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# **OPIC**



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## **Congressional Budget Justification**

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## **Fiscal Year 2018**

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**Overseas Private Investment  
Corporation**

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## President’s Budget Proposal: Wind-Down of OPIC

### Overview of the Proposal

The Administration’s 2018 Budget prioritizes rebuilding the military and making critical investments in the Nation’s security. It also identifies the savings and efficiencies needed to keep the Nation on a responsible fiscal path. To do so, the Administration seeks to redefine the proper role of the Federal Government by streamlining government programs and reducing unnecessary Federal interventions that distort the free market. As part of this effort, the Administration has decided to cease new business operations and proceed with the wind-down of the Overseas Private Investment Corporation (OPIC) starting in FY 2018. The Budget requests \$60.8 million to manage the agency’s remaining \$22 billion portfolio and initiate orderly wind-down activities beginning in FY 2018.

Because of the long-term nature of OPIC’s portfolio, the wind-down of OPIC’s operations will happen over several years, beginning with no new origination or promotion of new credit and insurance activities starting October 1, 2017.

### Overview of the Costs and Logistics Associated with Wind-down

Table: Fiscal Year 2018 Budget Request

	2016	2017		2018
	Actual	FY 17 CR <sup>1</sup> Annualized	Enacted	President’s Budget
Appropriations				
Administrative Expenses	62.8	62.7	70.0	60.8
Credit Program	<u>20.0</u>	<u>20.0</u>	<u>20.0</u>	<u>-</u>
Appropriations, Gross Total	82.8	82.7	90.0	60.8
Net Collections	(318.0)	(519.0)	(519.0)	(367.0)
TOTAL, Net Budget Authority	(235.2)	(436.3)	(429.0)	(306.2)
Memo: FTE	282	281	281	197

<sup>1</sup> Due to the timing of the passage of the Consolidated Appropriations Act, 2017 (PL 115-31), the FY 2018 Budget uses the FY 2017 Annualized Continuing Resolution as its FY 2017 baseline. P.L. 115-31 provided \$70 million in budget authority for OPIC’s administrative expenses and \$20 million in budget authority for credit program subsidy.

### Investing in Portfolio Monitoring and Evaluation

The Consolidated Appropriations Act, 2017 provides a \$7.2 million increase over OPIC’s FY 2016 appropriation for administrative expenses. OPIC will prioritize the use of these additional resources to improve OPIC’s capabilities in the monitoring and evaluation of projects. Since OPIC’s portfolio is currently greater than \$22 billion, it will be critical to maintain active monitoring to preserve the financial and developmental value of the portfolio and avoid any losses to the taxpayer.

A recent report from the Government Accountability Office (GAO)<sup>1</sup> recommended that OPIC further strengthen its project monitoring for compliance with OPIC’s policies. OPIC agreed with

<sup>1</sup> <http://www.gao.gov/assets/680/674142.pdf#page=68>

the recommendations and will be implementing them with the additional resources provided in the FY 2017 appropriations. OPIC has also determined to use its FY 2017 funding to implement other recommendations to increase site monitoring and to add a new element of strategic evaluations for development outcomes related to projects nearing the end of their OPIC support.

Even as OPIC prepares for a wind-down beginning in FY 2018, OPIC will continue to upgrade its information technology to attain and maintain modern industry standard practices in data management. This will benefit OPIC’s internal monitoring and evaluation, as well as OPIC’s customers, co-lenders and insurers, its external co-financers, auditors, and its Congressional oversight panels as OPIC seeks to wind-down its existing portfolio while still protecting the taxpayer against portfolio risks.

**Reporting Systems** – Treasury, OMB, OECD, and external audit requirements necessitate continuing operating systems and technology management upgrades. Compliance with various government-wide requirements, continuous operations and maintenance, and a needed rolling replacement of obsolete and unreliable equipment require continued investment, even under a wind-down scenario. Meeting new reporting requirements that are already mandated will necessitate the development of new reporting solutions that include data analytics and visualization to enable accurate corporate reporting and more informed evaluation of exposures.

### Analysis of OPIC’s Portfolio

#### Growth and Composition

As of March 30, 2017, the Corporation had combined total exposure of \$22.5 billion. This amount includes undisbursed commitments (obligations), outstanding balances on OPIC’s loans, and maximum contingent liability under OPIC’s insurance contracts. The graph below shows the growth and composition of the portfolio since 2014.

