investment may not be forthcoming.

OPIC funding is normally employed to cover capital costs, or expansion of financial services provider lending capacity. It is not used to finance export sales, operational expenses, or in mergers and acquisitions. (See Export-Import Bank memo for information on export financing.)

Congress has set up parameters under which OPIC must operate: projects receiving financing should be environmentally and socially sustainable, respect human and workers’ rights, encourage positive host country development, and have no negative effect on the US economy. The last criterion is especially important: OPIC should avoid supporting foreign direct investment that causes job losses in the U.S. as firms move production overseas.

A business qualifying for financing must have “a meaningful connection” to the U.S. private sector (e.g. U.S.-based employees, majority-owned by U.S. citizens) and fund approximately 25% of the project in order to qualify for OPIC services. Applicants must show that private financing is not viable for the project.
The Office of Investment Policy (OIP) evaluates projects that seek OPIC support. The office specializes in conducting economic analyses of OPIC’s portfolio and monitoring and reporting on project sites around the world.

OPIC offers medium- to long-term funding through direct loans and loan guarantees for capital projects. This support is divided between small and medium-enterprise financing, which includes businesses with annual revenues less than $400 million, and structured financing, which focuses on large-scale projects from larger companies. OPIC also lends to third-party lenders using a LIBOR-based interest rate and a risk premium. All recipients of OPIC funds must demonstrate they are commercially and financially sound with a track record of effective management.

Political Risk Insurance http://www.opic.gov/what-we-offer/political-risk-insurance
In addition to its financial packages, OPIC provides political risk insurance products to account for hazards of operating in a developing nation. These mitigation products account for losses in assets, investment values, and earnings due to events such as civil strife and war, expropriation, and new restrictions on currency conversion and capital controls. Political risk insurance is available to investors, lenders, contractors, exporters, and NGOs operating in one of OPEC’s 150 countries.

Investment Funds http://www.opic.gov/what-we-offer/investment-funds
OPIC assists in creating privately-owned and managed investment funds in developing countries. The agency is one of the largest private equity fund sponsors in the developing world and has committed $4.4 billion to 63 private equity funds since 1987. Their equity funds have invested the money in more than 570 privately-owned and managed companies across 65 countries.

ADDITIONAL RESOURCES
OPIC Annual Reports: http://www.opic.gov/media-connections/annual-reports
The annual reports include OPIC’s financial statements for the fiscal year along with a comprehensive activities list, and featured projects.

OPIC Blog: http://www.opic.gov/blog/
The OPIC blog includes articles and analyses on various topics regarding finance and development in host countries.

OPIC offers resources for small and medium sized enterprises looking to invest abroad, including guides on how to construct a business plan and financial projections.

OPIC Projects: http://www.opic.gov/opic-action/overview
The OPIC In Action portion of the website provides information on all OPIC projects, features OPIC successes, and provides an interactive map to see OPIC’s impact.