



Congressional Budget Justification

Fiscal Year 2014

**Overseas Private Investment
Corporation**

This Page Intentionally Left Blank

Table of Contents

President’s Letter	i
Overseas Private Investment Corporation – FY 2014 Budget in Brief	1
New Resources Balanced by New Revenue	2
FY 2014 Budget Request	3
OPIC’s Value: Self-Sustaining, Efficient, Catalyzing Private Sector Development.....	3
Administrative Resources and Strategic Technology Directly Drive Program and Revenue	5
OPIC’s Value to the Budget and Foreign Policy	7
OPIC Supports National Security and Foreign Policy.....	7
Afghanistan	8
Pakistan	9
Iraq	11
Haiti.....	12
Sub-Saharan Africa.....	13
Cross Cutting Initiatives	14
Middle East and North Africa.....	15
OPIC Assists U.S. Businesses, including Small Businesses	17
OPIC is Effective	18
Foreign Direct Investment Flows Outweigh ODA	19
OPIC as an Investment Multiplier	20
OPIC is Efficient.....	20
OPIC Addresses Key Challenges and Market Failures	22
Renewable Resources and Energy Security.....	22
U.S.- Africa Clean Energy Finance Initiative (ACEF).....	23
Appendices.....	25
APPENDIX A: Appropriations Legislation.....	25
Noncredit Account.....	25
Program Account	25
Transfer Authorities (General Provisions).....	25
Export Financing Transfer Authorities	26
APPENDIX B: Measuring Development Impact Matrix	27
APPENDIX C: OPIC Monitoring Methodology	28
Labor.....	28
Environment, Social, Health, and Safety (E&S).....	28
U.S. Economic Impact	29
Developmental Impact.....	29
APPENDIX D: The Partnership for Growth	30
APPENDIX E: Policy Directive on Development.....	31
APPENDIX F: GPRA Annual Performance Plan/Report	32

This Page Intentionally Left Blank

President's Letter

American prosperity and national security are closely tied to stability and economic growth in developing countries. As the U.S. Government's development finance institution, this link is at the core of OPIC's work: mobilizing private investment into emerging and frontier markets so that jobs, growth, and prosperity can follow. We do that by using private sector financial tools to remove barriers to U.S. companies investing in key emerging markets and fragile states – tools that make those important U.S. business investments possible.

Across the globe, from the Middle East to East Africa to Asia, OPIC creates the kinds of business-to-business partnerships that are one of our most powerful foreign policy assets – partnerships that help promote understanding across cultures, demonstrate that prosperity can be shared, and promote the best of American values and standards.

As businesses become more and more global and emerging markets become important investment destinations, the role of the private sector in development is becoming increasingly powerful. Development finance institutions (DFIs) designed to channel private investment into sustainable economic development in emerging markets are rapidly growing actors in the foreign policy and development arena.

Forty years ago, OPIC was carved out of USAID as President Nixon believed that a specialized development finance agency with banking and project finance skills was needed to support the U.S. private sector investing in emerging markets. It was a prescient idea. Since then, **OPIC has catalyzed over \$200 billion of U.S. investment for sustainable economic development in emerging markets.** At the same time other DFIs have been created in Europe, China and elsewhere as the competitive landscape intensifies and countries seek to support their businesses investing in emerging markets. Financing from DFIs has grown four-fold just in the past 10 years. And this increase does not include China, whose major efforts to support Chinese investment in key regions such as Africa, can have long term consequences for U.S. interests in the region.

OPIC manages a \$16.4 billion portfolio of private sector projects in 103 countries that tackle critical development challenges. OPIC has used tools such as political risk insurance to enable a U.S. company to build a \$150 million power plant in Jordan, addressing chronic and crippling electricity shortages. In Rwanda, OPIC has used financing products such as a 20-year \$3 million loan to help a horticulturalist from Tennessee invest in new vegetable and forestry propagating facilities that can boost agricultural productivity ten-fold – addressing hunger and self-sufficiency in Africa.

OPIC operates efficiently, effectively, prudently, and on a fully self-sustaining basis at no net cost to the American taxpayer. For every \$1 invested in OPIC's budget, \$4 are generated in income to the taxpayer. Every \$1 invested in our budget generates \$155 in development dollars. OPIC generates hundreds of millions of dollars in income every year for U.S. taxpayers. In FY 2012, OPIC wrote off less than one percent of its portfolio to a final loss. The OPIC

model is successful and scalable, and yet, with a staff of only 220 people, it is one of the smallest DFIs among advanced industrialized nations, despite the U.S. business sector being the world's largest. Today, OPIC lacks the human resources to come close to meeting private sector demand and to fully utilizing its capabilities and capital.

Accordingly, the FY 2014 budget request aims at growth – to strengthen OPIC's institutional capabilities, support more U.S. businesses, augment its development and foreign policy impact, and increase revenue generation at a time of scarce budgetary resources. **This budget request is an \$11 million increase over our FY 2013 administrative expenses request. We expect these resources to generate enough income to completely pay for the increase.** The 2014 Budget sets the stage for future growth, which by the end of 2016 could increase OPIC's program level to a level of up to \$6 billion per year, a near doubling of our FY 2012 levels. This would mobilize approximately \$2.70 of private non-federal investment for each dollar of OPIC resources, meaning up to \$12 billion in resources mobilized toward U.S. foreign policy and development objectives annually by 2016.

OPIC supports U.S. business, advances foreign policy, reduces the deficit, and pays for itself. It represents an unparalleled value for the taxpayer and for U.S. domestic and foreign policy.

Best,

A handwritten signature in black ink, appearing to read 'Elizabeth Littlefield', with a long horizontal line extending to the right.

Elizabeth L. Littlefield
President and CEO

Overseas Private Investment Corporation – FY 2014 Budget in Brief

As the U.S. Government’s development finance institution (DFI), OPIC mobilizes private capital to help solve critical development challenges and in doing so, advances and supports U.S. foreign policy. OPIC achieves its mission by providing financing, political risk insurance, and support for private equity investment funds.

In 1971 OPIC was carved out of USAID with the vision of a specialized development finance agency where top banking and project finance skills could be used to mobilize and support the private sector. In 1971 total foreign direct investment (FDI) into developing economies was approximately half of bilateral Official Development Assistance (ODA). In 2010, FDI outweighed bilateral ODA by a ratio of 7:1. In those 40 years, OPIC has catalyzed over \$200 billion in investment in sustainable economic development in emerging markets.

