

Report of the
OVERSEAS PRIVATE INVESTMENT CORPORATION

ANNUAL POLICY REPORT

FISCAL YEAR 2011



**Submitted Pursuant to
Section 240A of the
Foreign Assistance Act of 1961,
As Amended**

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OPIC ANNUAL POLICY REPORT – Fiscal Year 2011

Executive Summary

As the U.S. Government's development finance institution, in Fiscal Year 2011 the Overseas Private Investment Corporation outperformed its core mission to mobilize and facilitate the participation of U.S. private capital and skills in the economic and social development of less developed countries and transitioning economies by:

- Committing over 60% of new FY11 project dollars in the poorest countries;
- Mobilizing \$4.4 billion in additional private capital; and
- Posting a record year in renewable resources investment.

In addition, OPIC continued its strong support for U.S. small businesses, with 78% of OPIC projects done in partnership with US small businesses. And, OPIC generated net income of \$269 million, helping to reduce the federal budget deficit for the 34th consecutive year.

OPIC's activities in Fiscal Year 2011

- **OPIC catalyzed U.S. investment and jobs**, supporting 92 new projects in 40 countries and areas over 8 regions with a total of \$6.3 billion in investment. These projects are expected to generate more than \$1 billion in U.S. exports and support over 1,370 U.S. jobs.
- **OPIC supported U.S. small business.** In FY11, 72 of the 92 new projects that OPIC supported were in partnership with U.S. small businesses. In addition, these 92 projects are expected to procure \$340 million in goods and services from U.S. small businesses located in 20 states and the District of Columbia.
- In FY11, OPIC strengthened its efforts to support: i) projects in low-income countries; ii) investment in renewable energy; and iii) investments in the Middle East and North Africa.
 - i. **OPIC supported growth in developing countries. Over 60% of FY11 project commitments are in low-income countries.** Seventy-six percent of FY11 OPIC-supported projects were located in low- and middle-income developing countries. In addition, the new FY11 projects are expected to generate more than \$3.7 billion in local spending in the more than 40 countries reached, which will stimulate job creation and spur further economic activity and employment.
 - ii. **Renewable energy was a critical priority sector:** FY11 was OPIC's most successful year in the renewable resources sector, by every measure and by a considerable margin, generating a ten-fold increase over FY10 in megawatts generated from renewable energy sources in OPIC-supported projects, from 71MW to 728MW; and tripling the amount of CO₂ emissions avoided, from 336,000 tons to 931,000 tons.
 - iii. **OPIC offered strategic support in the MENA Region in support of U.S. foreign policy priorities:** OPIC continues to collaborate closely with other U.S. agencies in promoting sustainable economic development in key regions of the world, including the Middle East and North Africa. OPIC has committed to provide up to \$3 billion to catalyze investment in the region over the next three years, including up to \$1 billion in investment specifically for Egypt. OPIC's growing portfolio in MENA currently totals nearly \$2.6 billion across 50 projects, including but not limited to energy, infrastructure, and housing.

I. OPIC IN FISCAL YEAR 2011

Fiscal Year Overview

In Fiscal Year 2011, OPIC supported 92 new projects in 40 countries and areas over 8 regions for a total investment of \$6.3 billion

In Fiscal Year 2011, OPIC committed new market-based financing and political risk insurance for 92 new projects¹ located in more than 40 countries and areas over 8 regions around the world, catalyzing a total investment of \$6.3 billion. In addition to OPIC's funding, 28% of this \$6.3 billion total project funding will come from within the host countries, 7% from third countries,² and 1% from multilateral development institutions (See Figure 1).

OPIC offers its clients project financing and guarantees, political risk insurance, and loans to private equity investment funds. In FY11, the 92 new projects included:

- 48 finance projects
- 25 investment fund subprojects; and
- 19 insurance projects.

Figure 1
Sources of Project Investment
Fiscal Year 2011

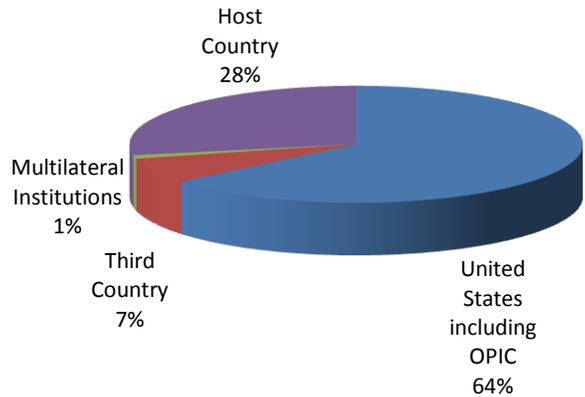
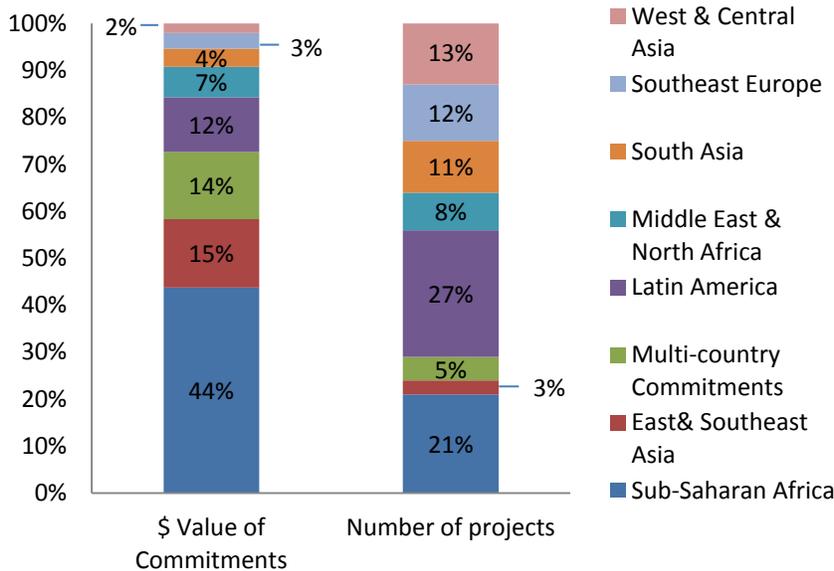


Figure 2
Regional Distribution of FY11 Projects



OPIC-supported projects target emerging markets around the globe

In FY11, OPIC committed new projects throughout the developing world and emerging markets. Sub-Saharan Africa received the majority of the dollar value of new project commitments (44%), followed by East and South Asia (15%) and Latin America (14%). Latin America received the highest share of the number of new projects committed (27%), followed by Sub-Saharan Africa (21%), and West & Central Asia (13%) (See Figure 2).

¹The project count includes new finance and insurance projects that have not been previously reported to Congress, as well as downstream investments made by OPIC-supported investment funds and framework agreements.

² "Third countries" refers to countries that are neither the U.S. nor the country where the project is located.

In Fiscal Year 2011, OPIC supported projects across a broad range of industries

Figure 3

Sector Distribution of FY11 Projects

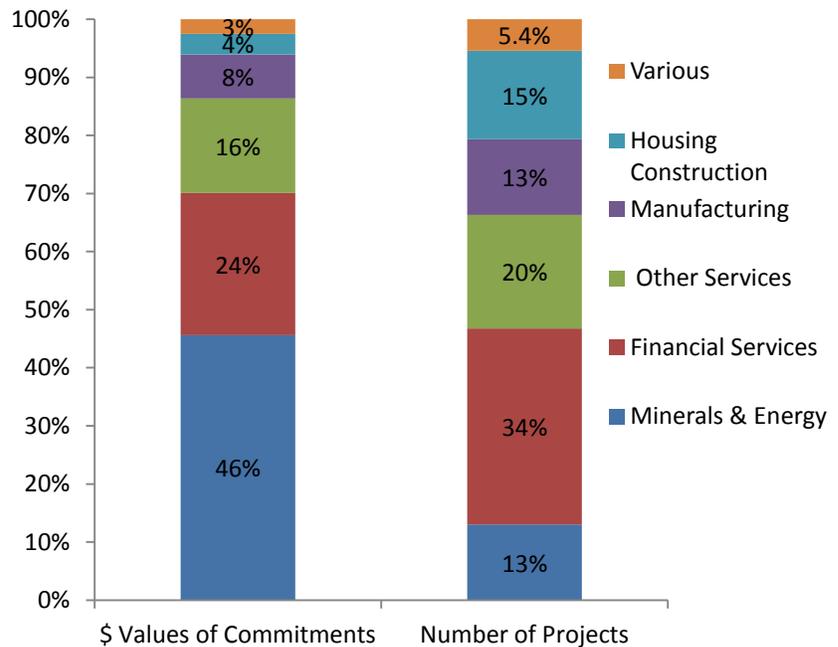


Figure 3 shows the sector distribution of projects OPIC supported in FY11. In terms of commitments by value, projects in the minerals and energy³ sector accounted for 46%, followed by projects in the financial services sector (24%), which includes, for example, small and medium enterprise financing as well as leasing, other services (16%), and manufacturing (8%).

In terms of commitments by number of new projects, the financial services sector accounted for 34% of all new OPIC-supported projects in FY11, followed by other services (20%), housing construction (15%), manufacturing (13%), and minerals & energy⁴ (13%).

U.S. Economic Effects

None of the FY11 projects are expected to result in the loss of any U.S. jobs. In fact, FY11 projects are expected to support 1,373 U.S. jobs over the next five years.

OPIC-supported projects are carefully screened for their effect on employment in the United States. OPIC does not invest in projects that would harm the U.S. economy or result in the loss of U.S. jobs. OPIC collects and analyzes (both by region and by sector), the projected U.S. employment and associated economic effects of the projects that it supports. Consistent with previous years, ***none of the FY11 projects are expected to result in the loss of U.S. jobs. In fact, OPIC-supported projects in Fiscal Year 2011 are expected to support 1,373 U.S. jobs over the next five years.***⁵

³ Eighty-three percent of minerals and energy Projects in FY11 were renewable.

⁴ Eighty-three percent of minerals and energy Projects in FY11 were renewable.

⁵ The U.S. employment impact is generated using projected procurement data provided by investors. For a detailed description of the methodology used to calculate the U.S. employment effects of OPIC-supported projects from initial and operational procurement, please refer to Exhibit 4.

FY11 OPIC-supported projects will provide other important economic benefits to the United States.

- OPIC-supported projects are projected to result in an estimated \$585 million in U.S. exports of capital goods and services through initial procurement.
- The value of U.S. materials and equipment required for the continued operations of OPIC-supported projects is estimated at an additional \$416 million over the next five years.
- As a result of this level of initial and operational procurement from the United States, FY11 projects are expected to support an estimated 6,864 person-years of direct and indirect employment for U.S. workers. This is equivalent to an annual average of 1,373 U.S. jobs over a five-year period.
- The impact of FY11 projects on the U.S. trade balance over the first five years of operations is expected to be a positive \$970 million.

Estimated U.S. Economic Benefits of FY11 Projects Supported by OPIC	
Total project investment	\$6.3 billion
U.S. investment in projects	\$4.1 billion
U.S. percent of total	75%
Total direct U.S. exports	\$1.0 billion
Initial procurement from U.S.	\$585 million
Operational procurement (5 years)	\$416 million
Estimated U.S. employment supported (5 years, direct and indirect)	6,864 person-years 1,373 U.S. jobs

The Exhibits to this report provide detailed information on OPIC-supported projects and their impact on the U.S. economy through procurement and support of U.S. employment. Exhibit 1 breaks out all of the OPIC-supported projects in FY11 by sector, including agribusiness, minerals and energy⁶, manufacturing, and services. Using these four sector classifications, the chart provides data on the project markets – host country, U.S., and third country - in which revenue will be generated for new OPIC-supported projects in FY11, and what the projected U.S. procurement amount – both initial and operational – is by sector.

Exhibit 2 shows in detail the revenues generated by third-country sales from all OPIC-supported projects in FY11, classified by sector. Projects are grouped according to their impact on U.S. employment - projects having a positive U.S. employment impact, and projects with a neutral U.S. impact.

OPIC directly and indirectly supports U.S. small businesses

Seventy-eight percent of OPIC’s new projects in FY11 supported U.S. small businesses.

OPIC recognizes the importance of small businesses as a key driver of U.S. economic growth and actively seeks to partner with these firms to enable their expansion into developing markets. OPIC supports U.S. small businesses both directly, through direct loans, and indirectly, through investment guarantees and political risk insurance. For example, over the last 15 years, OPIC has provided approximately \$4.4 billion in direct loans to U.S. small businesses.

⁶ Eighty-three percent of minerals and energy projects in FY11 were renewable.

OPIC's efforts to reach out to small businesses continued to yield positive results in FY11. OPIC supported 72 new projects that involved small businesses, representing 78% of all new projects supported in FY11:

- 37 small businesses received OPIC investment guarantees;⁷
- 24 small businesses received direct loans from OPIC;
- 11 small businesses received OPIC political risk insurance coverage.

