



Overseas Private
Investment Corporation

Mobilizing Private Capital for Solar PV Project Development

Developing, Financing & Investing
in Solar PV in Lower Mekong Countries

Ho Chi Minh City

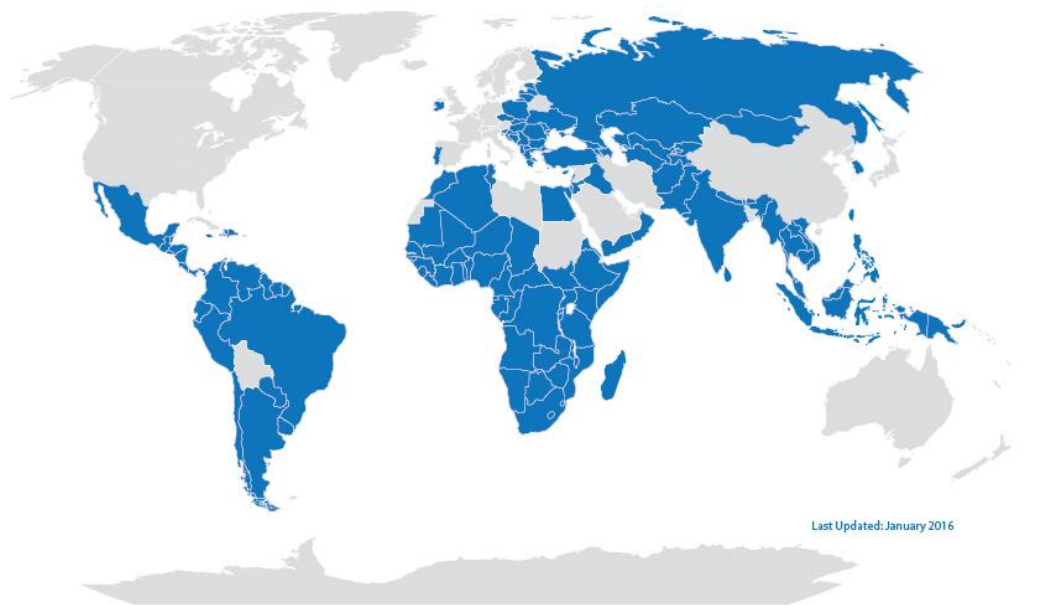
August 30, 2017



Our Organization

As the U.S. Government's development finance institution, OPIC mobilizes U.S. private capital to help address critical development challenges and in doing so, advances U.S. foreign policy and national security priorities.

OPIC currently manages a \$22 billion portfolio of projects in more than 100 countries and operates on a self-sustaining basis at no net cost to the American taxpayer.



Our Solutions



OPIC offers innovative financial solutions to support private investors including debt financing, insurance, and support for private equity investment funds.

Products

Debt Finance

- Long-term project or corporate finance for private sector, commercial projects
- Loan amounts up to \$250M per project
- Specific programs for providing finance to small-and-medium-sized enterprises

Political Risk Insurance

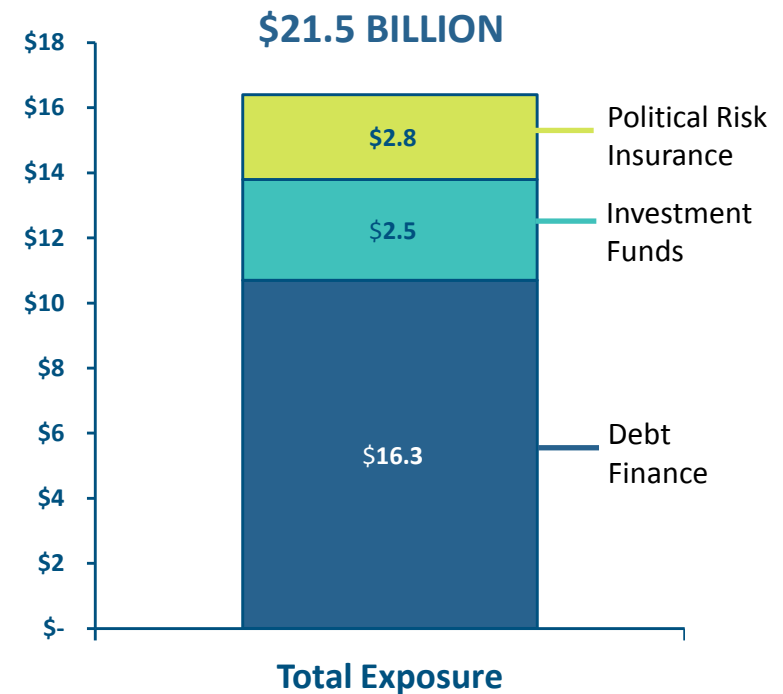
- Protection against currency inconvertibility, expropriation and political violence, including terrorism, as well as other specialized coverage (eg. BOC)
- Policy coverage up to \$250M per project, up to 20 year term
- Fixed premium, cancellable only by insured