Today, OPIC operates on a self-sustaining basis at no net cost to American taxpayers – managing a \$16.4 billion portfolio of projects in more than 103 countries, and contributing to deficit reduction for the last 35 years. The FY 2014 budget would generate estimated net budget *income* of \$198.2 million, \$6 million more than the FY 2013 request to Congress.

- **OPIC Reduces the Deficit** – OPIC generates more income than it uses, producing \$4 in collections for each \$1 of administrative appropriations, thus generating net revenue within the International Affairs budget and reducing the deficit.
- **OPIC Supports National Security and Foreign Policy** – OPIC mobilizes private capital to help solve critical development challenges and advance U.S. foreign policy in the most challenging environments, including the following countries and regions:
 - Afghanistan
 - Haiti
 - Iraq
 - Middle East and North Africa
 - Pakistan
 - South East Asia
 - South Sudan
 - Sub-Saharan Africa

In addition, OPIC is a valuable asset to initiatives such as the Asia Pacific Energy Partnership, Feed the Future, and the Partnership for Growth.

- **OPIC Assists U.S. Businesses and Small and Medium Enterprises (SME’s)** – OPIC helps U.S. businesses expand into and export into emerging markets. It allows SMEs, which have the most growth and employment potential, to access fast growing emerging markets. Thus, OPIC supports U.S. jobs and exports.

By supporting investments in infrastructure, agriculture, education, and financial services in developing countries, OPIC expands access to clean energy, reduces poverty, improves lives and creates new markets for American businesses.

New Resources Balanced by New Revenue

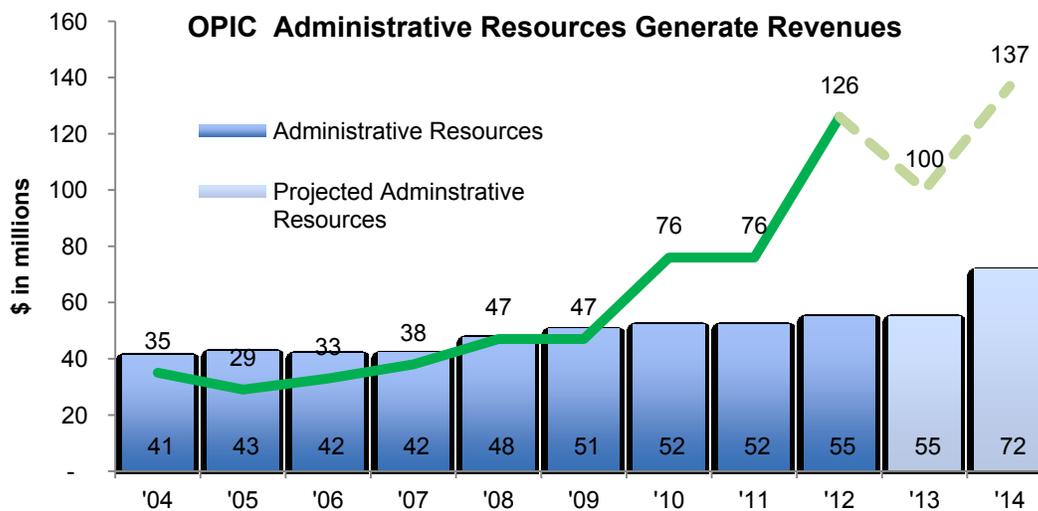
The FY 2014 budget proposes a meaningful increase in OPIC’s budget. This increase would be fully paid for from new revenue generated from the expansion of resources. Projected offsetting collections are based on the requested budget for administrative expenses.

\$ in millions	FY 2012		FY 2013		FY 2014
	Enacted	Actual	Request	Full Year CR*	Request
Resources					
Administration	\$54.99	\$54.99	\$60.78	\$54.99	\$71.80
Credit Program	\$25	\$25	\$31	\$25	\$31
Net Collections	(\$277)	(\$346)	(\$284)	(\$284)	(\$301)
Net Budget	(\$197)	(\$266)	(\$192)	(\$204)	(\$198)
Commitments					
Total Program	\$3,700	\$3,629	\$4,850	\$3,750	\$5,700
Renewables	\$700	\$1,572	\$875	\$750	\$1,000

*FY 2013 data do not reflect 5 percent sequestration reduction.

This budget aims to improve OPIC’s ability to bring needed investment and jobs to post-conflict areas and mobilize private resources to address global problems such as the provision of energy, infrastructure, and sustainable economic growth. OPIC’s operations and structure can scale to larger levels and generate greater value for the taxpayer.

OPIC’s administrative expenses drive OPIC’s ability to generate offsets. Staffing to support OPIC’s portfolio enables OPIC to underwrite, monitor, execute, and manage transactions. These transactions generate collections which offset OPIC’s appropriated costs. As a result, increases to OPIC’s administrative resources boost OPIC’s ability to generate offsets. In fact, OPIC’s history demonstrates the connection between new resources and new revenue.



FY 2014 Budget Request

The proposed FY 2014 request for increased resources will:

- Build and expand on OPIC's existing self-sustaining and cost effective business model;
- Enable OPIC to maintain prudent portfolio and financial management standards as OPIC's portfolio grows;
- Allow OPIC to use more of its own resources, from its own balances, not from the General Fund of the Treasury;
- Continue and expand OPIC's contribution to deficit reduction;
- Create a platform which will enable as much as \$6 billion in OPIC program levels per year by FY 2016.

Every dollar of this increase in OPIC's budget will leverage private investment – creating sustainable, private sector-led development. This kind of private sector-oriented and self-funded approach will become critically important as private FDI flows grow and as budgetary resources become more limited.

OPIC's Value: Self-Sustaining, Efficient, Catalyzing Private Sector Development

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

When it was created, 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 without drawing on the U.S. Treasury.

OPIC's structure – its authorizing legislation, its status as a government-owned corporation, down through the design of its accounting systems – reflects its charter 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 net earnings in Treasury securities and thus lends to the Treasury. OPIC's reserves now total \$5.3 billion invested in Treasury securities.¹ These reserves insulate the Treasury from the risk that its portfolio might generate losses in excess of those already budgeted.

The growth path supported by this budget will help OPIC by diversifying the agency's exposure and developing best-practice institutional capabilities to monitor, manage, and minimize risk. This is vital to extending OPIC's self-sustaining record.

