Congressional Budget Justification

Fiscal Year 2015

Overseas Private Investment Corporation

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President's Letter

As the U.S. Government's development finance institution, OPIC's mandate is to mobilize private investment into sustainable economic development. Since OPIC was created from the U.S. Agency for International Development 40 years ago, we have accomplished this mission by providing loans, guarantees and insurance to thousands of U.S. companies and investors in emerging markets. We do so in a self-sustaining manner, having returned money to the U.S. Treasury for 37 consecutive years.

Since OPIC's creation, the private sector has rapidly emerged as the central player in international development. The financial flows from the U.S. to developing countries are predominately from private capital, whereas only 40 years ago they were predominately development assistance. During a time of tight budgets, using scarce public dollars to generate private investment to achieve goals is both efficient and effective. With OPIC, the private sector becomes a nimble, tangible foreign policy tool.

Unique among U.S. development agencies, OPIC works primarily with the private sector. OPIC staff are bankers and technical specialists with deep expertise in project finance, insurance and investment funds. They have successful track records in structuring and mitigating the risks of complex, difficult, long term deals. Over the last several years, we have strengthened our partnerships with other U.S. Government agencies, such as USAID, the State Department and the U.S. Trade and Development Agency. These partnerships have shown excellent results, successfully pairing our private sector expertise and instruments with their complementary assistance, grant and diplomatic strengths.

OPIC's development impact and financial track-record has been tested and proven through numerous economic cycles and emerging market crises. We have consistently helped reduce the Federal deficit, while generating significant reserves. We focus on "crowding-in" private investment, financing projects that are too risky for purely commercial banks, while generating very low write-offs and losses that most of those commercial banks would envy (OPIC's write-offs, net of recoveries, were consistently less than 1 percent in each of the past 5 years). Our clients range from large U.S. companies to NGOs, to individual investors; but the vast majority of our work involves U.S. small and medium enterprises (approximately three quarters of our transactions).

OPIC's business model is highly scalable, yet our administrative budget supports a current staff of only 230 people. In an increasingly competitive global market, it is challenging to provide a level playing field for U.S. businesses when OPIC is a fraction of the size of our European and Asian peer Development Finance Institutions (DFIs). For example, even the Dutch and German equivalents have twice the staff of OPIC, while managing a portfolio that is half the size of OPIC's. As a result, demand for OPIC services from worthy U.S. businesses far outstrips our ability to respond; yet the benefit to the U.S. taxpayer of OPIC's administrative budget is very high. For every dollar invested in OPIC's administrative budget in 2013, OPIC produced nearly $8 in revenue for the U.S. taxpayer.

Hence we see that OPIC's potential impact is constrained not by capital availability (we have a current portfolio of approximately $18 billion with a statutory maximum of $29 billion) but by the administrative resources necessary to prudently originate, underwrite, close, manage, and monitor an increase in transaction volume.

In FY 2013, OPIC increased its annual commitments by nearly 10 percent from the previous year, to $3.9 billion. Given the time it takes for transactions to evolve, most of that growth came from projects developed over previous years. Without additional resources, our growth rate will slow or reverse, as will our ability to meet the needs of U.S. companies overseas and create development impact.

OPIC's budget request for FY 2015 is designed to support a larger portfolio and expand OPIC's institutional capabilities, impact, and revenue generation. With the fulfillment of our FY 2015 budget request, OPIC will be able to continue its contributions to Federal budget collections, which have amounted to over $1.6 billion over the last five years.

Africa

Nowhere is the value of OPIC's work clearer or more central to the Administration's priorities than in Africa. Last summer, I had the privilege of accompanying the President to Africa as part of the announcement of Power Africa, an ambitious initiative to significantly increase U.S. private investment into the continent's power sector. Under the initiative, OPIC has committed to providing $1.5 billion in lending and insurance over the next five years to Sub-Saharan Africa. OPIC's private-sector mission, mandate, and skill-set will be critical to the initiative's success.

OPIC has deep experience in the power sector, having financed over $24 billion in power transactions in oil, gas, solar, wind, biomass and geothermal energy. In renewable energy specifically, OPIC's portfolio has grown one-hundred fold under the Obama administration – from $10 million to over $1 billion in 2012 and 2013.

At the same time, OPIC's commitment to Africa across all sectors has grown significantly under this Administration. Africa currently comprises nearly a quarter of our total portfolio, up from only six percent in the 1990s. The amount OPIC has committed to Africa in the past four years exceeds that of the previous eight years combined. Last year, OPIC opened our first and only overseas office – in Johannesburg, South Africa.

Policy Program

Beyond Africa, this budget proposal supports OPIC's important role in delivering on key public policy priorities. The requested resource level will enhance OPIC's ability to:

- Support U.S. Foreign Policy – OPIC is an early responder to foreign policy priority situations, financing the private investment that creates critical jobs and opportunities, and with them, stability.

- Expand clean and renewable energy in emerging markets – OPIC supports U.S. business tapping this fast-growing market and answering the urgent call for climate finance in emerging markets.
- Prudently underwrite and manage OPIC's complex and growing portfolio – OPIC has built a proven, successful, and highly scalable model. Expanding its work will require investments in risk management systems, IT, security, and oversight.

This budget request also proposes a program for equity investment. OPIC envisions using this program and its 25 years of experience in selecting fund managers to invest as a Limited Partner ("LP") in privately managed funds targeting companies in OPIC-eligible countries. Although no new legislation is required, the program must be explicitly funded in the budget. Among our peer development finance institutions in the G7 and beyond, OPIC is unique in lacking an equity capability. This significantly undermines our ability to offer U.S. companies and investors the support they need to compete with other actors in important new markets, and deters OPIC ability to share risk among multilateral lenders and development finance institutions. It also limits the types of funds and projects we can support, limiting our developmental impact. We plan to focus this program on limited and selective investments in the Middle East and North Africa, Sub Sahara Africa and Asia, with particular emphasis in the renewable energy or renewable resource (water, agriculture, forestry, etc.) sectors or with small and medium-sized enterprises (SMEs).

Thank you for your continued support of OPIC's highly efficient and effective model of advancing U.S. foreign policy and development goals while supporting U.S. business and generating returns for the U.S. taxpayer. In addition to investment dollars, I believe that U.S. businesses are our nation's most powerful foreign policy tool – ambassadors that project the best of American values, innovation, and goodwill. I hope that you will continue to enable us to grow and develop OPIC's role addressing these crucial needs in an ever more complex and global world.

Best,

Elizabeth L. Littlefield
President and CEO

FY 2015 Budget in Brief

As the U.S. Government's development finance institution, OPIC mobilizes private capital to help solve critical development challenges and in doing so, advances and supports U.S. foreign policy. OPIC provides financing, guarantees, political risk insurance, and support for private equity investment funds. OPIC achieves its mission, at no cost to the Treasury or the taxpayer, through risk management, fees, and interest charged to investors. OPIC is among very few Federal programs which reliably reduces the deficit.

OPIC proposes in FY 2015 to continue the core principles and strategies outlined in the President's FY 2014 request: to elevate OPIC's institutional capabilities to meet development and policy challenges as well as to prudently manage OPIC's growing portfolio.

This budget also describes a new program to support equity investment, using OPIC's own resources, as well as transfer authority, to mobilize private capital. Unique among peer development finance institutions in our inability to support equity investments, OPIC believes that this program is a key tool that can enable OPIC to deliver on key Administration development objectives.

Administrative Resources Generate Revenues

In this FY 2015 budget, OPIC proposes a scaled increase in funding for administrative resources. For FY 2015, OPIC proposes an additional $9.2 million in administrative expenses over the FY 2014 enacted appropriation, equal to the amount requested for the FY14 budget. Of this amount, $1.8 million is included for new independent audits, evaluations, and inspections in response to mandates from Congress. As in prior years, the overall increase would be completely self-funded, and offset from revenues generated by the program.

$ in millions	**FY 2013 Actual**	**FY 2014 Enacted**	**FY 2015 Request**
Resources			
Administrative Expenses	53.3	62.6	70.0
Audits, Evaluations, Inspections	-	-	1.8
Administrative Appropriation	53.3	62.6	71.8
Program Account	23.8	27.4	25.0
Total Appropriations, Gross	77.1	90.0	96.8
Collections, Net	-408.2	-299.9	-299.9
Net Budget	**-331.1**	**-210.0**	**-203.1**
Commitments			
Finance and Funds	3,756	2,400	3,400
Insurance	171	600	800
Total Program	**3,927**	**3,000**	**4,200**
Renewables	1,211	1,000	1,000
FTE	229	246	255

Funding for Limited Partner Authority

This budget includes $20 million in transfer authority and up to $10 million from OPIC's subsidy appropriation to implement OPIC's existing authority to execute a targeted equity investment program. OPIC envisions using this authority and its 25 years of experience in selecting fund managers to invest as a Limited Partner ("LP") in privately managed funds targeting companies in OPIC-eligible countries.

This additional tool would give OPIC the capability to deploy capital to sectors and high priority regions which it cannot do today. As an example, today there are at least a dozen viable fund managers in MENA and Sub Saharan Africa alone that could launch operations with OPIC equity investment, thereby unlocking multiples of private sector development capital in the region. As one of the most experienced players globally in supporting emerging markets private equity funds, OPIC has the skills and prudent underwriting capabilities needed to be successful as an LP. OPIC could undertake this program with few, if any, new capabilities required, thereby further increasing OPIC's 'bang for the development buck' and maximizing the efficiency and effectiveness of U.S. government resources.

OPIC's Mission supports both Domestic and Foreign Policy

OPIC's FY 2015 budget proposal is ambitious and would quantitatively and qualitatively transform OPIC's ability to bring needed investment and jobs to Africa and post-conflict areas, and to mobilize non-Federal resources to global development challenges such as clean and renewable energy and sustainable economic growth. This plan reflects the fact that OPIC's operations and structure can scale to larger levels to generate greater value for the taxpayer.