In addition, eight of the 92 OPIC insurance and finance projects in FY11 supported women-and/or minority-owned businesses.⁸

During the first five years of operations, the projects OPIC supported in FY11 are expected to procure \$340 million from U.S. small businesses located in 20 states and the District of Columbia.

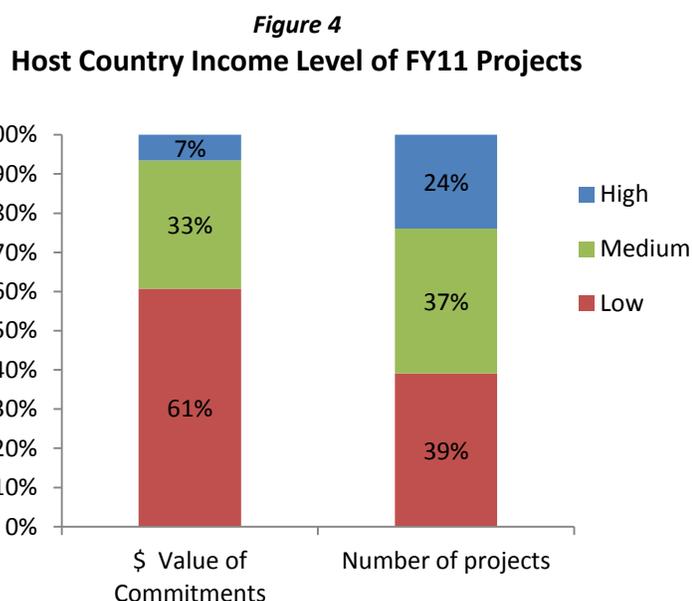
Since it began reporting these statistics in 1994,⁹ OPIC has identified over \$16.6 billion in expected procurement for OPIC-supported projects. Approximately 56% of the identified suppliers have been U.S. small businesses.

OPIC Priorities in Fiscal Year 2011

In FY11, OPIC strengthened its efforts to support: i) projects in low income countries; ii) investment in renewable energy; and iii) investment in the Middle East and North Africa - a region that is critical to U.S. foreign policy. The following are some highlights of these efforts in FY11.

Low- Income Countries¹⁰

In FY11, OPIC was active in 107 countries with new projects in 40 countries and areas over 8 regions around the world. In particular, FY11 commitments demonstrate OPIC's priority of supporting economic growth in low income countries. Thirty-nine percent of the 92 new projects are in the poorest countries OPIC works in, such as Afghanistan, Liberia, Haiti, and India. In addition, 61% of new FY11 commitments by value were in the lowest income countries.



⁷ Includes 25 investment fund subprojects.

⁸ This data is not collected for OPIC investment fund and framework subprojects.

⁹ OPIC only began to identify small business suppliers in 1994.

¹⁰ As defined in OPIC's statute, low-income countries are classified as those with per capita GNP of \$984 or less in 1986 dollars. Middle-income countries are those with per capita GNP of \$985-\$4,268 in 1986 dollars. High-income countries are those with a per capita GNP above \$4,268 in 1986 dollars.

**Tameer Microfinance Bank
Pakistan**

OPIC provided Tameer Microfinance Bank (TMFB) a \$21.5 million commitment for a guaranty facility which will enable TMFB to obtain a Rupee loan from Citibank Pakistan. TMFB will use the loan proceeds to expand its microfinance loan portfolio. The project leverages OPIC's continuing partnership with Citibank to make microfinance loans more readily available to low-income individuals and small businesses. TMFB offers a suite of financial products such as credit, savings, bill payments and remittances to low-income individuals and small businesses in underserved areas of Pakistan. TMFB is also a market leader in providing mobile banking to customers through its *easypaisa* brand, which has significantly enhanced financial access in Pakistan.

**Les Moulins d'Haiti
Haiti**

OPIC is providing \$22 million of political risk insurance to the U.S. partners in a joint venture in Haiti to help reconstruct a flour mill and animal feed facility destroyed by the devastating 2010 earthquake in that country. Les Moulins d'Haiti, which was rebuilt on its original location with modern equipment and designed for additional seismic loading, reopened in December 2011. With a new corn mill and two 600 metric tons-per-day wheat milling units, the project will increase the country's food production capacity, promote food security, and create a substantial number of local jobs with training and benefits. This and other OPIC products supporting agriculture and food security help advance the U.S. Government's Feed the Future Initiative.

**Ghana Ministry of Health Belstar
Ghana**

OPIC has provided \$240.3 million in political risk insurance to Florida-based Belstar Development to cover its investment in the Ghana National Medical Equipment Modernization Project, a partnership with the government of Ghana to supply modern medical equipment and technical training to up to 100 hospitals throughout the country. The project will result in the transfer of modern healthcare technology not readily accessible in Ghana to various hospitals throughout the country which serve both low and middle income segments of the population. The project will have a significant impact on Ghana's ability to meet its growing need for modern health care infrastructure.

**Applied Solar Technologies
India**

Building on other solar power projects OPIC has supported in India, one of many regions in the world where sunlight is a plentiful natural resource, \$150 million in new OPIC financing will expand the use of solar energy to power remotely located telecommunication towers, replacing the use of diesel generators and significantly reducing CO₂ emissions. Under sponsorship of a private U.S. investor and Bessemer Venture Partners Trust, Applied Solar Technologies (AST) will use the OPIC loan to provide tower operators with advanced solar-hybrid energy systems to help the country's fast-growing telecom sector provide service to remote regions that have little or no access to electricity. Two of AST's largest customers have already won prestigious awards for their efforts to reduce their carbon footprints and focus on more sustainable operations. It is worth mentioning that the International Finance Corporation and Capricorn Capital are investors in AST.

Renewable energy and clean technology

Development of renewable resources is not only an urgent global need but also a significant investment opportunity. Encouraging U.S. private sector investment in renewable resources and helping developing countries effectively transition to lower carbon economies are key areas of focus for OPIC.

During FY11, OPIC continued to expand its financing of renewable energy projects, clean technology projects, and other projects making more sustainable use of natural resources such as efficient irrigation, cold storage, transportation, water treatment, sustainable forestry, natural resource preservation, and forest rehabilitation. These environmentally-friendly and sustainable projects are expected to avoid the emission of 931,312 tons of CO₂ per year – about the yearly emissions from more than 165,000 passenger vehicles.

OPIC's intensive focus on renewable resources resulted in clean energy projects in nearly every emerging market – from Asia and sub-Saharan Africa to Latin America, Eastern Europe and the Middle East and North Africa.

Grupo T Solar Global Peru

Peru's first large-scale solar power project is in development thanks to U.S. solar technology and \$123 million in OPIC financing. SunFab solar panel technology developed by California-based Applied Materials, Inc., is supplying two 20-megawatt ground-mounted photovoltaic systems being constructed in the rural Arequipa region of southwestern Peru. This project won the 2011 Latin American Renewables Deal of the Year from *Project Finance*. According to the magazine, the deal is "...the best example of how [agencies such as OPIC] can stimulate activity in emerging market renewables."

North Star St. Kitts, Ltd. St. Kitts & Nevis

North Star St. Kitts, Ltd. received a commitment for financing of \$16 million for the construction and operation of 5.4 MW wind farm on the northeastern part of the island of St. Kitts. A consortium of Project sponsors including Texas-based Fairways Equities LLC, North Star Bellevue LLC and MAS Energy LLC each owned by US citizens, will use the OPIC loan to develop alternative sources of energy on the island.

This project is expected to have a significant developmental impact on the island for several reasons. First, the energy produced from the wind farm will reduce carbon emissions by displacing the requirements for the existing diesel generators operated by the St. Kitts Electricity Department. Second, the project will provide additional, more affordable electricity to the population of St. Kitts and reduce its dependence on imported fuel. Finally, the energy project will bring new technology and knowledge as it is the first wind energy project on the island.

Terra Global Insurance Cambodia

Deforestation is the second leading contributor of carbon emissions worldwide, after the burning of fossil fuels. One of the newer tools for combating deforestation is REDD, Reducing Emissions from Deforestation and Forest Degradation, which uses market incentives to promote sustainable forest management. In mid- 2011, OPIC provided its first-ever political risk insurance coverage for a REDD project that will protect 64,318 hectares of forest in Cambodia through the sale of offset credits in international carbon markets. Terra Global Capital, the U.S.-based land-use carbon development and investment company, is managing the carbon credit calculations and registration process and the sale of all carbon credits generated from the project. At least 50% of the net income from these sales will go to local community forest groups in northwestern Cambodia where forest cover is being lost faster than anywhere else in the nation. These community groups will benefit from the creation of jobs and development of alternative incomes streams from the REDD project.

Middle East and North Africa (MENA)

In FY11, OPIC committed seven new projects in the Middle East and North Africa (MENA) for a total value over \$45m as well as two Funds totaling \$55 million, and one debt facility subproject for almost \$500,000, for a total new financial commitment over \$100m. This continues OPIC's work in MENA, with financial commitments that will support investments in small business, key industries and infrastructure: projects that support the economic growth that helps foster political stability.

Northern Gulf Rentals

Iraq

Through a 10-year \$20.5 million direct loan, OPIC backed the formation of Northern Gulf Rentals - a lessor of heavy equipment for use in construction projects, with leases ranging from one day to over a year. The company provides a manufacturer-trained operator with its heavy machinery, which includes forklifts, excavators, backhoes, wheel loaders and other equipment. This project is an important development priority for OPIC for at least two reasons: First, the project makes available normally-scarce equipment to support reconstruction in the country. Second, the OPIC financing allows the company to offer leasing solutions to both international and local companies in need of construction equipment to get their businesses underway.

International for Energy Technology Industries

Jordan

The proceeds of OPIC's \$3 million investment guaranty will be used to finance the expansion of the International for Energy Technology Industries' (IETI) design services, installation services, and solar energy solutions for its clients in Algeria, Egypt, Jordan, Lebanon, Morocco, and Tunisia.

The Project will have a developmental impact on the host country, Jordan, and the regional market, for several reasons. The Project will accelerate IETI's expansion of services related to large scale solar water heating, large scale solar space heating, swimming pool heating, and solar cooling. This focus on renewable energy will reduce dependence on imported energy sources and support the 2007 National Energy Strategy which aims at achieving 10 percent of the Kingdom's energy needs with renewable sources. IETI will support the local economy by generating jobs, using some Project funds for local procurement, providing additional tax revenue, and introducing innovative management and distribution strategies. IETI will provide formal training and a range of other benefits to its workforce as well as employ more than 35 professional engineers.

Netbooks for Palestinian Territories – NETKETABi West Bank and Gaza

OPIC's 2011 NETKETABi project (Arabic for "my netbook") to help tens of thousands of Palestinian school children in the West Bank purchase netbook computers. The NETKETABi project sponsor is Global Catalyst Foundation, a California foundation that was instrumental in establishing Partners for Sustainable Development (PSD), a Palestinian nongovernmental organization. PSD will use a \$10 million OPIC loan to buy the netbooks and sell them to parents through a lending program facilitated by the local microfinance institution, Alrafah Microfinance Bank. NETKETABi is also providing training to students and teachers to access educational content. NETKETABi is strengthening local knowledge transfer by engaging with six Palestinian universities on training methods and development of local educational content development.

II. HOST COUNTRY DEVELOPMENT IMPACTS

Host Country Development Effects

OPIC-supported projects are expected to create 19,000 local jobs over the next five years

As the U.S. Government's development finance institution, OPIC's core mission is to promote private U.S. investment that will contribute to the economic development of emerging and developing economies. OPIC selects projects that are likely to serve as foundations for long-term economic growth and provide innovative products or services to emerging market countries.

Estimated Developmental Impacts of Fiscal Year 2011 Projects	
<i>Host Country Effects</i>	<i>Amount or Number (thousands of \$ or # of workers)</i>
A. Foreign exchange benefits ¹	
Exports generated	\$220 million
Imports replaced	\$137 million
<i>Total A</i>	<i>\$357 million</i>
B. Foreign exchange costs ¹	
Capital outflows	\$442 million
Project imports	\$161 million
<i>Total B</i>	<i>\$603 million</i>
Net foreign exchange impact (A less B) ¹	(\$246) million
Net annual taxes, revenues and duties paid to the host country ¹	\$180 million
Initial local expenditures	\$3.7 billion
Local employment generated in fifth year of operation	
Technical and management	3,878
Unskilled labor	<u>15,168</u>
<i>Total</i>	<i>19,046</i>
¹ Average annual amount over a 5-year forecast period.	

The projects supported by OPIC in FY11 will provide significant local economic and social benefits. The projects are expected to directly generate over 19,000 jobs in developing countries over the first five years of operation. About 20% of these jobs are projected to be in skilled - management and professional - positions.