¹ "Daily Principal Outstanding Report" as of March 29, 2013 at http://fedinvest.com/govt/reports/fip/podr/dfi_prin_20130329.pdf#page=84

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 millions	FY 2012		FY 2013		FY 2014
	Enacted PL 112-74	Actual	Request	Full Year CR PL 113-6*	Request
Resources					
Administration	\$54.99	\$54.99	\$60.78	\$54.99	\$71.80
Credit Program	\$25.0	\$25.0	\$31.0	\$25.0	\$31.0
Net Collections	(\$277.0)	(\$345.7)	(\$284.0)	(\$284.0)	(\$301.0)
Net Budget	(\$197.0)	(\$265.7)	(\$192.2)	(\$204.0)	(\$198.2)
Commitments					
Finance and Funds	\$3,100	\$2,961.4	\$4,050.0	\$2,950.0	\$4,900.0
Insurance	\$600	\$668.0	\$800.0	\$800.0	\$800.0
Total Program	\$3,700	\$3,629.4	\$4,850.0	\$3,750.0	\$5,700.0
Renewables	\$700	\$1,572.1	\$875.0	\$750.0	\$1,000.0

* FY 2013 data do not reflect 5 percent sequestration reduction.

OPIC's request for additional resources is justified for several reasons:

- All of OPIC's funds are provided out of its own balances, not out of the General Fund at the Treasury.
- OPIC's proposed budget can be completely offset with the negative subsidy generated by its transactions.
- OPIC is efficient with its resources.
 - OPIC is a small agency at approximately 220 full-time equivalents (FTE) staff supporting a portfolio of more than 500 transactions and more than \$16.4 billion in outstanding commitments.
 - OPIC has, over its history, mobilized \$2.68 in non-Federal resources for each \$1 of its insurance and finance commitments.
 - In FY 2012, each OPIC employee generated an average of \$16.5 million in new commitments and \$1.2 million in revenue for the federal government.

In FY 2012, OPIC's positive effect on the federal budget totaled \$257 million – the 35th consecutive year that OPIC has contributed to reducing the budget deficit. On a private-sector basis, OPIC had audited net income of \$272 million in FY 2012. OPIC is one of the very few U.S. government agencies that regularly generates a return for the American taxpayer.

History of OPIC Deficit Reduction

Negative Outlays 1962 to 2012
(Dollars, Millions – Annual and Cumulative)

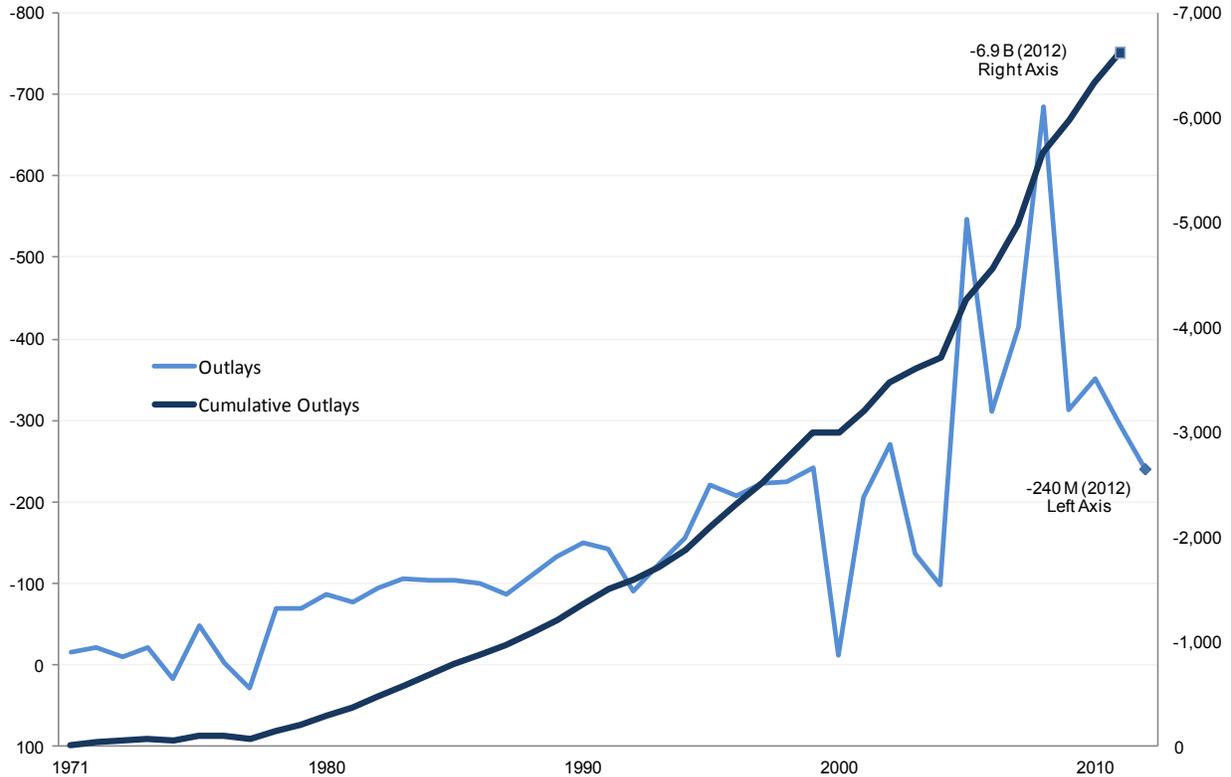


Figure 1 Annual and Cumulative Negative Outlays 1971 to 2012 (OMB, Treasury)

Administrative Resources and Strategic Technology Directly Drive Program and Revenue

- OPIC’s programs will scale with payroll. Management anticipates that the majority of OPIC’s budget will continue to support payroll and contract support because OPIC’s business model requires staff to develop, structure, finance, and monitor complex financial transactions.
- Technology can automate many tasks but underwriting is still labor intensive. Lending and insurance requires case-by-case and project-by-project analysis. At current staffing levels, OPIC can support approximately 100 new transactions per year.
- OPIC has deployed several approaches to maximize efficiency without adding staff but these approaches have reached their limits. In addition, OPIC’s project-specific focus and statutory requirements make it difficult to increase output with existing staff while meeting policy and financial management required by law.

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:

- **Systems Life Cycle Management**

- **Replacing obsolete systems** – Legacy system replacement is a critical systems life cycle management component. Core 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.
- **Cloud Transition** – 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.
- **Enterprise Business Reporting Solutions and Management** – Meeting Congressional, OMB, Treasury and internal, senior management reporting requirements calls for the development of effective reporting solutions. These solutions are evolving and require ongoing analysis, development and maintenance as external and internal reporting requirements progress.

