

# Inside Perspectives: An Interview with OPIC's Jay L. Koh

*Jay L. Koh, who joined Overseas Private Investment Corporation (OPIC) in 2010 and is currently Head of Investment Funds & Chief Investment Strategist, discusses his team's newest initiatives and shares his vision for the organization.*

*OPIC is the U.S. Government's development finance institution with a mission to mobilize private capital to solve critical world challenges and advance U.S. foreign policy in the process. OPIC provides support for the creation of privately-owned and managed investment funds that make direct equity and equity-related investments in new, expanding or privatizing emerging market companies. Since 1987, OPIC has invested approximately US\$4 billion in emerging market private equity funds and currently has an active portfolio of US\$2.4 billion in commitments. OPIC is self-sustaining and operates at no net cost to the U.S. taxpayer.*

***You're coming to OPIC with a long history in the private sector. What was the catalyst for your transition to government, and how is that private sector mindset translating to your work at OPIC?***

I grew up in the private equity industry as it was forming in the early 1990s and stayed throughout the 2000s. I learned what it takes to build companies and saw how private capital can not only drive financial gains, but also have a tremendous influence on the creation of value and jobs. At OPIC, I have been able to draw upon my experiences as a direct private equity and growth capital investor in order to really understand what our fund managers are thinking about on a daily basis and match their interests with the objectives of the U.S. Government. I've always had a very strong interest in government service, and I'm particularly excited about being part of the Obama Administration, given its focus on drawing on private sector-oriented tools to improve government policies and processes.

Personally, I have really enjoyed the transition from being a direct investor to allocating capital in a way where I am thinking through a number of objectives that go well beyond financial returns. While returns are naturally a top priority for LPs and GPs, at OPIC we want to work with our partners to also clearly align performance with good citizenship practices and best practices when it comes to ESG in order to more broadly promote the development of the countries in which we are working. To be clear: we want our LPs and GPs to be very financially successful; by aligning their successful investments with emerging markets and sectors of importance to the U.S. Government, we believe that together we can do well while doing good.



Jay L. Koh, Head of Investment Funds & Chief Investment Strategist at Overseas Private Investment Corporation (OPIC)

## Career Highlights

- Partner and Head of Europe, Middle East and Africa (EMEA) Private Equity, R3 Capital
- Managing Director and Head of EMEA Private Investment, Global Principal Strategies Division, Lehman Brothers
- Principal, The Carlyle Group, Washington, DC and San Francisco
- Law Clerk to Justice David H. Souter, United States Supreme Court
- Law Clerk to Judge Michael Boudin, United States Court of Appeals for the First Circuit

I come to OPIC with a real desire to make working with us as easy as possible. This means ensuring that compliance with our policy objectives and ESG standards is as streamlined as possible. We're coordinating closely with our GPs and communicating these efforts to other LPs to make this a reality.

***What investment themes and priorities will OPIC be focused on in the near future?***

One of the major objectives of the U.S. Government and the current administration at OPIC is climate change. We announced last fall at the Cancun follow-up to the Copenhagen Conference that we would be holding a call for global renewable resources funds with a target of investing up to US\$300 million of OPIC capital. We have been very excited by both the number and quality of the managers that have come forward in this extremely competitive process. The proposals represent a wide range of regional as well as global funds, and target not just renewable energy but a broader array of renewable resources such as agriculture, water and land. We will be making announcements about the selection of those funds in June.

Additionally, we recently announced the opening of a second call around impact investing, focusing on fund vehicles that invest in business models that are both profitable and generate a measurable social and environmental impact. In shaping the call, we have been thinking through ways to engage with a broader set of GPs and other types of fund managers to help them build models to measure their own investment impact.

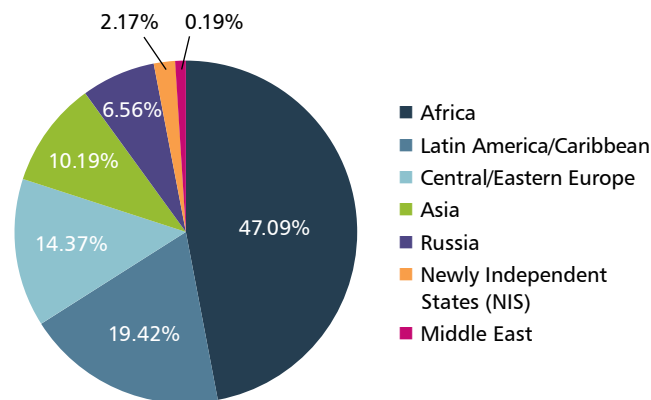
There are two unusual things about this call for OPIC. First, we are targeting a select subset of the general emerging markets investing community focused on measuring impact as a matter of course. Second, this is not a plain vanilla private equity funds call. We will be flexible in terms of evaluating fund structures and welcome participation from traditional private equity and growth capital funds, as well as funds of funds, debt pooled structures and even hybrid or creative capital structures.

***The industry continues to struggle with how to measure impact. How does OPIC evaluate and ultimately quantify the impact of a private equity investment?***

OPIC has been involved in impact investing over the last 40 years. We have an internal division called the Office of Investment Policy that focuses on the ESG aspects of the investments that we make—on the direct side of the house as well as through our insurance and funds businesses.

We have been measuring impact on a consistent basis, using a specific set of criteria established in 2003, across all new transactions in our portfolio. We score our investments by analyzing a number of factors, such as the investee countries' income level, as well as local impacts on the community including the number of jobs created. We also look at investments from a policy perspective to ensure there was no resulting harm to the U.S. economy or U.S. jobs, while also evaluating environmental and labor concerns. While our private investor partners may focus primarily on financial returns, we evaluate the development, foreign policy, U.S. effects and financial impact of the investments that we mobilize and support.

**OPIC's Participating Funds by Region, Current Portfolio Allocation (%)**



***OPIC's overall mission is to mobilize and facilitate the movement of private capital into emerging markets. How exactly does OPIC hope to bring more LPs into emerging markets private equity?***

OPIC only invests alongside other private capital providers, and we typically match our commitments on a 1-to-2 basis with other LPs coming into a fund. In certain cases, we may be willing to take on more risk than other investors if we think the development and foreign policy impact will be commensurate with that risk—but this is always done in the context of participating side-by-side with private capital to ensure that we are really facilitating that capital into these economies.

We want to mobilize U.S. capital in particular and are looking to assist the flow of U.S. funding into emerging markets. To assist in this objective, we are thinking creatively about how to mitigate risks and provide additional support for these investors. For example, we are in the process of developing a new product jointly with our insurance department that will provide protection from political risks to U.S. limited partners in OPIC funds. We plan to launch this product in the near future.

***You've been clear that you and your organization are on a mission. Looking ahead, what do you hope will be achieved during your time at OPIC? How do you plan to change hearts and minds about the role of a government-backed agency in this industry?***

OPIC has been investing in these markets for a long time. We want to share our experiences and lessons learned with the broader community. To this end, we will be launching a larger-scale initiative to distribute this information to both LPs and GPs, inclusive of our analysis on political risk and the environmental and social implications of these markets. We hope that by promoting a greater understanding of the asset class, it will be easier for folks to understand not only how to get into these markets, but also how to work with OPIC.

It is always better to have more partners—especially more well-informed partners—than fewer, and we are excited about the opportunity to engage with more members of the community, so we can share information and swap perspectives on working within these unique and challenging markets. We want to be a great partner, and we want people to know that OPIC is open for business. We'd love more GPs and LPs to participate in our calls. ●