

**FY 2004 Annual Performance Plan  
And FY 2002 Performance Report**

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**Overseas Private Investment Corporation**

*An Agency of the U.S. Government  
[www.opic.gov](http://www.opic.gov)*

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## Introduction

This document contains both the FY 2004 Annual Performance Plan and the FY 2002 Annual Performance Report for the Overseas Private Investment Corporation (OPIC).

### **FY 2004 Annual Performance Plan Overview**

***Development is OPIC's primary mission.*** OPIC has come a long way in refocusing its activities on projects that are more developmental, based both on the types of projects and the location of those projects. In FY 2004, special emphasis will continue to be placed on the following priority developmental areas:

- Small Business
- Housing
- Russia and Central Asia (including Afghanistan and Pakistan)
- Sub-Saharan Africa
- Mexico

It is noteworthy that “small business” is at the top of the list. In the United States, small business has been a primary engine for growth. Similarly, small business is an important developmental tool overseas. American small businesses can be uniquely effective in entering markets that are difficult to access and in providing disproportionately large developmental impacts.

In FY 2004, OPIC will continue to place renewed emphasis on the development aspect of its mission by focusing on the critical needs in these areas. This FY 2004 Annual Performance Plan is especially significant in that this is the first annual plan in which OPIC is incorporating its new developmental measures and a supporting scoring matrix that have been developed through extensive consultation with other developmental organizations and with our stakeholders (See General Goal #1, page 8, and Appendix A: Developmental Impact Matrix, page 24.) This new developmental effects methodology has been incorporated into OPIC's current (FYs 2003-2008) Strategic Plan.)

***Ensuring additionality on every transaction.*** “Additionality” is the term used to describe the “added value” brought to a project by OPIC participation. It means that a developmental project can only be completed with OPIC assistance, because adequate financing and insurance cannot be found in the private market. It means that OPIC participation leveraged the participation of other investors or finance institutions, who otherwise would not have participated. It signifies that a host country receives developmental benefits (increased employment and tax revenues; improved infrastructure) that would not have occurred without OPIC participation in a project. Additionality also conveys the idea that, thanks to OPIC's participation, the project has been structured to meet OPIC's worker rights and environmental requirements. This FY 2004 Annual Performance Plan contains goals and measures that will enable OPIC to track its progress regarding additionality. (See General Goal #3.)

***Risk management that supports OPIC's developmental mission.*** Supporting projects that are more developmental also means that OPIC must be prepared to take on more risk. This is because highly developmental projects are often in riskier locations or involve sectors or types of projects that may

not generate the robust cash flows, capital base and collateral security associated with more traditional overseas investments. Because OPIC is conscious of its obligation to match its developmental mission with its responsibility to operate in the most prudent manner financially, the agency has taken major steps to enhance its risk management capability and integrate risk management into the decision-making process. The FY 2004 Annual Performance Plan includes risk mitigation as one of its key elements. (See General Goal #2.)

***Responsible financial management remains a key OPIC goal.*** In this Annual Performance Plan, OPIC has also set itself the goal of continuing to operate in a businesslike manner. (See General Goal #5.) Strong and responsible financial management must remain a hallmark of OPIC, and the agency must exercise its use of the full faith and credit of the United States in a manner that protects taxpayers. The fact that OPIC has received a clean audit opinion from its outside independent auditors for every year of its history is convincing evidence of OPIC's ability to meet this pledge. OPIC will ensure that prudent financial management remains an important priority in FY 2004.

## **FY 2002 Annual Performance Report Overview**

OPIC's Annual Performance Report for FY 2002 reports on how successfully OPIC has been able to attain the targets that it set for itself two years ago. In FY 2002, the number of new political risk insurance contracts and new finance commitments saw an increase from the FY 2001 level (45 total new OPIC projects in FY 2002 vs. 37 in FY 2001.)

**OPIC's Small Business Success in FY 2002.** In FY 2002 OPIC entered into a memorandum of agreement with the U.S. Small Business Administration and began work to create an OPIC Small Business Center. OPIC's efforts to provide a higher level of support to American small businesses paid off in FY 2002 with a record 69 percent of the new projects that OPIC supported involving small business. This marks a definite upward trend; the percentage of small business deals was only 40 percent in FY 2000 and 57 percent in FY 2001. These small business deals included projects as varied as a Jamaican airline, a cooperative housing project in Romania and a potable water project in Ghana. Overall, the small business projects OPIC assisted in FY 2002 are expected to procure \$108 million from U.S. small businesses located in 18 states, plus the District of Columbia, generating and supporting 264 U.S. jobs during the first five years of operations at no cost to the U.S. taxpayer. The impressive small business result in FY 2002 is especially important because American small businesses can be uniquely effective in entering markets that are difficult to access and in providing disproportionately large developmental impacts.

**OPIC's FY 2002 development effects.** OPIC's performance outcomes for FY 2002 reflect the agency's development mission. The 45 new insurance and finance projects that OPIC supported in FY 2002 are expected to generate 6,618 jobs in developing countries directly, of which 2,177 (or 33 percent) will be management and professional positions. The total initial host-country expenditures for fiscal year 2002 projects are projected at \$1.3 billion. This procurement of local raw materials, services, and semi-finished goods will generate additional economic activity and employment in the host countries. These OPIC-supported projects will generate \$129 million annually in taxes and duties for the host countries. Once in operation, the projects will generate an estimated \$606 million in annual export earnings for the host countries.

Fifty-three percent of the new projects that OPIC supported in FY 2002 are located in the world's least developed countries. Examples of OPIC's support for developmental projects in FY 2002

include providing financing for water projects in Ghana and Mexico, agriculture in Ecuador, a medical testing facility in Ethiopia, a low income housing project in South Africa, and tourism development in Thailand and Mongolia, among other projects. Additionally, in FY 2002 OPIC provided political risk insurance to developmental projects in Chad, El Salvador, Georgia, Kenya, Nigeria, Pakistan, Russia, Togo, and Turkey, among other locations. Project activities supported by OPIC are diverse and include manufacturing plants, communications operations, gas pipelines, power plants, financial services institutions, mining operations, tourism/hotel projects, and agricultural operations.

**OPIC's positive impact on the U.S. economy.** The 45 new insurance and finance projects OPIC supported in FY 2002 are also expected to provide significant benefits for U.S. exports, balance of payments, and employment. During the first five years of operation, the projects will generate an estimated 5,596 person-years of direct and indirect employment for U.S. workers, equivalent to approximately 1,119 U.S. jobs. American firms will supply a substantial portion of the initial procurement for OPIC's projects, resulting in U.S. exports of capital goods and services of approximately \$464 million during the next five years.

**OPIC operates in a self-sustaining manner.** As it has for every year of its existence, OPIC finalized all new projects in FY 2002 while operating in a self-sustaining manner, at no net cost to the American taxpayer. In FY 2002, OPIC generated net income totaling \$175 million. Additionally, in FY 2002, OPIC generated \$221 million in net negative budget authority, which is available to support other programs in the Function 150 International Affairs budget.

**OPIC supports American foreign policy.** OPIC's developmental mission often overlaps with the broader foreign policy goals of the U.S. government. For example, after hostilities ended in Kosovo, U.S. foreign policy and development goals provided an opportunity for OPIC to play a key role in the rebuilding of Southeast Europe. The same situation applies to parts of the globe that have achieved greater prominence in the world scene since the events of September 11. Following are countries where OPIC is again in the position to use its development mandate in support of U.S. foreign policy:

**Afghanistan.** OPIC announced in January 2002 that it would establish an initial \$50 million line of credit to support U.S. investment in Afghanistan. That announcement followed an OPIC co-hosted conference that provided the venue for the first high-level discussion of the U.S. private sector involvement in post-Taliban Afghanistan. The event assembled more than 40 Afghan-American business leaders and senior U.S. officials to outline investment opportunities in the war-torn country.

In May 2002, a delegation representing OPIC and the U.S. Trade and Development Agency (TDA) held an exploratory investment mission to Afghanistan. The mission assessed opportunities in the telecommunications and tourism industries and included meetings with senior Afghan officials. The visit, which took place pre-Loya Jirga, included meetings with the former Minister of Communications, the former Minister of Civil Aviation and Tourism, and the Minister of Reconstruction. U.S. Ambassador to Afghanistan, Robert Finn, also participated in the meetings.

Although Afghanistan is still technically a war zone, OPIC's efforts are beginning to bear fruit. In February 2003, OPIC provided political violence and expropriation insurance to an Iowa equipment manufacturer for a humanitarian project in Afghanistan, which among other things will support the construction of schools for young girls. In addition, OPIC is in discussions with several infrastructure and other development projects in the country.

**Pakistan.** In February 2002, OPIC's Executive Vice President led a delegation consisting of senior representatives from the Export-Import Bank and the Trade and Development Agency for an Investment and Trade Development Mission to Pakistan. The delegation visited Karachi, Islamabad and Lahore and met with President Musharraf, Pakistani business leaders, as well as other senior officials from the government and business communities.

In January 2002, as part of OPIC's commitment to Pakistan, the OPIC board approved a \$150 million loan agreement in support of a bid for an oilfield privatization in Pakistan. While the U.S. sponsor did not win the bid, OPIC's support helped increase the competition in the bidding.

In May 2002, OPIC's Board of Directors approved a loan guarantee to Citibank for \$100 million as part of the \$300 million line of credit pledged to Pakistan in October 2001. With this facility OPIC and Citibank will leverage their ability to finance projects while helping the bank to expand its medium- and long-term lending in Pakistan. The new facility will also help to alleviate the acute shortage of medium- and long-term commercial financing in Pakistan, a significant obstacle to economic development. In addition, OPIC supported two energy projects and one information technology project.

**Russia and Eurasia.** President Bush's meeting with Russian President Vladimir Putin in Moscow and St. Petersburg in May 2002 highlighted support for democracy and economic growth in Russia and Eurasia as an important U.S. foreign policy priority. During his visit to Moscow, President Bush announced that OPIC would support a private equity fund to stimulate investment in Russia and surrounding regions. Fulfilling the commitment made by the President, in December 2002, OPIC's Board of Directors approved a \$210 million investment fund for Russia intended to support fast-growing businesses in consumer services industries. OPIC will provide a \$70 million investment guaranty to the fund, which will make direct investments in mid-sized companies that are new, expanding, or in the process of being privatized. The fund manager was selected through a competitive process and is the first OPIC fund to be established under new OPIC guidelines by which the agency has reduced its support from two-thirds to one-third of the funds total capital.

OPIC provided \$777,000 in political risk insurance for a U.S. small business to expand its optical components manufacturing facility based in St. Petersburg in August 2002. International Scientific Products Corporation (ISP) produces optical components and will create 20 local jobs in Russia, as well as tax revenue for the country, and ISP has ensured that senior management of the foreign enterprise receive MBA coursework and that its opticians receive professional training in the United States.