- **Mission and Operation Support**

- **Network Infrastructure Management** – Compliance with government-wide requirements, continuous operations and maintenance, and a needed rolling replacement of obsolete and unreliable equipment require ongoing resources.
- **Compliance and Security Function Consolidation** – Electronic records, privacy, security, continuity, and other associated federal security and compliance requirements must be further aligned, implemented, and maintained across the organization.
- **Continuous Process Improvement and Workflow Integration** – OPIC's production processes have significant functional areas that remain manual or are inefficient. Antiquated processes and a lack of workflow integration necessitate technological improvements that are traditionally unfunded because fulfilling government requirements takes priority.

- **Customer Service - Improvement and Innovation**

- **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 private sector-led development because it is self-financing and generates income for the American taxpayers and the federal budget.

OPIC Supports National Security and Foreign Policy

OPIC works in some of the most challenging transitional environments, including economies entering 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:

- **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 primarily for infrastructure projects in Egypt. 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.
- **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 developing the first Independent Power Producer (IPP) in the country to bring electricity to Kabul and into the southern provinces. OPIC is also financing a business class hotel for investors and development aid workers that will provide modern housing to encourage economic growth in Kabul by addressing the severe shortage of hotel rooms there.

- **Iraq** – OPIC provided insurance and financing to construction companies rebuilding Iraq’s infrastructure and financing to a nonprofit lending institution with nearly \$35 million in commitments to extend loans to 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:

- **Gulf War** – In the aftermath of the invasion of Kuwait, OPIC provided insurance for the renovation of the Bayan Palace, Kuwait’s international conference center and a government office.
- **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.
- **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.

In addition, there are several countries and areas where OPIC has a long history of mobilizing private investment.

Afghanistan

Since 1974, OPIC has committed more than \$298 million in support of 40 projects in Afghanistan. OPIC supports the Administration’s effort to create sustainable jobs in population centers by targeting four sectors:

- Access to capital for small and medium enterprises (SMEs)
- Infrastructure development in priority regions
- Humanitarian assistance
- Agriculture and food security

OPIC’s portfolio in Afghanistan currently totals **\$225 million across 19 projects**, including:

- **Agricultural and Food Security** – OPIC is providing \$13.7 million in insurance and financing for water, juice, and soft drink production and bottling; \$3 million in lending for a dairy processing plant; \$8 million for a frozen meat storage facility and expansion of a dairy facility.

- **SME Credit** – OPIC is financing \$46 million in capital for the Afghan Growth Finance Company (AGF), which provides long-term SME and agriculture financing. This financing is part of a total commitment to AGF of \$70 million. Other SME projects have supplied capital to men’s apparel, a carpet finishing facility in Mazar, and cashmere exports.
- **Infrastructure (Hotel and Housing)** – OPIC is providing \$87 million in financing for the construction of a 209 room hotel and an adjacent 150-residence property. The hotel plans to employ 300 permanent employees. Construction is currently underway, with the hotel opening date set for late 2013.
- **Renewable Energy (Solar)** – OPIC has committed \$2 million to support Sustainable Energy Services Afghanistan’s expanded renewable energy services for wind, solar, and hydro projects in rural areas. OPIC’s commitment has facilitated the installation of a 1MW solar power station and transmission in the impoverished province of Bamyan. These activities will greatly reduce the use of small, diesel-powered engines in the commercial district, government buildings, and homes.

OPIC is completing due diligence on several high priority projects, including:

- **Healthcare**– \$7 million for expansion of pharmaceutical processing and packaging for the Afghan market.
- **Energy** – As part of the larger \$547 million integrated Sheberghan Gas-to-Power project, OPIC would provide \$225 million in debt for a \$300 million gas-fired, 200 MW power plant. The integrated project includes redevelopment of existing natural gas fields in Northwest Afghanistan and construction of a gas processing plant (funded via USAID and the Government of Afghanistan’s Ministry of Mines); a 200 MW power plant (OPIC and private investors); and transmission infrastructure (the Asian Development Bank). As of early 2013, OPIC is providing advisory work on a prospective IPP financing template.

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 **\$299 million across 14 projects**, including:

- **SME Credit** – OPIC is financing \$7 million to help launch a microfinance institution with branches across the country and is providing a \$21.5 million loan guarantee to help

expand its microfinance portfolio. That portfolio 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 (Manufacturing)** – OPIC is financing \$1.2 million for the manufacture of water treatment equipment.
- **Infrastructure (Telecommunications)** – OPIC is financing \$33.3 million for one of Pakistan’s largest cellular service providers and \$9.8 million for the construction of telecommunications towers.
- **Infrastructure** – OPIC is financing \$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 expected to be completed in 2012, and has already attracted interest from a range of businesses—representing industries from oil and gas to mobile technology. With leasing commitments from companies, the office space is expected to bring new management and professional employment opportunities.
- **Renewable Energy (Biomass)** – OPIC is financing \$16.7 million for a 12 MW biomass-fueled power plant that will utilize bagasse, a byproduct from sugarcane and rice husks and other plant wastes for fuel. The project will help Pakistan to address its electricity deficit with a carbon-neutral source of renewable energy.

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

- **Renewable Energy (Wind)** – 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, which now relies on high-priced fuel oil, diversify its power generation. It will also help Pakistan reduce chronic power shortages, bringing important benefits to the economy and the Pakistani people.
- **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.
- **Agriculture** - Financing to support the contract farming, processing, packaging, and exporting of rice.

- **Natural Gas** - Financing for two liquefied natural gas (LNG) projects comprising the regasification of imported LNG and subsequent delivery of the gas to Pakistan's natural gas system addressing a national shortage of gas.

Iraq

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

OPIC's portfolio in Iraq currently totals \$196 million across 7 projects, including:

- **Construction** – Through a 10-year, \$20.5 million direct loan, OPIC supported the formation of Northern Gulf Rentals, a lessor of heavy equipment for use in construction projects, which offers leases ranging from one day to over a year.
- **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. In FY 2012, OPIC provided nearly \$35 million in financing to support loans of up to \$5 million to 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.
- **Infrastructure (Equipment)** – OPIC insures \$500,000 for an Iraqi-American company that provides construction equipment, machinery, generators, and transformer substations to companies doing business in Iraq.
- **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.
- **Tourism (Hotels)** – OPIC is financing \$50 million for the construction of a Doubletree Suites Hotel in Erbil, Kurdistan.

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

- **Infrastructure (Equipment)** – Financing to support the leasing of heavy construction equipment.
- **Infrastructure (Water)** – Insurance to cover the sales and installation of 650 irrigation systems and related equipment to the Ministry of Agriculture.

