Report of the

OVERSEAS PRIVATE INVESTMENT CORPORATION

ANNUAL POLICY REPORT

FISCAL YEAR 2010

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OPIC ANNUAL POLICY REPORT – Fiscal Year 2010

Executive Summary

OPIC's activities in Fiscal Year 2010

- OPIC catalyzes U.S. investment and jobs and makes money for the budget. In Fiscal Year 2010, OPIC supported 97 new projects in 52 countries or regions for a total of $3.7 billion in investment. These projects are expected to generate more than $624 million in U.S. exports and support over 940 U.S. jobs.

- OPIC supports U.S. small business. In FY2010, 80 of the 97 projects that OPIC supported involved U.S. small businesses. In addition, these projects are expected to procure $15 million from U.S. small businesses located in 15 states and the District of Columbia.

- OPIC supports growth in developing countries. In FY2010, 70% of OPIC-supported projects were located in low- and middle-income developing countries. These projects are expected to generate over $3.2 billion in local spending, which will stimulate job creation and spur further economic activity and employment.

- OPIC supports growing sectors of the economy. Seventy-four percent of FY2010 projects target the services sector, including, for example financial services, social services, communications, and tourism. The high proportion of projects in this sector reflects the sector's increasing importance to the global economy and the desire of U.S. services companies to expand their operations internationally.

Strategic support: OPIC collaborates closely with other U.S. agencies in promoting sustainable economic development in key regions of the world, including the Middle East and North Africa. With a growing portfolio in the Middle East and North Africa, OPIC has committed to provide up to $2 billion to catalyze new investment in the region over the next three years plus an additional $1 billion in investment specifically to Egypt.

Entrepreneurship, infrastructure, and energy: In FY2010, OPIC strengthened its efforts to support the development of sustainable technologies, entrepreneurship, and infrastructure. For FY 2011, OPIC's target is for over $460 million of support for new renewable energy projects.

Environmental and Social Policy: In FY2010, OPIC published a new Environmental and Social Policy Statement ("ESPS"), which adopts the International Finance Corporation's Performance Standards on Social and Environmental Sustainability. The ESPS also makes public for the first time OPIC's policies on labor and human rights, including policies related to project prohibitions and country eligibility on labor-related grounds.

Transparency: In FY2010, OPIC expanded its longstanding commitment to transparency. OPIC expanded the volume and breadth of information disclosed to the public about the projects the agency supports, and provided enhanced opportunities for public comment on environmentally or socially sensitive projects.

I. OPIC IN FISCAL YEAR 2010

Fiscal Year Overview

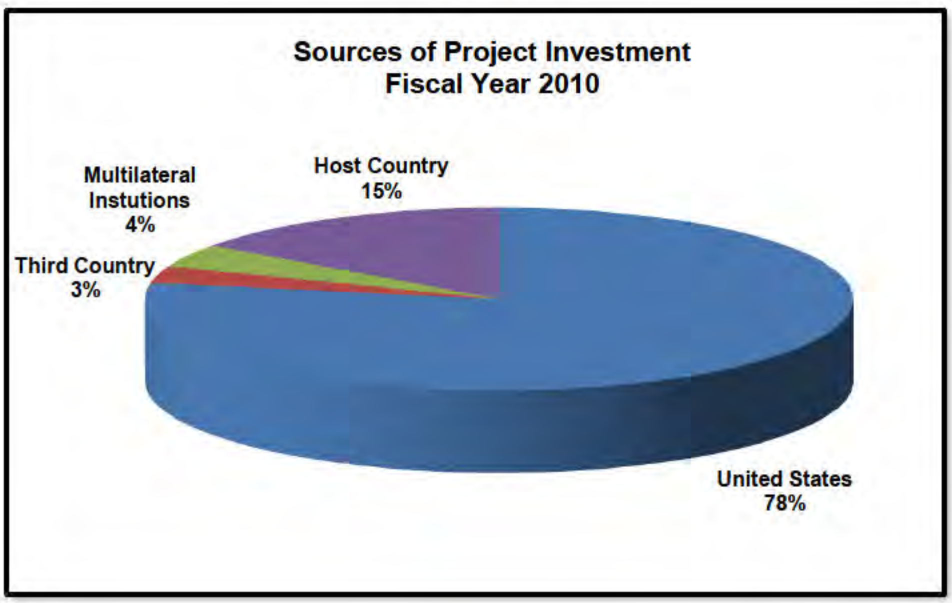
In Fiscal Year 2010, OPIC supported 97 projects in 52 countries and regions for a total investment of $3.7 billion.

In Fiscal Year 2010, OPIC provided $2.4 billion in new market-based financing and political risk insurance for 97 new projects[1] located in 52 countries and regions around the world, catalyzing a total investment of $3.7 billion. In addition to OPIC's funding, 15 percent of this $3.7 billion total project funding came from within the host countries, four percent from multilateral development institutions, and three percent from third countries[2] (see Figure 1). Thus, OPIC's support to U.S. investors leveraged almost $825 million worth of investment from non-U.S. sources.

In FY2010, the 97 new projects included:

- 40 small and medium enterprise finance projects
- 27 investment fund subprojects
- 18 insurance projects[3]
- 8 structured finance projects
- 1 structured finance framework
- 7 framework subprojects

Figure 1



[1]The project count includes new finance and insurance projects that have not been previously reported to Congress, as well as downstream investments made by OPIC-supported investment funds and framework agreements.

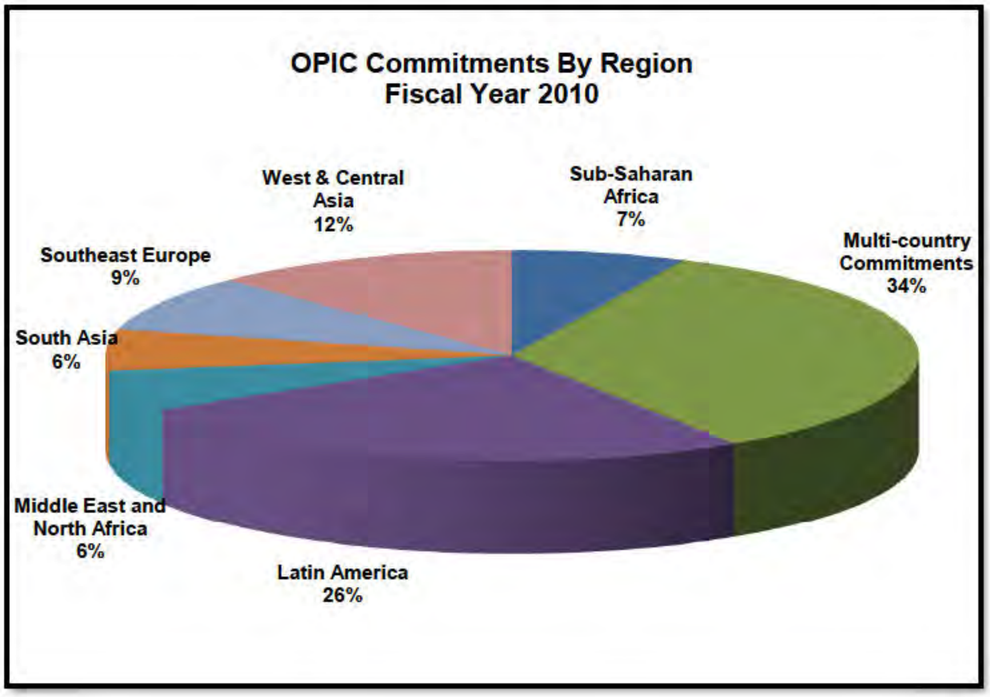
[2] "Third countries" refer to countries that are neither the U.S. nor the country where the project is located.

[3] This count includes four projects that OPIC either previously supported or were jointly supported through OPIC's Insurance Department and Finance Department.

OPIC-supported projects target emerging markets around the globe.

In FY2010, OPIC maintained a regionally well-balanced portfolio of projects throughout the developing world, with a significant portion of projects located in Latin America, Sub-Saharan Africa, and South Asia. The regional distribution of OPIC's FY2010 projects, by value of OPIC commitment, is shown in Figure 2 below.

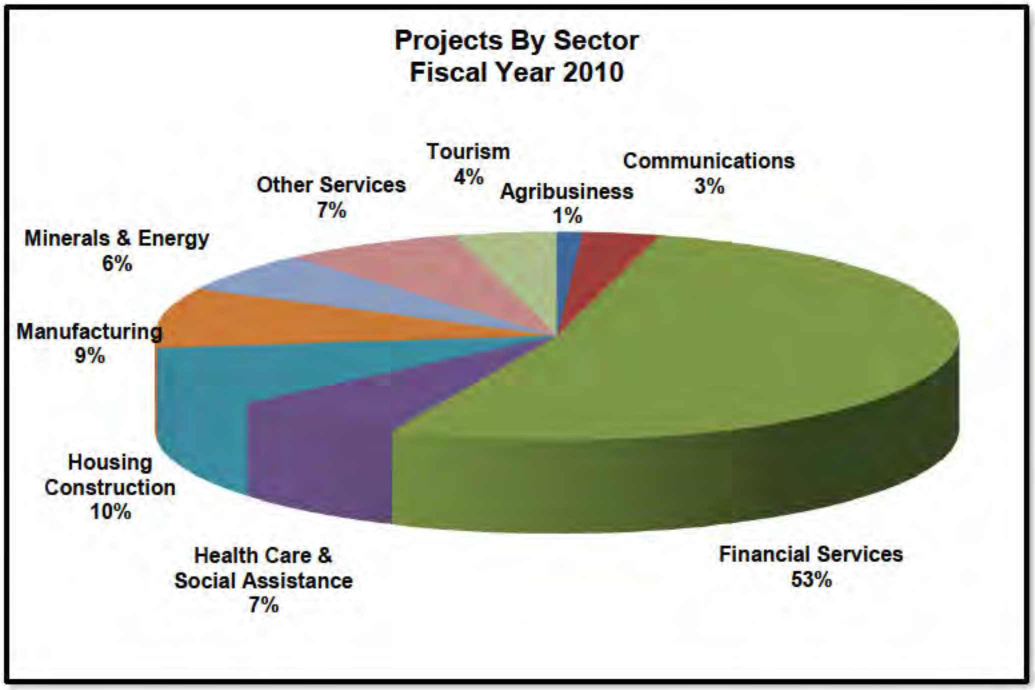
Figure 2



In Fiscal Year 2010, OPIC supported projects across a broad range of industries.

