



Statement Of

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OVERSEAS PRIVATE INVESTMENT CORPORATION

Before the

Subcommittee On African Affairs

Committee On Foreign Relations

UNITED STATE SENATE

Economic Statecraft: Embracing Africa's Market Potential

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Chairman Coons, Ranking Member Isakson and distinguished Members of the Subcommittee:

I want to thank you for the opportunity to address the Subcommittee. I am Elizabeth Littlefield, President and CEO of the Overseas Private Investment Corporation.

Today's hearing focuses on a subject critical to the American foreign policy objectives of security and growth: increasing U.S. economic engagement in Sub-Saharan Africa to generate broad, sustainable economic development. Steady and tangible progress toward this goal is indispensable for improving Africans' standards of living, well-being, and capacity to fulfill their own economic destinies. Moreover, America's own economic growth and its strategic relationships among African nations and the international community will only gain by the success of these efforts.

As the U.S. Government's development finance institution, OPIC is well positioned to discuss investment in Africa, the prospects for its future, and the role of American business in helping Africa to realize those prospects.

As President Obama has said, American development policy must use all the tools of development – not only foreign aid but investment tools as well. Specifically, the President's new U.S. strategy for the sub-continent directs the Administration to "spur economic growth, trade and investment in Sub-Saharan Africa."

OPIC supports long-term U.S. investments in Africa through its three basic products – political risk insurance, investment financing, and support for carefully-selected and targeted private equity funds. Our political risk insurance, which primarily covers expropriation, currency inconvertibility and political violence, reassures investors that their assets on the ground will be protected. Our financing, available to smaller companies as direct loans through our Small and Medium Size Enterprise Finance Department, and to larger companies as guaranties, mainly through our Structured Finance Department,

helps companies finance investment opportunities in Africa. And OPIC-supported private equity funds direct capital to African companies with the most promising potential for economic growth.

For example, OPIC is providing financing and political risk insurance for a power plant in Togo that is helping that country evolve from an importer of energy into an exporter – and thereby overcome an electricity shortage that has resulted in rolling blackouts and inhibited its economic growth.

Each application for OPIC backing is rigorously evaluated for its development potential, its creditworthiness, the backgrounds of its applicants, and whether it could be funded from private lenders without OPIC's participation. (This latter consideration ensures that OPIC neither duplicates nor crowds the efforts of the private sector.)

And yet OPIC's role in all of this comes at no net cost to U.S. taxpayers. OPIC is fully self-sufficient, as required by law. In fact, OPIC has helped *reduce* the U.S. budget deficit for 34 consecutive years. Last year, OPIC sent \$269 million back to the U.S. Treasury –and over the past few years, we've sent more than \$2 billion back.

Meanwhile, OPIC's ability to catalyze private-sector investment continues to improve. Historically, each dollar that OPIC has invested in emerging markets like Africa's has mobilized another \$2.70 in private sector investment. In FY2011, OPIC recorded a three-fold increase in the amount of capital that the agency's financing mobilized, rising to \$4.4 billion.

This approach has been successful in Africa for OPIC.

Over its 40-year history, OPIC has committed more than \$7.6 billion in financing and political risk insurance to 460 projects in Sub-Saharan Africa. Those projects have delivered widespread economic benefits to Africa's growing economies, among them:

- a total of nearly 2700 megawatts of new electrical power across the continent;
- hundreds of thousands of new housing units, including one project in South Africa that alone has produced nearly 111,000 new units;
- the provision of hundreds of thousands of gallons of clean water daily to African populations;

- thousands of loans and microloans for African entrepreneurs through ongoing partnerships with American banks;
- the construction of railways and port facilities, miles of new roads and other physical infrastructure critical to the continent's economic growth; and
- the creation of thousands of new jobs, both for African and American companies which partner in OPIC projects.

And OPIC's commitment to Africa has only grown over the course of the last decade, in support of both Republican and Democratic Administration priorities. To illustrate, FY2001 OPIC commitments to projects in Africa comprised only four percent of the agency's total exposure. That percentage has grown steadily to 22 percent in FY2011. If North Africa and the Middle East were included, the figure rises to 40 percent of OPIC's portfolio. *(See charts, attached.)*

OPIC's approach to investment in Africa is strategic. Because we are an agency of only 224 employees, we make every effort to select projects that deliver the maximum developmental and economic impact to Africa's nascent economies. In doing so, we bring the best of American innovation, skills and training to bear on OPIC's development projects in Africa, as well as best business practices and the highest standards of environmental and social performance.

Our top priorities in Africa are first, to support U.S. investment in the energy sector, particularly the sustainable development of Africa's considerable renewable resources; second, to facilitate infrastructure improvements, not only traditional physical infrastructure like roads, housing, and electric generation, but also agricultural infrastructure like supply chains and health care infrastructure like hospitals and clinics; and third, to expand access to capital for African small and medium-sized enterprises (SME's)s' and microenterprises.