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 6 projects**, including:

- **Agriculture and Food Security** – OPIC is providing \$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. Reconstruction of the facility – including a flour mill, storage silos, machine shop, and warehouse – began in February of 2010 and was completed in December 2011. 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.
- **Infrastructure and Manufacturing** – Through a \$6 million direct loan to Haiti 360, OPIC is supporting three concrete production plants that are expected to accelerate and facilitate reconstruction efforts and generate local jobs. In 2012 alone, 500 homes were built with concrete from the new plants, as was a second airport runway in Cap Haitien large enough to accommodate long-range jetliners. The project also involves USAID as it assists with concrete production for affordable homes throughout the country. The recipient of OPIC's financing has become the top concrete producer in Haiti.
- **Housing** – OPIC provided \$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:

- **Financial Services** – Financing to extend existing prepaid transaction card and other lines of financial services, including microfinance, merchant services, and payroll.
- **Manufacturing** – 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:

- Credit for SMEs
- Infrastructure development (energy, construction, and housing)
- Agriculture and food security
- Renewable resources.

OPIC’s portfolio in Sub-Saharan Africa currently totals **\$3.74 billion across 112 projects.**

West Africa – Over \$1.829 billion for projects in West African countries, including:

- **Financing for Energy Efficiency in Nigeria** – OPIC is providing \$37.8 million in political risk insurance to support the construction of three Combined Heat and Power (CHP) generation plants for the Nigeria Bottling Company (NBC), an affiliate of a Coca-Cola brand distribution company. CHPs have energy efficiency as high as 90 percent, which is significantly better than the 35-40 percent efficiency of conventional gas-fired simple cycle power plants. One of the plants will also incorporate a carbon capture technology to trap and purify approximately 95 percent of the CO₂ from the CHP’s flue gas. This CO₂ can then be repurposed and used by NBC in their beverages or sold to companies who need food grade CO₂. These innovative projects will promote energy efficiency, lowering carbon emissions, while also supporting local economic development.

- **Insurance for Medical Supplies in Ghana** – OPIC is providing \$246 million in political risk insurance to support the provision of medical equipment and personnel training at up to 100 hospitals. The recipient company is partnering with Ghana’s Ministry of Health to address a Ministry priority: supplying hospitals with equipment such as oxygen generator systems, MRI machines, CT scanners, digital image management systems, critical care packages, medical waste treatment plans, and mobile clinics. Ghana’s Minister of Health has said that the project will help close a significant gap in the delivery of specialty medicine while impacting all 10 administrative regions. By increasing the availability of mobile specialized clinics, the project seeks to benefit low- and middle-income Ghanaian residents. The project is also expected to generate approximately \$147 million in U.S. exports.

Central Africa – Over \$83 million for projects in Central African countries, including:

- **Insurance for Manufacturing in Congo and the DRC** – OPIC is providing \$45 million in political risk insurance for Seaboard Corporation to construct and expand flour mills in both Congo and the Democratic Republic of Congo. The project also includes work on animal feed facilities in Congo and a cargo handling facility in the DRC. The facilities are increasing the countries’ food producing capacities and domestic food security. The cargo handling facility is an important contribution to the infrastructure that will be important for the DRC’s economic growth.

East Africa – Over \$462 million for projects in East African countries, including:

- **Financing for Microfinance in Tanzania** – OPIC is providing \$12 million in financing for Bangladesh Rural Advancement Committee (BRAC)-owned microfinance institutions (MFIs) in Tanzania. By providing capital to those who would otherwise be unable to obtain credit from mainstream banks, these MFIs are an engine for income generation in Tanzania.

Cross Cutting Initiatives

As a small agency, OPIC is flexible and can respond rapidly to foreign policy and development needs. OPIC’s ability to begin delivering on President Obama’s commitments to the Middle East and North Africa less than three months after an announcement was made demonstrates OPIC’s effectiveness and value as a flexible foreign policy tool and cost-effective development agency.

OPIC’s proposed budget maintains OPIC’s ability to be responsive to key initiatives such as the Global Climate Change Initiative, the Partnership for Growth, Sub-Saharan Africa Presidential Policy Directive, 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.

- **Middle East/North Africa** – OPIC has a portfolio of more than \$3 billion in the region.
- **Partnership for Growth** – OPIC supports sustainable economic development in priority countries (See page 30 for more detail).
- **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 developed in cooperation with the State Department and the U.S. Trade and Development Agency (See page 23 for more details).
- **Renewable resources and energy security** – OPIC is proving to be instrumental to fulfilling the U.S. Government’s commitments set out 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.

Middle East and North Africa

OPIC has a long and successful history as a catalyst for private-sector investment in the Middle East and North Africa (MENA). For over 35 years, OPIC has supported investment in MENA by providing the capital and risk mitigation tools that investors need to overcome the many barriers faced in the region. Since 1974, OPIC has committed \$8.8 billion in 480 projects in the MENA region.

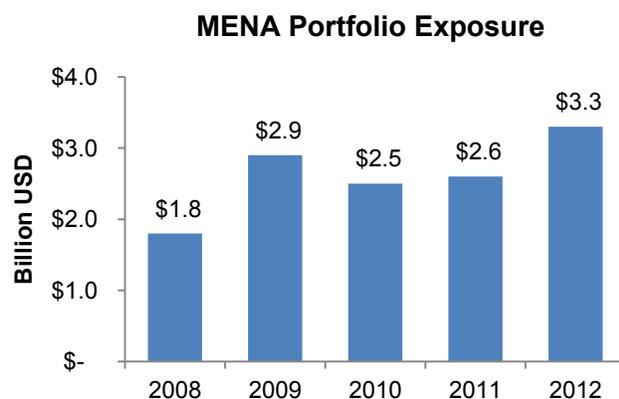


Figure 2 MENA Portfolio

Sweeping changes in the MENA region, including revolutions in Egypt and Tunisia, have made OPIC’s work even more critical. OPIC’s work here has been fueled by the recognition that private capital investment is essential for security, stability, growth, and job creation, and that partnerships between U.S. and local businesses are a powerful means to promote development and shared prosperity.

In March 2011, Secretary of State Hillary Clinton announced up to \$2 billion in OPIC financial support to catalyze private sector investment in the MENA region. Separately, in May 2011, the President announced that OPIC would provide up to \$1 billion in new financing to support infrastructure and job creation in Egypt.

OPIC has already delivered substantially on the \$2 billion target for the MENA region, having committed \$1.1 billion in financing and insurance to date in critical sectors including infrastructure, support for small and medium sized enterprises, franchising, and financial services. OPIC has also made significant progress towards an additional \$1 billion target for Egypt, having committed more than \$425 million in financing and insurance to date, in critical sectors including support for SME lending, transportation, finance, information technology and franchising.

