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# TABLE OF CONTENTS

**BUDGET REQUEST OF THE OVERSEAS PRIVATE INVESTMENT CORPORATION**  
**FISCAL YEAR 2012**

**EXECUTIVE SUMMARY** ................................................................. 1  
**FY 2012 REQUEST** ......................................................................... 8  
  Summary of FY 2012 Request ......................................................... 8  
  Administrative Expenses ............................................................... 9  
  Technology .................................................................................... 9  
  Human Resources ......................................................................... 10  
**CREDIT FUNDING REQUEST** ....................................................... 11  
  Developmental Impact ................................................................... 11  
  The Development Matrix ................................................................ 12  
  Leadership on Environmental and Social Policy and Labor and Human Rights Policy ......................................................................................... 12  
  Increased Transparency .................................................................. 13  
  Mobilizing Private Capital in a Self-Sustainable Manner .................... 13  
  Operational Efficiency .................................................................... 14  
  Self-Sustainability ......................................................................... 14  
**CURRENT REGIONAL AND SECTOR PROGRAM FOCUS** ............ 15  
  Regional Foreign Policy Priorities: Broader Middle East, Africa, and Asia .............................................................................................................. 15  
  Sector Priorities: Sustainable Investments in Clean and Renewable Energy, Critical Natural Resources; Impact Investing ........................................ 18  
  OPIC Support for Clean and Renewable Energy ................................ 18  
  OPIC Support for Critical Natural Resources ..................................... 19  
**OPERATIONAL FOCUS** ............................................................... 21  
  Leveraging U.S. Government Resources .......................................... 21  
  Framework Agreements with Private Investor Partners ...................... 21  
  OPIC Focus on U.S. Small Business Investors .................................... 21  
  Enterprise Development Network .................................................... 23  
  OPIC Initiatives ............................................................................. 24  
  OPIC Product Updates .................................................................... 24  
  OPIC SME and Structured Finance ................................................... 24  
  OPIC Insurance ............................................................................. 24  
  OPIC-Supported Investment Funds .................................................... 25  
  Upcoming Priorities Regarding the Asset Allocation Plan ................. 27  
**APPENDIX** ................................................................................... 28  
  **APPENDIX A: APPROPRIATIONS LANGUAGE** ......................... 28  
    Non-Credit Account ...................................................................... 28  
    Program Account ........................................................................ 28  
    OPIC Transfer Authority ............................................................ 28  
    Export Financing Transfer Authorities ......................................... 29  
  **APPENDIX B: BUDGET AND ANALYSIS TABLES** ....................... 30  
  **APPENDIX C: GPRA ANNUAL PERFORMANCE PLAN/REPORT AND PROGRAM ASSESSMENT RATING TOOL (PART) METRICS** ............. 32  
  **APPENDIX D: DEVELOPMENT MATRIX** .................................... 33  
  **APPENDIX E: PROGRAM ASSESSMENT RATING TOOL** ............. 35  
  **FACT SHEET: OPIC IS SELF SUSTAINING AND CONtributes TO THE FEDERAL BUDGET** ................................................................. 37
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EXECUTIVE SUMMARY

As the U.S. Government’s Development Finance Institution, OPIC is an effective, and financially self-sustaining, instrument of U.S. foreign policy.

OPIC mobilizes private capital to help solve critical world challenges and in doing so, advances U.S. foreign policy and development goals. OPIC’s work with the U.S. private sector helps U.S. businesses gain footholds in emerging markets -- catalyzing revenues, jobs and growth opportunities both at home and abroad. OPIC achieves its mission through financing, guarantees, political risk insurance, and support for private equity investment funds.

OPIC’s business model and its mandate to operate as a self-sustaining entity have helped make OPIC a net revenue generator for the government. By balancing risks, returns and resources, OPIC collects more than it spends, maintains itself as a fully self-sustaining Federal Corporation, and helps to reduce the deficit. OPIC had met its statutory requirement to operate on a self-sustaining basis even before 1982, when President Ronald Reagan hosted a White House event where he accepted a check from OPIC repaying the U.S. Treasury for OPIC’s original paid-in capital. Most recently, in FY 2010, OPIC’s positive effect on the federal budget totaled $352 million – the 33rd consecutive year that OPIC has contributed to the budget. On a private-sector basis, OPIC had audited net income of $260 million in FY 2010.

Only the private sector can make economic development sustainable. By investing and creating resources, businesses make broad based economic growth possible. Every dollar of OPIC’s financing lever $2.50 of private capital. And the OPIC financing gets paid back, so it can be recycled repeatedly. OPIC has a 40 year track record of prudent risk management and consistent revenue generation while creating partnerships that engage US businesses in critical foreign policy priorities.

OPIC’s FY 2012 request, as proposed, will have a net negative impact of -$188.1 million of appropriated budget authority, once again making a positive contribution to the budget. OPIC’s operating funds are provided out of its own balances, not out of the general fund at the Treasury. As budgets come under increasing pressure, approaches like those used by OPIC are a critical solution to supporting development goals in a cost effective way.

OPIC is a flexible tool of U.S. foreign policy. As a small agency, OPIC is flexible and nimble, so it can respond immediately to foreign policy needs – for example in Haiti, Pakistan, Afghanistan, and as well in clean and renewable energy. OPIC will be very engaged in investing, and supporting stability and opportunities, in the wake of unrest in the Middle East and North Africa.

The private sector is critical to U.S. development goals. OPIC is central to the President’s development policy through the Partnership for Growth in El Salvador, Ghana, Tanzania, and the Philippines. Because it works with the private sector, OPIC fosters 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. In 2009, developing countries received $5.72 of Foreign Direct Investment for every $1 of Official Development Assistance. Influencing these private sector activities is key to growth and stability in countries such as Afghanistan, Pakistan, or Iraq, and also in cross-cutting issues as global climate change.

**OPIC supports and engages U.S. business, especially small business.** U.S. companies, both large and small, seek to expand into new markets, thus creating demand for U.S. exports and income flows back to the U.S. economy. OPIC helps that process occur. This is especially critical at a time when U.S. domestic markets have not yet fully recovered from the recession, while emerging markets are growing rapidly with enormous pent-up demand. OPIC focuses especially on supporting small and medium sized U.S. enterprises. In fact, in FY 2010, U.S. SME’s were significantly involved in 82% of OPIC’s projects.

**Supporting the Administration’s policy priorities requires investments that entail increased subsidy allocation and administrative expense.** There are three reasons for this:

- First, although mainstream financial markets have begun to recover from the global economic downturn, private sponsors in emerging markets continue to find it challenging to secure equity or debt financing. As a result, the demand for OPIC financing and insurance, particularly in foreign policy priority but risk-intensive countries, has dramatically increased. Priority countries such as Iraq, Afghanistan and Pakistan are particularly difficult markets and OPIC financing in these markets requires more resources.

- Second, OPIC’s increasing emphasis on helping small and medium U.S. enterprises access these emerging markets requires the dedication of greater resources to a larger number of smaller sponsors and projects.

- Third, OPIC’s target of reducing the greenhouse gas emissions of its outstanding portfolio by 50% entails a significant redirection of projects to new markets and technologies that require upfront costs in analysis and business development.

---

1 Total net bilateral ODA in 2009 was $83.6 billion (See http://stats.oecd.org/Index.aspx?DatasetCode=TABLE1). FDI to Developing countries was $478.3 billion (See http://www.unctad.org/en/docs/webdiaenia20111_en.pdf.)
The OPIC Track Record

OPIC has a long history of effectively engaging U.S. private investors in emerging markets to support U.S. foreign policy and development objectives. Since 1971, OPIC has developed and provided a range of risk mitigation and financing solutions to private investors in regions and sectors of importance to the United States. Over that period, private investment has become an ever more important component of the U.S. approach to long term economic development in emerging markets – growing from less than 30% of U.S. financial flows into developing countries around the time that OPIC was founded, to over 80% today. During that period, OPIC has catalyzed $200 billion worth of private investment in nearly 4,000 projects in developing countries and emerging markets.

Like OPIC’s private sector partners, OPIC constantly and continuously improves its own efficiency: creating, adopting, and innovating around best practices. This spirit comes from OPIC’s staff, its leadership, and OPIC’s approaches to its partners. OPIC for example works through networks of private sector partners such as American banks, OPIC’s Enterprise Development Network (EDN) (see page 23), and interagency collaborations. Internally, OPIC has organized itself around an integrated vision of products and processes, encouraging and supporting innovation and crosscutting thinking. These measures are complemented with OPIC’s revised policy standards for labor, human rights, environmental, and social policies; as well as steps to measure and maximize OPIC’s development impact through OPIC’s Development Matrix (see page 12 and Appendix D, page 33). OPIC evaluates its projects at the point of approval, and through a continuing monitoring process. Through these measures, OPIC seeks a balanced awareness of risk, returns, and resources as it seeks to grow its program level and impact. The success of OPIC’s methods are reflected in the outsize portfolio and revenues which OPIC supports with very limited resources – OPIC generates more than $1.2 million in profit and supports more than $60 million in portfolio for each employee at OPIC.