The total initial expenditures in the host countries for FY11 projects are projected to be \$3.7 billion. This procurement of local raw materials as well as goods and services will further support economic activity and employment. OPIC-supported enterprises are expected to generate \$180 million annually in taxes and duties for the host countries. Once in operation, the projects will generate an estimated \$220 million in annual export earnings for the host countries. Approximately 87% of the output associated with FY11 projects will be sold in host country markets. Exhibit 2 shows a breakout of the final destination of output for FY11 investments over the first five years of operation for projects that will export to third countries.¹¹

¹¹ "Third countries" refers to countries that are neither the U.S. nor the country where the project is located.

OPIC systematically evaluates the developmental impacts of all projects

To measure the benefits of the projects that OPIC supports, OPIC uses two developmental assessment models: one designed to measure the impacts of a standard development project, and one designed to measure the impacts of providing support through a financial intermediary. In FY11, OPIC conducted an extensive review of this approach, including a review of similar matrices in use at other development finance institutions and similar efforts under way in the private sector. This review resulted in streamlining and updating of OPIC's development matrix that will be implemented over the coming year. For a detailed description of the methodologies currently employed for both the development matrix and the financial services development matrix, refer to Exhibits 5 and 6.

The following are examples of projects that were rated *highly developmental* in FY11.

Advans Cameroon – Cameroon.

This project involves OPIC political risk insurance (inconvertibility, political violence and expropriation) on a \$1.5 million loan made by the Access Africa Fund, a U.S. based investment firm managed by MicroVest Capital Management, LLC, to Advans Cameroon, a non-bank Microfinance institution (MFI) based in Cameroon. Advans will use the proceeds of the MicroVest loan to on-lend to local micro-entrepreneurs and SMEs, reaching an estimated 800 low-income entrepreneurs.

Kabul Grand Residences, LLC - Afghanistan.

Kabul Grand Residences LLC project received a \$27 million direct loan from OPIC for the construction and operation of a 150-unit apartment complex located adjacent to the Grand Hotel Kabul in Kabul, Afghanistan. Project sponsor Delaware-based Apus Apartments LLC will use the OPIC loan to provide 150 serviced apartments for Marriott staff and foreign diplomats, international aid workers, and U.S. government personnel in Afghanistan. Its location within the US Embassy compound and its proximity to foreign embassies and the airport will provide safe accommodations in a city where such accommodations are lacking.

Broad Cove Ecohomes Liberia. Broad Cove Ecohomes Liberia received a \$1.9 million loan to finance the first phase of a single-family housing construction project, located in Margibi County, a suburb of Monrovia. When fully developed, Ecovillage Schieffelin will consist of approximately 600 single-family homes, including recreational facilities and on-site employment and commercial opportunities. The mixed-income housing development will offer a range of house designs and sizes accessible to young families and first-time home buyers, as well as those trading up for larger accommodations.

HAITI 360

In FY11 OPIC committed \$6 million in financing to Haiti 360 for the construction and operation of ready-mix concrete production operations in Haiti. U.S. investors of Haitian-based Panexus Haiti and Texas-based Construction Materials Consulting Group formed a joint venture with 3 Recycling from Spain to create batching plants in two areas of Haiti that will produce high-quality concrete to reconstruct low and middle-income housing, hotels, industrial parks and commercial buildings as well as other civil works damaged in the devastating 2010 earthquake. The project will create over 100 local jobs over the first five years and donate a portion of its profits to a local orphanage.

III: ENVIRONMENTAL, HEALTH, SAFETY & SOCIAL IMPACTS

OrPower 4 Geothermal Kenya

OPIC is providing a \$310 million loan to OrPower 4 Geothermal for the addition of up to 52 MW to its existing 48 MW of geothermal power generation capacity on the southwestern slopes of Olkaria hill in Kenya and to repay existing debt. The project's geothermal resource covers an area of almost 12 km² and occurs partly beneath Hell's Gate National Park and adjacent lands. In order to co-exist compatibly with a national park, OrPower 4 has effectively minimized visual and environmental impacts by rapidly re-vegetating cleared areas with native leleshwa grass and acacia to minimize visual impact and erosion potential, employing air-cooled two-phase heat extraction technology so that the facility does not produce large steam plumes common at other geothermal facilities, covering the steam pipelines in green cladding to enable the pipelines to better blend in with the surrounding vegetation, allowing the right-of-ways for the steam pipes and transmission lines to re-vegetate and routing the transmission line along the exterior perimeter of the park rather than along a shorter, interior route. The Project is expected to result in positive environmental and social benefits including a reduction in Kenya's reliance on expensive and polluting fossil fuels and rainfall dependent hydro projects for power production and continuing support for education and health in neighboring Maasai communities, the closest community located several kilometers away from the project site.

This section reports information related to environmental, health, safety, and social screening and assessment, annual greenhouse gas reporting, as well as introduces and summarizes other initiatives related to environment and social policy undertaken by OPIC during the previous fiscal year.

Fiscal Year 2011 New Initiatives

During FY11, OPIC drafted a policy implementation procedures manual, which describes OPIC's screening and categorization procedures used to identify social and environmental risks associated with a project. The manual is designed to complement OPIC's Environmental and Social Policy Statement. The procedures described in this manual generally reflect existing practice at OPIC as it has evolved since the enactment in 1985 of statutory environmental provisions applicable to OPIC, and most recently, OPIC's formal adoption of the International Finance Corporation's Performance Standards and Guidelines.

Project Screening and Assessment

OPIC screens all applications to identify the risk of potential adverse environmental and social impacts of a project and to identify project impacts that could preclude OPIC support on categorical grounds. If a project is determined to be categorically ineligible,¹² OPIC immediately informs the applicant so as to avoid unnecessary effort or expense. If the project is categorically eligible, OPIC classifies the project to determine the requirements for documentation, disclosure, consultation, reporting and post-commitment monitoring. Projects may be categorized as A, B or C depending on potential risks and impacts of a particular project. Category A represents the greatest potential for adverse environmental and/or social impacts.

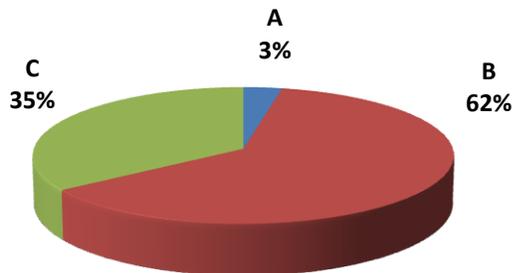
OPIC uses a rigorous methodology for assessing and calculating potential environmental and social impacts

OPIC uses environmental and social assessment to evaluate the potential environmental and social impacts of an applicant's project and to identify means to improve the project by preventing, minimizing, remediating or compensating for potential adverse impacts as a condition of OPIC support. The process includes the following:

¹² Certain types of projects have potential adverse environmental or social impacts that preclude the project from receiving OPIC support. These *categorically prohibited projects* are listed in Appendix B of the OPIC Environmental and Social Policy Statement.

- Identification of potential adverse environmental and social impacts;
- Disclosure of the project's environmental and social impact assessment (ESIAs) for public review and comment (if the project has been screened as Category A);
- Comparison of the project's performance in relation to internationally-accepted standards and alternative approaches;
- Evaluation or design of mitigation measures; and
- Evaluation or design of associated management and monitoring measures.

Figure 5
Environmental Category of FY11



Three of the 92 projects that OPIC provided a commitment to in FY11 were screened as Category A, or projects with the potential to have significant adverse environmental and/or social impacts that are sensitive, diverse or unprecedented in the absence of adequate mitigation measures. The first Category A project is an oil and gas operation in Colombia, the second construction and operation of a hydroelectric facility in Georgia, and the third Category A project the development of a rubber wood harvesting and wood chip supply business in Liberia. The three projects required the preparation of full ESIs, which were subsequently disclosed to the public for comment.

to have environmental and/or social impacts that are few in number, generally site-specific, largely reversible and readily addressed through effective management systems.

Thirty-two FY11 projects were screened as Category C projects. Category C projects are likely to have minimal adverse environmental and/or social impacts.

Strengthening OPIC Investments

In addition to screening and assessment, OPIC also provides advice and assistance to projects in areas such as improving environmental and social management systems, identifying mitigation measures, strengthening stakeholder engagement activities, and implementing technical tools for impact assessment. (See sidebar for an example of this work in FY11.)

The Environment Group conducts pre-approval site visits for Category A projects and potential projects with possible environmental and social sensitivities

As part of OPIC's environmental and social assessment process, OPIC environmental officers conduct on-site due diligence prior to commitment of OPIC support to any project screened as Category A. In addition, environmental officers periodically visit projects at the screening stage to determine categorical eligibility and to assist with the categorization process.

Fifty-seven of the 92 OPIC-supported projects were screened as Category B. Category B projects are likely

Making a difference

A solar power generation project in India was having difficulty meeting OPIC's environmental and social standards during the project's construction due to the company's quick growth and the lack in general of infrastructure in the country. OPIC visited the project construction site and provided guidance and recommendations with respect to the project's overall social and environmental management system. Recognizing the challenges, the company hired a dedicated environmental, social, health and safety coordinator, and an outside consultant to assist with developing a comprehensive social and environmental management system. As a result of these actions by the company, the project's ability to comply with international standards improved greatly and the company now has established a long-term social and environmental management system which can be applied to all of its projects worldwide.

In FY11, OPIC conducted pre-approval site visits to seven projects in eight countries including:

- A hydroelectric project in Georgia
- A geothermal project in Kenya
- A fertilizer project in Nigeria
- A thermal power plant project in Jamaica
- A wind power project in Uruguay
- A wind power project in Jordan
- A solar power facility project in Thailand and India

OPIC publishes information on all Category A projects for public comment

In FY11, consistent with OPIC policy, two potential Category A projects under consideration for OPIC support were disclosed on OPIC's website for 60 days prior to action by the OPIC Board and announced via email to OPIC stakeholders, giving interested persons and organizations the opportunity to review the ESIA's, and to comment on the projects' potential environmental and social impacts. Full text versions of ESIA's were available for download directly from the OPIC website. As mentioned above, three Category A projects received OPIC commitments in FY11. Two of the three were reviewed, disclosed and committed to in FY11; the third was reviewed and disclosed in FY10 and then committed to in FY11.

No public comments were received in response to the ESIA's posted for the two projects in FY11.

Transactions rejected on environmental and/or social grounds

OPIC did not reject any applications for finance or insurance in FY11 on the basis of categorical prohibitions.¹³

Mitigating Climate Change

On June 14, 2007, OPIC announced its Greenhouse Gas/Clean Energy Initiative to systematically evaluate, monitor, and report on OPIC's investment decisions and to demonstrate to stakeholders OPIC's progress in reducing the climate change impacts of its project portfolio.

OPIC is reducing direct GHG emissions. Since 2008, emissions have been cut by 34%.

As part of OPIC's Greenhouse Gas/Clean Energy Initiative, OPIC committed to: (a) reduce the direct GHG emissions associated with projects in OPIC's active portfolio as of June 30, 2008 (i) by 30% over a ten-year period; and (ii) by 50% over a 15-year period [as required under Section 7079(b) of Public Law 111-117 (FY10 Omnibus)]; and (b) increase investment support to renewable and energy efficiency projects.

For the purpose of tracking progress in achieving its GHG reduction goals, in 2008 OPIC procured the services of an outside environmental auditor, Pace Global Energy Services LLC (Pace), to develop a baseline GHG inventory of existing OPIC supported projects. The organizational boundary for the inventory was defined as 100% of on-site emissions from the calendar year 2007 for all projects within OPIC's active portfolio as of June 30, 2008 (baseline emissions). This organizational boundary is consistent with the voluntary Scope 3¹⁴ emissions reporting methodology that OPIC adopted in 2004.

¹³ Certain types of projects have potential adverse environmental or social impacts that preclude the project from receiving OPIC support. These *categorically prohibited projects* are listed in Appendix B of the OPIC Environmental and Social Policy Statement.

¹⁴ Under the World Resource Institute's Greenhouse Gas Protocol, corporations choose to report emissions based on either an equity share or a financial or operational control basis. In other words, a corporation chooses to report either a share of a facility's emissions consistent with its equity ownership or it chooses to report all emissions from a facility (regardless of share ownership) based on its having operational or financial control of the facility. The corporation then assesses two types of emissions (Scope 1

Accounting for 100% of project emissions is more conservative than the equity or operational control approach that assumes partial ownership of a project's greenhouse gas emissions. OPIC's accounting measures direct emissions because these emissions are verifiable and directly attributable to the project activity that is benefiting from OPIC's support.

