Report of the

OVERSEAS PRIVATE INVESTMENT CORPORATION

ANNUAL POLICY REPORT

FISCAL YEAR 2012

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EXECUTIVE SUMMARY

The Overseas Private Investment Corporation (OPIC) is the U.S. Government's development finance institution. The agency's core mission is to mobilize private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy.

OPIC has long been a leader among international financial institutions in creating and applying high standards that advance long-term sustainable development, thoroughly reviewing and regularly monitoring the projects it supports. This report offers a summary of the impact of OPIC's work in Fiscal Year 2012, both in the United States and in developing and emerging markets around the world.

OPIC's activities in Fiscal Year 2012

In FY12, OPIC committed new financing and/or political risk insurance for 120 new projects located in 42 countries and seven regions around the world. These included 79 finance projects, 23 investment fund subprojects, and 18 insurance projects for a total investment value (OPIC and other investors) of $5.4 billion.

Regions

OPIC works throughout the developing world and emerging markets. In FY12, 27% of new projects were in Latin America, 22% in Sub-Saharan Africa, 20% in Asia, and 19% in the Middle East and North Africa (MENA) region.

> Investing in Sub-Saharan Africa can have a positive impact in the United States. A little more than half of the US job creation that is projected from the new projects that OPIC supported in FY12 comes from investments in Sub-Saharan Africa.

Key Sectors

OPIC continues its strong focus on investment in renewable resources. OPIC supported 19 new projects in the renewable resources sector, including renewable energy, clean water, and sustainable agriculture. Together, the projects OPIC supported in FY12 will help avoid the emission of 349,000 tons of CO_{2eq} per year, and contribute to the generation of 200 megawatts of renewable energy each year.

The financial services sector – which includes microfinance and lending to micro, small and medium-sized enterprises (MSMEs) – accounted for 51% of new projects in FY12. These projects encourage bank lending to MSMEs, increasing access to credit in developing countries, which encourages personal savings, entrepreneurial activity, and use of technology to foster greater innovation and improved productivity. Supporting MSMEs also helps to create jobs and a critical path out of poverty.

Impact on US business

As in past years, none of the projects supported in FY12 are expected to result in the loss of any US jobs. In fact, these projects are expected to support 650 US jobs and procurement of an estimated $224 million in US goods and services over the next five years.

OPIC also supports US small businesses directly and indirectly. Eighty-eight of the 120 projects (73%) OPIC supported in FY12 were in direct partnership with US small businesses. In addition, the 120 new project OPIC supported in FY12 are expected to procure $37 million in goods and services from US small businesses located in 14 states and the District of Columbia.

Host country impact

Job creation is the biggest developmental impact OPIC-supported projects have in the countries in which OPIC operates. New projects supported by OPIC in FY12 are expected to directly generate 11,000 host country jobs over five years, about two-thirds of which are expected to be skilled or managerial positions.

By region, that includes:

- 4,800 new jobs in **Asia**[1] in addition to the 71,000 local jobs that OPIC's current portfolio supports;
- 3,200 new jobs in **Sub-Saharan Africa** in addition to the 26,000 local jobs already supported;
- 1,300 new jobs in **Latin America** in addition to the 36,000 local jobs already supported; and
- 800 new jobs in **MENA** in addition to the 21,000 local jobs supported by OPIC's existing portfolio.

OPIC-supported projects also have important indirect job creation impacts. Seventy-six percent of OPIC's financial services clients in FY12 reported that they support MSMEs in their portfolios, providing an important driver for job creation and economic growth in developing and emerging economies. Over 90% of OPIC-supported financial services projects reach underserved populations including women and the poor, and over half lend in rural areas.

OPIC also measures its impact through increased local purchasing by the projects it supports; 68% percent of OPIC clients in FY12 reported that they procured locally, injecting an estimated $3 billion in additional spending into local economies.

Environmental and social impact

To support OPIC's strong and growing portfolio in renewable energy, and to help OPIC clients meet international best practices in this key sector, in FY12 OPIC created Renewable Energy Guidelines for solar, wind, biofuel, and geothermal projects. These guidelines will also help expedite project review by highlighting significant environmental and social issues that are generally associated with each type of renewable project, and help clients build stronger and more sustainable projects.

OPIC has committed to reducing the direct green house gas (GHG) emissions associated with projects in its active portfolio as of June 30, 2008 by 30% over a ten-year period and by 50% over a 15-year period. Since 2008, GHG emissions generated by OPIC-supported projects have been cut by 34%, putting OPIC on track to meet its 15-year target.

Labor and human rights

OPIC works to ensure that the projects it supports respect human rights, including workers rights. All of the 120 new projects OPIC supported in FY12 were screened and determined to be able to meet international best practices in worker rights protection.

Project Monitoring

OPIC monitors the policy compliance and development impact of every active project from inception to conclusion with detailed annual self-monitoring questionnaires (SMQ) and selective on-site monitoring. In FY12, OPIC reviewed almost 320 SMQs and conducted on-site monitoring of 32 active projects. OPIC also introduced a new more user-friendly, web-based SMQ form, in order to reduce client reporting burden and improve reporting data quality.

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[1] Asia includes East and Southeast Asia, South Asia, and West and Central Asia.

I. OPIC IN FISCAL YEAR 2012

Fiscal Year Overview

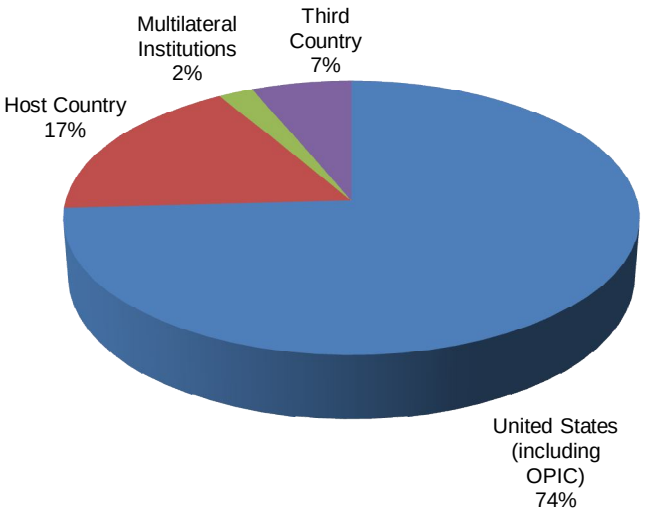
In FY12, OPIC supported 120 new projects in 42 countries and seven regions for a total investment value of $5.4 billion.

In FY12, OPIC committed new market-based financing and political risk insurance for 120 new projects[2] located in 42 countries and seven regions for a total investment value (OPIC and other investors) of $5.4 billion. In addition to OPIC's and other US private funding, 17% of this $5.4 billion total project funding will come from within the host countries, 7% from third countries,[3] and 2% from multilateral development institutions (See Figure 1).

OPIC offers its clients project financing and guarantees, political risk insurance, and loan guarantees to private equity investment funds. In FY12, the 120 new projects included:

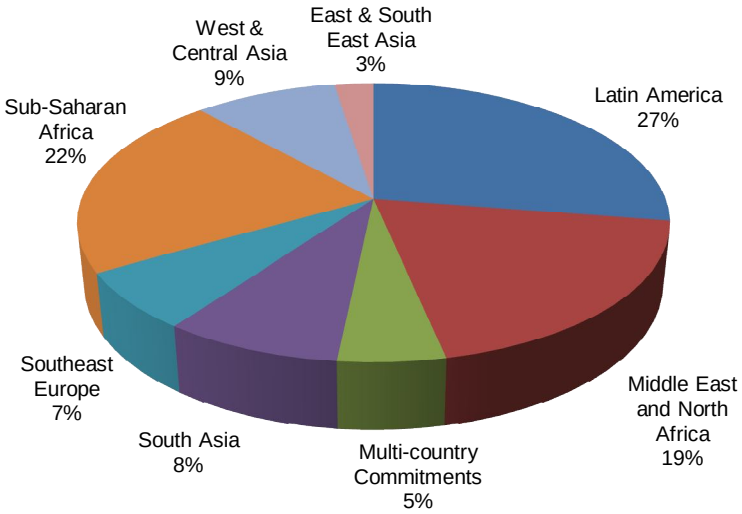
- 79 finance projects
- 23 investment fund subprojects; and
- 18 insurance projects.

Figure 1
Source of FY12 Project Investment



OPIC-supported projects target emerging markets around the globe

Figure 2
Regional Distribution of FY2012 Projects



In FY12, new OPIC projects were regionally balanced throughout the developing world and emerging markets. Latin America received the highest share of the number of new projects (27%), followed by Sub-Saharan Africa (22%), Asia (20%) and Middle East & North Africa (19%) (See Figure 2).

[2] The 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.

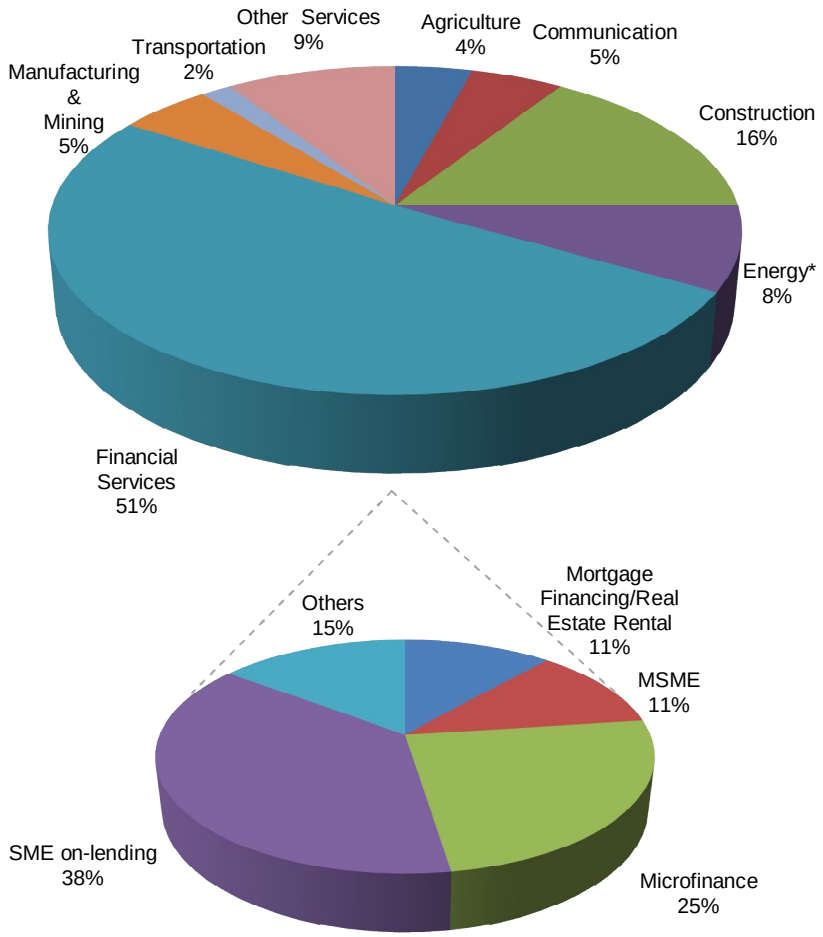
[3] "Third countries" refers to countries that are neither the U.S. nor the country where the project is located.