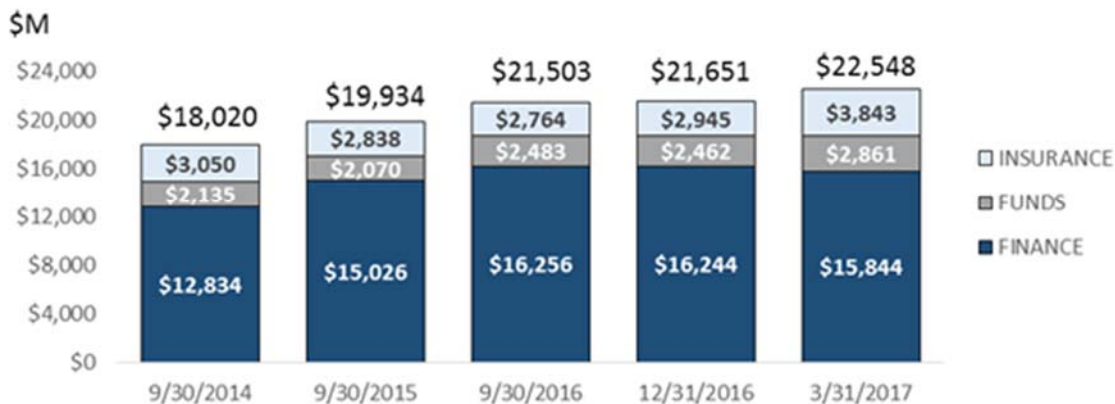


Figure 1 Growth and Composition of OPIC Portfolio (2014-2017)

#### Geographic and Sector Composition of OPIC’s Portfolio.

OPIC’s geographic and sector breakdowns are below. OPIC’s investments in fragile and conflict-affected countries represents roughly one-third of the agency’s total portfolio.

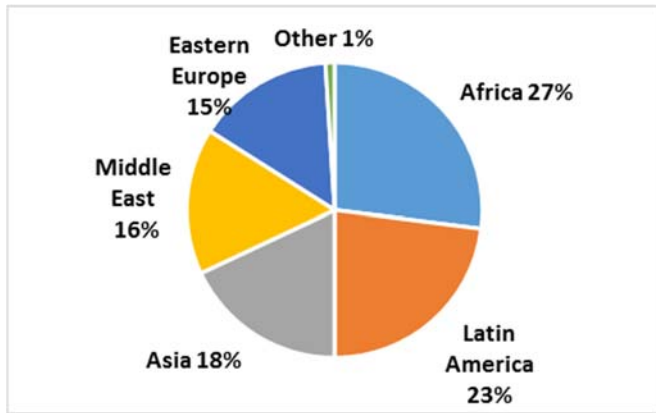


Figure 2 Portfolio by Geographic Region

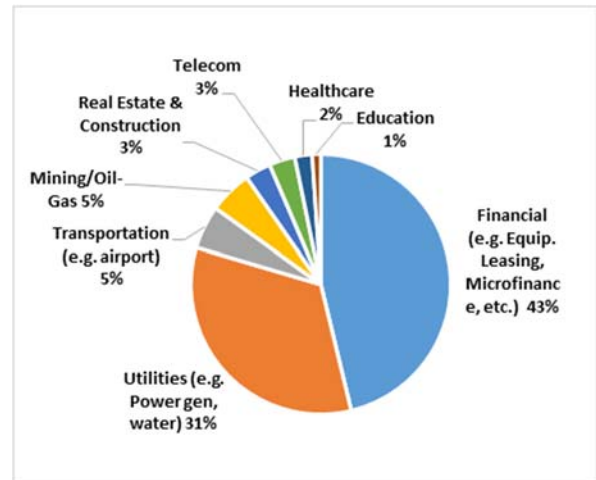


Figure 3 Portfolio by Sector

Longevity of portfolio.

OPIC's portfolio contains more than 500 active projects in almost 100 countries that will require financial and policy monitoring for years following the start of a wind-down in FY 2018 in order to minimize the risk to American taxpayers.