OPIC's commitments to date cover several important sectors, including those addressing the region's critical energy needs and providing much needed support for SMEs to spur economic activity and job creation throughout the region. SMEs are the universal engines of economic growth and job creation, providing some 97 percent of all jobs in emerging economies and contributing approximately 50 percent to GDP.

Countries across the MENA region are faced with growing energy needs that are vital to their economic growth and prosperity. OPIC has played an active and highly catalytic role in supporting private sector investment in this sector as well.

In FY 2012, OPIC highlighted the following achievements in the MENA area:

- Less than three months after Secretary Clinton's original announcement of support, OPIC's Board of Directors approved two loan guarantee facilities to support lending through local banks to SMEs in Egypt and Jordan. OPIC's \$250 million loan guarantee facility in Jordan is expected to create more than 31,500 jobs, while supporting the creation of many more indirect jobs. Agreements with two Jordanian banks have already been signed, totaling \$45 million in loan guarantees. Similarly a \$250 million loan guarantee facility in Egypt is expected to create a significant number of jobs and expand credit to the underserved SME sector. These facilities could leverage up to \$1.4 billion in combined lending to SMEs, which are the drivers of growth and employment in both countries, and will enhance stability and contribute to sustainable economic development across the region.
- OPIC is also exploring providing financing to support SME expansion and franchising opportunities in Tunisia. OPIC's \$50 million loan guarantee facility is intended to support local bank loans to SMEs, franchisees, and their suppliers to stimulate growth in Tunisia's private sector, create jobs, and improve the franchise sector supply chains.
- OPIC has provided a \$10 million loan to an NGO in the West Bank to expand educational opportunities for Palestinian children through loans to support the purchase of computers for students.
- OPIC is continuing to pursue a number of other financing opportunities with U.S. companies and financial institutions, such as Coca-Cola, GE, Bechtel, FedEx, First Solar, JP Morgan, and Citibank, in the renewable energy, housing, health, infrastructure, and agricultural sectors in the region.

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.

Percent of OPIC Projects with Small Businesses

Five-year average (2008-2012)

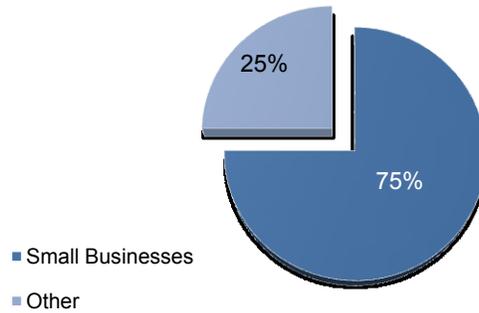


Figure 3

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 \$5.8 billion in direct loans in support of U.S. small businesses. In FY 2012, U.S. small businesses were involved in almost three-quarters of OPIC's projects. In addition, OPIC projects committed in FY 2012 are expected to procure an estimated \$37 million from U.S. small businesses.

OPIC is Effective

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.

OPIC Project Lifecycle Reflects Private Sector Disciplines



Figure 4 OPIC Project Lifecycle

OPIC works diligently to identify private sector clients with capital to invest and solid, credible business plans. If these projects are able to clear OPIC’s rigorous screening, due diligence, and underwriting processes, they are likely to provide a durable and sustainable development benefit.

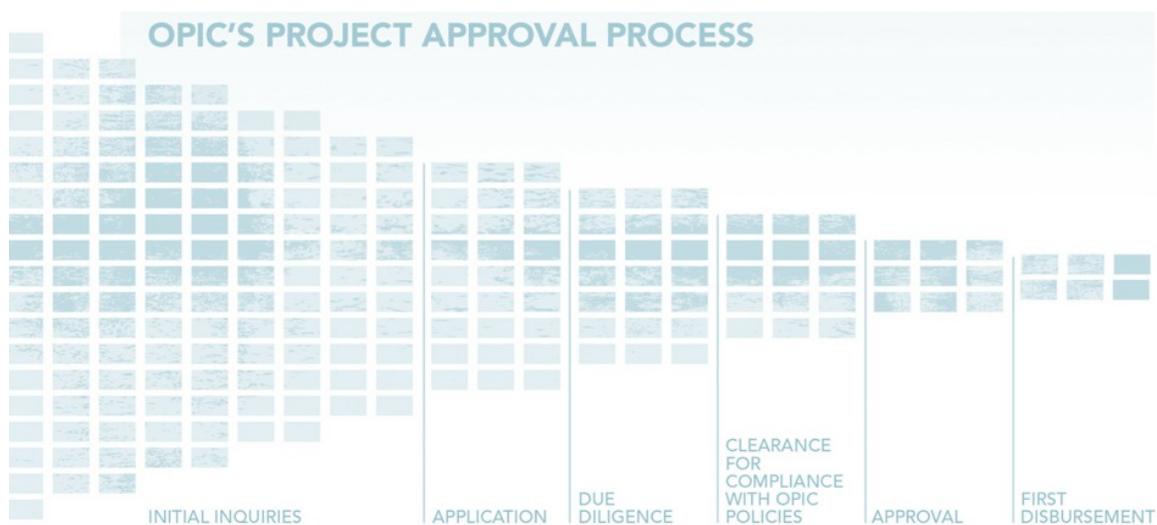


Figure 5 OPIC’s Project Sourcing and Approval Process

Foreign Direct Investment Flows Outweigh ODA

At a macroeconomic level, OPIC's role as a catalyst for the private sector should be considered within the context of recent shifts in the balance of private flows versus official aid flows to developing countries.