OPIC executes its mission with limited overhead and at no net cost to the taxpayer by charging market-based fees and operating efficiently. OPIC has demonstrated a nearly 40-year history of prudent, sustainable, and effective support for U.S. private investment, foreign policy, and development. In FY 2010, OPIC facilitated 97 new projects totaling $2.4 billion in finance, while managing a portfolio of $14 billion in exposure and continuing to operate on a self-sustaining basis. OPIC’s accumulated reserve of $5 billion in its core account helps ensure that even in a worst-case scenario; any losses will not be a drain on the general fund at the Treasury.

“You’ve also proved it’s possible to introduce efficiencies and to put government on a businesslike basis. I know that government agencies, not all of them can make a profit, but you’ve set a trend that all should follow.”

President Ronald Reagan, at a White House event honoring OPIC, September 20, 1982
OPIC supports women and minority-owned enterprises as well as small and medium enterprises. OPIC continues to expand several outreach efforts targeted specifically at small, and women and minority-owned small businesses. For example, OPIC’s Enterprise Development Network (EDN) now includes over 100 transaction originators and advisors, most of whom focus on small business. OPIC’s Expanding Horizons program has held workshops for small business in 11 major U.S. U.S. cities, with more scheduled for FY11. Over 1,200 companies have participated in these workshops in the past 3 years. By reaching out to these small companies, OPIC offers these entrepreneurial and innovative small companies the tools they need to access emerging markets, while supporting the development and policy goals of the U.S. government – and helping the companies grow and create jobs here in the U.S.

OPIC mobilizes private investors to support Administration priorities. By catalyzing investment in regions and sectors of particular importance to the U.S., such as the Broader Middle East, Sub-Saharan Africa, and South Asia, OPIC can respond quickly to countries of immediate concern, such as Haiti, or to new Administration initiatives. For example:

- At the Cancun conference in December 2010, OPIC announced that it would generate a significant portion of the USG’s Copenhagen and Cancun commitments for climate change finance. As part of the Administration initiative, OPIC announced that it will provide at least $300 million in financing for new private equity investment funds that could ultimately invest more than $1 billion in high growth renewable resources projects in emerging markets. The budget cost for this program is expected to be net negative.

- OPIC will provide up to $2 billion in financing for private sector investment in Egypt, as well as Tunisia, Morocco, Iraq, Jordan, Lebanon, the Palestinian Territories, and potentially Algeria, Oman, and Yemen. Private capital investment is essential for security, stability, growth and job creation in the Middle East and North Africa region. Partnership between US and Arab businesses are a powerful means of promoting development and shared prosperity. By catalyzing investments in small and medium enterprises, infrastructure, and other key sectors, OPIC hopes to bolster the private sector’s powerful role in regional transformation. OPIC will identify and encourage private businesses, especially U.S. businesses, to invest in the region by providing direct loans, guarantees and political risk insurance. OPIC will look to partner with banks, investment funds, diaspora entrepreneurs, and others interested in investing in projects which promote regional stability. Where possible, OPIC would partner with USAID and other IFIs to bring complementary instruments, such as technical assistance funds, to the region.

- Following President Obama’s speech in Cairo on engagement with Muslim-majority countries, OPIC supported the creation of 8 investment funds with $675 million in potential commitments by OPIC which may provide over $3.2 billion in private equity
capital to increase technology development in the Middle East and North Africa, West Africa, and Southeast Asia (see pages 26-28).

- In **Pakistan** and **Afghanistan**, OPIC is working closely with USAID and the State Department to support private capital investment in projects that provide stability and opportunities for the local population -- such as access to finance for SMEs -- as part of OPIC’s focus on food production, microfinance, and power-generation (see pages 16-18).

- In **Haiti**, OPIC continues to respond to reconstruction needs by providing finance and insurance to U.S. businesses engaged in projects for housing, access to finance for SMEs, power generation, and cellular phone service.

**OPIC partners with other federal agencies** to coordinate activities and maximize its impact on Administration priorities. In collaboration with the Department of State, the Treasury Department, USAID, the Millennium Challenge Corporation, as well as USTDA, and the Export-Import Bank, OPIC supports foreign policy and developmental objectives as well as the broad economic goals of the Administration. OPIC also engages with its peer Development Finance Institutions such as the IFC, and bilateral development finance institutions in Europe and elsewhere to further leverage the impact of its work.

**While OPIC’s mission is to support development and foreign policy, OPIC projects also often lead to new U.S. jobs and exports as well.** Since 1971, OPIC projects have generated a cumulative $74 billion in U.S. exports and supported more than 274,000 U.S. jobs. As a member of the President’s Export Promotion Cabinet, OPIC is working in support of National Export Initiative’s (NEI) goal to double exports over the next five years.

**FY 2011 and FY 2012 OPIC Priorities**

**Working with the Administration’s International Clean Energy Assistance initiative, OPIC will increase its efforts to support U.S. private investment in environmental sustainability, especially clean and renewable energy.** Investments in other critical natural resources such as agriculture and water will also be prioritized. OPIC will deploy its full suite of products and services to serve these objectives as well as developing new products and approaches.

Clean and renewable energy is an emerging sector where U.S. private investment can make a substantial and sustainable impact on emerging and transitional economies and a policy area of growing importance. Financing and insurance products will be deployed to support U.S. investors in renewable energy such as wind power, waste-to-energy, solar and bio-fuels. Investments will also be explored in the broader field of clean technologies, and energy efficiency. These activities will support OPIC’s continued shift from historical project finance activities in power and legacy infrastructure in accordance with its new greenhouse gas emissions policy.
More broadly, OPIC will continue its support for other aspects of sustainable development such as agriculture and food security, small and medium enterprise finance, microfinance, housing, and technology. OPIC will seek to magnify its development impact by supporting the U.S. investors in the emerging ‘impact investing’ sector. Impact investing, most broadly defined as investments in businesses that are designed with the intent to generate positive social and/or environmental impact, can include business sectors such as basic needs (food, water, sanitation, housing), basic services (education, health care, clean technology), and financial services (microfinance and small and medium enterprise finance). OPIC has long been involved in these sectors and will be actively engaged in helping to shape the asset class as it develops.

Geographically, OPIC will focus on those areas of highest development need and greatest foreign policy priority, such as Haiti, the Broader Middle East, Africa, and South Asia.

OPIC’s flexibility enables it to quickly respond to Administration priorities; such as by engaging with Muslim-majority countries via the OPIC Global Technology and Innovation Funds Call, by rebuilding the economic infrastructure and support sustainable development in Afghanistan and Pakistan and by responding to humanitarian crises, such as those in Haiti and Pakistan. OPIC’s budget request will reinforce the agency’s ability to quickly and efficiently respond to such priorities.

OPIC plans to continue to expand its support for U.S. small and medium enterprises, women and minority-owned enterprises, as well as increasing its emphasis on projects that positively impact the U.S. economy and employment. OPIC is supporting the goal of financial inclusion with its Micro and Small Enterprise program as well as support for the G20 SME Finance Challenge.

OPIC will continue to improve the efficiency and effectiveness of its operations and to develop innovative new solutions for U.S. private investors. OPIC continues to refine its strategic plan and associated performance scorecard, improving the efficiency of its investment procedures and processes, upgrading its IT infrastructure and resources, and most importantly, increasing its investment in the training and expertise of its employees. OPIC will also continue to explore the development of new financing and risk mitigation solutions for U.S. private investors that will enable it to better support its foreign policy and development goals.

**Request**

OPIC is requesting a modest increase of $5.58 million to its administrative expenses budget for a total level of $57.89 million. This increase is consistent with OPIC’s need to meet staffing needs, and its investments in systems, people, and integrated processes. These resources are necessary to credibly keep pace with the complexity and the growth of OPIC’s portfolio, and to continue OPIC’s efforts to engage on new environment and labor policy mandates. In addition,
OPIC seeks to support U.S. clean energy by expanding the reach and amount of its finance and funds programs, and developing new markets in which to provide political risk insurance.

OPIC requests $31 million in Credit Reform resources, an increase of $2 million from OPIC’s FY 2010 level of $29 million. In addition, the Administration intends to use existing authorities to transfer $4 million from the State Department to OPIC to support the International Clean Energy Assistance Initiative. OPIC needs the additional resources to accommodate the cost of policy priority projects in riskier countries. Projects in Afghanistan, Pakistan, Haiti, and Iraq, especially small business projects, are much more resource-intensive than OPIC’s typical projects, and often entail more risk.