### Wind-down of OPIC Portfolio

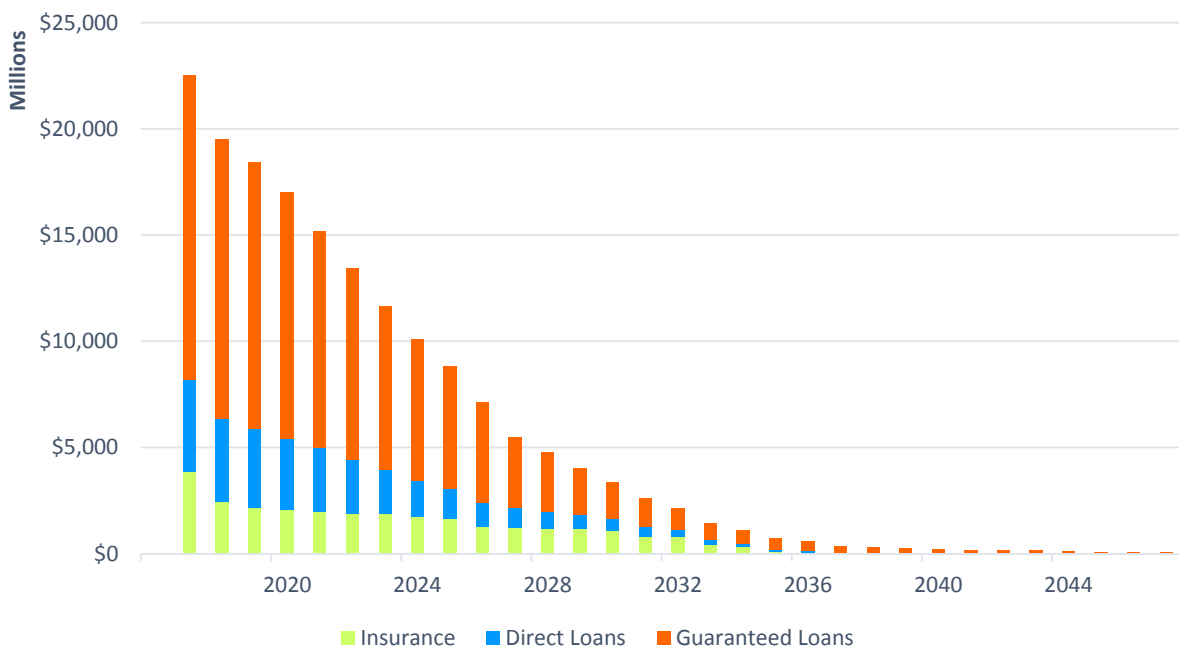


Figure 4 Estimated wind-down of OPIC portfolio

Functions that Continue under Wind-Down

**Loan documentation** – The President’s Budget assumes that OPIC will cease all new origination and promotion of new credit and insurance activities starting October 1, 2017. However, OPIC will continue to authorize new financing via commitment letters through September 30, 2017, consistent with its current Congressional authorization. After OPIC has executed a commitment letter, at which point OPIC is legally committed to provide financing, OPIC proceeds to negotiate and execute final transaction documentation which then implements OPIC's commitments. Those documents include finance agreements and insurance contracts as well as a wide variety of ancillary agreements that relate to such critical elements. These include agreements that lay out the terms of project completion support, collateral security, other credit support, inter-creditor relationships and many other key components of the underlying transaction.

**Portfolio management** – OPIC’s \$22.5 billion portfolio will need ongoing management for years into the future to protect taxpayers’ investments. Management of the portfolio includes everything involving protecting the rights of OPIC in the transaction – this means routine invoicing and collection, minor waivers, amendments and changes in project structure or ownership, workouts and ultimate collection or charge-off amounts due or guaranteed. When OPIC works through third party lenders, service providers or other intermediaries, it must maintain adequate oversight to confirm that these counterparts are implementing sound credit and administrative procedures, generating adequate underwriting documentation and achieving expected performance and impact.