- **OPIC Supports the President's Commitments –** OPIC is a critical tool to fulfilling the President's commitments to key initiatives including Power Africa, the Global Climate Change Initiative, the Middle East and North Africa, U.S.- Asia Pacific Comprehensive Partnership for a Sustainable Energy (U.S.- ACEP), Feed the Future, and the Partnership for Growth.

- **OPIC Reduces the Deficit –** OPIC generates more income than it uses, thereby reliably reducing the deficit year after year. In FY 2013, OPIC collected more than $5 for every dollar of appropriated funds received (administrative expense and subsidy) or, put another way, OPIC collected almost $8 for every dollar of its administrative expense budget alone.

- **OPIC Supports National Security and Foreign Policy –** OPIC efficiently mobilizes the private sector to support U.S. development and foreign policy objectives – even in challenging environments.

- **OPIC Assists U.S. Businesses and Small and Medium Enterprises (SME's) –** OPIC supports U.S. jobs and exports through U.S. businesses expanding and exporting into emerging markets. It allows SMEs, with their growth and employment potential, to access fast growing emerging markets.

FY 2015 Budget Request

OPIC has a unique value to the Budget by directly supporting foreign policy and development, while at the same time generating income for the budget. Given the likelihood of limited budgetary resources for foreign policy and development, approaches such as OPIC's are a critical solution to supporting development goals in a flexible and cost-effective way.

OPIC's request represents an effective use of additional resources, because:

- All of OPIC's funds are provided out of its own balances, not out of the General Fund of the U.S. Treasury.
- OPIC's proposed budget can be offset with negative subsidy – generated by its transactions.
- OPIC is efficient with its resources.
  - OPIC is a small agency at approximately 230 FTE supporting an $18 billion portfolio of more than 500 transactions in more than 102 countries.
  - Over its history, OPIC has mobilized approximately $2.60 in non-Federal resources for each $1 of its insurance and finance commitments.
  - In FY 2013, each OPIC employee generated an average of $17.1 million in new commitments and more than $1.8 million in revenue for the Federal government.

The proposed budget will allow OPIC to grow from $3.9 billion in annual commitments in FY 2013 to an estimated $4.2 billion in FY 2015 and generate estimated collections of $300 million. These collections are comprised of interest on OPIC's holdings in Treasury securities, negative subsidy and insurance income. The scaled growth proposed by this budget can reduce total risks by intelligently diversifying OPIC's exposure and developing OPIC's institutional capabilities. This balance is the key to extending OPIC's record as a self-sustaining agency and corporation.

$ in millions	**FY 2013 Actual**	**FY 2014 Enacted**	**FY 2015 Request**
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Limited Partner (LP) Authority

Based on OPIC's 25 years of experience in supporting emerging markets private equity funds, OPIC proposes to use up to $30 million ($20 million in transfer authority plus up to $10 million from OPIC's appropriation for subsidy) to execute an equity investment program to fund limited partner (LP) interests in privately managed investment funds and to support limited investments in discrete and highly-developmental projects. Using OPIC's existing authority, an LP investment program could be self-sustaining within ten years, assuming an average historical emerging markets private equity rate of return of 8.08 percent and the re-investment of both the program's returns and the initial capital.[1] OPIC bases these estimates on (a) best practices used by institutional investors and other development finance institutions for private equity investing, (b) analysis of various risk/return profiles of funds, and (c) comparisons of value at risk between OPIC's current debt instrument and a potential LP equity investment. Each investment would be considered a direct outlay at face value, with any returns considered an offsetting collection.

Fund manager selection is the single most important factor in determining successful fund performance and associated risks. Accordingly, OPIC would continue the rigorous, competitive and transparent selection process that it has developed since 2002, and would continue to seek top quality fund managers for these privately managed funds. By acting as an LP investing equity alongside other LPs and development finance institutions, OPIC could (a) better align its interests with other LPs, (b) attract U.S. institutional investors into emerging markets, and (c) potentially earn a greater return on the proposed equity investment program vs. its existing debt financing facility.

OPIC is Self-Sustaining

When it was created in 1971, OPIC was organized as a government-owned corporation in order to operate as a business, on a self-sustaining basis at no net cost to the American taxpayer. OPIC does this by charging market-based fees and premiums for its loans and insurance. This income enables OPIC to generate more income than it spends, and thus build reserves from its own revenue without drawing on the U.S. Treasury.

OPIC's structure – its authorizing legislation, its status as a government-owned corporation, down to the design of its accounting systems - reflects through the budget that OPIC is intended to be run as a self sustaining *business*. OPIC's operations generate income, create capital, and set aside resources for the activities of the business. OPIC does not draw resources from the General Fund of the Treasury. Rather, OPIC invests its earnings in Treasury securities, and thus lends to the Treasury. OPIC's reserves now total $5.4 billion invested in Treasury securities – insulating the Treasury from the risk that OPIC's portfolio might generate losses in excess of those already budgeted.

By balancing risks, returns and resources, OPIC earns a nominal return for the budget, maintains itself as a fully self-sustaining Federal Corporation, and helps to reduce the Federal deficit. In FY 2013, OPIC's positive effect on the Federal budget totaled $426 million – the 37th

[1] Based on the 20-year average for Emerging Market Private Equity funds per the March 31, 2013, Cambridge Associates Selected Benchmark Statistics.

consecutive year that OPIC has contributed to the budget. Similarly, on a GAAP private-sector basis, OPIC had audited net income of $162 million in FY 2013. OPIC is one of the very few U.S. government agencies which generate a profit for the American taxpayer.

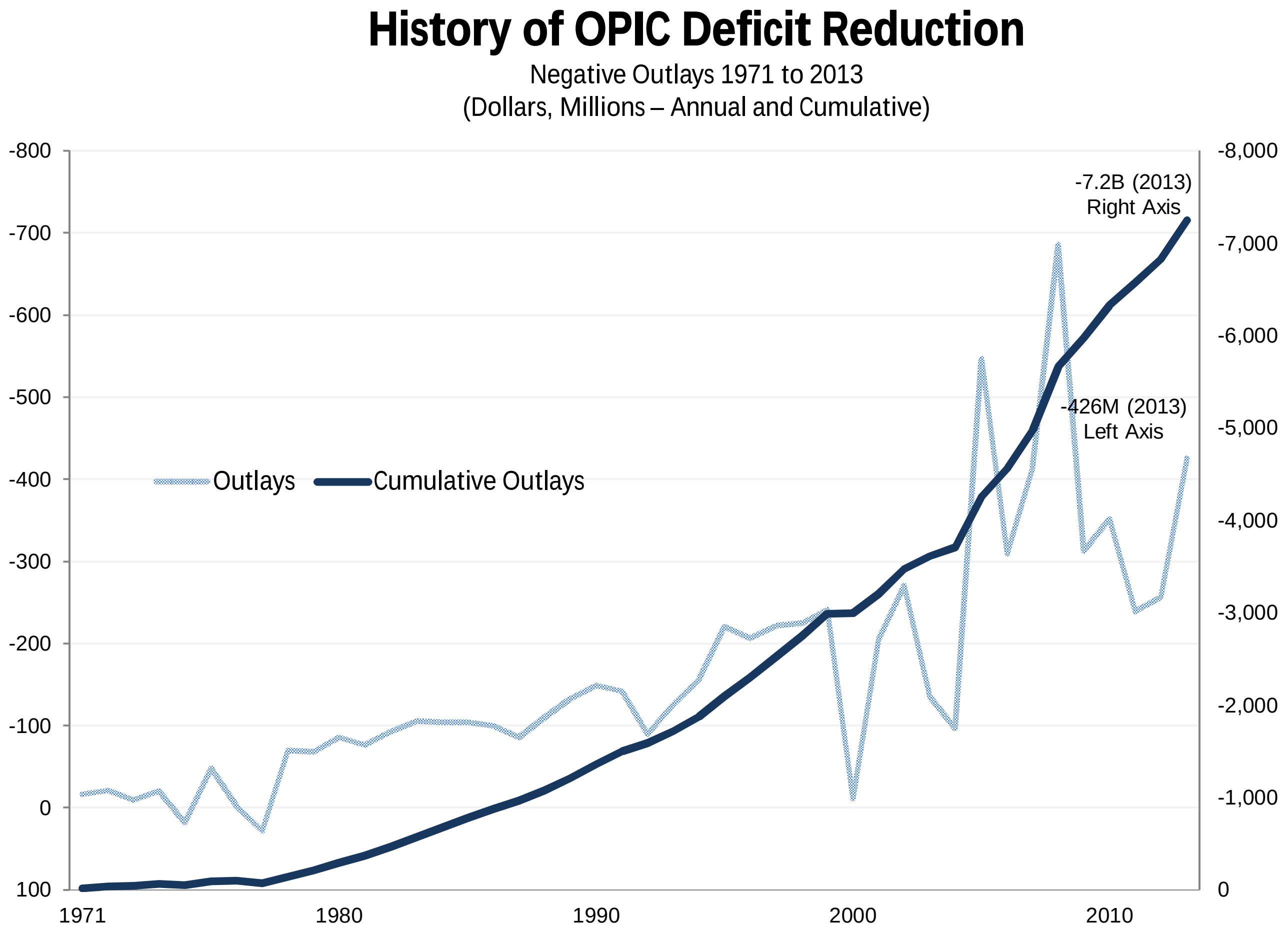

Figure 1 Annual and Cumulative Negative Outlays 1971 to 2013 (OMB, Treasury)

Administrative Resources Directly Drive Program and Revenue

OPIC needs the additional resources to support higher program levels for the following reasons:

- OPIC's Programs scale with Payroll – Management anticipates that much of OPIC's budget will continue to support payroll and contract support, because most of OPIC's work is project oriented and knowledge/labor intensive. While technology can automate certain tasks, the execution of lending and insurance is inherently a case-by-case, project-by-project exercise. OPIC's business model requires staff to develop, structure, finance, and monitor complex financial transactions.