Investment Funds

- Senior debt for private equity funds selected by competitive process
- Investment decisions made independently by selected fund managers
- Provide up to \$250M with bullet repayment, zero coupon structure

Current* Portfolio

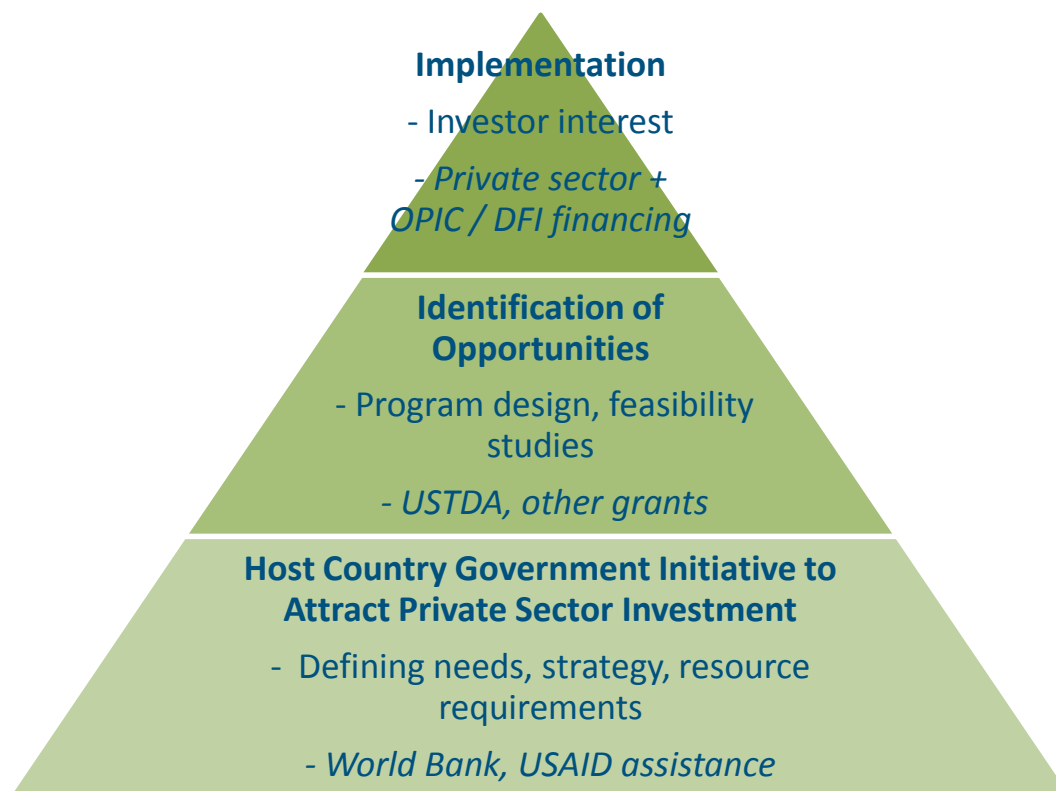
Based on a \$29B Statutory Capacity



*September 30, 2015

When Does OPIC Get Involved

OPIC brings investment capital – through financing, political risk insurance and private equity solutions – once private sector investors have determined a project is commercially viable.



Themes of Involvement

- *Fill in gaps where the private sector is unable to meet the needs of a project in order to make it sustainable*
- *Support only viable projects and thus not only provide the intended benefits to the host country but also ensure repayments to OPIC*
- *Work with host country government to confirm alignment of interests and development objectives*

Investment Constraints in New Initiatives

Inadequacy + Uncertainty = High Risk

- Macro: economic, currency and judicial regimes; political stability
- Legal and regulatory: Inadequate and evolving frameworks for sector
- Cash flow: oftaker credit profile, sector economics
- Concession: transparency of project selection process and PPA award
- Local sponsors: financial and performance wherewithal
- Implementation: development and execution consistent with international standards

Risk Perception: Local versus International

DFI Role in Risk Mitigation

- DFIs can play a direct or indirect role and act as an honest broker, from development through operations
- Government perspective
 - Aligned interest of sustainable economic development
 - Decades of experience (good and bad) from around the world
 - Not profit-seeking but implementing and facilitating private sector
 - Long term partnership
- Investor perspective:
 - Advocate of establishment of and adherence to international standards
 - Long term partner not subject to the volatility of the financial markets
 - Indirect “halo” effect, if not explicit PRI coverage
 - Direct support in addressing project challenges
- Involvement from development through operations
 - Government advisor
 - Project lender or political risk insurer
- Note: DFI equity, debt or insurance is not meant to substitute for proper allocation of project political risk and host country obligations in project agreements.