**Project monitoring** – OPIC performs comprehensive and integrated monitoring to evaluate the U.S. and host-country economic effects as well as the environmental, social, health and safety, and general working conditions of the projects it supports. OPIC complies with all statutory and contractual requirements by monitoring projects throughout their lifecycle. OPIC monitors its projects to ensure that its statute and policies are implemented across all OPIC-supported projects. This includes congressionally mandated statutory requirements and general OPIC policy requirements. Specifically, OPIC strives to ensure that all OPIC-supported projects:

- Apply consistent and sound environmental standards
- Apply consistent and sound worker rights standards
- Observe and respect human rights
- Have no negative impact on the U.S. economy, and
- Encourages positive host country development effects

**Disbursements** – All OPIC disbursements require close coordination between the Origination/Monitoring Officer, Legal Affairs, Office of Investment Policy, the credit reviewing official and Financial Management. Proper and sufficient disbursement documentation and procedures are critical to ensuring that OPIC can disburse funds in a timely manner and has the legal recourse and protection envisioned when credit is approved. Due to the complexity and structure of OPIC projects, OPIC projects sometimes disburse over several years.

### Ongoing Agency Operations

Agency operations staff ensure OPIC funds are being used as efficiently as possible by planning for and coordinating with all OPIC departments. Many of the critical operational functions have been assessed for potential efficiencies and cost savings through shared services options.

However, there are mandated compliance requirements that must continue to be met to support functions including human resources, security and strategic operations, facility and administrative services, procurement, information technology (operations, maintenance, and security), and financial management services, such as accounting, budget and resource planning and risk management. It is also a priority to dedicate capital improvement funding for depreciating assets to ensure that OPIC remains on fully supported operating systems and platforms, thereby reducing the risk of cybersecurity disruptions.

### Functions Not Continuing

As OPIC initiates a wind-down in FY 2018, OPIC will seek to reduce its staffing footprint significantly consistent with the vision of the President's Budget through attrition and other workforce restructuring tools as necessary. Functions involved with new-transaction origination and business outreach will be phased down initially. Transaction staffing will be shifted to documenting and completing action on obligations. Thereafter, staffing will be reduced or reallocated so as to implement the wind-down while ensuring the Corporation takes necessary and proper steps to protect the taxpayer interest.

Consistent with wind-down, the President's Budget proposes no appropriation to the Program Account for the budget cost of new loans and loan guarantees. Similarly, the President's Budget proposes no collections from future loans and loan guarantees.

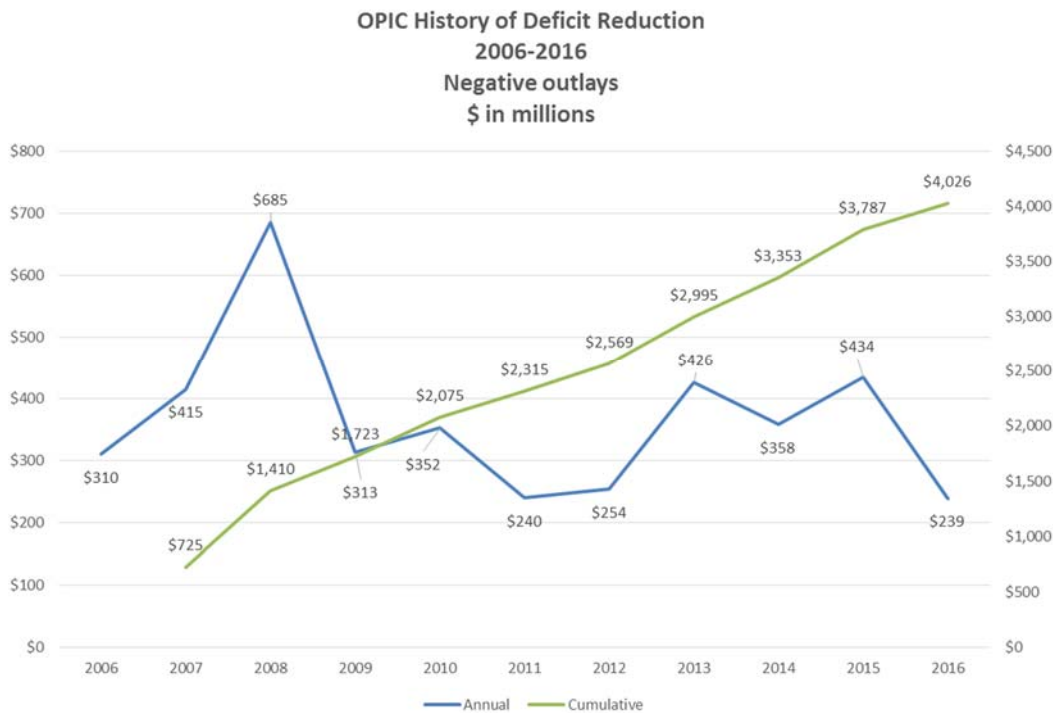
These steps will result in gross savings, as well as a reduction in net offsets. Both factors are presented in the President's Budget, and will be updated in future releases and the forthcoming Mid-Session Review.