In FY12, OPIC supported projects across a broad range of sectors.

Figure 3 shows the sector breakdown of new projects OPIC supported in FY12. Projects in the financial services sector, which includes, for example, microfinance support, small and medium enterprise financing as well as leasing, accounted for 51% of all new OPIC-supported projects in FY12, followed by construction (16%), other services (9%), energy[4] (8%), manufacturing & mining (5%), communication (5%), agriculture (4%), and transportation (2%).

Financial services can be broken down into support for Small and Medium Enterprises (SMEs) (38%); microfinance (25%); those that combine support for micro, small, and medium-sized enterprises (MSMEs) (11%); mortgage financing/real estate rental (11%); and others (15%) such as projects with multiple financing uses, leasing, and health care financing. About three-quarters of the projects in financial services were committed to supporting MSMEs. Providing MSMEs access to credit will enable these companies to grow, creating jobs and raising standards of living.

Figure 3
Sectoral Distribution of FY12 Projects



4 Ninety percent of the energy projects OPIC committed to in FY12 were renewable energy projects.

US Economic Effects

None of the FY12 projects are expected to result in the loss of any US jobs. In fact, FY12 projects are expected to support 650 US 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 the projected U.S. employment and associated economic effects of the projects that it supports, based on the projects' projected procurement from the United States. Consistent with previous years, none of the FY12 projects are expected to result *in the loss of U.S. jobs.* In fact, OPIC-supported projects in FY12 are expected to support 650 US jobs over the next five years.[5]

FY12 OPIC-supported projects will provide other important economic benefits to the United States.

- OPIC-supported projects are projected to result in an estimated $211 million in US exports of capital goods and services through initial procurement.
- The value of US materials and equipment required for the continued operations of OPIC-supported projects is estimated at an additional $224 million over the next five years.
- As a result of this level of initial and operational procurement from the United States, FY12 projects are expected to support an estimated 3,250 person-years of direct and indirect employment for U.S. workers. This is equivalent to an estimated 650 US jobs over a five-year period.
- The impact of FY12 projects on the US trade balance over the first five years of operations is expected to be a positive $361 million.

Table 1

Estimated US Economic Benefits of FY12 Projects Supported by OPIC

Total project investment	$5.4 billion
US investment in projects	$4.0 billion
US percent of total	74%
Total direct US exports	$435 million
Initial procurement from U.S.	$211 million
Operational procurement (5 years)	$224 million
Estimated US employment supported (5 years, direct and indirect)	3,250 person-years 650 U.S. jobs

Exhibits 1-3 to this report provide detailed information on OPIC-supported projects and their impact on the US economy through procurement and support of US employment. Exhibit 1 provides details of the OPIC-supported projects in FY12 by sector, including agribusiness, energy, manufacturing & mining, and services. Using these four sector classifications, the chart provides data on the project markets – host country, U.S., and third country[6] – in which revenue will be generated for new OPIC-supported projects in

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

[6] "Third country" refers to any country that is neither the U.S. nor the country where the project is located.

FY12, and what the projected US procurement amount – both initial and operational – is by sector, as well as the effect on US employment and trade balance.

Exhibit 2 details the revenues generated by third-country sales from all OPIC-supported projects in FY12, classified by sector. Projects are grouped according to their impact on US employment – projects having a positive US employment impact, and projects with a neutral US impact. Exhibit 3 describes projected US employment effects by sector and by host country location of OPIC-supported projects.

OPIC directly and indirectly supports US small businesses

Seventy-three percent of OPIC's new projects in FY12 had significant involvement by US small businesses.

OPIC recognizes the importance of small businesses as a key driver of US economic growth, and actively seeks to partner with these firms to enable their expansion into developing markets. OPIC supports US small businesses directly, through direct loans, investment guarantees, and political risk insurance. Over the last five years, OPIC committed $5.5 billion in finance and insurance to more than 370 US small businesses to support new projects in developing countries around the globe.

OPIC's efforts to reach out to US small businesses continued to yield positive results in FY12. OPIC supported 88 new projects that involved US small businesses, representing 73% of all new projects supported in FY12:

- 43 small businesses received OPIC investment guarantees directly or through investment funds or financial intermediaries;
- 28 small businesses received direct loans from OPIC;
- 17 small businesses received OPIC political risk insurance coverage;
- 4 of the new OPIC insurance and finance projects in FY12 supported women-and/or minority-owned businesses.

In addition, new FY12 projects are expected to procure $37 million from US small businesses located in 14 states and the District of Columbia.

According to the data collected for the fiscal years 1994 through 2012, OPIC has identified specific US suppliers for $16.9 billion in expected procurement from OPIC-supported projects. Approximately 55% of the identified US suppliers (by number) were US small businesses.

OPIC Impact in Fiscal Year 2012

OPIC supported projects in FY12 had a significant impact in: i) renewable resources; ii) increasing access to finance for MSMEs in developing and emerging markets;(iii) investment in the Middle East and North Africa; iv) investment in Sub-Sahara Africa; and v) investment in Latin America.

Renewable Resources

With a commitment volume of $1.6 billion, OPIC continues to be a leader in financing renewable energy projects in the developing world, where the size and complexity of such projects often exceed local banks' capacity to provide financing.

In FY12, 19 of the 120 new OPIC-supported projects were in the renewable resources sector, which includes energy, water, and agriculture. OPIC's renewable energy projects are expected to help avoid the emission of 349,000 tons of CO_{2eq} per year and generate 200 Megawatts of renewable energy.

OPIC's intensive focus on renewable resources resulted in clean energy projects in markets as diverse as Peru, Pakistan, Bulgaria, and South Africa.

Access to Capital

In order to increase access to capital in developing and emerging markets, OPIC also supports lending through financial intermediaries (FI). The projects OPIC finances aim to:

- **Increase credit available to Small- and Medium-sized enterprises:**

  Improved access to capital enables SMEs to grow and invest, which stimulates economic activity and job creation, resulting in an overall increase in the standard of living in the countries where OPIC operates.

- **Support Microfinance Institutions (MFIs):**

  MFIs can be an effective tool for poverty reduction as they make financing available to underserved segments of the population including women and micro-entrepreneurs. Support for MFIs helps increase the available capital for lending to micro-entrepreneurs and can improve terms and lengthen loan tenor.

SSJD Energy, Pakistan

Pakistan suffers from severe energy shortage with energy black-outs from 8-20 hours a day in most of the country.

SSJD, a Delaware-based U.S. sponsor received an OPIC loan commitment for $16.7 million to finance the first renewable energy biomass plant to supply power to the national electric grid in Pakistan. The 12-MW plant will be built to run mainly on bagasse, a waste product from the processing of sugar cane, and other agricultural waste such as rice husk, cotton stalk and cane trash.

The project will support the local economy by providing critical power, generating jobs through local procurement, and investing in education and healthcare in rural areas. All of the biomass will be procured locally, helping the overall local agricultural sector.

PT Bank Andara, Indonesia

OPIC is providing a $21.5-million loan via Citibank Indonesia to Bank Andara. The US sponsors include Washington-based Mercy Corps and Connecticut-based Developing World Markets. Bank Andara will use the funds, which Citibank will lend in local currency, to on-lend to local microfinance institutions, many of which focus specifically on lending to the very poor. In addition, through innovative technology, Bank Andara is also providing basic financial services such as bill payments, money transfers, and savings accounts to micro entrepreneurs and small businesses.

- **Develop the local financial sector:**

  The demand for OPIC support for financial intermediaries reflects the relatively underdeveloped nature of capital and credit markets in many of the countries in which OPIC operates. By supporting FIs, OPIC seeks to enhance the local financial sector by increasing the capital available to lend and the types of financial services available in the market. In addition to increased economic activity, increasing credit available to businesses encourages entrepreneurial activity and technology adoption, which in turn fosters greater innovation and improved productivity.

- **Create indirect employment:**

  According to the International Finance Corporation's 2013 Jobs Study, access to finance has both direct and indirect employment effects. Directly, increased access to finance helps create new firms and also allows business to expand, leading to increased employment. Indirectly, increased lending allows businesses to grow and increase demand throughout the supply chain of its borrowers.

Global Commercial Microfinance Consortium II

In FY12, OPIC demonstrated its commitment to the Smart Campaign Client Protection Principles and its efforts to promote client-focused micro-lending, through a $20 million, seven-year OPIC investment in the Global Commercial Microfinance Consortium II, a global microfinance and impact investment facility.

The $100 million facility will provide capital to highly customer-focused MFIs that are committed to serving the needs of clients by offering products appropriate for microenterprises. For example, the facility will provide technical assistance to portfolio MFIs to become certified under the Smart Campaign's Client Protection Principles as well as to develop new products.

While OPIC's loan proceeds will be lent to microfinance institutions (MFIs), up to 15% of the total capital of the facility may be invested in social enterprises providing non-financial services, including healthcare, energy, agriculture, education and housing to low income populations.

Middle East and North Africa (MENA)

OPIC Impact in MENA

In FY12, OPIC supported 23 new projects in MENA:

- **766** new jobs to be created, **58%** of which are managerial or technical
- **$360** million in additional local procurement

This is in addition to OPIC's current portfolio in MENA:

- supporting **21,000** local jobs
- **86%** of women employed are in a managerial / technical position

OPIC continues its work to stimulate private investment in the Middle East and North Africa (MENA), helping to promote job creation and economic stability in a region of critical foreign policy priority. OPIC finances projects that generate high quality jobs in the MENA region with an emphasis on supporting entrepreneurs and SMEs. In FY12, OPIC committed 23 new projects in MENA including support to improve housing and energy infrastructure, and support to strengthen the local financial sector and increase lending to SMEs in the region.