In November 2002, OPIC committed to provide a \$30 million loan to Russia's leading micro- and small- finance bank, Small Business Credit Bank (KMB Bank), enabling KMB Bank to make small loans to micro, small and medium sized customers investing in Russia. The OPIC loan will be used for short and medium-term financing of projects involving investment in industrial and production facilities for its micro and small-sized customers. KMB Bank will also offer working capital financing as well as financing of production equipment KMB loans will range in size from \$200 to \$300,000.

**Sub-Saharan Africa.** In 2002, OPIC finance and insurance commitments in Sub-Saharan Africa (SSA) equaled \$471.5 million; equity investments through OPIC-supported equity funds totaled \$20.5 million.

Sub-Saharan Africa continues to be burdened by critical economic and social development needs and challenges, yet the region offers a tremendous wealth of opportunity for trade and investment. SSA is a priority region for OPIC, and it sees investment and insurance opportunities opening up in countries committed to democracy and open market principles.

OPIC supported projects—even those that seem relatively small—bring significant developmental impact as well as economic value, thus ensuring their sustainability. Examples of some of these projects include:

In its first housing initiative in Africa, OPIC provided a \$15 million guaranty in FY 2002 to help build 90,000 homes for low-income families, providing shelter for up to 500,000 people. In Kenya and Ghana, OPIC provided \$300,000 to Living Water International (LWI), enabling it to purchase drilling equipment to significantly expand its ability to drill new water wells. This program includes not only drilling wells for communities but also training local citizens how to drill and maintain the wells, pumps and storage tanks, giving them basic hygiene as well as proper food preparation guidelines. OPIC also supported its first project in Chad in FY 2002. Because it so desperately needs foreign direct investment, Sub-Saharan Africa will remain a central focus of OPIC activity for many years.

**Mexico.** As an active participant in the Partnership for Prosperity initiative, OPIC has focused its efforts on Mexico. Mexico is one of America's largest trading partners, with a fast-growing economy of 100 million consumers whose bilateral trade with the U.S. exceeded \$250 billion in 2001. Strong demand exists for OPIC assistance in Mexico. For many small- and medium-sized U.S. businesses, Mexico offers the best opportunity for expansion into the global economy. Currently OPIC is assisting U.S. small businesses with direct loan financing to assist them as they enter the Mexican market.

During FY 2002, OPIC took a leadership role in a taskforce that is considering ways to enhance the private equity market in Mexico. OPIC's support for U.S. sponsored private sector projects in Mexico furthers U.S. foreign policy goals for the region and has the potential to advance Mexican privatization initiatives. In FY 2002, OPIC provided financing support to 2 projects in Mexico in the services and water sectors.

**In Conclusion: OPIC proves itself to be “value added.”** Whether generating developmental benefits in the world's poorest countries, supporting U.S. foreign policy goals, or contributing to the success of American small businesses, OPIC's over-arching goal is to generate additionality on every transaction. “Additionality” means that OPIC will ensure its participation “adds value” to every investment it supports. In a practical sense, this means that OPIC will make developmental projects possible by bridging gaps when sufficient financing and political risk insurance are not available from the private sector, by leveraging resources so that additional private and public sector dollars are attracted to developmental projects, and by using its unique position to mitigate risk.

# **I. FY 2004 Annual Performance Plan**

OPIC's Annual Performance Plan, as mandated by the Government Performance and Results Act (GPRA), was drafted by Federal employees only.

## **Mission Statement**

OPIC's mission is to mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from nonmarket to market economies.

## **Primary Statutory Mandates**

In accomplishing its mission, OPIC will promote positive U.S. effects and host country developmental effects. OPIC will assure that the projects it supports are consistent with sound environmental and worker rights standards. In conducting its programs, OPIC will also take into account guidance from the Administration and Congress on a country's observance of, and respect for, human rights. In accomplishing its mission, OPIC will operate on a self-sustaining basis.



## Summary of General Goals, General Objectives, and Performance Indicators

<u>General Goals</u>	<u>General Objectives</u>	<u>FY 2004 Performance Indicators</u>
<p><b>#1. Quantitatively measure and demonstrate the developmental impact of OPIC's products.</b> In FY 2004, OPIC will attain measurable results in the following areas:</p> <p>A. PRIMARY OUTCOME GOALS:</p> <ol style="list-style-type: none"> <li>1. Human capacity building</li> <li>2. Private sector development</li> <li>3. Leveraging of foreign direct investment into the developing world</li> </ol>	<ol style="list-style-type: none"> <li>1. Implement new methodology for measuring and tracking developmental impact.</li> <li>2. Quantitative measurements will rely on scores developed using OPIC's expanded developmental impact profile matrix.</li> <li>3. OPIC will give priority to projects which score 100 or more and decline projects which score below 10</li> <li>4. OPIC will support projects scoring from 10 to 39 ("Minimally Developmental") only in the event that such projects meet significant foreign policy priorities of the Administration.</li> </ol>	<p>A. Primary outcome developmental indicators (See also Appendix A: Developmental Impact Scoring Matrix)</p> <ol style="list-style-type: none"> <li>1. <b>Human Capacity Building</b>  <b>GOAL</b>           <b>Job Creation</b>  <b>MEASURE</b>   Number of jobs per \$1,000,000 invested.  <u><b>FY04 Target</b></u>    28 jobs per \$1,000,000 of total project investment (Finance)  <u><b>FY04 Target</b></u>    28 jobs per \$1,000,000 of total project investment (Insurance)  <b>GOAL</b>           <b>Job Complexity</b>  <b>MEASURE 1</b>   Managerial and Professional jobs as a proportion of total jobs created.  <u><b>FY04 Target</b></u>    An average of <u>50%</u> managerial or professional jobs as a (Finance) proportion of total jobs created per project  <u><b>FY04 Target</b></u>    An average of <u>50%</u> managerial or professional jobs as a (Insurance) proportion of total jobs created per project  <b>MEASURE 2</b>   Training: <b>Percentage of staff that will receive formal training</b>  <u><b>FY04 Target</b></u>    An average of <u>50%</u> staff training per project (Finance)  <u><b>FY04 Target</b></u>    An average of <u>50%</u> staff training per project (Insurance) </li> <li>2. <b>Private Sector Development</b>  <b>GOAL</b>           <b>Local Project Ownership</b>  <b>MEASURE</b>    Percentage of local ownership of project  <u><b>FY04 Target</b></u>    An average of <u>30%</u> of local private ownership of the project (Finance)  <u><b>FY04 Target</b></u>    An average of <u>30%</u> of local private ownership of the project (Insurance)  <b>GOAL</b>           <b>Host country small and medium enterprises (SME) development</b>  <b>MEASURE</b>    Project ownership by local SME  <u><b>FY04 Target</b></u>    An average <u>15%</u> local SME ownership of project. (Finance)  <u><b>FY04 Target</b></u>    An average <u>15%</u> local SME ownership of project. (Insurance) </li> <li>3. <b>Leveraging Impacts</b>  <b>GOAL:</b> Mobilization of the maximum amount of capital into a host country per dollar of OPIC support. (Increased levels of Small Business support may impact this goal.)  <b>MEASURE</b>    <b>The ratio of OPIC's contribution to total project cost.</b>  <u><b>FY04 Target</b></u>    To mobilize FDI so that at least <u>40%</u> of total project funding (Finance) is provided by non-OPIC-related sources.  <u><b>FY04 Target</b></u>    To mobilize FDI so that at least <u>40%</u> of total project funding (Insurance) is provided by non-OPIC related sources </li> </ol>

**Summary of General Goals, General Objectives, and Performance Indicators (continued)**

General Goals	General Objectives	FY 2004 Performance Indicators												
<p>Goal #1 continued; See previous page.</p> <p><b>B. SECONDARY GOALS:</b></p> <p>4. Social Effects</p> <p>5. Development Infrastructure Improvements</p> <p>6. Macroecon. and Institutional Effects</p> <p>7. Technology &amp; Knowledge Transfer</p>	<p>Objectives For Goal #1 continued; See previous page.</p>	<p>B. Secondary Developmental Indicators (matrix scores)</p> <p>4. <b>Social Effects</b> Promote equal opportunity policies, encourage corporate social responsibility initiatives, and preserve the environment <u>FY04 Target</u> <b><u>Matrix Score of 15 (Finance)</u></b> <u>FY04 Target</u> <b><u>Matrix Score of 15 (Insurance)</u></b></p> <p>5. <b>Developmental Infrastructure Improvements</b> Contribute to the improvement of the physical, financial, and social infrastructure of the developing world <u>FY04 Target</u> <b><u>Matrix Score of 9 (Finance)</u></b> <u>FY04Target</u> <b><u>Matrix Score of 9 (Insurance)</u></b></p> <p>6. <b>Macroeconomic &amp; Institutional Effects</b> Promote investments in less developed countries and generate host country government revenues <u>FY04 Target</u> <b><u>Matrix Score of 9 (Finance)</u></b> <u>FY04 Target</u> <b><u>Matrix Score of 9 (Insurance)</u></b></p> <p>7. <b>Technology &amp; Knowledge Transfer</b> Encourage the transfer of technology and know-how to the developing world <u>FY04 Target</u> <b><u>Matrix Score of 9 (Finance)</u></b> <u>FY04 Target</u> <b><u>Matrix Score of 9 (Insurance)</u></b></p> <p>C. Matrix Score Aggregate the seven developmental goals into one score. <b>GOAL</b> Average development index score of 100 for each of OPIC's programs. <b><u>FY04 Target:</u></b> Matrix Score Average of 100, per product line. (Finance &amp; Insurance)</p> <table border="1" data-bbox="1150 1276 1644 1468"> <tr> <td>Extremely Developmental</td> <td>130-160</td> </tr> <tr> <td>Highly</td> <td>100-129</td> </tr> <tr> <td>Moderately</td> <td>70-99</td> </tr> <tr> <td>Slightly</td> <td>40-69</td> </tr> <tr> <td>Minimally</td> <td>10-39</td> </tr> <tr> <td>Not</td> <td>&lt; 10</td> </tr> </table>	Extremely Developmental	130-160	Highly	100-129	Moderately	70-99	Slightly	40-69	Minimally	10-39	Not	< 10
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<u>General Goals</u>	<u>General Objectives</u>	<u>Performance Indicators</u>
<p><b>#2. Mitigate risk through sound portfolio management practices, and by encouraging good corporate citizenship.</b></p>	<ol style="list-style-type: none"> <li>1. Implement risk mitigation strategy, including by establishing portfolio and line-of-business diversification targets.</li> <li>2. Develop methodology for rating projects on a “good corporate citizenship” scale.</li> <li>3. Negotiate/renege bilateral agreements to improve host country investment environment.</li> <li>4. Continue to screen projects prior to commitment/contract signing and to monitor active projects to ensure that they are in compliance with requirements regarding U.S. effects, environmental and worker rights standards.</li> </ol>	<p><b>GOAL:</b> Mitigate Risk  <b>MEASURES:</b></p> <p>8. Actual risk variance from projected risk.  <b>FY04 Target:</b> Variance of 5 percent or less for both finance and insurance.</p> <p>9. Number of on-going OPIC projects monitored for compliance with OPIC’s U.S. effects, environmental, and worker rights standards.  <b>FY04 Target:</b> All active projects will be self-monitored each year, and all sensitive projects will be site monitored by 3<sup>rd</sup> year of operation. Due diligence will occur before project approval for environmentally sensitive projects.</p> <p>10. Number of monitored on-going projects that meet OPIC’s U.S. effects, environmental, and worker rights standards.  <b>FY04 Target:</b> 100% compliance.</p>