## Mission

In 1971, OPIC was created to mobilize and facilitate the participation of U.S. private capital and skills in the economic and social development of less developed countries. In doing so, OPIC has created jobs both at home and abroad, leveraging private investment to support U.S. business as a force for good to reduce poverty, create opportunity, and improve lives. OPIC has done all of this while operating on a self-sustaining basis as mandated by Congress. Indeed, for almost 40 years, OPIC has not only covered all its costs on an annual basis, but it has generated significant additional revenue (by approximately \$200-400 million per year), contributed to the 150 function, and helped reduce the Federal deficit.

### U.S. Economic Benefits of 2016 Projects

Total project investment	\$6 billion
U.S. investment in projects	\$3.7 billion
U.S. percent of total	61%
Total direct U.S. project exports	\$115 million



To achieve its mission, OPIC has provided financial products--including debt financing, insurance, and support for private equity investment funds--to American businesses operating throughout the developing world, including many frontier and post-conflict countries. By operating in strategically important countries that may be emerging from years of conflict or important political transformations, OPIC has served the national security and foreign policy goals of the United States while at the same time complementing U.S. development objectives. OPIC's support has helped small farmers grow more food, encouraged lending to female entrepreneurs, and allowed low income countries to build more modern infrastructure—all of which has benefited the American businesses who have increased their revenue streams from new markets and expanded their employment here at home.

## APPENDIX A: Appropriations Legislation

### Waiver of Requirement to Reauthorize during FY 2017

A waiver to continue OPIC's core programs was enacted under Section 7061(b) of PL 115-31 ([link](#)). The waiver provides as follows:

*Sec. 7061(b) AUTHORITY - Notwithstanding section 235(a)(2) of the Foreign Assistance Act of 1961, the authority of subsections (a) through (c) of section 234 of such Act shall remain in effect until September 30, 2017.*

### Appropriations Legislation: Noncredit Account

*The Overseas Private Investment Corporation is authorized to make, without regard to fiscal year limitations, as provided by section 9104 of title 31, United States Code, such expenditures and commitments within the limits of funds available to it and in accordance with law as may be necessary: Provided, That the amount available for administrative expenses to carry out the credit and insurance programs shall not exceed \$60,800,000: Provided further, That project-specific transaction costs, including direct and indirect costs incurred in claims settlements, and other direct costs associated with services provided to specific investors or potential investors pursuant to section 234 of the Foreign Assistance Act of 1961, shall not be considered administrative expenses for the purposes of this heading.*

### Appropriations Legislation: Program account

*Amounts available from prior year appropriations for the cost of direct and guaranteed loans may be used for the cost of modifying such loans, as defined in section 502 of the Congressional Budget Act of 1974.*

*In addition, such sums as may be necessary for administrative expenses to carry out the credit program may be derived from amounts available for administrative expenses to carry out the credit and insurance programs in the Overseas Private Investment Corporation Noncredit Account and merged with said account.*



## Appendix B: Government Performance Results Act (GPRA) Annual Performance Plan/Report

GPRA Strategic Goal	Strategic Objective	Performance Plan Outputs and Outcomes	FY 2016	FY 2016	FY 2017	FY 2017	FY 2018
			Target	Actual	Target	Actual	Target
Grow Portfolio Impact	Aim for high development impact	Projects with development scores evidencing high development impact <sup>2</sup>	50	57	50	-	N/A
	Increase commitments	Millions of dollars in finance and insurance project commitments <sup>3</sup>	\$4,300	\$3,691	\$3,500	-	N/A
	Minimize GHG emissions across portfolio	Millions of tons of CO <sub>2</sub> emitted by projects in the OPIC portfolio <sup>4</sup>	≤ 49.8	7.7	≤ 49.8	-	≤ 34.8

<sup>2</sup> Projects that receive a score in the range of 60-100 are considered highly developmental.

<sup>3</sup> All dollar numbers in millions.

<sup>4</sup> Targets are based on an anticipated reduction in CO<sub>2</sub> emissions, from 2008 baseline levels by 2018.