The Atlantic-Erbil, Iraq

OPIC often operates in post-conflict countries such as Iraq and Afghanistan, where economic growth is critical to achieving political stability. For example, OPIC is helping to address a decades-long housing shortage in Iraq with a $26-million loan to support the construction of 900 middle-market housing units in the Kurdistan region of northern Iraq. The OPIC loan to Claremont Erbil, which was formed by three principals of the New York real estate developer, the Claremont Group, will cover the construction costs and provide a 10-year facility to finance the buyers under lease purchase agreements. The new housing complex will also include both community and commercial space and will create local jobs in Iraq.

Riyada Enterprise Development Growth Capital Fund

In FY12 OPIC signed a commitment of up to $150 million with the private equity group Abraaj Capital to support lending to entrepreneurs and SMEs in the Middle East and North Africa region through the Riyada Enterprise Development Growth Capital Fund. The Fund will provide financing in amounts as small as $500,000 to businesses in various sectors including healthcare, education, financial services, and technology.

Sub-Saharan Africa (SSA)

OPIC has greatly increased its activity in Sub-Saharan African (SSA) over the last several years, supporting the dramatic business growth on the continent. OPIC finances projects in the region that broaden the economic base, further improving macroeconomic conditions of these economies. In FY12, OPIC supported projects in various sectors including agriculture, health, and telecommunications. Of the 11,000 local jobs that will be created by the new projects OPIC supported globally in FY12, nearly one-third will be created in Sub-Saharan Africa. Forty-three percent of these new jobs are projected to be at the managerial and technical skill level, underscoring the priority OPIC places on creating high-quality jobs.

Impact in Sub-Saharan Africa

In FY12, OPIC supported 26 new projects in Sub-Saharan Africa:

- **3,200** new jobs to be created in Sub-Saharan Africa
- **$943** million in additional local procurement
- **$61** million in taxes and other local government transfers

This is in addition to OPIC's current portfolio in Sub-Saharan Africa:

- supporting **26,000** local jobs
- **$563** million in taxes and other local government transfers
- **$149** million in support to micro-entrepreneurs
- **$813** million in support for SMEs

And, significantly, investing in Sub-Saharan Africa can have a positive impact in the United States. A little more than half of the US job creation that is projected from the new projects that OPIC supported globally in FY12 comes from US procurement from investments in Sub-Saharan Africa.

Belstar Capital, Ghana

Ghana's agricultural sector is hampered by low productivity and massive postharvest losses that leave nearly two million people struggling to maintain consistent access to safe and nutritious food.

OPIC has committed to provide political risk insurance in support of a $119.5 million capital markets financing for a project to modernize the agricultural sector and boost food production in Ghana. The project involves the installation of modern silos, grain mills, cold storage and livestock breeding facilities and other technical equipment to assist in statistical research and agricultural monitoring throughout Ghana. The commitment was issued to Belstar Capital Limited, which is arranging the project's financing.

Agriculture comprises more than half of Ghana's labor force, and this project will create jobs and income particularly for the country's small-scale farmers.

Medical Credit Fund

Sub-Saharan Africa carries a disproportionate amount of the world's disease burden, yet accounts for less than one percent of global health expenditures. A $5.4 million OPIC loan to the Medical Credit Fund is focused on enabling small and mid-size health care providers to receive the capital they need to improve the quality of medical care they provide. In addition to this loan, OPIC is coordinating with USAID on a grant for up to $1 million for the project.

Medical Credit Fund partners with local banks to provide loans to small private healthcare providers in Tanzania, Ghana, Kenya and Nigeria, with plans to expand to additional countries in Sub-Saharan Africa. Medical Credit Fund also provides technical assistance and financing to healthcare providers serving low income populations. The technical assistance focuses on improving business planning, financial competence, and patient quality of care under SafeCare, a multi-step certification program designed to establish a uniform, measurable standard of care for private health facilities in Sub-Saharan Africa.

Latin America

OPIC Impact in Latin America

In FY12, OPIC supported 33 new projects in Latin America:

- **1,263** new jobs to be created, **56%** of which are managerial or technical
- **$714** million in additional local procurement

This is in addition to OPIC's current portfolio in Latin America:

- supporting **36,000** local jobs
- **$433 million** in taxes and other local government transfers
- **$1.5 billion** in support to micro-entrepreneurs
- **$1.0 billion** in support for SMEs

In FY12, OPIC committed 33 new projects in Latin America in a number of important sectors including renewable energy, financial services, education, and housing construction. Fifty-eight percent of these 33 new projects supported financial intermediaries, which will increase access to capital for small and medium-sized businesses in the region.

InterEnergy, Dominican Republic

In the Caribbean, OPIC is supporting the first medium-scale, grid-connected wind generation project in the Dominican Republic. The OPIC supported AIC Caribbean Fund invested in InterEnergy for the construction of a 25.2 MW wind farm in the south-western province of the island.

The project will have a strong developmental impact on the Dominican Republic by building infrastructure, creating local jobs and providing community development impacts. The local community of Juancho-Los Cocos will also benefit as the company will provide free energy to a very poor village in its concession area as well as to municipal offices and the local law enforcement and fire services.

Higher Education Finance Fund

This project seeks to address the lack of funding for higher education throughout Latin America. OPIC is providing a $10-million loan to the Higher Education Finance Fund and the Calvert Social Investment Foundation, Inc. to provide loans to microfinance institutions and other financial intermediaries, which will in turn provide loans for higher education to underprivileged youth in Guatemala, Honduras, Dominican Republic, Peru, Bolivia and Paraguay.

TACNA SOLAR S.A.C. AND PANAMERICANA SOLAR, Peru

In 2011, OPIC financed the construction of Peru's first large-scale solar photovoltaic power project, which was named the 2011 "Latin America Renewables Deal of the Year" by Project Finance magazine. In announcing the award, the magazine noted that OPIC's 19-year loan was critical in a country that had no track record of utility-scale solar power plants. In 2012, OPIC followed this investment by providing a loan for $180 million to finance the construction of two additional 20-megawatt solar photovoltaic power plants in Peru's rural south. These power plants help Peru meet its growing energy needs with lower carbon alternatives while also supporting the local economy through local job creation and procurement from Peruvian businesses.

II. HOST COUNTRY DEVELOPMENT IMPACTS

Host Country Development Impacts

Supporting Host Country Job Creation

Key job facts about the projects OPIC supported in FY12

- **11,000 new jobs** in 42 countries and 7 regions
- **67%** of new jobs created are managerial or professional / technical
- **4,200** of new jobs created are in healthcare services

OPIC's core mission is to mobilize private capital to help solve critical development challenges. OPIC selects projects that will serve as foundations for long-term economic growth and provide new products and services to developing and emerging economies.

Table 2
Estimated Developmental Impacts of Fiscal Year 2012 Projects

Host Country Effects	*Amount or Number*
A. Foreign exchange benefits [1]	
Exports generated	$244 million
Imports replaced	$29 million
Total A	$273 million
B. Foreign exchange costs [1]	
Capital outflows	$486 million
Project imports	$210 million
Total B	*$696 million*
Net foreign exchange impact (A less B) [1]	($423) million
Net annual taxes, revenues and duties paid to the host country [1]	$117 million
Initial local expenditures	$3,757 million
Local employment generated in fifth year of operation (# of workers)	
Technical and management	7,289
Unskilled labor	3,522
Total	*10,811*

[1] Average annual amount over a 5-year forecast period.

The projects supported by OPIC in FY12 are expected to provide significant local economic and social benefits. The projects are expected to directly generate nearly 11,000 jobs in developing countries over five years. About 67% of these jobs are projected to be in skilled - management and professional - positions. This demonstrates OPIC's efforts to support projects that generate high quality jobs in the local economies.

The total initial local expenditures for FY12 projects are projected to be $3.7 billion. This procurement of local goods and services will further support economic activity and employment.

OPIC-supported enterprises are expected to generate $117 million annually in taxes and duties for the host countries. Once in operation, the projects are expected to generate an estimated $244 million in annual export earnings for the host countries.

OPIC systematically evaluates the developmental impacts of the projects it supports.

To measure the benefits of OPIC-supported projects, OPIC uses two developmental assessment models: one designed to measure the impacts of a physical investment, and one designed to measure the impacts of providing support through a financial intermediary.

Since its inception in 1971, OPIC has collected direct and indirect developmental impact data for each of its projects. In 2004, OPIC implemented a development impact assessment tool and in 2007 a second model was developed that was specifically tailored to assess the development impacts of financial services projects.

In FY11, OPIC conducted an extensive review of these models, 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 the streamlining and updating of OPIC's development impact measurement over the course of FY12, with full implementation in FY13.

The new matrices are comprised of the following five broad categories that measure a project's developmental impact, regardless of the project's industry sector or the host country level of development:

- Job Creation and Human Capacity Building:, the number of new jobs projected as well as training and employee benefits that go beyond local law.

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

- Host Country Impact: local procurement and fiscal and foreign exchange impacts.

- Environmental and Community Benefits: improvements to the environment and community benefits.

- Development Reach: impacts on basic infrastructure and/or potential benefits to the poor and underserved populations.

HealthPoint Services Global, India

Many villages in India have no source of safe drinking water and residents generally cannot afford bottled water. In FY12, OPIC committed a $3.5 million loan to Healthpoint Services Global India Ltd., an affiliate of the U.S. company Healthpoint Global Services Inc. of New York, to support the construction of small water treatment facilities to some 500 communities in India's Punjab and other states with limited access to safe drinking water.

As a result of this project, villagers will have a steady source of clean drinking water, which they pick up from a central distribution point. The project earned the highest score on OPIC's development matrix among all the projects the agency committed to in FY12.

In addition to providing clear health benefits through this critical infrastructure investment in as many as 500 communities, the project is expected to create about 600 permanent jobs with extensive benefits such as health care and stock ownership. In addition, the purchase of water purification equipment will generate additional local economic activity. Healthpoint Global Services was also recognized by Bloomberg Businessweek as one of America's Most Promising Social Entrepreneurs.

Every proposed project is evaluated and scored, with a minimum score required in order to be considered *developmental* and clearly eligible for OPIC support. There is a higher threshold for a project to be considered *highly developmental.*

Exhibit 5 provides a detailed description of the methodologies used for both standard and financial intermediary projects.

HealthPoint Services Global and IHS, both highlighted here, are two examples of projects that were rated *highly developmental* in FY12, or those projects that scored among the highest on OPIC's development impact measure.

IHS Plc, Nigeria, Cameroon, and Cote d'Ivoire

The telecommunications industry in Nigeria, Cameroon, and Cote d'Ivoire is booming and the demand for upgraded networks and voice lines is growing rapidly. To expand the telecommunications infrastructure in these countries, OPIC is supporting a new investment by the ECP Africa Fund III into IHS Holding Limited ("IHS"), the largest telecommunications infrastructure provider in Africa. With the new investment, IHS has expanded from 715 towers in Nigeria where ECP Africa Fund III initially invested, to over 5,000 owned or managed towers in Nigeria, Cameroon and Cote d'Ivoire. .