OPIC estimates greenhouse gas emissions from all projects that have significant direct emissions. Whereas previously OPIC reported emissions for projects emitting greater than 100,000 short tons carbon dioxide equivalents (CO_{2eq}) per year, as part of OPIC's revised Environmental and Social Policy Statement, OPIC now reports estimates for projects emitting greater than 25,000 tons CO_{2eq} per year. The 25,000 tons CO_{2eq} threshold was selected to match the U.S. Environmental Protection Agency's threshold criteria for significant GHG emissions.¹⁵

Baseline emissions, which were calculated for calendar year 2007 for projects active as of June 30, 2008, were estimated to be 51,874,868 tons of CO_{2eq}.¹⁶ Based on the independent audit findings, the estimated calendar year 2010 inventory of GHG emissions from all projects with significant emissions that were active as of September 30, 2011¹⁷ was 32,981,461 tons of CO_{2eq}. The total is based on Pace's calculations unless the investor-provided data indicative of actual operating conditions. Four percent was then added to the total to account for GHG emissions from active projects in OPIC's portfolio that have less than 25,000 tons of CO_{2eq}; thus, the total inventory of GHG emissions for calendar year 2010 for projects active as of September 30, 2011 was 34,543,568 tons of CO_{2eq}. This represents a 34% reduction in portfolio emissions from the baseline.

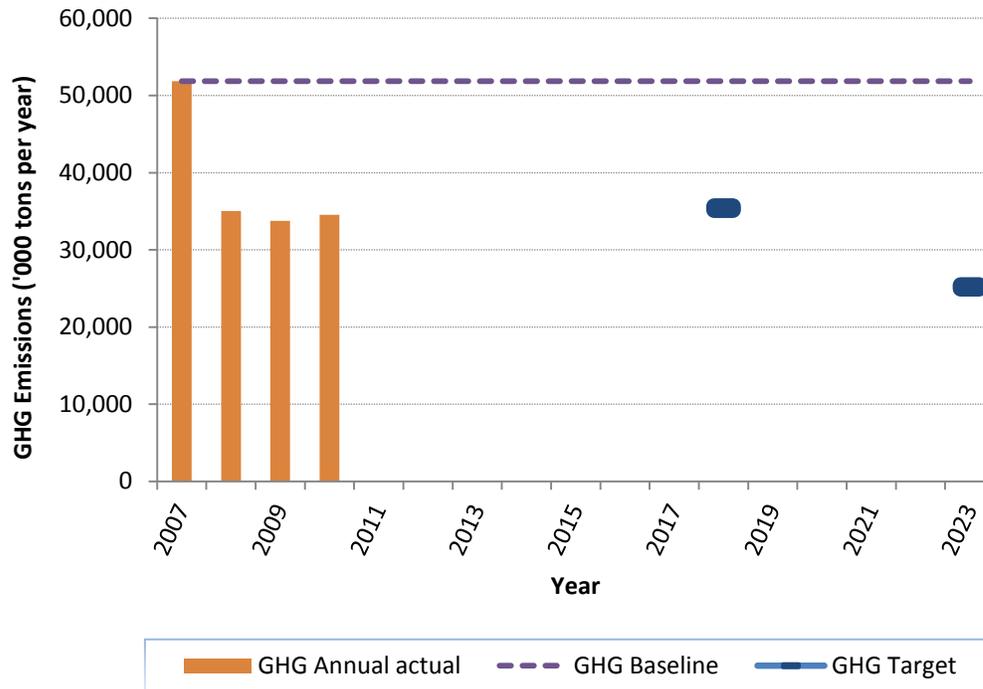
and Scope 2) and may assess a third type of emissions (Scope 3). Scope 1 emissions are direct emissions; Scope 2 emissions are indirect emissions associated with purchased electricity; and Scope 3 emissions are other indirect emissions, which can involve any indirect emissions associated with the lifecycle of products or services associated with the company's activities (other than those associated with purchased electricity, i.e., Scope 2 emissions). Reporting of Scope 1 and Scope 2 emissions is mandatory while reporting of Scope 3 emissions is voluntary.

¹⁵ The U.S. Environmental Protection Agency's threshold criterion for significant GHG emissions is 25,000 metric tons. To maintain consistency with units, OPIC uses 25,000 short tons, which is conservative since 25,000 metric tons converted to short tons equals approximately 27,500 short tons.

¹⁶ OPIC revised baseline emissions based on new information reported by one of OPIC's project sponsors which had previously reported emissions based on their equity share (50%) rather than accounting for emissions for the entire project. Because OPIC accounts for 100% of emissions from projects regardless of equity share, the 2007 and 2008 estimates were revised to reflect 100% of emissions.

¹⁷ OPIC aligns GHG accounting with the fiscal year by estimating emissions for those projects active as of September 30, 2011.

Figure 6
OPIC's Portfolio GHG Emissions Profile



For a more complete explanation of OPIC's GHG policy and current inventory please refer to Exhibit 7.

Fiscal Year 2011 Reporting

As illustrated in the table below, OPIC reports no direct (Scope 1) emissions associated with its activities because OPIC has no direct CO₂ emissions. OPIC reports indirect (Scope 2) emissions totaling 1,271 short tons of CO_{2eq} associated with its purchase of electricity. The Scope 3 emissions that OPIC reports for FY2011 are those direct GHG emissions associated with projects that have emissions that exceed 25,000 tons of CO_{2eq} per year, were operational in calendar year 2010, and were in OPIC's active portfolio as of September 30, 2011.

OPIC Fiscal Year 2011 CO₂ Emissions (in short tons)

	SCOPE 1 EMISSIONS	SCOPE 2 EMISSIONS	SCOPE 3 EMISSIONS
OPIC	0	1,271	34,543,568

On a transactional basis, OPIC considers reduction and control alternatives for all projects, including opportunities to enhance energy and operational efficiency; protect and enhance sinks and reservoirs of greenhouse gases, such as natural forests; and the application of emerging technologies for capture, storage, and recovery of greenhouse gases.

IV. LABOR AND HUMAN RIGHTS

In FY11, OPIC continued its implementation of the 2010 Environmental and Social Policy Statement, which articulates OPIC's robust labor and human rights policies on project screening and categorization, reviews, conditions and compliance, and country eligibility. As a result of OPIC's due diligence, in 2011 two projects were classified as "Special Consideration", a new designation that OPIC applies to projects that may pose high risks to workers due to the heightened potential for labor rights violations. The Special Consideration designation imposes specific requirements on post-commitment monitoring that are designed to ensure that such projects operate to the appropriate standards throughout the life of the OPIC support.

Project Screening and Assessment

OPIC screens all project applications to identify labor-related risks and to identify project activities that could preclude OPIC support on categorical grounds. If a project is categorically eligible, the project undergoes a full labor review. In FY11, no projects were determined to be categorically prohibited on labor-related grounds.¹⁸ As noted above, OPIC's extensive project screening and assessment resulted in the designation of two projects as Special Consideration: 1) Union Bank (the recapitalization and restructuring of a major Nigerian commercial bank) and; 2) Applied Solar Technologies (provision of hybrid solar power management solutions to telecom tower operators in India).

OPIC's due diligence on Union Bank Nigeria ("UBN") focused on issues related to an anticipated significant retrenchment of a relatively large workforce, in addition to the identification of industrial actions taken by UBN union workers. UBN's new management team is currently working to transform UBN through restructuring and modernization, including the implementation of good corporate governance practices. As a result of the OPIC support, UBN's new management team is implementing best management practices to ensure that the modernization of UBN is performed in a manner that is consistent with international labor standards (see box).

OPIC's due diligence on Applied Solar Technology, India (AST) focused on the project's higher risk employment structures for a significant workforce spread out across a diverse geographic area, and AST's management inexperience with such a workforce. AST is taking appropriate measures to strengthen its ability to effectively manage the application of OPIC's labor requirements, including the employment of a specialist in the IFC Performance Standards.

OPIC uses a rigorous methodology to assess potential labor-related risks

The labor assessment is the process used by OPIC to evaluate the potential risks to workers at the applicant's project and to identify the means to improve the project by preventing and minimizing such risks as a condition of OPIC support. The process includes the following:

UNION BANK NIGERIA

OPIC approved \$250 million in financing to two U.S. sponsors, and their consortium partners to introduce new financial products that will enable Union Bank of Nigeria (UBN) to reach unbanked segments of the population. The loan will help Union Bank of Nigeria to optimize efficiency for serving its million depositors and hundreds of businesses – therefore increasing the bank's profitability and fueling economic growth in Nigeria. The project will also encourage the adoption of best international practices of corporate governance; increased transparency; strengthened credit and risk management procedures; international labor standards; and improved customer service, through the participation of an experienced investment team

¹⁸ Certain types of projects have potential adverse environmental or social impacts that preclude the project from receiving OPIC support. These *categorically prohibited projects* are listed in Appendix B of the OPIC Environmental and Social Policy Statement.

- Identification of potential risks to workers, including the project's potential to infringe upon internationally recognized worker rights;
- Comparison of the project's expected performance in relation to internationally-accepted standards and practices;
- Evaluation or design of project requirements necessary to enable OPIC support;
- Evaluation or design of associated management and monitoring measures.

All 92 of the FY11 OPIC projects were subjected to a full review of worker rights, and OPIC support was conditioned upon contractual adherence to OPIC's worker rights requirements. Supplemental contract conditions addressing one or more of these rights were included in an overwhelming majority of the project contracts and agreements.

OPIC tracks countries' eligibility as part of its worker rights statutory obligations

OPIC's Environmental and Social Policy Statement clearly outlines OPIC's policies on country eligibility based on labor-related statutory obligations. For consistency of worker rights determinations across the U.S. Government, OPIC accepts the determinations made by the President for the purpose of the Generalized System of Preferences (GSP) program, a trade benefits program overseen by the Office of the U.S. Trade Representative (USTR).

OPIC tracks USTR's petition-and-review process for country eligibility on worker rights grounds, including their Trade Policy Staff Committee's (TPSC) determinations as a result of formally-accepted reviews. For countries that are ineligible for the GSP program on grounds other than worker rights, OPIC utilizes a similar petition-and-review process for country eligibility on worker rights grounds. During FY11, no ineligible countries regained their GSP benefits on worker rights grounds, and hence their eligibility for OPIC programs. Similarly, no countries became ineligible for GSP benefits or OPIC programs on worker rights grounds.

For its FY11 GSP Annual Review, USTR continues to formally review the GSP eligibility of the following countries on worker rights grounds: Bangladesh, Niger, Uzbekistan, the Philippines, and Sri Lanka, and added Georgia. OPIC will adjust country eligibility status on the basis of the TPSC's final determination in these countries.

Human Rights

Respect for human rights is essential to the success of OPIC-supported projects, and OPIC recognizes the importance of human rights in its programs and project evaluation process. The OPIC project review process is designed to ensure that OPIC-supported projects meet their statutory requirements, as required by the Foreign Assistance Act. For all potential projects, OPIC works in close consultation with the U.S. Department of State's Bureau for Democracy, Human Rights and Labor (DRL), prior to making a final commitment.

In FY11, OPIC collaborated with DRL on the human rights consultation process by utilizing a mutually-agreed upon monthly and quarterly system of updates to ensure consistency between OPIC and DRL regarding relevant human rights matters in OPIC eligible countries. Every project considered for OPIC financing, insurance, or for investment by an OPIC-supported investment fund in FY11 was subjected to the human rights consultative review process. OPIC did not decline support for any projects in FY11 as a result of the consultative human rights review process.

V. MONITORING OF ACTIVE PROJECTS

This section provides an overview of OPIC's policy monitoring program and outlines Fiscal Year 2011's monitoring activities. The section is divided in three parts: compliance, site monitoring, and self-monitoring.

Overview

OPIC considers project monitoring a vital part of the project oversight process, and employs two types of project monitoring: self-monitoring and site monitoring.

All OPIC-supported projects are required to complete OPIC's Self-Monitoring Questionnaire (SMQ) annually. The SMQ gathers annual operational information¹⁹ on active projects, including such critical data points as the number of employees and U.S. and local procurement. OPIC also uses the SMQ to gather data that enable the agency to track the development performance of the investments over time. A new, more user-friendly web-based questionnaire will be launched in 2012. The new questionnaire will be easier for investors to complete and will therefore provide OPIC with higher-quality data.

Site monitoring helps ensure the integrity of information gathered through self-monitoring. Site monitoring involves field visits to OPIC-supported projects to ensure compliance with relevant covenants in OPIC agreements. The projects that are site-monitored are a combination of: 1) projects randomly selected from OPIC's active portfolio; and 2) projects designated as sensitive for at least one of OPIC's statutory disciplines (U.S. economic impact, host country developmental impact, labor, environment, and social impact).

The value of site monitoring extends beyond ensuring compliance and understanding why a project succeeded or struggled. The process of gathering, analyzing, and verifying information about projects helps OPIC continually improve its investment strategy, which means better outcomes for U.S. investors and host country development.

In late 2007, OPIC initiated an integrated site monitoring approach, using one policy monitoring visit to comprehensively assess projects' compliance with each of the statutory disciplines as well as its actual developmental impacts. Fiscal Year 2011 was the fourth complete fiscal year of integrated site monitoring, and it has been a more efficient and effective use of staff and budget resources.

In FY11, approximately 363 projects were self-monitored and 38 projects were site-monitored.

