

OPIC Responses to Additional Subcommittee Questions, 13 June 2014

1. What percentage of Overseas Private Investment Corporation's (OPIC) portfolio is devoted to projects in countries with a per capita income of \$984 or less in 1986 United States dollars?
2. What percentage of OPIC's portfolio is devoted to projects in countries with a per capita income of \$4,269 or more in 1986 United States dollars?

In your answer to the above questions, please base your answers on the most recent full year that OPIC has data for and state the year and the inflation adjustment in your answer.

The maximum contingent liability of OPIC's portfolio in projects for one country as of September 30, 2013 was \$16.02 billion. Of this, 26% (\$4.10 billion) was invested in countries with a per-capita income of \$984 or less in 1986 U.S. dollars as of September 30, 2013. Another 36% (\$5.84 billion) was invested in countries with a per-capita income of \$4,269 or more in 1986 U.S. dollars, as of September 30, 2013.

In interpreting this data, it is important to bear in mind that:

- The above figures reflect per-capita income today, as of September 30, 2013, not necessarily as of the date of OPIC's commitment to the underlying project. Since OPIC often finances and insures long-term projects, a country can rise in its ranking during the course of the project. For example, OPIC had five projects in Moldova in its portfolio as of September 30, 2013 that were committed when Moldova's per-capita income was less than \$984 in 1986 U.S. dollars. These five projects, totaling \$23 million as of September 30, 2013, did **not** count toward OPIC's total of low-income projects because the latest data indicates that Moldova's per-capita income has now moved above \$984 in 1986 U.S. dollars.
- As we noted in our response to your Questions for the Record, the majority of the world's poorest people live in so-called "middle" income countries. OPC frequently targets projects in these middle-income countries that are designed to address development needs of impoverished sub-populations, thus achieving development impact just as high as similar projects in low-income countries. A recent example is an investment guarantee that OPIC committed to Banco Itau in Brazil to support the bank's increased lending to small and medium-sized enterprises in Brazil's less developed northeast.

To help you understand how this data was derived, here are some notes on our methodology. (Some of these points relate to technical features of OPIC's products or data systems.) We would be happy to meet with Subcommittee staff to discuss any of these points in further detail.

- The September 30, 2013 figures above were calculated using the following inflation adjustment factors and per-capita income data:

- *Per-capita income data:* OPIC used per-capita income data obtained primarily from the World Bank World Development Indicators corresponding to 2011 (the most current full-year GNIPC data available at the beginning of FY2013). Where per-capita income data were not available from this source for a given country, OPIC used United Nations' statistics or statistics provided by that country's national statistics agency.
- *Inflation adjustment factor:* According to the August 2012 issue of the Bureau of Economic Analysis's Survey of Current Business, the 2011 U.S. GNP implicit price deflator back to 2005 (i.e. where 2005=100) was 113.353. The GNP implicit price deflator from 2005 back to 1986 (in 2005 dollars) was 62.973. Therefore, the deflator used to convert 2011 per-capita incomes into 1986 dollars equals $(62.973/113.353)$, or 0.5555.

For example, the 2011 per-capita income of Afghanistan was \$410. Multiplying $\$410 \times 0.5555$ results in \$228 in 1986 U.S. dollars. This per capita income falls below the level of \$984 or less in 1986 dollars. Therefore the value of OPIC's exposure to a given single country project in Afghanistan as of September 30, 2013 would be counted toward the 26% figure given above.

- A minority of OPIC's portfolio is invested in projects or investment funds with activities in multiple countries, which may be a mix of low- and middle-income countries, and without a distinct exposure in any single country. As of September 30, 2013 the value of OPIC's portfolio invested in projects or investment funds with activities in multiple countries was \$2.03 billion.
- Certain insurance projects are single country projects in the sense that they have distinct maximum exposures to specific countries, yet they also contractually limit OPIC's maximum exposure across a set of countries to an amount less than the sum of the country-specific exposures. For example, OPIC could have hypothetical separate maximum exposures of \$100 in each of Egypt, Jordan, and Pakistan, yet an overall maximum exposure of \$270 across all three countries. The \$16.02 billion figure given above reflects OPIC's overall maximum exposure (e.g., the \$270 in the hypothetical example).