OPIC has worked hard to address its mandates on the environment, labor, and human rights policies. Under a Congressional mandate that requires a reduction in greenhouse gas emissions from its portfolio, OPIC is substantially shifting its sector exposure from power, oil, and gas to greener more environmentally sustainable transactions. OPIC needs modest resources to enable it to maintain its track record in successfully managing its exposures and reserves and to sustain OPIC’s responsiveness to the changing requirements of public policy and the market.
FY 2012 REQUEST

OPIC requests the following to be self-funded from its offsetting collections. No appropriations from the general treasury are requested:

- The President’s FY 2012 Budget estimates a net negative appropriated budget authority of $188.1 million.
  - $57.89 million in administrative resources, an increase of $5.58 million from enacted FY 2010 levels and the FY 2011 Continuing Resolution through March 4, 2011.
  - $31.0 million in credit program funding, an increase of $2 million over FY 2010.
  - An anticipated transfer of $4 million from the State Department using existing transfer authorities, to support the International Clean Energy Assistance Initiative.
  - This Request will fund an increased financing capability of up to $3.1 billion compared to $2.3 billion projected in the last budget.

- These resources will support clean and renewable energy initiatives, and to maintain prudent portfolio and financial management standards as OPIC’s portfolio grows.

- Despite these proposed increases, through higher negative subsidy and other income on clean energy finance and other transactions, budget estimates for FY 2011 and FY 2012 project essentially the same net negative budget authority.

**Summary of FY 2012 Request**

<table>
<thead>
<tr>
<th>Appropriated Resources (Dollars, Millions)</th>
<th>FY 2010 Actual</th>
<th>FY 2011 (PB 2011)</th>
<th>FY 2012 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Expenses</td>
<td>$ 52.31</td>
<td>$ 53.9</td>
<td>$ 57.89</td>
</tr>
<tr>
<td>Credit Subsidy</td>
<td>29</td>
<td>29</td>
<td>31</td>
</tr>
<tr>
<td>TOTAL, Gross Appropriations</td>
<td>$ 81.31</td>
<td>$ 82.9</td>
<td>$ 88.89</td>
</tr>
<tr>
<td>Net Offsets to Budget Authority</td>
<td>$ (288)</td>
<td>$ (272.3)</td>
<td>$ (277)</td>
</tr>
<tr>
<td><strong>Net (Negative) Budget Authority</strong></td>
<td>$ (206.7)</td>
<td>$ (189.4)</td>
<td>$ (188.1)</td>
</tr>
</tbody>
</table>

Memo: Potential Transfer Authority
- Anticipated Subsidy Transfer
  - $ 20
  - $ 16
  - $ 4
Administrative Expenses

OPIC’s administrative budget request is not only small in proportion to its portfolio; it also makes possible OPIC’s positive contribution to the budget. The request will enable OPIC to further:

- Support financing targets for Clean and Renewable Energy and for Impact Investments with deal teams and the necessary portfolio management for those investments.
- Mobilize resources to research, evaluate, and support less greenhouse-gas-intensive sponsors and projects.
- Support key foreign policy priorities, such as enterprise development in Afghanistan, Pakistan, the Middle East and North Africa.
- Meet updated audit and reporting requirements to continue OPIC’s consistently unqualified audit opinions.
- Train junior staff for progressively more challenging responsibilities and to assist current staff to adapt to changing financial requirements in program demand.
- Continue incremental progress in replacing outdated systems.

OPIC’s request for this increase to its administrative resources request comes in the context of rising workload which results from a mix of more highly developmental and greener projects; increased support for private equity funds, and increased support for projects sponsored by small and medium U.S. enterprises. These shifts, mandated by the President and the Congress, require more in-depth analysis, and more hands-on involvement by project officers. Moreover, new imperatives to monitor, evaluate, and report transactions are part of our commitment to OPIC’s stakeholders, to Congress, and the Administration. These requirements, along with cross-cutting transparency reporting, internal controls, and government integration efforts, require additional administrative support.

OPIC has addressed challenges on diverse policy fronts as well as in its portfolio management. On the policy side, OPIC has worked hard to address its mandates on the environment, labor, and human rights policies. OPIC also is strengthening the management of its portfolio as transactions move to disbursement, and mature through their life cycle. Modest but growing levels of administrative and staff resources are needed to enable OPIC to maintain its track record in successfully managing its finances and its underlying assets; and, to sustain OPIC’s responsiveness to the changing requirements of public policy and the market.

Technology

OPIC recognizes that effective Information Technology (IT) management and operations requires good integration of information resources, processes, and people. OPIC’s Chief Information Officer has developed an IT Strategic Plan that focuses on an effective integration of
these components to support OPIC’s strategic business objectives. OPIC’s IT strategy is intended to evolve alongside OPIC’s Strategic Plan as priorities and strategies are established.

OPIC intends to continue projects to upgrade and integrate a patchwork of stand-alone systems that do not adequately support workflow, track documents, or enable an instant, robust analysis of outstanding commitments. OPIC’s core business processes are built on antiquated software and data, which limit reliability and flexibility. The planned improvements will make it possible to achieve a much closer integration of OPIC’s financial, risk, and reporting systems to support OPIC’s strategic efforts to balance risk, returns, and resources.

While pursuing improvements, OPIC is also constantly strengthening its institutional capability to develop, manage, and maintain its technology projects. This will help ensure that resources provided to OPIC will be used efficiently.

**Human Resources**

OPIC continuously strives to build its human capital, to provide an effective organizational structure, and to ensure that OPIC’s people effectively support the agency’s mission and goals.

In September 2010, for the second consecutive year, OPIC was rated second overall as a place to work among small agencies in the federal government, according to rankings issued by the Partnership for Public Service and American University’s Institute for the Study of Public Policy Implementation. This was based on a survey conducted by the U.S. Office of Personnel Management that represents the views of 212,000 federal employees. OPIC will continue to support its people with training and the necessary tools to enable innovation and effective and efficient support of OPIC’s mission.

Using OPM’s Human Capital Assessment and Accountability Framework, OPIC is developing a Human Capital Accountability Plan that will guide and transform how it assesses, plans, and responds to human capital challenges and needs. In FY 2010 OPIC performed a comprehensive workforce analysis to inform our staffing and succession planning.

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2 See [http://data.bestplacetowork.org/bptw/detail/GB00](http://data.bestplacetowork.org/bptw/detail/GB00)
Credit Funding Request

Consistent with OPIC’s goal of targeting assistance to countries of high strategic and development value, OPIC requests a credit reform funding level of $31 million.

- The Administration intends to use its existing transfer authority to provide $4 million in credit funding to OPIC to support clean and renewable energy projects.\(^3\)
- In addition, OPIC requests three-year availability, as has been provided for the last three appropriations and as was requested for the FY 2011 appropriation. OPIC also requests a continuation of existing transfer authority to address higher risk projects where support is necessary to U.S. foreign policy objectives.

OPIC’s request for FY 2012 reflects the expected subsidy costs of:

- Supporting foreign policy priorities by targeting OPIC assistance to strategically important, yet higher risk, countries such as Afghanistan and Pakistan; and, as conditions warrant, the Middle East and North Africa.
- Supporting small business lending, this generally draws relatively high levels of subsidy, even though individual transactions are small.

Depending on final technical assumptions to be provided by OMB, OPIC forecasts that the requested budget will support estimated lending levels of approximately $3.1 billion dollars in direct and guaranteed loans.

Strategies, Goals and Outcomes

OPIC focuses on achieving the goal of development and foreign policy impact in emerging markets through self-sustainable and efficient mobilization of U.S. private investment and skills. Therefore, OPIC targets development impact in the context of self-sustaining financial operations.

Developmental Impact

OPIC management places a high priority on the developmental quality of the projects it supports in addition to compliance with guidelines around environmental, social, labor and human rights policies. OPIC uses several tools to focus the agency on its development mission and policy objectives.

\(^3\) See Appendix A - Export Financing Transfer Authorities
The Development Matrix

OPIC’s Development Matrix is a comprehensive analytical tool for measuring the developmental impact of individual projects that OPIC supports. The Development Matrix provides more than 25 objective benchmarks for quantifying the developmental impact of projects with respect to job creation, technology transfer, human resource development, social benefits, private sector development, infrastructure development, and national benefits. OPIC calculates an anticipated (ex ante) development score to assist top management in its consideration of a project, and it calculates an actual (ex post) development score after a project has been implemented.

A development matrix score between 50 and 100 is considered developmental and a score above 100 is considered highly developmental. OPIC evaluates both its overall performance and the performance of the individual line departments on the basis of the average development scores of all projects. Appendix D describes the development matrix in further detail.

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target</td>
<td>.</td>
<td>117</td>
<td>97</td>
<td>.</td>
</tr>
<tr>
<td>Actual</td>
<td>100</td>
<td>86.1</td>
<td>84</td>
<td>100</td>
</tr>
<tr>
<td>Average Score</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Figure 1 Development Matrix Scores 2009 - 2012

OPIC continues to target an ambitious average development score of 100, despite significant changes in its overall financial and operating environment. These challenges include the continued slow recovery from the world financial crisis, which has made U.S. private investors more reluctant to participate in projects in general and in particular in emerging markets, and OPIC’s refocus of its programs to achieve a significant reduction in greenhouse gas emissions. Despite these adjustments, the average development score in 2010 averaged 84.