Compliance with OPIC Conditions and Covenants

Each discipline within the Office of Investment Policy monitors projects to ensure compliance with OPIC conditions and covenants. The results of the site monitoring this year are:

- **U.S. economic effects and host country development:** U.S. economic and host country developmental impact site monitoring found that no projects were out of compliance with OPIC conditions and covenants related to U.S. economic effects.
- **Environment and social impact:** In FY11 environmental and social impact monitoring focused on those projects with the potential for greatest environmental and social risk. In FY11, 80% of the site visits involved Category A and B projects. During site monitoring, approximately 70% of

¹⁹ The SMQ monitors data used to support OPIC's investment policy requirements. The financial performance of loans and guaranties is monitored separately within OPIC.

projects were found to be fully in compliance with all OPIC covenants and conditions pertaining to environmental and social considerations.

- Of the 30% of site-monitored projects that were not fully in compliance with OPIC covenants related to environmental and social impact issues:
 - 5% of the projects were facing financial difficulty at the time of the visit and are currently in default;
 - 10% of the projects had deficiencies with respect to wastewater treatment and monitoring. In these cases OPIC's environmental and social impact group informed the project investor of the deficiency and required implementation of corrective actions; and
 - 15% of the projects are complex Category A projects that OPIC continuously monitors and works with to ensure implementation of their environmental and social management plans in order to bring them into full compliance.

- **Labor and human rights:** In FY11, the site-monitored projects generally demonstrated a strong commitment to the OPIC worker rights requirements, and often extended their commitments to support workers and their local communities above and beyond OPIC requirements. One project that was audited by a third party found labor-related deficiencies that were readily rectifiable, including the need for improvements to time management and wage-tracking systems to avoid unwarranted overtime work and to ensure the timely and appropriate payment of wages. The project sponsor demonstrated strong cooperation and support for remediation efforts. The third-party auditor oversaw the successful remediation process and continues to monitor the project through its construction phase.

- **Self-reporting of Policy Compliance:** OPIC also requires self-reporting by clients (see Self-Monitoring section below). In FY11, 98% of OPIC clients reported that they were in compliance with conditions in the OPIC contract or consent related to environment, health and workers' safety. Two projects reported compliance problems. In one case, the project was also site-monitored, and corrective actions were identified, and a clear timeline for implementation was agreed upon with the client. In the other case, one division of a company reported it was not in compliance with local occupational health and safety legislation and a follow-up plan was put also in place. Five projects indicated they were not in compliance with an environmental, health, and safety reporting requirement. OPIC followed up and found they were in fact in compliance because, as environmental category C projects, they did not have any specific reporting requirements in this area.

The following sections provide additional detail on the results of OPIC's FY11 monitoring.

Site Monitoring

In FY11, OPIC site-monitored 38 projects in various sectors around the globe. The figures in this section provide a breakdown of the sectors, products, and locations of the projects site-monitored in FY11.

Reflecting the shift in the OPIC portfolio over the past few years toward investments in financial services and through financial intermediaries, OPIC continued to monitor a significant number of projects in this broad sector. For financial services projects, OPIC analyzed both the impact of OPIC support on the financial intermediary and the impact of the OPIC-supported financial intermediary activities on downstream borrowers.

Figure 7
FY11 Site Monitoring by Sector

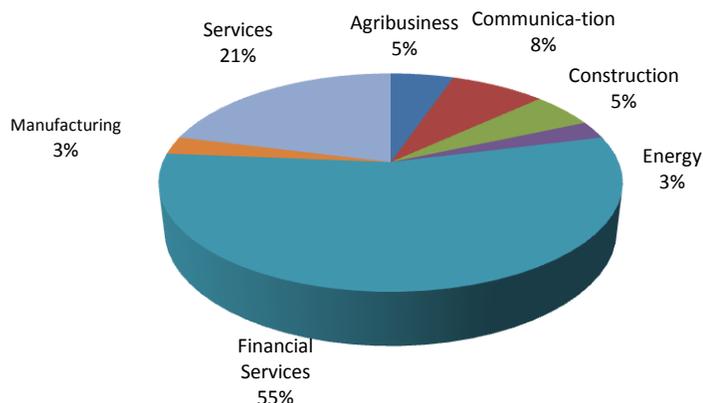
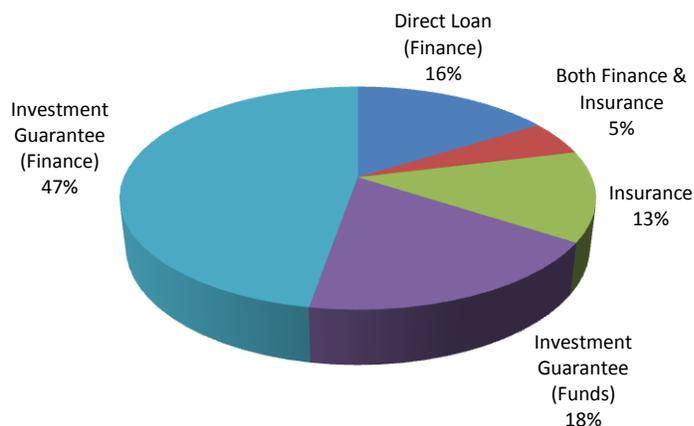


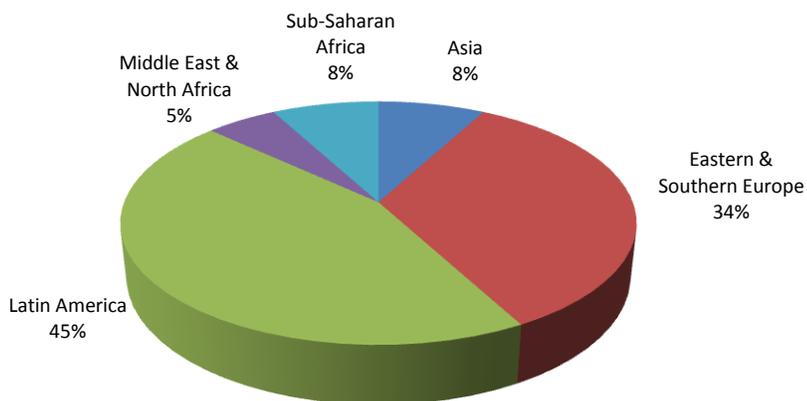
Figure 8
FY11 Site Monitoring by OPIC Product



Since most financial services projects are supported via OPIC investment guarantees, the share of financial services projects in the portfolio is also reflected in the breakdown, by OPIC product, of projects monitored in FY11.

Geographically, the majority of projects monitored in FY11 were in Latin America and Eastern & Southern Europe. This distribution reflects the regional distribution of the more mature projects in OPIC's portfolio.

Figure 9
FY11 Site Monitoring by Region



Fiscal Year 2011 Monitoring Observations

The following is a sampling of findings from the Office of Investment Policy's monitoring visits. These examples show some of the ways in which OPIC-supported projects have had substantial developmental impact. For more detail on OPIC's site monitoring methodology, see Exhibit 8.

Sub-Saharan Africa Emerging Capital Partners: Cellcom Telecommunications Inc. (Liberia)

Cellcom covers two countries in West Africa: Liberia and Guinea, offering mobile telecommunications services including individual subscriber identity module (SIM) cards for local calls and retrieval of messages for residential, business, and government users.

The project has had significant developmental impact in both Liberia and Guinea. First, Cellcom has generated almost 800 new local jobs, which is very important for both markets: Liberia, as it recovers from two civil wars that displaced hundreds of thousands of people and brought a steep decline in living standards; and Guinea where private sector development has struggled due to recurring socio-political instability. Second, the project has increased mobile phone technology coverage to previously unconnected rural areas by increasing the number of base stations throughout the country. Third, improvements in the telecommunications infrastructure significantly contributed to lower prices for telecom services. For instance, the price of a SIM card was \$65 before the launching of Cellcom and dropped to \$1 after it was introduced to the market. Likewise, the cost of an international call dropped from \$1 per minute to \$0.25 per minute.

Latin America Blue Orchard- Microfinance Security I, LLC (Banco FIE Investment, SA)-Global (Bolivia)

OPIC-supported microfinance fund Blue Orchard Microfinance Securities provided Banco FIE - a leading microfinance institution in Bolivia - with a loan in 2004 and a follow-on loan in 2005. Established in 1985 by five women, Banco FIE began operations as a non-governmental organization that provided capital and services to unemployed and low-income individuals throughout Bolivia. Banco FIE became a regulated bank in May 2010.

This project is generating a positive developmental impact in Bolivia, especially among low-income urban and semi-urban populations, where approximately 74 percent of Banco FIE's client base reside. As of December 2011, Banco FIE had 2,370 employees attending over 175 thousand borrowers and 565 thousand depositors.

Banco FIE has taken measureable steps to be a regional and global leader in MFI transparency. In 2009, Banco FIE received a Certificate of Transparency from the Microfinance Information Exchange and a five diamond award from *Asociacion de Entidades Financieras Especializadas en Micro Finanzas* (ASOFIN), a microfinance institutions' association which represents the regulated microfinance sector in Bolivia, for improving transparency, quality, and reliability of microfinance information. In October 2010, the IDB acknowledged Banco FIE as having the best social performance practices of any MFI in Bolivia and the greater Latin America and Caribbean region, in recognition of its business outreach, human resources policy, client services, and community contributions. In October 2011, the IDB acknowledged Banco FIE again, this time naming it the best microfinance institution in Latin America.

**Eastern and Southern Europe
Citibank Housing, TBC Bank (Georgia)**

OPIC monitored TBC Bank (TBC) in July 2011. The project, committed in late 2008, was a critical part of OPIC's response to a severe shortage of credit to the real sector as a result of Georgia's conflict with Russia. Georgia's banking system was under severe strain, and the economy suffered almost four percent real GDP contraction in 2009. Under the OPIC-supported Citi Housing framework agreement, Citi's loan to TBC enabled TBC to underwrite medium and long-term mortgages to urban Georgians: roughly two-thirds of TBC's mortgage portfolio has a maturity of six to ten years; over 20 percent of TBC's mortgage loans have maturity periods of 11 to 20 years. In addition to the support for mortgage lending, TBC used OPIC's funding to bolster support for small and medium enterprise (SME) and consumer lending activities as well. TBC's SME support is spread across a variety of industry sectors from consumer services and products to real estate, food and drink, and construction. TBC is also an active member of its community, providing care to internally displaced persons, disabled children, and people who suffer from multiple sclerosis, by financing the construction of schools, supporting scholarship programs, and providing free meals for the elderly.

During the monitoring visit, TBC's CEO referred to OPIC and Citi's support during the financial crisis as critical. TBC highlighted in particular the efficient decision making that made the financing available quickly and provided a vital signal of comfort to investors.

In 2011, TBC Bank was named "Best Bank in Georgia" by Euromoney for their "outstanding operation, quality service, innovation, and momentum." That same year, The Banker magazine named TBC Bank "Bank of the Year" for its innovation and economic efficiency.

Kelley Grains Corporation – Moldova

In 2006, OPIC provided an investment guaranty to finance the construction of the first grain loading port terminal in Moldova and the construction of an oil seed crushing facility, Kelley Grains.

The developmental impact of the Trans Cargo Terminal has been enormous, as it provides Moldovan farmers direct access to international commercial seaways. Prior to the construction of the grain terminal, farmers had to transport their goods through Ukraine, which was extremely costly. The new terminal building, able to store up to 50,000 tons of cereals and facilitate the loading of ships with the capacity of 300 mt per hour, has enabled the Trans Cargo Terminal to be one of the largest and most modern grain export facilities on the Danube River. The annual turnover of the terminal is approximately 250,000 tons of grain.

The Trans Oil Refinery oil crushing facility located in Ceadâr-Lunga is a state-of-the-art facility that processes sunflower seeds, soybeans, and rapeseed oil for export to neighboring countries. The daily capacity of the plant is 450 tons. The project has helped the Moldovan agriculture sector diversify into value-added processing, which generates foreign exchange earnings for the country and creates opportunities for growth for local farmers. The project has provided over 70 jobs – critical employment in a poor, rural area of Moldova.

The facility operates in accordance with internationally recognized best practices and complies with the World Bank Group's applicable Environmental, Health, and Safety Guidelines.

ACD Research – Samara Region – Russia

The Samara Oncology Center is a highly successful project in the Russian healthcare sector. The investor, ACD Research, Inc., a New York-based healthcare solutions provider, purchased OPIC political risk insurance coverage for its sale of medical equipment, installation and technical training services, and provision of long-term local-currency supplier financing to equip a state-of-the-art oncology center in Samara, a formerly closed city on the Volga river in the southeastern part of European Russia. The insurance covered breach of contract (non-payment of an arbitral award) and inconvertibility of currency due as contract payments under the contract between ACD Research, Inc. and the Samara Region. The project brought cutting edge medical equipment to the Middle Volga

region, making it a cancer treatment model for the country, with patients coming from all over Russia for treatment. Other Russian regions have expressed interest in building similar centers to help address medical service shortages throughout the country.

