Congressional Budget Justification

Fiscal Year 2017

Overseas Private Investment Corporation

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PRESIDENT'S LETTER

As the U.S. government's development finance institution, the Overseas Private Investment Corporation mobilizes private investment that creates jobs and brings transformative solutions to bear on reducing poverty in the developing world while stabilizing economies in fragile markets. Projects that OPIC currently supports are having major development impacts, especially in low-income and conflict-affected countries. For example:

- **Education**: Over 120,000 students are enrolled in OPIC-supported primary and secondary schools, and more than 25,000 students in higher education.
- **Water**: OPIC projects are producing 158 billion liters of water each year.
- **Inclusive Finance**: OPIC partners are providing access to finance to tens of millions of small and medium-sized and microfinance borrowers.

OPIC is lean and effective government at its best. It is a force multiplier: for every $1 dollar of OPIC project commitments, the Agency mobilizes $2.60 from other sources.

In FY 2015, for example, OPIC committed a total of $4.4 billion in loans, guarantees and insurance and, for the 38th year in a row, returned funds to the U.S. Treasury for deficit reduction — proving the durability of its self-financing approach. Since 2010, OPIC has contributed $1.6 billion toward deficit reduction.

Over the past five years, OPIC has invested deeply in operational reforms and upgrades that have created a very solid foundation for further scaling the Agency. OPIC has modernized its risk management systems, credit analysis, internal controls, IT and data management systems, and other assets. It has streamlined policies and automated processes, reducing application "cycle times" and improving staff and client efficiencies. For this, OPIC has received top awards and recognition for innovation among all U.S. Government agencies for four years running. However much more needs to be done.

OPIC's mandate is to catalyze private capital for sustainable economic development. The Agency is a powerful tool to concretely advance U.S. foreign policy and development goals:

- **National Security:** One-third of OPIC's portfolio is in post–conflict nations or areas currently vulnerable to conflicts, such as Jordan, Ukraine, Georgia, Iraq, Afghanistan, and the West Bank.

- **Power Africa:** OPIC's partnership with the private sector is an essential part of this signature Presidential priority. OPIC has exceeded its initial target of $1.5 billion in Power Africa commitments a full two years ahead of schedule, and has an ample pipeline to reach its enhanced goal of an additional $1 billion in Power Africa commitments by 2018.

- **Climate Finance:** In the last five years, OPIC has had a tenfold increase in commitments to renewable energy projects in support of U.S. companies investing in growing markets. Support for the transition to a low-carbon economy has been, and will continue to be, central to U.S. leadership in this area.

- **Central American and the Caribbean:** OPIC is a key implementing agency of the Administration's Caribbean Energy Security Initiative (CESI) and has committed over $100 million to support two renewable energy projects. Additionally, OPIC will play an important role in the whole of government effort to expand U.S. engagement in Central America.

As the emerging markets face the dual challenge of slower growth and a dramatic drop in oil prices, OPIC will also be fully prepared for its historical counter-cyclical role, providing financing when ventures in developing nations need it the most. OPIC's longstanding emphasis on thorough due diligence, extensive credit assessment and prudent risk management makes the Agency a strong, highly valued and high-impact partner in such times. Indeed, during times of adverse market conditions OPIC often experiences increased client demand.

The role of the private sector is now universally recognized as essential and central to development. Other nations have acted on that premise. Over the past decade, investment by the DFI community — DFIs like OPIC and the DFIs of Germany, Japan, China and others — grew at several times the rate as traditional development aid.

Development finance has long-term economic implications for the competitiveness of firms and job creation, as well as the national interest of the U.S. Over the next decade, one billion emerging-market consumers will be joining the middle class.[1]

Most G7 countries have a bilateral development finance institution, and several new multilateral ones are being created, such as the New Development Bank and Asian Infrastructure Investment Bank. In this context, OPIC, as the U.S. government's development finance institution, has a critical role to play in continuing to uphold and embody our nation's highest values and best practices in environmental policies as well as labor, human rights and other social issues.

Put simply, the U.S. is far better positioned to make a profound difference in development finance than other nations. America has scores of companies that lead in creating and leveraging life-changing technologies for the developing world. It is committed to an open, rules-based, sustainable and inclusive economy. And it is committed to replacing entrenched poverty with self-sufficient economies. All this points toward a greater emphasis on the use of the private sector for development — OPIC's mandate. As President Obama has said:

"Aid alone is not development. Development is helping nations to actually develop — moving from poverty to prosperity … what's needed most right now is creating the conditions where assistance is no longer needed."

At OPIC, we support American innovation, technology, engineering, business, and standards to the farthest corners of the developing world. OPIC is demonstrably effective and efficient government. OPIC is the embodiment of the development model espoused by President Obama. OPIC is development that pays for itself.

OPIC Management respectfully recommends and requests your approval of the attached budget. It reaffirms the pragmatic estimate of the Agency's needs and potential. We seek your continued guidance and support in advancing the work before us.

Elizabeth L. Littlefield
President and CEO

OPIC's Business Model

OPIC's Budget Request Empowers American Businesses in the Global Economy

OPIC helps to ensure that the emerging markets become ever greater opportunities for American businesses, and that their investments address the widespread challenges to meet the basic needs of such nations in efficient, innovative ways.

The rate of growth in the emerging market economies has exceeded and is projected to continue to exceed the growth rate of the advanced economies.[2] OPIC has played a pivotal role to ensure that America's businesses — especially small businesses — have opportunities to participate in such growth. On average, almost three-quarters of OPIC's transactions involve small and medium-sized businesses.

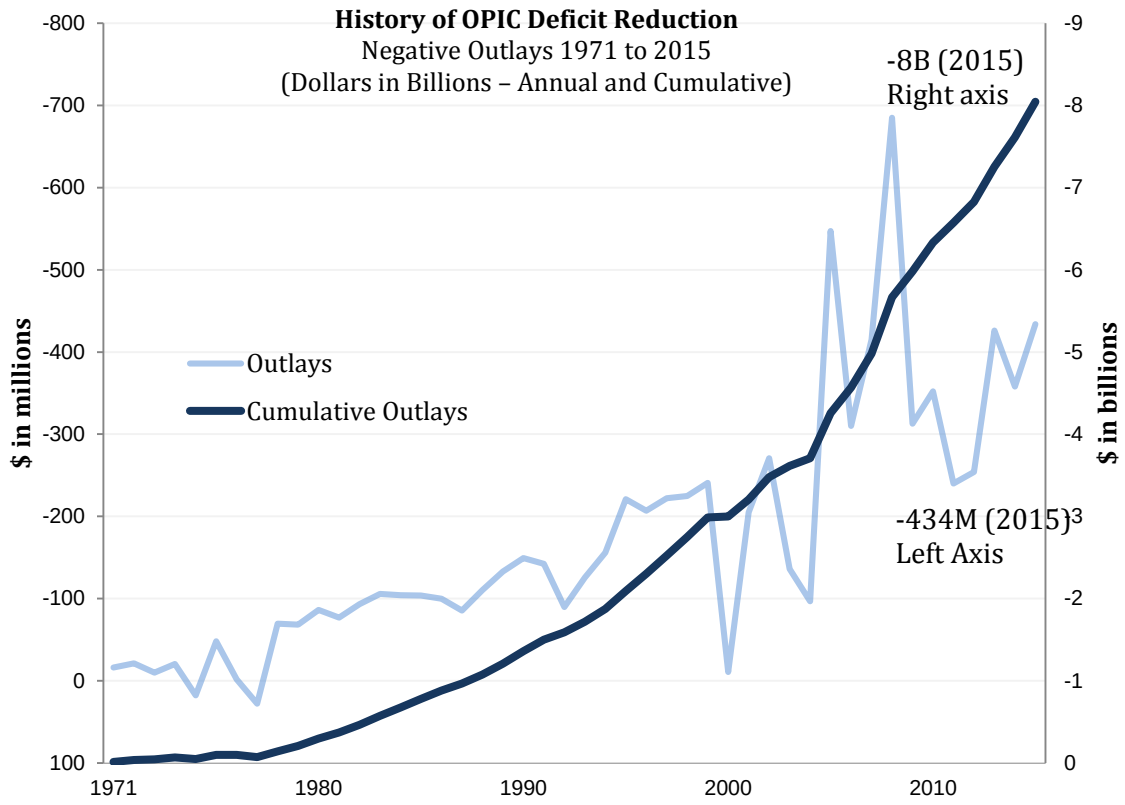
Each dollar that OPIC invests to promote development critical to America's foreign policy also creates opportunities for American businesses.

OPIC is Self-Sustaining

When OPIC was created in 1971, it was organized as a government-owned corporation in order to operate like a business, on a self-sustaining basis, at no net cost to the American taxpayer. OPIC does this by charging market-based fees and premiums for its loans and insurance. These receipts enable OPIC to generate more inflows than outflows, and thus help reduce the federal deficit.