Figure 3 illustrates the sector breakdown of projects OPIC supported in FY2010. Projects in the financial services sector, which includes, for example, SME financing and microfinance as well as leasing, accounted for 53 percent of all new OPIC-supported projects in FY2010, followed by housing construction (10 percent), manufacturing (nine percent), health care and social assistance (seven percent), other services (seven percent), minerals and energy (six percent), tourism (four percent), communications (three percent), and agribusiness (one percent).

Figure 3



OPIC Initiatives in Fiscal Year 2010

In FY2010, OPIC continued to target key regions and sectors to fulfill its mission of promoting economic development in emerging markets. More specifically, OPIC strengthened its efforts to support: i) micro, small and medium sized industries as the engine for economic growth; ii) increased investment in countries that are critical to U.S. foreign policy; and iii) investments in renewable energy. The following are some key examples of the fruits of this effort in FY2010.

OPIC increased its presence in renewable energy and clean technology projects across emerging markets.

South Asia Regional - South Asia Clean Energy Fund Holdings

In FY2010, OPIC provided a $100 million commitment to the South Asia Clean Energy Holdings ("SACEF"), a renewable energy and clean technology private equity fund with a total target capitalization of up to $300 million. Managed by the Global Environmental Fund ("GEF"), SACEF will invest in small- and medium-sized enterprises ("SMEs") throughout the renewable energy supply chain, including upstream inputs, energy efficiency technologies, and energy services. More specifically, SACEF will seek opportunities in India, Nepal, Sri Lanka, and Bangladesh in the solar, wind, hydroelectric, biofuel, natural gas, energy efficient battery, and green information technology sectors. Over time, SACEF anticipates that its investments may lead to a reduction of greenhouse gas emissions in regions that suffer from increasingly high levels of pollution.

Established in 1990 and headquartered in Chevy Chase, Maryland, GEF has over 20 years of experience in the emerging market renewable energy and clean technology landscape. With 17 years of experience in the South Asia region, GEF will leverage its local partnerships to develop an extensive pipeline of portfolio companies and projects with a profound developmental impact for the region. In addition to diversifying the region's energy supply with renewable resources and clean technologies, GEF will deepen local capital markets through the utilization of both equity and equity-like instruments. As an integral part of its investment strategy, GEF will seek significant board representation on each of its portfolio holdings and provide portfolio company management with strategic corporate finance, operational management, and sector guidance.

SACEF was approved by OPIC's Board of Directors in 2008 and is the third OPIC-supported fund managed by GEF, following a FY 1993 OPIC commitment to the Global Environment Emerging Markets Fund and a FY 1996 OPIC commitment to the Global Environment Emerging Markets Fund II.

India - SEP Energy Private Limited

In FY2010, OPIC provided $495,000 in expropriation, currency inconvertibility, and political risk insurance coverage to Southern Energy Partners ("SEP") for the development and operation of two 250 kilowatt wind turbines located within an existing wind farm in the state of Tamil Nadu, India. Electricity produced from the wind turbines will be sold to the state utility, the Tamil Nadu Electricity Board ("TNEB") under a 20-year power purchase agreement.

India has a population over one billion, but its ability to generate sufficient electricity is constrained by intermittent outages and rationing schedules in both urban and rural areas. OPIC's coverage of SEP's investment will increase the TNEB's electricity generation capacity and further diversify the Government of India's energy portfolio with a reliable renewable resource. In addition to strengthening the country's utilization of renewable resources, SEP's investment will have a significant demonstration effect as it will procure the majority of its inputs from local suppliers and implement an innovative remote wind turbine monitoring management system that is uncommon to the Indian wind power generation market.

Established in 2006, SEP is a Memphis-based emerging markets renewable energy investment firm. To date, $945,000 million in OPIC insurance coverage has contributed to SEP's growing market presence in India.

OPIC supports U.S. businesses in post-conflict and transition markets that are critical to U.S. foreign policy, such as Afghanistan.

Global development is one of the pillars of U.S. foreign policy, and OPIC is uniquely positioned to support broad-based, sustainable economic growth by catalyzing U.S. investment in strategic markets. A fortified private sector supports stability and economic opportunity in regions prone to conflict and helps post-conflict countries attain important economic stability..

Afghanistan – [redacted] *

In an effort to provide Afghanistan with [redacted] OPIC provided * [redacted]

[redacted]

** Information has been Redacted in accordance with the two principled exceptions of the Foreign Aid Transparency and Accountability Act (FATAA) of 2016; including the health and security of implementing partners, as well as national interest of the United States.*

[redacted] *

[redacted] *

Afghanistan – [redacted] *

[redacted] *

[redacted] *

<u>OPIC helped provide critical capital to micro, small and medium-sized enterprises during the recent financial crisis.</u>

OPIC supported numerous financial services projects in 2010, with a particular emphasis on projects that improve access to finance for micro-entrepreneurs as well as small- and medium-sized enterprises ("SMEs") in emerging markets. Both micro-entrepreneurs and SMEs are a significant driver of employment and production. However, in many developing countries, SMEs are unable to access capital to finance their continued expansion, production, and employment growth. OPIC has focused on filling that gap.

During the most recent global financial downturn, OPIC's support of MIGROF, described below, is an example of OPIC's critical role as a capital provider to emerging market enterprises that otherwise lack access.

Latin America and the Caribbean – MIGROF

At the Summit of the Americas in April 2009, President Obama announced a partnership between OPIC and the Inter-American Development Bank ("IDB") to launch a microfinance growth facility for Latin America and the Caribbean that "…will provide stable medium and longer-term sources of finance to microfinance institutions and microfinance investment vehicles to help rebuild their capacity to lend during this difficult period and to increase the supply of finance for micro and small businesses as recovery takes hold".

Following President Obama's announcement, OPIC committed $125 million in FY2010 to MIGROF, a microfinance facility which will provide capital to microfinance institutions throughout Latin America and

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the Caribbean. In addition to OPIC's commitment, MIGROF has received $31.25 million in initial commitments from a combination of multilateral development institutions, banks, and microfinance firms. U.S. investors in MIGROF include Accion International Gateway Fund, Citibank, and Grey Ghost Ventures Microfinance Holdings. Other investors include the Inter-American Development Bank, the Andean Development Corporation, and the Norwegian Microfinance Initiative. MIGROF has a significant development impact in its provision of medium and long term capital to MFIs located in both urban centers and rural areas in Latin America and the Caribbean. MIGROF anticipates lending to 40-50 MFIs. MIGROF is administered by Blue Orchard Finance S.A..

OPIC supports entrepreneurship in markets with limited growth opportunities.

Africa Regional – ECP Africa Fund III PCC

In FY2010, OPIC provided support for ECP Africa Fund III PCC's ("ECP III") investment in Financial BC SA ("FBC"), a West African commercial bank based in Togo with operations in Benin, Gabon, Chad, Guinea, and Mauritania. Established in 1988, FBC specializes in both consumer and corporate banking, spanning four currency zones and more than 23 branches with a total of approximately 39,000 clients.

With significant regional footprint and potential for growth, FBC will have a long-term developmental impact in the region. As a majority shareholder in FBC, ECP III will guide the transition of the company from a single individual-owned and managed firm into a strong institution with a diversified shareholder base and a robust team of experienced international and local executives. ECP III will also work closely with new management to strengthen the company's corporate governance policies and internal controls procedures through the creation of bank audit, credit, and ethics committees.

FBC will expand its corporate banking operations and develop new lines of business, including trade finance, money transfers, and remittance services. It will deepen FBC's customer reach and corporate efficiency by rolling-out modern ATM technology in FBC's target markets and utilizing new management information systems to better coordinate in-person and internet banking transactions.

OPIC committed $60 million to ECP III in 2009 and an additional $40 million in 2010 as a part of a $630 million target fund capitalization. ECP III is managed by Emerging Capital Partners ("ECP"), a Washington D.C.-based private equity firm with investments throughout Africa.

II. U.S. ECONOMIC & HOST COUNTRY DEVELOPMENT IMPACTS

U.S. Economic Effects

Although OPIC's primary mission as a development agency is sustainable economic development in emerging markets, OPIC's unique policy review process ensures that OPIC will not support overseas investments that result in any U.S. job losses. On the contrary, ***OPIC-supported projects in Fiscal Year 2010 will support approximately 944 U.S. jobs over the next five years.***

FY2010 OPIC-supported projects will provide other important economic benefits to the United States as well.

- A substantial portion of the initial procurement for OPIC-supported projects will be supplied by U.S. firms, resulting in an estimated $222 million in U.S. exports of capital goods and services.
- The value of U.S. materials and equipment required for the ongoing operations of OPIC-supported projects is estimated at $402 million over the next five years.
- As a result of this level of initial and operational procurement from the United States, the FY2010 projects will support an estimated 4,726 person-years of direct and indirect employment for U.S. workers. This is equivalent to an annual average of 944 U.S. jobs over a five year period.
- The impact of the FY2010 projects on the U.S. trade balance over the first five years of operations is expected to be a positive $577 million.

Estimated U.S. Economic Benefits of Fiscal Year 2010 Projects Supported by OPIC

Total project investment	$3,723 million
U.S. investment in projects	$2,898 million
U.S. percent of total	78 percent
Total direct U.S. project exports	$624 million
Initial procurement from U.S.	$222 million
Operational procurement (5 years)	$402 million
Estimated U.S. employment supported (5 years, direct and indirect)	4,726 (944 U.S. jobs)

Information in the Exhibits to this report shows the break-out of OPIC-supported projects and their impact on the U.S. economy through procurement and support of U.S. employment. Exhibit 1 breaks out all of the OPIC-supported projects in FY2010 by sector – including agribusiness, minerals and energy, manufacturing, and services. Using these four sectoral classifications, the chart provides data on the project markets – host country, U.S., and third country - in which revenue will be generated for all OPIC-supported projects in FY2010, and what the U.S. procurement amount – both initial and operational – is projected to be by sector. The U.S. employment impact is generated using projected procurement data provided by investors.