IHS is a leader in the African co-location business, owning a shared infrastructure of mobile towers and leasing them to mobile network operators. Tower co-location reduces the incremental cost of expanding service for all mobile carriers thereby allowing them to service remote and less developed areas. The investment will reduce the operating costs for mobile operators and allow them to increase their coverage across the country. This will subsequently reduce the cost of mobile usage for subscribers and increase the availability of mobile banking services. The project was rated *highly developmental* due to the strong job creation impact and training; significant local procurement; its strong corporate social responsibility efforts; and important physical infrastructure upgrades. in low-income countries.

III. Environmental, Health, Safety & Social Impacts

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

Fiscal Year 2012 New Initiatives

During FY12, OPIC created Renewable Energy Guidelines for solar, wind, biofuel and geothermal projects. These guidelines are meant to expedite project reviews by highlighting significant environmental and social issues that are generally associated with each type of renewable project. The guidelines identify applicable guidelines and standards, recommended measures to mitigate impacts, information required to complete the environmental and social review of a project, and include monitoring recommendations.

Additionally, OPIC hired a dedicated Social Impact Analyst to assist in the evaluation and monitoring of socially sensitive projects and to further develop procedures for assessment and monitoring of community engagement throughout the project lifecycle.

Project Screening and Assessment

OPIC screens all potential projects to identify the risk of adverse environmental and social impacts of a project, and to identify project impacts that could preclude OPIC support. If a project is determined to be categorically ineligible,[7] OPIC immediately informs the applicant so as to avoid unnecessary effort or expense. If the project category is 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, C, or D depending on potential risks and impacts of a particular project. Category A represents the greatest potential for adverse environmental and/or social impacts, whereas C represents the least potential for adverse impact. Category D is reserved for certain projects involving financial intermediaries.

Santa Catarina Wind Farm, Mexico

OPIC provided an Investment Guaranty to Latin Power III for its investment in a 22 MW wind farm located just outside of the city of Monterrey, Mexico near the town of Santa Catarina. The project, which will use GE wind turbines, is being developed on a 33.45 hectare parcel located adjacent to the Cumbres de Monterrey National Park. The project was developed in consultation with the Park authorities to assure minimal impacts. Additionally, the project was required to develop a Flora Relocation Plan for nationally protected species of cacti and to ensure that turbine siting avoided the removal and relocation of protected pine trees. An onsite nursery has been established to protect the smaller cacti until they can be replanted throughout the site after construction activities are completed.

OPIC also requires a comprehensive bird, bat, and butterfly monitoring program to ensure the turbines, once operational, will not adversely impact migrating or resident birds, bats, or butterflies.

The project will improve the supply of power to several nearby municipalities and is expected to result in positive environmental and social benefits including a reduction in Mexico's reliance on expensive and polluting fossil fuels and rainfall-dependent hydro projects for power production.

[7] 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.

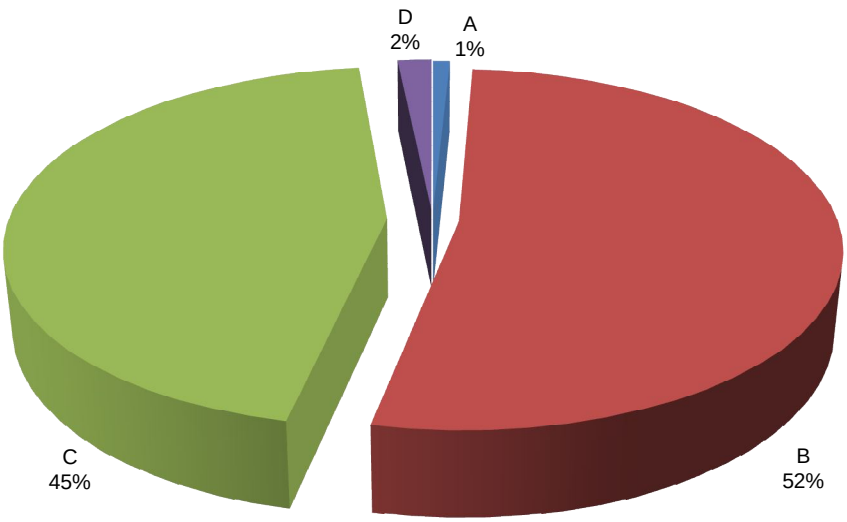
OPIC uses a rigorous methodology for assessing and calculating potential environmental and social impacts.

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:

- 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.

Only one of the 120 projects that OPIC provided a commitment to in FY12 was screened as Category A, or a project 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 Category A project is a power plant in Jordan. As a Category A project, OPIC required the preparation of a full environmental and social impact assessment (ESIA), which was subsequently disclosed to the public for comment.

Figure 4
Environmental Category of FY2012



Sixty-three of the 120 FY12 OPIC-supported projects were screened as Category B. Category B projects are likely to have environmental and/or social impacts that are few in number, generally site-specific, largely reversible and readily addressed through effective management systems.

Fifty-four FY12 projects were screened as Category C projects. Category C projects are likely to have minimal adverse environmental and/or social impacts.

Two of the 120 projects were screened as Category D projects. As mentioned above, Category D is reserved for certain projects involving financial intermediaries.

OPIC's environmental experts conduct 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, 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.

In FY12, OPIC conducted pre-approval site visits to five Category A projects in four countries including:

- Two housing projects in South Africa
- A municipal solid waste-coal co-fired power plant in Haiti
- A natural gas-fueled power plant in Jordan
- A hydroelectric power generation project in Chile

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, assistance in identifying and strengthening mitigation measures, amplifying stakeholder engagement activities, implementing technical tools for impact assessment, and incorporating best environmental and social management practices.

In FY 2012 OPIC approved a number of on-lending facilities and investment funds. As part of the review for these financial intermediaries, OPIC assessed the existing environmental and social management systems of the institutions and provided in-depth reviews for strengthening their capacity building and training to better identify and manage issues with the potential to impact the environmental and social performance of their portfolio.

Project disclosure

OPIC publishes information on all Category A projects for public comment.

In FY12, consistent with OPIC policy, six 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 ESIAs, and to comment on the projects' potential environmental and social impacts. Full text versions of ESIAs were available for download directly from the OPIC website. One of the six projects was committed in FY12 and the other five are still under consideration.

No public comments were received in response to the ESIAs posted in FY12.

Transactions rejected on environmental and/or social grounds

OPIC works diligently to ensure that its policies regarding environmental and social impact are well understood. OPIC counsels away projects that are potentially problematic from an environmental or social impact perspective before formal applications are submitted. As a result, OPIC did not reject any applications for finance or insurance in FY12 on environmental or social grounds.

Mitigating Climate Change

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

OPIC has committed to: (a) reducing 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; and (b) increase investment support to renewable and energy efficiency projects.

For the purpose of tracking progress in achieving its GHG reduction goals, 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 3[8] emissions reporting methodology that OPIC adopted in 2004. 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 accounts for 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. OPIC reports estimates for projects emitting greater than 25,000 tons CO_{2eq} per year. The 25,000 tons CO_{2eq} threshold was selected to be consistent with the U.S. Environmental Protection Agency's threshold criteria for significant GHG emissions.[9]

Baseline emissions, which were calculated for calendar year 2007 for projects active as of June 30, 2008, were estimated to be 51,949,179 tons of CO_{2eq}.[10] Based on independent audit findings, the estimated calendar year 2011 inventory of GHG emissions from all projects with significant emissions that were active as of September 30, 2012[11] was 32,599,137 tons of CO_{2eq}. Annual estimates are based on investor-provided data indicative of actual operating conditions and internationally recognized algorithms. A buffer of 4.7 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 2011 for projects active as of September 30, 2012 was 34,130,763 tons of $CO_{2eq.}$ *This represents a 34% reduction in portfolio* emissions from the 2007 baseline.

Figure 5 shows the development of OPIC's portfolio GHG emissions profile as compared to the 2008 portfolio emissions baseline and the 30% and 50% reduction targets.

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

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[8] 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 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.

[9] 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.

[10] 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.

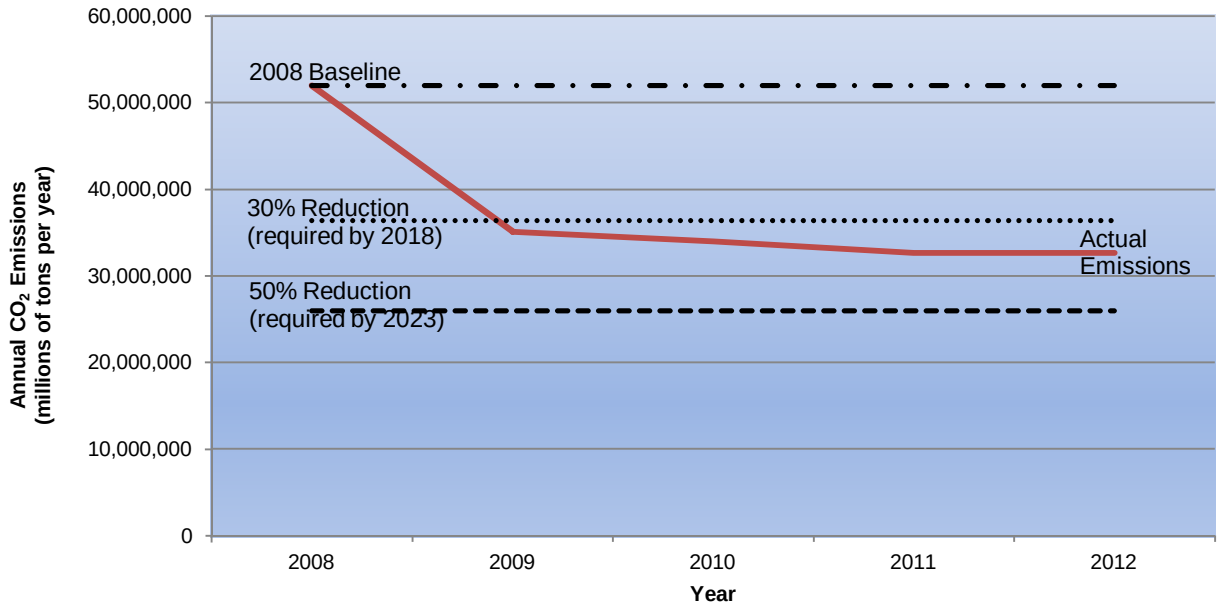
[11] OPIC aligns GHG accounting with the fiscal year by estimating emissions for those projects active as of September 30, 2011.