OPIC's structure — its authorizing legislation, its status as a government-owned corporation, its internal procedures, down to the design of its accounting systems and its budget — reflects the principle that OPIC is intended to be run on a self-sustaining basis. OPIC's operations generate receipts, create capital, and set aside resources for the activities of the business. OPIC invests its earnings in Treasury securities, and thus lends to the Treasury. OPIC's reserves further insulate the Treasury from the risk that OPIC's portfolio might generate losses requiring additional appropriations.

By balancing risks, returns and resources, OPIC earns a return for the budget, maintains itself as a self-sustaining Federal Corporation, and helps to reduce the Federal deficit. In FY 2015, OPIC's positive effect on the Federal budget totaled $434 million — the 38th consecutive year that OPIC has contributed to reducing the Federal deficit.



The growth proposed by this budget will support additional staff to address these challenges, deliver on OPIC's mission, and respond to Administration initiatives, all while continuing OPIC's record as a self-sustaining agency.

$ in millions	FY 2015	FY 2016		FY 2017
	Actual	Request	Enacted	Request
Resources				
Administrative Expenses	62.4	81.7	62.5	87.6
Inspections & Evaluations	0.4	1.8	0.3	0.4
Administrative Appropriatic	62.8	83.5	62.8	88.0
Credit Program	25.0	20.0	20.0	20.0
Total Appropriations, Gross	87.8	103.5	82.8	108.0
Collections, Net	-321.0	-365.0	-366.0	-448.9
Net Budget	**-233.2**	**-261.5**	**-283.2**	**-340.9**

OPIC as a Lean and Efficient Resource Multiplier

For the period 1974-2015, for each $1 of insurance and finance commitments, OPIC calculates that $2.6 was mobilized in external capital. OPIC committed over $77 billion in insurance and finance commitments in this time period, and other partners committed $200 billion. Put another way, every $1 of OPIC's administrative budget supports $222 in investment. OPIC has proved to efficiently use Federal dollars to mobilize other external resources.

In FY 2015, OPIC committed to support 100 new projects in 38 countries. Total projected investment in these projects by OPIC and its fellow investors is $14 billion. OPIC offers project financing and guarantees, and political risk insurance to companies, investors, and private equity investment funds. The 100 new projects that OPIC committed in FY 2015, included 74 finance projects, 4 insurance projects, and 22 investments in portfolio companies by OPIC-supported investment funds.

Administrative Budget Request

In continued recognition of the critical and growing role of the private sector in international development, OPIC is requesting an increase to the Agency's Administrative Budget to $88 million.

The Budget also seeks $20 million in credit subsidy. OPIC continues to require an appropriation for credit reform subsidy as some transactions and modifications of existing transactions will require use of positive subsidy, even though OPIC's overall impact is to generate negative subsidy.

OPIC's FY 2017 budget request, if approved, will bolster OPIC's ability to mobilize private capital in developing nations, many of which are low income and fragile states, and empower OPIC to partner with American businesses to compete more effectively in the global economy, all while reducing the federal budget deficit.

The proposed budget will allow OPIC to commit an estimated $4.85 billion in loan commitments and insurance contracts and generate estimated collections of $449 million. These collections are comprised of receipts from OPIC's finance and insurance programs as well as interest on its holdings in Treasury securities.

This budget will support additional staff to address these challenges, deliver on OPIC's mission, and respond to Administration initiatives, all while continuing OPIC's record as a self-sustaining agency.

The proposed budget increase will allow OPIC to:

- Hire additional personnel to originate, evaluate potential projects and monitor active projects.
- Procure more independent audits, evaluations and inspections to reinforce risk management and guard against fraud.
- Increase transparency by implementing new data collection systems and building interactive online tools to share the data with the public.
- Upgrade information technology to improve internal operations, streamline acquisitions, deliver services, and enhance performance.

Increased personnel to Scale, Originate and Evaluate more Projects

OPIC is constrained by its administrative budget, not by the availability of attractive projects. With the requested budget increase, OPIC will be able to hire additional staff to originate and evaluate more projects, in order to align even more closely to foreign policy and national security objectives as well as U.S. business needs. At this level, OPIC will generate additional negative outlays, covering not only its own costs, but those of other agencies in the 150 Function.

Much of OPIC's budget will continue to support payroll and contract support, because most of OPIC's work is project oriented and knowledge/labor intensive. While technology can automate certain tasks, the execution of lending and insurance requires staff to develop, structure, finance, and monitor complex financial transactions. There is a straightforward relationship between OPIC's payroll and increased transactions.

- With some **257 FTE**, OPIC supports a **$20 billion portfolio** of more than **500 transactions** in more than **97 countries.**
- Over its history, OPIC has mobilized approximately **$2.6 in non-Federal resources** for each **$1 of commitments**.
- In FY 2015, **each OPIC employee** generated an average of **$17.1 million in new commitments** and more than **$1.69 million in deficit reducing receipts** for the Federal government.

$ in millions	FY 2015	FY 2016		FY 2017
	Actual	Request	Enacted	Request
Resources				
Administrative Expenses	62.4	81.7	62.5	87.6
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Total Appropriations, Gross	87.8	103.5	82.8	108.0
Collections, Net	-321.0	-365.0	-366.0	-448.9
Net Budget	**-233.2**	**-261.5**	**-283.2**	**-340.9**
Commitments				
Finance and Funds	4,226	2,950	4,000	4,500
Insurance	160	650	300	350
Total Program	**4,386**	**3,600**	**4,300**	**4,850**
Renewables	1,042	1,000	1,000	1,200
FTE	257	290	290	350

Improved process for evaluating and monitoring projects

A recent report from the Government Accountability Office (GAO) [3] recommended that OPIC further strengthen its project monitoring for compliance with OPIC's policies. OPIC agreed with the recommendations and will be implementing them. In order to thoroughly respond to GAO findings, OPIC's Office of Investment Policy will need additional resources.

In FY 2015, GAO performed an intensive audit and analysis of 21 OPIC projects on three continents. GAO personally visited most of these projects, speaking with project personnel and independent third parties, as well as reviewing and auditing many aspects of the transactions. Sourcing and origination were examined, along with character risk protections, due diligence processes, internal clearance procedures, and fidelity to OPIC's statutory and administrative requirements. OPIC's post-disbursement monitoring of the projects' financial performance and policy compliance was also analyzed.

In most of these areas, GAO made no recommendations for improvement. However, while acknowledging recent OPIC improvements in monitoring projects for environmental, social, labor and human rights risks, GAO did recommend two steps to further strengthen that process:

First, that timeframes and deadlines be established for filing site visit reports to OPIC projects with OPIC's Executive Committee, and

Second, that current policy compliance monitoring processes be assessed to ensure that risks associated with client-reported data and limited site visits for monitoring are acceptable for meeting OPIC's monitoring policy goals.

OPIC agreed with the GAO findings. To address GAO's concerns, OPIC is examining possible risks associated with its client-reported data, as well as the procedures for conducting and subsequently analyzing site visits. In order to increase its risk management beyond current capacity, OPIC will need to increase staffing, site visits, and operational support.

More procurement for independent audits, evaluations, and inspections

OPIC is requesting increased appropriations for the administrative costs to reinforce risk management and guard against fraud. OPIC continues its process of technological upgrades to attain private-sector-level best practices in data management. This will benefit OPIC's internal monitoring and evaluation, as well as OPIC's customers, co-lenders and insurers, its external co-financers, auditors, and its Congressional oversight panels.

Since OPIC was created in 1971, the agency has been under the jurisdiction of the Inspector General of the United States Agency for International Development (USAID IG). The USAID IG has the right to perform inspections and investigations as the IG deems necessary. As in past years, OPIC has entered into an annual memorandum of

understanding with the IG to provide reimbursement for a series of audits performed during FY 2016. USAID IG will continue to conduct financial and performance reviews of OPIC.

Portfolio Risk Management – OPIC manages its $20 billion portfolio on systems whose costs represent a small fraction of that portfolio. OPIC's current accounting, reporting, and credit reform systems are technologically dated. To attain modern industry standards, OPIC will need improved technology to support its analytic and monitoring capabilities. In addition, a growing portfolio requires increased monitoring of development impact. OPIC would like to conduct deeper close-out reviews of projects as they terminate, including their financial and development impact performance. These reviews would be structured to generate lessons learned for future projects. This would also bring OPIC more in line with other development finance institutions. To follow up on the GAO assessment, OPIC would also like to build a platform that merges projected, client reported data, and site monitoring data, to better assess how well the project achieved its intended and estimated development impact. This would require new IT infrastructure and software systems to consolidate and integrate development impact data for greater ease of use.

Reporting Systems –Treasury, OMB, OECD, and external audit requirements necessitate operating systems and technology management upgrades. Compliance with government-wide requirements, continuous operations and maintenance, and a needed rolling replacement of obsolete and unreliable equipment require additional resources. Meeting new reporting requirements calls for the development of enhanced reporting solutions. Systems are currently being enhanced to provide or improve reporting capabilities with data analytics and visualization, and to enable accurate corporate reporting and more informed decision-making, but much more needs to be done.

Enhanced transparency

OPIC will increase transparency by implementing new data collection systems, building interactive online tools to share the data with the public and make OPIC products more accessible.