- OPIC's Revenues scale with Program Levels – The higher the program level, the more OPIC can generate in net revenues.

- Alternatives Considered – OPIC cannot scale its program without adding staff because OPIC's approvals are case-by-case. OPIC has explored other means of delivering larger program levels within the same resources using a range of approaches.

  - **Delegating deal origination** – This requires finding business partners who are willing to work within OPIC's several statutory requirements and approval process. OPIC already works with major banks and is working to develop other quality lending relationships.

  - **Automation** – OPIC's project-specific focus and statutory requirements make it difficult to achieve scale without staffing to execute the analysis required by law.

  - **Larger Transactions** – OPIC could focus its resources on larger transactions; however, that approach would further concentrate risks and would displace OPIC's ability to serve small- and medium-sized businesses.

Strategic Investment in Technology

In order to adequately monitor OPIC's portfolio and maintain private sector reporting standards, OPIC management anticipates a continuing need for additional integration of OPIC's information technology systems. In particular, we see a need in the following areas:

Systems Life Cycle and Mandates

- **Reporting systems –**Treasury, OMB, OECD, and external audit requirements require systems upgrades and management. Compliance with government-wide requirements, continuous operations and maintenance, and a needed rolling replacement of obsolete and unreliable equipment require ongoing resources. Meeting these reporting requirements calls for the development of effective reporting solutions.

- **Legacy system replacement** – Core critical systems such as Staff Central (OPIC's on-boarding and off-boarding system) and APPX (a project pipeline management software application) are built on archaic, unsupported technology that must be modernized to meet Federal audit control standards. Replacement of these systems enhances OPIC's ability to report externally and fosters internal productivity and efficiency.

- **Support of credit reform** – OPIC's existing data structures and capabilities are challenged by efforts to track, analyze and report data at an *individual* loan level. Desktop data integration and management require new tools.

- **IT Compliance -** Electronic records, privacy, continuity, security, and mobile initiatives or requirements are functions which are required government-wide and must be aligned, implemented, and maintained across the organization.

Mission and Operation Support

- **Underwriting Policy and Integration –** OPIC's production process can always be improved with process support. Mandated requirements tend to crowd out efficiency improvements.

- **Portfolio Risk management –** OPIC manages an $18 billion portfolio on systems which are a small fraction of that exposure. As OPIC develops its support for industry standard derivatives, direct loans in a foreign currency, and local currency guarantees, OPIC requires a capability to analyze and monitor these exposures. OPIC's current accounting, reporting, and credit reform capabilities are not able to sustain these products.

- **Transition to the Cloud** - to include functional elements such as e-mail, knowledge management, and collaboration technologies will require planning, management and oversight of the all phases of the migration, including, risk management, security transition, execution, and long-term management of the service level agreements with commercial vendors.

Customer Facing Innovation - Within its resources, OPIC is developing market standard and common sense ways to better support customers small and large. OPIC also has fee authority enabling and supporting a capability to provide services to current and potential investors.

- **Accessibility to Services –** The development and implementation of application functionality such as a web-based customer application portal improves potential customers' access to OPIC services, and ultimately the likelihood of customers accessing OPIC's product lines. Further development and implementation of similar functionality will continue to increase customer accessibility to OPIC's services and in turn, result in increased earnings and development impacts.

- **Streamlined Customer Experience –** Today, OPIC data are managed in silos across the organization, so crosscutting customer data is not easily retrievable and associated data integration is challenging. A "one-stop-shop" customer portal offers a streamlined customer interface where all OPIC products and associated activity is available, the customer can submit or request information with ease, and self-servicing account management is conventional. This critical interface will improve the customer experience, customer data management, internal data management and processes, and overarching data integration across OPIC products.

OPIC's Value to the Budget and Foreign Policy

The OPIC development finance model is an effective way to support sustainable development because it deploys private market entrepreneurship and discipline. It is an efficient way to conduct development policy because it is done in a way that is not only fully self-financing but actually generates money for the American taxpayer and the Federal budget.

OPIC Supports National Security and Foreign Policy

OPIC works in some of the most challenging transitional environments, including economies undergoing post-conflict reconstruction. Achieving long-run, strategic goals in these economies requires sustainable development where equity and lending are hard to mobilize. It is in these circumstances that OPIC's provides unique support for U.S. policy. Examples include:

- **Power Africa -** OPIC plays a central role in the President's Power Africa initiative, and OPIC's FY 2015 budget provides the tangible capability for OPIC to meet this challenge. Under Power Africa, OPIC has committed to providing $1.5 billion over five years to the power sector on the continent. OPIC needs the levels in this FY 2015 budget to institutionalize support for this initiative.

- **Egypt and the MENA Region** – In response to the Arab Spring, OPIC pledged $2 billion in financial support for private investment in the Middle East and North Africa and an additional $1 billion specifically for Egypt. OPIC responded quickly to the sweeping changes taking place throughout the region, and within six months, OPIC's Board approved $500 million to support lending through local banks in Egypt and Jordan to small businesses, which are the engines of employment and growth. OPIC continues to make progress towards these two commitments, with more than $1.5 billion in financing, guarantees, and insurance committed to date. This support has enabled new investment in critical sectors including infrastructure, energy, and financial services support for SMEs.

  Afghanistan – OPIC has supported numerous job-intensive private businesses like marble mining, fruit and nut orchards, water bottling, and milk and juice production. OPIC is also financing a business class hotel in Kabul that will employ, train and provide internationally-standard benefits to a significant number of local workers while encouraging economic growth by addressing the severe shortage of hotel rooms.

- **Iraq** – OPIC has provided approximately $55 million in insurance and financing to construction companies rebuilding Iraq's infrastructure and more than $135 million in financing to nonprofit lending institutions to extend loans to micro-, small and middle-market enterprises that will stimulate employment growth and the development of a private sector economy.

  OPIC's work responding to foreign policy and national security challenges has a long history. Some historical examples include:

- **Collapse of the Soviet Union –** OPIC provided $125 million in financing for telecommunications installation in Russia in 1994, allowing for the free flow of information across the country.

- **Rwandan Genocide –** In 1997, OPIC provided insurance to the first U.S. investor in Rwanda after the genocide, investing in a tea plantation.

- **Russia/Georgia War of 2008 –** OPIC was the first institution to lend to the two largest banks in Georgia after the war. OPIC provided credit to local banks so they could expand lending to small- and medium-sized enterprises.

More information on OPIC activities on countries of significant foreign policy importance can be found in Appendix D: OPIC Activity in Selected Countries.

Cross Cutting Initiatives

As a small agency, OPIC is flexible and can respond rapidly to foreign policy and development needs.

OPIC's proposed budget maintains OPIC's ability to be responsive to key initiatives such as Power Africa, the Global Climate Change Initiative, U.S.- Asia Pacific Comprehensive Partnership for a Sustainable Energy (U.S.- ACEP), the Partnership for Growth, Sub-Saharan Africa Presidential Policy Directive, Feed the Future, and support for the Middle East and North Africa.

OPIC has played a key role in advancing these policy goals, and OPIC will continue to play a key role wherever the private sector can be mobilized in support of development and U.S. foreign policy objectives.

- **Power Africa –** OPIC, which has a long history of supporting projects in Sub-Saharan Africa, will now play a key role in a new U.S. initiative to double access to electricity in Sub-Saharan Africa. (See page 13 for more details).

- **Middle East/North Africa –** OPIC has a portfolio of more than $3 billion in the region. (See pages 14 and 30 for more details).

- **Partnership for Growth –** OPIC supports sustainable economic development in priority countries (See Appendix F for more details).

- **U.S.–Africa Clean Energy Finance Initiative (U.S.-ACEF) –** U.S.-ACEF is a mechanism to support clean energy financing in Sub-Saharan African and LDC countries. The initiative was developed in cooperation with the State Department and the U.S. Trade and Development Agency (See page 23 for more details).

- **National Impact Initiative** - In June 2013, the Obama Administration launched the National Impact Initiative (NII) to expand the use of impact investing as an element of the Administration's strategies for economic growth and global development.[2]

  Impact Investing is the practice of channeling capital toward businesses that intentionally generate economic return and public benefit. Such businesses generally track and measure social, environmental, and governance (ESG) parameters alongside their financial returns. OPIC has a long history of transforming private capital into solutions for common social and environmental challenges around the world and today is a leading impact investor in the U.S. Government. Across the agency, OPIC provided more than $1.1 billion in finance and insurance support to projects that generate social and environmental returns in addition to financial returns.

- **Renewable resources and energy security –** OPIC is proving to be instrumental to fulfilling the U.S. Government's commitments set out at the UN Climate Change Conferences in Copenhagen, Cancun, Durban and most recently, Doha. In fact, OPIC commitments to renewable resources projects represented more than one-fourth (27 percent) of all U.S. "Fast Start" climate financing. (See page 21 for more details).

Power Africa

On June 30, 2013, President Obama announced Power Africa, a new initiative to double access to power in sub-Saharan Africa.[3] More than two-thirds of the population of sub-Saharan Africa is without electricity, and more than 85 percent of those living in rural areas lack access. Power Africa will build on Africa's enormous power potential, including new discoveries of vast oil and gas reserves, and the potential to develop clean geothermal, hydro, wind and solar energy. It will help countries develop newly-discovered resources responsibly, build out power generation and transmission, and expand the reach of mini-grid and off-grid solutions.

The region has in recent years seen strong economic growth and an expanding consumer class, but limited electricity remains a major problem. These severe shortages limit overall quality of life as well as business and agricultural activity.