**Summary of General Goals, General Objectives, and Performance Indicators (continued.)**

<u>General Goals</u>	<u>General Objectives</u>	<u>Performance Indicators</u>
<p><b>#3. Ensure additionality and private sector participation to ensure that OPIC leverages, but does not compete with, the private sector.</b></p>	<p>1. Implementation of additionality tracking.</p>	<p><b>GOAL:</b> Ensure Additionality  <b>MEASURES:</b>            11. Evaluate new projects to ensure that they would not have gone forward but for OPIC's participation. Elements of evaluation may include:            ✓ Tenor            ✓ Pricing compared to sovereign benchmarks            ✓ Country Risk            ✓ Sector Risk            ✓ Foreign Direct Investment (FDI) Measures.  <b>FY04 Target:</b> Develop methodology in FY 2003; Establish baseline in FY 2004.</p>
<p><b>#4. Ensure that OPIC support is provided to small U.S. businesses.</b></p>	<p>1. Place emphasis on meeting the needs of American small businesses.            2. Continue to implement OPIC's new Small Business Center (SBC). Track/measure progress that can be attributed to the SBC.</p>	<p><b>GOAL:</b> Ensure support to small sized businesses.  <b>MEASURES:</b>            12. Number of small business projects resulting from the SBC.  <b>FY04 Target:</b> In FY 2003, establish baseline regarding the number of small business projects resulting from OPIC's SBC. By the end of FY04 the SBC target is to finalize 1 small business finance agreement and 1 insurance contract per week.            13. Efficiency of small business projects as measured by cycle time.  <b>FY04 Target:</b> Reduce SBC small business cycle time to 60 days from time completed application is received.</p>

General Goals, Objectives, and Performance Indicators are continued on following page.

**Summary of General Goals, General Objectives, and Performance Indicators (continued.)**

<u>General Goals</u>	<u>General Objectives</u>	<u>Performance Indicators</u>
<p><b>#5. Operate in a businesslike manner.</b></p>	<ol style="list-style-type: none"> <li>1. Operate in a self-sustaining manner. Maintain sufficiency of reserves.</li> <li>2. Improve efficiency.</li> <li>3. Enhance performance-based management.</li> </ol>	<p><b>GOAL:</b> Operate in a self-sustaining manner.  <b>MEASURES:</b>            14. Operating revenue is equal to or greater than operating expenses.  <b>FY04 Target:</b> Operating expenses do not exceed operating revenue.</p> <p><b>GOAL:</b> Increased efficiency.  <b>MEASURES:</b>            15. Reduced cycle time.  <b>FY04 Target:</b> Achieve a 10 percent improvement by the end of FY 2008 for both insurance and finance projects based on baseline cycle time in FY 2002.</p> <p><b>GOAL:</b> High Productivity of new two-year pilot Moscow Office  <b>MEASURES:</b>            16. Number of executed loan agreements and insurance contracts that occur as a result of Moscow Office.  <b>Moscow Office Target:</b> 10 new executed loan agreements or insurance contracts in FY 2004.</p>

End of General Goals, Objectives and Performance Indicators

## Means and Strategies to be Used to Achieve Goals and Objectives.

General Goals & Objectives	Means and Strategies
<p><b>General goal #1:</b>  <b>Quantitatively measure and demonstrate the developmental impact of OPIC's products.</b>            In FY 2004, OPIC will attain measurable results in the following areas:</p> <p><b>Primary Outcome Goals:</b></p> <ul style="list-style-type: none"> <li>✓ Human capacity building</li> <li>✓ Private sector dev.</li> <li>✓ Leveraging of foreign direct investment</li> </ul> <p><b>Secondary Outcome Goals:</b></p> <ul style="list-style-type: none"> <li>✓ Social effects</li> <li>✓ Infrastructure improvements</li> <li>✓ Macroeconomic &amp; institutional effects</li> <li>✓ Technology &amp; knowledge transfer.</li> </ul> <p><b>Objectives:</b></p> <ol style="list-style-type: none"> <li>1. Implement new methodology for measuring and tracking developmental impact.</li> <li>2. Quantitative measurements will rely on scores developed using OPIC's expanded developmental impact profile matrix.</li> <li>3. OPIC will give priority to projects which score 100 or more and refuse projects which score below 10.</li> <li>4. OPIC will support projects scoring from 10 to 39 ("Minimally Developmental") only in the event that such projects meet significant foreign policy priorities of the Administration.</li> </ol>	<ul style="list-style-type: none"> <li>• Develop better understanding of developmental needs and trends through closer ties with bilateral and multilateral organizations that are concerned with development issues.</li> <li>• Focus resources to encourage additional investment in less-developed countries/regions/sectors or geographic/regional areas identified as foreign policy priorities.</li> <li>• Work closely with multilateral finance/insurance agencies, other development organizations, and the private sector to leverage the impact of OPIC's programs.</li> <li>• Coordinate closely with other U.S. government entities such as the U.S. Agency for International Development, the Export-Import Bank, the U.S. Trade and Development Agency, the State Department, the Treasury Department, the Commerce Department, and the Trade Promotion Coordinating Committee (TPCC) by working jointly on transactions and issues of concern to the U.S. business community to ensure maximum development impact.</li> <li>• Work closely with foreign government officials in emerging markets to minimize risk and ensure maximum flow of private resources to developmental projects.</li> <li>• Work with clients and other U.S. government entities to develop appropriate products that respond to needs of eligible businesses (especially small businesses) desiring to invest in developing countries.</li> <li>• Provide information at conferences and via OPIC's Website on OPIC's programs and on investing in emerging markets, with special attention to the needs of the small business community.</li> <li>• Provide financing and political risk insurance to support U.S. private sector investment in developmental projects in poorer countries and countries in transition.</li> </ul>

## Means and Strategies to be Used to Achieve Goals and Objectives (cont.)

General Goals & Objectives	Means and Strategies
<p><u>General goal #2:</u>  <b>Mitigate risk through sound portfolio management practices, and by encouraging good corporate citizenship.</b></p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> <li>• Implement risk mitigation strategy, including by establishing portfolio and line-of-business diversification targets.</li> <li>• Develop methodology for rating projects on a “good corporate citizenship” scale.</li> <li>• Negotiate/renegeotiate bilateral agreements to improve host country investment environment.</li> <li>• Continue to screen projects prior to commitment/contract signing and to monitor active projects to ensure that they are in compliance with requirements regarding U.S. effects, environmental and worker rights standards.</li> </ul>	<ul style="list-style-type: none"> <li>• Identify opportunities to negotiate/renegeotiate bilateral agreements to improve host country investment environment.</li> <li>• Maintain a diverse portfolio geographically and by sectors to ensure balance. Preserve OPIC’s portfolio of well-diversified commercial entities and individual sponsors.</li> <li>• Develop new risk management tools. Provide and analyze information on emerging markets to narrow gap between perceived and real risk. Integrate risk analysis into the decision-making process. Stress the importance of corporate citizenship as a long-term risk mitigation tool.</li> <li>• Develop definition and characteristics of good corporate citizenship through discussions with bilateral and multilateral organizations that are concerned with development issues, and the private sector.</li> <li>• Continue to monitor active projects on an ongoing basis, through both site visits and internal reviews, to assure that credit quality remains sound, collections are timely, and reporting requirements are fulfilled. Continually review and refine corporate credit policies and underwriting procedures to maintain high quality of portfolio.</li> <li>• Maintain OPIC monitoring of project compliance regarding environmental and worker rights requirements.</li> <li>• Increase the level of public participation in evaluating the environmental impact of proposed projects.</li> <li>• Participate in international forums and conferences focusing on environmental issues, worker rights, and sound commercial practices.</li> <li>• Support only projects that are not likely to cause a significant reduction in U.S. jobs or adversely affect the U.S. economy. Decline to support projects that have a potential negative impact on a U.S. industry or its employment. Monitor projects once operations begin to verify that investors fulfill original representations regarding impact on the U.S. economy.</li> <li>• Provide advocacy to OPIC-supported investments that are experiencing difficulties with foreign governments. Coordinate these efforts with other U.S. government entities, as appropriate.</li> </ul>

## Means and Strategies to be Used to Achieve Goals and Objectives (cont.)

General Goals & Objectives	Means and Strategies
<p><u>General goal #3:</u>  <b>Ensure additionality and private sector participation to ensure that OPIC leverages, but does not compete with, the private sector.</b></p> <p><u>Objectives:</u>            Implementation of additionality tracking.</p>	<ul style="list-style-type: none"> <li>• Develop baselines to track average scores of new projects in areas that may include:               <ul style="list-style-type: none"> <li>✓ Tenor</li> <li>✓ Pricing compared to sovereign benchmarks</li> <li>✓ Country risk</li> <li>✓ Sector risk</li> <li>✓ Foreign Direct Investment (FDI) measures</li> </ul> </li> <li>• Ensure that the pricing of OPIC products adequately reflects policy considerations as well as the risks and costs assumed by the agency.</li> <li>• Developing specific proposals for how financing and insurance decisions will incorporate tests of additionality. These tests will enable OPIC to ensure and document that the agency only enters into finance and insurance agreements after verifying that the proposed project encountered a lack of access to, or availability of, private financing or insurance on terms sufficient to encourage or allow new investment or development to occur.</li> <li>• Co-Insurance, Co-Financing: In order to more fully achieve the goal of leveraging private sector participation, OPIC will formalize communications with the private sector regarding co-insurance and co-financing opportunities.</li> </ul>

## Means and Strategies to be Used to Achieve Goals and Objectives (cont.)

General Goals & Objectives	Means and Strategies
<p><u>General goal #4:</u>  <b>Ensure that OPIC support is provided to small U.S. businesses.</b></p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> <li>• Place emphasis on meeting the needs of American small businesses.</li> <li>• Continue to implement OPIC’s new Small Business Center (SBC). Track/measure progress that can be attributed to the SBC.</li> </ul>	<ul style="list-style-type: none"> <li>• Focus activities in accordance with guidance in OPIC’s authorizing legislation (Foreign Assistance Act of 1961, as amended, Title IV, Sec. 231(e) and Sec. 240) that states that OPIC shall pay special attention to the needs of small business and small business development.</li> <li>• Develop policies and procedures for OPIC Small Business Center.</li> <li>• Conduct outreach specifically targeted at small businesses.</li> <li>• Pursue strategies to complement and leverage the work of the U.S. Small Business Administration (SBA).</li> <li>• Streamline OPIC’s application process where appropriate.</li> <li>• Streamline the administration of OPIC statutory requirements where appropriate.</li> <li>• Pursue on-line technology to simplify and expedite all OPIC/client information exchanges.</li> <li>• Reduce small business cycle time, from completed application to closing, to an average of 60 days per project.</li> </ul>