FDI flows have grown far faster than Official Development Assistance (ODA). In 2011, \$5.11 of FDI flowed to developing countries for each dollar of total multilateral and bilateral ODA. Focusing on bilateral ODA, this figure rises to \$7.28.²

Private Foreign Direct Investment Exceeds Bilateral ODA by 7:1

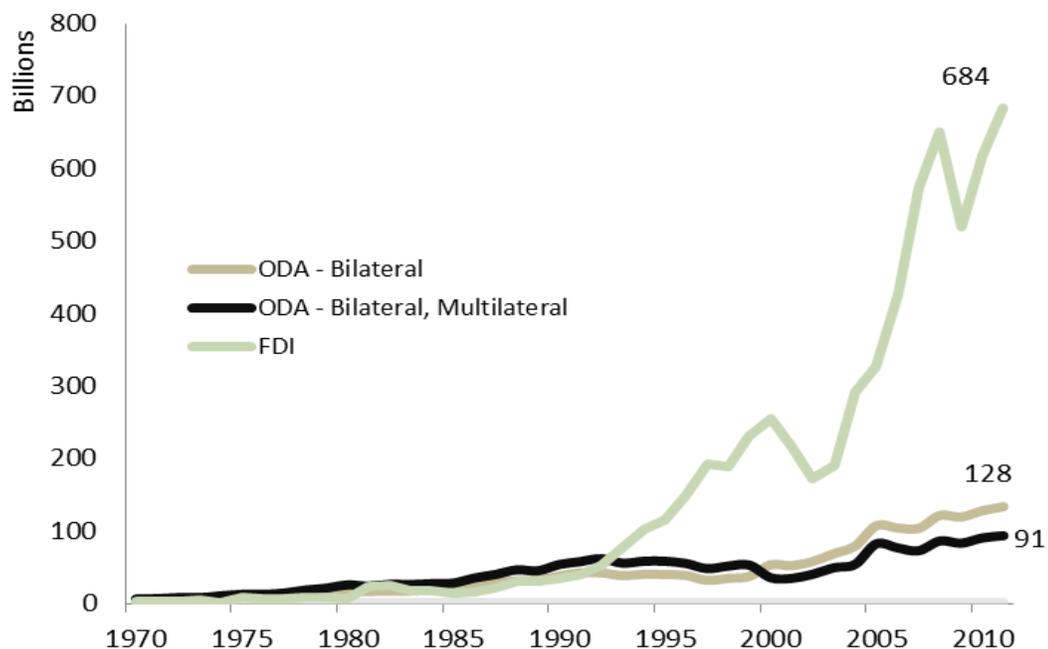


Figure 6 FDI versus Overseas Development Assistance (UNCTAD, OECD DAC)

Private resource flows are driving external finance in developing countries. While sometimes volatile, FDI flows continue to grow at rates far faster than ODA. These resource flows are critical sources of finance for developing economies. OPIC is the tool by which the U.S. Government influences the amount and direction of these flows to align to development objectives and standards.

² <http://stats.oecd.org/Index.aspx?DatasetCode=TABLE1> and <http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=88>

OPIC as an Investment Multiplier

For the period 1974-2012, for each \$1 of insurance and finance commitments, OPIC estimates \$2.68 was mobilized in external capital. OPIC committed \$67.1 billion in insurance and finance commitments in this time period, and other partners contributed \$179.8 billion. This illustrates how OPIC can efficiently use federal dollars to mobilize other external resources.

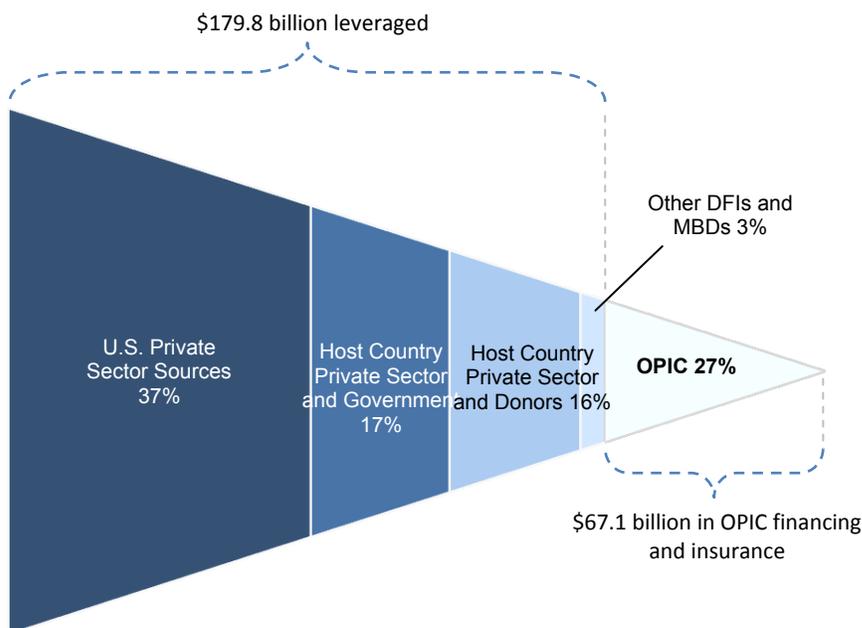


Figure 7 Cumulative OPIC Resource Mobilization 1974-2012

OPIC is Efficient

The Partnership for Public Service recently ranked OPIC second among small federal agencies for its innovative culture.³ 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.

In FY 2012, with 220 FTEs, OPIC generated an average of \$16.5 million in new commitments and \$1.2 million in profit per employee.

- **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

³ 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>

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.

- **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 growing network of private sector organizations, such as participating financial institutions, business consultants, associations, law firms, state/regional promotion and sister agencies, EDN greatly extends OPIC’s ability to provide financing and political risk insurance to greater numbers of 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 121 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 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, and has achieved savings in core technology costs and non-salary administrative costs.

OPIC Addresses Key Challenges and Market Failures

OPIC's programs add value not only through absolute resource mobilization, but also in terms of its 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.

- FDI is volatile – for example FDI flows to Africa, least developed countries (LDCs), landlocked developing countries, and small island developing states continued to fall in 2010, from pre-crisis levels.⁴
- FDI tends to support an economic growth process in LDCs once one is underway. However, FDI may not generally support human development goals. OPIC works to maximize the development impacts of all of its projects, for example, by supporting projects which provide employment and capacity building in the affected community.
- ODA and FDI can each have complementary design features to enhance governance, institutional capability, and accountability. OPIC seeks to support projects which confer benefits on the host country government and which are consistent with development finance institution standards.

Renewable Resources and Energy Security

Since making the renewable resources sector one of OPIC's top priorities, OPIC's commitments in the sector have grown dramatically from \$50 million in FY 2007 to \$1.57 billion of commitments in FY 2012. This growth sends a clear message that the transition to a cleaner and more sustainable economy represents massive business opportunities for the private sector. And OPIC is proud to be partnering with some of this country's leading businesses to enable this transition. 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.

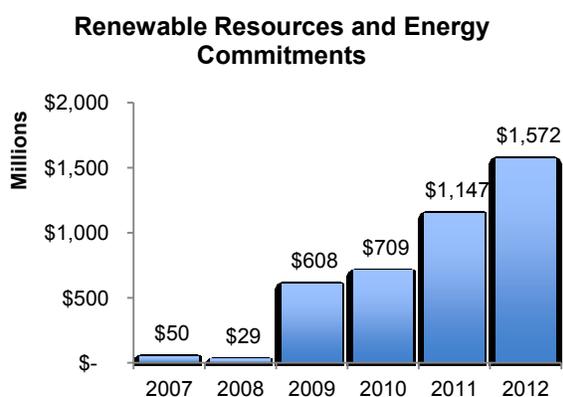


Figure 8 Renewable Resources and Energy Commitments

The rapid depletion of the world's resources coupled with incredible technological advances have combined to make this transition apparent to all those following the issue. What has been seen for the past 20 to 30 years as largely an environmental issue is being 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.