Fiscal Year 2012 Reporting

As illustrated in the table below, OPIC reports no direct (Scope 1) emissions associated with its activities because OPIC has no direct CO_{2eq} emissions. OPIC reports indirect (Scope 2) emissions totaling 1,263 short tons of CO_{2eq} associated with its purchase of electricity. The Scope 3 emissions that OPIC reports for FY12 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 2011, and were in OPIC's active portfolio as of September 30, 2012.

OPIC Fiscal Year 2011 CO_{2eq} Emissions (tons)

Figure 5
OPIC's Portfolio GHG Emissions Profile



	SCOPE 1 EMISSIONS	SCOPE 2 EMISSIONS	SCOPE 3 EMISSIONS
OPIC	0	1,263	34,130,763

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 FY12, OPIC developed its Environment Social Labor & Human Rights Procedures Manual to support the 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.

Project Screening and Assessment

OPIC screens all potential projects to identify labor-related risks and to identify project activities that are categorically prohibited. If a project is not categorically prohibited, the project undergoes a full labor review. None of the projects reviewed in FY12 were determined to be categorically prohibited on labor-related grounds[12] or classified as "Special Consideration," a designation that requires additional oversight in the form of an independent audit and annual reporting for projects with a heightened potential for labor rights violations.

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

OPIC uses its labor assessment 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:

- 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 120 of the FY12 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 internationally recognized worker rights were included in all of the project contracts and agreements.

Country eligibility on worker rights grounds

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

OPIC's Environmental and Social Policy Statement outlines OPIC's policies on country eligibility based on labor-related statutory obligations. To maintain consistency across the U.S. Government, OPIC follows the worker rights determinations made by the President of the United States 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). During FY12, no countries regained their GSP benefits on worker rights grounds, and no countries became ineligible for GSP benefits, resulting in no change for OPIC programs on worker rights grounds.

For its FY12 GSP Annual Review, USTR continued to formally review the GSP eligibility of the following countries on worker rights grounds: Georgia, Bangladesh, Niger, Uzbekistan, the Philippines, and added Iraq and Fiji. The review of Sri Lanka's country eligibility was closed with no change in status. Sri Lanka

[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.

remains eligible for GSP benefits. OPIC will adjust country eligibility status on the basis of USTR's final determination in these countries.

Human Rights

OPIC recognizes that respecting human rights is essential to the success of its projects and through its project evaluation process systematically requires all projects to adhere to the highest human rights standards. The OPIC project review process is designed to ensure that OPIC-supported projects meet the statutory requirements of 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 FY12, OPIC subjected every project considered for OPIC financing, insurance, or for investment by an OPIC-supported investment fund to a human rights review process. Through a mutually-agreed process, OPIC consults with DRL on this human rights review on a regular basis to ensure consistency between OPIC and DRL regarding relevant human rights matters in OPIC eligible countries. OPIC did not decline support for any projects in FY12 as a result of the consultative human rights review process.

V. MONITORING OF ACTIVE PROJECTS

OPIC actively monitors the projects it supports in order to: 1) evaluate the methodology OPIC uses to calculate both development and U.S. impacts; 2) validate client-reported data; and 3) ensure compliance with policy covenants. This section provides an overview of OPIC's policy monitoring and evaluation program, and outlines monitoring activities in FY12. 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 report annually on the impacts of projects in implementation, by completing an on-line Self-Monitoring Questionnaire (SMQ). The SMQ gathers annual operational information[13] on active projects, including such critical data points as the number of employees and U.S. and local procurement. OPIC uses the SMQ to gather data that enable the agency to track and monitor developmental performance over time.

New On-Line Reporting Launched

A new, more user-friendly, web-based self-monitoring questionnaire was launched in 2012, in order to:

- Reduce client reporting burden
- Provide parity with initial application questions to better measure actual project results
- Improve reporting data quality through more clear questions

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, labor, human rights, environment, and social impact). Projects with particular sensitivities may be subject to audits conducted by a third party.

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. Site monitoring also allows OPIC the opportunity to learn from its clients, and share this learning across countries and sectors.

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. FY12 was the fifth complete fiscal year of integrated site monitoring, resulting in a more efficient and effective use of staff and budget resources.

In FY12, approximately 320 projects were self-monitored and 32 projects were site-monitored.

[13] The SMQ collects data and information used to support the monitoring of OPIC's investment policy requirements and project development impacts. The financial performance of loans and guaranties is monitored separately within OPIC.

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 project site monitoring this year are:

- **U.S. economic effects**: In FY12 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 ensuring no harm to the U.S. economy or jobs.

- **Environment and social impact**: In FY12, environmental and social impact monitoring focused on those projects with the potential for greatest environmental and social risk. In FY12, 95% of the site visits involved Category A and B projects. One project was a Category C.

    - During site monitoring, 11 of 17 projects were found to be fully in compliance with all OPIC covenants and conditions pertaining to environmental and social considerations.

    - Of the six site-monitored projects that were not fully in compliance with OPIC covenants related to environmental and social impacts:
        - Five projects had issues related to reporting, site housekeeping, or less than satisfactory wastewater management. In each of these cases, OPIC's environmental and social impact group informed the project investor of the deficiency and required implementation of corrective actions.
        - In one case, the investor did not have sufficient resources to implement the necessary corrective actions, thus OPIC support to the project was terminated.

- **Labor and human rights**: In FY12, 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.

  However, during a scheduled third-party labor audit, an issue of labor non-compliance was identified. The deficiencies 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 the remediation efforts. The third-party auditor oversaw the successful remediation process and continues to monitor the project through its construction phase.

OPIC also requires self-reporting of policy compliance by clients (see Self-Monitoring section below). In FY12, 99% of OPIC clients reported that they were in compliance with conditions imposed by OPIC related to environment, health and workers' safety. Initially, three projects reported that they were not compliant with OPIC conditions; two of these projects were short-term relief projects that closed when relief efforts ended. The third project has since submitted the required documents.

- 99% of OPIC clients reported compliance with local or host country environmental, health and safety laws. The one project that was not in compliance quickly remedied their compliance by submitting documents and obtaining a necessary permit from the local environmental agency.

- 100% of projects report compliance with the submission of OPIC-required environment, health and safety reporting.

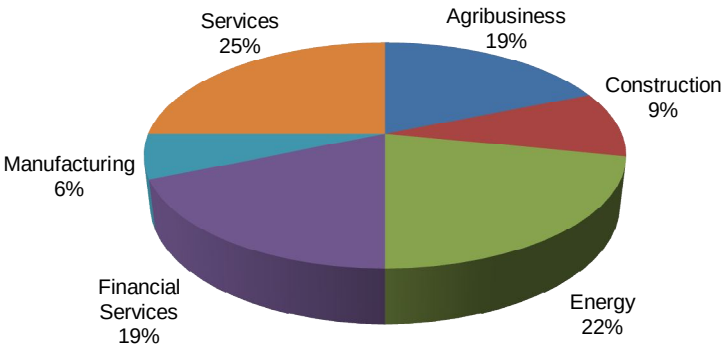
The following sections provide additional detail on the results of OPIC's FY12 monitoring.

Site Monitoring

In FY12, OPIC site-monitored 32 projects in various sectors around the globe. The figures in this section provide a breakdown of the sectors, products, and locations of these projects.

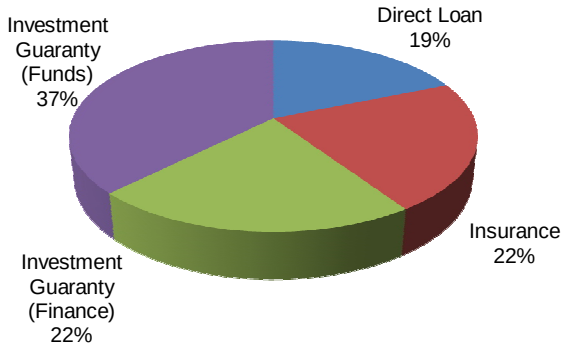
The sector breakdown of OPIC's FY12 monitored projects reflects the diverse array of OPIC's portfolio. A quarter of investments monitored were in the services sector, including educational, transportation, and retail services. Power projects, including renewable energy projects, comprised nearly a quarter of the projects monitored in FY12.

Figure 6
FY12 Site Monitoring by Sector



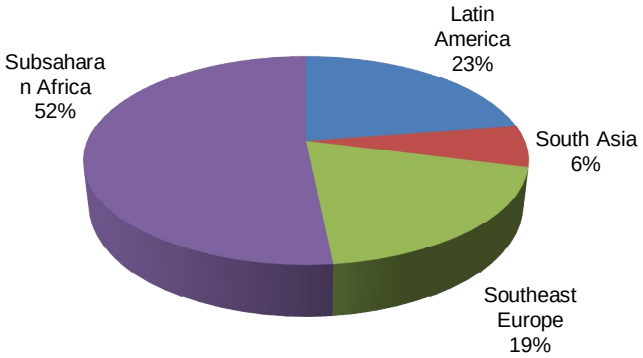
The sector breakdown of OPIC's site monitoring also reflects active policy risk management. For example, the share of agribusiness projects monitored is greater than the share of agribusiness projects in OPIC's portfolio overall. This reflects the monitoring of economically-, environmentally-, or labor-sensitive projects to ensure compliance with OPIC policies and standards.

Figure 7
FY12 Site Monitoring by Product



Reflecting the share of OPIC's portfolio, investment guarantees make up the majority of OPIC's products for the projects monitored, including both investment guarantees for Investment Funds as well as Finance.

Figure 8
FY12 Site Monitoring By Region



Geographically, over half of the projects monitored in FY12 were located in Sub-Saharan Africa. As one of OPIC's priority regions, investments in Sub-Saharan Africa include financial services, energy, and services such as education and retail.

Fiscal Year 2012 Monitoring Observations

The following is a sampling of findings from the projects that were monitored by the Office of Investment Policy in FY12. 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 7.

International Community School in Kumasi, Ghana

Challenge: Significant demand for high-quality education from an internationally-certified institution that will prepare students for college.

Solution: Direct OPIC loan to leverage an expansion of the International Community School in Kumasi, the only school in central Ghana offering an international curriculum.

Impact: Construction of advanced secondary school facilities, a student center, and administrative center has allowed the school to increase enrollment from 460 to 1,010 students. Several recent graduates have gone on to attend college in the United States.

The quality of public schools in Ghana is mixed. As an alternative to the public school system, many Ghanaian families turn to internationally-certified schools to provide their children with a quality education. While there are a number of international schools in the capital city of Accra, only one such school exists in the Ashanti region of central Ghana: The International Community School (ICS) in Kumasi. ICS is an independent, co-educational institution that operates under a University of Cambridge program, as well as the International Primary Curriculum, which is gaining popularity around the world. ICS is partially owned by Three E Kumasi Investment Company LLC, a U.S.-based investment firm that seeks to invest in projects with potential for significant social impact.