According to the International Energy Agency, sub-Saharan Africa will require more than $300 billion in investment to achieve universal electricity access by 2030. Only with greater private sector investment can the promise of Power Africa be realized. With an initial set of six partner countries in its first phase, Power Africa will add more than 10,000 megawatts of cleaner, more efficient electricity generation capacity. It will increase electricity access by at least 20 million new households and commercial entities with on-grid, mini-grid, and off-grid solutions. And it will enhance energy resource management capabilities, allowing partner countries to meet their critical energy needs and achieve greater energy security.

The initiative will focus initially on Ethiopia, Ghana, Kenya, Liberia, Nigeria and Tanzania, all countries where OPIC has supported projects.

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[2] http://www.whitehouse.gov/blog/2013/06/07/announcing-national-impact-initiative-uk-s-g8-social-impact-investing-forum
[3] http://www.whitehouse.gov/the-press-office/2013/06/30/fact-sheet-power-africa

OPIC supports the initiative in three key ways.

- OPIC will commit up to $1.5 billion in financing and insurance to energy projects in Sub-Saharan Africa.
- OPIC is working with the U.S. Trade and Development Agency to provide $20 million in project preparation, feasibility and technical assistance support. These contracts are provided through the U.S.–Africa Clean Energy Finance Initiative (U.S.-ACEF) and supported by the new U.S. – Africa Clean Energy Development and Finance Center (CEDFC) in Johannesburg, South Africa (See page 23 for more details).[4]
- OPIC will co-host an African energy and infrastructure investment conference with the U.S. Agency for International Development (USAID) in 2014 to help highlight the opportunities of investing in Africa's electricity sector and the tools available from different U.S. Government agencies to support these investments.

Supporting the Middle East and North Africa in the Wake of the Arab Spring

OPIC has a long and successful history as a catalyst for private-sector investment in the Middle East and North Africa (MENA). OPIC supports private sector investment in the MENA region by providing the capital and risk mitigation tools that investors need to overcome barriers faced in the region. These tools include financing, political risk insurance and support for private equity funds. OPIC's current portfolio in MENA totals nearly $3.3 billion across 62 projects. OPIC's historical work in the region has been robust as well, with over $9 billion committed in support of nearly 500 projects in MENA countries since 1974.

MENA is a top regional priority for OPIC, and the sweeping changes taking place throughout the region make OPIC's work to stimulate private capital investment even more critical. In recent years, MENA has faced a serious credit crunch. Reports suggest most of the between 1.9 and 2.3 million formal small- and medium-sized enterprises (SMEs) in the region do not have access to credit. Furthermore, unemployment rates in the MENA region are the highest of any region in the world, with overall rates at 19 percent in 2012, and youth rates at about 25 percent. OPIC's initiatives help address these issues by catalyzing private sector investment and encouraging partnerships between U.S. and local businesses as a powerful means to promote development and shared prosperity while contributing to stability, growth, and job creation.

In March of 2011, then Secretary of State Hillary Clinton announced OPIC would provide up to $2 billion in financial support to catalyze private sector investment in the Middle East and North Africa, strategically targeting SMEs. In May 2011, President Obama announced that OPIC would provide up to $1 billion in new financing to support infrastructure and job creation in Egypt.

OPIC is delivering on these two commitments, with more than $1.5 billion in financing, guarantees and insurance committed to date. This support has enabled new investment in critical

[4] http://www.state.gov/secretary/rm/2012/06/193912.htm

sectors including infrastructure, energy, and financial services support for SMEs. See page 30 for more details.

OPIC Assists U.S. Businesses, including Small Businesses

U.S. companies, both large and small, seek to compete in new markets but are often faced with a host of challenges, including scarcity of investment capital during these tough economic times. This challenge is particularly acute for U.S. small businesses. OPIC opens opportunities for eligible U.S. businesses by offering affordable project financing and political risk insurance for investments in emerging markets. OPIC products are tailored to client needs and are unavailable in the private markets under similar terms.

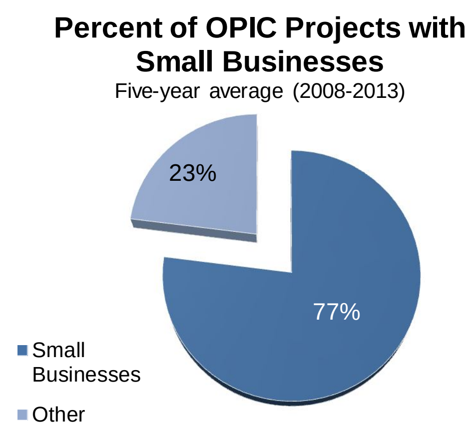

Figure 2 OPIC projects with U.S. Small Businesses

OPIC is particularly focused on supporting U.S. small businesses, not only because it is part of OPIC's mandate, but because U.S. small businesses are among the most valuable, innovative, and capable partners in achieving OPIC's development goals. U.S. small businesses employ half of all private sector workers and account for approximately 99 percent of all enterprises. Over the last two decades, OPIC has provided approximately $6.5 billion in direct loans in support of U.S. small businesses. In FY 2013, U.S. small businesses were directly involved in more than three-quarters of OPIC's projects. OPIC projects committed in FY 2013 are expected to procure an estimated $56 million from U.S. small businesses.

OPIC is Effective and Selective

OPIC's business model is oriented around private sector driven investment decisions. Thus OPIC, like a private sector lender, uses its own processes and those of its private sector partners to identify the most promising projects for OPIC's limited resources. This involves significant underwriting efforts by OPIC and the private sector throughout the life cycle of an OPIC project.

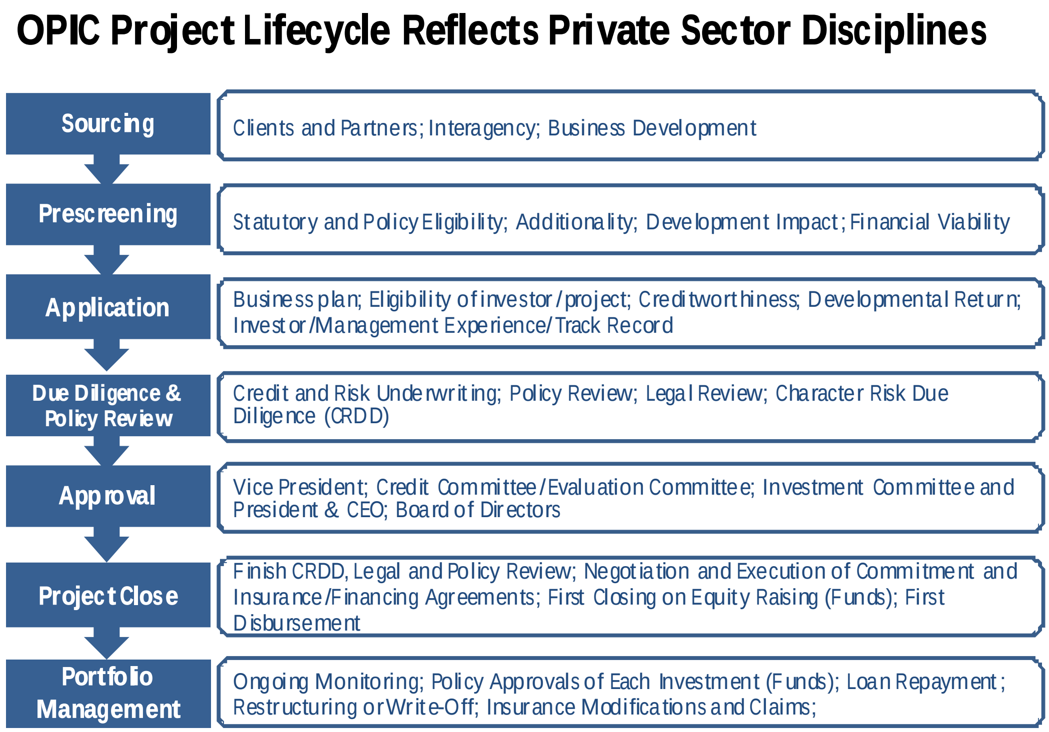

Figure 3 OPIC Project Lifecycle

Foreign Direct Investment Flows Outweigh ODA

Private capital is outpacing development aid in total flows. FDI flows have grown far faster than Official Development Assistance (ODA). In 2013, $6 of FDI flowed to developing countries for each dollar of total multilateral and bilateral ODA. Focusing on bilateral ODA, this figure rises to $8.[5]