Asia

Asia Foundation

OPIC provides political risk insurance to The Asia Foundation, a private, non-profit, non-governmental organization that works to build leadership, improve policies, and strengthen institutions to improve transparency and economic growth in the Asia-Pacific region. OPIC is insuring the Asia Foundation in 12 countries throughout Asia to support initiatives to improve governance and law, economic development, women's empowerment, the environment, and regional cooperation. Drawing on nearly 60 years of experience in Asia, the Foundation collaborates with private and public partners to support leadership and institutional development, exchanges, and policy research. In 2011, OPIC observed the Asia Foundation's work in Korea, where they engage NGOs, academics and civil society on topics related to human trafficking and women's cooperation for peace-building on the Korean peninsula. More generally, OPIC's support of The Asia Foundation in difficult work environments like Pakistan, Afghanistan, East Timor, and Bangladesh ensures that this critical work can continue in the region.

Middle East and North Africa

Balnak Logistics Group, Turkey

Given its position between Europe and Asia, Turkey offers a strategic location for logistics and transportation. In January, 2011, OPIC monitored an investment in the Balnak Logistics Group. Balnak offers warehousing services in Turkey and logistical services throughout Europe. The OPIC-supported investment by the Great Circle Fund enabled the company to expand into a full-service provider in Turkey, increasing their footprint from 400 to 1,800 employees. Today the company offers start-to-finish transportation services including pick-up, customs clearance, warehousing, and final delivery.

Self-Monitoring

Since 1993, OPIC has required all active OPIC-supported investments to complete and submit a Self-Monitoring Questionnaire (SMQ). The integrated SMQ incorporates data and information relevant to each of the policy areas that OPIC monitors, including developmental impact, US effects, labor and human rights, and environment and social impact, enabling OPIC to more effectively exercise oversight of a broad portfolio. The SMQ is divided into Section A, for project finance and / or insurance projects, and Section B, for projects involving financial intermediaries such as general lending banks, specialized lending institutions, mortgage facilities, microfinance institutions, and other capital market transactions.

In FY11, OPIC conducted an in-depth review of the data collected through the SMQ both to take a closer look at the development outcomes of OPIC-supported projects and also to test the quality of this self-reported data. One of the findings was that some questions were difficult to understand and as a result, drew inconsistent responses. As a result of this analysis, the SMQ is being revised in order to make it more client-friendly and improve the quality of the data provided. The revised form will simplify language wherever possible and include clearer definitions of terms.

The analysis in this section is based on data obtained from approximately 363 SMQs, 228 of which are Section A respondents and 135 of which are Section B respondents (see above).

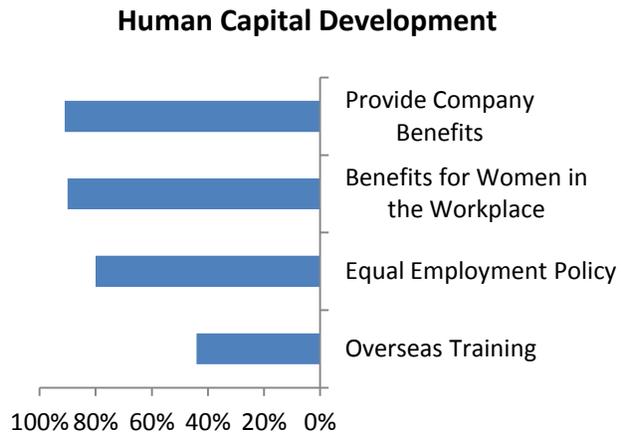
Human Capital Development

OPIC supported 90,000 jobs in the host economies

Employment generation is one of the key measurements OPIC uses to evaluate the developmental impact of projects it supports. In FY11, SMQ data indicated that OPIC-supported projects employed approximately 90,000 people in their host countries, or an average of about 250 local employees per self-monitored project.

OPIC-supported projects also help to increase the overall skill level of the workforce through training and development. In FY11, SMQ respondents reported that approximately 4,790 local employees received formal training, and around 44% of those employees received training abroad.

Ninety-one percent of OPIC-projects offered company and employee benefits



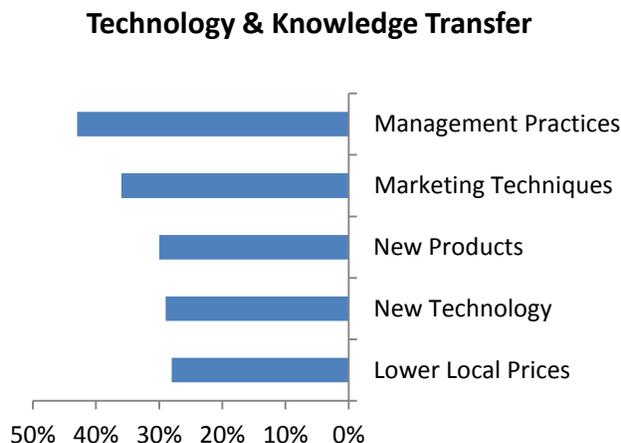
Company and employee benefits are another indication of a maturing employment market. In FY11, 91% of the SMQ respondents offered employees various company benefits such as transportation or meal subsidies, pension plans, or medical coverage.

About 90% of OPIC-supported projects had special policies and benefits in place specifically to benefit women in the workplace—such as child care, maternity leave, and policies against sexual harassment. And approximately 80% of SMQ respondents had an equal employment policy.

Technology and Knowledge Transfer

Forty-three percent of OPIC-supported projects introduced innovative management techniques

Technology and knowledge transfer includes the dissemination of innovative management practices, marketing and distribution expertise, and the adoption of new production technologies. These transfers frequently have a substantial effect on the host country by improving worker productivity, and they can lead to the development and introduction of new products and services. Moreover, additional impacts may be created through adoption of new technologies and ideas by other firms in the country as a result of the implementation of these ideas by investors in OPIC-supported projects.



The adoption of new production practices assists OPIC-supported enterprises in gaining a competitive edge in the global market, improves the domestic technology base, and can result in increased operating efficiencies. This increased productivity can also lower local prices.

In FY11, 43% of SMQ respondents introduced innovative management techniques in the host country and 36% introduced novel marketing methods. Furthermore, almost 30% of projects introduced new products, while 29% of OPIC-supported projects sought to introduce new technologies in the host country.

In FY11, 28% of OPIC-supported projects reported that they were able to offer lower prices in the local market by introducing more efficient

production and management processes.

Economic Diversification

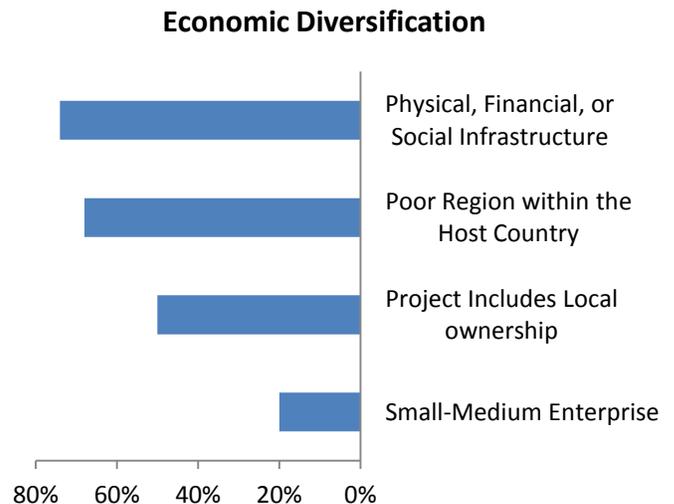
Seventy-four percent of OPIC-supported projects improved access to infrastructure and 68% of OPIC-supported projects helped the underserved

OPIC encourages private sector investment in order to promote entrepreneurial growth and sustainable development around the world. OPIC also encourages economic diversification, which decreases the local economy's dependence on international market swings and domestic business cycles, and helps promote overall macroeconomic stability.

Approximately 74% of OPIC-supported projects strengthened the physical, financial, or social infrastructure, making infrastructure more accessible and affordable to all segments of the population.

In FY11, approximately 50% of OPIC-supported projects had some local ownership and around 20% of these local owners were SMEs.

Approximately 68% of OPIC-supported projects reporting in FY11 were located in poor or rural regions. OPIC recognizes the need for rural development in order to avoid creating or exacerbating income and developmental disparities between cities and rural areas.



Corporate Social Responsibility

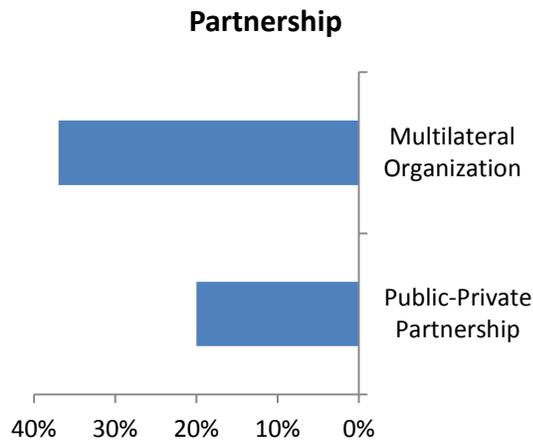
Seventy-two percent of OPIC-supported projects offered community outreach programs

Corporate Social Responsibility (CSR) identifies organizations taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. OPIC assesses CSR in its projects by quantifying socially-responsible and environmentally conscious benefits that are offered to the greater community. CSR includes, for example, community outreach programs in which the enterprise facilitates public access to company-sponsored clinics and schools, funds community centers, sponsors sports teams and cultural events, or provides financial support for local foundations and organizations. In FY11, 72% of the SMQ respondents were involved in these types of community outreach programs.

Partnership

Thirty-seven percent of OPIC-supported projects involved other Development Finance Institutions (DFIs)

One of OPIC's objectives is to play a key role in leveraging resources for development and establishing Public-Private Partnerships (PPPs).



Of the FY11 SMQs received by OPIC, approximately 37% reported the use of non-OPIC investment sources such as USAID, IFC, ADB, and EBRD, or a local development bank. The partnerships with other development agencies demonstrate OPIC's commitment to cooperation with other donors in development finance.

OPIC's support for development also involves the creation of Public-Private Partnerships (PPPs) with local institutions such as civil society and non-governmental organizations. In FY11, 20% of OPIC-supported projects involved a PPP.

VI. EXHIBITS

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Exhibit 1: U.S. Employment and Associated Effects of OPIC-Supported Projects

Fiscal Year 2011 (Projections)

(All Dollar Figures are in Thousands)

Industry Sector	Number of Projects	U.S. Current Account Inflows 1/	Final Destination of Project Output 2/			U.S. Procurement 1/	Effect on U.S. Employment 1/ 3/			Effect on U.S. Trade Balance 1/
			Host Country	U.S.	3rd Country		Initial	Operating	Total	
A. Projects with Positive Effects on Employment 4/										
Manufacturing 5/	4	\$397,068	\$211,614	\$0	\$100,641	\$397,081	95	407	502	\$397,068
Minerals & Energy6/	8	\$364,187	\$442,168	\$0	\$75,749	\$364,187	447	54	501	\$364,187
Other Services	7	\$232,899	\$51,081	\$10	\$60	\$232,867	241	120	361	\$232,449
Positive Total	19	\$994,154	\$704,863	\$10	\$176,450	\$994,135	784	580	1,364	\$993,704
B. Projects with Neutral Effects on Employment 8/										
Manufacturing 5/	10	\$2,205	\$73,036	\$6,260	\$7,051	\$2,205	3	1	4	(\$29,095)
Minerals & Energy	4	\$1,811	\$275,533	\$0	\$0	\$1,811	2	0	2	\$1,811
Other Services	59	\$3,099	\$472,375	\$0	\$30,564	\$1,733	3	0	3	(\$3,099)
Neutral Total	73	\$7,115	\$820,945	\$6,260	\$37,615	\$5,749	8	1	9	(\$24,185)
C. Projects with Negative Effects on Employment 9/										
Negative Total	0	\$0	\$0	\$0	\$0	\$0	0	0	0	\$0
Net FY Total	92	\$1,001,269	\$1,525,808	\$6,270	\$214,064	\$999,884	792	582	1,373	\$969,519

1/ Total effect during first 5 years of project operation.

2/ Average annual effect during first 5 years of project operation.

3/ Person years of employment.

4/ Projects with a U.S. employment effect of 2 or more jobs (10 person years or more of employment during the first 5 years of project operation).

5/ There is one project within the Agribusiness sector in Section A (positive effects) and in Section B (neutral effects). To protect business confidentiality, the data for this project is included in the data for the Manufacturing sector.

6/ Eighty-three percent of minerals and energy projects in FY11 were in renewables.

7/ Totals may differ slightly from the sum of individual sectors due to rounding.

8/ Projects with a U.S. employment effect of 2 or fewer jobs (10 person years or less of employment during the first 5 years of project operation).

9/ There were no projects supported in fiscal 2011 that projected the loss of any U.S. employment.