Here are some examples of OPIC projects in each of these sectors:

- In Kenya, a project that OPIC has approved will double the generating capacity of a geothermal plant, adding 52 MW to its existing 48 MW of capacity. This expansion will incorporate environmentally-friendly American technology, and is expected to generate 55 new local jobs, among them 26 professional/technical staff and 28 unskilled workers. It is also expected to support approximately 107 U.S. jobs.

- In Cameroon, an OPIC project is supplying safe drinking water to hundreds of villages, improving health and supporting economic growth -- while also introducing U.S. forms of project management and industrial engineering that will help the country long after the project is completed.
- Water is also the focus of an OPIC-financed desalination plant in Algiers that supplies safe drinking water to a fourth of the city's population -- while, for the first time in Algeria, demonstrating a successful public-private infrastructure partnership.
- In health care, a project that OPIC has approved will use U.S.- manufactured medical equipment and medical consultants to develop improved health care services at up to 100 hospitals and clinics in Ghana, a Partnership for Growth country . Many patients will gain access to oxygen generator systems, MRI machines, CT scanners, and ultrasound and digital image equipment for the first time. Hospital administrators will gain access to advanced management systems, critical care packages, medical waste treatment plants, and mobile clinics.
- An OPIC monitoring team, recently returned from Kenya, reported on three innovative OPIC microfinance projects there. Musoni, an entirely mobile phone-based microfinance institution; the Kenya Women's Finance Trust, which since 1981 has revolutionized women entrepreneurs' access to credit in the country, and Equity Bank, which receives financing from a highly-successful OPIC-supported investment fund called Helios. These three MFIs are at the cutting edge of microfinance in East Africa, not least for their support of the Smart Campaign social performance principles which stand to improve MFIs' customer focus worldwide.

And it's not only in the more stable countries such as South Africa and Kenya where OPIC is working.

In post-conflict African states, OPIC has been moving quickly to address humanitarian challenges with projects that offer long-term gains.

- Immediately following Liberia's civil war, OPIC has put in place a facility with a U.S. partner bank that lends to SMEs. Called the Liberian Enterprise Development Finance Corporation (LEDFC), the facility focuses on businesses in the hospitality, transportation, construction materials,

retailing, agribusiness, and food services sectors that have the staff and vision to generate employment and growth. LEDFC has been praised highly by Liberian President Ellen Johnson-Sirleaf. And as one loan recipient stated, “For me, it has been a problem of finance until LEDFC. I don’t care how much is in your head, if there is no money in your pocket and your bank account is empty, nothing will go anywhere.”

- In Rwanda, OPIC provided financing and insurance to Connecticut-based Tea Importers, Inc., to expand their Rwandan tea processing facilities. The company purchases tea leaves from about 5,000 small landholders, making the facility a critical source of employment and income in the country.

OPIC also works with non-governmental organizations that focus on private sector development.

- A Texas faith-based NGO called Living Water International (LWI), for example, used three OPIC loans to drill hundreds of potable water wells in rural areas of Kenya and Ghana, providing scores of communities with access to clean water. As each well is drilled, LWI crews work with local stakeholders, providing instruction on water hygiene. After the well is completed, LWI trains stakeholders in its operation and maintenance.

In addition to our work with the private sector and nonprofit community, OPIC often implements its African activities with our sister agencies in the federal government – including not only Ex-Im Bank and the Department of Commerce, who are here with us today, but more frequently the State Department, the U.S. Agency for International Development, the Millennium Challenge Corporation, and the U.S. Trade and Development Agency (USTDA). This makes each agency’s resources go farther, and enables us to effectively align and combine the complementary resources of sister development agencies. As always, we aim to make public resources go farther, spending the least amount of public resources needed to attract the most private resources.

Let me give you an example. Last month, I was honored to join Secretary Clinton in Rio de Janeiro for the launch of the US-Africa Clean Energy Finance initiative, an innovative approach to bring together resources and expertise of three U.S. government agencies -- using existing State Department funds, USTDA technical assistance, and OPIC backing to catalyze renewable energy generation facilities, energy efficient improvements, and facilities that support clean energy.

Looking at the larger picture, all of this economic activity has created platforms for the growth of market-based economies across Africa, as well as economic incentives to create a more business-friendly environment with fair and predictable laws and regulations, and streamlined processes for permits and licenses, among other business climate improvements.

This evolution builds a business environment that is more welcoming to American companies hoping to better access today's fast-growing African markets.