Leadership on Environmental and Social Policy and Labor and Human Rights Policy

For decades, OPIC has been a leader among bilateral international investment institutions in developing and applying environmental and social policies that advance long-term, sustainable economic development.

OPIC released its revised and strengthened Consolidated Environment, Social, and Labor and Human Rights Policy Statement on October 15, 2010. This combines an evolving set of

4 See http://www.opic.gov/doing-business/investment/environment/policy_revision
international best practices with our policy review criteria – OPIC is proud to remain at the forefront of these critical issues.

OPIC continues its work to align with leading development financial institutions, offering greater certainty to investors while ensuring the highest standards in responsible investment policy. At the same time, this process reinforces OPIC’s commitment to global challenges including climate change and is consistent with our attentiveness to the economic impacts of OPIC investments, at home and overseas. The end result provides a consistent and transparent framework that defines OPIC’s own roles and responsibilities, clearly articulates the responsibilities of private sector investors with whom we do business, and promotes best practices in addressing stakeholder concerns.

**Increased Transparency**

To increase transparency, OPIC decided in 2009 to publicly identify potential environmental issues at a much earlier stage in the project development process than in the past. OPIC now requires enhanced consultation with locally affected communities on ‘Category A’ projects – projects with the potential for significant environmental impact. In addition, OPIC has developed an Environmental and Social Policy Statement to provide applicants (e.g., investors, lenders, or project sponsors) notice of the general environmental and social requirements that OPIC may apply in evaluating prospective projects, and monitoring on-going OPIC-supported projects. These environmental and social requirements apply, as appropriate, to all projects supported through OPIC insurance, direct loans, or investment guaranties, including support through financial intermediaries such as investment funds or financial institutions that make equity or loan investments. OPIC’s standards are harmonized, as much as possible, with the best practices of major multilateral development finance institutions like the World Bank and the European Bank for Reconstruction and Development. This simplifies investor understanding of compliance requirements, particularly where several such institutions are involved in a transaction, and helps assure that OPIC continues to adhere to best practices in its environmental and social policies.

OPIC has redesigned its web site to increase and better organize the information available to the public. The site now includes non-business confidential summaries of major OPIC-sponsored projects and of smaller sub-Board projects, as well as non-business confidential versions of certain environmental documents on Category A projects.

**Mobilizing Private Capital in a Self-Sustainable Manner**

In accomplishing its development mission, OPIC also focuses on mobilizing private capital in an efficient and self-sustainable manner.

5 See http://www.opic.gov/doing-business/investment/environment/policy_revision
6 See https://www2.opic.gov/environasp/environtable.asp
**Operational Efficiency**

OPIC management has made efficient execution of its mission one of its key priorities. In FY 2010, for example, OPIC supported nearly $4 billion in total project investment with an administrative expenses budget of $52.3 million. On this basis, OPIC’s ‘overhead’ is 1.40%, which compares very favorably with other federal agencies as well as with the private sector. By meeting customer needs, OPIC can better achieve its core mission of supporting private investment efficiently while obtaining a highly developmental payoff.

**Self-Sustaining**

By charging fees and focusing on sustainable projects, OPIC has continued to operate at no net cost to the U.S. taxpayer. Since the agency’s establishment in 1971, OPIC has generated almost $5 billion in retained earnings and interest. Moreover, it continues to be a net contributor to the U.S. government budget. In 2010, for example, OPIC’s total outlays on the federal budget were negative $352 million.\(^7\) For FY 2012, OPIC intends to continue to operate on a self-sustaining basis, even as it deploys additional capital in an environment that continues to remain financially challenging, refocuses its origination and partnering in response to new greenhouse gas emissions targets, and utilizes greater administrative resources to support that activity.

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Current Regional and Sector Program Focus

Within its overarching development mission, OPIC maintains a special focus on key regions which are crucial to short- and long-term U.S. foreign policy concerns, as well as specific sectors that serve development objectives particularly well.

Regional Foreign Policy Priorities: Broader Middle East, Africa, and Asia

OPIC’s economic development mission is guided by U.S. foreign policy objectives. Within those objectives, OPIC is focusing on three regions of the world where its programs are likely to complement most effectively the U.S. foreign policy objectives: the Broader Middle East, Africa, and Asia. In particular, OPIC continues to focus on stimulating economic activity in countries working to overcome the legacy of conflict.

OPIC-supported private investment in these regions can advance U.S. foreign policy objectives. OPIC continues to focus on supporting projects in countries and regions that are either impacted by current conflict (e.g., Afghanistan and Pakistan, Iraq, and the West Bank), or are seeking to recover from recent conflict (e.g., Lebanon, Liberia and Georgia). OPIC focuses on supporting private investment and activities by U.S. non-governmental organizations (NGOs) that can rapidly create jobs, raise incomes, and increase the local population’s stake and confidence in peace and stability. OPIC proactively seeks out and works with investors and partner organizations to launch projects that together will help the country to jumpstart and then sustain economic growth.

In the Broader Middle East and North Africa, OPIC-supported private investments generate increased employment and demonstrate tangible economic benefits resulting from reduced conflict, greater democracy, and increased openness. OPIC is actively engaged in supporting investments that create jobs by increasing access to technology and fostering entrepreneurship through investing in small and medium sized enterprises.

In Afghanistan and Pakistan, OPIC-mobilized capital continues to support SMEs and microfinance, as well as technology and investment funds. For example, in Pakistan, Secretary of State Hillary Clinton announced $50 million in financing for an OPIC investment fund to support private equity investments in innovation and technology projects. OPIC selected as fund manager JSPE Management LLC, the private equity arm of JS Group, a leading financial services company in Pakistan. The fund is the successor to JS Private Equity Fund I, a $158 million fund, also focused on Pakistan. JSPE is headquartered in Karachi, with satellite offices in Islamabad, Lahore and Dubai. The fund will invest primarily in Pakistan, but may also invest up to a quarter of its capital in other countries in the Middle East and North Africa region, as well as south Asia.

As one of eight new OPIC-supported funds designed to facilitate investment in Muslim-majority countries in the Middle East, Africa and Asia, this investment fund in particular will enable Pakistani businesses to take advantage of recent technological advances in such sectors as health
care, agriculture, education and telecommunications. In so doing, these investments will accelerate economic growth, opportunity and stability in the country. This fund was among 87 responses to the call. OPIC’s Board of Directors approved OPIC’s contribution to the fund at its June 24 meeting.

**OPIC will support SME lending in Afghanistan.** Under a co-financing framework agreement and a separate direct loan with Afghan Growth Finance LLC (AGF), a non-bank financial institution. Both transactions will expand AGF’s capacity to make loans and equipment leases to small- and medium-sized enterprises in Afghanistan with a focus on agribusiness, light manufacturing, construction, consumer goods and services. The OPIC financing complements USAID funding for the project. The project supports the development of the financial services sector in Afghanistan through the expansion of credit available for lending to small and medium sized businesses. The project’s business plan focuses on technology and knowledge transfer by providing technical assistance for business development to all borrowers.

**OPIC supports future growth in Afghanistan.** Equity Capital Mining is an exemplary marble quarry operation that received initial start up support from USAID, and now a major ($15.8 million) expansion loan from OPIC to bring in modern equipment from the U.S. and Italy. The marble sector has significant prospects to be a major export sector for Afghanistan, and ECM will lead the way to other commercially and environmentally sound quarry operations, creating high-quality jobs, exports and much needed government royalties and tax revenue. Importantly, ECM’s success should encourage more bank financing of the sector to move the Afghan quarrying industry beyond its historically destructive blasting techniques to more modern and productive excavation techniques.

**OPIC has launched projects in Lebanon, Jordan, and the West Bank.** In Lebanon, OPIC and Citibank worked together to speed up the country’s recovery by channeling private capital to Lebanese banks. After the 2006 conflict, OPIC was able to rapidly disburse $108 million in 2007 to help small and medium sized businesses rebuild, reopen and become productive again. In 2008, another framework agreement was established with Citibank to further support the continued need for financing by entrepreneurs.

In the *West Bank*, where the effects of the conflict are still being felt, OPIC supported the Affordable Mortgage and Loans project (AMAL), a $485 million program to make conservatively-underwritten mortgage loans available to purchasers of new housing construction in several developments north of Ramallah in the West Bank. Rawabi, the first of these developments, commenced physical construction in January 2010. The complex will provide affordable mortgages to 40,000 Palestinians, as well as new office buildings, shops and restaurants that are to be constructed in an environmentally sustainable manner. The plan is that this development will seed other developers to follow suit and create a community.