Exhibit 2: Destination of Sales to Third Party Markets of OPIC–Supported Projects Fiscal Year 2011 (Projections)^{1/}

PROJECTS WITH POSITIVE EFFECTS ON U.S. EMPLOYMENT ^{2/}	Annual Revenue (\$)
Minerals and Energy^{3/}	
All Countries	\$7,301,795
Italy	\$55,583,798
Turkey	\$12,863,075
Sector Total	\$75,748,668
Manufacturing	
Europe Regional	\$85,751,949
Norway	\$14,888,908
Sector Total	\$100,648,857
Services	
Brazil	\$10,000
Chile	\$30,000
Dominican Republic	\$10,000
Ecuador	\$10,000
Sector Total	\$60,000
<hr/>	
TOTAL REVENUE FOR PROJECTS WITH POSITIVE U.S. EFFECTS	\$176,449,525

^{1/} "Third party markets" refers to countries that are neither the U.S. nor the host country.

^{2/} Nineteen of the 92 OPIC-supported projects in FY11 had some positive effects. There were no projects supported in FY11 that resulted in the loss of any U.S. jobs

^{3/} Eighty-three percent of the OPIC-supported projects in minerals and energy sector in FY11 were renewables.

Continued on next page

**Exhibit 2 (continued): Destination of Sales to Third Party Markets of OPIC – Supported Projects
Fiscal Year 2011 (Projections)**

PROJECTS WITH NEUTRAL EFFECTS ON U.S. EMPLOYMENT^{4/}		Annual Revenue (\$)
Agribusiness		
	Brazil	\$827,345
	Canada	\$827,345
	China	\$206,836
	Japan	\$206,836
	Sector Total	\$2,068,362
Manufacturing		
	Algeria	\$600,000
	Angola	\$410,200
	Belarus	\$84,167
	Benin	\$164,080
	Cote D'Ivoire	\$246,120
	Gabon	\$164,080
	Georgia	\$87,827
	Germany	\$29,276
	Ghana	\$574,280
	Poland	\$109,784
	Saudi Arabia	\$800,000
	Ukraine	\$512,506
	West Bank	\$1,200,000
	Sector Total	\$4,982,320 ^{5/}
Services		
	All Countries	\$25,508,000
	Middle East	\$5,056,100
	Sector Total	\$30,564,100
TOTAL REVENUE FOR PROJECTS WITH NEUTRAL U.S. EFFECTS		\$37,614,782
Fiscal Year TOTAL		\$214,064,307

^{4/} Seventy-three of the 92 OPIC-supported projects in FY11 had some neutral effects. They represent projects with a U.S. employment effect of 2 or fewer jobs (10 person years or less of employment during the first 5 years of project operation). There were no projects supported in FY11 that resulted in the loss of any U.S. jobs

^{5/} Totals may differ slightly from the sum of individual countries due to rounding.

Continued on next page

Exhibit 3: U.S. Employment Effects and Host Country Location of OPIC-Supported Projects Fiscal Year 2011 (Projections)

A. PROJECTS WITH POSITIVE EFFECTS ON EMPLOYMENT ^{5/}

<u>COUNTRY/REGION</u>	<u>AGRICULTURE</u>	<u>MINERALS & ENERGY 2/</u>	<u>MANUFACTURING</u>	<u>SERVICES</u>	<u>TOTAL</u>
Ghana				1	1
Kenya		1			1
Liberia			1		1
Total Sub-Saharan Africa	0	1	1	1	3
Georgia		1			1
Russia				1	1
Ukraine	1			1	2
Total Europe	1	1	0	2	4
Columbia		1			1
Haiti			2		2
Mexico		1		1	2
Peru				1	1
St. Christopher-Nevis		1			1
Total Latin America	0	3	2	2	7
Afghanistan				1	1
India		2			2
Total East & South Asia	0	2	0	1	3
All OPIC Countries		1		1	2
Total Global	0	1	0	1	2
TOTAL POSITIVE	1	8	3	7	19

^{5/} Projects with a U.S. employment effect of 2 or more jobs (10 person years or more of employment during the first 5 years of operation).
The vast majority of projects were in the services sector. No projects that OPIC supported in FY11 resulted in the loss of any U.S. jobs.

Exhibit 3 (cont): U.S. Employment Effects and Host Country Location of OPIC-Supported Projects

B. PROJECTS WITH NEUTRAL EFFECTS ON EMPLOYMENT ^{6/}

<u>COUNTRY/REGION</u>	<u>AGRICULTURE</u>	<u>MINERALS & ENERGY /2</u>	<u>MANUFACTURING</u>	<u>SERVICES</u>	<u>TOTAL</u>
Africa Regional				1	1
Cameroon				1	1
Cote d'Ivoire				1	1
Kenya				2	2
Liberia				1	1
Madagascar			1		1
Nigeria			1	2	3
South Africa				3	3
Tanzania				1	1
Uganda				2	2
Total Sub-Saharan Africa	0	0	2	14	16
Cambodia				1	1
Mongolia			1		1
Thailand		1			1
India		2	1	2	5
Pakistan				2	2
Total East & South Asia	0	3	2	5	10
Azerbaijan				2	2
Georgia			1	4	5
Kazakhstan				1	1
Turkey				2	2
Uzbekistan				1	1
Kosovo				1	1
Bulgaria			1	2	3
Romania			1	1	2
Russia				1	1
Ukraine				1	1
Total Europe	0	0	3	16	19

^{6/} Projects with a U.S. employment effect of two or fewer jobs (10 person years or less of employment during the first 5 years of operation). The majority of projects were in the services sector. No projects that OPIC supported in FY11 resulted in the loss of any U.S. jobs.

Continued on next page

Exhibit 3 (cont): U.S. Employment Effects and Host Country Location of OPIC-Supported Projects

B. (cont) PROJECTS WITH NEUTRAL EFFECTS ON EMPLOYMENT

COUNTRY/REGION	AGRICULTURE	MINERALS & ENERGY	MANUFACTURING	SERVICES	TOTAL
All OPIC Countries				3	3
Total Global	0	0	0	3	3
Argentina	1				1
Brazil				2	2
Ecuador				1	1
Haiti				1	1
Mexico				10	10
Panama				2	2
Peru		1			1
Total Latin America	1	1	0	16	18
					0
Iraq				1	1
Jordan			2	2	4
West Bank				2	2
Total Middle East & N. Africa	0	0	2	5	7
TOTAL NEUTRAL	1	4	9	59	73

Continued on next page

Exhibit 3 (cont): U.S. Employment Effects and Host Country Location of OPIC-Supported Projects

C. PROJECTS WITH NEGATIVE EFFECTS ON EMPLOYMENT

<u>COUNTRY/REGION</u>	<u>AGRICULTURE</u>	<u>MINERALS & ENERGY</u>	<u>MANUFACTURING</u>	<u>SERVICES</u>	<u>TOTAL</u>
TOTAL NEGATIVE	0	0	0	0	0

D. TOTAL PROJECT EFFECTS ON EMPLOYMENT

TOTAL EFFECTS: Positive, Neutral & Negative					
ALL OPIC COUNTRIES	2	12	12	66	92

Exhibit 4: Methodology for Calculating U.S. Employment Effects

Each project seeking OPIC support is reviewed on a case-by-case basis to estimate its U.S. employment effects. OPIC uses the project application to estimate expected initial and operational procurement from the United States by value and specific type of good or service. The U.S. employment generated by a project's initial and five-year operational procurement of goods and services is then estimated by considering the *direct and indirect* employment necessary to produce those goods and services. That is, the employment effects incorporate the direct employment necessary to produce the procured goods and services, as well as the indirect employment required for the production of the associated intermediate inputs. This methodology is used by other federal agencies as well.

OPIC details each type of U.S. good or service procured for each project and calculates the employment effect in that industrial sector as well as in the sectors that supply necessary components or inputs. By using this methodology, OPIC is able to ascertain employment-generation levels with greater precision than if it used an across-the-board average for all U.S. exports. By including indirect effects, OPIC's employment figures present a more accurate picture of the benefits accruing to U.S. workers from the procurement of goods and services. Finally, to confirm its estimates, OPIC monitors *actual* economic effects after project start-up and throughout the life of the OPIC's involvement with the project. OPIC's monitoring is described in further detail in the Monitoring section.

Exhibit 5: OPIC's Development Matrix Explained

OPIC supports projects that are expected to serve as foundations for long-term economic growth, especially those that improve upon the host country's infrastructure and provide the basic human necessities of shelter, food, water and health care – these types of projects are assessed on OPIC's standard development matrix. Through this development impact assessment, OPIC evaluates and scores every proposed project in 26 key areas across three broad categories that objectively quantify its expected contribution to host-country development.

- Category I covers job creation, training, local procurement, corporate social responsibility, and equal employment opportunity – five highly-weighted impacts that should be demonstrated by any project, regardless of sector or the level of economic development within the host country.
- Category II covers 20 additional development indicators within such broad areas as human capacity building (degree of training), private sector development, resource leveraging, social effects, infrastructure improvements, macroeconomic and institutional effects, and technology/knowledge transfer. The degree to which projects demonstrate these additional developmental benefits depends significantly on the features of a given project.
- Category III adjusts for the host country's per capita GNP, reflecting both OPIC's priority to steer investment into the poorest countries and the reality that nations most in need often lack the capacity to support more developmentally sophisticated investments.

A project must score at least 50 out of 160 possible points on the matrix to be considered *developmental* and clearly eligible for OPIC support. A score of 100 to 160 qualifies a project as *highly developmental*.

Exhibit 6: OPIC's Financial Services Development Matrix Explained

As more of OPIC's projects focus on financial services, it became evident that in many cases the development matrix, originally created for traditional project finance and / or insurance projects, did not capture accurately the developmental impact of these projects. A new model was developed tailored to assessing the development impacts of financial services projects. The general structure of the financial services matrix is similar to the standard development matrix, but includes core indicators that are specific to financial services-related projects. These core indicators result in a development matrix that is a more comprehensive and accurate measurement of the developmental impact of financial services projects. The types of projects that are scored on the financial services matrix include framework agreements, mortgage finance and securitization projects, microfinance facilities, and general bank lending.

To support its developmental mission, OPIC evaluates and scores every proposed financial services project in 11 key areas across three broad categories that objectively quantify its expected contribution to host-country development.

- Category I covers financial instrument innovation or augmentation, multiplier/spillover effects, corporate governance, and capital mobilization and complementarity – four highly-weighted impacts that should be demonstrated by any project, regardless of sector or the level of economic development within the host country.
- Category II covers six additional development indicators within such broad areas as sustainability, economic diversification, human capacity building (job creation and training), social effects, macroeconomic and institutional effects, and technology/knowledge transfer. The degree to which projects demonstrate these additional developmental benefits depends significantly on the features of a given project.
- Category III adjusts for the host country's per capita GNP, reflecting both OPIC's priority to steer investment into the poorest countries and the reality that nations most in need often lack the capacity to support more developmentally sophisticated investments.

A project must score at least 50 out of 160 possible points on the matrix to be considered *developmental* and clearly eligible for OPIC support. A score of 100 to 160 qualifies a project as *highly developmental*.

Exhibit 7: OPIC's Greenhouse Gas Policy and Current Inventory

In Fiscal Year 2011, OPIC's outside environmental auditor, Pace Global Energy Services LLC (Pace), with input from OPIC, identified six projects that had the potential to emit carbon dioxide equivalent emissions of 25,000 tons per year or greater but less than 100,000 tons per year ("Tier C"). Out of these six projects, one project is not expected to have GHG emissions greater than 25,000 tons and one project is included in the Tier B list because its GHG emissions are greater than 100,000 tons per year. The remaining four projects are included in the list of Tier C projects.

In order to account for GHG emissions from active projects in OPIC's portfolio that have less than 25,000 tons of CO_{2eq}, OPIC adds an extra four%^[1] emissions to the aggregate emissions number. The addition of four% to account for such sources is consistent with the GHG accounting methodology of The Climate Registry.^[2]

OPIC believes this additional four% is conservative because a significant percentage of the number of projects in OPIC's portfolio (over half) are in sectors that are not expected to result in significant direct emissions (e.g. financial services, telecommunications, home construction). Pace's Report on GHG emissions from projects that are expected to emit more than 25,000 metric ton is available at www.opic.gov.

OPIC calculates GHG emissions from projects in its active portfolio using methodologies and algorithms that rely on activity data such as fuel consumption or gas/oil throughput. In most cases, OPIC uses methodologies approved by The Climate Registry. For emissions from sources without Registry-approved methodologies, OPIC uses emission estimates provided by the U.S. Environmental Protection Agency.

Following the completion of the independent audit by Pace, OPIC provided investors the opportunity to comment on the Independent Auditor's estimate, activity data, and methodology. The following table contains the final auditor estimates after consideration of investor input.

[1] Prior to FY10, OPIC added an extra 5% emissions to the aggregate emissions number to account for GHG emissions from active projects in OPIC's portfolio that were estimated to have generated less than 100,000 short tons of CO_{2eq}. However, OPIC now estimates emissions for projects emitting less than 100,000 short tons CO_{2eq} but greater than 25,000 tons CO_{2eq}. As a result, in FY10 and FY11, OPIC added approximately 4% to estimate the total emissions from those projects that individually emit less than 25,000 tons CO_{2eq}.