## Means and Strategies to be Used to Achieve Goals and Objectives (cont.)

General Goals & Objectives	Means and Strategies
<p><u>General Goal #5:</u>  <b>Operate in a businesslike manner.</b></p> <p><u>Objective:</u></p> <ul style="list-style-type: none"> <li>• Operate in a self-sustaining manner.</li> <li>• Improve efficiency.</li> <li>• Enhance performance-based management.</li> </ul>	<ul style="list-style-type: none"> <li>• Manage existing insurance portfolio by prudent underwriting and documentation of insurance contracts and monitoring exposure, as needed. Provide advocacy on behalf of insurance clients in order to avert claims and when claims are paid, aggressively pursue recoveries from foreign governments.</li> <li>• Develop models to assess the sufficiency of reserves.</li> <li>• Continue to engage independent auditors on an annual basis.</li> <li>• Improve efficiency by identifying procedures that may be streamlined, eliminating bottle necks, and improving communications in order that project cycle time may be reduced.</li> <li>• Develop and utilize departmental operating plans, including performance targets, to enhance performance based management throughout the organization.</li> <li>• Improve efficiency and effectiveness of systems technology and processes to support thoughtful management decision making. Implement IT Investment Review Board (IRB).</li> <li>• Promote a healthy and productive work environment that attracts and retains highly qualified and motivated staff, and creates an atmosphere of professionalism, integrity and flexibility. Provide staff with high levels of training and support.</li> </ul>

## **Resources Needed to Meet Performance Goals**

From its estimated \$321 million in FY 2004 gross offsetting collections, OPIC requests the following uses:

- ✓ **\$42.4 million for Administrative Expenses** (\$39.9 million appropriated for FY 2003.) *This includes \$40.4 million for OPIC's core administrative expense needs (a 1.25 percent increase above the FY 2003 level). OPIC's administrative funding will support up to the authorized 220 FTE. An additional \$2 million in FY 2004 is specifically requested to improve OPIC's technology. OPIC's top technology priority is to implement an integrated financial system to improve reporting and facilitate enhanced risk management.*
- ✓ **\$24 million for Credit Funding** (\$24 million appropriated for FY 2003) to support approximately \$800 million in new direct loans and loan guaranties, utilizing a 3 percent subsidy rate. *The \$800 million commitment level and the 3 percent over-all subsidy rate are unchanged from OPIC's FY 2003 budget request to Congress. The 3 percent subsidy rate is based on a policy decision to concentrate on supporting projects in the least developed countries and the neediest sectors. The dollar level of the loans committed is highly variable based on the mix of projects in the pipeline in FY 2004 and on global economic and political conditions.*
- ✓ **No direct appropriations;** rather, OPIC's request is for authority to transfer funds from its own revolving fund to cover all FY 2004 expenditures (the same as approved FY 2003.)
- ✓ **OPIC's self-sustaining status.** *OPIC-generated revenue from its private users and other sources will allow the agency to make a positive contribution of an estimated \$198 million in net negative budget authority to the International Affairs budget in FY 2004. This amount offsets other requirements in the International Affairs budget.*

## **Interagency goals and measures**

OPIC coordinates its activities with U.S. Government foreign affairs (Function 150) agencies, such as the State Department, the Commerce Department, the Export-Import Bank, the Trade and Development Agency (TDA), and the Agency for International Development. As required, OPIC also coordinates with all other U.S. Government agencies that are affected by, or need to be aware of, OPIC's investment support activities around the globe. Evidence of OPIC's attention to interagency issues includes the following:

- OPIC regularly participates with the Trade Promotion Coordinating Committee (TPCC).
- OPIC developed a memorandum of agreement with the Small Business Administration in 2002 to coordinate support of American small businesses.
- OPIC entered into a formalized agreement with the Foreign Commercial Service (FCS) to coordinate information. Signed in February 2003.
- OPIC has recommitted itself to ensuring a productive and cooperative working relationship with USAID and will explore opportunities to institutionalize coordination and cooperation both with USAID headquarters and missions.
- OPIC coordinates regularly with the U.S. Trade Representative (USTR).
- OPIC cooperates and regularly consults with the U.S. State Department to focus OPIC activities, as necessary, on U.S. foreign policy initiatives, including the War on Terrorism.
- OPIC jointly operates an office in Ankara, Turkey with the Export-Import Bank and TDA.
- OPIC coordinates closely with the State Department, Ex-Im Bank, and TDA on activities in Southeast Europe in the wake of the war in Kosovo.
- OPIC entered into a Memorandum of Cooperation with the Department of Housing and Urban Development to use the respective talents of the two agencies to focus on housing issues in developing countries.
- OPIC regularly attends Function 150 budget coordinating meetings and other Function 150 sponsored events.
- OPIC is involved in, and contributes to, the Function 150 strategic plan and Congressional budget presentation.

**Identification of key factors, external to the agency and beyond its control that could significantly affect achievement of goals**

- Revised foreign policy guidance.
- Changes in market demand.
- Significant change in the investment climate in host countries due to political or economic events.
- Changes in regional economic climates that can have widespread effects. For example, the Southeast Asian financial crisis that occurred in 1998 and subsequently spread to other regions.
- U.S. or American regional economic recession.
- Increased competition from foreign businesses that are heavily subsidized by their governments.
- Major decrease in the ability of American businesses to compete abroad.
- Major change in OPIC's budget or authorization limit.
- Change in legislation or imposition of sanctions which govern countries where OPIC can operate.

## **Means to verify and validate measured values**

- ***Strategic Goal 1:* Quantitatively measure and demonstrate that OPIC’S products and services are raising living standards and increasing productivity. Over the 5 years covered by this plan OPIC will attain measurable results in the following areas: A) Human capacity building, B) Private sector development, and C) Leveraging of foreign direct investment into the developing world.**

**Means to verify and validate performance indicators:** In consultation with its stakeholders and with other development organizations, OPIC has developed a matrix for measuring the developmental impact of the projects that it supports (See Appendix A). On an annual basis, OPIC will report on the results of this matrix and include its findings in both the GPRM mandated Annual Performance Report, but also in the annual Development Report that is due to Congress. OPIC will also verify and validate the measures associated with this goal by means of its development impact monitoring program. OPIC employs standard monitoring procedures to review project commitments and track the progress made fulfilling those commitments. OPIC’s site monitoring process involves one-time visits to randomly selected projects and annual self-monitoring submissions by all projects. These procedures have been evaluated by outside experts and OPIC has 15 years of experience with the site-monitoring program and 10 years experience with the self-monitoring program. Through questionnaires and site-visits, OPIC gathers and verifies information provided by the investor regarding the original estimates of the developmental impact of the project. Through this process, OPIC is able to measure and verify whether its projects are meeting their original development objectives.

- ***Strategic Goal 2:* Mitigate risk through sound portfolio management practices, by encouraging good corporate citizenship, and by continuing to improve bilateral agreements.**

**Means to verify and validate performance indicators:** Regarding the number of on-going OPIC projects monitored for compliance with OPIC’s U.S. effects, environmental, and worker rights standards, (ie- corporate citizenship) and the number of monitored on-going projects that meet OPIC’s U.S. effects, environmental, and worker rights standards, OPIC has been tracking and reporting on these numbers for several years and will continue to do so.

OPIC monitors compliance with these requirements through a two-part process. First, all projects must complete a questionnaire annually providing data on their actual performance in the identified areas. The second part of the monitoring process involves taking a closer look at selected projects. Those projects, which are subject to more detailed monitoring, come from three groups: 1) all projects that potentially impact sensitive U.S. economic sectors; 2) all environmentally sensitive projects; and 3) projects selected using random sampling methodology. The projects to be monitored are examined during a site visit by an OPIC staff member as well as through additional data received from the project.

Regarding sound portfolio management practices, OPIC has been monitoring and making available its claim payment/recovery ratio, sector and country concentrations, and project “watch list” for several years.

- **Strategic Goal 3: Ensure additionality and private sector participation to ensure that OPIC leverages, but does not compete with, the private sector.**

**Means to verify and validate performance indicators:** OPIC is in the process of developing procedures to formalize additionality into the decision-making process. In FY 2003 and FY 2004, OPIC will establish a methodology for quantifying the additionality review process.

- **Strategic Goal 4: Ensure that OPIC support is provided to small, as well as large, U.S. businesses.**

**Means to verify and validate performance indicators:** OPIC's small business definition is in accordance with Congressional guidance, and OPIC has been tracking the number of small business projects that it supports for many years. The trend of OPIC support for small business is definitely moving in an upward direction. Of the 40 new projects that OPIC supported in FY 2000, 40 percent involved small business. In FY 2001, 57 percent of the new projects supported by OPIC involved small business. In FY 2002 the number climbed to 69 percent. OPIC recently finalized a memorandum of agreement to work closely with the Small Business Administration (SBA.) Additionally, OPIC recently created an in-house Small Business Center to further support smaller enterprises. The fruit of these efforts will be reflected annually in OPIC's yearly Performance Reports that are mandated by GPRA.

- **Strategic Goal 5: Operate in a responsible and businesslike manner.**

**Means to verify and validate performance indicators:** The annual audit of OPIC's operations, conducted by the independent accounting firm of KPMG LLP, verifies OPIC's self-sustaining status. OPIC has generated net income in every year since its creation in 1971. In FY 2003 and FY 2004, OPIC will develop mechanisms and guidelines to ensure that reserve levels are adequate, but not excessive and that the risk reserve/net exposure ratio remains reasonable. OPIC's current total reserve stand at \$4.3 billion. However calculated, OPIC's reserve ratio currently exceeds equivalent ratios in the private sector and compares favorably with those multilaterals with similar missions.