Unlike other International Schools in Ghana that serve a largely expatriate population, ICS focuses on educating local Ghanaians, who comprise 91% of the student body and 94% of the staff. Although ICS is a private institution, its tuition is significantly lower than comparable international schools in Ghana, allowing the school to accommodate more local Ghanaians. ICS also has a scholarship program, covering the tuition costs of at least four students in every class, as well as the tuition of all faculty children.

In 2011, OPIC approved a second loan to the International Community School to leverage an expansion of three new dormitories. Expanded residential facilities will allow the school to serve a wider population, including students from neighboring countries who currently lack access to quality education. ICS constructed the first and second dormitories in 2011 and 2012, and the third will be completed by August 2013. The three new dormitories will accommodate an additional 150 students.

Kenya Microfinance Lending - Smart Campaign

An interdepartmental OPIC team traveled to Kenya in 2012 to monitor the performance of three financial institutions whose microfinance lending is supported by the agency: Musoni, the Kenya Women's Finance Trust DTM (KWFT), and Equity Bank. Over the course of three days, members of OPIC's Office of Investment Policy, Portfolio Management Department, Small and Medium-sized Enterprise Finance Department, and Office of External Affairs met with staff from each institution, microloan groups organized by each, and with individual loan recipients. The goal was to assess the financial performance and developmental impact of the institutions' microfinance lending, and more broadly, their efforts to implement the principles of the Smart Campaign, a global effort to integrate client protection into MFIs' due diligence, investee selection, and loan covenants.

Smart Campaign

A Global effort to unite microfinance leaders around a common goal: to keep clients as the driving force of the industry.

Client Protection Principles

- Appropriate product design and delivery
- Prevention of over-indebtedness
- Transparency
- Responsible pricing
- Fair and respectful treatment of clients
- Privacy of client data
- Mechanism for complaint resolution

The OPIC Monitoring group first visited Musoni, a Kenyan MFI which has received $250,000 in OPIC financing through the Access Africa Fund to expand its mobile phone payment service. It was in fact the first MFI to provide microfinance services exclusively through mobile banking and to develop a technology that interfaces directly between its own IT system and that of the mobile provider.

Mobile, cash-free banking, is a true benefit. Customers are able to spend more time focused on their business. Most of their payments are made after working hours – a fact that is very much appreciated by account holders. The OPIC team visited one of Musoni's many microloan groups, the Bright View Self Help Group in Kawangware. Working together, the group – including hardware store owners, green grocers, scrap metal vendors and second-hand clothing saleswomen – confirmed loan payments on their cell phones, recording them in ledgers and filling out loan applications.

The next stop brought the team to KWFT. Through OPIC's microfinance partnership with Citibank, Citibank Kenya provided loans totaling $8 million to KWFT where OPIC provided a $6.5 million investment guaranty. Managing Director Mwangi Githaiga and his senior team outlined KWFT's impressive infrastructure: 2,000 staff members in 222 offices nationwide, serving 580,000 clients, managing a loan book of $144 million and a deposit book of $93 million. What had begun in 1981 as an MFI designed to "provide access to financial services to women entrepreneurs to enable them to improve their economic status and livelihoods" had grown into a mature powerhouse serving predominantly rural customers (about 80 percent of KWFT's clientele) through a state-of-the-art Risk Management Reporting System (T24).

Having signed onto the Smart Campaign in 2011, KWFT also offers a 24-hour call center for clients and closely monitors over-indebtedness by ensuring that KWFT loan groups limit members' exposure and conduct rigorous assessments before approving loans. Perhaps most impressive was the host of KWFT products tailored for sectors and groups critical to the country's future: water and sanitation loans to enable access to clean water; agricultural loans for crop farming, livestock purchase and aquaculture; clean energy loans to enable purchase of solar panels and lanterns, LPG cylinders and biogas systems. Additionally, they created children's savings accounts, called Tausi Junior (complete with rubber ducks for young account holders), to promote saving for education.

The last monitoring visit led the team to Equity Bank. Founded in 1984, it was initially a small rural bank for older women and subsistence farmers. Though Equity's first decade ended poorly, Equity reemerged thereafter with a new business model working from the bottom of the pyramid up, with a conservative emphasis on savings. Equity has since become the largest bank on the Nairobi stock exchange, managing 50 percent of all account holders in the country, and the largest African majority-owned company in East and Central Africa, with branches in Uganda, South Sudan, Rwanda and Tanzania. Equity Bank CEO and Managing Director James Mwangi, was named World Entrepreneur of the Year 2012 by Ernst & Young.

The financial institutions monitored during the trip emphasize the range of businesses OPIC can serve in the financial services industry in emerging markets. From mobile banking, to a women-focused MFI, to a bank growing from an MFI to a commercial bank, OPIC provides support at each stage of growth.

Round 8 Site Monitoring: 2010-2012

In order to evaluate the actual impacts of OPIC-supported projects against the impacts that were projected at their outset, every three years OPIC evaluates the combined US economic and host country development impact of projects site monitored over the previous three years (known as a "round"). FY12 marks the end of the 8th round of site monitoring, consisting of projects site monitored in FY10, FY11, and FY12.

Round 8 site monitored projects supported over 1,400 US jobs, which is over four times the number of US jobs originally projected.

Results of Round 8 reveal that the actual effects of site monitored OPIC-assisted Insurance and Finance projects on US job creation were more positive than originally expected, with over 1,400 US jobs supported compared to the 336 jobs projected during pre-commitment review. These results are summarized in Table 3. The local job impact was roughly equal to projections. Also, the actual amount invested was slightly higher than had been projected: $3.8 billion compared to $3.7 billion. This positive increase means an additional $100 million of capital was leveraged than originally projected for the set of projects that were monitored in this three-year period.

Table 3
Results of Site Monitoring Round Eight
Projects Monitored in Fiscal Years 2010 – 2012

	Projected	**Actual**
Total Investment	$3.7 billion	$3.8 billion
US Effects		
U.S. Jobs Supported	336	1,405
Development Effects		
Management Jobs Created	528	1,145
Professional Jobs Created	3,722	5,145
Labor Jobs Created	4,964	2,949
Total Host Country Employment	**9,214**	**9,239**

OPIC site monitored a total of 111 projects from FY10 to FY12. In addition to the 82 monitoring site visits made to projects, OPIC staff monitored 29 microfinance projects during the monitoring round. Analysis of these projects was conducted separately because data projections are done at the framework rather than individual MFI level. MFIs can be an effective tool for poverty reduction, as they make credit available to underserved segments of the population including women and minority-owned businesses, as well as entrepreneurs. For example, one microloan recipient in Kenya used the funds to build a school for children living in a slum area. Another $350 loan helped a woman-owned hair salon buy new dryers and other machines that have helped her business grow after theft almost ruined her. Many MFIs also provide technical assistance to strengthen their client's business. In Paraguay, for example, a shoemaker explained how a loan officer helped him prepare his financial statements and structure his accounting books to help increase his understanding of the business' sales and costs.

Self-Monitoring

Since 1993, OPIC has required all active OPIC-supported investments to report to OPIC through an annual 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 two sections, one, for project finance and/or insurance projects and one 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 key findings was that some questions were difficult for investors to understand and drew inconsistent responses. As a result of this analysis, the SMQ was revised in order to simplify language wherever possible and include clearer definitions of terms. These improvements were intended to make it more client-friendly and improve the quality of the reported data. The revised form was used in FY12 to collect data.

The analysis in this section is based on data obtained from 319 self-monitored questionnaires.

Jobs and Human Capacity Building

OPIC's clients reported in 2012 that their projects have supported almost **184,000** local jobs:

- **70,000** jobs for women, **86%** which were managerial or technical
- **26,000** jobs in Sub-Saharan Africa
- **21,000** jobs in MENA

And, OPIC projects support good quality jobs, helping to increase the overall skill level and labor productivity with training and benefit packages that go beyond local requirements.

86%
women employed at the managerial or professional level

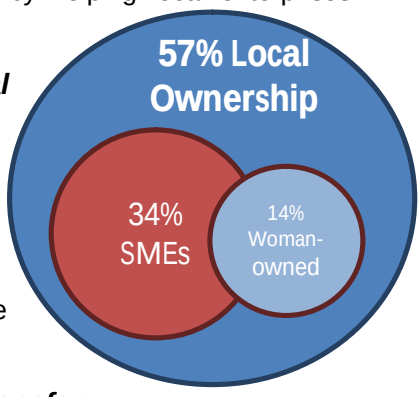
17,800
local employees received training

91%
provide benefits beyond the local law

Demonstration Effects

Project companies supported by OPIC increase economic development by helping local enterprises acquire knowledge and technology, both of which increase productivity.

Fifty-seven percent of OPIC-supported projects have local ownership.



Local business partners benefit by learning how to become entrepreneurs, and by acquiring world-class managerial skills from more experienced project managers. And, foreign direct investment can be more successful when it includes a strong local partner. Fifty-seven percent of OPIC projects have local ownership. Of these locally owned businesses, 34% are SMEs and 14% are owned by women.

Fifty-six percent of projects provide technology or knowledge transfer.

Foreign investment often introduces new products, services, technologies, business practices, and/or production processes into a developing economy. The technology and knowledge transfer directly enhances host country productivity by bolstering the productivity of the workers and other factors of production. It also indirectly enhances host country productivity by exposing local companies to both increased competition and to the competitive advantages gained from adopting innovations introduced by the foreign company. Fifty-six percent of OPIC-supported projects in FY12 provided technology or knowledge transfer which includes:

- Management Practices
- Marketing Technology
- Production Technology
- New/Uncommon Products
- Technical Assistance

Host Country Impact

By procuring goods and services locally from host country businesses, foreign investors can strengthen existing local businesses, help launch new local businesses, and increase the diffusion of technology transfer. Sixty-eight percent of projects have procured locally, injecting roughly $3 billion into local economies.

Support for Host Country Entrepreneurs

- **$9.6 billion in lending to MSMEs**
- **Over 2 million loans to MSMEs**
- **$63 million in loans to start-ups**

A key to economic growth is the development of a robust, dynamic, and competitive local private sector. Projects that contribute to the development of local entrepreneurship and homeownership therefore contribute to economic development. OPIC-supported projects help stimulate entrepreneurship by supporting the entry of new businesses into the local private sector. OPIC-supported financial intermediaries reported in FY12 that they have provided approximately $6.0 billion to host country SMEs and $3.6 billion to microenterprises.