DFI Role in Risk Mitigation

- Development risk
 - DFI participation viewed positively by prospective equity and debt investors
 - DFI brings third party, neutral, perspective to dialogue with host country counterparts
 - Some DFIs can provide early stage capital, including project equity
- Commercial risk
 - DFIs underwrite in a manner consistent with commercial lenders and insurers, maximizing project commercial viability and probability of positive developmental impacts
 - DFI participation provides material dis-incentive for both private and public sector counterparts to discriminate against project
 - DFIs may play a critical role in accessing local currency or other hedging strategies
- Political risk
 - Implicit coverage via DFI participation in equity or debt capital structure
 - Explicit coverage via tailored insurance policies, from basic “three-point” coverage to breach of contract

Renewable Program Assessment



- Renewable energy a key component of long term sector strategy
- Not only green objectives but typically also fuel mix and energy independence as well as local economic benefits
- Clear understanding of impacts on system costs and related subsidies, if any
- Recognition of evolving and different technologies and cost profiles, including by scale and location
- Grid ability to connect and sustain targeted levels and types of renewable power
- Staged implementation with capacity limits to control program costs, address initial technical concerns, and allow competitive selection of investors able to execute and perform
- Successful first project(s) to act as catalyst for program and facilitate further private sector investment and lending

Renewable Energy PPAs



PPAs need to be bankable and reflect risk allocation according to international standards:

- **Fixed tariff** adequate to cover cost of operations as well as repay the debt and provide a reasonable return to equity
- Tariff denominated or indexed to **hard currency** with no limitations on exchange or transfer of funds offshore
- **Take or pay** with deemed generation for curtailment to address dispatch risk
- **Change-in-law** protection to compensate for future adjustments to legal or tax regime with negative effects
- **Dispute resolution** offshore in a neutral venue under accepted arbitration rules
- **Assignment** of PPA as part of debt collateral, with step-in and cure rights provided to lenders
- **Termination and related payments** regime clearly defined with repayment of debt when facility transfers to offtaker
- Government **payment support** for non-creditworthy offtaker
- **Interconnection and grid access** with grid stability
- **Force Majeure**

Resources & Contacts



Resources

- Review the website: www.opic.gov
- Review *The Investor Screener*
- Consult *Small Business Guide*:
<http://www.opic.gov/small-business>
- Discuss your project with OPIC:
info@opic.gov or +1 (202) 336-8400
- **Insurance:** Complete Form 50
- **Finance:** Complete *Section 1a* of Form 115
- Need assistance? Loan Originators:
www.ednaccess.com

OPIC Contact

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Overseas Private
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Annex: Additional Program Information

Investment Priorities



RENEWABLE ENERGY

Goal: Support projects that advance a sustainable lower-carbon economy, greater resource efficiency and a cleaner and more secure energy supply.

Since 2007, OPIC's renewable energy portfolio has grown 50-fold.

FOCUS ON LOW INCOME COUNTRIES

Goal: Create economic opportunity in the world's poorest countries by partnering with the private sector and supporting sustainable development.

Among OPIC's 2015 commitments, nearly half supported development in countries with the lowest incomes.

IMPACT INVESTING

Goal: Support projects that address common social and environmental challenges in sectors such as agriculture, education, access to finance, housing for the poor, small and medium enterprise finance, healthcare, renewable energy and sanitation.

OPIC is the U.S. government's largest impact investor and the majority of OPIC's investments are in impact sectors.

SUPPORTING SMALL BUSINESSES

Goal: Support for American small businesses, which consistently comprise the majority of projects supported by the agency annually.

75% of OPIC's 2015 projects involved small and medium-sized businesses.

Our Impact



Clients that OPIC currently supports are producing significant sustainable economic development results* across a number of sectors.