**APPENDIX A (Related to Goal #1, above.) Developmental Impact Matrix [Point allocations in brackets]**

<b>Indicator</b>	<b>NEGATIVE IMPACT</b>	<b>NO IMPACT</b>	<b>SOME IMPACT</b>	<b>STRONG IMPACT</b>
<b>Human Capacity Building = [30]</b>				
Job Creation [10]	Causes a loss of local jobs. [-10]	No jobs created. [0]	Creates fewer than 28 jobs per \$1,000,000 of total project investment. [5]	Creates 28 or more jobs per \$1,000,000 of total project investment. [10]
Job Complexity [10]	No local managerial or professional jobs created [-10]	Managerial and prof. jobs as a proportion of total jobs created do not exceed 25%. [0]	Managerial and professional jobs as a proportion of total jobs created exceeds 25% (but does not reach 50%). [5]	Managerial and professional jobs as a proportion of total jobs is 50% or higher. [10]
Training [6]	NA	No [0]	Greater than zero but less than 50% [3]	Proportion of receiving formal training is 50% or higher [6]
Training Abroad [4]	NA	No training abroad [0]	Training in another developing country [2]	Training in a developed country [4]
<b>Private Sector Development = [30]</b>				
Local ownership stake [10]	0% local private ownership [-10]	Greater than 0% (but less than 15%) local private ownership [0]	At least 15% but less than 30% local private ownership of project resources. [5]	30% or greater local private ownership of project resources. [10]
Benefits to local SME [10]	Project displaces SME [-10]	No local SME project ownership [0]	At least 1% but less than 15% local project ownership by SME. [5]	15% or greater local project ownership by SME. [10]
Encouragement of private ownership [10]	NA	No [0]	NA	Project involves privatization or the creation of opportunities for property/home ownership. [10]
<b>Leveraging Impacts = [30]</b>				
Leveraging other investments [20]	OPIC finances 76%-100% of total project investment, or insures 86%-100% of total project invest. [-20]	OPIC finances 67%- 75% of total project investment, or insures 77%- 85% of total project investment. [0]	OPIC finances 51% to 66% of total project investment, or insures 61% to 76% of total project investment [10]	OPIC finances 50% or less of total project investment, or insures 60% or less of total project investment [20]
Complementing other development institutions [5]	NA	None [0]	Project involves a development institution [2.5]	Project involves more than one development institution [5]
Public-Private Partnerships [5]	NA	None [0]	NA	Local development bank, ministry, or NGO [5]

INDICATOR	NEGATIVE IMPACT	NO IMPACT	SOME IMPACT	STRONG IMPACT
<b>Social Effects (Good Corporate Citizenship)</b>				
Equal Employment Policy	Discriminatory policy or practice	No formal EEO policy	Informal policy prohibiting discrimination	Formal, written EEO that is communicated to all employees and supervisors
Benefits for Women in the Workplace	Discriminatory policy or practice	No relevant policies	Maternity leave or child care	Policies for maternity leave and childcare
Benefit to Poor (Rural) Region	Project harms poor or rural region	No rural benefit	Indirect benefit to rural communities through procurement or other linkage	Direct investment in a rural area
Social Responsibility	Project causes a negative social impact	No social or community benefit	Benefits limited to company employees (eg, company-paid meals)	Investment directly benefiting local community (eg, housing, transportation development)
Environmental Preservation	Project takes no step to mitigate negative environmental impact	Project takes steps to mitigate an identified negative environmental impact	Project generates a moderate environmental benefit	Project focus is to preserve, enhance or restore the local environment (eg, eco-tourism, reforestation, water treatment)
<b>Developmental Infrastructure Improvements</b>				
Physical, Financial or Social Infrastructure	NA	Not an infrastructure project	Lower income levels of the population have limited access to the infrastructure	Infrastructure is accessible and affordable to all segments of the population
<b>Macroeconomic and Institutional Effects</b>				
Level of Economic Development <sup>i</sup> (GNP per capita)	NA	High Income Country (H)	Medium Income Country (M)	Low Income Country (L)
Project resulting from or causing government reform	Government concessions tied to proj. have anti-competitive impact on macro-economy	No project relationship to government reform	Project investment directly resulting from or causing a government regulatory, judicial, or other institutional reform applicable only to the project	Project investment directly resulting from or causing a government regulatory, judicial, or other institutional reform applicable to the entire sector or economy

INDICATOR	NEGATIVE IMPACT	NO IMPACT	SOME IMPACT	STRONG IMPACT
Fiscal Impacts	Project pays too little (zero) or too much (> 35%) in taxes over the first 5 years of operations	Project pays 1-5% of revenues in taxes over the first 5 years of operations	Project pays 6- 20% of revenues in taxes over the first 5 years of operations	Project pays 21-35% of revenues in taxes over the first 5 years of operations
<b>Technology &amp; Knowledge Transfer / Productivity Enhancement Initiatives</b>				
Innovative Management Practices	NA	None	Implements managerial practices that are relatively uncommon in the local economy	Introduces managerial practices that are new to the local economy
Marketing & Distribution Expertise	NA	None	Implements marketing and distribution strategies that are relatively uncommon in the local economy or project sector	Introduces marketing and distribution strategies that are new to the local economy or project sector
New Production Technologies	NA	None	Implements technologies that are relatively uncommon in the local economy or project sector	Introduces technologies that are new to the local economy or project sector
New Product/Service	NA	None	Produces a product or service that is not widely available in the local market	Produces a product or service that is not at all available in the local market
Lower local prices	Project increases local prices	No reduction to local prices	Product may have some impact on lowering local prices due to increased supply in market	Product planned for introduction at a substantially lower price than competition
Foreign Exchange Earnings	Net foreign exchange is negative	Net foreign exchange is zero	Moderate positive net foreign exchange	Substantial net foreign exchange
Economic Diversification	Project is in saturated sector	None	Project involves an underdeveloped sector of the local economy	Project involves an economic sector that is essentially nonexistent in the local economy

Note: A detailed guideline to these matrices to ensure consistency in scoring is under development

Low \$984 or less; Medium \$985-\$4,268; High \$4,269 or more, according to 1999 per capita GNP data from the *World Bank Atlas 2002*

## II. FY 2002 Annual Performance Report

A text discussion of OPIC's FY 2002 performance can be found beginning on page 2 of this document.

### Actual Performance Information for Fiscal Years 1999, 2000, 2001 and 2002.

Note: The performance measures for FY 2004 found in the Annual Performance Plan section of this document, have been revised this year and do not completely correspond to the historical indicators that follow.

#### Strategic Goal 1: Continued Leadership

**Objective 1:** Advance U.S. foreign policy and development initiatives and promote free enterprise and democracy in developing countries and countries in transition.

- A. The following development measures (Indicators #1 and #2) were not included in the fiscal year (FY) 02 Performance Plan, but first appeared in the FY03 Performance Plan. OPIC is reporting on it for FY 02 with breakouts by program, instead of waiting for FY 03 due to increased interest regarding OPIC development effects.

**Indicator #1:** Aggregate host country developmental benefits relating to:

	OPIC Finance Program	OPIC Insurance Program	Total
FY 2002 Host Country Employment Effects	5,369 New Jobs	1,249 New Jobs	6618 New Jobs
Five Year Historical Average	6,799 New Jobs	8,177 New Jobs	14,976 New Jobs
Annual Host Country Employment Effects Average maintained?*	79% of Five Year Baseline Average Maintained	15% of Five Year Baseline Average Maintained	44.2% of Five Year Baseline Average Maintained

FY 2002 Initial Host Country Local Procurement Effects	\$1.1 Billion	\$159.3 Million	\$1.259 Billion
Five Year Historical Average	\$1.36 Billion	\$2.19 Billion	\$3.55 Billion
Annual Host Country Local Procurement Effects Average maintained?*	81% of Five Year Baseline Average Maintained	7% of Five Year Baseline Average Maintained	35.5 % of Five Year Baseline Average Maintained

FY 2002 Annual Host Country Tax Revenues	\$116 Million	\$13.2 Million	\$129.2 Million
Five Year Historical Average	\$458 Million	\$142.6 Million	\$600.5 Million
Annual Host Country Tax Revenues Average maintained?*	25% of Five Year Baseline Average Maintained	9% of Five Year Baseline Average Maintained	21.5% of Five Year Baseline Average Maintained

\* As OPIC becomes involved in a higher percentage of small business deals (see page 40) gross benefits such as jobs created, total tax revenue generated, etc. will be impacted accordingly.

**Indicator #2:** Percentage of projects in least developed countries:

	2001 Projects	2002 Projects
Percent of projects located in Least Developed Countries*	22%	53%

\*Using World Bank definition of "Least Developed Country"

**Indicator #3:** Projects in the pipeline for geographic areas or policy goals identified in Congressional/Administration foreign policy initiatives.

	Administration/Congressional Foreign Policy or Development Initiatives	Number of Finance Projects in OPIC Pipeline*	Number of Insurance Projects in OPIC Pipeline*
<b>FY 1999 Actual Performance:</b>			
A	Sub-Saharan Africa Initiative	15	51
B	Small Business Initiative	67	62
C	Central America/Caribbean Initiative	11	68
<b>FY 1999</b>		<b>93</b>	<b>181</b>
<b>FY 2000 Actual Performance:</b>			
A	Central America/Caribbean Initiative	30	47
B	Southeast Europe Initiative	3	53
<b>FY 2000</b>		<b>33</b>	<b>100</b>
<b>FY 2001 Actual Performance:</b>			
A	Southeast Europe Initiative	3	5
B	Small Business Initiative	87	72
<b>FY 2001</b>		<b>90</b>	<b>77</b>
<b>FY 2002 Actual Performance:</b>			
A	Southeast Europe Initiative	22	21
B	Small Business Initiative	60	57
C	Central Asia Initiative	10	30
D	Russia/New Independent States Initiative	21	43
E	Sub-Saharan Africa Initiative	18	54
F	Mexico Initiative	20	N/A **
<b>FY 2002</b>		<b>151</b>	<b>205</b>

\* Pipeline includes all potential projects at stages of development ranging from informal discussion of OPIC's possible involvement in the project to readiness to sign a finance agreement, commitment letter, or insurance contract.

\*\*In Mexico, OPIC is limited to direct loans on projects significantly involving U.S. small business.

**Indicator #4:** OPIC activities to promote investment in the targeted geographic areas/regions.

**FY 1999, FY 2000 and FY 2001 Actual Performance:**

In the FY 1999 through FY 2001 Annual Program Performance Reports, OPIC provided details (event names and dates) of OPIC's participation in numerous conferences, trade events, town hall meetings, and business forums in support of Administration/Congressional foreign policy initiatives. OPIC has chosen not to print the specifics of each event here because the activities were very similar in nature to the FY 2002 activities (below) which provide an excellent snapshot of the types of events that OPIC participates in to advance Administration/Congressional Foreign Policy or Development Initiatives. OPIC will provide a copy of the detailed FY 1999-FY 2001 information on request.

**FY 2002 Actual Performance:**

Administration/Congressional foreign policy or development initiative:

**A. Southeast Europe Initiative (SEI)**

1. Meetings with project sponsors from American Chamber of Commerce, the Armenian Assembly in America, the European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC) in Albania.
2. Speech at Ecolinks Business Alliance Conference sponsored by U.S. Embassy to Bulgaria.
3. Participated in the Business Day hosted by the Black Sea Trade and Development Bank.
4. Attended the Kazakstan International Oil and Gas Exposition.
5. Participated and spoke at the Caspian Finance Seminar in Azerbaijan.
6. Attended the AMCHAM Yugoslavia and US International Business Conference for Yugoslavia in Belgrade.
7. Was an attendee at the Ex-Im Bank Conference and Euromoney Conference in Cavtat, Croatia co-sponsored by the Export and Import Bank and Euromoney.
8. Participated in the Ecolinks Conference on Financing Environmental Projects in Bulgaria co-sponsored by Ecolinks, the U.S. Commerce Dep't. and the U.S. Embassy in Sofia.
9. Attended the South East Europe Environment Finance Seminar in Budapest Hungary which was sponsored by the Export-Import Bank.
10. Attended the Macedonia Donors Conference in Brussels, Belgium sponsored by EU and the Worldbank.

