

PROTECTION OF AMERICAN INVESTMENT IN FOREIGN PROJECTS

Overseas Private Investment Corporation (OPIC) is the federal agency that has a statutory mandate to support, insure and finance investment projects with substantial U.S. participation. The projects must be financially sound and would be of significant benefits to the social and economic development of the host country and would foster private initiative and competition.

OPIC support is available for new investments, privatization and for expansion and modernization of existing plants. Acquisitions of existing operations are eligible for financing if the investor contributes additional capital for modernization and/or expansion. Financing is not available for projects that can secure adequate financing from commercial sources. Investors are required to confirm that they have considered private sector political risk insurance before OPIC will issue coverage. Programs fall into four categories: insurance, direct loans, guarantees and investment funds.

OPIC can insure many different forms of investments including:

- conventional equity investments and loans;
- construction and service contracts;
- production sharing agreements;
- leases;
- various contractual arrangements such as consigned inventory, licensing, franchising and technical assistance agreements; and
- other special agreements that investors may devise

OPIC insurance can cover the following three political risks:

- Currency inconvertibility — deterioration in the investor's ability to convert profits, debt service and other investments returns from local currency into U.S. dollars and to transfer U.S. dollars out of the host country.
- Expropriation — loss of an investment due to expropriation, nationalization or confiscation by the host government; and
- Political violence — loss of assets or income due to war, revolution, insurrection or politically motivated civil strife, terrorism and sabotage. Actions undertaken primarily to achieve labor or student objectives are not covered. OPIC would pay compensation for two types of losses: business income losses and damage to tangible property. An investor may purchase one or both coverage.

A wide-range of banking activities can be insured by OPIC, including loans made or arranged by banks. Wrongful calling of bid performance, advance payment guaranties, customs bonds and other guaranties can be insured by OPIC. Coverage also is available for technical assistance agreements, cross-border leases, consigned inventory or equipment, or other forms of investments. Disputes coverage provides protection in the event of contractual disputes that may arise during the performance of a contract. Disputes coverage is offered only when a project has secure and adequate funding, commonly from an international development or export credit agency and contains a dispute resolution procedure, that is fair, impartial and expeditious and its results enforceable.

Specifically, OPIC insurance is available to:

- citizens of the United States
- corporations, partnerships, or other associations created under the laws of the United States, its states or territories, and beneficially owned by more than 50 percent by U.S. citizens
- foreign corporations at least 95 percent owned by investors eligible under the above criteria; and
- other foreign entities that are 100 percent U.S. owned

For more information visit www.opic.gov.

You also may contact Alice Bernard-Jones, International Finance Manager, (City/State Partner for the Ex-Im Bank for the State of Missouri) at: 573/526-4967, Fax: 573/526-1567 or alice.bernard-jones.mdfb@ded.mo.gov.