In the U.S., this especially helps small businesses, many of them diaspora-owned, which can spot niches in these emerging markets, and who use the improved business climates and OPIC's help to better manage risks. Small U.S. companies now account for more than three-fourths of OPIC's transaction volume. In fact, last year, 78 percent of OPIC projects were with U.S. small businesses.

Over time, OPIC has helped thousands of such American companies to extend the reach of their technological advances and entrepreneurial know-how to developing country markets, notably in Africa.

And these economic and technological interventions, in turn, have had catalytic effects: generating thousands of start-up companies in poorer countries and hundreds of thousands of jobs both there and in the United States.

The result is the initiation of a virtuous cycle: U.S. businesses and their African partners both grow, strengthening local economies and making Africa's emerging markets *better* markets for American companies and investors.

Overall, the impact of OPIC's development finance on Africa speaks volumes about the potential of our investment approach to bring about economic growth on the continent. It also speaks to the scale of investment opportunities that exist for American businesses in Africa. Not least, OPIC's success backs key U.S. foreign policy goals by supporting the spread of democracy and free markets.

Why is this happening now – what is driving Africa's growing market potential? I see three factors:

(1) The swelling ranks of the middle class. In just the past decade, Africa's middle class grew 60 percent to 313 million, according to the African Development Bank. And the number of African households with discretionary income is expected to go up by another 50 percent over the next ten years. We certainly should not overlook poverty in Africa, but it's important to recognize that a significant segment of the

population now has income that can cover more than its basic needs. As just one example, Africa now has more mobile-phone subscribers than the U.S. has people.

(2) Untapped opportunities: Nearly 60 percent of the world's uncultivated arable land is in Africa. And with the world's population projected to increase to more than nine billion by 2050, it will require up to a 70 percent increase in agricultural production. In addition to agricultural productivity opportunities, research shows that agricultural growth is at least twice as effective in reducing poverty as growth in other sectors. Agriculture in Africa is clearly a high-potential growth sector.

(3) And as noted, African governments are doing their part by undertaking earnest efforts to improve the investment climate and energize markets. Across the continent we've seen leaders privatize state-owned enterprises, liberalize trade, lower corporate taxes, strengthen regulatory and legal systems, and invest in critical physical and social infrastructure. In 2010, two-thirds of sub-Saharan African nations implemented reforms to improve their business climates. From the point of view of an investor, the most important sign of a positive business environment is improvement, even incremental, as it demonstrates the intent of the government to welcome business. The World Bank's *Doing Business* indicators tell the story: in past five years, half of the 12 countries awarded "most improved" are in Africa.

Against these ever-improving prospects, Africa faces equally great investment challenges, particularly in the development of its physical and financial infrastructure.

With nearly one billion people, Africa accounts for over a sixth of the world's population, but generates only four percent of global electricity.

And while the need to upgrade and expand the service provision in areas such as electricity, telecommunications, transport, shelter, water supply and sanitation is high, private investments have not kept pace. This fact is particularly disappointing when one considers Africa's vast natural resources and the potential for social development they offer.

We believe this is where OPIC can step in and make a critical difference by helping to bridge the still-large gap between Africa's potential and its development needs. Indeed, as an offshoot of the Marshall Plan, OPIC was established to involve the U.S. private sector in stepping up to precisely such daunting challenges.

We believe the OPIC record in Africa speaks for itself. If nothing else, it speaks to the ability of private sector-led development to yield outsized results that dwarf the commitment of U.S. Government resources to Africa's development challenges.