Transparency Initiatives – OPIC would like to make public, in a more accessible way, the projected and actual development impact and U.S. economic impact data it collects, to the extent allowable under business confidentiality requirements. Enhancing current systems and building interactive online tools and graphic presentations to present this data visually will require additional staff with new skillsets.

Accessibility to services – The development and implementation of on-line financing and insurance application forms through a consumer portal will improve the customer experience and ultimately the likelihood of customers seeking OPIC's product lines.

Streamlined customer experience – Today, OPIC data is managed in different parts of the organization, so synthesized customer data is not easily retrievable and is challenging to generate on a case-by-case basis. OPIC would like to create a "one-stop-shop"

customer portal offering a streamlined customer interface where all OPIC products and associated activities are available. The customer could submit or request information with ease, and self-servicing account management would be the norm. This critical upgrade will improve the customer experience, customer data management, internal data management and processes, and overarching data integration across OPIC products.

Internal Operations Improvement

OPIC will use additional resources to upgrade information technology to improve internal operations, streamline acquisitions, deliver services, and enhance performance.

Updating and streamlining internal policies – OPIC continues to update, clarify, and harmonize the Agency's transaction guidelines in order to more easily meet the demands of companies and investors and to deliver a greater developmental impact. OPIC management identified, analyzed, and addressed the different constraints on OPIC's ability to do business. The resulting policies are more transparent, consistent, and flexible, and better reflect the way businesses operate. This advance in OPIC's capabilities opens the door for further improvements.

Legacy systems replacement – OPIC continues to replace dated technology with new systems to meet Federal audit controls, enhance OPIC's ability to report externally, and to foster internal productivity and efficiency.

Support for credit reform – OPIC's existing data structures and capabilities require sophisticated programming to track, analyze and report data at an individual loan level. Data integration and management will require new tools.

IT Compliance - Electronic records, privacy, continuity, security, and mobile initiatives or requirements are functions which are required government-wide and must be aligned, implemented, and maintained across the organization. OPIC continues to improve upon IT compliance implementing baseline configurations, vulnerability assessment and remediation, data loss prevention, and other mitigating processes to ensure the security and privacy of the OPIC network environment.

Cycle time – By simplifying the process of reviewing applications, OPIC continuously improves the typical approval cycle time. It also has negotiated a cooperative agreement with fellow development finance institutions such as the International Finance Corporation, to harmonize much of the loan documentation, due diligence, and legal processes.

Issuing "master" insurance contracts – When an investor needs to insure a series of similar projects or activities in a number of countries, OPIC can issue a single master contract that replaces the numerous similar contracts which would have required separate negotiation, clearance, approval, and administration. OPIC's increased use of master contracts will save time and improve client services, minimizing redundancies in the contracting process. These contracts, analogous to those offered elsewhere in the federal

government, have been utilized by a number of OPIC clients, such as relief organization, like the International Rescue Committee, to protect their assets in post-conflict countries.

Data Management – OPIC has adopted *Salesforce (Insight)*, a cloud-based platform to support its pipeline application that includes Finance, Funds, Legal Affairs, Insurance, and Portfolio Services among others to enhance efficiencies and standardization. The platform significantly reduces data entry and manual processes by increasing efficiency through streamlined business processes and integration across the pipeline and portfolio systems. It increases pipeline visibility by providing a 360 degree view of all pipeline projects and activities, self-servicing dashboards and reports, significant increase in audit trail capabilities and improved accessibility, transparency and quality of data. Implementing and deepening the use of this platform lies ahead.

Transition to the Cloud – OPIC has adopted a "cloud-first" approach and is continuing to integrate functional elements such as e-mail, knowledge management, and collaboration technologies within the Cloud. Initial success with the transition of e-mail and the pipeline management application (Insight) to cloud-based solutions set the framework for long-term adaption of cloud-based services. This will require planning, management and oversight of all phases of the migration, including risk management, security transition, execution, and long-term management of the service level agreements with commercial vendors.

Trimming processes and paperwork – Historically, more than half of all applications for finance or insurance were received by OPIC with errors and returned to the client for clarification. To improve efficiency, lessen the burden on businesses, cut costs, and improve response time, OPIC has simplified client applications. The length of the investment fund application has been reduced by 30 percent, and the finance application has transitioned to a web-based "smart" system. OPIC continues to work on reducing application acceptance time by 20 percent by avoiding 90 percent of application errors.

IT Improvements − In addition to improving and simplifying applications and other internal processes, OPIC has made targeted investments in information technology to improve internal operations, streamline acquisitions, deliver services, and enhance performance.

Migration of the OPIC electronic mail systems to a cloud-based service provides access anywhere, anytime to a mobile workforce, expanding functionality and reliability of services and improving efficiencies across the lines of business.

Design and functionality enhancements of the customer portal have improved customer satisfaction, streamlined processes and minimized issues due to outdated services and applications.

OPIC is always looking for ways to improve workflow processing, and reducing manual and paper based processes.

Promoting U.S. Business Growth and Development

Supporting U.S. Small Businesses and America's Global Competitiveness

U.S. companies, both large and small, seek to compete in new markets but are often faced with a lot of challenges, including scarcity of investment capital during these tough economic times.

This challenge is particularly acute for U.S. small businesses. OPIC opens opportunities for eligible U.S. businesses by offering affordable project financing and political risk insurance for investments in emerging markets.

OPIC is particularly focused on supporting U.S. small businesses, not only because it is part of OPIC's mandate, but because U.S. small businesses are among the most valuable, innovative, and capable partners in achieving OPIC's development goals. U.S. small businesses employ half of all private sector workers and account for approximately 99 percent of all enterprises. Over the last five years, OPIC has committed $7.9 billion in finance and insurance to more than 343 new projects with significant involvement of U.S. small businesses. In FY 2015, OPIC continued its focus on U.S small businesses. In addition to financing and insurance received from OPIC, U.S. small businesses also benefit through procurement: new FY 2015 projects are expected to procure approximately $144 million over five years from 53 small businesses located in 13 states and the District of Columbia.

OPIC's popular *Expanding Horizons* workshop series is the cornerstone of its small business outreach effort. For several years, OPIC has been traveling around the country to inform small businesses about the finance and insurance tools that can help them expand into high-growth developing markets. Since its inception in 2006, *Expanding Horizons* has educated over 3,000 U.S. small businesses and entrepreneurs.

OPIC Advances U.S. Foreign Policy Priorities

Power Africa

More than two-thirds of the population of sub-Saharan Africa is without electricity, and more than 85 percent of those living in rural areas lack access to power. According to the International Energy Agency, sub-Saharan Africa will require more than $300 billion in investment to achieve universal electricity access by 2030. Only with greater private sector investment can this promise be realized.

OPIC plays a central role in the President's Power Africa initiative. OPIC's FY 2017 budget provides the budgetary resources that OPIC needs to meet this challenge.

The initiative involves significant funding in public and private capital, and unprecedented levels of collaboration among institutions such as OPIC, the U.S. Agency for International Development, the Export-Import Bank, the U.S. Department of State, Department of Energy, the Millennium Challenge Corporation, and the U.S. Trade and Development Administration. [4]

The program will help enhance energy resource management capabilities of partner countries, allowing them to meet their critical energy needs and achieve greater energy security through a variety of on-grid, mini-grid, and off-grid solutions. The initiative has originally focused on Ethiopia, Ghana, Kenya, Liberia, Nigeria and Tanzania, all countries where OPIC has supported projects.

2013	2014	2015
•President Obama launches Power Africa Initiative. •OPIC commits to provide $1.5 billion of financing and insurance through 2016.	•President Obama expands Power Africa vision. •Increases goal for new, cleaner electricity capacity from 10,000 megawatts to 30,000 megawatts. •Triples accessbility target to 60 million households and businesses.	•President Obama announces that OPIC will commit an additional $1 billion of financing and insurance through 2018. •OPIC surpasses 2016 commitment a year ahead of schedule with a diverse portfolio of projects that are expected to generate almost 1,500 new megawatts of on-grid and off-grid power across the region.

OPIC convenes key stakeholders to accelerate the complicated multi-party financial transactions. The agency was a key participant in the August 2014 U.S.–African Leaders Summit, hosting and facilitating business-to-business and business-to-government meetings designed to foster greater investment in Africa by focusing on specific projects and reforms that would foster growth. To underscore its commitment OPIC committed up to $91 million in direct financing to support a 53MW modern, thermal plant in Cap des Biches, Senegal and $50 million in direct financing to support construction and operation of the *Azura-Edo* power plant project near Benin City in Edo State, Nigeria. The 459 megawatt *Azura-Edo* power project is an open cycle gas turbine power station that represents the first phase of a potential 1,000MW power plant facility. OPIC also committed $233 million in direct financing to support the construction and operation of the 100 MW Kipeto wind power project located in Kajiado, Kenya, a rural area 40 miles south of Nairobi.

OPIC in Fragile and Post Conflict Nations

Approximately $6.9 billion of OPIC's current $20 billion portfolio, more than one-third - is in post-conflict nations — nations that border on conflicts and must deal with their spillover effects, or nations that are vulnerable to conflict because of persistent risk factors such as ethnic tensions, extremism or illicit activities. These priority countries for OPIC include nations such as Afghanistan, Iraq, Jordan, Egypt, Ukraine, Georgia, Tunisia, and the West Bank.