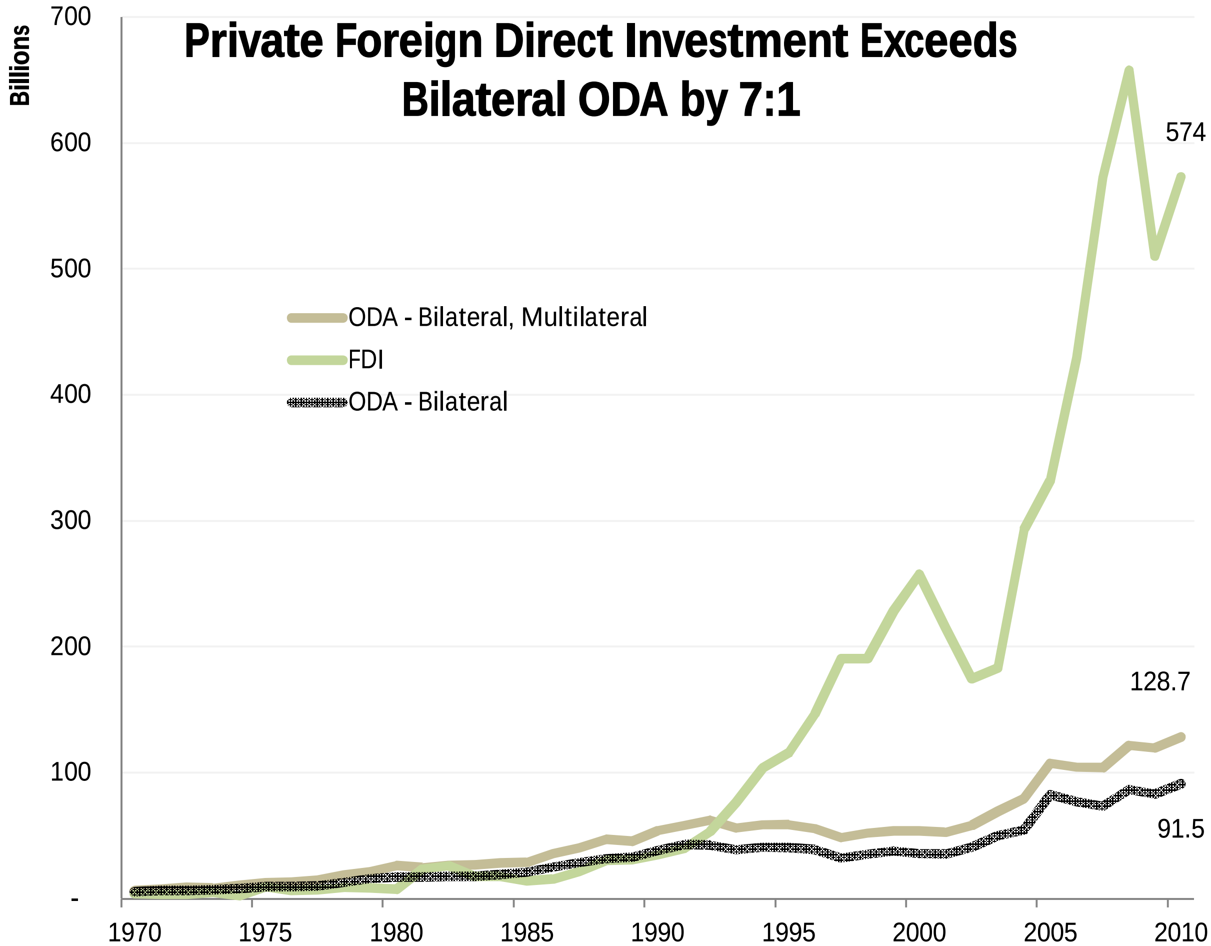

Figure 4 FDI versus Overseas Development Assistance (UNCTAD, OECD DAC)

Private resource flows are a driving force for external finance in developing countries. These resource flows are critical sources of finance for developing economies. There is a clear and compelling rationale for the USG to actively seek to engage the private sector in strategies that guide this FDI toward specific development and policy goals.

OPIC's programs add value not only through resource mobilization, but also in terms of their catalytic role in mobilizing private sector investment into countries and regions which otherwise would not draw investment, as well as to address some of the development-effectiveness critiques of FDI.

[5] http://stats.oecd.org/Index.aspx?DatasetCode=TABLE1 and http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=88

- FDI supports economic growth in developing and emerging economies. However, most FDI is not specifically targeted toward addressing development outcomes. OPIC supports development outcomes by supporting projects that provide employment and capacity building in local communities.

- ODA and FDI can each have complementary design features to enhance governance, institutional capability, and accountability. OPIC seeks to support projects that benefit host country economies and are consistent with high international environmental, social and governance standards.

OPIC is a U.S. agency with the mission and skills to mobilize and influence foreign investment. Influencing even a small portion of these private flows can shape total resource flows to developing countries in a significant way.

OPIC as a Resource Multiplier

For the period 1974-2013, for each $1 of insurance and finance commitments, OPIC estimates $2.60 was mobilized in external capital. OPIC committed over $70 billion in insurance and finance commitments in this time period, and other partners committed $185 billion. This illustrates how OPIC can efficiently use Federal dollars to mobilize other external resources.

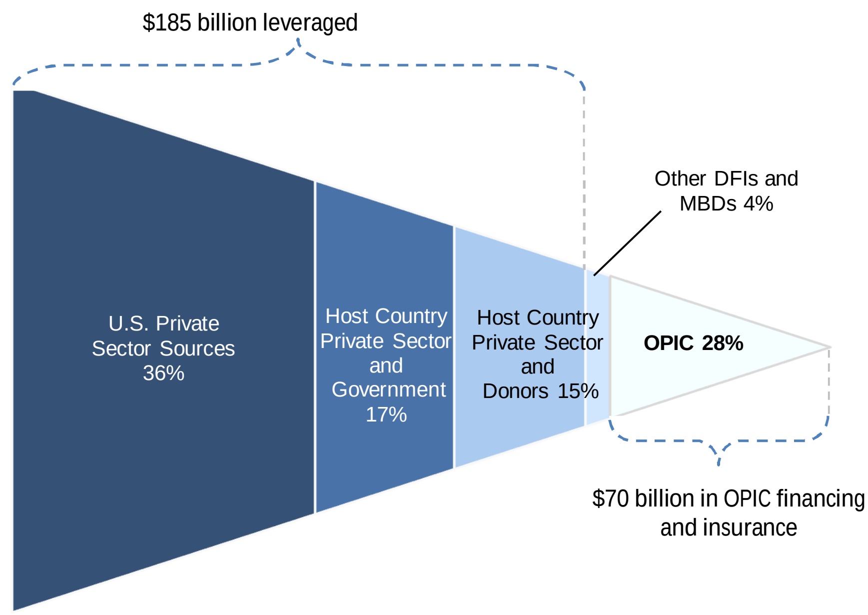

Figure 5 Cumulative OPIC Resource Mobilization 1974-2013

OPIC is Efficient

In 2012, the Partnership for Public Service ranked OPIC second among small Federal agencies for its innovative culture.[6] OPIC's innovative approaches span across improving internal processes to the external systems used by potential OPIC clients. As a result of its reforms, OPIC can serve more businesses, in less time, at a lower cost.

- **Framework Agreements** – One example of such efficiencies is in the use of "framework agreements." OPIC has signed multiple framework agreements with international commercial banks to standardize workflow, divisions of responsibilities, and risk relationships so that these lenders can efficiently integrate with OPIC. These lending partnerships provide businesses in emerging markets with access to the international bank market, many of them for the first time. Framework agreements allow OPIC to delegate project origination and costs in target countries and sectors. Under these agreements, the partner bank originates the deal, conducts due diligence, and presents the proposal to OPIC. Framework agreements allow OPIC to better leverage its expertise, achieve economies of scale, and affect broader development outcomes.

- **Updating and Streamlining Internal Policies** – This past year OPIC undertook a comprehensive effort to update, clarify, and harmonize transaction guidelines in order to more easily meet our client's demands and deliver a greater developmental impact. OPIC management identified, analyzed, and addressed the different constraints on OPIC's ability to do business. The resulting policies are more transparent, consistent, and flexible, and better reflect the way businesses operate.

- **Enterprise Development Network (EDN)** – Another example of an efficient business model at OPIC is the Enterprise Development Network (EDN). EDN is a strategic alliance between OPIC and the private sector which allows participating entities to act as "deal originators" for OPIC. Through a network of private sector organizations, such as participating financial institutions, business consultants, associations, law firms, state/regional promotion and sister agencies, EDN extends OPIC's ability to provide financing and political risk insurance to small businesses doing business in developing countries. By empowering such service providers, the network results in more efficient, cost-effective delivery of services to American and local businesses. OPIC now deploys a network of over 100 private sector partners and business consultants that generate, screen, and prepare transactions on a fee-for-success basis. This significantly reduces staff time in screening and advising prospective clients.

- **Cycle Time** – By simplifying the process of reviewing applications, OPIC has reduced the typical approval cycle time. It has negotiated a cooperation agreement with fellow development finance institutions such as the International Finance Corporation, to harmonize loan documentation, due diligence, and legal processes. These steps will save

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[6] *Partnership for Public Service, Best Places to Work Snapshot: Achieving a Culture of Innovation,* published July 23, 2012. See http://ourpublicservice.org/OPS/publications/viewcontentdetails.php?id=208

time and reduce costs for both lenders and clients while enabling OPIC to increase its impact with fewer resources.

- **Trimming Processes and Paperwork –** Historically, more than half of all applications were received by OPIC with errors and returned to the client for clarification. To improve efficiency, lessen the burden on businesses, cut costs, and improve response time, OPIC has simplified client applications. The length of the private equity application has been reduced by 30 percent, and the finance application is transitioning to a web-based "smart" system. This new system aims to reduce cycle time by 20 percent by avoiding 90 percent of application errors.

- **Issuing "Master" Insurance Contracts –** When an investor needs to insure a series of similar projects or activities in a number of countries, OPIC can issue a single master contract that replaces the numerous similar contracts which would have required separate negotiation, clearance, approval, and administration. Master contracts save time and improve client services, minimizing redundancies in the contracting process. These contracts have been utilized by a number of relief organizations, such as the International Rescue Committee, to protect their assets in post-conflict countries.

- **IT Improvements –** In addition to improving and simplifying applications and other internal processes, OPIC has made targeted investment in information technology to improve internal operations, streamline acquisitions, deliver services, and has achieved savings in core technology costs and non-salary administrative costs. These investments have reduced overall administrative expenses by two percent. Examples of these cost-saving measures include:

  - Upgrading OPIC's General IT Support System including renovating the network infrastructure, replacing an antiquated data protection systems, an upgrading data storage devices. These changes allow OPIC to operate more efficiently and effectively in the modern business environment and provide the basis for a core infrastructure to build new system modernization applications and tools.
  - Standardization of desktops and data centralization will improve on the management and security of the user interface and protect information from malicious attack or system failures.
  - Implementation of a wireless network provides streamlined internet access for customers and improves efficiencies by utilizing mobility services through expanded technologies.

OPIC Addresses Key Challenges

Each of these areas are topics OPIC will continue to explore as it presses forward in FY 2014.