Community Benefits

Community benefits, such as Corporate Social Responsibility (CSR) activities, demonstrate how companies can be good corporate citizens. In FY12, 57% of the SMQ respondents were involved in these types of community outreach programs.

Medical Clinics 22%

Schools 42%

Charitable Donation 58%

Recreational Facility 26%

Scholarship Programs 33%

Other 38%

Partnership

Working together, development finance institutions can collaborate and coordinate to increase impact. Of the FY12 SMQs received by OPIC, approximately 31% reported the use of non-OPIC investment sources such as USAID, IFC, ADB, and EBRD, or a local development bank.

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

OPIC's support for development also includes projects that involve local institutions such as civil society and non-governmental organizations. In FY12, 16% of OPIC-supported projects involved such institutions.

Lending to Underserved Populations

Finally, when support for a financial intermediary increases lending in low income or rural areas, it can increase access to finance for previously underserved populations. OPIC supports financial services projects that have a significant development reach to poor, underdeveloped, and/or rural areas of the host country. For example, OPIC-supported financial intermediaries reported that more than half of their non-mortgage lending last year was in rural areas.

VI. EXHIBITS

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Exhibit 1:* US Employment and Associated Effects of OPIC-Supported Projects

Fiscal Year 2012 (Projections)

(All Dollar Figures are in Thousands)

Industry Sector	Number of Projects	US Current Account Inflows 1/		Final Destination of Project Output 2/			US Procurement 1/	Effect on US Employment 1/ 3/			Effect on US Trade Balance 1/
				Host Country	U.S.	3rd Country		Initial	Operating	Total	
A. Projects with Positive Effects on Employment 4/											
Agribusiness 5/	4	$103,112		$26,020	$0	$93,430	$103,112	44	125	169	$103,112
Energy 6/	2	$22,836		$173,200	$0	$0	$22,836	16	25	41	$22,836
Services	10	$305,416		$224,069	$0	$89,970	$305,416	252	184	436	$305,416
Positive Total	**16**	**$431,364**	7/	**$423,288**	**$0**	**$183,400**	**$431,364**	**312**	**333**	**645**	**$431,364**
B. Projects with Neutral Effects on Employment 8/											
Agribusiness	2	$0		$17,988	$3,800	$3,445	$0	0	0	0	($19,000)
Manufacturing& Mining	5	$620		$20,347	$11,000	$38,568	$620	1	0	1	(54,380)
Energy 6/	8	$962		$175,070	$0	$0	$962	1	1	2	$962
Services	89	$2,095		$567,655	$0	$3,491	$2,095	2	1	3	$2,095
Neutral Total	**104**	**$3,667**		**$781,060**	**$14,800**	**$45,504**	**$3,667**	**4**	**2**	**5**	**($70,323)**
C. Projects with Negative Effects on Employment 9/											
Negative Total	**0**	**$0**		**$0**	**$0**	**$0**	**$0**	**0**	**0**	**0**	**$0**
Net FY Total	**120**	**$435,041**		**$1,204,349**	**$14,800**	**$228,904**	**$435,041**	**315**	**335**	**650**	**$361,041**

* Foreign Assistance Act of 1961 (P.L. 87-195), Sec. 240A (2) (b)

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 US employment effect of more than two jobs (10 person years or more of employment during the first 5 years of project operation).

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

6/ 90% percent of the energy projects OPIC committed to in FY12 were renewable energy projects

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

8/ Projects with a US 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 FY12 that projected the loss of any US employment.

Exhibit 2:* Destination of Sales to Third Party[1/] Markets of OPIC Supported Projects Fiscal Year 2012 (Projections)

PROJECTS WITH POSITIVE EFFECTS ON US EMPLOYMENT[2/]		Annual Revenue ($)
Agribusiness		
All OPIC Countries		$90,700,000
	Sector Total	$90,700,000
Manufacturing & Mining		
Africa Regional		$294,559
Algeria		$253,948
Europe Regional		$56,828
India		$954,118
Middle East Regional		$620,372
South Africa		$131,602
Turkey		$194,311
World Wide		$224,322
	Sector Total	$2,730,060
Services		
Sub-Saharan Africa Region		$34,960,000
Tanzania		$39,740,000
Uganda		$15,270,000
	Sector Total	$89,970,000
TOTAL REVENUE FOR PROJECTS WITH POSITIVE US EFFECTS		$183,400,060

* Foreign Assistance Act of 1961 (P.L. 87-195), Sec. 240A (2) (A)

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

2/ Sixteen of the 120 OPIC-supported projects in FY12 had positive effect on US employment: Projects with a US employment effect of more than two jobs (10 person years or more of employment during the first 5 years of project operation). There were no projects supported in FY12 that resulted in the lost of any US jobs.

Exhibit 2 (cont.): Destination of Sales to Third Party Markets of OPIC Supported Projects Fiscal Year 2012 (Projections)

PROJECTS WITH NEUTRAL EFFECTS ON US EMPLOYMENT[3/]		Annual Revenue ($)
Agribusiness		
Middle East and North Africa		$3,445,000
	Sector Total	$3,445,000
Manufacturing& Mining		
Europe Regional		$1,656,953
Germany		$19,169,000
Italy		$1,682,000
Middle East and North Africa		$3,739,032
People Republic of China		$12,000,000
Russia		$321,015
	Sector Total	$38,568,000
Services		
Africa Regional		$349,056
Malawi		$581,760
Mozambique		$232,704
Zambia		$2,327,040
	Sector Total	$3,490,560
TOTAL REVENUE FOR PROJECTS WITH NEUTRAL US EFFECTS		$45,503,560
	Fiscal Year TOTAL	$228,903,620

3/ One hundred and four of the 120 OPIC-supported projects in FY12 had neutral effect on US employment: Projects with a US 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 FY12 that resulted in the loss of any US jobs

Exhibit 3:* US Employment Effects and Host Country Location of OPIC

Supported Projects Fiscal Year 2012 (Projections)

In FY12, OPIC supported 120 projects in 42 countries and seven regions around the world.

Of those 120 projects, 16 had a positive impact on US jobs:[1/]

- 3 in the agricultural sector: Rwanda, Ukraine and Mexico
- 1 in the energy sector: Afghanistan
- 1 in manufacturing & mining: Egypt
- 11 in the services sector: Africa region, Ghana, Kenya, Portugal, Mexico, India, Pakistan, Egypt, Iraq, and Global

Of those 120 projects, 104 had a neutral impact on US jobs:[2/]

- 3 in the agricultural sector: Egypt, Ukraine and Latin America Regional
- 6 in the energy sector: South Africa, India, Bulgaria, Jordan, Dominican Republic and Peru
- 6 in manufacturing & mining: India, Egypt, Brazil, and Georgia
- 89 in the service sector: Africa Region, Ghana, Liberia, Nigeria, South Africa, South Sudan, Tanzania, Uganda, Indonesia, Cambodia, Papua new Guinea, India, Pakistan, Kosovo, Moldova, Ukraine, Egypt, Jordan, Lebanon, West Bank, Global, Argentina, Colombia, Costa Rica, Ecuador, Guatemala, Haiti, Honduras, Latin America Regional, Mexico, Panama, Peru, Armenia, Azerbaijan, Georgia, Kazakhstan, and Turkey.
    - Of these 89 projects, 58 were financial services, 5 pertained to commerce, 17 dealt with retail, 5 with transportation, and 4 with other services.

Regional breakdown:

- 26 in Sub-Saharan Africa (5 with positive US job impacts and 21 with neutral US job impacts)
- 8 in Southeast Europe (2 with positive US job impacts and 6 with neutral US job impacts)
- 33 in Latin America (2 with positive US job impacts and 31 with neutral US job impacts)
- 3 in South Asia (all with positive US job impacts)
- 10 in East & South Asia (all with neutral US job impacts)
- 23 in Middle East and North Africa (3 with positive US job impacts and 20 with neutral US job impacts)
- 11 in West and Central Asia (all with neutral US job impacts)
- 6 located Globally (one with positive effect and 5 with neutral US job impacts)

* Foreign Assistance Act of 1961 (P.L. 87-195), Sec. 240A (3) (C)

1/ Projects with a US employment effect of more than 2 jobs (10 person years or more of employment during the first 5 years of operations).

2/ Projects with a US 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 FY12 resulted in the loss of any U.S. jobs.

Exhibit 4: Methodology for Calculating US Employment Effects

Each project seeking OPIC support is individually reviewed to estimate the potential impact on employment in the United States. OPIC uses procurement estimates provided by the investor to calculate expected initial and operational procurement from the United States by value and specific type of good or service. The US 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.

OPIC details each type of US good or service procured for each project and, using industry-specific data from the U.S. Department of Commerce Bureau of Economic Analysis (BEA) and the U.S. Bureau of Labor Statistics (BLS), OPIC calculates the employment effect in that industrial sector as well as in the sectors that supply necessary components or inputs. By using this standard employment effect methodology, OPIC is able to ascertain employment generation with greater precision than if it used an average for all US exports. By including indirect effects, OPIC's employment figures present a more accurate picture of the benefits accruing to US workers from the procurement of goods and services by OPIC-supported projects. Finally, to confirm employment effect 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 of this report.

Exhibit 5: OPIC's Revised 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 physical and financial infrastructure and provide the basic human necessities of shelter, food, water and health care. Since its inception in 1971, OPIC has collected direct and indirect developmental impact data for each of its projects. In 2004, OPIC implemented a development impact assessment tool – the Developmental Impact Matrix – enabling OPIC to compare projects across the portfolio and over time. A new model was developed in 2007 that was specifically tailored to assess the development impacts of financial services projects. These matrices incorporated between 27 and 34 developmental indicators that were used to evaluate and score every proposed project.

In October 2012, OPIC revised its Development Impact Matrices with the goal of simplifying the indicators for more accurate and relevant data collection. The new matrices are also more harmonized with the developmental impact assessment tools used by other development finance institutions. As before, OPIC has two matrices -- one pertaining to physical investments and one tailored for financial services projects. Both matrices are comprised of the following five broad categories that measure a project's developmental impact, regardless of the project's industry sector or the host country's level of development:

- Job Creation and Human Capacity Building, which includes the number of new jobs to be created as well as training and employee benefits that go beyond local law.

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

- Host Country Impact, which measures local procurement and 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 category assesses a project's improvement of the environment and benefits to the local community.

- Development Reach, which measures a project's impact on basic infrastructure and/or its potential benefits to the poor and other underserved populations. For projects involving financial services, this factor measures the extent to which underdeveloped areas or underserved, poor populations will be targeted by the financial institution.