The link between private sector investment, economic growth and national security is well-established. There is overwhelming evidence pointing to a strong link between poverty and violence. Low per-capita income is "one of the most robust explanations for the outbreak and duration" of conflict.[5] Poor nations, on average, experience a violent regime change every seven years; the average for the richest 10 percent of nations is every 60 years. Today, more than 800 million people around the world still live in extreme poverty, on less than $1.25 per day[6].

Roughly 400 million of the extremely poor live in fragile states, several of which possess weapons of mass destruction. Further, the odds of conflict and terrorism are higher when the poor are predominantly young, which is precisely the pattern that exists in the 'Arab Spring' nations and post-conflict and fragile nations of strategic interest to the United States. OPIC aims to provide U.S. companies with otherwise unavailable market based finance so that they can invest in ways that stabilize communities and nations.

OPIC is constantly reassessing and reevaluating its approaches to post-conflict or conflict-vulnerable nations. Several lessons are clear. Mobilizing private investment into these locations takes more than addressing issues of infrastructure, currency stability, safety, or encouraging talented refugees to return. It takes time for investors to assess these markets, obtain technical assistance, assemble local partners, successfully press for necessary investment climate reforms, secure political risk insurance, and of course work with co-investors such as OPIC, who are willing to take a long view with their capital. OPIC has applied this hard-won experience. Thriving, stable nations that are now staunch U.S. allies and partners in commerce, military, and foreign policy were once fledgling, unstable economies where OPIC previously supported frontier market investments.

OPIC's work in post-conflict countries helps them to stabilize and grow their economies while also supporting U.S. foreign policy priorities. OPIC's strategic, economic and moral purpose of advancing markets through long-term investment by private business, investment contributes to stability, improves the lives of people in developing nations and addresses critical needs.

See Appendix E: OPIC Activity in Selected Countries and Regions for details about specific projects.

Support for Middle East and North Africa

In response to the Arab Spring, OPIC pledged $2 billion in financial support for private investment in the Middle East and North Africa and an additional $1 billion specifically for Egypt. OPIC responded quickly to the sweeping changes taking place throughout the region, and within six months, OPIC's Board approved $500 million to support lending through local banks in Egypt and Jordan to small businesses, which are the engines of employment and growth.

OPIC continues to make progress towards these two commitments, with more than $1.9 billion in financing, guarantees, and insurance committed to date. This support has enabled new investment in critical sectors including infrastructure, energy, and financial services support for SMEs. In Jordan, for example, two OPIC-financed power plants now collectively provide 25 percent of that country's electricity. As of late 2015, Jordan was home to an estimated 800,000 refugees and asylum seekers from Syria and Iraq. Jordan has been one of the most water-deprived countries in the world and there is a high cost and time commitment to build infrastructure to transport clean water. OPIC provided financing and political risk insurance to support construction of the 202-mile Disi Water Co. pipeline running from the aquifer in southern Jordan to Amman.

Greater Emphasis on Asia and the Pacific

In order to support the U.S – Asia Pacific Comprehensive Energy Partnership, in the Asia Pacific region, OPIC focuses in four areas: renewables and cleaner energy, markets and interconnectivity, the emerging role of natural gas, and sustainable development.

In 2014 OPIC opened a new office in Bangkok, Thailand, under the auspices of the Asia Pacific Clean Energy Program, where OPIC is to provide $1 billion in financing, political risk insurance and private equity funding for sustainable power and energy infrastructure projects in the Asia-Pacific region. OPIC's presence in the region has facilitated both much improved economic diplomacy coordination with other U.S. Government departments and agencies, as well as broader business development and engagement with the private sector. This has already resulted in an increased pipeline of transactions including a $150 million to support Indonesia's renewable energy objectives and a $400 million loan to support Burma's modernization and expansion of its telecommunications infrastructure. In 2015, OPIC also provided a $2.5 million loan to allow Quantum ID Technologies Inc. to invest in an air cargo management system which will improve the competitiveness of the air cargo industry in the Philippines, and a $3.7 million loan to Big Tree Farms which will support the expansion of its sustainable and socially responsible farming operations in Indonesia.

Spotlight on Central America and the Caribbean

Since 1974, OPIC has committed an annual average of more than $760 million to the region, in sectors ranging from small business lending, power generation, and low-income mortgage lending.

OPIC plays an important role in the whole of government effort to expand U.S. engagement in Central America. This budget, therefore, includes $2 million for project promotion and support in Central America.

In Guatemala, OPIC committed a loan for $7.5 million to *Grupo Multivistas, S.A.* to finance the construction of an estimated 1,000 new residential units in second tier markets. It is estimated by the Guatemala Construction Chamber that the country is currently suffering from a 1.5 million housing deficit, compared to a total housing stock of approximately 3 million. OPIC plays an important role in housing development in the Central American region.

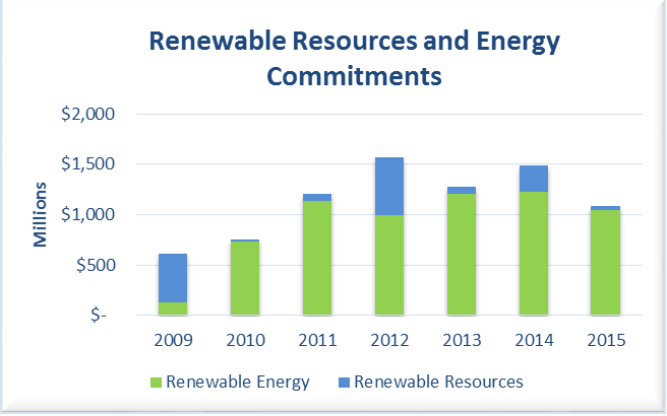
OPIC also plays a leading role to support clean energy development in the Caribbean. Not only do many Caribbean countries offer excellent natural conditions for wind and solar power, but the countries are otherwise almost totally dependent on fuel imports, often from unstable nations such as Venezuela.

OPIC provided financing to the *AIC Caribbean Fund*, which financed the construction of the first wind turbine farm in the Dominican Republic, a mid-scale, grid-connected facility capable of generating 25.2 megawatts. At peak operation, the wind facility is capable of offsetting as much as 62,500 tons of carbon dioxide (CO_2) annually – equivalent to taking more than 13,000 automobiles off the road. The project helped prove the viability of wind energy in the Dominican Republic, which today is on track to have 300 megawatts of installed capacity from wind turbines by the end of 2016.

In FY 2016, OPIC projects to commit nearly $350 million to projects to advance the cause of development in Central America and the Caribbean. Latin America and the Caribbean continue to represent the largest proportion of OPIC's portfolio.

Investing in Renewable Resources

In FY 2015, OPIC committed almost $1 billion to projects that advance a sustainable, cleaner, and more secure energy supply. Since making investments in renewable resources a top priority in 2010, OPIC has seen its activities in these sectors (renewable energy, water, agriculture, forestry) increase dramatically. In FY 2015 alone, OPIC supported renewable resources projects in a broad range of countries including Costa Rica, Jordan, Pakistan, Panama and Uganda.



Many of these projects also support Administration priorities including Power Africa and the Caribbean Energy Security Initiative.

OPIC's renewable energy commitments in Africa span numerous countries, technology types, and project sizes. In FY 2015, OPIC committed to wind, solar and hydro power projects in Kenya, Nigeria, South Africa and Uganda. OPIC-supported solar projects include solar home kits, solar mini-grids with storage, and utility-scale solar projects. Consistent with the Electrify Africa Act of 2015, S. 2152, OPIC will continue to partner with the private sector to increase access to reliable, affordable, and sustainable power in the region.

OPIC commitments to renewable resources remains instrumental to fulfilling the U.S. Government's commitments to increase funding to address climate change. Between FY 2010 - FY 2015, in the renewable energy sector alone, OPIC committed over $6 billion towards these projects. Private investment alongside OPIC support has further leveraged these commitments. For example, in FY 2015, OPIC signed a $400 million loan commitment for the Redstone 100 MW CSP project in South Africa with Solar Reserve at the Key Forum. OPIC also signed a $15 million loan commitment for the Nova-Lumos rooftop solar panel kits project that will reach approximately 70,000 residential and small commercial customers in Nigeria using a lease-to-own model.

Preparing for FY 2016, OPIC is looking forward to another year of substantial renewable resource commitments. This continuing trend sends a clear message that the transition to a cleaner and more sustainable economy represents massive business opportunities for the private sector.

OPIC is a key implementing partner of the Administration's Caribbean Energy Security Initiative, and in FY 2015 OPIC committed to a 20 MW solar PV project in Jamaica. This is the second commitment by OPIC to a renewable project in Jamaica in two years, and the second OPIC project since the launch of the Caribbean Energy Security Initiative. As noted above, in the broader Caribbean and Central America region, OPIC made commitments to three solar projects in Panama and one solar project in Costa Rica — for a total of more than $180 million in FY 2015 to renewable energy projects in the Caribbean and Central America.