Exhibit 2 shows in detail the revenues generated by third-country sales from all OPIC-supported projects in FY2010, classified by sector. Projects are classified according to their impact on U.S. employment – one group includes projects having a positive U.S. employment impact, and the second group includes projects with a neutral U.S. impact.

OPIC-supported projects are carefully screened for their U.S. employment effects. <u>OPIC does not invest in projects that would harm the U.S. economy or result in the loss of U.S. jobs.</u> A team of OPIC experts collects and analyzes, both geographically and sectorally, the projected U.S. employment and associated economic effects of the projects that it supports. Consistent with previous years, ***none of the FY2010 projects are expected to result in the loss of U.S. jobs***. For a detailed description of the methodology used to calculate the U.S. employment effects of OPIC-supported projects due to initial and operational procurement, please refer to Exhibit 4.

<u>OPIC directly and indirectly supports U.S. small businesses.</u>

OPIC is dedicated to assisting U.S. small businesses expand into developing markets. Since 1997, OPIC has provided approximately $4 billion in direct loans to U.S. small businesses. OPIC recognizes the importance of small businesses as a key driver of U.S. economic growth and actively seeks to partner with these firms to enable their expansion overseas. OPIC's efforts to reach out to small businesses have yielded positive results in FY2010. OPIC supported 80 new projects that involved small businesses, representing 82 percent of all new projects supported by OPIC in FY2010:

- 38 small businesses received OPIC investment guarantees;[4]
- 32 small businesses received $933 million in direct loans from OPIC;
- 10 small businesses received OPIC political risk insurance coverage.

In addition, of the 97 OPIC insurance and finance projects OPIC supported in FY2010, eight were in support of women- and/or minority-owned businesses.[5]

OPIC collects data on the specific U.S. companies that will provide goods and services to OPIC-supported projects. Investors are encouraged to provide as much detail as possible regarding their procurement of U.S. goods and services so that the positive impacts on the U.S. economy of OPIC-supported projects can be recorded fully and accurately. During their first five years of operations, the projects OPIC supported in Fiscal Year 2010 are expected to procure $15 million from U.S. small businesses located in 15 states and the District of Columbia.

Using the data collected for the Fiscal Years 1994 through 2010, OPIC has identified the specific U.S. suppliers for over $15.8 billion in expected procurement for OPIC-supported projects. Approximately 56 percent of the identified suppliers have been U.S. small businesses.

Host Country Development Effects

As a development agency, 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

[4] Includes 27 investment fund subprojects.

[5] This data is not collected for OPIC investment fund and framework subprojects.

likely to serve as foundations for long-term economic growth and provide innovative products or services to emerging market countries.

In FY2010, OPIC-supported projects are expected to create 7,200 local jobs, generate $360 million in foreign exchange earnings, and stimulate the local economies through $3.2 billion in local procurement. The box below summarizes the local impacts of OPIC projects on the developing countries where we invest.

Estimated Developmental Impacts of Fiscal Year 2010 Projects

Host Country Effects	*Amount or Number* (thousands of $ or # workers)
A. Foreign exchange benefits [1]	
Exports generated	$361 million
Imports replaced	$200 thousand
Total A	*$361 million*
B. Foreign exchange costs [1]	
Capital outflows	$424 million
Project imports	$150 million
Total B	*$574.3 million*
Net foreign exchange impact (A less B) [1]	($213) million
Net annual taxes, revenues and duties paid to the host country [1]	$135 million
Initial local expenditures	$3,223 million
Local employment generated in fifth year of operation	
Technical and management	2,158
Unskilled labor	5,091
Total	*7,249*

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

OPIC continued to systematically evaluate the developmental impacts of all projects.

To enhance OPIC's assessment of the relative benefits of the projects that it supports, OPIC uses two developmental assessment models: the standard developmental matrix and the financial services developmental matrix. For a detailed description of the methodologies employed for both the development matrix and the financial services development matrix, refer to Exhibits 5 and 6.

<u>OPIC-supported projects in Fiscal Year 2010 performed well on both development impact matrices.</u>

In FY2010, 41 projects were scored on the standard developmental matrix and 47 projects were scored on the financial services developmental matrix.[6] The average developmental score was 85 and 82, respectively, on a scale of 1 to 160. The overall average developmental score of these projects was 84, which is within one percentage point of the average score over the last four years. OPIC's long-term goal is to achieve an average development rating of 100 across all business lines.

Standard Developmental Matrix: Pakistan - TowerShare (Pvt.) Ltd.

One of the highest scoring projects on the standard developmental matrix was a $9.8 million OPIC commitment to TowerShare (Pvt) Ltd. ("TowerShare"), the Pakistan subsidiary of a recently-formed mobile telecommunications company partially-owned by a U.S. citizen. TowerShare plans to acquire, construct, maintain, and lease wireless communications towers throughout the Middle East and North Africa. OPIC's investment, together with investor equity, will provide TowerShare with $13.99 million of capital to develop the initial phase of its growth strategy in Pakistan.

TowerShare will be the first independent wireless tower operator in Pakistan and will construct new towers, acquire existing towers and lease its towers to multiple local wireless carriers. By sharing tower capacity across multiple carriers, TowerShare will help reduce costs and duplication, and promote the development of Pakistan's wireless communications network.

TowerShare will reduce carriers' costs and create an opportunity for mobile service providers to introduce new product offerings and reach Pakistan's underserved rural areas.

Financial Services Developmental Matrix: Global - Root Capital Inc.

In FY2010, the highest scoring financial services-related project was a $10 million OPIC commitment to Root Capital Inc. ("RCI"), a U.S. non-profit social investment firm that provides capital and financial advisory services to small and growing businesses primarily located in rural areas throughout Central America, South America, and Africa. Established in 1999, RCI aims to address the interdependent challenges of rural poverty and environmental degradation by working with locally based agricultural and artisan associations to build sustainable businesses. OPIC's $10 million commitment is a part of RCI's $118.4 million capital raising exercise to expand its lending activities, particularly to Fair Trade-certified coffee farmers.

As a result of this capital raise, RCI anticipates that it will provide approximately 690 new loans by 2013. RCI intends to allocate approximately 75 percent of its loan portfolio to the agricultural sector and the remaining 25 percent to the trade and retail, manufacturing, and tourism sectors. With an average loan size of $289,000, RCI will have a strong development impact as its financing will provide affordable credit to rural small and growing businesses, which are too large for micro-loans but remain under-served by commercial banks located in the targeted geographies.

As a part of its loan portfolio expansion, RCI will also continue to strengthen its financial education program in which it trains borrowers to prepare financial statements, manage credit collateral, reinforce financial planning skills, develop internal credit controls, and implement financial policies and procedures.

<u>In Fiscal Year 2010, OPIC focused its activities in low and middle-income developing countries, providing an important source of employment and tax revenue for these economies.</u>

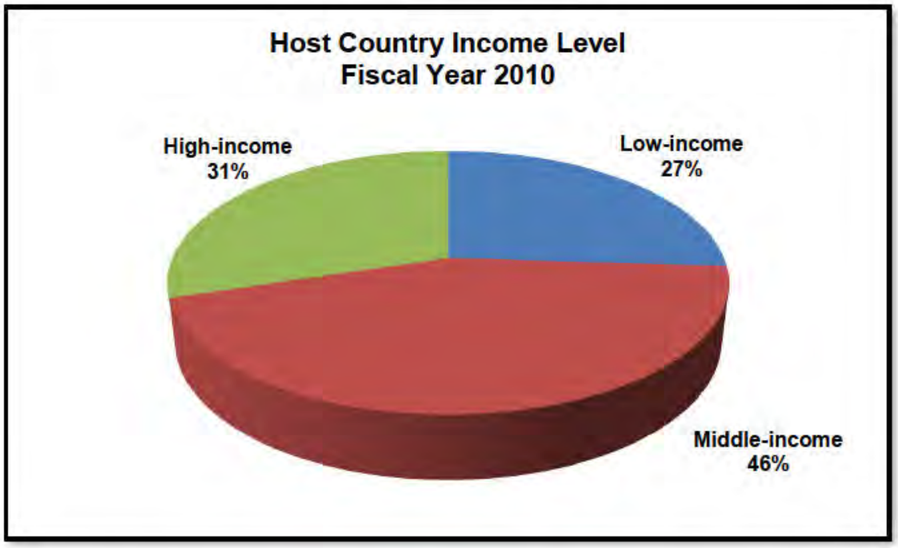
The projects supported by OPIC in FY2010 will provide significant local economic and social benefits. The projects are expected to directly generate 7,249 jobs in developing countries over the first five years

[6] Nine projects were not scored on either developmental matrix because they involved the provision of insurance on existing assets or involved the provision of insurance on U.S. exports and therefore did not have additional developmental effects.

of operation, of which 2,158 (or 29 percent) are projected to be in skilled (management and professional) positions.

More than 70 percent of the projects that OPIC supported in FY2010 are in low- and middle-income countries, demonstrating OPIC's success in fulfilling its mission to focus on countries most in need (see Figure 4, below). Twenty-six projects (27 percent) are located in low-income countries, such as Afghanistan and Pakistan, while 45 projects (46 percent) are located in middle-income developing countries, such as Colombia and Iraq.[7] Thirty projects (31 percent) are located in high-income countries, such as Mexico and Russia.

Figure 4



The total initial expenditures in the project host countries for FY2010 projects are projected to be $3.2 billion. This procurement of local raw materials, services, and semi-finished goods will support economic activity and employment. These OPIC-supported enterprises are expected to generate $135 million annually in taxes and duties for the host countries. Once in operation, the projects will generate an estimated $361 million in annual export earnings for the host countries. Approximately 75 percent of the output associated with FY2010 projects will be sold in host country markets. Exhibit 2 shows a breakout of the final destination of output for FY2010 investments over the first five years of operation for projects that will export to third countries.