In the Palestinian Territories, OPIC is working to mobilize private capital for a project to permit school-age children to purchase low-cost, low-power, internet-wired computer notebooks, enabling them to become better engaged with their education. OPIC is building this program on
a self-sustaining, commercial basis. To borrow a line from One Laptop Per Child, the organization focused on providing laptops to children in developing countries since 2002: “…when children have access to this type of tool …they become connected to each other, to the world and to a brighter future.”

**In Iraq**, OPIC’s long term commitment to the Iraq Middle Market Development Foundation was evidenced with the first disbursement to the third tranche developed by the group. After supporting middle-market, agricultural and small businesses in the first two facilities, this latest $19 million facility will be focused on small and medium sized businesses.

Also in Iraq, CHF and OPIC continue to partner to provide micro-business owners and individuals the ability to strengthen and expand their businesses, stabilize their incomes, and improve their homes and quality of life. The local borrower is new, a for-profit Iraqi company transforming an existing grant-funded operation to a long-term, self-sustaining microfinance lending company. Supporting viable lending operations in Iraq is one of OPIC’s foreign policy priorities.

**In Israel**, OPIC supports the deployment of private capital to help small and medium sized businesses located in the Negev and Gilboa regions secure new financing. Credit has not traditionally been available to smaller businesses due to lack of competition in the banking sector in the south of the country, severe collateral requirements, and credit discrimination. Because the Negev region is located far from the traditional centers of tourism and business, unemployment there is 50% higher than the national average. The Gilboa is the northern Israeli region that abuts Jenin, a Palestinian town in the West Bank. Authorities in recent years have looked to the Gilboa region as a possible model for Arab-Jewish coexistence in Israel with Israeli Authorities seeking to encourage Israeli Arabs who want to conduct business in the region in an effort to help the Palestinian economy.

**In Sub-Saharan Africa**, OPIC continues its focus on supporting private sector growth and capital market and infrastructure development and in helping conflict-ridden countries. As discussed below, OPIC’s Board has approved new investment funds that now target investing in pan-African companies with exceptional growth prospects and in strengthening African capital markets by investing in innovative financial instruments such as mezzanine and convertible debt.

**In FY’s 2011 and 2012, OPIC will continue to prioritize the Broader Middle East and North Africa, Sub-Saharan Africa, and Asia** while continuing to support highly development projects in other regions.
**Sector Priorities: Sustainable Investments in Clean and Renewable Energy, Critical Natural Resources; Impact Investing**

In Fiscal Years 2011 and 2012, OPIC will place additional emphasis on clean and renewable energy, critical natural resources such as agriculture and water and Impact Investing. OPIC’s support for U.S. private investment in these sectors can have a proportionally large economic development and foreign policy impact by:

- Applying expertise in clean and renewable energy to provide developing countries with more environmentally-cognizant and cleaner options to support development; and
- Mobilizing capital to support critical natural resources including agriculture and water in emerging markets, through risk mitigation and investment in infrastructure, services, technology, and production.
- Growing the microfinance sector to support financial inclusion and focusing on impact investing sectors including agribusiness, education, healthcare, water and sanitation.

**OPIC Support for Clean and Renewable Energy**

OPIC is a leader in financing renewable and cleaner forms of energy and clean technology. OPIC’s portfolio includes energy projects generating a cumulative total of more than 2,200 megawatts of clean power, including solar, small hydro and wind. Many of these projects involve U.S. small businesses. In addition, OPIC supports projects involving the development and deployment of clean technologies.

At the Cancun conference on Climate Change, OPIC announced that it will provide at least $300 million in financing for new private equity investment funds that in turn could ultimately invest more than $1 billion in renewable resources projects in emerging markets.

Looking ahead, OPIC expects to support more clean energy projects including solar, wind, biomass and biofuels, as well as waste-to-energy projects. In early 2008, OPIC established a group dedicated to identifying and underwriting renewable energy transactions and other projects aimed at sustaining the environment. The group has established relationships with key stakeholders in the sector and identified projects most suited to OPIC financing. Since 2007, OPIC has committed insurance and financing of $184 million for 282 megawatts across 13 renewable projects and funds. OPIC’s recent Project commitments include financing for one of the first, if not the first, grid-connected solar generation facility in India, green housing community in Poland, and a biomass-fueled generation facility in Liberia.

In Clean and Renewable Energy, OPIC has taken a ‘hands-on’ approach to project development alongside U.S. investors. OPIC is currently tracking about 50 such projects, valued at more than $2 billion, to assess whether they can be supported by OPIC risk mitigation and financial products. OPIC expects to increase the number of such projects in its finance portfolio in each of the next three years.
As part of this approach, in FY 2010, OPIC sponsored “Renewable Energy & Clean Technology: Access to Investment Opportunities in Emerging Markets,” a three day international conference in India that was intended to facilitate new U.S. private sector investment in renewable energy and clean technology. More than 260 participants from over 26 countries, representing U.S. and emerging market businesses, leading financial institutions, and the governments of the United States and India attended. The conference identified specific investment opportunities in the renewable energy and clean technology sectors. Industry leaders in clean and renewable technology met with investment professionals, foundation representatives, bankers, and private equity managers. U.S. and local government officials provided insights into investment opportunities and financing options in the renewable energy and clean technology sectors in Africa, Asia, Eastern Europe and Latin America.

**OPIC Support for Critical Natural Resources**

OPIC has increased its focus on critical natural resources such as agriculture, water, and food security and plans to expand its activities and initiatives in this sector in Fiscal Years 2011 and 2012.

The importance of economically viable and sustainable food production is not limited to geography. OPIC seeks to support quality companies that grow crops and raise livestock, which provide the inputs to make those farms and ranches viable – such as water and fertilizers – and that can get those products to consumers in quite distant markets. OPIC is developing transactions at several different scales that will address food production at different points in the production process: ranging from seedling production to expansions of bakery operations. Some recent examples include:

**In the West Bank,** the Middle East Investment Initiative’s Loan Guaranty Facility is making it possible for 1,700 small Palestinian olive growers, to sell through informal cooperatives to a premium olive oil producer. This producer has created a stable market for those farmers and as a result the producer has had to increase its storage capacity. This equipment upgrade will also enable the producer to maintain ISO standards, allowing access to foreign export markets.

**In Latin America,** Citibank partnered with OPIC to provide a loan to a company that is a top-tier vertically-integrated cluster of various companies in Honduras dedicated to the production and commercialization of palm oil and its corresponding by-products. Its list of activities are extensive, including: palm plantations, palm harvesting, palm oil extraction, processing, sales, distribution and marketing of products such as margarine, oil, shortening, soaps, wheat flour, sauces, and animal feed. The company is the result of several mergers, but can claim roots to Honduran agriculture since 1968.

**In Georgia,** a FY 2009 OPIC loan to Sante GMT Products enabled an expanded milk collection infrastructure as well as implementation of new packaging technologies for the company’s cheese, milk, and juice products. This included milk collection centers in remote parts of Georgia, providing rural farmers a ready market for their milk. These facilities serve...
approximately 3,000 rural farmers who previously did not have a steady and reliable market for their product.

In coordination with other U.S. Government Agencies and multilateral organizations, OPIC plans to increase its focus on food security globally, and in particular in high priority countries in Africa in Fiscal Years 2011 and 2012.

**OPIC Support for Impact Investing**

OPIC is committed to catalyzing investments in businesses which seek to generate financial returns while having measurable positive impacts on social, economic or environmental conditions in OPIC-eligible countries. OPIC can be instrumental in helping to shape the impact investing space by filling financing gaps, reducing investor’s risks, enhancing returns and by developing innovative and accommodating financial structures that meet the needs of social entrepreneurs and their investors.

For example, OPIC approved a $10 million loan to Root Capital, a nonprofit social investment fund, to lend to small and growing businesses that are too large for micro-loans, but remain under-served by commercial banks in Central and South America and Africa. Root provides financial education and market connections, in addition to affordable credit, as a means to build sustainable livelihoods in an environmentally conscious way.

**In FY 2011 OPIC will launch an Impact Investing Call for Proposals from fund managers to catalyze and promote investments in OPIC eligible countries.**
Operational Focus

Leveraging U.S. Government Resources

OPIC recognizes that it can better achieve its developmental mandates with greater effectiveness and efficiency, if it works in close collaboration with its sister agencies in the government.

OPIC seeks out opportunities for interagency collaboration and to establish channels of communication between OPIC’s top managers and their counterparts in other agencies.

OPIC-supported private investments can complement policy reforms and social investments supported by grant-funded public sector technical assistance provided by the Millennium Challenge Corporation (MCC), the U.S. Agency for International Development (USAID), the Department of the Treasury, the Department of State, and/or the Trade and Development Agency. For example, grant-funded technical assistance for the reform of laws underpinning property titles, title insurance, and consumer mortgages help reinforce OPIC-supported private investment in the housing sector.