Resources for Limited Partner Authority

OPIC is seeking to use up to $20 million from its Credit Reform Appropriation and $20 million in transfer authority to invest in private equity funds that serve the OPIC mission. OPIC can only participate in a growing number of private equity funds if it does so with the same rights and terms as other equity investors. The requested $40 million will allow OPIC to serve as a limited partner (LP) *pari passu* with other U.S. limited partner investors in private equity funds and will thus allow OPIC to fulfill more effectively its mission to promote development by facilitating U.S. investment.

While OPIC has existing legal authority[7] to make such LP investments under its current investment funds program, this authority requires an appropriation. OPIC's current debt product limits OPIC's ability to participate in the emerging markets private equity field. OPIC, therefore, seeks a specific appropriation as described above.

As a Limited Partner (LP), OPIC would be investing alongside private and other official LPs in privately managed, limited life investment vehicles that have ownership interests in a diversified portfolio of assets. OPIC screens for compatibility and alignment with OPIC's development and policy mission. OPIC would not select the companies in which the fund invests, invest directly in any company, or involve itself in the daily operations of a company. This LP authority will be used in regions of OPIC's and the Administration's highest policy priorities, Sub Saharan Africa and the Caribbean.

An LP equity program would provide many benefits. OPIC would be able to use the incremental return of an equity program to diversify its total exposure —increasing overall stability of OPIC's portfolio and enabling, in the long run, greater flexibility at OPIC. Finally, as an LP, OPIC would be able to collaborate in a simpler, more standard, and more compatible structure with other development finance institutions at the same level, nearly all of whom utilize LP authority extensively.

APPENDICES

Appendix A: Proposed Legislation

Waiver of Requirement to Reauthorize

While a reauthorization is pending, OPIC requires a waiver to continue its core programs. The waiver provision would provide as follows:

Notwithstanding section 235(a)(2) of the Foreign Assistance Act of 1961 (22 U.S.C. 2195(a)(2)), the authority of subsections (a) through (c) of section 234 of such Act shall remain in effect through September 30, 2017.

The Consolidated Appropriations Act, 2016 (Public Law 114-113, Sec. 7061(b)) extended OPIC through the end of FY 2016.

Appropriations Legislation: Noncredit Account

The Overseas Private Investment Corporation is authorized to make, without regard to fiscal year limitations, as provided by 31 U.S.C. 9104, such expenditures and commitments within the limits of funds available to it and in accordance with law as may be necessary: Provided, That the amount available for administrative expenses to carry out the credit and insurance programs (including an amount for official reception and representation expenses which shall not exceed $35,000) shall not exceed $88,000,000: Provided further, That project-specific transaction costs, including direct and indirect costs incurred in claims settlements, and other direct costs associated with services provided to specific investors or potential investors pursuant to section 234 of the Foreign Assistance Act of 1961, shall not be considered administrative expenses for the purposes of this heading.

Appropriations Legislation: Program Account

For the cost of direct and guaranteed loans, $20,000,000, as authorized by section 234 of the Foreign Assistance Act of 1961, to be derived by transfer from the Overseas Private Investment Corporation Noncredit Account: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That such sums shall be available for direct loan obligations and loan guaranty commitments incurred or made during fiscal years 2017, 2018, and 2019: Provided further, That funds so obligated in fiscal year 2017 remain available for disbursement through 2025, funds obligated in fiscal year 2018 remain available for disbursement through 2026, and funds obligated in fiscal year 2019 remain available for disbursement through 2027: Provided further, That notwithstanding any other provision of law, the Overseas Private Investment Corporation is authorized to undertake any program authorized by title IV of the Foreign Assistance Act of 1961 in Iraq: Provided further, That, of the amounts provided herein, up to $20,000,000 may be transferred and merged with the Overseas Private Investment Corporation Noncredit Account for the purposes of section 234(g)(5) of the Foreign Assistance Act of 1961.

Provided further, that funds made available pursuant to the authority of the previous provision shall be subject to the regular notification procedures of the Committees on Appropriations. In addition, such sums as may be necessary for administrative expenses to carry out the credit program may be derived from amounts available for administrative expenses to carry out the credit and insurance programs in the Overseas Private Investment Corporation Noncredit Account and merged with said account.

Transfer Authorities (General Provisions)

Whenever the President determines that it is in furtherance of the purposes of the Foreign Assistance Act of 1961, up to a total of $20,000,000 of the funds appropriated under title III of this Act may be transferred to the Overseas Private Investment Corporation Noncredit account for the purposes of Section 234(g)(5) of the Foreign Assistance Act of 1961: Provided, That such funds shall not be available for administrative expenses of the Overseas Private Investment Corporation: Provided further, That the exercise of such authority shall be subject to the regular notification procedures of the Committees on Appropriations.

Export Financing Transfer Authorities

Not to exceed 5 percent of any appropriation other than for administrative expenses made available for fiscal year 2015, for programs under title VI of this Act may be transferred between such appropriations for use for any of the purposes, programs, and activities for which the funds in such receiving account may be used, but no such appropriation, except as otherwise specifically provided, shall be increased by more than 25 percent by any such transfer: Provided, That the exercise of such authority shall be subject to the regular notification procedures of the Committees on Appropriations.

Appendix B: OPIC Policy Monitoring Methodology

OPIC is undertaking several initiatives to improve its methodology for assessing and monitoring development impact. In addition to addressing the GAO recommendations noted previously, OPIC is participating voluntarily in targeted working groups with other DFIs to develop standardized development impact indicators. Development and adoption of standardized indicators by multiple DFIs will reduce reporting burdens on clients and allow for more efficient reporting by DFIs. OPIC is also improving its data infrastructure and processes to make development impact data more accessible.

Currently 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 Questionnaires." Since 1993, all investors have been required to complete a Self-Monitoring Questionnaire per the standard OPIC finance agreement and insurance contract.

Using a statistical sampling methodology combined with risk-based monitoring, OPIC identifies investment projects that the Office of Investment Policy staff across all disciplines will monitor on site, drawing active projects that exhibit specific characteristics within the portfolio.

Projects selected for site monitoring include:

- a random sample of projects supported by the agency during a three-year period or "monitoring round;"
- projects supported during this period that are sensitive with respect to U.S. economic effects, labor or environment, social, health and safety issues; and
- projects from other years that have either not been site-monitored in the past or that fit in logistically with randomly sampled projects in similar regions or countries.

Applying the "sensitive project" sample on top of the randomly selected projects ultimately provides a conservative bias to the monitored results.

Labor and Human Rights - 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, sectors and projects with a higher potential for possible worker rights violations.

When projects require a high degree of oversight or in the cases where worker rights violations may be difficult to identify during a typical project site monitoring visit, OPIC may employ a certified third party labor auditor. Depending on the nature of the project,

auditors could be recruited from the NGO or civil society or through specialized consulting firms. 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 stakeholders such as government officials and knowledgeable local NGOs and organized labor groups.

Environment, Social, Health, and Safety (E&S) - With respect to environmental and social (E&S) impact, projects selected for site monitoring in a given year are prioritized based on environmental and social risks at different stages in the project. Environmental and social risks 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 incorporated 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 - OPIC helps U.S. businesses expand into rapidly growing emerging markets that have enormous pent-up demand and opportunities. These investments support jobs, both in developing countries and in the United States. OPIC will not support any project that will harm U.S. jobs or U.S. industry, or have harmful effects on the U.S. economy. In fact, OPIC projects have generated an estimated $80 billion in U.S. exports and supported more than 280,000 American jobs since 1974. 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 also 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 certain products to the U.S. or to significant U.S. export markets).

U.S Economic Benefits of New 2015 Projects

Total project investment	$14.2 billion
U.S investment in projects	$4.8 billion
U.S percent of total	34%
Total direct U.S. project exports	$264 million
Initial Procurement	$181 million
Operational procurement *	$82.9 million
U.S jobs supported	401

* Total amount over a 5-year period

OPIC helps support U.S. jobs

- FY 2015 projects are expected to result in U.S. **procurement of $264 million** in goods and services over five years and support 401 newly created U.S. jobs.
- No FY 2015 project is expected to result in the loss of any U.S. jobs.

Development 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 projection. 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 on OPIC's developmental matrix using actual findings, and this score is compared to the initial developmental impact projections using the same criteria used in the project's original OPIC review.

Appendix C: Measuring Development Impact Matrix

OPIC's core mission is to promote private U.S. investment that will contribute to the economic development of the world's less developed countries.

OPIC has two measurement tools – one pertaining to physical investments and one tailored for financial services projects – that enable OPIC to compare the developmental impacts of projects across the portfolio and over time. In 2012, OPIC revised these tools in an effort to simplify, improve, and harmonize its development impact measurement with other development finance institutions. The revised tools became operational on October 1, 2012, and OPIC is currently reviewing its experience with this revised tool, and incorporating some of the harmonized development impact indicators from the DFIs in order to continually improve the way it measures local development impact.

OPIC measures development impact through the following five broad categories, regardless of the project's industry sector or the host country's level of development. A project must score at least 25 out of 100 possible points on the matrix to be considered developmental and clearly eligible for OPIC support.