[7] As defined in OPIC's statute, low-income countries are classified as those with per capita GNP of $984 or less in 1986 dollars. Middle-income countries are those with per capita GNP of $985-$4,268 in 1986 dollars. High income countries are those with a per capita GNP above $4,268 in 1986 dollars.

III: ENVIRONMENTAL, HEALTH, SAFETY & SOCIAL IMPACTS

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

Fiscal Year 2010 New Initiatives Summary

In FY2010, OPIC revised and strengthened its environmental and social policies. With the issuance of its Environmental and Social Policy Statement, OPIC continues to be a leader among development finance institutions in developing and applying environmental and social policies that advance long-term sustainable economic development. The policy revision involved a year-long process which included extensive stakeholder consultation. OPIC has adopted the International Finance Corporation's Performance Standards on Social and Environmental Sustainability thus coordinating its efforts with the largest multilateral development finance institution. OPIC also coordinates with the private sector's "Equator Banks" to ensure implementation of the highest standards in responsible investment policy. The new OPIC Policy Statement also reinforces OPIC's commitment to address global challenges including climate change, and is consistent with our development mandate to promote sustainable development.

Project Screening and Assessment

OPIC screens all applications to identify the risk of potential adverse environmental and social impacts of a project and to identify project impacts that could preclude OPIC support on categorical grounds. If a project is determined to be categorically ineligible, OPIC immediately informs the applicant so as to avoid unnecessary effort or expense. If the project is categorically eligible, OPIC classifies the project to determine the requirements for documentation, disclosure, consultation, reporting and post-commitment monitoring. Projects may be categorized as A, B or C depending on potential risks and impacts of a particular project. Category A represents the greatest potential for adverse environmental and/or social impacts.

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

Environmental and social assessment is the process used by OPIC to evaluate the potential environmental and social impacts of an applicant's project and to identify the means to improve the project by preventing, minimizing, remediating or compensating for potential adverse impacts as a condition of OPIC support. The process includes the following:

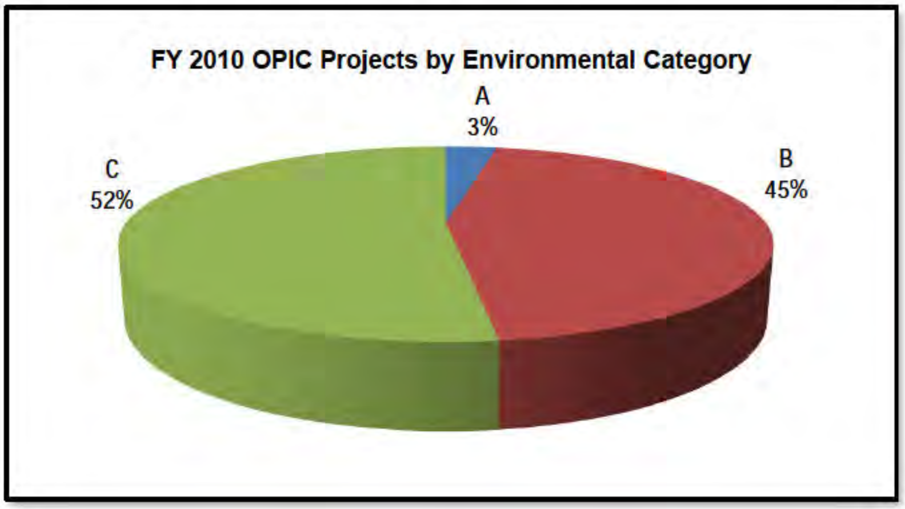
- Identification of potential adverse environmental and social impacts;
- Disclosure of the project's environmental and social impact assessment (ESIAs) for public review and comment (if the project has been screened as Category A);
- Comparison of the project's performance in relation to internationally-accepted standards and alternative approaches;
- Evaluation or design of mitigation measures;
- Evaluation or design of associated management and monitoring measures.

Three of the 97 projects that OPIC provided a commitment to in FY2010 were screened as Category A, or projects with the potential to have significant adverse environmental and/or social impacts that are sensitive, diverse or unprecedented in the absence of adequate mitigation measures. Two of the three Category A projects involve construction and operation of hydroelectric facilities in Mexico; the third Category A project involves construction and operation of a bio-ethanol plant in Hungary. The three projects required the preparation of full ESIAs, which were subsequently disclosed to the public for comment.

Forty-four of the 97 OPIC-supported projects were screened as Category B. Category B projects are likely to have environmental and/or social impacts that are few in number, generally site-specific, largely reversible and readily addressed through effective management systems.

Fifty FY2010 projects were screened as Category C projects. Category C projects are likely to have minimal adverse environmental and/or social impacts.

Figure 5



Strengthening OPIC Investments

OPIC provides advice and assistance to projects in areas such as improving environmental and social management systems, identifying mitigation measures, strengthening stakeholder engagement activities, and implementing technical tools for impact assessment. For example, for a chlor-alkali chemical plant in Trinidad and Tobago, OPIC provided guidance with respect to the project's quantitative risk analysis which was used to determine appropriate measures to reduce potential impacts from hazardous materials release. As a result of the analysis, the project was able to prepare and adopt strategies to address such potential impacts including maintaining smaller quantities of hazardous materials at the plant, thereby minimizing the quantities of such materials potentially released to the environment. This analysis also helped the plant to put in place a plan to immediately take certain response measures such as informing the stakeholders, providing medical assistance, and isolating the impacted area.

The Environment Group conducts pre-approval site visits on Category A projects.

As part of OPIC's environmental and social assessment process, OPIC environmental officers conduct on-site due diligence prior to commitment of OPIC support to any project screened as Category A. In addition, environmental officers periodically visit projects at the screening stage to determine categorical eligibility.[8] In FY2010, OPIC conducted pre-approval site visits to four projects in four countries including:

- An oil and gas production project in Colombia;
- An oil-fired power plant in Jamaica;
- An airport expansion project in Costa Rica; and
- An ethanol plant in Hungary.

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[8] Certain types of projects have potential adverse environmental or social impacts that preclude the project from receiving OPIC support. These *categorically prohibited projects* are listed in Appendix B of the OPIC Environmental and Social Policy Statement.

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

In FY2010, consistent with OPIC policy, four potential Category A projects under consideration for OPIC support were disclosed on OPIC's website for 60 days prior to action by the OPIC Board and announced via email to OPIC stakeholders, giving interested persons and organizations the opportunity to review the ESIAs, and to comment on the projects' potential environmental and social impacts. Full text versions of ESIAs were available for download directly from the OPIC website.

No public comments were received in response to the posting of the ESIA's for the four projects.

Transactions rejected on environmental and/or social grounds

OPIC did not reject any applications for finance or insurance in FY2010 on the basis of categorical prohibition.[9]

OPIC continues focus on renewable energy and clean technology projects

During FY2010, OPIC continued to expand financing for renewable energy projects, clean technology projects, and other projects making more sustainable use of natural resources such as efficient irrigation, cold storage, transportation, water treatment, sustainable forestry, natural resource preservation, and forest rehabilitation. OPIC is moving forward in its support of these projects both through the issuance of loans or loan guarantees as well as through a $300 million commitment to financing new private equity investment funds that could potentially invest more than $1 billion in renewable resource projects in emerging markets.

Examples of OPIC-supported renewable energy projects this fiscal year include the following:

Pannonia

OPIC is providing a $60 million investment guaranty for the design, construction, operation, and maintenance of a 200 million liter/year ethanol production facility in Dunaföldvár, Hungary. The U.S. Sponsors began their ethanol-based construction business in the United States in the early 1970s, and it has grown to become the leading design/build firm in the U.S. for corn ethanol projects. The company has constructed over 90 ethanol plants. The project will process approximately 575,000 metric tons of maize per year and produce up to 240 million liters of fuel grade bio-ethanol. Because excess corn is produced in the area, all corn will come from existing agricultural land and the project will not involve additional clearing of land for agricultural purposes. A life-cycle greenhouse gas analysis developed for the project indicates that the project's GHG performance will result in a nearly 55% reduction compared to fossil fuels, and the Minnesota-based U.S. sponsors of the project expect to increase these savings even further.

[redacted] *

OPIC is providing a [redacted] * The Project will [redacted] n addition, the company is [redacted]

[9] Certain types of projects have potential adverse environmental or social impacts that preclude the project from receiving OPIC support. These *categorically prohibited projects* are listed in Appendix B of the OPIC Environmental and Social Policy Statement.

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[redacted] *

Climate Change Mitigation

On June 14, 2007, OPIC announced its Greenhouse Gas/Clean Energy Initiative to systematically evaluate, monitor, and report on OPIC's investment decisions and to demonstrate to OPIC's stakeholders OPIC's progress in reducing climate change impacts of its project portfolio.

OPIC is committed to reducing direct GHG emissions.

As part of OPIC's Greenhouse Gas/Clean Energy Initiative, OPIC committed to: (a) reduce the direct GHG emissions associated with projects in OPIC's active portfolio as of June 30, 2008 (i) by 30 percent over a ten-year period; and (ii) by 50 percent over a 15-year period [as required under Section 7079(b) of Public Law 111-117 (FY2010 Omnibus)]; and (b) increase investment support to renewable and energy efficient projects.

For the purpose of tracking progress in achieving its GHG reduction goals, in 2008 OPIC procured the services of an outside environmental auditor, Pace Global Energy Services LLC (Pace), to develop a baseline GHG inventory of existing OPIC supported projects. The organizational boundary for the inventory was defined as 100 percent of on-site emissions from the calendar year 2007 for all projects within OPIC's active portfolio as of June 30, 2008 (baseline emissions). This organizational boundary is consistent with the voluntary Scope 3[10] emissions reporting methodology that OPIC adopted in 2004. Accounting for 100 percent of project emissions is more conservative than the equity or operational control approach that is commonly used in greenhouse gas accounting. OPIC's accounting is limited to direct emissions because these emissions are verifiable and directly attributable to the project activity that is benefiting from OPIC's support.