⁴ "World Investment Report 2011" UNCTAD.

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.

FY 2011 was OPIC’s most successful year in the renewable resources sector, by every measure and by a considerable margin. In FY 2011, our commitments in the renewable sector generated a seven-fold increase over FY 2010 in the amount of expected CO₂ emissions avoided and quadrupled the expected megawatts generated from renewable energy sources in OPIC-supported projects. In fact, from FY 2010 to 2011, MW increased nearly four-fold (70.2 MW to 277.8 MW) and CO₂ emissions avoided increased seven-fold (126,000 tons to 931,000 tons). In FY 2012, our commitments to renewable resources projects are expected to generate an additional 200 MW of renewable power and help avoid nearly 350,000 tons of CO₂ emissions.

In addition, 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 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.

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

U.S.-ACEF is a new four-year, \$15 million program being implemented by OPIC, in collaboration with the U.S. Department of State, the U.S. Trade and Development Agency (USTDA), and 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 68 percent of Sub-Saharan Africans do

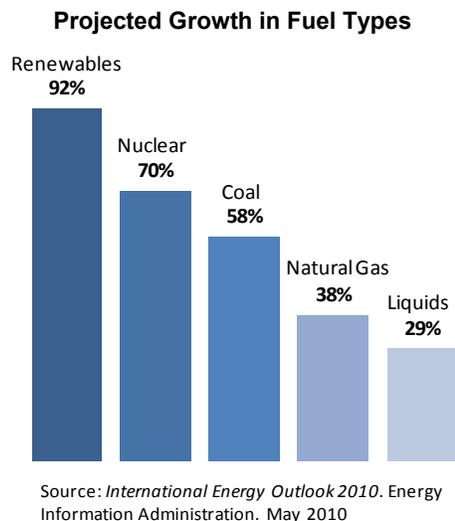


Figure 9

“If we can remove some of the risk and cover some of the costs of preparing a project, we believe we can spur significant new private investments in clean energy. And that is the idea behind the partnership we are announcing today.”

Secretary Clinton
At Rio+20, the United Nations
Conference on Sustainable
Development
Rio de Janeiro, Brazil (June 22, 2012)

not have access to electricity⁵. 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.

⁵World Bank, World Development Indicators, <http://wdi.worldbank.org/table/3.7>

Appendices

APPENDIX A: 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, \$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 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 2014, 2015, and 2016: Provided further, That funds so obligated in fiscal year 2014 remain available for disbursement through 2022, funds obligated in fiscal year 2015 remain available for disbursement through 2023, and funds obligated in fiscal year 2016 remain available for disbursement through 2024: 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.

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, 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.

Export Financing Transfer Authorities

Not to exceed five 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 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: 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 have been essential to supporting increased investment into PFG 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 \$817 million in 40 projects in Ghana with a current portfolio of \$835 million in 6 projects. Since 1984, OPIC has invested more than \$157 million in 13 projects in Tanzania with a current portfolio of \$30 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 \$390 million across 6 projects. Since 1976, OPIC has invested more than \$359 million in 35 projects in El Salvador. Currently there is one active project in the portfolio valued at \$1.4 million. OPIC is working with several potential sponsors on financing worth up to \$60 million in the securitization of a small portfolio of mortgages and a renewable energy project.

OPIC has a substantial pipeline of projects in PFG countries, and is contributing to the process, including \$407 million in Ghana. For example, in March 2012, OPIC's Board of Directors approved \$180 million in political risk insurance to support the rehabilitation of nearly half the municipal water purification systems in Ghana. According to the World Health Organization and UNICEF only an estimated 37 percent of Ghana's urban homes and less than four percent of rural ones have piped water connections.

This investment is central to Ghana's National Water Policy, which aims to increase the availability of clean water from 61 percent to 85 percent of the population by 2015. It will also help reduce waste by increasing the efficiency of the country's water treatment plants from 77 percent utilization to 100 percent. The lack of clean drinking water and sanitation systems in Ghana cause more than 20,000 deaths annually through dysentery and other waterborne diseases. A World Bank analysis reports that health costs from poor water and sanitation hygiene cost Ghana the equivalent of 2.1 percent of annual GDP.

APPENDIX E: Policy Directive on Development

On September 22, 2010, the President signed a first of its kind Presidential Policy Directive on Global Development.⁶ 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
<p>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;</p>	<ul style="list-style-type: none"> • Foster the next generation of emerging markets by enhancing our focus on broad-based economic growth and democratic governance. • Game-Changing Innovations 	<ul style="list-style-type: none"> • 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
<p>A new operational model that positions the United States to be a more effective partner and to leverage our leadership;</p>	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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.
<p>A modern architecture that elevates development and harnesses development capabilities spread across government in support of common objectives.</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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.

⁶ <http://www.whitehouse.gov/the-press-office/2010/09/22/fact-sheet-us-global-development-policy>

APPENDIX F: GPRA Annual Performance Plan/Report

GPRA Strategic Goal	Strategic Objective	Performance Plan Outputs and Outcomes	FY 2012		FY 2013	FY 2014
			Target	Actual	Target	Target
Grow Portfolio Impact	Aim for high development impact	Projects with development scores evidencing	80	84	50 ⁷	50
	Increase commitments	Millions of dollars in finance and insurance project commitments	\$2,000	\$3,629	\$3,750	\$5,700
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	\$700	\$1,572	\$750	\$800
	Minimize GHG emissions across portfolio	Millions of tons of CO ₂ emitted by projects in the OPIC portfolio ⁸	36	32.7 ⁹	36	36

⁷ In FY 2013, OPIC updated its development scoring methodology. The update included decreasing the full range of development scores from a rating range of 1-160 to a rating range of 1-100. This change was implemented to streamline the scoring process and standardize the agency's rating methodology with industry best practices. The new target in FY 2013 reflects the change in scoring methodology and normalizes it to past targets. Projects that receive a score in the range of 25-59 are considered developmental.

⁸ Targets are based on an anticipated reduction in CO₂ emissions, from 2008 baseline levels by 2014.

⁹ Estimate as of April 1, 2013.