Every proposed project is evaluated and scored based on a scale of 1 to 100. A project must score at least 25 to 60 points on the matrix to be considered *developmental* and clearly eligible for OPIC support. A score of over 60 to 100 qualifies a project as *highly developmental.*

Exhibit 6: OPIC's Greenhouse Gas Policy and Current Inventory

In Fiscal Year 2012, OPIC's outside environmental auditor, Pace Global Energy Services LLC (Pace) identified one new project commitment 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").

In order to account for GHG emissions from active projects in OPIC's portfolio that emit less than 25,000 tons of CO_{2eq}, OPIC adds an extra four percent[1/] emissions to the aggregate emissions number. The addition of four percent to account for such sources is consistent with the GHG accounting methodology of The Climate Registry.[2/] Pace's Report on GHG emissions from projects that are expected to emit more than 25,000 tons of CO_{2eq} 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 estimate methodologies 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 CO2eq but greater than 25,000 tons CO_2eq. As a result, in FY11 and FY12, 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 A Projects										
Project Name	Location	Description	Capacity / Throughput	Fuel Type	Maximum PTE[1] (short tons CO2)	2007 Sponsor Reported Emissions Baseline (short tons CO2)	2008 Sponsor Reported Emissions Baseline (short tons CO2)	FINAL 2009 Emissions (short tons CO2)	FINAL 2010 Emissions (short tons CO2)	FINAL 2011 Emissions (short tons CO2)
Adapazari Elektrik Uretim	Turkey	Combined Cycle	777 MW	Natural Gas	2,706,499	2,106,754	2,106,754	2,441,657	2,426,053	2,309,241
AES Jordan[2]	Jordan	Combined Cycle	10,103,603 MMBtu/yr	Natural Gas & Diesel	1,288,809	N/A	590,940	1,318,130	1,434,569	1,184,010
AES Nigeria	Nigeria	Engine-Based Power Generation	270 MW	Natural Gas	1,603,307	1,166,398	1,341,157	988,271	949,754	949,754
Contour Global - Togo	Togo	Engine-Based Power Generation	100 MW	HFO & natural gas	581,133	Not Active	Not Active	Not Active	Below Threshold	46,561
Doga Enerji	Turkey	Combined Cycle	180 MW	Natural Gas	816,057	740,762	740,762	672,014	655,981	Not Active
Gaza Private Generating PLC	Gaza	Combined Cycle	136.4 MW	Natural Gas	487,658	293,804	303,535	325,926	228,627	405,262
Gebze Elektrik Uretim	Turkey	Combined Cycle	1554 MW	Natural Gas	5,412,998	4,121,923	4,121,923	4,794,979	4,833,330	4,535,511
Grenada Electricity Services (WRB)	Grenada	Engine-Based Power Generation	18 MW	Diesel (Fuel Oil)	104,604	114,571	121,156	141,127	135,237	134,371
Habibullah Coastal Power	Pakistan	Combined Cycle	140 MW	Natural Gas	487,658	447,880	447,880	Not Active	Not Active	Not Active
Isagen SA	Columbia	Combined Cycle	300 MW	Natural Gas	696,654	203,010	Below Threshold	300,706	305,181	305,181
Izmir Elektrik Uretim	Turkey	Combined Cycle	1554 MW	Natural Gas	5,412,998	4,694,380	4,694,380	4,300,376	4,739,787	4,824,511
Jorf Lasfar Energy	Morocco	Steam Boiler	1356 MW	Coal	14,268,496	14,268,496	Not Active	Not Active	Not Active	Not Active
NEPC Consortium Power	Bangladesh	Engine-Based Power Generation	313,105 MMBtu/yr	Natural Gas & HFO	383,159	245,795	343,581	255,734	297,068	297,068
Paiton Energy	Indonesia	Steam Boiler	1220 MW	Coal	7,938,380	9,553,044	9,553,044	9,624,125	9,854,076	10,045,869
Pakistan Water & Power Authority[3]	Pakistan	Combined Cycle	150 MW	Natural Gas	522,490	522,490	522,490	283,937	283,937	Not Active
Termovalle SCA[4]	Columbia	Combined Cycle	205 MW	Natural Gas	714,070	Below Threshold	Below Threshold	223,983	223,983	Below Threshold
Trakya Elektrik Uretim	Turkey	Combined Cycle	478 MW	Natural Gas	1,818,912	1,747,956	Not Active	Not Active	Not Active	Not Active

[1] Note that the maximum PTE was calculated for projects that had detailed data as well as for those with sparse data. For those projects with minimal data available, the maximum PTE may be less than the 2007 emissions for which more information became available from the project sponsors.

[2] 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.

[3] 2009 emissions are significantly lower due to fewer reported operating hours.

[4] 2009 emissions are significantly higher due to increased reported operating hours.

Tier B Projects

Project Name	Location	Description	Capacity / Throughput	Fuel Type	Maximum PTE[1] (short tons CO2)	2007 Sponsor Reported Emissions Baseline (short tons CO2)	2008 Sponsor Reported Emissions Baseline (short tons CO2)	FINAL 2009 Emissions (short tons CO2)	FINAL 2010 Emissions (short tons CO2)	FINAL 2011Emissions (short tons CO2)
Accroven SRL	Venezuela	NGL Facility	800 MMscfd	Natural Gas	998,677	998,677	445,832	Not Active	Not Active	Not Active
Baku-Tblisi-Ceyhan Pipeline	Azerbaijan	Crude Oil Pipeline	1 million barrels crude oil	Natural Gas & Diesel	699,034	707,672	707,672	787,577	723,214	671,605
E.P. Interoil	Papua New Guinea	Crude Oil Refinery	32,500 barrels/day	Crude Oil	802,469	392,296	103,247	79,709 [5]	75,928 [5]	74,985 [5]
Equate Petrochemical	Kuwait	Petrochemical Facility	1540 MMBtu/hr	Natural Gas	720,573	720,573	680,311	Not Active	Not Active	Not Active
Foxtrot International[2]	Cote d'Ivoire	Gas Extraction & Pipeline	100 MMscfd	Natural Gas	270,804	104,484	104,484	104,484	Below Threshold	27,746 [5]
Lukoil Rpk Vysotsk[3]	Russia	Oil and petroleum export terminal	14 MM tons per anum	Crude Oil & Products	107,184	70,767 [5]	70,767 [5]	76,339 [5]	97,117 [5]	91,143 [5]
Natural Gas Liquids II Financing	Nigeria	NGL Facility	19.5 MMscfd	Natural Gas	390,806	244,048	244,048	Not Active	Not Active	Not Active
Various Egypt Subsidiaries (Apache)[4]	Egypt	Oil/Gas Extraction & Processing	29,934,702 bbl/yr & 89,910 MMscf/yr	Oil & Natural Gas	2,429,543	3,071,932	3,244,189	3,294,654	3,465,842	4,438,554
West Africa Gas Pipeline	Ghana	Gas Compression & Transmission	190 MMscfd	Natural Gas	244,728	Not Active	Not Active	244,728	91,451 [5]	86,617 [5]
Wilpro Energy Services (El Furrial)	Venezuela	Gas Compression	60 MW	Natural Gas	289,106	289,106	289,106	Not Active	Not Active	Not Active
Wilpro Energy Services (Pigap)	Venezuela	Gas Compression	100 MW	Natural Gas	507,923	571,090	571,090	Not Active	Not Active	Not Active

[1] Note that the maximum PTE was calculated for projects that had detailed data as well as for those with sparse data. For those projects with minimal data available, the maximum PTE may be less than the 2007 emissions for which more information became available from the project sponsors.

[2] In 2010, Foxtrot operated for a minimal period of time and thus had corresponding GHG emissions below the established threshold.

[3] Lukoil has the potential to emit over 100,000 tons CO2 annually, although emissions have been reported below this level to date.

[4] In 2007 and 2008, Apache reported their emissions in relation to their equity share of the project (49%). OPIC accounts 100% of a project's emissions regardless of equity share. As a result, emissions data for 2007 and 2008 will more than double in comparison to the project sponsor reported data in order to calibrate the inventory according to OPIC standards.

[5] Project emissions have been estimated to be less than 100,000 short tons but the project has the potential to emit greater than 100,000 short tons per year.

Tier C Projects

Project Name	Location	Description	FINAL 2009 Emissions (short tons CO2)	FINAL 2010 Emissions (short tons CO2)	FINAL 2011 Emissions (short tons CO2)
Citadel Glass Works	Egypt	Manufacturing	Not Active	Not Active	Not Active
Dominca	Dominican Republic	Oil	50,084	50,084	50,084
Jose Lindley	Peru	Manufacturing	25,000	25,000	Not Active
Joshi Technologies / Parko Services	Colombia	Oil	30,398	57,826	43,564

Totals

	2007 Sponsor Reported Emissions Baseline (short tons CO2)	2008 Sponsor Reported Emissions Baseline (short tons CO2)	FINAL 2009 Emissions (short tons CO2)	FINAL 2010 Emissions (short tons CO2)	FINAL 2011 Emissions (short tons CO2)
Tier A:	40,227,263	24,887,602	25,670,965	26,367,582	25,037,339
Tier B:	7,170,645	6,460,746	4,587,491	4,453,552	5,390,650
Tier C:	-	-	105,482	132,910	93,648
Subtotal:	47,397,908	31,348,348	30,363,938	30,954,044	30,521,637
Latin America Power III Funds:[1]	2,077,500	2,077,500	2,077,500	2,077,500	2,077,500
5% Buffer for Additional Sources:	2,473,770	1,671,292	-	-	-
Buffer for Additional Sources:[2]	-	-	1,511,316	1,512,022	1,531,626
TOTAL:	**51,949,179**	**35,097,140**	**33,952,754**	**34,543,566**	**34,130,763**

[1] Per agreement between Latin American Power III and OPIC, the Fund agreed to "not 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 short tons CO2 as calculated in accordance with the IPCC".

[2] Buffer for Additional Sources plus Tier C equals 5% of the inventory for projects above the 100,000 ton threshold

Exhibit 7: OPIC Site Monitoring Methodology

(Statutory Disciplines: Environment, US Economic Impact, Labor, and Host Country Developmental Impact)

OPIC performs comprehensive and integrated monitoring to evaluate the US 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 more policy compliance comfort 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.

US Economic Impact

All projects visited are evaluated for their actual impact on the US economy, including the US employment generation effects of the investments. OPIC ensures that projects do not negatively impact the US economy. This analysis includes verifying export levels to the U.S. (if any) or to other countries, calculating the US 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 US export markets).

Developmental Impact

Regarding host country economic impact, projects are reviewed using the same criteria as 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 are also 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 review.