OPIC estimates greenhouse gas emissions from all projects that have significant direct emissions. Whereas previously OPIC reported emissions for projects emitting greater than 100,000 short tons carbon dioxide equivalents (CO_{2eq}) per year, as part of OPIC's revised Environmental and Social Policy Statement, OPIC now reports estimates for projects emitting greater than 25,000 tonnes CO_{2eq} per year. The 25,000 tonnes CO_{2eq} threshold was selected to match the U.S. Environmental Protection Agency's threshold criteria for significant GHG emissions.[11]

Baseline emissions which were calculated for calendar year 2007 for projects active as of June 30, 2008 were estimated to be 51,874,868 tons of CO_{2eq}.[12] Based on the independent audit findings, the estimated calendar year 2009 inventory of GHG emissions from all projects with significant emissions that

10 Under the World Resource Institute's Greenhouse Gas Protocol, corporations choose to report emissions based on either an equity share or a financial or operational control basis. In other words, a corporation chooses to report either a share of a facility's emissions consistent with its equity ownership or it chooses to report all emissions from a facility (regardless of share ownership) based on its having operational or financial control of the facility. The corporation then assesses two types of emissions (Scope 1 and Scope 2) and may assess a third type of emissions (Scope 3). Scope 1 emissions are direct emissions; Scope 2 emissions are indirect emissions associated with purchased electricity; and Scope 3 emissions are other indirect emissions, which can involve any indirect emissions associated with the lifecycle of products or services associated with the company's activities (other than those associated with purchased electricity, i.e., Scope 2 emissions). Reporting of Scope 1 and Scope 2 emissions is mandatory while reporting of Scope 3 emissions is voluntary.

11 The U.S. Environmental Protection Agency's threshold criterion for significant GHG emissions is 25,000 metric tons. To maintain consistency with units, OPIC uses 25,000 short tons, which is conservative since 25,000 metric tons converted to short tons equals approximately 27,500 short tons.

12 OPIC revised baseline emissions based on new information reported by one of OPIC's project sponsors which had previously reported emissions based on their equity share (50%) rather than accounting for emissions for the entire project. Because OPIC accounts for 100% of emissions from projects regardless of equity share, the 2007 and 2008 estimates were revised to reflect 100% of emissions.

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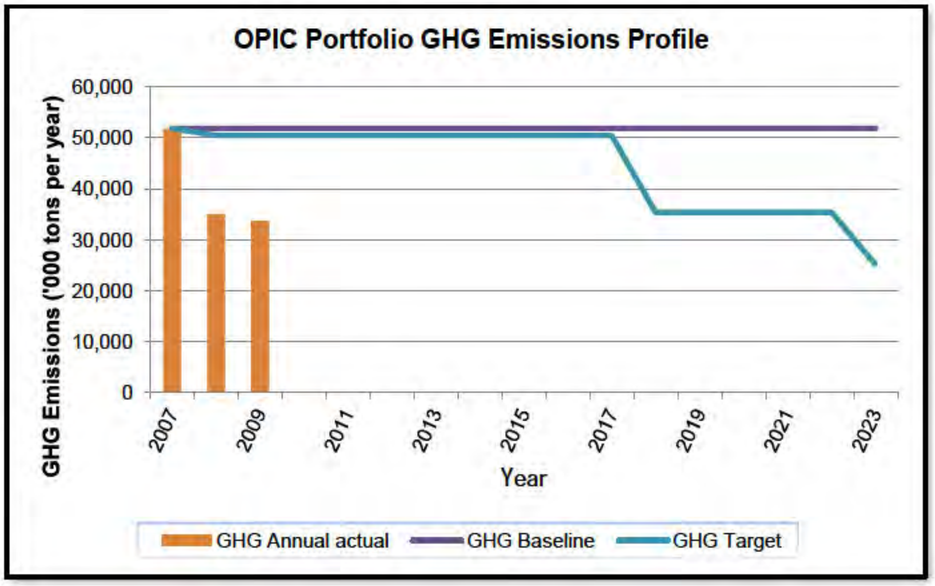
were active as of September 30, 2010[13] is 32,338,631 tons of CO_{2eq}. The total is based on Pace's estimate unless the Investor provided data indicative of actual operating conditions. Four percent was then added to the total to account for GHG emissions from active projects in OPIC's portfolio that have less than 100,000 tons of CO_{2eq}; thus, the total inventory of GHG emissions for calendar year 2009 for projects active as of September 30, 2010 is 33,744,117 tons of CO_{2eq}. This represents a 35 percent reduction in portfolio emissions from the baseline.

Figure 6



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

Fiscal Year 2010 Reporting

As illustrated in the table below, OPIC reports no direct (Scope 1) emissions associated with its activities because OPIC has no direct CO_2 emissions. OPIC reports indirect (Scope 2) emissions totaling 1,300 short tons of CO_{2eq} associated with its purchase of electricity. The Scope 3 emissions that OPIC reports for 2010 are those direct GHG emissions associated with projects that have emissions that exceed 25,000 tons of CO_{2eq} per year, were operational in calendar year 2009, and were in OPIC's active portfolio as of September 30, 2010.

OPIC Fiscal Year 2010 CO_2 Emissions (in short tons)

	SCOPE 1 EMISSIONS	SCOPE 2 EMISSIONS	SCOPE 3 EMISSIONS
OPIC	0	1,300	33,744,117

OPIC provided commitments to one major GHG emitting project in FY2010 - the Pannonia bio-ethanol manufacturing project in Hungary – which will have estimated emissions of 132,000 tons of CO_{2eq} once operational. Emissions from this project were not included in FY2010 emissions reporting because the project was not operational in calendar year 2009.

[13] Because OPIC operates on the fiscal year, starting with calendar year 2008 emissions, OPIC decided to align GHG accounting with the fiscal year by estimating emissions for those projects active as of September 30, 2009.

On a transactional basis, OPIC considers reduction and control alternatives for all projects, including opportunities to enhance energy and operational efficiency; protect and enhance sinks and reservoirs of greenhouse gases, such as natural forests; and the application of emerging technologies for capture, storage, and recovery of greenhouse gases.

IV. LABOR AND HUMAN RIGHTS

In 2010, OPIC issued its Environmental and Social Policy Statement, which sets forth OPIC's labor and human rights policies. As noted in Section III (Environmental and Social Impacts), OPIC has adopted the International Finance Corporation's Performance Standards on Social and Environmental Sustainability, further strengthening OPIC's already-robust labor requirements. A significant new policy that emerged as a result of stakeholder consultations is OPIC's development of a labor-related designation ("Special Consideration") for projects that may pose high risks to workers due to the heightened potential to violate labor rights. The Special Consideration designation imposes specific requirements on post-commitment monitoring, which are additional measures to ensure that such projects operate to the appropriate standards throughout the life of the OPIC support. The new Environmental and Social Policy Statement also clearly articulates labor and human rights policies related to project screening and categorization, reviews, disclosure, conditions and compliance, and country eligibility.

Project Screening and Assessment

OPIC screens all project applications to identify labor-related risks and to identify project activities that could preclude OPIC support on categorical grounds. If a project is categorically eligible, the project undergoes a full labor review. In FY2010, no projects were designated as "Special Consideration" because the new labor policies in the Environmental and Social Policy Statement went into effect in FY 2011.

OPIC uses a rigorous methodology for assessing potential labor-related risks.

The labor assessment is the process used by OPIC to evaluate the potential risks to workers at the applicant's project and to identify the means to improve the project by preventing and minimizing such risks as a condition of OPIC support. The process includes the following:

- Identification of potential risks to workers, including the project's potential to infringe upon internationally recognized worker rights;
- Comparison of the project's expected performance in relation to internationally-accepted standards and practices;
- Evaluation or design of project requirements necessary to enable OPIC support;
- Evaluation or design of associated management and monitoring measures.

All of OPIC's 97 newly-supported projects of 2010 were subject to a full worker rights review, and OPIC support was conditioned upon contractual adherence to internationally recognized worker rights standards. Supplemental contract conditions addressing one or more of these rights were included in an overwhelming majority of the project contracts and agreements.

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

OPIC's Environmental and Social Policy Statement now clearly outlines OPIC's policies on country eligibility based on labor-related statutory obligations. For consistency of worker rights country-level determinations across the U.S. Government, OPIC accepts the determinations made by the President for the purpose of the Generalized System of Preferences (GSP) program, a trade benefits program overseen by the Office of the U.S. Trade Representative (USTR).

OPIC tracks the USTR's petition-and-review process for country eligibility on worker rights grounds, including their Trade Policy Staff Committee's ("TPSC") determinations as a result of formally-accepted reviews. For countries that are ineligible for the GSP program on grounds other than worker rights, OPIC utilizes a similar petition-and-review process for country eligibility on worker rights grounds. During 2010, no countries regained their GSP benefits on worker rights grounds, and hence their eligibility for OPIC programs. Similarly, no countries became ineligible for GSP benefits or OPIC programs on worker rights grounds. For its 2010 GSP Annual Review, the USTR continues to formally review the GSP eligibility of the following countries on worker rights grounds: Bangladesh, Niger, Uzbekistan, the Philippines, and Sri Lanka. OPIC will adjust country eligibility status on the basis of the TPSC's final determination in these countries.

Human Rights

Respect for human rights is essential to the success of OPIC-supported projects, and OPIC recognizes the importance of human rights in its programs and project evaluation process. The OPIC project review process is designed to ensure that OPIC-supported projects meet their statutory requirements, as required by the Foreign Assistance Act. For all potential projects, OPIC works in close consultation with the U.S. Department of State's Bureau for Democracy, Human Rights and Labor ("DRL"), prior to making a final commitment.

In FY2010, OPIC continued to collaborate with DRL on the human rights consultation process by utilizing a mutually-agreed monthly and quarterly system of updates to ensure consistency between OPIC and DRL on relevant human rights matters in OPIC eligible countries. Every project considered for OPIC financing, insurance or for investment by an OPIC-supported investment fund in 2010 was subject to the human rights consultative review process; OPIC did not decline support for any projects in 2010 as a result of the consultative human rights review process.