- **Agriculture** projects are sustaining livelihoods for nearly **one million small holder farmers**.
- **Energy** projects are expected to generate more than **3.5 gigawatts of electricity** in the developing world – the equivalent of the power demand of roughly **three million U.S. homes**.
- **Healthcare** projects are treating patients at a rate of more than **seven million patient visits per year** – in both small clinics and large hospitals.
- **Education** projects are educating more than **120,000 students** in primary and secondary schools, and more than **25,000 students** in higher education.
- **Housing** projects have constructed affordable homes for over **60,000 homeowners** and have provided more than **200,000 home mortgages**, the majority of which are first-time homeowners.
- **Water** infrastructure projects are producing over **150 billion liters of water** each year, the equivalent of more than **260 billion bottles**.
- **SME** and microfinance clients are providing access to finance to over **10 million SME** and microfinance borrowers.
- **Renewable energy** projects in solar, wind, geothermal, and biomass will avoid over **five million tons of CO2 annually** as an alternative to fossils.

*September 30, 2015

Our Clients and Partners

OPIC coordinates with other U.S. government agencies and international partners to provide financing and risk mitigation products to a wide range of clients.

Current Clients

Small/Medium Businesses and Multinationals



Nonprofits and Impact Investors



Strategic Partnerships

U.S. Government

- Departments of State, Commerce, and Treasury
- USAID & USTDA
- Millennium Challenge Corporation
- Ex-Im Bank and SBA

Development Finance Institutions

- Other DFIs (CDC, FMO, DEG)
- IFC and MIGA
- Regional Development Banks (IDB, ADB, AfDB, EBRD)

Other Partners

- U.S. Chambers of Commerce
- AmChams
- NGOs
- Financial Institutions

Our Policy Standards



Investors and project proposals must satisfy certain policy criteria to receive OPIC financing and insurance.

Eligibility Criteria for Investors

To be eligible for OPIC financing and insurance, applicants must:

- ✓ Have a **commercially viable business plan** and successful track record
- ✓ **Involve the U.S. private sector** in a meaningful way in the project seeking OPIC support
- ✓ Maintain **private sector control** (<50% government ownership)
- ✓ Confirm that commercially viable private sector financing or insurance **is not already available** for the project

Policy Standards for Projects

OPIC supported projects must:

- ✓ Contribute to **sustainable development**
- ✓ Be located in one of our approximately 160 **eligible countries**
- ✓ Comply with **international best practices** regarding environmental and social impact
- ✓ Support **internationally recognized worker** rights
- ✓ Cause **no loss of U.S. jobs** or adverse impact on the U.S. economy

U.S. Connections in OPIC-Supported Projects



OPIC policy requires that finance and direct insurance projects have a meaningful connection to the U.S. private sector.

How Does OPIC Define U.S.?

- A U.S.-organized entity generally must be at least 25% U.S.-owned.
- A foreign organized entity generally must be at least majority U.S.-owned.

How Does OPIC Measure U.S. Involvement?

- OPIC requires U.S. involvement in the project company in an amount that is equivalent to 25% of the project company's equity, which may be met with equity, long-term debt or other U.S. contracts or, by combining these types of involvement.
- OPIC will support investment funds if the fund has raised U.S. equity equal to 25% of OPIC's loan support or if the fund is managed by a U.S. manager.

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

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

How Does OPIC Define U.S. Small Business?

- This is defined as a business with annual revenues during the last fiscal year of less than \$400M; entities/individuals without revenues, net worth of less than \$100M.
- Consistent with the U.S. Small Business Administration, OPIC also considers a business with 500 or fewer employees as "small."

Asia Pacific Office



OPIC's regional office reflects a renewed focus on the region.

- **Opened in July 2014:** When the office was opened it was one of only two outside Washington.
- **USACEP:** The U.S. Asia Pacific Comprehensive Energy Partnership was announced in 2012, focusing on clean and renewable energy, natural gas, markets and interconnectivity, and sustainable development.
- **\$6 billion:** The U.S. is targeting \$6 billion of financing support for USACEP investments in the region, of which \$1 billion is to come from OPIC.
- **Regional focus:** The OPIC office covers all emerging markets in Asia Pacific across all sectors.
- **ASEAN Connect:** OPIC Asia Pacific is an integral part of the ASEAN Connect initiative.