OPIC's Development Matrix

Jobs & Human Capacity Building – In addition to the creation of direct, permanent jobs, the matrix takes into consideration the creation of temporary/construction jobs. This factor also measures a project's impact on employee training and employee benefits.

Demonstration Effects – This factor measures a project's impact on technology and knowledge transfer, technical assistance to suppliers or borrowers, the introduction of new products (including financial products), regulatory and legal reform, and the adoption of internationally-recognized quality or performance standards.

Host Country Impact – This factor measures a project's downstream impact through the procurement of local goods and services (both initial and operational), as well as a project's fiscal and foreign exchange impacts. For projects involving financial services, this factor measures the amount of funds to be disbursed, as well as the impact on micro, small, and medium-sized enterprises, entrepreneurship, and home ownership.

Environmental and Community Benefits – This factor captures a project's environmental benefits, such as renewable energy, remediation of brownfield sites, or use of energy-efficient equipment, as well as a project's efforts to help the community in which it operates.

Developmental Reach – This factor measures the extent to which a project improves the host country's infrastructure or provides specific benefits to the lower-income or underserved segments of the population such as women, or is located in a low-income country. For projects involving financial services, this factor measures the extent to which the financial intermediary will target underdeveloped areas or underserved, poor populations.

Appendix D: OPIC Collaboration with Other Federal Agencies

Angel Capital, Early-Stage Capital, and Crowding-in

USAID's broad spectrum of financial services to the private sector help pave the way for later stage OPIC support. From USAID's grant assistance for local consultants, cooperatives, and business associations, to early-stage funding of entrepreneurial incubation (PACE), USAID projects are akin to angel capital that crowd-in and leverage further finance. OPIC's tools build on and amplify USAID investments. Given the complementary capabilities of OPIC and USAID's Development Credit Authority (DCA), our staff meet every quarter to share information about pipeline projects and decide how to refer projects to one another, allocate or share investment risks.

In Lebanon, for example, USAID provided a $1.2 million grant and technical advice for a microfinance on-lender, *Global Communities* (formerly *CHF International*). Thanks to that USAID support, OPIC was able to follow with a $23 million investment guarantee for loans to small business, especially those owned by women.

Access to Finance for Small and Medium Enterprises

OPIC and USAID work collaboratively to support the *Afghan Growth Finance Company* (AGF). AGF was initially created by a $25 million direct loan in 2007 from OPIC via the *Small Enterprise Assistance Funds* (SEAF). In 2010, USAID provided $10 million in grant assistance coupled with a follow-on loan of $30 million from OPIC. It is estimated that over 60 full-time non-seasonal jobs are created or maintained for every $1 million that AGF lends to local SMEs. With the $10 million USAID grant, and $55 million of OPIC support, AGF can generate close to 3,400 jobs in Afghanistan. By the end of 2013, AGF had disbursed over $49 million to small businesses in agribusiness, manufacturing, transport, storage, services and technology.

Stronger SME partnership between OPIC and USAID is the Middle East Investment Initiative (MEII) Loan Guaranty Facility (LGF) which provide funds to businesses through participating Palestinian banks. USAID first helped launch MEII with $5 million in technical assistance to train loan officers and improve financial literacy among potential borrowers. Once established, OPIC was able to join MEII by committing up to $241 million in financing. By the end of 2013, the MEII LGF had approved more than 600 loans totaling $105.2 million to SMEs in the trading, manufacturing, and services sector. These SMEs have directly supported over 2,100 local jobs. About 225 loans, or $43 million, had already been repaid, and the default rate stood at a very low 2.1 percent. OPIC and USAID Help to Restore Post-Conflict Nations.

USAID invests more than $1 billion annually in helping post-conflict and crisis-affected nations restore the cornerstones of their economies through the design and construction of energy infrastructure, water systems, roads, telecommunications, as well as schools and health facilities. OPIC seeks to encourage private investors to develop the next phase of ventures that will amplify these efforts, creating jobs and helping rebuild economies.

Housing and Basic Services in High-Impact Sectors

USAID and OPIC often collaborate in public-private partnerships that bring together technical assistance and capital for impact in capital-starved sectors that provide basic services such as healthcare and education. OPIC has provided a $5.4 million direct loan to a USAID project, the *Medical Credit Fund*, which is partnering with local banks in Sub-Saharan Africa to provide loans to SME healthcare providers serving low-income populations.

The *Haiti Reconstruction Facility*, managed by Development Innovations Group (DIG), a U.S. company, is providing financing for the construction and repair of storm-ravaged homes and businesses in Haiti. USAID is leading the effort to develop mortgage underwriting standards and educate borrowers and builders on "Build Back Better" standards of construction and also provide $6 million in grant support while OPIC has followed with a direct loan of $17 million to the housing reconstruction facility.

Appendix E: OPIC Activity in Selected Countries and Regions

Middle East and North Africa (MENA)

Since 1974, OPIC has committed more than **$10.1 billion in support of 505 projects** in the MENA region. OPIC supports efforts to create sustainable jobs by targeting two main sectors: financial services and infrastructure. OPIC's portfolio in MENA currently totals **$3.4 billion across 66 projects** including:

Financial Services

- Private Equity Funds – OPIC has committed to providing debt financing to a number of private equity funds operating in the MENA region, including $30 million for Siraj Private Equity Fund I.

- SME Credit – Up to $250 million each for Egypt and Jordan toward loan guarantee facilities for these two countries targeting SMEs. By targeting small businesses, these loans will help create jobs and economic growth in two key countries affected by recent economic and political events. This project involves a U.S. sponsor, Global Communities, and critical grant funding from USAID.

- SME Credit – $10 million in financing for a SME loan guaranty program run by Koret Israel Economic Development Funds (KIEDF), an Israeli nonprofit organization. The project is expected to increase access in Israel to credit for SMEs, stimulate entrepreneurship, increase competition in the market, and provide knowledge transfer impacts by providing technical assistance to small business owners in developing business plans. The project will enable Bank Leumi, a major Israeli bank, to increase its lending to Jewish and Israeli-Arab borrowers identified by KIEDF, largely in the impoverished regions of the Triangle Region, and the North.

Infrastructure

- Energy: Tri-fuel – $270 million in financing and $49 million in insurance to AES Corporation to support the development, construction, and operation of a 240 MW tri-fueled electric power plant designed to meet peak demands for power in Jordan.

- Water – $250 million in financing to GE Ionics to support the construction of the Hamma Water facility in Algeria, the country's first privately-owned water desalination plant. The facility delivers up to 200,000 cubic meters of potable water to Algiers each day, and provides potable water to 25 percent of the city of Algiers mitigating severe water shortages.

- Agriculture – $33 million in political risk insurance to Lindsay International Sales & Service, a Nebraska-based company supplying the Iraqi State Company for Agricultural Supplies with modern irrigation equipment which will help local farmers produce more ample harvests. With OPIC's backing, Lindsay will ship, transport and install 650 pivot irrigation systems across Iraq, making a giant step toward

revitalizing the farm industry in arid, drought-prone Iraq. This project will not only help make Iraq more self-reliant in its food supply but, by supporting productive farms, create jobs in a sector that has long been a leading employer in Iraq.

- Oil & Gas – $372 million in insurance for the Apache Corporation, the largest U.S. investor in Egypt, to support the development of oil and gas concessions. Apache has maintained OPIC insurance for a decade, while the value of its investment has grown to $6 billion. This insurance coverage is crucial to Apache, the largest producer of liquid hydrocarbons and natural gas in the Western Desert and the third largest in all of Egypt. The company's continued investment generates local employment opportunities and substantial tax revenues for the Egyptian government. Additionally, Apache sponsors the nonprofit organization Springboard - Educating the Future, which seeks to build 200 schools for Egyptian girls in rural communities.

OPIC is currently completing due diligence on a number of high-priority projects, including:

- Energy Infrastructure (Wind) – $250 million in financing for a 250 MW wind project in Egypt to diversify domestic energy production.

- Job Creation (SMEs) – $45 million in financing to help local banks in Morocco provide loans to SMEs that are confined by limited access to capital.

- Energy Infrastructure (Solar) – $75 million in financing for a U.S. renewable energy developer to build a 50 MW solar energy plant in Egypt to diversify domestic energy production.

Iraq

Since 2004, OPIC has committed nearly **$629 million in 32 projects** in Iraq.

OPIC's portfolio in Iraq currently totals **$169 million across 6 projects**, including:

SME Credit **–** In 2005, OPIC leveraged grant resources and the U.S. private sector to create the Iraq Middle Market Development Foundation (IMMDF), which has made loans to businesses, especially SMEs, including in the agricultural sector. OPIC continues to provide financing to support growing enterprises that show promise in the recovering Iraq economy.

Microfinance **–** OPIC is financing $65 million for the expansion of microfinance services in Iraq. This debt facility will enable the expansion of the largest microfinance service provider in the country, which serves almost 23,500 clients. Most of the clients are micro-entrepreneurs working in the trade and service sectors, including grocery stores, mobile phone shops, clothing and accessories, as well as electricians and mechanics.