Renewable Resources and the Global Climate Change Initiative (GCCI)

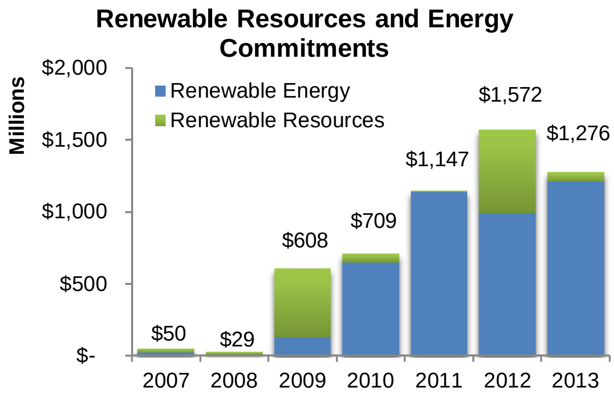

Figure 6 Renewable resources and energy commitments

OPIC has dramatically increased its commitments to renewable resources, up nearly 60-fold in recent years[7]. Over the past five years, OPIC has committed to provide over $5 billion of financing to renewable resource projects, not including private investment leveraged. Last fiscal year's commitments to renewable resources projects are expected to generate over 1,000 MW of renewable power and help avoid over 2 million tons of CO_2 emissions. OPIC is on track for another year of substantial renewable resource commitments this year at or above last year's levels. This growth sends a clear message that the transition to a cleaner and more sustainable economy represents massive business opportunities for the private sector.

As population and economies grow, so does the demand for power. Renewable energy is becoming an increasingly practical solution to the power shortages around the world. For example, one OPIC loan supports development, construction and operation of two 20 MW solar power projects to supply Peruvians with much needed power. Using solar technology developed by a U.S. company, the project will sell all the electricity it produces to the national grid and thereby support Peru's effort to diversify its sources of electricity generation. Additionally, OPIC's political risk insurance product supported a project in Ghana, totaling nearly $300 million, for the refurbishment and upgrading of 45 municipal drinking water treatments plants throughout the country.

What has been seen for the past several decades as largely an environmental issue has become recognized by more and more countries and governments as an economic opportunity to move toward energy independence and efficiency. Projected growth in renewables is expected to far outpace growth in more traditional fuel types in the years to come. OPIC is proud to be partnering with some of this country's leading businesses to enable this transition. In addition, OPIC is collaborating with several other U.S. Government agencies on new programs and initiatives to develop innovative solutions for accelerating renewable resources projects abroad.

In FY 2007, OPIC announced its goal of reducing greenhouse gas emissions in its portfolio of projects by 20 percent over the next 10 years. Since then, OPIC has established an annual

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[7] While the majority of OPIC's renewable commitments have been to energy projects, OPIC engages a broad range of renewable projects, including those in the agricultural, water, and forestry industries.

emissions cap for its portfolio to meet an even steeper reduction target of 50 percent by September 30, 2023. OPIC is steadfast in its commitments to the renewable resources sector and is on track to meet its ambitious goals. The global transition to cleaner forms of energy is perhaps the most pressing yet predictable economic transformation in modern history. While the environment, health, and considerations of social stability and energy independence drive this change, a clear driver should be both the economic opportunities for U.S. technology, as well as the opportunity to support a cleaner energy trajectory for emerging economies.

Innovative Products

OPIC has launched several new, innovative financial and insurance products to drive investment in the renewable resource sector, including:

- **Insurance Protection for Regulatory Risks** - Provides a guarantee of payments under a power purchase agreement against unilateral changes of tariffs, e.g., a Feed-in Tariff, or against government actions that interfere with investors' ability to utilize REDD or carbon credits, insulating investors from such regulatory risks.
- **Political Risk Insurance Coverage for Modernizing African water and agricultural Systems –** OPIC has tailored our flagship product to help modernize virtually every aspect of a nation's water sector and agriculture industries – upgrading technology, rehabilitating existing water treatment systems, increasing production, converting waste to biofuel, raising wages and gaining access to global markets for agricultural products.
- **Leasing Finance –** Standardized loan structure to financial institutions for leasing renewable energy and clean technology equipment.
- **Energy Efficiency Sub-Debt –** Subordinated debt for energy efficiency improvements with repayments tailored to expected cost savings.

Recent Commitments

In FY 2013 OPIC approved a number of renewable resources projects, including:

- **Solar Power –** OPIC has committed up to $365 million for three solar photovoltaic (PV) plants in Chile, totaling 218 MW of anticipated energy generation. On the other end of the spectrum, OPIC is financing approximately $10 million for a 3MW Solar PV project in rural Tanzania.

- **Wind Power –** OPIC is providing $193 million for two wind farms, totaling 81MW of anticipated output, in Northwestern Peru and $102 million in financing for a 50MW wind project in the Sindh Province in Southeastern Pakistan.

- **Cookstoves –** OPIC is providing $3 million for the development of cookstoves and $4 million to support cookstove distribution – totaling $7 million for cookstoves intended for several African markets.

- **Agriculture –** OPIC is providing $14 million in financing for agriculture in Tanzania and Romania and $310 million for insurance coverage of water and agriculture projects in Ghana and Rwanda.

The global transition to cleaner forms of energy is perhaps the most pressing yet predictable economic transformation in modern history. While the environment, health, and considerations of social stability and energy independence drive this change, a clear driver should be both the economic opportunities for U.S. technology, as well as the opportunity to support a cleaner energy trajectory for emerging economies.

U.S.-Africa Clean Energy Finance Initiative (U.S. -ACEF)

U.S.-ACEF is a new four-year, $20 million program being implemented by OPIC, in collaboration with the U.S. Department of State, the U.S. Trade and Development Agency (USTDA), and the U.S. Agency for International Development (USAID). The goal of the program is to catalyze private sector investment in the African clean energy sector by providing support for project development costs. Energy access is a major constraint to development in Africa, as nearly 67 percent of Sub-Saharan Africans lack access to electricity.[8] Yet the African continent possesses abundant clean energy resources waiting to be harnessed.

One of the main obstacles to accelerating clean energy investment in Africa is a lack of support to help cover project development costs. Due to this funding gap, otherwise viable clean energy projects that have the potential to deliver reliable energy to consumers in a commercially sustainable fashion often fail to attract the necessary financing. The U.S.-ACEF program will provide project preparation funding to project developers who are interested in working in Africa, but who require a small amount of catalytic project support.

U.S.-ACEF aligns U.S. Government resources and leverages the expertise of several U.S. Government agencies to catalyze much-needed private sector investment in clean energy projects in Africa. U.S.-ACEF seeks to address the acute energy needs in Africa while piloting a new method of U.S. Government interagency collaboration that has the potential to be replicated in other regions and sectors.

In FY 2013, the program's inaugural year, U.S.-ACEF approved a total of $2.3 million in early-stage project support for six clean energy projects in Ethiopia, Morocco, Rwanda, and Tanzania. These projects consisted of both renewable energy power generation projects (e.g., solar, wind. and biomass) along with companies focused on providing innovative off-grid energy solutions to those Africans that have limited or no access to reliable sources of electricity.

U.S. - Asia - Pacific Comprehensive Energy Partnership (U.S.-ACEP)[9]

In November 2012, President Obama, in partnership with Sultan Haji Hassanal Bolkiah of Brunei and President of the Republic of Indonesia Susilo Bambang Yudhoyono, announced the U.S.-Asia Pacific Comprehensive Partnership for a Sustainable Energy Future. The Partnership

[8] World Bank, *World Development Indicators,* http://wdi.worldbank.org/table/3.7

[9] http://www.whitehouse.gov/the-press-office/2012/11/20/fact-sheet-us-asia-pacific-comprehensive-partnership-sustainable-energy

will offer a framework for consolidating and expanding energy and environmental cooperation across existing regional forums to advance efforts to ensure affordable, secure, and cleaner energy supplies for the region.

OPIC will provide up to $1 billion in financing for sustainable power and energy infrastructure projects in Asia as part of the U.S. Government's $6 billion commitment to support energy development in the region. The Partnership will drive investment and facilitate progress on four key regional priorities: renewables and cleaner energy; markets and interconnectivity; the emerging role of natural gas; and sustainable development and will engage with the private sector as well as partner countries in the region to determine specific projects within these four priority areas.

Appendices

Appendix A: Proposed Legislation

Reauthorization Legislation

Extension of OPIC Authority

A bill to reauthorize OPIC was introduced in the House as HR 2548 (“Electrify Africa Act of 2013”) and a companion bill is pending in the Senate.

Waiver of Requirement to Reauthorize

While a reauthorization is pending, OPIC requires a waiver to continue its core programs. Typically, this waiver is included in OPIC’s annual appropriations. The waiver provision would provide as follows:

> Notwithstanding section 235(a)(2) of the Foreign Assistance Act of 1961 (22 U.S.C. 2195(a)(2)), the authority of subsections (a) through (c) of section 234 of such Act shall remain in effect through [September 30, 2015].

Appropriations Legislation

Noncredit Account

> The Overseas Private Investment Corporation is authorized to make, without regard to fiscal year limitations, as provided by 31 U.S.C. 9104, such expenditures and commitments within the limits of funds available to it and in accordance with law as may be necessary: Provided, That the amount available for administrative expenses to carry out the credit and insurance programs (including an amount for official reception and representation expenses which shall not exceed $35,000) shall not exceed $71,800,000: Provided further, That project-specific transaction costs, including direct and indirect costs incurred in claims settlements, and other direct costs associated with services provided to specific investors or potential investors pursuant to section 234 of the Foreign Assistance Act of 1961, shall not be considered administrative expenses for the purposes of this heading.

