

# OPIC Fact Sheet



## U.S. CONNECTION REQUIREMENTS FOR OPIC-SUPPORTED PROJECTS

OPIC, the U.S. Government's Development Finance Institution, provides debt financing, political risk insurance and support for private equity investment funds. OPIC requires that its projects have a meaningful connection to the U.S. private sector. The following describes the U.S. connection requirements for OPIC's primary products.

### Financing

OPIC provides medium and long-term debt financing for projects with meaningful U.S. involvement.

#### How Does OPIC Define U.S. Involvement?

- A U.S.-organized entity that is 25% or more U.S.-owned.
- A foreign-organized entity that is majority U.S.-owned.
- U.S. citizens, lawful permanent residents and U.S.-organized non-profit organizations.
- Other factors such as U.S. employment or presence may be used to help meet thresholds.

#### How Does OPIC Measure U.S. Involvement?

- U.S. involvement in the project company must be in an amount that is at least equivalent to 25% of the project company's equity. This may be satisfied with equity investment, long-term debt investment, other U.S. contracts (such as construction, operating, maintenance or service contracts, off-take purchase arrangements and franchises) or by any combination of these.

#### How Does OPIC Measure the Duration of the U.S. Involvement?

- In an on-going project, U.S. participants need to retain a 25% interest through final disbursement of the OPIC loan. OPIC must approve any proposed transferee.
- In a start-up or 'greenfield' project, U.S. participants need to retain a 25% interest through physical completion. OPIC must approve any proposed transferee.

### Insurance

OPIC's direct insurance for political risks is available to:

- U.S. citizens.
- U.S.-organized entities that are at least majority beneficially-owned by U.S. citizens.
- Foreign corporations that are more than 95% owned by U.S. citizens or U.S.-organized entities that themselves are at least majority beneficially-owned by U.S. citizens.
- Other foreign entities that are 100% U.S.-owned.

### Investment Funds

OPIC can provide debt financing to private equity investment funds where the fund:

- Has raised, or uses best efforts to raise, U.S. equity equal to 25% of OPIC's loan support.
- Is managed by either a U.S. entity that is at least 25% U.S.-owned or a foreign entity that is majority U.S.-owned.

## Examples of Qualifying U.S. Connections for OPIC-Supported Projects

### Example 1

#### Financing for a Power Project

Scenario: A joint venture between foreign Firm A and foreign Firm B is seeking financing for a power project in Asia.

- Foreign Firm A owns 15% of the project equity through shares in the project company and is majority-owned by shareholders with U.S. citizenship or permanent residency. Therefore, Firm A's ownership is considered "U.S."
- The project has a construction contract with a U.S. firm with contract payments equal to 10% of the project equity.
- Other examples of involvement could include U.S. firms providing operating, maintenance or service contracts, off-take arrangements and franchises.

Result: The project may qualify for OPIC financing given the cumulative percentage (25%) of U.S. involvement in the project.

### Example 2

#### Financing for a Financial Services Project

Scenario: A foreign bank in the Caucasus is seeking financing to expand its loan portfolio to include local small and medium enterprises.

- An investment fund organized in the U.S. owns 25% of the shares of the foreign bank.
- The investment fund has raised at least 25% of its capital from U.S. investors.

Result: The project may qualify for OPIC financing given the 25% project ownership by a U.S. investor.

### Example 3

#### Political Risk Insurance

Scenario: Foreign Firm A is operating a manufacturing facility in Latin America and is seeking insurance against political violence causing damage to its assets.

- Foreign Firm A is wholly owned by a U.S. entity that is itself majority beneficially owned by shareholders with U.S. citizenship.

Result: Foreign Firm A may qualify for OPIC insurance given the U.S. equity ownership.

### Example 4

#### Support to a Private Equity Investment Fund

Scenario: A fund manager is seeking financing for a private equity investment fund to make equity investments in companies throughout the Middle East and North Africa.

- The manager is foreign organized and foreign owned.
- The manager is seeking debt from OPIC equal to one-third of the total capital.
- The manager has raised equity capital equal to 25% of the proposed OPIC loan amount from U.S. investors.

Result: The fund may qualify for OPIC financing given the equity capital raised from U.S. investors.



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