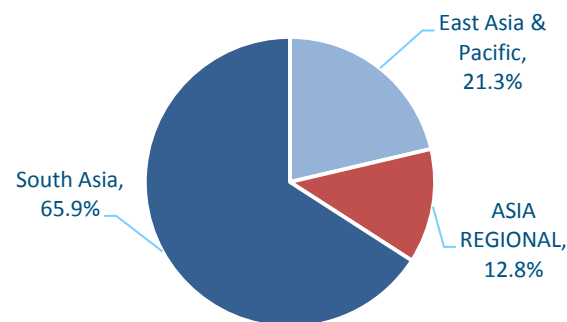
Asia & Asia Pacific Exposure



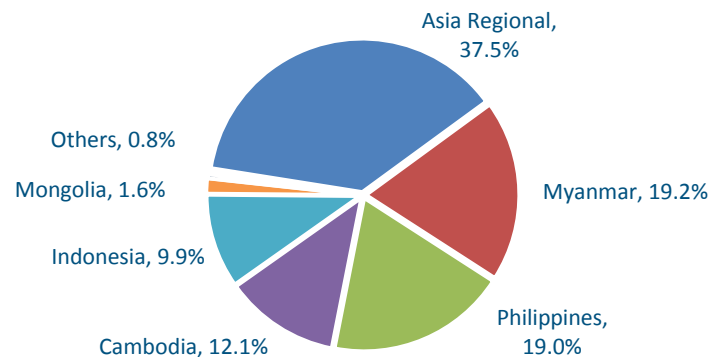
OPIC has been focused on specifically rebalancing towards Asia Pacific.

- **In 2016**, OPIC committed more than \$1 billion in new investments to 14 projects across Asia.
- **Asia** now comprises approximately 18% of OPIC's current portfolio, with \$3.9 billion of exposure, an amount triple OPIC's Asia portfolio in 2008.
- **Infrastructure**, energy (including renewable energy), manufacturing, and microfinance and small business lending projects comprise much of this investment.
- **Asia Pacific** exposure reflects 26 projects with \$838 million of commitments.
- **Rebalancing** towards Asia Pacific which is underweight relative to other geographies.

Asia Portfolio by Subregion



Asia Pacific Current* Portfolio by Country



*September 30, 2016

Our Work in Asia Pacific



OPIC has tripled its recent portfolio in Asia and has been active in the region since 1970.

Indonesia: \$120M loan to *UPC Sidrap* to support the development, construction, and operation of a 75 megawatt wind power facility in South Sulawesi, expected to be the first wind IPP in Indonesia.

Myanmar: \$250M loan to *Apollo Towers* to expand telecom infrastructure across the country and bring essential telecommunications services to a larger portion of the Myanmar population by building more than 4,000 cell towers.

Cambodia: \$155M in financing to *ACLEDA Bank* to support its expansion of its micro- and SME lending, including \$30 million dedicated to women-owned SMEs.

Philippines: \$2.5M in financing to *QuantumID Technologies* to invest in an air cargo management system which will improve the competitiveness and efficiency of the air cargo industry in the Philippines.

Papua New Guinea: \$10M loan to *Digicel*, the country's largest mobile telecom service provider, to expand its telecommunication services into underserved regions including rural areas of the country.

Vietnam: \$5.4M loan to *Australis Aquaculture* to create the world's largest sustainable Barramundi fish farm in Van Phong Bay. The venture specializes in sustainable and eco-friendly aquaculture and employs one hundred local workers.

OPIC Project Lifecycle



- SOURCING** ▼ Clients and Partners; Interagency; Business Development
- PRESCREENING** ▼ Statutory and Policy Eligibility; Additionality; Development Impact; Financial Viability
- APPLICATION** ▼ Business plan; Eligibility of investor/project; Creditworthiness; Developmental Return; Investor/Management Experience/Track Record
- DUE DILIGENCE & POLICY REVIEW** ▼ Credit and Risk Underwriting; Policy Review; Legal Review; Character Risk Due Diligence (CRDD)
- APPROVAL** ▼ Vice President; Credit Committee/Evaluation Committee; Investment Committee and President & CEO; Board of Directors
- PROJECT CLOSE** ▼ Finish CRDD, Legal and Policy Review; Negotiation and Execution of Commitment and Insurance/Financing Agreements; First Closing on Equity Raising (Funds); First Disbursement
- PORTFOLIO MANAGEMENT** ▼ Ongoing monitoring of financial health, policy compliance, and development impact; Loan Repayment; Restructuring or Write-Off; Insurance Modifications and Claims;

I have a project. Where do I start?

1

Is my project commercially viable?

2

Is my project capable of debt service?

3

Does my project support sustainable development?

4

Is my country of interest eligible?

5

Is this type of project eligible?

6

How do I register for insurance?

7

How do I apply for an OPIC loan?

8

Where can I get help with my business plan?

Please visit

www.opic.gov

See Investor Screener

OPIC



www.opic.gov



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