**B. Small Business Initiative**

Of the 45 new insurance and finance projects that OPIC supported in FY 2002, approximately 69 percent (31 projects) involved American small businesses, which brings OPIC closer to its goal of finalizing one small business per week for the upcoming year of activity. In 2002, activities that promoted OPIC participation with small business included:

- OPIC's development of a memorandum of agreement with the Small Business Administration in 2002 to coordinate support of American small businesses.
- OPIC launched its new Small Business Center, with ground work laid for this center to formally begin operations in FY 2003 and work towards the goal of achieving an average of one small business deal per week by FY 2004.

- Sponsored the Andean regional Trade and Investment Conference promoting U.S. investment in the Andean region and directed a workshop at this conference to expand OPIC involvement in small business ventures with Chile, Ecuador, Bolivia, Peru and Argentina.
- Investment outreach to the USEAC's to ensure OPIC acting as a contact source for all small business ventures generated from these enterprise centers.

### **C. Central Asia Initiative**

- OPIC announced in January 2002 that it would establish an initial \$50 million line of credit to support U. S. investment in Afghanistan.
- OPIC announced in October of 2001 plans for a total of \$300 million to be provided for projects in Pakistan. The first of these loans was a \$75 million loan guaranty in conjunction with Citibank to create a new lending facility in that country.
- OPIC's first project in a "frontline" state, in this case Pakistan, provides up to \$7 million in political risk insurance to expand a software development facility.

### **D. Russia/New Independent States Initiative**

- Finalization of a \$150 million loan guaranty agreement with Citibank for local investment projects in Russia, Ukraine, Uzbekistan, Kazakhstan and Azerbaijan.
- Completed a \$2.5 million loan to Cooperative Housing Foundation (CHF) for small business and homeowner association lending to assist in Romania's community-based business loan program.
- Enabled greater distribution of bottled water in Russia with a \$2.5 million loan to Clearwater Russia and development of a new dairy farm in the Dmitrov region of Russia with a \$1.2 million loan to Russian Dairy Farms.

### **E. Sub-Saharan Africa Initiative**

- Completed \$100,000 loan to provide clean water wells for Ghana.
- Provided both direct loan for \$495,000 and an insurance agreement for \$750,000 for power pump and motor distribution and repair facility in Angola.
- OPIC contributed to the fight against AIDS with a loan to establish a diagnostic testing services laboratory in Ethiopia which will enable most of the country to have access to new testing technologies.
- OPIC provided \$1.1 million in political risk insurance for development and marketing of computer software in Nigeria which should lead to increases in the number of high tech jobs in that country.

### **F. Mexico**

- In order to improve water purification and distribution, OPIC finalized a \$1.5 million loan in September of 2002.
- Finalization of a \$2.5 million loan for home construction and financing along the Mexico/U.S. border for local workers with housing shortages.

**Indicator #4:** Coordination with other U.S. government agencies such as the Export-Import Bank, the U.S. Trade and Development Agency, the State Department, and Commerce Department to advance U.S. policy in the targeted regions/areas.

**FY 1999, FY 2000 and FY 2001 Actual Performance:**

In the FY 1999 - FY 2001 Annual Program Performance Reports that were provided to Congress, OPIC provided details of OPIC’s coordination with other U.S. Government entities. The lists included specifics on numerous events and activities that demonstrated OPIC’s success in coordination with the U.S. Export-Import Bank, the Trade and Development Agency, and other federal entities. The activities listed were very similar to the types of events listed under OPIC’s FY 2002 Actual Performance (below). A copy of the FY 1999 - FY 2001 Annual Program Performance Reports is available upon request.

**FY 2002 Actual Performance (involving coordination with other agencies):**

1. In FY 2002, OPIC continued its operation of a Caspian regional office in Ankara, Turkey in conjunction with the Trade and Development Agency (TDA) and ExIm Bank.
2. OPIC finalized a memorandum of agreement with the Small Business Administration in 2002 to coordinate support of American small businesses.
3. OPIC is an active member of the Trade Promotion Coordinating committee (TPCC).
4. As directed by statute, the Administrator of USAID is a member of OPIC’s Board of Directors.
5. OPIC began working on a Memorandum of Agreement (MOA) with the Foreign Commercial Service (FCS) in FY 2002 which was finalized in February of this year.
6. Regularly ongoing coordination with the U.S. Trade Representative (USTR).
7. Conducted a joint exploratory investment mission to Afghanistan with TDA in May 2002.

**Indicator #5:** Ensure that **ninety percent** of new projects demonstrate host country benefits such as jobs and host government revenues. (Note: OPIC has been tracking host country benefits since 1974)

Actual Performance	Total number of new OPIC supported projects	Percentage that meet criteria	Performance goal achieved? (Target: 90%)	
			No	Yes
<b>Fiscal Year 1999</b>	58	91%		✓
<b>Fiscal Year 2000</b>	40	90%		✓
<b>Fiscal Year 2001</b>	37	95%		✓
<b>Fiscal Year 2002</b>	45	93%		✓

**Strategic Goal 1: Continued Leadership****Objective 2:** Help American businesses —large and small alike— compete in emerging markets.**Indicator #1:** Describe outreach activities conducted by OPIC.**FY 1999, FY 2000 and FY 2001 Performance**

In the FY 1999 - FY 2001 Annual Program Performance Reports that were provided to Congress, OPIC provided details of its outreach activities. The lists included specifics on numerous examples of outreach events designed to provide American businesses with information regarding OPIC and its products, as well as about investment opportunities in the developing world. The activities listed were very similar to the types of events listed under OPIC's FY 2002 Actual Performance (below). A copy of the FY 1999 - FY 2001 Annual Program Performance Reports is available upon request.

**FY 2002 Performance**

In FY 2002, OPIC continued to market its programs and supported U.S. foreign policy interests through a variety of activities with an increased emphasis on small business and projects in Southeastern Europe. During this year OPIC increased its prior year's engagements by more than 30 in all and participated in over 170 speaking engagements and conferences. Examples of these and other activities included:

1. Continuing to compliment the private sector, OPIC was represented by President Peter Watson in February 2002 at the IBC's 12<sup>th</sup> Annual Global Convention on Insuring Export Credit and Political Risk in London, England.
2. Acted as Conference Producer for IBC's 8<sup>th</sup> Annual Products Projects - International: Corporate Structured and Project Finance Conference at Paris, France in March of 2002.
3. OPIC was represented at the 42<sup>nd</sup> Annual Convention of the International Franchise Association in Orlando, Florida in February of 2002.
4. Keeping up with it's New Independent States(NIS) involvement OPIC attended the 1st Annual Georgia International Oil, Gas and Energy Infrastructure Expo in Tbilisi, Georgia this past March.
5. Continuing along with its involvement with Eastern European markets, OPIC was represented at Euromoney's Central and Eastern European Issuers and Investors Forum in Vienna, Austria.
6. OPIC attended and spoke at the 3rd Biennial US-Africa Business Summit sponsored by the Corporate Council on Africa in Philadelphia, Pennsylvania.
7. In line with OPIC's continued interests in Russia and the Newly Independent States the agency was represented at Euromoney's 2002 Russian Financial Forum in Moscow.
8. OPIC attended the American Turkish Council's US-Turkey Business Council Conference in Ankara, Turkey where it made a presentation on "OPIC Programs Available in the Caspian Region."
9. Keeping OPIC's interests current in both local and international concerns OPIC was represented at the Nine Annual Meeting of the Russian-American Chamber of Commerce in New York City.

**Indicator #2:** Describe new OPIC products that meet client needs that have been developed or were under development during the target year.

### **FY 1999 Performance**

This is a new performance indicator that is first appearing in the FY 2002 Annual Performance Plan. The first reporting on this measure is not required until FY 2002. However, in FY 1999 OPIC developed and implement a new capital markets insurance product that attracted very wide attention across the international financial markets and among private and public investment insurers. This new product showcased OPIC's leadership and responsiveness to the needs of the changing world capital markets. To complement the new insurance capital markets product, OPIC has also developed a finance product for co-financing alongside 144a issues. Rule 144a is an exemption from SEC registration requirements that would typically apply to the sale of securities. These types of issues are attractive to project companies since they avoid the costly SEC registration procedure for a public offering, and are faster to conclude, involve less restrictive covenants and have the potential for greater liquidity and lower pricing than bank loans. The finance product will include long loan tenors, and other features designed to minimize risk and promote market stability.

### **FY 2000 Performance**

Although this is a new measure for FY 2002, in FY 2000 OPIC was developing new products that meet client needs. These products included continued work on a new Housing product that resulted in OPIC's first housing sector commitment that took place in Nicaragua and was committed in September, 2000. In FY 2000, OPIC also developed a new franchise product. This OPIC finance product targets American-based franchisers looking for growth opportunities in emerging economies. The program works cooperatively with franchising associations whose members may be interested in financing.

In FY 2000 OPIC also developed a product to support micro-lending. OPIC recognizes that effective development programs take place in small rural villages and towns throughout the world on a small-scale level. OPIC is helping to support exactly such successful endeavors in Sub-Saharan Africa, the Caribbean and Central America. In Ghana, OPIC made an FY 2000 financing commitment to the Peoples Investment Fund for Africa (PIFA) that will support micro-enterprises with small-scale loans. Additionally, through amendment to the existing Citibank Credit Facility, financial organizations involved in micro-lending activities now will have access to greater amounts of capital.

### **FY 2001 Performance**

**New liquidity product.** Following on work that began in FY 2000, OPIC continued to work aggressively to develop a new product providing liquidity support for infrastructure projects. In June 2001, the Overseas Private Investment Corporation (OPIC) announced that it would provide both political risk insurance and a new devaluation credit facility for the \$300 million bond offering of a Brazilian hydroelectric generation company.

In a project structure unique in its 30-year history, OPIC will provide \$85 million in currency inconvertibility coverage and \$30 million in devaluation coverage to AES Tiete Holdings, Ltd., a Brazilian subsidiary of AES Corporation, the largest developer of power plants in the United States. AES issued the 15-year bond to refinance existing indebtedness provided by the Brazilian National

Development Bank. Banc of America Securities LLC, served as lead underwriter for the Bond offering. The devaluation coverage is a revolving stand-by credit facility that covers shortfalls in debt-service attributable to devaluation or depreciation of the Brazilian real.

The facility will establish a “floor” for the value in US dollars of the project’s revenues; claims would be paid by OPIC if the project’s revenues converted into US dollars fell below the floor value and were insufficient to pay scheduled debt service. Two leading investment rating agencies, Fitch and Moody’s, cited OPIC’s devaluation facility as critical to their decisions to assign the bond offering an investment-grade rating.

Working with Bank of America and AES, OPIC developed this pilot project to encourage and support investment by providing coverage for currency devaluation. This project reflects both OPIC’s ongoing commitment to respond to the changing needs of the marketplace and the important role OPIC plays in leveraging private sector investment in emerging markets.