Program Account

For the cost of direct and guaranteed loans, $25,000,000, as authorized by section 234 of the Foreign Assistance Act of 1961, to be derived by transfer from the Overseas Private Investment Corporation Noncredit Account: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That such sums shall be available for direct loan obligations and loan guaranty commitments incurred or made during fiscal years 2015, 2016, and 2017: Provided further, That funds so obligated in fiscal year 2015 remain available for disbursement through 2023, funds obligated in fiscal year 2016 remain available for disbursement through 2024, and funds obligated in fiscal year 2017 remain available for disbursement through 2025: Provided further, That notwithstanding any other provision of law, the Overseas Private Investment Corporation is authorized to undertake any program authorized by title IV of the Foreign Assistance Act of 1961 in Iraq: Provided further, That funds made available pursuant to the authority of the previous proviso shall be subject to the regular notification procedures of the Committees on Appropriations; Provided further, including up to $10,000,000 may be transferred to and merged with the Overseas Private Investment Corporation Noncredit Account for the purposes of section 234(g)(5) of the Foreign Assistance Act of 1961. In addition, such sums as may be necessary for administrative expenses to carry out the credit program may be derived from amounts available for administrative expenses to carry out the credit and insurance programs in the Overseas Private Investment Corporation Noncredit Account and merged with said account.

Transfer Authorities (General Provisions)

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

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Export Financing Transfer Authorities

Not to exceed 5 percent of any appropriation other than for administrative expenses made available for fiscal year 2014, for programs under title VI of this Act may be transferred between such appropriations for use for any of the purposes, programs, and activities for which the funds in such receiving account may be used, but no such appropriation, except as otherwise specifically provided, shall be increased by more than 25 percent by any such transfer: Provided, That the exercise of such authority shall be subject to the regular notification procedures of the Committees on Appropriations.

Appendix B: Measuring Development Impact Matrix

OPIC's core mission is to promote private U.S. investment that will contribute to the economic development of the world's less developed countries. OPIC selects projects that are likely to serve as foundations for long-term economic growth, especially those that improve upon the host country's infrastructure, increase access to finance, and provide the basic human necessities of shelter, food, water and health care.

OPIC has two measurement tools – one pertaining to physical investments and one tailored for financial services projects – that enable OPIC to compare the developmental impacts of projects across the portfolio and over time. In 2012, OPIC revised these tools in an effort to simplify, improve, and harmonize its development impact measurement with other development finance institutions. The revised tools became operational on October 1, 2012.

OPIC measures development impact through the following five broad categories, regardless of the project's industry sector or the host country's level of development:

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

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

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

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

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

A project must score at least 25 out of 100 possible points on the matrix to be considered developmental and clearly eligible for OPIC support.

Appendix C: OPIC Policy Monitoring Methodology

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

Using a statistical sampling methodology combined with risk-based monitoring, OPIC identifies investment projects that the Office of Investment Policy staff across all disciplines will monitor on site, 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 projects in similar regions or countries. Applying the "sensitive project" sample on top of the randomly selected projects ultimately provides a conservative bias to the monitored results.

Labor

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 environmental and social (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 incorporated in the performance assessment include an evaluation of the project's environmental and social management systems, the effectiveness of mitigation, including pollution controls in risk reduction, and the efficiency of the operations, including energy efficiency.

U.S. Economic Impact

OPIC helps U.S. businesses expand into rapidly growing emerging markets that have enormous pent-up demand and opportunities. These investments support jobs, both in developing countries and in the United States. OPIC will not support any project that will harm U.S. jobs or U.S. industry, or have harmful effects on the U.S. economy. In fact, OPIC projects have generated an estimated $75 billion in U.S. exports and supported more than 275,000 American jobs since 1974.

All projects visited are evaluated for their actual impact on the United States and host country economies, including the employment generation effects of the investments. OPIC ensures that projects do not negatively impact the U.S. economy. This analysis includes verifying export levels to the U.S. (if any) or to other countries, calculating the U.S. balance of payments impact, and verifying compliance with any restrictions put forward in the OPIC loan agreement or insurance contract (e.g. restrictions on exporting certain products to the U.S. or significant U.S. export markets).

Developmental Impact

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

Appendix D: OPIC Activity in Selected Countries and Regions

Middle East and North Africa (MENA)

Since 1974, OPIC has committed more than $9 billion in support of nearly 500 projects in the MENA region. OPIC supports efforts to create sustainable jobs by targeting two main sectors: financial services and infrastructure.

OPIC's portfolio in MENA currently totals nearly **$3.3 billion across 62 projects** including:

- **Financial Services**
  - **Private Equity Funds –** OPIC has committed to providing debt financing to a number of private equity funds operating in the MENA region, including $53 million for Maghreb Private Equity Fund III and $30 million for Siraj Private Equity Fund I.
  - **SME Credit –** Up to $250 million each for Egypt and Jordan to create loan guarantee facilities for these two countries that will target SMEs. By targeting small businesses, these loans will help create jobs and economic growth in two key countries affected by recent economic and political events. This project involves a U.S. sponsor, Global Communities, and critical grant funding from USAID.
  - **SME Credit –** $10 million in financing for a SME loan guaranty program run by Koret Israel Economic Development Funds (KIEDF), an Israeli nonprofit organization. The project is expected to increase access in Israel to credit for SMEs, stimulate entrepreneurship, increase competition in the market, and provide knowledge transfer impacts by providing technical assistance to small business owners in developing business plans. The project will enable Bank Leumi, a major Israeli bank, to increase its lending to Jewish and Israeli-Arab borrowers identified by KIEDF, largely in the impoverished regions of Gilboa, Galilee and Negev.
- **Infrastructure**
  - **Energy: Tri-fuel –** $270 million in financing and $49 million in insurance to AES Corporation to support the development, construction, and operation of a 240 MW tri-fueled electric power plant designed to meet peak demands for power in Jordan. The project will be adjacent to the existing Amman East project which received $70 million in OPIC financing in 2007 and which was named as one of the world's top five gas-fired plants by Power Magazine in 2013.
  - **Water –** $200 million in financing to GE Ionics to support the construction of the Hamma Water facility in Algeria, the country's first privately-owned water desalination plant. The facility delivers up to 200,000 cubic meters of potable water to Algiers each day, and provides potable water to 25 percent of the city of Algiers mitigating severe water shortages.

- **Agriculture –** $33 million in political risk insurance to Lindsay International Sales & Service, a Nebraska-based company supplying the Iraqi State Company for Agricultural Supplies with modern irrigation equipment which will help local farmers produce more ample harvests. With OPIC's backing, Lindsay will ship, transport and install 650 pivot irrigation systems across Iraq, making a giant step toward revitalizing the farm industry in arid, drought-prone Iraq. This project will not only help make Iraq more self-reliant in its food supply but, by supporting productive farms, create jobs in a sector that has long been a leading employer in Iraq.

- **Oil & Gas –** $340 million in insurance for the Apache Corporation, the largest U.S. investor in Egypt, to support the development of oil and gas concessions. Apache has maintained OPIC insurance for a decade, while the value of its investment has grown to $6 billion. This insurance coverage is crucial to Apache, the largest producer of liquid hydrocarbons and natural gas in the Western Desert and the third largest in all of Egypt. The company's continued investment generates local employment opportunities and substantial tax revenues for the Egyptian government. Additionally, Apache sponsors the nonprofit organization Springboard - Educating the Future, which seeks to build 200 schools for Egyptian girls in rural communities. OPIC's Board of Directors recently approved an additional $40 million in PRI coverage to support Apache's continuing investment in Egypt.

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

- **Infrastructure (Education) –** $50 million in financing for the construction and expansion of a medical center and student housing in Lebanon.
- **Infrastructure (Tourism) –** $28 million in financing for the construction, development, and operation of a 220-room "green" hotel in Sousse, Tunisia.
- **Infrastructure (Education) –** $39 million in financing for the construction of a permanent campus for a university in Morocco, which would allow for a significant expansion of student enrollment.
- **Infrastructure (Commercial) –** $1 million in financing for the construction of a commercial building in the Palestinian Territories to support the operations of a U.S. non-profit working there.
- **Energy Infrastructure (Solar) –** $60 million in financing to an independent power producer for a power plant that will generate up to 100 MW of solar energy in Jordan.

Pakistan

Since 1974, OPIC has committed more than $1.3 billion for 123 projects in Pakistan. OPIC investment in Pakistan supports the Administration's economic development priorities in the region by focusing on:

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

OPIC's portfolio in Pakistan currently totals **$298 million across 14 projects**, including:

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

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

- **Infrastructure –** $20 million for the construction of a 28-story office building in Karachi. Karachi, with a population of 18 million people, has a critical shortage of commercial real estate, which has deterred business investment. The building will have several sustainability features, including a natural-gas fired cogeneration power plant, an exhaust heat recovery system, condensation collection systems for water usage, and efficient lighting fixtures. It will also feature world-class IT and security systems. The building is now completed and has leasing commitments signed for 46 percent of the office space, and expects tenants to begin moving into the space in early 2014.

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

- **Renewable Energy (Wind) –** $95 million in financing for a 50 MW wind plant in southeastern Pakistan to generate emission-free electricity was approved by the Board in March 2013. This sustainable power facility will help Pakistan diversify its power generation away from high-priced fuel oil and help reduce chronic power shortages, bringing important benefits to the economy and the Pakistani people.

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

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

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

Iraq

Since 2004, OPIC has committed $575 million in 28 projects in Iraq.

OPIC's portfolio in Iraq currently totals **$207 million across 6 projects**, including:

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

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

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

- **Infrastructure (Housing) –** OPIC is financing $26.8 million for the construction of about 450 middle-income homes in Maysan province and financing for the construction and lease purchase financing for over 1,500 affordable housing units in Kurdistan. Iraq has a housing deficit that dates back several decades, with an estimated need of more than one million units.

Haiti

Since 1974, OPIC has committed over $269 million in 83 projects in Haiti.

Historically, OPIC has focused its financial solutions on key sectors including:

- Food security
- Infrastructure (including housing, water, power, and telecommunications)
- Renewable Resources
- Expanding credit to SMEs

Currently, OPIC's portfolio in Haiti totals over **$76 million across 7 projects,** including:

- **Agriculture and Food Security –** $44 million in insurance for the expansion and reconstruction of Les Moulins d'Haiti, a flour mill that was destroyed in the 2010 earthquake. The mill had produced as much as 95 percent of the flour consumed in Haiti, and restarting the mill has increased the country's food production capacity and domestic food security. The mill is especially important since wheat and wheat-derived products have long been staples of the diet in Haiti, particularly among the country's low-income families. Along with increased production capacity and more modern equipment, the facility was rebuilt to handle greater seismic activity. Rebuilding the mill is expected to support at least 100 local jobs.