Humanitarian Assistance **–** OPIC is providing $212,000 in insurance to an international organization to support its activities and services in Iraq.

Infrastructure (Housing and Hotel) **–** OPIC is financing a $26.8 million Atlantic housing project for the construction of and lease purchase financing of 900 affordable housing units in Kurdistan. Iraq has a housing deficit that dates back several decades, with an estimated need of more than one million units. Additionally, in August, FY 2015, OPIC approved a $21,000,000 loan for the construction of a Claremont Hilton Doubletree Hotel in Erbil. The loan, which is projected to disburse in early FY 2016, will provide much needed international-standard hotel space for investors and tourists in the region.

Pakistan

Since 1974, OPIC has committed more than $1.9 billion for 131 projects in Pakistan. OPIC investment in Pakistan supports the Administration's economic development priorities in the region by focusing on:

- Access to capital for SMEs
- Infrastructure development (housing, energy, telecommunications)
- Humanitarian assistance and disaster response

OPIC's portfolio in Pakistan currently totals **$892 million across 17 projects**, including:

Health care **–** $30 million loan to the Aga Khan Hospital and Medical College Foundation to renovate and expand the facility with a new ambulatory care building; a neonatal, medical and pediatric intensive care unit; a center for innovation in medical education; a child care center; a new private wing that will subsidize healthcare to poorer patients; and the introduction of advanced equipment throughout. This project will significantly improve the availability and quality of healthcare, and help address the critical shortage of hospital beds in Pakistan by increasing the total number of available beds at AKU Hospital by nearly 40 percent, increasing critical care beds by 65 percent. The expansion will also increase the number of in-patients admitted by 42 percent and the number of outpatients cared for by 19 percent annually, while also creating nearly 1,000 jobs.

SME Credit **–** $7 million to help launch a microfinance institution with branches across the country and a $21.5 million loan guarantee to help expand its microfinance portfolio that features a special program for those affected by flooding in the summer of 2010 as well as individuals and small businesses in underserved areas of the country.

Infrastructure – $20 million for the construction of a 28-story office building in Karachi. Karachi, with a population of 18 million people, has a critical shortage of commercial real estate, which has deterred business investment. The building will have several sustainability features, including a natural-gas fired cogeneration power plant, an exhaust heat recovery system, condensation collection systems for water usage, and efficient lighting fixtures. It will also feature world-class IT and security systems. The building is

now completed and has leasing commitments signed for 46 percent of the office space. In FY 2015, OPIC supported $250 million to rehabilitate and upgrade the electricity transmission and distribution system including the installation of new substations, transmission lines, grid equipment, and smart meters. This investment is one of the most significant modernization of the power grid system in Karachi.

Renewable Energy (Biomass) **–** $16.7 million for a 12 MW biomass-fueled power plant that will utilize bagasse, a byproduct from sugarcane and rice husks and other plant wastes for fuel. The project will help Pakistan to address its electricity deficit with a carbon-neutral source of renewable energy.

OPIC is currently completing due diligence on several priority projects in Pakistan, including:

Renewable Energy (Biomass) – Insurance to support the construction and operations of a biomass-fueled power plant.

Micro-Financing (Housing) **–** Financing to support the expansion of a local micro-finance bank's mortgage lending portfolio in connection to a new affordable housing development.

Sub-Saharan Africa

Since 1974, OPIC has committed over $11.7 billion in support of 537 projects in Sub-Saharan Africa.

Through sustainable investments in communities and resources, OPIC supports the Administration's commitment to social and economic prosperity in the region. Existing OPIC initiatives and new projects especially focus solutions on four critical areas: financial services; infrastructure development (energy, construction, and housing); agriculture and food security; and renewable resources. OPIC's portfolio in Sub-Saharan Africa currently totals over $5 billion across 123 projects.

Financial Services – OPIC is currently financing over $1.8 billion for projects in financial services, including microfinance and credit for SMEs. For example, OPIC is providing $12 million in financing for Bangladesh Rural Advancement Committee (BRAC)-owned MFIs in Tanzania. By providing capital to those who would otherwise be unable to obtain credit from mainstream banks, these MFIs are an engine for income generation in Tanzania.

Infrastructure **–** OPIC is currently financing over $721 million for infrastructure projects in energy, construction, and housing. Sample projects include:

- Energy (Tri-fuel) **–** $196 million in loans and political risk insurance to build a 100 MW "tri-fuel" power plant in the Republic of Togo, tripling Togo's energy generation capacity and virtually ending the nation's rolling blackouts. The

project was also recognized as one of the Top 40 public-private partnerships of recent years by the International Finance Corporation and Infrastructure Journal.

- Energy – $37.8 million in political risk insurance to support the construction of three combined heat and power (CHP) plants in Nigeria for the Nigeria Bottling Company (NBC), an affiliate of a Coca-Cola brand distribution company. CHPs have energy efficiency as high as 90 percent, which is significantly better than the 35-40 percent efficiency of conventional gas-fired simple cycle power plants. One of the plants will also incorporate a carbon capture technology to trap and purify approximately 95 percent of the CO_2 from the CHP's flue gas. This CO_2 can then be repurposed and used by NBC in their beverages or sold to companies who need food grade CO_2. These innovative projects will promote energy efficiency, while lowering carbon emissions and also supporting local economic development.

- Renewable Energy – OPIC is currently financing nearly $800 million for renewable projects. Sample projects include:

- Geothermal – Up to $310 million for a project that will double the generating capacity of a geothermal plant in Kenya, adding 52 MW to the existing 48 MW of capacity. The expansion will incorporate environmentally-friendly American technology, and create over 50 new local jobs. It is also expected to support approximately 107 U.S. jobs through procurement of U.S. goods.

- Solar – OPIC has committed up to $250 million in financing for the agency's first solar power project in South Africa, a 60-megawatt plant that will help diversify the country's electricity generation beyond its heavy coal concentration and in the process avoid emissions of approximately 140,000 tons CO_2in its first year alone. The OPIC financing will enable two U.S. companies to construct and operate a solar photovoltaic plant in Boshoff, in South Africa's Free State province. All electricity generated by the plant will be sold to the national grid through a power-purchase agreement.

- Wind Power – OPIC has committed $233 million in financing to support construction and operation of a wind power project in Kajiado, Kenya. The 100-megawatt, grid-connected wind power facility located south of Nairobi will be, when complete, one of the first utility-scale wind projects to come online in Kenya, where over 75 percent of the population still lack access[8] to reliable electricity. Situated in an area with strong, consistent wind currents, the Kipeto project will provide cleaner and more reliable energy to Kenya's national grid, helping to further bolster the country's growing economy.

Agriculture and Food Security – OPIC is currently financing over $21 million for agriculture and food security projects. Sample projects include:

- Agriculture (Investment Funds) – OPIC executed a $50 million Finance Agreement to support the African Agriculture Fund; a $243 million fund focused on the primary (arable and plantations), secondary (processing and animal feeds), and tertiary (storage, fertilizers, packaging) agricultural sectors in Africa. The fund will seek to invest in commercial farming operations with expansion potential, and to bring modern management skills to those operations in order to improve performance.

- Agriculture and Food Security (Processing) – OPIC issued $7 million in insurance to support the expansion of tea processing facilities at the Sorwathe factory in Rwanda. Tea Importers, the U.S. company that owns Sorwathe, currently purchased tea leaves from about 5,000 small landholders, making the factory a critical source of employment and income in Rwanda.

Appendix F: Creating Innovative Products for Companies and Investors

Innovation has long been a guiding principle at OPIC, which has built creative deal structures and partnerships to address the challenges of investing in the developing world. OPIC works with the private sector to find new solutions to old problems, for example:

Impact Investing Initiative – OPIC continues to strengthen its work and leadership in the field of impact investment by committing over $3.02 billion in impact sectors in FY 2015, including $44.5 million in support of SME lending vehicles projects. OPIC's President and CEO, Elizabeth Littlefield, serves on the U.S. National Advisory Board for the G7 Impact Investing Taskforce. Working with partners in the development finance sector, OPIC is helping coordinate benchmark reporting metrics to clearly show how environmental and social returns are being achieved. Interagency cooperation with the United States Trade and Development Agency (USTDA) and the U.S. Department of State though the ACEF program, Global Development Innovation Ventures (GDIV) and regular meetings with the Development Credit Authority is yielding an alignment of U.S. early stage grant, financing and guarantee capital. In addition, OPIC is working with U.S. private investors, foundations, and family offices to help them identify opportunities to intervene in challenging impact sectors such as agriculture and early stage financing of scalable SMEs.

Innovative Financial Intermediary Program – OPIC has seen increased demand from fund managers and investors for financing to financial intermediaries that contains elements of both its financing and investment funds programs, but do not fit squarely into either category. In response, OPIC launched the Innovative Financial Intermediary Program (IFIP). The first IFIP is a two-year $500 million pilot program to help small and medium enterprises through financing for small equity funds, debt funds, hybrid debt-equity funds, and greenfield nonbank financial institutions.

The program supports financial intermediaries who will invest in enterprises in OPIC-eligible countries through investment vehicles that are smaller than those typically supported by OPIC, or where the investment vehicle is deploying capital in the form of debt or a combination of debt and equity.