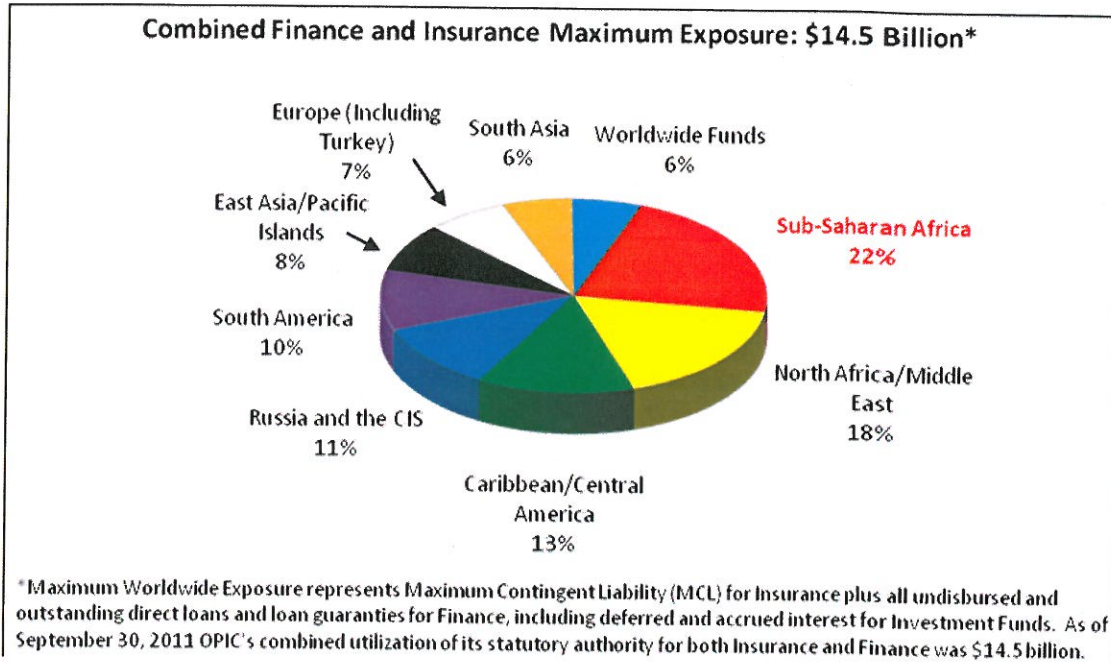
The OPIC finance model is the most effective way to support sustainable development because it deploys a private market entrepreneurship and discipline. It is the most *efficient* way to conduct development policy because it is done in a way that is not only fully self-financing but actually generates money for the American taxpayer and the federal budget.

With the support of Congress, we look forward to helping Africa meet its development challenges through the vehicle of the American private sector, which has always met every challenge before it.

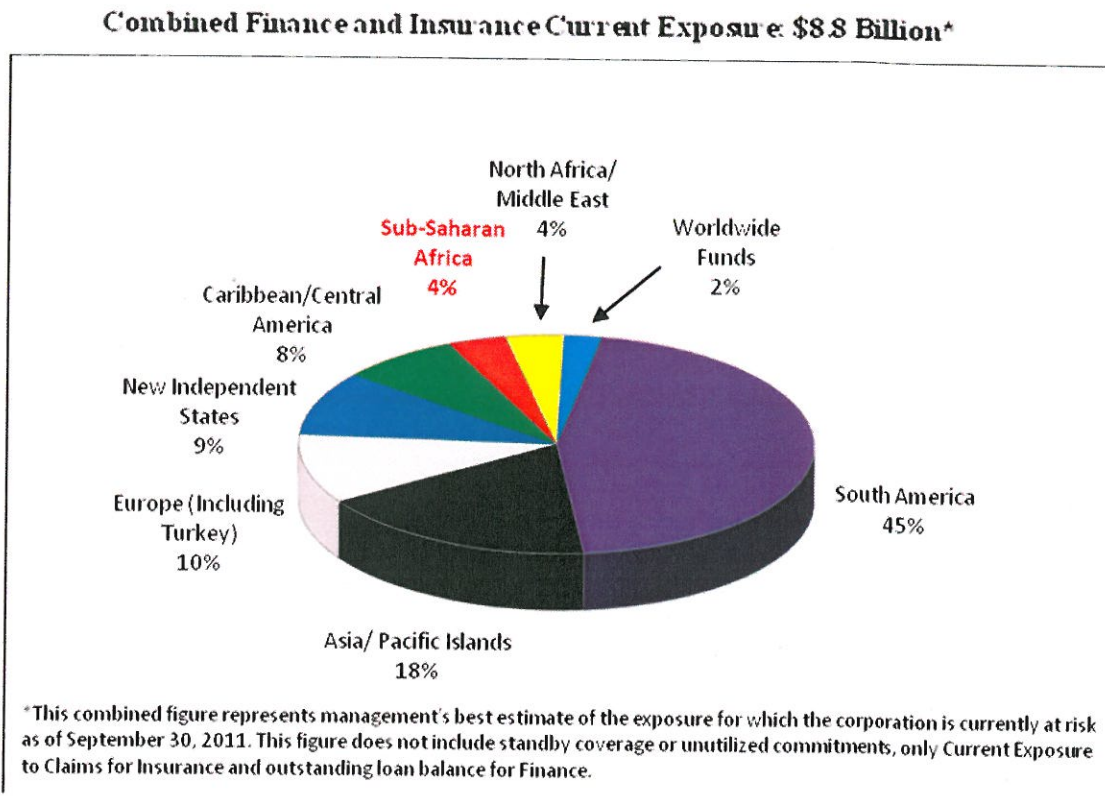
Thank you.

OPIC Maximum Worldwide Exposure by Region

As of September 30, 2011



As of September 30, 2001



OPIC Combined Finance and Insurance Maximum Exposure in Sub-Saharan Africa

OPIC growth and investments in Sub Saharan Africa has increased by tenfold between Fiscal Year 2001 and 2011.