### **FY 2002 Performance**

In accord with OPIC’s redirecting itself to new areas of financial involvement, the agency is applying its expropriation coverage to the U.S. Capital Markets, which will address the inadequate funding and limited access to the capital markets that many U.S. investors face when attempting to expand their operations into the many different emerging world markets. OPIC intends that this Capital Markets coverage will better facilitate foreign direct investment in emerging markets by enabling project sponsors to access previously unattainable long-term, low cost funds in U.S. capital markets. The coverage can be applied to those transactions where the host government is willing to provide a sovereign guarantee of a project sponsor’s debt obligation. OPIC insurance would increase the credit rating on bonds to Investment Grade by providing an assurance of debt service payments to the bondholders in the event that all of the following events occur: 1) a project defaults and 2) the host government fails to honor its guarantee. The coverage serves as an excellent risk mitigation tool and can dramatically change the parameters of emerging markets investing by both improving liquidity and allowing project sponsors to pierce a host country’s sovereign ceiling when issuing debt.

**Indicator #3:** Total number of prospective projects screened.

Target: OPIC will maintain or exceed the five-year historical average. **The benchmark is the average for the 5 years immediately preceding the year being measured.** This benchmark average is then compared against the average of the year being measured and the preceding 4 years.

Screened projects include all investment fund subprojects screened. OPIC is required to screen all investment fund subprojects. Because these fund subprojects ultimately receive their funding commitments from the OPIC-supported investment funds and not directly from OPIC, they are not counted as new projects supported by OPIC in indicator #4 (below). Additionally, not all projects that are screened go on to receive a commitment. For various reasons, projects may drop out of the process before reaching the commitment stage; hence, the drop from the number of projects screened by OPIC to the number of new projects supported.

Approximate number of projects screened:

FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
295	371	315	263	288	145	134	108

Comparison of historical averages for numbers of projects screened	Average for FYs 1994 – 1998	Average for FYs 1995 – 1999	Average for FYs 1996 – 2000	Average for FYs 1997 – 2001	Average for FYs 1998 – 2002	Average Maintained?
<b>Fiscal Year 1999</b>	286	<b>306</b>				Attained 107% of benchmark level.
<b>Fiscal Year 2000</b>		306	<b>276</b>			Attained 90% of benchmark level.
<b>Fiscal Year 2001</b>			276	<b>229</b>		Attained 83% of benchmark level.
<b>Fiscal Year 2002</b>				229	<b>188</b>	Attained 82% of benchmark level.

**Indicator #4:** Combined number of new project finance commitments and insurance contracts for the year. Target: OPIC will maintain or exceed the five-year historical average. **The benchmark is the average for the 5 years immediately preceding the year being measured.** This benchmark average is then compared against the average of the year being measured and the preceding 4 years.

Number of new project commitments:

FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
105	169	51	47	58	40	37*	45

Comparison of historical averages for combined finance and insurance commitments	Average for FYs 1994 – 1998	Average for FYs 1995 – 1999	Average for FYs 1996 – 2000	Average for FYs 1997 – 2001	Average for FYs 1998 – 2002	Average Maintained?
<b>Fiscal Year 1999</b>	94	<b>86</b>				Attained 91% of benchmark level.
<b>Fiscal Year 2000</b>		86	<b>73</b>			Attained 84% of benchmark level
<b>Fiscal Year 2001</b>			73	<b>47</b>		Attained 64% of benchmark level.
<b>Fiscal Year 2002</b>				47	<b>45</b>	Attained 96 % of benchmark level.

\* Projects extending or increasing commitments registered in previous years were considered previously reported. A new project receiving finance and insurance support is counted separately in finance and insurance individual totals, but as one project in combined totals.

\*\* An unusually high year in FY 1996 causes extreme variation in the five-year averages, reflected in FY 2001 when FY 1996 drops out of the equation.

**Indicator #5:** Total dollar level of new investment supported.

Target: OPIC will maintain or exceed the five-year historical average. **The benchmark is the average for the 5 years immediately preceding the year being measured.** This benchmark average is then compared against the average of the year being measured and the preceding 4 years.

New investment supported (in millions of \$):

<b>FY 1995</b>	<b>FY 1996</b>	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
\$10,870	\$23,358	\$4,803	\$9,023	\$8,297	\$8,806	\$3,700	\$2,200

Comparison of total dollar level of new investment supported	Average for FYs 1994 – 1998	Average for FYs 1995 – 1999	Average for FYs 1996 – 2000	Average for FYs 1997 – 2001	Average for FYs 1998 – 2002	Average Maintained?
	<b>Fiscal Year 1999</b>	\$11,865	<b>\$11,270</b>			
<b>Fiscal Year 2000</b>		\$11,270	<b>\$10,857</b>			Attained 96% of benchmark level
<b>Fiscal Year 2001</b>			\$10,857	<b>\$6,926</b>		Attained 64% of benchmark level*
<b>Fiscal Year 2002</b>				\$6,926	<b>\$6,405</b>	Attained 93% of benchmark level*

\* As the percentage of projects that are “small business” increase (see indicator 8, below) overall dollar value of investment supported will tend to decrease. To address current market needs, during FY’s 2001 and 2002 OPIC re-evaluated the priorities that drive its support of investment and will target its support to projects with higher correlation to expected developmental return.

**Indicator #6:** Amount of finance commitments for the year.

Target: OPIC will maintain or exceed the five-year historical average. **The benchmark is the average for the 5 years immediately preceding the year being measured.** This benchmark average is then compared against the average of the year being measured and the preceding 4 years.

Finance commitments (in millions of \$)

FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
\$1,636	\$2,012	\$709	\$695	\$813	\$991	\$905	\$855

Comparison of historical averages for finance commitments	Average for FYs 1994 – 1998	Average for FYs 1995 – 1999	Average for FYs 1996 – 2000	Average for FYs 1997 – 2001	Average for FYs 1998 – 2002	Average Maintained?
	<b>Fiscal Year 1999</b>	\$1,340	<b>\$1,173</b>			
<b>Fiscal Year 2000</b>		\$1,173	<b>\$1,047</b>			Attained 89 percent of baseline
<b>Fiscal Year 2001</b>			\$1,047	<b>\$823</b>		Attained 79 percent of baseline*
<b>Fiscal Year 2002</b>				\$823	<b>\$826</b>	Attained 88 percent of baseline*

\* OPIC programs must be geared towards investors' needs and cognizant of the impact of market forces and investors' perceptions of risk. During dramatic growth in global markets, OPIC support may not be sought. On the other hand, when global markets are in trouble, higher levels of risk may make investors hesitant to invest overseas. Risk mitigation and responsiveness to investors' needs are key to OPIC's ability to encourage and support development in emerging markets.

**Indicator #7:** Amount of political risk insurance issued during the year.

Target: OPIC will maintain or exceed the five-year historical average. **The benchmark is the average for the 5 years immediately preceding the year being measured.** This benchmark average is then compared against the average of the year being measured and the preceding 4 years.

Political risk insurance issuance (MIA\* in millions of \$):

FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
\$8,605	\$16,584	\$3,732	\$4,842	\$4,638	\$2,202	\$1,065	\$1,222

Comparison of historical averages for political risk insurance	Average for FYs 1994 – 1998	Average for FYs 1995 – 1999	Average for FYs 1996 – 2000	Average for FYs 1997 – 2001	Average for FYs 1997 – 2002	Average Maintained?
	<b>Fiscal Year 1999</b>	\$7,965	<b>\$7,680</b>			
<b>Fiscal Year 2000</b>		\$7,680	<b>\$6,400</b>			83 percent of benchmark level.
<b>Fiscal Year 2001</b>			\$6,400	<b>\$3,296</b>		51 percent of benchmark level. *
<b>Fiscal Year 2002</b>				\$3,296	<b>\$2,794</b>	86 percent of benchmark level. *

\* The abnormally high level of insurance issued in FY 1996 exaggerates the variation of average comparisons this year. However, as increasing availability of private sector risk insurance offerings indicate the private sector's willingness to play a greater role in emerging markets, OPIC is evaluating changes to the political risk insurance program so that its programs supplement gaps in private sector availability and stimulate development in targeted regions, including where private market insurance is not an option.

**Indicator #8:** Percentage of projects that have small business sponsors.\*

Target: OPIC will maintain or exceed the five-year historical average. **The benchmark is the average for the 5 years immediately preceding the year being measured.** This benchmark average is then compared against the average of the year being measured and the preceding 4 years.

Percentage of projects with small business sponsors:

<b>FY 1995</b>	<b>FY 1996</b>	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
27%	18%	24%	28%	34%	40%	57%	69%

\* OPIC's Small Business Definition (Effective June 16, 1998):

- ✓ All companies, both service and industrial, with annual sales of less than \$250 million (taking into account the consolidated sales of the parent company).
- ✓ Entities with no revenues *per se*, such as individual private investors or newly-formed companies, with net worth or stockholders' equity of less than \$67 million.

In the coming months, OPIC will reexamine its small business definition in an objective manner with a view to lowering the threshold level.

Comparison of historical averages of projects that have small business sponsors	Average for FYs 1994 – 1998	Average for FYs 1995 – 1999	Average for FYs 1996 – 2000	Average for FYs 1997 – 2001	Average for FYs 1998 – 2002	Average Maintained?
	<b>Fiscal Year 1999</b>	24	<b>26</b>			
<b>Fiscal Year 2000</b>		26	<b>29</b>			Attained 111 percent of benchmark target.
<b>Fiscal Year 2001</b>			29	<b>37</b>		Attained 127 percent of benchmark target.
<b>Fiscal Year 2002</b>				37	<b>46</b>	Attained 123 percent of benchmark target.

**Strategic Goal 2: Enhanced Performance.****Objective 1:** Strengthen economic growth at home by supporting U.S. investment overseas.**Indicators:**

The indicators listed below are used to determine if OPIC-supported projects have neutral or positive U.S. effects and to ensure that projects do not have a negative impact on the U.S. economy, as required by OPIC statute. OPIC has tracked the following measurements since 1974.

Target: No negative U.S. effects:

	<b>Indicator #1:</b> U.S. exports generated (gross)  -dollars in millions-	<b>Indicator #2:</b> Person-years of U.S. employment generated	US Impact		
			Negative	Neutral	Positive
<b>Fiscal Year 1999</b>	\$2,714	31,333			✓
<b>Fiscal Year 2000</b>	\$2,346	31,552			✓
<b>Fiscal Year 2001</b>	\$1,134	15,885			✓
<b>Fiscal Year 2002</b>	\$464	5,596			✓

**Indicator #3:** Provide information regarding the downstream U.S. suppliers to OPIC-supported projects.

**FY 1999, FY 2000, FY 2001 and FY 2002 Performance**

1. In recent years, OPIC collected data on the specific U.S. companies that will provide OPIC-assisted projects with goods and services. This helps to ensure that procurement estimates are as accurate as possible and to identify specific regions of the country that will benefit from these foreign investments. Nearly all U.S. procurement associated with OPIC-assisted projects is identified by specific product type, and in fiscal 1999, 76 percent was identified by specific supplier. In FY 2000, that number was 66 percent, in FY 2001 the number was 69 percent and for FY 2002 was 55 percent.
2. According to the data collected for fiscal years 1994 through 2002, OPIC has identified the specific U.S. suppliers for \$12.2 billion in estimated procurement for OPIC-assisted projects. These U.S. companies are located in 49 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.
3. During their first five years of operations, the projects OPIC assisted in fiscal year 1999 are expected to procure approximately \$2.7 billion from U.S. suppliers and support 31,333 person-years of U.S. employment. For FY 2000, the projects that OPIC assisted are expected- during their first five years of operations- to procure approximately \$2.3 billion from U.S. suppliers and support 31,552 person-years of U.S. employment. For FY 2001, the projects

that OPIC assisted are expected- during their first five years of operations- to procure approximately \$1.16 billion from U.S. suppliers and support 15,885 person-years of U.S. employment. For FY 2002, the projects that OPIC assisted are expected- during their first five years of operations- to procure approximately \$464 million from U.S. suppliers and support 5,596 person-years of U.S. employment.