After the first successful launch of the two-year IFIP pilot, OPIC extended another two year pilot program until 2017 to respond to the market demand for small, high impact, high innovation funds and fund-like structures. The IFIP pilot has enabled OPIC to establish a new process to consider these different structures and respond more effectively to them, while leveraging the expertise and best practices within the Agency's finance and investment funds departments.

Portfolio for Impact (PI) is a pilot program designed to support small projects that have great potential to generate a positive social impact but face multiple challenges in obtaining financing. The two-year, $50 million program will support a select group of projects that meet clearly defined eligibility requirements. OPIC will support these projects with loans from $1 million to $5 million with a maximum tenor of 10 years. In

order to monitor and mitigate risk, OPIC will underwrite and monitor these projects individually and as part of a portfolio.

Financing for Distributed Generation – OPIC has developed a portfolio approach to financing large numbers of small transactions (e.g. rooftop solar or village generation), which aggregates the cash flow streams of the individual leases or power purchase agreements for repayment of the OPIC debt. In FY 2015, OPIC committed $33.3 million to finance four projects using this model, including projects in Africa, Central America, and Asia. These regions have high foreign policy priority. In addition, the model makes an extensive impact by allowing small customers, both on-grid and off-grid, to generate reliable, cost-effective, and cleaner supplies of electricity.

Green Guaranties – Since its launch last year, OPIC has supported seven wind, solar and hydro project financings aggregating over $230 Million using its Green Guaranties Program. Green Guaranties are U.S. Government guaranteed Certificates of Participation which adhere to the Green Bond Principles of 2014, as amended in 2015, which recognize several broad categories of potential eligible projects including renewable energy, energy efficiency, sustainable waste management and clean water.

Insurance protection for regulatory risks – This product provides a guarantee of payments under a power purchase agreement against unilateral changes of tariffs, e.g., a Feed-in Tariff, or against government actions that violate existing contracts by interfering with investors' ability to utilize available revenue flows.

Appendix G: Breakdown of FY 2017 Budget Request

	2015	2016		2017
	Actual	Request	Enacted P.L. 114-113	Request
Resources				
Administrative Expenses	62.4	81.7	62.5	87.6
Internal/External audits, Inspections, Evalutions	0.4	1.8	0.3	0.4
Administrative Appropriations	62.8	83.5	62.8	88.0
Credit Program	25.0	20.0	20.0	20.0
Total Appropriations, Gross	**87.8**	**103.5**	**82.8**	**108.0**
Other Operations				
Noncredit - WCPI, Insurance, Discounts	13.0	15.0	15.0	15.0
Insurance Income	(20.0)	(20.0)	(20.0)	(30.0)
Negative Subsidy	(126.0)	(218.0)	(218.0)	(296.8)
Subtotal	(133.0)	(223.0)	(223.0)	(311.8)
Non-Operating Income				
Insurance Recoveries	(40.0)			
Interest on Reserves	(148.0)	(142.0)	(143.0)	(137.1)
Subtotal	(188.0)	(142.0)	(143.0)	(137.1)
Net Collections	**(321.0)**	**(365.0)**	**(366.0)**	**(448.9)**
TOTAL, OPIC	**(233.2)**	**(261.5)**	**(283.2)**	**(340.9)**

Appendix H: Budget Proposal Detail - OPIC Administrative Expenses

OPIC FY 2017 Budget Request
Administrative Expenses by Object Class ($ in millions)

	FY 2015	2016		2017
	Enacted PL 113-235	**Request**	**Enacted PL 114-113**	**Request**
Personnel - compensation and benefits	39.16	44.00	43.50	53.00
Rent, utilities	6.26	10.00	6.25	10.00
Contracts				
Information systems support	5.00	9.00	5.50	7.50
Miscellaneous contracts	5.97	8.50	3.56	7.60
Software Maintenance	0.30	1.40	0.30	1.00
Subtotal, Contracts	***11.27***	***18.90***	***9.36***	***16.10***
Other				
Communications	0.85	1.50	0.40	1.25
Supplies and materials	0.91	1.40	0.50	1.25
Personnel related expenses	0.96	2.00	0.50	1.50
Training, travel	1.00	1.30	1.08	1.50
Printing and Reproduction	0.50	0.90	0.13	1.00
Publications	0.40	0.70	0.50	1.00
Hardware, software	1.10	1.00	0.25	1.00
Subtotal, Other	***5.72***	***8.80***	***3.36***	***8.50***
Inspector General	***0.38***	***1.80***	***0.32***	***0.40***
Total administrative expenses	**62.79**	**83.50**	**62.79**	**88.00**
FTE	***260***	***290***	***289***	***350***

Appendix I: GPRA Annual Performance Plan/Report

GPRA Strategic Goal	Strategic Objective	Performance Plan Outputs and Outcomes	FY 2015 Target	FY 2015 Actual	FY 2016 Target	FY 2016 Actual	FY 2017 Target
Grow Portfolio Impact	Aim for high development impact	Projects with development scores evidencing high development impact[9]	50	51	50		50
	Increase commitments	Millions of dollars in finance and insurance project commitments[10]	$3,200	$4,386	$4,300		$4,850
Increase Environmental Benefit	Maintain focus on renewable resources and energy efficiency	Millions of dollars in finance and insurance commitments in projects that are dedicated to renewable resources and energy efficiency	$1,000 or 1/3 total commitments	$1,084	$1,000 or 25% total commitments		$1,200 or 25% total commitments
	Minimize GHG emissions across portfolio	Millions of tons of CO_2 emitted by projects in the OPIC portfolio[11]	≤ 36	6.8	≤ 36		≤ 36

Appendix J: Policy Directive on Global Development

On September 22, 2010, the President signed a first of its kind Presidential Policy Directive on Global Development.[12] The directive provides guidance for Federal agencies on the President's strategic direction. The table below summarizes the key ways in which OPIC catalyzes the private sector in support of the Directive's three pillars.

Pillars of Presidential Directive	Key Approaches	OPIC's Role
A policy focused on sustainable development outcomes that places a premium on broad-based economic growth, democratic governance, game-changing innovations, and sustainable systems for meeting basic human needs;	• Foster the next generation of emerging markets by enhancing our focus on broad-based economic growth and democratic governance. • Game-Changing Innovations.	• Private sector-led growth is most likely to be self-sustaining because it focuses capital on efficient uses. • OPIC combines creative and flexible financial tools with the innovation of the U.S. private sector.
A new operational model that positions the United States to be a more effective partner and to leverage our leadership;	• Be more selective about where and in which sectors it works. • Underscore the importance of country ownership and responsibility. • Leverage the private sector, philanthropic and nongovernmental organizations, and diaspora communities. • Strengthen key multilateral capabilities. • Drive our policy and practice with the disciplined application of analysis of impact.	• OPIC has signed multiple framework agreements in partnership with commercial banks and peer development finance institutions such as IFC in order to end redundant or inconsistent deal sheets and accelerate project processing. • Where possible, OPIC has aligned its environmental and social standards with the project finance industry standard, the so-called Equator Principles, so private sector clients can proceed with a common set of terminology and standards. • OPIC's impact investing initiative provides financing for high-impact ventures – whether fully commercial enterprises or social enterprises – that aim for development results in the most challenging sectors while maintaining financial viability.
A modern architecture that elevates development and harnesses development capabilities spread across government in support of common objectives.	• Elevate development as a central pillar of our national security policy, equal to diplomacy and defense, and build and integrate the capabilities that can advance our interests. • Establish mechanisms for ensuring coherence in U.S. development policy across the United States Government. • Foster the integration of capabilities needed to address complex security environments.	• OPIC collaborates with USAID through a variety of initiatives and tools, such as the Development Credit Authority. See Appendix B. • OPIC collaborates with the SBA, Export-Import Bank, USTDA, and Commerce for "Expanding Horizons" workshops that held educate businesses across the U.S. about the full spectrum of financing and support available for those interested in pursuing opportunities in the global economy.

[1] "The Wealth of Cities: The Investment Implications of Urban Expansion," Prudential Investment Management, 2015.
[2] http://www.imf.org/external/Pubs/ft/weo/2014/01/pdf/text.pdf
[3] http://www.gao.gov/assets/680/674142.pdf#page=68
[4] http://www.whitehouse.gov/the-press-office/2013/06/30/fact-sheet-power-africa
[5] Justino, Patricia, "Poverty and Violent Conflict: A Micro Level Perspective on the Causes and Duration of War" MICROCON Research Working Paper 6, January 2009. This paper includes a useful summary of literature over the past 15 years.
[6] http://www.un.org/millenniumgoals/poverty.shtml
[7] 22 USC 2194(g)(5)
[8] http://data.worldbank.org/indicator/EG.ELC.ACCS.ZS
[9] Projects that receive a score in the range of 60-100 are considered highly developmental.
[10] All dollar numbers in millions.
[11] Targets are based on an anticipated reduction in CO2 emissions, from 2008 baseline levels by 2018.
[12] http://www.whitehouse.gov/the-press-office/2010/09/22/fact-sheet-us-global-development-policy