V. MONITORING OF ACTIVE PROJECTS

This section provides an overview of OPIC's policy monitoring and evaluation program and outlines Fiscal Year 2010's monitoring activities. The section is divided in three parts: compliance, self-monitoring, and site monitoring.

Overview

OPIC considers project monitoring a vital part of the project oversight process, and employs two types of project monitoring: self-monitoring and site monitoring.

All OPIC-supported projects are required to complete a "Self-Monitoring Questionnaire" (SMQ) annually. The SMQ gathers annual operational information[14] on active projects, including such critical data points as the number of employees, and U.S. and local procurement. OPIC also uses the SMQ to gather data that allows us to track the development performance of the investments over time. A new, more user-friendly web-based questionnaire was launched in 2008. The new questionnaire is easier for investors to use and provides OPIC with higher quality data.

Site monitoring helps ensure the integrity of information gathered through self-monitoring. Site monitoring involves field visits to OPIC-supported projects to ensure compliance with relevant covenants in OPIC agreements. The projects that are site-monitored are a combination of: 1) projects randomly selected from OPIC's active portfolio; and 2) projects designated as sensitive for at least one of OPIC's statutory disciplines (U.S. economic impact, host country developmental impact, labor, environment, and social impact).

The value of site monitoring extends beyond ensuring compliance and understanding why a project succeeded or struggled. The process of gathering, analyzing and verifying information about projects helps OPIC continually improve its investment strategy, which means better outcomes for U.S. investors and host country development.

In late 2007, OPIC initiated an integrated site monitoring approach, using one policy monitoring visit to comprehensively assess projects' compliance with each of the statutory disciplines as well as its actual developmental impacts. Fiscal Year 2010 was the third complete fiscal year of integrated site monitoring, and it has been a more efficient and effective use of staff and budget resources.

In FY2010, approximately 364 projects were self-monitored and 35 projects were site-monitored.

Compliance with OPIC Conditions and Covenants

Each discipline within the Office of Investment Policy monitors projects to ensure compliance with OPIC conditions and covenants. The results of the site monitoring this year are:

- **U.S. economic effects and host country development**: U.S. economic and host country developmental impact site monitoring found that no projects were out of compliance with OPIC conditions and covenants.

- **Environment and social impact**: In FY2010 environmental and social impact monitoring focused on those projects with the potential for greatest environmental and social risk. In FY2010, 74 percent of the site visits involved Category A and B projects. During site monitoring, approximately 65 percent of projects were found to be fully in compliance with all OPIC covenants and conditions pertaining to environmental and social considerations. The vast majority of

[14] The SMQ monitors data used to support OPIC's investment policy requirements. The financial performance of loans and guaranties is monitored separately within OPIC.

instances in which a deficiency was found involved issues that were readily rectifiable, such as the need to enhance secondary containment for fuel storage, improving placement of fire extinguishers at the project site. Other cases involved a failure to submit required information – such as annual reports - in a timely manner. In all cases in which deficiencies were noted, OPIC's environmental and social impact group informed the project investor of the deficiency and required the implementation of corrective actions.

- **Labor and human rights**: No projects that were site-monitored for OPIC's labor and human rights compliance in FY2010 were out of compliance with those requirements. The monitored projects generally demonstrated a strong commitment to the OPIC worker rights requirements, and often extended their commitments to support workers and their local communities above and beyond the OPIC requirements. OPIC determined that one site-monitored project in FY2009 required the additional follow-up of a third-party labor assessment, which took place in FY2010. (The delay was caused by security issues in the region, impeding the auditors' ability to travel to the project site.) The audit found that the identified labor deficiencies were readily rectifiable. The issue became moot, however, because the project was halted when the borrowers defaulted on the OPIC loan due to severe financial difficulties.

The following sections provide additional detail on the results of OPIC's FY2010 monitoring.

Self-Monitoring

OPIC has required all active OPIC-supported investments to complete and submit a Self-Monitoring Questionnaire (SMQ) since 1993. The integrated SMQ incorporates data and information relevant to each of the policy areas that OPIC monitors including developmental impact, US effects, Labor and Human Rights, and Environment and Social impact. The SMQ is divided into Section A (for all "bricks and mortar" projects) and Section B (for financial intermediaries). Financial intermediaries refer to general lending banks, specialized lending institutions, mortgage facilities, microfinance institutions, private equity funds, and other capital market transactions.

The analysis in this section is based on data obtained from approximately 364 SMQs, 219 of which are Section A respondents and 145 of which are Section B respondents. Of the SMQs received in FY2010, the table below shows the percentage of OPIC-supported projects reporting in the affirmative on various developmental indicators. A more detailed description of the items measured follows this table.

Fiscal Year 2010 Self-Monitoring Results

Capacity Measured	Qualitative Monitoring	Percentage of Self- Monitored Projects Reporting Affirmative
Capital Mobilization	Involve Other Federal/Regional/Multilateral Organizations	35%
	Involve a Public-Private Partnership	18%
Human Capital Development	Provide Overseas Training for Workers*	43%
	Have Equal Employment Policy*	75%
	Have Policies that Support Women in the Workplace *	89%
	Provide Company Benefits	89%
Corporate Social Responsibility	Provide Benefits to the Local Community	68%
	Compliance with Environment, Health, & Safety Conditions	96%

Capacity Measured	Qualitative Monitoring	Percentage of Self- Monitored Projects Reporting Affirmative
Technology and Knowledge Transfer	Introduce Innovative Management or Marketing Techniques*	35%
	Introduce New Technology or New Products*	29%
	Lower Local Prices*	29%
Economic Diversification	Include Local Ownership*	60%
	Local Owner is a Small & Medium Enterprise*	21%
	Help a Poor Region within the Host Country*	62%
	Strengthen the physical, financial, or social infrastructure*	75%

*Indicators noted with an asterisk only contain information reported by bricks and mortar projects, as OPIC does not request this information from financial services projects.

Capital Mobilization

One of OPIC's statutory objectives is to play a key role in leveraging private sector resources for development. The most obvious indicators to measure this are the involvement of non-OPIC project financing and equity in a transaction, the involvement of other development institutions, and the creation of Public-Private Partnerships (PPPs) through OPIC, local development banks, civil society, and non-governmental organizations.

Of the FY2010 SMQs received by OPIC, approximately 35 percent reported the use of non-OPIC investment sources such as USAID, IFC, ADB, and EBRD, or a host country government entity, civil society or a non-governmental organization. In FY2010, 18 percent of OPIC supported projects involved a PPP, which are characterized by local government support, such as technical assistance from a local government agency or construction finance support from a state agency.

Human Capital Development

Employment generation is one of the key variables OPIC uses to evaluate the developmental impact of projects it supports. In FY2010, SMQ data indicated that OPIC-supported projects employed approximately 130,600 people in their host countries, or an average of about 400 local employees per self-monitored project. These projects generated approximately $63,000 of revenue per employee in FY2010, thus contributing to the growth of local economies.

OPIC-supported projects also help to increase the overall skill level of the workforce through training and development. In FY2010, SMQ respondents reported that approximately 6,865 local employees received formal training, and around 43 percent of those employees received training abroad. When employees are trained outside of their home country, they help to spread new skills throughout the economy.

Company and employee benefits are another indication of a maturing employment market. In FY2010, 89 percent of the SMQ respondents offered various company benefits to employees such as transportation or meal subsidies, pension plans, or medical coverage. Approximately 75 percent of SMQ respondents had an equal employment policy. And, about 89 percent of OPIC-supported projects had special policies and benefits in place specifically to benefit women in the workplace, such as child care, maternity leave, and / or policies against sexual harassment.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) identifies organizations taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. OPIC evaluates CSR in its projects by identifying socially responsible and environmentally conscious benefits that are offered to the greater community. CSR includes community outreach programs whereby the enterprise facilitates public access to company-sponsored clinics and schools, funds community centers, sponsors sports teams and cultural events, or provides financial support for local foundations and organizations. In FY2010, 68 percent of the SMQ respondents were involved in these types of community outreach programs.

Technology and Knowledge Transfer

Technology and knowledge transfer includes the dissemination of innovative management practices, marketing and distribution expertise, and the adoption of new production technologies. Often they lead to the development and introduction of new products or services. These transfers frequently have a substantial effect on the host country by improving worker productivity and the quality of other factors of production. Moreover, additional impacts may be created through the diffusion and adoption of new technologies and ideas by other firms in the country as a result of the implementation of these ideas by OPIC-supported investors.

In FY2010, 35 percent of SMQ respondents introduced innovative management techniques in the host country while 33 percent introduced novel marketing methods. Furthermore, 29 percent of OPIC-supported projects sought to introduce new technologies in the host country, while almost 30 percent of projects introduced new products. Such practices assist OPIC-supported enterprises in gaining a competitive edge in the global market, improve the domestic technology base, and can result in increased operating efficiencies. This productivity enhancement can be reflected in lower local prices. In FY2010, 29 percent of OPIC-supported projects reported that they were able to offer lower prices in the local market by introducing more efficient production and management processes.

Economic Diversification

OPIC encourages private sector ownership of projects in order to promote entrepreneurial growth and sustainable development around the world. OPIC also encourages economic diversification since that decreases the local economy's dependence on international market swings and domestic business cycles, and helps promote overall macroeconomic stability.