Private investment supported by OPIC is likewise enhanced through the services provided by the Commerce Department’s Foreign Commercial Service. Similarly, trade agreements negotiated by the U.S. Trade Representative remove obstacles to private and OPIC-supported investments that build trade capacity and reinforce MCC compacts and complement USAID grants.

Framework Agreements with Private Investor Partners

The framework agreements, which were heavily utilized by U.S. partner banks until the financial crisis of 2009, have revived as U.S. partner banks return to international lending. Both Citibank and Wells Fargo (which purchased Wachovia N.A. in 2009) have resumed their global lending operations. OPIC has delegated significant credit authority to these institutions but retains final policy and budgetary review of each loan that is made.

OPIC Focus on U.S. Small Business Investors

OPIC continues to place a special emphasis on helping American small businesses become investors in the developing world. Helping small businesses to invest overseas is an important way to distribute the benefits of international commerce more broadly throughout the U.S. economy. Small business is a part of nearly every U.S. community. According to the U.S. Small Business Administration (SBA), small businesses employ about 50 percent of all private sector workers and create 75 percent of the net new jobs in the American economy.

As a vital source of innovation and economic growth, U.S. small businesses are increasingly looking for opportunities in the global marketplace. But for a U.S. small business looking to
engage globally, the obstacles can be formidable: limited access to capital, perceived investment risk, and lack of knowledge about opportunities in international markets.

One of OPIC’s ongoing goals is to increase small business participation in global markets by reducing the obstacles to investment and by cultivating better small business projects. For example, OPIC’s Insurance Department has increasingly focused on supporting U.S. small businesses that want protection against political risks as well as the support and advocacy of the U.S. government in the event that investment rules change in the targeted country. Insurance provides a streamlined application and administrative process for eligible small business companies.

The ideal OPIC-supported small business project is not any different than the largest projects the agency supports. A strong and viable OPIC project addresses an important developmental need in the host community, transfers capital, technology and skills from a successful American company to a nascent industry in an emerging market, and supports the same industry here in the United States. It delivers lasting economic effects because it is funded not by grant but by investment with the expectation of long-term profitability and job creation.

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<th>New Projects</th>
<th>Projects Involving SME’s</th>
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Figure 3 Project Counts and SME’s

OPIC’s Expanding Horizons workshop series helped hundreds of U.S. minority and women small business owners to learn how OPIC can help them to invest in emerging markets successfully. In all, OPIC has held eleven Expanding Horizons workshops across the country, attracting over 1,200 participants from 22 states, as well as over 70 co-sponsoring organizations. The invaluable partnerships created from the workshop series have allowed OPIC to further outreach to the minority and women-owned business community, participating and speaking at events coordinated by organizations such as the Jamaica Business Resource Center of New York, the Continental-Africa Chamber of Commerce, and the California Centers for International Trade and Development. Recently, OPIC was also pleased to welcome to its strategic "Partners Program" the National Association of Women Business Owners (NAWBO).
Enterprise Development Network

In June 2007, OPIC launched the Enterprise Development Network (EDN), a strategic alliance between OPIC, other U.S. government agencies, and the private sector.⁸

**EDN significantly extends OPIC’s ability to provide financing and political risk insurance to more SMEs doing business in developing countries.** Through the support of participating financial institutions, business consultants, associations, law firms, state/regional promotion organizations, and sister agencies, EDN increases the access of small businesses to OPIC products and services. The network results in more efficient, cost-effective delivery of services to American and local businesses.

EDN includes the following participants:

- **EDN Originators:** business consultants and not-for-profit organizations worldwide, trained by OPIC to advise SMEs in drafting business plans, enhancing market strategies and preparing applications that meet OPIC’s standards and policy conditions for both OPIC Finance and Political Risk Insurance programs.

- **EDN Network Investors:** debt and equity providers that may or may not have OPIC’s financial support, but invest in SMEs or their affiliates for projects in OPIC-eligible countries.

- **EDN Advisors:** specialists in particular business sectors and geographic areas, which will assist OPIC in credit underwriting and due diligence on OPIC-funded loans.

Currently 100 organizations collectively covering a broad range of industry sectors now serve as EDN Loan/Insurance Originators. They are located in the U.S. as well as in Africa and Asia, with several organizations having their own global presence.

EDN is a springboard for collaboration among USG agencies, multilaterals, NGOs, for-profit organizations, and, most importantly, the private sector (investment funds, banks and private businesses). EDN does not attempt to replicate an existing activity or program. Rather, it links project finance and support with the most effective provider. For example, USAID provided OPIC with up to $2 million for the EDN Africa Technical Assistance program (EDN/ATA), where qualified SMEs in sub-Saharan Africa can receive technical assistance to develop the viability of an underlying project.

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⁸ See [https://ednaccess.com/](https://ednaccess.com/)
OPIC Initiatives

OPIC Product Updates

OPIC’s credit reform program is delivered by three departments: Small and Medium Enterprise Finance (SMEF), Structured Finance (SF), and Investment Funds (IFD).

OPIC SME and Structured Finance

OPIC financing provides medium- to long-term funding through direct loans and loan guaranties to eligible ventures. OPIC can provide financing on a project finance or a corporate finance basis.

SMEF assists small and mid-market companies in developing their overseas businesses, mainly by providing direct loans, and SMEF is able to originate investment guaranties as well. SMEF officers work on projects in a wide variety of industries. Sectors that receive special emphasis are housing, microfinance and renewable energy.

Structured Finance generally operates with larger guaranties and focuses on projects in high-priority foreign policy areas where neither local nor international private capital markets are willing to enter. SF officers typically work on infrastructure projects and financial services projects that enable growth in mortgage markets, microfinance, and access to capital for SME borrowers.

OPIC Insurance

OPIC’s Political Risk Insurance is a critically important element to OPIC’s efforts to mobilize capital in developing countries. OPIC’s financing capabilities help put investors in business, but OPIC Insurance programs provide the confidence to investors to take the risks associated with emerging market investment. In the absence of insurance, entrepreneurs would find it difficult, if not impossible, to risk their equity and their credit reputations with financial institutions. In the same vein, banks are willing to take risk and lend money into politically difficult situations only if they can significantly reduce the risk to their balance sheets through comprehensive insurance programs. Coverage is provided for the full range of investors, large and small, against a wide variety of risk including inconvertibility, expropriation, loss of business income, breach of contract or guarantee, and political violence.

OPIC Insurance works with the private insurance industry by providing coinsurance and reinsurance programs that encourage them to support U.S. businesses interested in making investments with a high developmental impact in countries judged too risky on a purely commercial basis. As a government agency, OPIC often has better access to information and a higher tolerance for risk than the private political risk insurance industry. OPIC Insurance is customer focused. In May 2010, OPIC conducted its annual Advisory Group meeting of investors, bankers, insurance and legal experts. The Group continues to praise OPIC Insurance
for its customer-oriented approach to investments in difficult or risky environments. They also expressed hope and anticipation that OPIC’s efforts in additional product development and risk-sharing efforts with the private market would soon bear fruit.

OPIC Insurance has also traditionally played an important role as a product innovator, by developing innovative political risk insurance products, such as the first political risk contracts for Capital Markets investors investing in emerging market bond offerings, a product later adopted by the private political risk industry. OPIC continues to develop new product concepts, such as coverage for intellectual property risk.

**OPIC-Supported Investment Funds**

**Technology Growth**

In October 2009, OPIC launched the Global Technology and Innovation Call for Proposals. This was a direct response to President Obama’s July 2009 speech in Cairo. In June 2010, OPIC’s Board of Directors approved eight funds from this call, representing a potential OPIC commitment of up to $675 million and catalyzing up to $3.2 billion in investment.

**Renewables Call**

On December 15, 2010 OPIC launched the Global Renewable Resources Call for Proposals. OPIC expects to support one or more investment funds that will invest in sectors focused on renewable energy, resource efficiency and the preservation of scarce natural resources. OPIC will provide financing between $35 million and $150 million for each selected fund. The Call closed on February 11, 2011 with significant interest from the private sector.

**Fund Examples**

**JS Private Equity Fund II**

OPIC will provide up to $50 million in financing to the fund which will invest in companies in Pakistan. The Fund may invest up to 25% of the Fund in other countries in the Middle East, North Africa, and South Asia, including Bangladesh, Sri Lanka and Egypt. It intends to employ technology in successful companies that either have technology at the core of their business or can benefit by upgrading their existing technologies. Sectors of interest to the Fund include agribusiness, financial services, transportation and logistics, media and telecommunications, chemicals, pharmaceuticals and manufacturing. The fund has a target capitalization of $150 million.
Siraj Palestine Fund I

OPIC committed $30 million in financing to the fund, which will make opportunistic investments in companies in the Palestinian Territories. The main focus of the fund will be on companies that have the potential to become market leaders in the Palestinian Territories or expand their operations internationally, primarily in the Middle East and North Africa (MENA) region. Sectors of particular interest include information and communication technology services (e.g., broadband access), agriculture, clean technology, healthcare, education, and financial services. The fund has a target capitalization of $80 million.