4. Although many smaller businesses do not have the financial and personnel resources to make an overseas investment on their own, they can benefit from such investment by larger U.S. firms. Large companies often turn to small U.S. businesses with which they are familiar for products and services to support an overseas project. It is estimated that approximately 59% of all identified suppliers to the projects OPIC assisted in fiscal years 1994-2002 are U.S. small businesses. For 2002 alone, this number reached 69% for related OPIC projects.

**Strategic Goal 2: Enhanced Performance.**

**Objective 2:** Operate on an effective and self-sustaining basis at no net cost to the American taxpayer.

**Indicators #1, #2, and #3:** OPIC will continue to operate on a self-sustaining basis as measured by: net negative budget authority, net negative outlays, and net income.

**FY 1999, FY 2000, FY 2001 and FY 2002 Performance**

In FY 2002, OPIC again succeeded in operating on a self-sustaining basis. OPIC is fully funded from its own resources. It has recorded a positive net income for every year of operation and operates at no net cost to the U.S. taxpayer.

	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
<b>Indicator #1:</b> Net negative budget authority	-\$175*	-\$50*	-\$206*	-\$221*
<b>Indicator #2:</b> Net negative outlays	-\$231*	-\$26*	-\$212*	-\$206*
<b>Indicator #3:</b> Net income	\$144 *	\$185*	\$215*	\$175*

\*Net negative budget authority is the difference between OPIC's sources and uses of funds. Because OPIC's income -- from fees earned from the users of its programs, for example -- exceeds its uses, OPIC generates net negative budget authority. This surplus is available to support other programs in the international affairs account (Function 150). This is in keeping with OPIC's self-sustaining mandate and confirms that OPIC operates at no net cost to the American taxpayer. Similarly, net negative outlays are the difference between OPIC's offsetting collections and OPIC's cash expenditures. A negative number indicates that collections exceed expenditures.

**Strategic Goal 3: Effective Stewardship.**

**Objective #1:** To promote best practices in U.S. direct investment overseas, especially in the areas of business, the environment, and worker rights.

The performance indicators below are based on the assumption that OPIC-supported projects set an example by adhering to high standards of quality in the areas of business, the environment, and worker rights. OPIC-supported projects impact host country policymakers by demonstrating that change is both possible and beneficial.

**Indicator #1:** All new projects must meet or exceed OPIC’s environmental and worker rights standards, both before and after commitment of financing and insurance.

**Indicator #2:** All environmentally sensitive new projects (category A projects) will include public participation in the Environmental Impact Assessment process.

	Total of all new projects	Percentage that meet criteria	Performance goal achieved?	
			No	Yes
<b>FY 1999 Performance</b>				
<u>Indicator #1</u> (environmental and worker rights standards)	58	100%		✓
<u>Indicator #2</u> (public participation in EIA process)	19*	100%		✓
<b>FY 2000 Performance</b>				
<u>Indicator #1</u> (environmental and worker rights standards)	40	100%		✓
<u>Indicator #2</u> (public participation in EIA process)	13*	100%		✓
<b>FY 2001 Performance</b>				
<u>Indicator #1</u> (environmental and worker rights standards)	37	100%		✓
<u>Indicator #2</u> (public participation in EIA process)	5*	100%		✓
<b>FY 2002 Performance</b>				
<u>Indicator #1</u> (environmental and worker rights standards)	26	100%		✓
<u>Indicator #2</u> (public participation in EIA process)	7*	100%		✓

\*Includes new projects screened for environmental purposes during the fiscal year.

**Indicator #3:** Number of projects visited for site monitoring and due diligence.

Target: OPIC will maintain or exceed the five-year historical average. **The benchmark is the average for the 5 years immediately preceding the year being measured.** This benchmark average is then compared against the average of the year being measured and the preceding 4 years.

Number of projects visited for site monitoring and due diligence:

<b>FY 1995</b>	<b>FY 1996</b>	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
38	32	34	48	57	36	24*	27

Comparison of historical averages of projects visited for site monitoring and due diligence	Average for FYs 1994 – 1998	Average for FYs 1995 – 1999	Average for FYs 1996 – 2000	Average for FYs 1997 – 2001	Average for FYs 1998 – 2002	Average Maintained?
<b>Fiscal Year 1999</b>	37	<b>42</b>				Attained 114 percent of benchmark level.
<b>Fiscal Year 2000</b>		42	<b>41</b>			Attained 98 percent of benchmark level.
<b>Fiscal Year 2001</b>			41	<b>40</b>		Attained 97 percent of benchmark level.
<b>Fiscal Year 2002</b>				40	<b>36</b>	Attained 90 percent of benchmark level.

\* The amount of projects monitored in fiscal years 1998 and 1999 is higher than would normally be the case, reflecting site visits to investment funds subprojects previously not included in monitoring and due diligence requirements. The number of visits for site monitoring in FY 2001 is lower than normal because there are fewer projects in the portfolio requiring site monitoring and due diligence.

**Indicator #4:** Number of projects self-monitored (The self-monitoring requirement was instituted in FY 1994 and the first forms were collected in FY 1995.)

**Target:** OPIC will maintain or exceed the four-year historical average. **The benchmark is the average for the 4 years immediately preceding the year being measured.** This benchmark average is then compared against the average of the year being measured and the preceding 3 years.

Number of projects self monitored:

<b>FY 1995</b>	<b>FY 1996</b>	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
46	56	72	135	184	336	302	259

Comparison of historical averages of self-monitored projects	Average for FYs 1995 – 1998	Average for FYs 1996 – 1999	Average for FYs 1997 – 2000	Average for FYs 1998 – 2001	Average for FYs 1999 – 2002	Average Maintained?
<b>Fiscal Year 1999</b>	77	<b>112</b>				Attained 145 percent of benchmark level.
<b>Fiscal Year 2000</b>		112	<b>182</b>			Attained 163 percent of benchmark level.
<b>Fiscal Year 2001</b>			182	<b>239</b>		Attained 132 percent of benchmark level.
<b>Fiscal Year 2002</b>				239	<b>270</b>	Attained 113 percent of benchmark level.

**Strategic Goal 3: Effective Stewardship.**

**Objective #2:** Prudently use the full faith and credit of the U.S. government.

**Indicator #1:** Receive an unqualified audit opinion from an independent auditor.

	Yes	No
<b>Fiscal Year 1999</b> PricewaterhouseCoopers LLP	✓	
<b>Fiscal Year 2000</b> PricewaterhouseCoopers LLP	✓	
<b>Fiscal Year 2001</b> KPMG	✓	
<b>Fiscal Year 2002</b> KPMG	✓	

**Indicator #2:** Ensure public participation through user-friendly internet site that highlights relevant issues and provides for public comment and by having opportunities for public comment prior to board meetings.

### **FY 1999 and FY 2000 Performance**

This is a new performance indicator that is first appearing in the FY 2002 Annual Performance Plan. OPIC's internet web site ([www.opic.gov](http://www.opic.gov)) went live in 1998 and its content and scope have increased since that time. Currently, the OPIC web site features

- More than 5,000 pages of information and 5,000 links;
- An interactive format rather than a "read only" format;
- Extensive gateway links providing country-by-country information for U.S. investors;
- Information designed to help U.S. small businesses to take advantage of OPIC products, including links to OPIC's interactive small business training program which provides information about OPIC finance services and insurance;
- Information on "OPIC and the Environment", including OPIC's environmental handbook, information on the status of Category A projects, and links that enable the public to comment on these environmentally sensitive projects. One project that is especially high profile from an environmental point of view is the Cuiaba pipeline project in Bolivia/Brazil. In response to the high level of interest in this project, OPIC established the [Cuiabá project website](#) which is linked to the [OPIC website](#) and features over 4,500 words of text about all facets of the project, as well as 36 photographs and a project map.
- Press releases and access to OPIC's newsletter; and
- Information and links regarding special initiatives such as the Central America/Caribbean Initiative and the Southeast Europe Initiative.

In FY 2000, OPIC also posted a draft of its new Strategic Plan on its internet site and invited public comment. As OPIC moves more and more towards web-based business processes, the richness and usefulness of OPIC's web site will continue to grow.

Also in FY 2000, OPIC began to host public hearings immediately preceding each meeting of the OPIC Board of Directors. These hearings are announced in advance via public notices in the *Federal Register*.

### **FY 2001 Performance**

- More than 1,300 pages of information with 11,500 internal links and 1,600 external links;
- User activity in the range of 43,000-44,000 hits per month (average monthly hits over the past year);
- An interactive format rather than a "read only" format;
- An extensive information gateway consisting of more than 5,000 links to on-line data for some 145 countries for U.S. investors;
- Information designed to help U.S. small businesses to take advantage of OPIC products, including links to OPIC's interactive small business training program, which provides information about OPIC finance services and insurance;

- Information on “OPIC and the Environment”, including OPIC’s environmental handbook, information on the status of Category A projects, and links that enable the public to comment on these environmentally sensitive projects.
- Press releases and access to OPIC’s newsletter;
- Information and links regarding special initiatives such as OPIC in Mexico, the Southeast Europe Initiative, the US-Africa Sustainable Energy Program, and OPIC and Housing; and
- An electronic mailing list sign-up to facilitate communication with and information distribution to interested parties.

## **FY 2002 Performance**

- Expanded content to more than 1,745 pages of information with 14,000 internal links and 2,735 external links.
- User activity climbed to an average of 45,500 visits per month.
- Continued progress in achieving Government Paperwork Elimination Act (GPEA) goals by deploying an electronic Self Monitoring Questionnaire for current OPIC clients, enhancing the agency’s electronic Intern Application Form; enhancing the electronic Contact Management System which allows web site visitors as well as OPIC staff to expand and maintain a lists of contacts interested in OPIC; and continuing work on OPIC electronic Finance Application that will allow potential clients to apply for financing on-line.
- Expanded Investor’s Information Gateway from approximately 5,000 to more than 10,875 links to on-line data on some 145 countries.
- Utilized OPIC’s extranet to electronically solicit proposals from potential managers for a new OPIC Investment Fund.

As OPIC moves more and more towards web-based business processes, the richness and usefulness of OPIC’s web site will continue to grow.

--- END of FY 2002 Annual Performance Report ---

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