- **Housing –** $17 million in long-term loans to Development Innovations Group (DIG), a Maryland-based finance and development firm, in conjunction with a $6 million grant from USAID, and $3 million from the Clinton Bush Haiti Fund. This project addresses a critical need for housing finance in Haiti, where more than 360,000 people continue to live in tents and other temporary housing following the 2010 earthquake. The project is creating three new loan products targeting low-income borrowers, including housing microfinance loans that start at $1,000 and micro-mortgages that start at $5,000. The project is also providing access to credit to the economically active poor to build, repair, improve, or expand homes, or to help business owners rebuild and re-open their businesses. It is estimated that more than 4,000 Haitians stand to benefit from the Project.

OPIC is currently completing due diligence on several high priority projects in Haiti, including financing for the manufacturing of packaging components for the sale and shipping of local products, a move that will enable the Haitian economy to increase exports.

Sub-Saharan Africa

Since 1974, OPIC has committed over $8.54 billion in support of 476 projects in Sub-Saharan Africa.

Through sustainable investments in communities and resources, OPIC supports the Administration's commitment to social and economic prosperity in the region. Existing OPIC initiatives and new projects especially focus solutions on four critical areas:

- Financial services
- Infrastructure development (energy, construction, and housing)
- Agriculture and food security
- Renewable resources.

OPIC's portfolio in Sub-Saharan Africa currently totals **$3.9 billion across 119 projects.**

- **Financial Services –** OPIC is currently financing over $1.3 billion for projects in financial services, including microfinance and credit for small and medium enterprises (SMEs). For example, OPIC is providing $12 million in financing for Bangladesh Rural Advancement Committee (BRAC)-owned microfinance institutions in Tanzania. By providing capital to those who would otherwise be unable to obtain credit from mainstream banks, these MFIs are an engine for income generation in Tanzania.

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

    - **Energy (Tri-fuel) –** $179 million in loans and political risk insurance to build a 100 MW "tri-fuel" power plant in the Republic of Togo, tripling Togo's energy generation capacity and virtually ending the nation's rolling blackouts. The project was also recognized as one of the Top 40 public-private partnerships of recent years by the International Finance Corporation and *Infrastructure Journal*.

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

- **Renewable Energy –** OPIC is currently financing over $576 million for renewable projects. Sample projects include:

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

- **Solar –** OPIC has committed up to $250 million in financing for the agency's first solar power project in South Africa, a 60-megawatt plant that will help diversify the country's electricity generation beyond its heavy coal concentration and in the process avoid emissions of approximately 140,000 tons CO2in its first year alone. The OPIC financing will enable two U.S. companies to construct and operate a solar photovoltaic plant in Boshoff, in South Africa's Free State province. All electricity generated by the plant will be sold to the national grid through a power-purchase agreement.

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

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

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

Central America

Since 1974, OPIC has committed $3.2 billion in support of over 370 projects in Central America. Additionally, OPIC has invested over $1 billion in regional investment funds that invest in both Central and South America.

OPIC's portfolio in the seven Central American countries of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama, currently totals **$800 million** across **46 projects.**

Through sustainable investments in communities and resources, OPIC supports the Administration's commitment to prosperity in the region. Existing OPIC initiatives and new projects especially focus solutions on several areas including:

- Financial services including microfinance and credit for small and medium enterprises (SMEs) and
- Infrastructure development including in energy, transportation, and housing

Active projects in OPIC's current portfolio in Central America include:

- **SME Credit –** $25 million in financing to strengthen the capital base of Lafise Group Panama, Inc. and its subsidiaries in Costa Rica, Honduras, and Panama. The financing allows Lafise to expand its retail, corporate, and SME lending portfolios. By providing access to longer-term credit than is generally available in the region, Lafise helps small-scale farmers, manufacturers, and retail business owners grow their ventures more quickly.

- **Infrastructure (Housing) –** $72 million investment guaranty to a mortgage loan company in El Salvador. OPIC's support will enable the company, La Hipotecaria S.A. de C.V., to securitize mortgages issued in El Salvador and access capital markets in both Panama and the United States. La Hipotecaria will use the funds from the securitization to originate new affordable mortgages with an average size of $30,000.

- **Infrastructure (Transportation) –** $53 million in financing for the modernization and operation of Central America's second largest airport, Juan Santamaria International Airport, in Costa Rica. Juan Santamaria receives 85 percent of all international arrivals in Costa Rica.

Appendix E: Presidential Policy Directive on Development

On September 22, 2010, the President signed a first of its kind Presidential Policy Directive on Global Development.[10] The directive provides guidance for Federal agencies on the President's strategic direction. The table below summarizes some of the key ways in which OPIC provides unique value in catalyzing the private sector in support of the Policy Directive's three pillars.

Pillars	Key Approaches	OPIC's Role
A policy focused on sustainable development outcomes that places a premium on broad-based economic growth, democratic governance, game-changing innovations, and sustainable systems for meeting basic human needs;	• Foster the next generation of emerging markets by enhancing our focus on broad-based economic growth and democratic governance. • Game-Changing Innovations	• Private sector-led growth is most likely to be self sustaining because it focuses capital on efficient uses. • OPIC combines creative and flexible financial tools with the innovation of the U.S. private sector
A new operational model that positions the United States to be a more effective partner and to leverage our leadership;	• Be more selective about where and in which sectors it works. • Underscore the importance of country ownership and responsibility • Leverage the private sector, philanthropic and nongovernmental organizations, and diaspora communities. • Strengthen key multilateral capabilities • Drive our policy and practice with the disciplined application of analysis of impact	• OPIC leverages the capital and skills of the private sector and U.S. business in support of private-sector-led initiatives. • By mobilizing and shaping Foreign Direct Investment and private resources – OPIC multiples Federal dollars. • OPIC collaborates with DFI's and bilateral aid agencies. • OPIC's projects are aligned with private sector goals and thus are self-targeting to efficient uses of capital.
A modern architecture that elevates development and harnesses development capabilities spread across government in support of common objectives.	• Elevate development as a central pillar of our national security policy, equal to diplomacy and defense, and build and integrate the capabilities that can advance our interests. • Establish mechanisms for ensuring coherence in U.S. development policy across the United States Government. • Foster the integration of capabilities needed to address complex security environments.	• OPIC's three-pronged mission of development, foreign policy, and support for U.S. businesses supports this approach • The private sector provides the bulk of external resources to the developing world. A modern architecture requires a Federal capability to influence these flows. • The long run solution for complex humanitarian and security challenges inevitably requires broad based economic development. • OPIC has unique tools and skills within the Federal government to support and mobilize private capital.

[10] http://www.whitehouse.gov/the-press-office/2010/09/22/fact-sheet-us-global-development-policy

Appendix F: The Partnership for Growth

The Partnership for Growth (PFG) puts into practice the principles of the new Policy Directive to drive economic progress and achieve sustainable economic growth. The initiative focuses on four top-performing low-income countries: El Salvador, Tanzania, Ghana, and the Philippines. OPIC is central to the President's development policy through the Partnership for Growth. The PFG process recognizes the critical role of the private sector as a driver of economic development, and because OPIC works with the private sector, we foster a business-to-business aspect of U.S. foreign and development policy. This is increasingly important, since private sector capital flows to emerging markets far outweigh official development assistance.

The PFG process has targeted specific constraints to growth in each country and, once complete, should help remove some of the barriers to investment faced by private companies. OPIC's financial and risk mitigation tools will be essential to supporting increased investment into these four priority countries and delivering on the Administration's commitment to supporting broad-based economic growth. OPIC's expertise in supporting investments in renewable energy and financial services will be especially valuable in addressing the access to power constraint which is being targeted in Ghana and Tanzania, as well as access to credit highlighted in Ghana.

OPIC is open for business in all four PFG countries. In Ghana and Tanzania, OPIC enables agricultural productivity, helps expand small and medium enterprise lending, and furthers investments in critical infrastructure. Since 1975, OPIC has invested more than $1.3 billion in 44 projects in Ghana with a current portfolio of $832 million in 8 projects. Since 1984, OPIC has invested more than $164 million in 14 projects in Tanzania with a current portfolio of $29 million across 6 projects. In the Philippines, OPIC furthers investments in critical infrastructure projects including those that promote clean technology and renewable resources. Since 1974, OPIC has invested more than $2.6 billion in 145 projects in the Philippines, with a current portfolio of $389 million across 5 projects. Since 1976, OPIC has invested more than $358 million in 35 projects in El Salvador, with a current portfolio of $65 million across 3 projects.

Appendix G: GPRA Annual Performance Plan/Report

GPRA Strategic Goal	Strategic Objective	Performance Plan Outputs and Outcomes	FY 2013		FY 2014	FY 2015
			Target	Actual	Target	Target
Grow Portfolio Impact	Aim for high development impact	Projects with development scores evidencing	50	59[11]	50	50
	Increase commitments	Millions of dollars in finance and insurance project commitments	$3,750	$3,927	$3,000	$4,200
Increase Environmental Benefit	Maintain focus on renewable resources and energy efficiency	Millions of dollars in finance and insurance commitments in projects that are dedicated to renewable resources and energy efficiency	$750	$1,211	$1,000	$1,000
	Minimize GHG emissions across portfolio	Millions of tons of CO_2 emitted by projects in the OPIC portfolio[12]	36	35	36	36

[11] Projects that receive a score in the range of 25-59 are considered developmental.

[12] Targets are based on an anticipated reduction in CO2 emissions, from 2008 baseline levels by 2018.