Citadel Capital Joint Investment Fund

OPIC will provide up to $100 million in financing to the fund, which will target companies that benefit from positive macroeconomic trends in the Middle East and North Africa (MENA) such as a young and growing population and the need for improvements in infrastructure bottlenecks. The Fund Manager expects that 50% of the Fund’s investments will be in Egypt. Sectors of interest include waste management, transportation and logistics, manufacturing, and production of building materials and chemicals. The target capitalization of the fund is $500 million. In addition, the Fund manager will co-invest $250.0 million of its own resources alongside the Fund on a 1:2 basis.

Accelerator Tech

OPIC will provide up to $25 million in financing to the fund, which will target growth stage financing to companies across the Middle East and North Africa (MENA) region specifically Jordan, Lebanon, Palestine, Egypt, Morocco and Tunisia. The fund expects to invest within the general sectors of digital content, internet services, mobile applications, mobile financial services, technology services and platforms, next generation media, entertainment and software development. The target capital of the fund is $74 million.

ePlanet Ventures Fund III

OPIC will provide up to $75 million in financing to the fund, which will invest in a variety of sectors, including information technology, software and software applications, life sciences and healthcare, nano and bio-technologies, semiconductors, media, telecom, wireless, Internet content and services, clean energy and technologies, education, consumer services, logistics, and financial services. The fund will invest in OPIC-eligible countries in the Middle East, Africa, and South, Central and Southeast Asia. The target capitalization of the OPIC-guaranteed fund is $300 million.

Riyada Enterprise Development Fund L.P.

OPIC will provide up to $150 million in financing to the fund, which will primarily make growth stage, non-control investments, both directly as well as through individual country sub-funds, in
small and medium enterprises (“SMEs”) across the Middle East and North Africa (“MENA”) region. The target countries for the OPIC-supported investments are Pakistan, Egypt, Turkey, the West Bank, Jordan, Lebanon, Oman, Algeria and Morocco. The targeted capitalization of the fund is $500 million.

**Capital Alliance Private Equity III Limited**

OPIC will provide up to $150 million in financing to the fund which will focus on telecommunications, financial services, business services, logistics, electric power, and oil & gas in the West Africa region. The fund plans to take minority (minimum 20%) to majority stakes in growth stage portfolio companies, and plans to invest within a range of $20 to $40 million per company. The Fund will look for high-growth potential investments in well-performing companies, turnaround situations and cross-border expansion opportunities, in all cases with proven management teams. The target capitalization is $350 million, with a $500 million cap.

**Lombard Asia IV, L.P.**

OPIC will provide up to $200 million in financing to the fund, which will make growth stage, non-control investments in public and private companies that are market leaders within the Southeast Asia region, particularly Thailand, Vietnam, the Philippines and Indonesia. The Fund will target industries and companies through a macro-economic analysis, including a review of industry and regional growth rates, business cyclicality, companies’ competitive strengths, and consolidation opportunities. The target capitalization is $300 million.

**Upcoming Priorities Regarding the Asset Allocation Plan**

OPIC’s high priority goals for Fiscal Years 2011 and 2012 are (1) to commit, close and disburse to the pipeline of funds approved by the OPIC Board of Directors in connection with the Calls for Proposals conducted over the past three years and (2) to identify and support high quality fund managers of funds in OPIC eligible countries having a high development impact identified in accordance with the August 2009 Strategic Review for FY 2010 and 2011 prepared by Franklin Park, and any subsequent 2012 plan.

In addition, as recommended in the Strategic Review, OPIC will explore how it can continue to streamline and make more effective the fund manager selection process, evaluate changes to the current investment funds product in ways that would better serve highly developmental priorities and make collaboration with other development finance institutions (DFIs) and OPIC products more effective.
APPENDIX

Appendix A: Appropriations Language

Non-Credit 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 $57,890,000: 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, $31,000,000, as authorized by section 234 of the Foreign Assistance Act of 1961, to be derived by transfer from the Overseas Private Investment Corporation Non-Credit 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 2012, 2013, and 2014: Provided further, That funds so obligated in fiscal year 2012 remain available for disbursement through 2020; funds obligated in fiscal year 2013 remain available for disbursement through 2021; funds obligated in fiscal year 2014 remain available for disbursement through 2022: 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. 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.

OPIC Transfer Authority

(Including Transfer of Funds)

Whenever the Secretary of State 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 and merged with funds appropriated by this Act for the Overseas Private Investment Corporation Program Account, to be subject to the terms and
conditions of that account: Provided, That such funds shall not be available for administrative expenses of the Overseas Private Investment Corporation: Provided further, That designated funding levels in this Act shall not be transferred pursuant to this section: Provided further, That the exercise of such authority shall be subject to the regular notification procedures of the Committees on Appropriations.

Export Financing Transfer Authorities

Not to exceed 5 percent of any appropriation other than for administrative expenses made available for fiscal year 2012, for programs under title II 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: Budget and Analysis Tables**

**Table B-1 FY 2012 Request**

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<tr>
<th>Appropriated Resources (Dollars, Millions)</th>
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<tr>
<td>Gross Budget Authority</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>$52.31</td>
<td>$52.31</td>
<td>$57.89</td>
</tr>
<tr>
<td>Credit Subsidy</td>
<td>29</td>
<td>29</td>
<td>31</td>
</tr>
<tr>
<td>TOTAL, Gross Appropriations</td>
<td>$81.31</td>
<td>$81.31</td>
<td>$88.89</td>
</tr>
<tr>
<td>Negative Subsidy, estimated</td>
<td>(76)</td>
<td>(115.3)</td>
<td>(118)</td>
</tr>
<tr>
<td>Insurance Premiums and recoveries</td>
<td>(41)</td>
<td>(39)</td>
<td>(39)</td>
</tr>
<tr>
<td>Interest on Treasury Securities</td>
<td>(200)</td>
<td>(180)</td>
<td>(162)</td>
</tr>
<tr>
<td>Noncredit Obligations</td>
<td>29</td>
<td>35</td>
<td>42</td>
</tr>
<tr>
<td>Net Offsets to Budget Authority</td>
<td>$288</td>
<td>$299</td>
<td>$277</td>
</tr>
<tr>
<td><strong>Net (Negative) Budget Authority</strong></td>
<td>$(206.7)</td>
<td>$(218.0)</td>
<td>$(188.1)</td>
</tr>
<tr>
<td>Memo: Potential Transfer Authority</td>
<td>$20</td>
<td>$20</td>
<td>$16</td>
</tr>
<tr>
<td>Anticipated Subsidy Transfer</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
</tbody>
</table>

**Table B-2 Summary of Credit Funding Request**

<table>
<thead>
<tr>
<th>(Dollars, Millions)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>(PB 2012)</td>
<td>Request</td>
</tr>
<tr>
<td>Credit Subsidy Appropriation Transfers</td>
<td>$29</td>
<td>$29</td>
<td>$31</td>
</tr>
<tr>
<td>Total New Resources</td>
<td>$29</td>
<td>$29</td>
<td>$31</td>
</tr>
<tr>
<td>Projected Activity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>2,038</td>
<td>2,050</td>
<td>2,200</td>
</tr>
<tr>
<td>Investment Funds</td>
<td>440</td>
<td>600</td>
<td>900</td>
</tr>
<tr>
<td>New Commitments</td>
<td>$2,479</td>
<td>$2,650</td>
<td>$3,100</td>
</tr>
</tbody>
</table>
Table B-3 Insurance Program Activities

<table>
<thead>
<tr>
<th>(Millions of dollars)</th>
<th>2010 Actual</th>
<th>2011 CR Estimate</th>
<th>2012 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate Maximum Insured Amount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start of year</td>
<td>$ 4,516</td>
<td>$ 4,064</td>
<td>$ 3,875</td>
</tr>
<tr>
<td>Issuance during the year</td>
<td>235</td>
<td>553</td>
<td>600</td>
</tr>
<tr>
<td>Reductions/Cancellations</td>
<td>(673)</td>
<td>(756)</td>
<td>(500)</td>
</tr>
<tr>
<td>Outstanding end of year</td>
<td>$ 4,078</td>
<td>$ 3,875</td>
<td>$ 3,975</td>
</tr>
<tr>
<td>Maximum Contingent Liability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statutory limitation**</td>
<td>$ 29,000</td>
<td>$ 29,000</td>
<td>$ 29,000</td>
</tr>
<tr>
<td>End of year</td>
<td>2,330</td>
<td>2,190</td>
<td>2,000</td>
</tr>
<tr>
<td>Current exposure to Claims (CEC), end of year</td>
<td>1,619</td>
<td>1,608</td>
<td>1,590</td>
</tr>
</tbody>
</table>

Notes and Definitions

**This is a combined insurance and finance limitation; OPIC monitors issuance and runoff to stay within this limitation on an aggregate basis.

