

Eliminate the Overseas Private Investment Corporation (OPIC)

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
-\$213	-\$214	-\$214	-\$217	-\$222	-\$227	-\$232	-\$238	-\$243	-\$247	-\$1,080	-\$2,267

Heritage Recommendation:

Eliminate the Overseas Private Investment Corporation. While the CBO's methodology scores this recommendation as costing the government about \$2.2 billion over 10 years, eliminating OPIC is consistent with the important goal of reducing the size and scope of government.

Rationale:

OPIC was created in 1969 by the Nixon Administration to promote investment in developing countries. OPIC provides loans and loan guarantees; subsidizes risk insurance against losses resulting from political disruption, such as coups and terrorism; and capitalizes investment funds. The private market also offers these services, but OPIC offers them at a discount (subsidy) that does not fully account for risk. By putting the taxpayer on the hook for this exposure, OPIC privatizes profits while socializing risk.

Some OPIC projects do not meet the program objective of decreasing poverty in developing countries, including:

- \$67 million to finance 13 projects in the Palestinian territories while a unity government was formed with Hamas
- Financing for Papa John's pizza franchises in Russia
- \$50 million of financing for a Ritz-Carlton hotel in Istanbul, Turkey

Milton Friedman criticized the agency in 1996 as follows: "I cannot see any redeeming aspect in the existence of OPIC. It is special interest legislation of the worst kind, legislation that makes the problem it is intended to deal with worse rather than better.... OPIC has no business existing."

Additional Reading:

- Bryan Riley and Brett Schaefer, "Time to Privatize OPIC," Heritage Foundation *Issue Brief* No. 4224, May 19, 2014, http://thf_media.s3.amazonaws.com/2014/pdf/IB4224.pdf.
- Tim Carney, "Republicans Try to Sneak Corporate Welfare Agency OPIC Through the House," *The Washington Examiner*, May 6, 2014, <http://www.washingtonexaminer.com/republicans-try-to-sneak-corporate-welfare-agency-opic-through-the-house/article/2548134>.

Calculations:

Calculations rely on the FY 2014 enacted amount of \$210 million in net revenue, as found on page 4 of the Overseas Private Investment Corporation's "Congressional Budget Justification: Fiscal Year 2015," <http://www.opic.gov/sites/default/files/files/opic-cbj-2015.pdf>. This level of revenue has been increased at the same rate as discretionary spending in the CBO's most recent August 2014 baseline spending projections.