[2] THE CLIMATE REGISTRY is a nonprofit collaboration among North American states, provinces, territories and Native Sovereign Nations that sets consistent and transparent standards to calculate, verify and publicly report greenhouse gas emissions into a single registry. The Registry supports both voluntary and mandatory reporting programs and provides comprehensive, accurate data to reduce greenhouse gas emissions. The 5% value is from The Climate Registry's General Reporting Protocol, Version 1.1, May 2008, p. 58. Available online at <http://www.theclimateregistry.org/downloads/GRP.pdf>.

OPIC GHG Emissions Inventory Estimate by Project

Tier ¹	Project Name	Location	Description	Capacity / Throughput	Fuel Type	2007 (Baseline) Emissions (short tons CO ₂) ^{2,3}	2008 Final Emissions (short tons CO ₂) ³	2009 Final Emissions (short tons CO ₂) ³	2010 Final Emissions (short tons CO ₂) ³
A	Adapazari Elektrik Uretim	Turkey	Combined Cycle	777 MW	Natural Gas	2,106,754	2,106,754	2,441,657	2,426,053
A	AES Jordan	Jordan	Combined Cycle	10,103,603 MMBtu/yr	Natural Gas	-- ^b	590,940	1,318,130 ⁴	1,434,569
A	AES Nigeria Barge	Nigeria	Engine-Based Power Generation	270 MW	Natural Gas	1,166,398	1,341,157	988,271	949,754
A	Doga Enerji	Turkey	Combined Cycle	180 MW	Natural Gas	740,762	740,762	672,014	655,981
A	Gaza Private Generating PLC	Gaza	Combined Cycle	136.4 MW	Natural Gas	293,804	303,535	325,926	228,627
A	Gebze Elektrik Uretim	Turkey	Combined Cycle	1554 MW	Natural Gas	4,121,923	4,121,923	4,794,979	4,833,330
A	Grenada Electricity Services (WRB)	Grenada	Engine-Based Power Generation	18 MW	Diesel (Fuel Oil)	114,571	121,156	141,127	135,237
A	Habibullah Coastal Power	Pakistan	Combined Cycle	140 MW	Natural Gas	447,880	447,880	-- ^a	-- ^a
A	Isagen SA	Colombia	Combined Cycle	300 MW	Natural Gas	203,010	-- ^c	300,706	305,181
A	Izmir Elektrik Uretim	Turkey	Combined Cycle	1554 MW	Natural Gas	4,694,380	4,694,380	4,300,376	4,739,787
A	Jorf Lasfar Energy	Morocco	Steam Boiler	1356 MW	Coal	14,268,496	-- ^a	-- ^a	-- ^a
A	NEPC Consortium Power	Bangladesh	Engine-Based Power Generation	363,184 MMBtu/yr	Natural Gas	245,795	343,581	255,734	297,068
A	Paiton Energy	Indonesia	Steam Boiler	1200 MW	Coal	9,553,044	9,553,044	9,624,125	9,854,076
A	Pakistan Water & Power Authority	Pakistan	Combined Cycle	150 MW	Natural Gas	522,490	522,490	283,937 ⁵	283,937
A	Termovalle SCA	Colombia	Combined Cycle	199 MW	Natural Gas	-- ^c	-- ^c	223,983 ⁶	223,983
A	Trakya Elektrik Uretim ve Ticaret	Turkey	Combined Cycle	478 MW	Natural Gas	1,747,956	-- ^a	-- ^a	-- ^a

OPIC GHG Emissions Inventory Estimate by Project

Tier ¹	Project Name	Location	Description	Capacity / Throughput	Fuel Type	2007 (Baseline) Emissions (short tons CO ₂) ^{2,3}	2008 Final Emissions (short tons CO ₂) ³	2009 Final Emissions (short tons CO ₂) ³	2010 Final Emissions (short tons CO ₂) ³
B	Accroven SRL	Venezuela	NGL Facility	800 MMscfd	Natural Gas	998,677	445,832	-- ^a	-- ^a
B	Baku-Tblisi-Ceyhan Pipeline	Azerbaijan	Crude Oil Pipeline	247 million bbl	Natural Gas & Diesel	707,672	707,672	787,577	723,214
B	E.P. Interoil	Papua New Guinea	Crude Oil Refinery	358,798 MMBtu/yr	Crude Oil	392,296	103,247	79,709 ¹⁰	75,928 ¹⁰
B	Equate Petrochemical	Kuwait	Petrochemical Facility	1540 MMBtu/hr	Natural Gas	720,573	680,311	-- ^a	-- ^a
B	Foxtrot International	Cote d'Ivoire	Gas Extraction & Pipeline	1736 MMscf/yr	Natural Gas	104,484	104,484	104,484	-- ¹¹
B	Lukoil Rpk Vysotsk	Russia	Oil	14 million tons oil/yr	Oil & Natural Gas	70,767 ¹⁰	70,767 ¹⁰	76,339 ¹⁰	97,117 ¹⁰
B	Natural Gas Liquids II Financing	Nigeria	NGL Facility	19.5 MMscfd	Natural Gas	244,048	244,048	-- ^a	-- ^a
B	Various Egypt Subsidiaries (Apache) ³	Egypt	Oil/Gas Extraction & Processing	29,934,702 bbl/yr & 89,910 MMscf/yr	Oil & Natural Gas	3,071,933	3,244,190	3,294,654	3,465,842
B	West Africa Gas Pipeline ⁷	Ghana	Gas Compression & Transmission	190 MMscfd	Natural Gas	-- ^b	-- ^b	244,728	91,451 ¹⁰
B	Wilpro Energy Services (El Furrial)	Venezuela	Gas Compression	60 MW	Natural Gas	289,106	289,106	-- ^a	-- ^a
B	Wilpro Energy Services (Pigap)	Venezuela	Gas Compression	100 MW	Natural Gas	571,090	571,090	-- ^a	-- ^a
C	Jose Lindley	Peru	Manufacturing	-	-	-- ^d	-- ^d	25,000	25,000
C	Parko/Joshi	Colombia	Oil	20,000,000 million m ³ /yr	Natural Gas	-- ^d	-- ^d	30,398	57,826
	Latin America Power III ⁸	Latin America	Fund	N/A	N/A	2,077,500	2,077,500	2,077,500	2,077,500

	Sub-total:	49,475,409	33,425,843	32,391,354	32,981,461
	5% for Additional Sources:	2,473,770	1,671,292	--	--
	4% for Additional Sources:	--	--	1,561,400 ⁹	1,562,106 ⁹
Total:		51,949,179	35,097,142	33,952,754	34,543,567

¹ Tier A projects are fossil fuel fired power generation projects that emitted more than 100,000 short tons CO₂; Tier B projects are facilities in the oil & gas, mining, transportation, manufacturing, or construction sectors with annual GHG emissions estimated to be above 100,000 short tons CO₂; Tier C projects are those emitting less than 100,000 short tons CO₂ and greater than 25,000 short tons CO₂.

² Baseline emissions are 100% of on-site emissions from the calendar year 2007 for all projects within OPIC's active portfolio as of June 30, 2008. Emissions presented as reported by project sponsors. For those projects for which sponsors have not reported emissions, emissions are estimated based on project descriptions as well as publically available data and emissions factors.

³ Based on information reported by the project sponsor, OPIC learned this project had reported emissions based on their equity share (50%) rather than accounting for emissions for the entire project in years 2007 and 2008. Because OPIC accounts for 100% of emissions from projects regardless of equity share, the 2007 and 2008 estimates were revised to reflect 100% of emissions from this project.

⁴ Net energy generated increased from 10,103,603 in 2008 to 22,536,748 MMBtu in 2009. This generation increase was responsible for the emissions increase.

⁵ 2009 emissions are significantly lower due to fewer reported operating hours.

⁶ 2009 emissions are significantly higher due to increased reported operating hours.

⁷ The West Africa Gas Pipeline was included in baseline but it was not yet operational in 2008. Therefore, no emissions were reported for 2007 or 2008.

⁸ Per agreement between Latin American Power III and OPIC, the Fund agreed not to "make an investment in a Portfolio Company if after such investment, the assets and operations of all Portfolio Companies then held by the Fund would emit (in the aggregate and on a calendar year basis) in excess of 2,077,500 tons of CO_{2eq} as calculated in accordance with the IPCC".

⁹ Buffer is calculated using the following formula: [(Tier A + Tier B+ Latin America Power III Funds) * 5%] – Tier C. For an explanation of this difference, please see footnote [1] in Exhibit 7.

¹⁰ Even though emissions are below the threshold, the project has the potential to emit greater than the threshold and has therefore, been included.

¹¹ In 2010, Foxtrot operated for a minimal period of time and thus had corresponding GHG emissions below the established threshold of 25,000 tons.

^a Emissions are not reported for projects for those years when they cease to be active in OPIC's portfolio.

^b Emissions begin to be accounted for the year they become active in OPIC's portfolio.

^c Because emissions were less than 100,000 tons of CO_{2eq}., emissions from this project were not included. For more detail, see footnote [1] in Exhibit 7.

^d Tier C is a new category for FY10 and therefore emissions for Tier C projects are not included in the baseline or 2008 estimates.

Exhibit 8: OPIC Site Monitoring Methodology (Statutory Disciplines: Environment, U.S. Economic Impact, Labor, and Host Country Developmental Impact)

OPIC performs comprehensive and integrated monitoring to evaluate the U.S. and host-country economic effects as well as the environmental, social, health and safety, and general working conditions of the projects it supports. OPIC's integrated project monitoring is designed to ensure that each project complies with statutory and contractual requirements in these areas. Project monitoring consists of site visits to projects, in addition to the analysis of information submitted annually by investors in the form of an online "Self Monitoring Questionnaire." As of 1993, Self Monitoring Questionnaires are required of all investors per the OPIC finance agreement or insurance contract.

Using a statistical sampling methodology combined with risk-based monitoring, OPIC identifies investment projects that OIP staff across all disciplines will site monitor, drawing active projects that exhibit specific characteristics within the portfolio. The sample of projects selected for site monitoring includes: (1) a random sample of projects supported by the agency during a three-year period or "monitoring round"; (2) projects supported during this period that are sensitive with respect to U.S. economic effects, labor or environment, social, health and safety issues; and (3) projects from other years that have either not been site-monitored in the past or that fit in logistically with randomly sampled project in similar regions or countries. This "sensitive project" sample ultimately provides a conservative bias to the monitored results.

Labor

OPIC monitors projects for compliance with contractual worker rights requirements through a combination of annual reporting by companies as well as site visits to both random and selected samples of projects. OPIC targets its worker rights monitoring efforts toward countries and sectors with a higher potential for possible worker rights violations.

Because certain areas of worker rights violations may be difficult to identify from a typical project site monitoring visit, in instances when OPIC determines further investigation is warranted for a project, OPIC may employ trained and certified labor rights auditors, usually recruited from the NGO community with reputations for impartiality and credibility among both the labor and business communities, to perform a full project audit. The auditors spend as much time as necessary to investigate thoroughly potential violations. At a minimum, an audit would include independent and confidential interviews with employees and management. Interviews may also include relevant entities such as government officials and knowledgeable local NGOs and organized labor groups.

Environment, Social, Health, and Safety (E&S)

With respect to E&S issues, projects selected for site monitoring in a given year are prioritized based on an environmental and social risk rating. Environmental and social risk ratings are based on several factors including project sensitivity, host country context, project-level environmental and social management system, and investor experience in implementing projects of similar complexity. OPIC assesses the E&S performance of a project against applicable benchmarks including contract conditions, international standards and guidelines, and industry best practices. Factors included in the performance assessment include an evaluation of the project's environmental and social management systems, the effectiveness of mitigation, including pollution controls in risk reduction, and the efficiency of the operations, including energy efficiency.

U.S. Economic Impact

All projects visited are evaluated for their actual impact on the United States and host country economies, including the employment generation effects of the investments. OPIC ensures that projects do not negatively impact the U.S. economy. This analysis includes verifying export levels to the U.S. (if any) or to other countries, calculating the U.S. balance of payments impact, and verifying compliance with any

restrictions put forward in the OPIC loan agreement or insurance contract (e.g. restrictions on exporting to the U.S. or significant U.S. export markets).

Developmental Impact

Regarding host country economic impact, projects are reviewed across the same criteria as used at the time of project approval. Thus, an “apples-to-apples” comparison can be made between original estimates and actual operations. For example, if a project originally expected to hire 100 local workers, actual employment numbers are verified and compared to this forecast. Additionally, if a project is expected, for example, to build a school for the children of its employees, this will be verified. Other developmental impacts not identified or anticipated at the time of application also are evaluated and quantified during site monitoring. Finally, the project is scored using actual findings against the initial developmental impact evaluation using the same criteria projected in the project’s original OPIC clearance.