Aggregate Maximum Insured Amounts (MIA): Aggregate MIA is OPIC’s primary measurement of issuance. It reflects the face value of all coverage issued. Premiums are generally computed based on this amount.

Maximum Contingent Liability (MCL): MCL is the basis used to measure the maximum amount of compensation for which OPIC would be liable, which is limited by the Foreign Assistance Act. Under most active OPIC contracts, investors may obtain all three coverages – inconvertibility, expropriation, and political violence – but aggregate claim payments may not exceed the single highest maximum insured amount for each contract.

Current Exposure to Claims (CEC): Actual exposure to claim payments is less than total outstanding insurance as measured by MCL, because insured investors elect “current” coverage levels that reflect the current value of their investment, which may be significantly below their maximum insured amount. Current exposure to claims is based on the assumption that the coverage under which a claim would be brought would be the coverage with the highest amount of current insurance in force.
### Appendix C: GPRA Annual Performance Plan/Report and Program Assessment Rating Tool (PART) Metrics

<table>
<thead>
<tr>
<th>GPRA</th>
<th>PART PERFORMANCE GOALS</th>
<th>FY 2010 Target</th>
<th>FY 2010 Actual</th>
<th>FY 2011 Target</th>
<th>FY 2012 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Effects</td>
<td>Projects</td>
<td>100</td>
<td>83</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Insurance Projects</td>
<td>100</td>
<td>91</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Matrix score</td>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>100</td>
<td>86</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Efficiency</td>
<td>SBC Cycle Time Insurance</td>
<td>70</td>
<td>60</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>Finance</td>
<td>70</td>
<td>42</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Mitigation and Corporate Citizenship</td>
<td>Maintain or improve monitoring tempo of existing deals for issues which would affect OPIC's development mission and risk of repayment. Mitigate risk through sound portfolio management, project development practices, and incentives to encourage good corporate citizenship.</td>
<td>Ensure self-monitoring on all active projects. Site monitor sensitive projects no later than 3rd year of operation.</td>
<td>100%</td>
<td>63%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Additionality* Ensure addiitionality and private sector participation to ensure that OPIC leverages, but does not compete with, the private sector. 93% 95% 93% 93%

*Policy priority sectors* (See FY Budget narratives) Broader Middle East Africa Asia Environmental Solutions & Services Critical Natural Resources including Agriculture & Water Impact Investing

*Small Business* Ensure that OPIC support is provided to small U.S. businesses. Increase Outreach to SMEs; Especially those owned by women and minorities. Expand Outreach
Appendix D: Development Matrix

EXPANDED DEVELOPMENT IMPACT MATRIX (XDIP)

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 and provide the basic human necessities of shelter, food, water and health care. To support its developmental mission, OPIC evaluates and scores every proposed project in 26 key areas across three broad categories that objectively quantify its expected contribution to host-country development.

- Category I covers job creation, training, local procurement, corporate social responsibility, and equal employment opportunity – five highly-weighted impacts that should be demonstrated by any project, regardless of sector or the level of economic development within the host country.

- Category II covers 20 additional development indicators within such broad areas as human capacity building (degree of training), private sector development, resource leveraging, social effects, infrastructure improvements, macroeconomic and institutional effects, and technology/knowledge transfer. The degree to which projects demonstrate these additional developmental benefits depends significantly on the features of a given project.

- Category III adjusts for the host country’s per capita GNI, reflecting both OPIC’s priority to steer investment into the poorest countries and the reality that nations most in need often lack the capacity to support more developmentally sophisticated investments.

A project must score at least 50 on the matrix to be considered *developmental* and clearly eligible for OPIC support. A score of 100 or more qualifies a project as *highly developmental*. OPIC’s long-term goal is to achieve an average development rating of 100 across all business lines.
FINANCIAL SERVICES DEVELOPMENT IMPACT MATRIX (finDIP)

Over the past several years, OPIC support of financial sector projects has increased steadily. In order to capture accurately the developmental impact of these projects, OPIC developed the financial services development impact matrix (finDIP), using the XDIP framework and information gathered from other U.S. and multilateral agencies. The finDIP matrix consists of four Core Development Indicators, six Supplemental Development Indicators, and a GNP Per Capita Indicator:

- The four Core Development Indicators are financial instrument innovation/augmentation, capital mobilization, multiplier effects, and corporate governance.

- The six Supplemental Development Indicators are sustainability, economic diversification, macroeconomic and institutional impacts, corporate social responsibility, human capital improvements, and transfer of technology and knowledge.

- The GNP per Capita Indicator takes into account the host country’s level of development and reflects OPIC’s priority to steer investment into the poorest countries.

For the sake of consistency and uniformity, the finDIP and XDIP score ranges are the same. Scores range from 0 to 160 and are divided into three possible ratings. A score of 1 to 49 is *Minimally Developmental*, 50 to 99 is *Developmental*, and 100 to 160 is *Highly Developmental*. Projects with a score of 0 are *Not Rated*. In general, OPIC refrains from supporting projects in which the development score falls below 50, unless the project serves a foreign policy priority or another priority of the Agency as determined by the President’s office. The tool was implemented in Fiscal Year 2007, and data from the financial services development matrix is presented in the annual Policy Reports.
Appendix E: Program Assessment Rating Tool

OPIC was evaluated under the PART framework in 2006 as “moderately effective”, and marked improvement across the board on a range of issues.

OPIC Insurance Program


OPIC Finance Program

FACT SHEET

OPIC is Self Sustaining and Contributes to the Federal Budget

When it was created in 1971, OPIC was required to operate on a self-sustaining basis at no net cost to the American taxpayer. OPIC meets this requirement 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 is one of the very few U.S. government agencies that generate a profit for the American taxpayer.

- The President’s Fiscal Year 2012 budget projects that OPIC will contribute $188 million to the federal budget.¹
- OPIC has contributed significant sums toward reducing the federal deficit for 33 consecutive years. In FY 2010, OPIC contributed $352 million to deficit reduction.²
- Over the next five years, the Administration’s FY 2012 budget projects that OPIC will generate $1.3 billion.³
- Separately, the annual external audit of OPIC’s GAAP financial statements confirm that OPIC generated $397 million in revenue and $260 million in net income in FY 2010. This compares favorably to FY 2009, when OPIC generated $389 million in revenue and $242 million in income.
- OPIC’s reserves now exceed $5 billion in Treasury securities, generated through net earnings.
- Since its creation in 1971, OPIC has supported over $74 billion in U.S. exports and more than 274,000 U.S. jobs, with many times this number indirectly supported by OPIC programs.

As the U.S. Government’s premier development finance institution, OPIC mobilizes the participation of U.S. private capital to support sustainable economic development in emerging markets. OPIC currently manages a $14 billion portfolio of projects in more than 150 countries. By leveraging economically sound projects and charging market-based fees, OPIC catalyzes but does not compete with the private sector.

¹ Budget Authority as reported in “FY2012 Budget of the U.S. Government”, Table 32-1 at http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/32_1.pdf
² Outlays, as reported by the Treasury at http://fms.treas.gov/mts/mts0910.pdf#page=15
³ Outlays, as reported in FY2012 Budget of the U.S. Government” Public Budget Database at http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/outlays.xls
OPIC Budget Data
Appropriations and Outlays
FY 2006-FY 2012

<table>
<thead>
<tr>
<th>(Dollars, Millions)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidy</td>
<td>$20.1</td>
<td>$20.1</td>
<td>$23.0</td>
<td>$29.0</td>
<td>$29.0</td>
<td>$29.0</td>
<td>*$31.0</td>
</tr>
<tr>
<td>Administrative</td>
<td>41.9</td>
<td>42.1</td>
<td>47.5</td>
<td>50.6</td>
<td>52.3</td>
<td>52.3</td>
<td>57.9</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outlays (Discretionary and Mandatory) **</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-credit account</td>
<td>$(323)</td>
<td>$(292)</td>
<td>$(296)</td>
<td>$(282)</td>
<td>$(271)</td>
<td>$(250)</td>
<td>$(236)</td>
</tr>
<tr>
<td>Negative subsidy</td>
<td>(33)</td>
<td>(38)</td>
<td>(47)</td>
<td>(47)</td>
<td>(76)</td>
<td>(115)</td>
<td>(118)</td>
</tr>
<tr>
<td>Gross Outlays</td>
<td>46</td>
<td>(86)</td>
<td>(343)</td>
<td>17</td>
<td>(5)</td>
<td>71</td>
<td>116</td>
</tr>
<tr>
<td>Net Outlays</td>
<td>$(310)</td>
<td>$(416)</td>
<td>$(686)</td>
<td>$(312)</td>
<td>$(352)</td>
<td>$(294)</td>
<td>$(238)</td>
</tr>
</tbody>
</table>

* Does not include an anticipated transfer of $4 million from State Department.
** Outlays measure OPIC’s contribution to the deficit.

Sources:
- a. See outlays.xls for the FY 2012 Budget at http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/outlays.xls