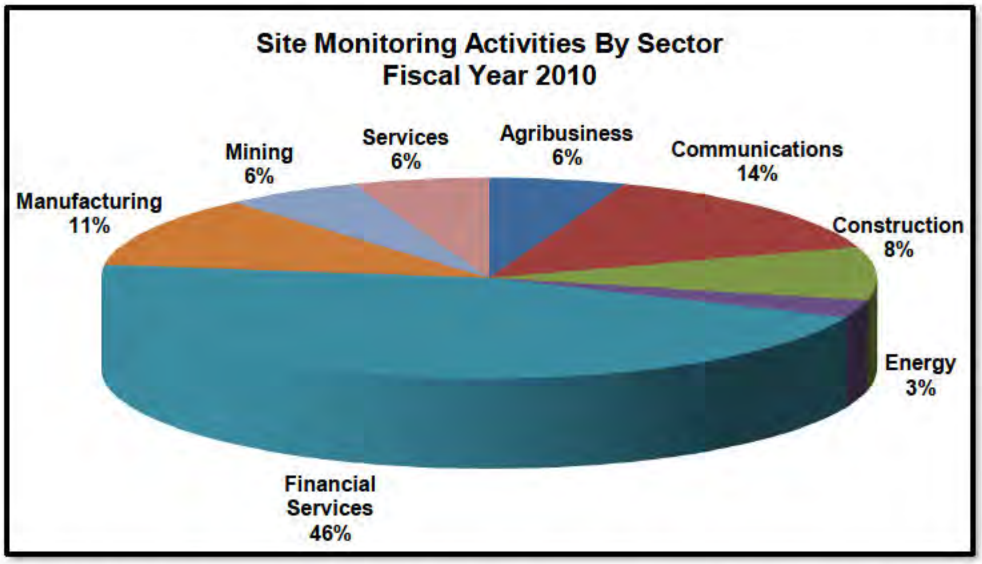
OPIC measures the economic diversification impact of its investments through various indicators such as local ownership or SME support, which encourages entrepreneurial activity. Approximately 60 percent of OPIC supported projects have some local ownership and around 21 percent of these local owners are SMEs.

Finally, OPIC recognizes the need for rural development in order to avoid creating or exacerbating income and developmental disparities between thriving cities and rural communities. Approximately 62 percent of OPIC-supported projects reporting in FY2010 were located in poor or rural regions. Also, around 75 percent of OPIC's projects strengthened the physical, financial, or social infrastructure, making infrastructure more accessible and affordable to all segments of the population.

Site Monitoring

In FY2010 OPIC site-monitored 35 projects located in various sectors around the globe. The figures below provide a breakdown of the sectors, products, and locations of the projects site-monitored in FY2010.

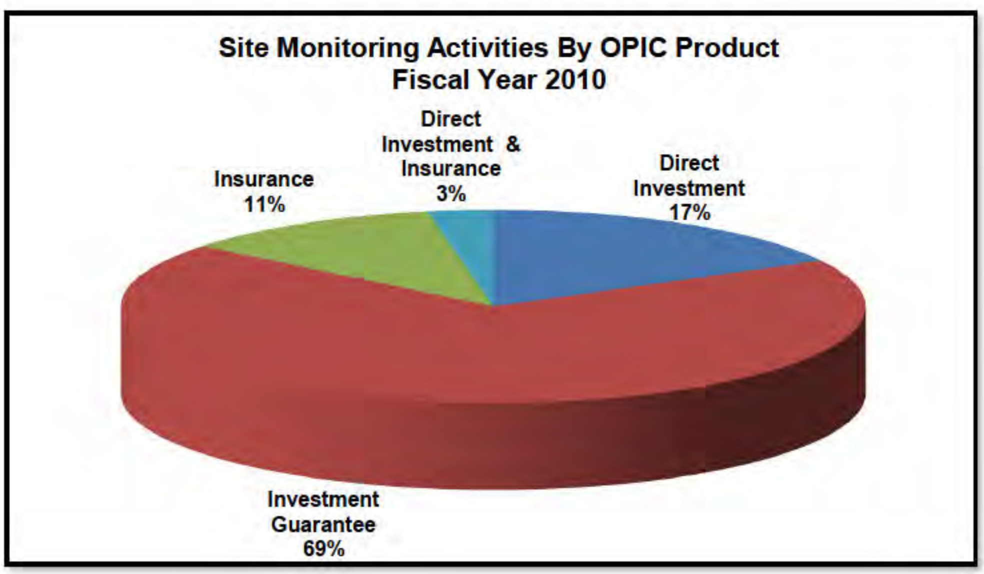
Figure 7



Reflecting the shift in the OPIC portfolio over the past few years toward investments in financial services and through financial intermediaries, OPIC continued to monitor a significant number of projects in this broad sector. For financial services projects, OPIC analyzed both the impact of OPIC support on the financial intermediary and the impact of OPIC support on the downstream borrowers.

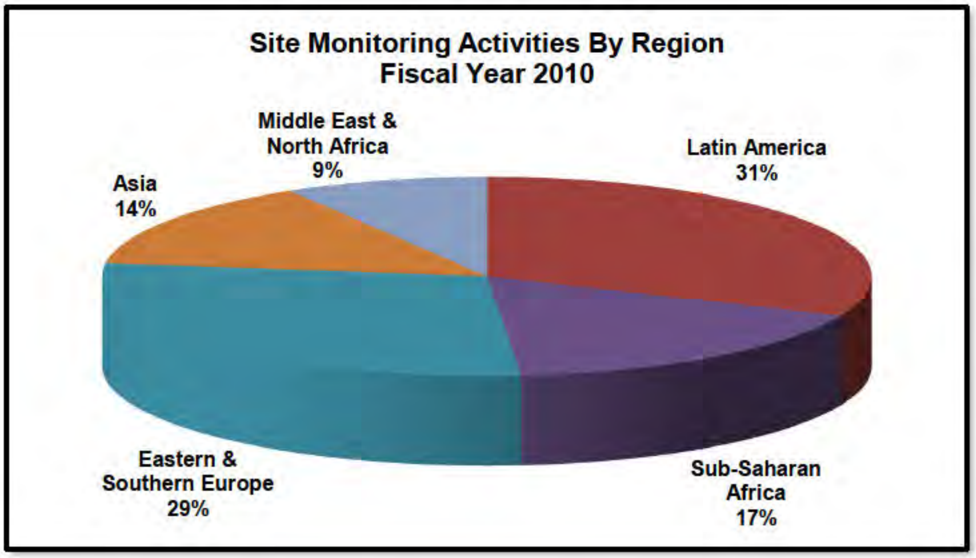
Since most financial services projects are supported via OPIC investment guarantees, the portfolio focus on financial services is also reflected in the breakdown by OPIC product line of projects monitored in FY2010.

Figure 8



Geographically, the majority of projects monitored in FY2010 were in Latin America and Eastern & Southern Europe, with Eastern & Southern Europe a close second.

Figure 9



Fiscal Year 2010 Monitoring Observations

Below is a sampling of findings from the Office of Investment Policy's monitoring visits. These examples show some of the ways in which OPIC-supported projects have had substantial developmental impact on the host countries. These projects were randomly selected for site monitoring in Fiscal Year 2010, with the exception of Fondesol (Guatemala). For more detail on OPIC's site monitoring methodology, see Exhibit 8.

Latin America

In FY2010 OPIC site monitored 11 projects in Latin America.

Fondesol (Guatemala): In November 2009, OPIC visited Fondesol, a microfinance institution in Guatemala that was funded through an OPIC facility with Global Partnerships, a Seattle-based microfinance fund. Fondesol used the OPIC funds to extend microfinance loans to rural borrowers in Guatemala. Fondesol offers three types of microfinance products including group loans, loans to village banks, and individual loans. For village banks, 12 to 45 people each receive loans that are collateralizing by fellow participants. This system allows Fondesol to reach the Guatemala's poorest, who lack the necessary collateral to acquire a traditional loan. In 2008, with a total client base of around 21,000 individuals, over 90 percent of lending went to village banks, while solidarity (group) and individual loans each accounted for approximately five percent of lending. Most clients are women who are members of indigenous tribes involved in agriculture or animal husbandry. This project also promotes strong corporate governance standards, targets micro-borrowers in rural areas, and employs a local staff of 105, who receive training and various benefits.

JTI de Colombia and Parko Services S.A. (Colombia): In April 2010, OPIC visited the Palagua-Caipal oil field, which is operated by Union Temporale, a consortium consisting of Tulsa, Oklahoma-based Joshi Technologies International (JTI), Sucursal Colombia, Parko Services S.A., and Ismocol de Colombia S.A. The OPIC project funds have been used to drill and operate new oil and gas wells. As a result of this expansion, the project has increased oil extraction significantly above projected amounts. Although smaller operators of oil fields are not an anomaly in Colombia, the company uses innovative technologies to improve the field's operations. Union Temporale's operations demonstrate that the implementation of innovative and efficient technologies can also be profitable. The project's greatest developmental impact is its contribution to private sector development in Colombia, as well as the creation of 85 new jobs since commencement of operations. The project company contributes six percent of its revenues to the national hydrocarbons fund, ANH, a government entity that invests in hydrocarbon exploration, supports energy companies, and manages energy contracts. The project supports regional suppliers, as over $3.5 million in annual local procurement is required to run the field. In addition, the project contributes over $3.2 million in annual tax earnings, and pays six percent of its incremental production to the state oil royalties program.

South Asia

OPIC monitored five projects in South Asia in FY2010.

[redacted] *

Sub-Saharan Africa

OPIC monitored six projects in Sub-Saharan Africa in FY2010.

AfricaTel (Namibia): In November 2009, OPIC visited MTC Namibia, one of its most successful African telecom projects. OPIC has provided an investment guaranty to Helios, a private equity fund that includes US investors and focuses on investments in sub-Saharan African companies. Helios is a shareholder in AfricaTel, an investment vehicle started by Portugal Telecom to make investments in the sub-Saharan telecommunications market. AfricaTel in turn made an investment into MTC, the largest Namibian mobile telecom company. MTC has driven a large increase in mobile penetration in the country, investing in the infrastructure to bring mobile coverage to rural parts of the country, and increasing coverage from 35 percent in 2007 to 81 percent in 2009. Since 2007, MTC has offered internet access to Namibian customers and as of September 2009, MTC had 1.3 million customers with a penetration rate of 76 percent, and 79 percent of the mobile telecom market. MTC has become an efficient, profitable, and highly advanced company that provides Namibian consumers with the latest in mobile handsets, services, and network.

Merodent (Zimbabwe): OPIC monitored the only active project in its portfolio in Zimbabwe: a small toothpaste production facility that has taken out OPIC political risk insurance. Merodent is Zimbabwe's only domestic toothpaste manufacturer, assembling toothpaste raw materials, packaging the toothpaste into tubes, and packing the tubes into boxes for delivery. The company is 80 percent owned by the U.S. investors and 20 percent owned by the local managers. Merodent produces toothpaste under a license with Sheffield Labs, a toothpaste producer located in New London, Connecticut. Merodent produces only for the Zimbabwean market, primarily the greater Harare area, and does not export. Merodent was forced to stop production in 2008 due to the hyperinflation that ravaged Zimbabwe in recent years. It

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resumed production in July 2009. OPIC's support has been critical to the continued operation of this company, which employed five people at the time of monitoring. At full operating capacity, the company employs 30 people, but the economic recession in the country has reduced staffing levels. This project has had a significant developmental impact primarily in the areas of technology and knowledge transfer, development infrastructure improvements, and human capacity building. The project's manufacturing equipment was provided by Sheffield Labs, one of the world's leading toothpaste manufacturers. The project has helped to lower prices for toothpaste in Zimbabwe since Merodent's prices are lower than others on the local market, which has made toothpaste more affordable to lower income consumers.

Middle East and North Africa (MENA)

OPIC monitored three projects in the Middle East and North Africa in FY2010.

Ameen s.a.l. (Lebanon): In July 2010, OPIC monitored one of its microfinance projects in Lebanon. OPIC is supporting a risk-sharing agreement between Silver Spring, Maryland-based Cooperative Housing Foundation International (CHF) and Access to Microfinance Enhanced Enterprises Niches (Ameen), a regulated Lebanese MFI. OPIC has guaranteed loans made by Ameen with capital from its local banking partners, Jammal Trust Bank, Fransabank, and Credit Libanais. Ameen has had a positive developmental impact on Lebanon by offering micro-loans both through direct lending and in partnership with local banks. Through this arrangement, Ameen investigates potential borrowers, manages the loans, and ensures repayment, while the partner institutions provide the financing. With no need for a physical branch network, the agreement enables Ameen to hire enough staff to maintain its portfolio of microfinance lending, and only charge a 20 percent interest rate on its loans. Ameen reaches its clients through more than 70 bank branches all over Lebanon. Ameen promotes strong corporate governance standards, offers loans to microfinance borrowers in Lebanon, employs a significant level of local staff, uses a partnership structure with local banks that is unique in Lebanon, and focuses lending on those impacted by the 2006 war with Israel.

Byblos Bank (Lebanon): In July 2010, OPIC monitored Byblos bank in Lebanon. OPIC provided investment guarantees for two Citibank loans made under the Citibank Lebanon Framework Agreements to Byblos bank. The proceeds of these loans have been used to expand Byblos bank's corporate, SME, mortgage and consumer lending portfolio. The long-term financing made possible by OPIC's support assisted the bank in a time of uncertainty following the 2006 war with Israel, and helped as Byblos targeted lending to those impacted. With the confidence fostered by OPIC-supported funds, Byblos Bank's customer deposits have continued to rise following a moderate drop at the outbreak of war. The bank was able to maintain its lending relationships with its business clients and maintain steady earnings growth even as various crises hit Lebanon. Access to capital for Lebanon's many medium-sized companies is essential for the country's long-term economic stability. Byblos Bank also promotes strong corporate governance standards and employs a local staff of 2,250, who all receive training and benefits.

Eastern Europe and Central Asia

In FY2010, ten projects were monitored in Eastern Europe and Central Asia.

Sante GMT (Georgia): In June 2010, OPIC visited one of the few dairies it has financed in the emerging markets. The project involved an expansion of the operations of Sante GMT Products, LLC the largest dairy and juice manufacturer in Georgia. The U.S. sponsors of this project are a Washington state-based group of investors led by Edward and Kay Sturdivant. The company produces milk, juice, matsoni (a Georgian fermented milk product), cottage cheese, yogurt, sour cream, butter, juices and mayonnaise. Project sales continued to grow in 2009, despite the global financial crisis and the blockage of a major thoroughfare by Russian forces in 2008 that disrupted company sales in certain regions in Georgia. Although the company continues to face challenges with the lack of credit in the marketplace and the potential for further disputes with Russia, management is optimistic about the company's future outlook. With the OPIC-supported expansion, Sante has added 106 jobs, the majority of which are professional or technical in nature. The project has improved the livelihoods of thousands of farmers located in the impoverished rural regions, through the company's procurement of local fresh milk. In addition to the impact the project has had on local farmers, the project has benefitted local consumers by providing high-quality, nutritional dairy products. Through significant capital investment, Sante has improved the milk collection, production, and distribution infrastructure in Georgia, which has improved the quality of milk and other dairy products sold in the market.

NBD Bank (Russia): In May 2010, OPIC visited NBD Bank, a regional bank headquartered in Nizhny Novgorod, Russia that specializes in SME lending. OPIC has provided an investment guarantee on a loan from WorldBusiness Capital, a commercial finance company based out of Hartford, Connecticut, to NBD Bank. The proceeds of this loan have been used to expand NBD's SME lending portfolio. The bank offers micro, small, and medium-sized loans, as well as letters of credit, guarantees, lease finance, and trade finance. The OPIC facility has catalyzed other sources of international long-term capital for the bank; NBD management said that its experience with OPIC contributed significantly to its ability to obtain credit approvals for the rest of its international financing. This funding has allowed NBD to make longer-term loans of up to ten years to its customers and serve a wider array of clients. The OPIC-backed portfolio includes SMEs involved in wholesale trade, transportation, communication, and services, the majority of which have been used for equipment purchase. Collectively, the SME borrowers have an average of 113 employees and average assets of $4.15 million.

VI. EXHIBITS

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Exhibit 1: U.S. Employment and Associated Effects of OPIC-Supported Projects

Fiscal Year 2010 (Projections)

(All Dollar Figures are in Thousands)

Industry Sector	Number of Projects	U.S. Current Account Inflows 1/	Final Destination of Project Output 2/ Host Country	U.S.	3rd Country	U.S. Procurement 1/	Effect on U.S. Employment 1/ 3/ Initial	Operating	Total	Effect on U.S. Trade Balance 1/
A. Projects with Positive Effects on Employment 4/										
Agribusiness	0	$0	$0	$0	$0	$0	0	0	0	$0
Manufacturing	3	$375,303	$12,794	$0	$165,922	$375,308	201	307	508	$375,303
Minerals & Energy	2	$26,941	$5,637	$0	$23,954	$39,071	34	25	58	$26,941
Other Services	11	$211,728	$217,714	$0	$0	$199,516	115	255	369	$211,728
Positive Total	**16**	**$613,971** 6/	**$236,145**	**$0**	**$189,877**	**$613,894**	**350**	**587**	**935**	**$613,971**
B. Projects with Neutral Effects on Employment 7/										
Agribusiness 5/ & Manufacturing	5	$306	$19,861	$5,705	$38,653	$306	0	1	1	($28,217)
Minerals & Energy	4	$0	$117,318	$0	$0	$0	0	0	0	$0
Other Services	72	$9,808	$731,470	$3,684	$123,148	$4,184	7	1	8	($8,610)
Neutral Total	**81**	**$10,114**	**$868,650**	**$9,388**	**$161,801**	**$4,490**	**7**	**2**	**9**	**($36,827)**
C. Projects with Negative Effects on Employment 8/										
Negative Total	**0**	**$0**	**$0**	**$0**	**$0**	**$0**	**0**	**0**	**0**	**$0**
Net FY Total	**97**	**$624,085**	**$1,104,795**	**$9,388**	**$351,678**	**$618,384**	**357**	**589**	**944**	**$577,144**

1/ Total effect during first five years of project operation.
2/ Average annual effect during first five years of project operation.
3/ Person years of employment.
4/ Projects with a U.S. employment effect of 2 or more jobs (10 person years or more of employment during the first 5 years of project operation).
5/ There is one project within the Agribusiness sector and in the Infrastructure sector in Section B (positive effects). To protect business confidentiality, the data for this project is included in the data for the Manufacturing sector.
6/ Totals may differ slightly from the sum of individual sectors due to rounding.
7/ Projects with a U.S. employment effect of plus or minus 2 jobs (plus/minus 10 person years of employment during the first 5 years of project operation).
8/ There were no projects supported in fiscal 2010 that resulted in the loss of any U.S. employment.

Exhibit 2: Breakout of Final Destination of OPIC – Supported Project Output to Non-US or Host Country Markets

Fiscal Year 2010 (Projections)

PROJECTS WITH POSITIVE EFFECTS ON U.S. EMPLOYMENT 1/

Agribusiness		
	Sector Total	$0
Minerals and Energy		
Italy		$9,527,350
Saudi Arabia		$4,083,150
Turkey		$4,899,780
Turkmenistan		$5,444,200
	Sector Total	$23,954,480
Manufacturing		
Dominican Republic		$1,310,400
Europe Regional		$144,611,800
Russia		$2,000,000
Turkey		$13,000,000
Ukraine		$5,000,000
	Sector Total	$165,922,200
Services		
	Sector Total	$0
	TOTAL POSITIVE EFFECTS	$189,876,680

1/ There were no projects with positive U.S. employment effects that had sales to third countries. There were no projects supported in fiscal 2010 that resulted in the loss of any U.S. employment.

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Exhibit 2 (continued): Breakout of Final Destination of OPIC – Supported Project Output to Non-US or Host Country Markets, Fiscal Year 2010 (Projections)

PROJECTS WITH NEUTRAL EFFECTS ON U.S. EMPLOYMENT 3/

Agribusiness & Manufacturing		
Belgium		$153,000
Canada		$93,000
Chile		$776,000
China		$5,000
Europe Regional		$3,490,000
France		$19,643,000
Germany		$453,045
Guadeloupe		$14,000
Ireland		$613,045
Japan		$254,000
Latin America Regional		$4,011,196
Lebanon		$250,000
Mexico		$3,910,500
Netherlands		$861,000
New Zealand		$18,000
Portugal		$47,000
South Africa		$2,171,000
Spain		$111,000
Sri Lanka		$453,045
United Kingdom		$1,326,045
	Sector Total	$38,652,876
Minerals & Energy		
	Sector Total	$0 2/

Continued on next page

Exhibit 2 (continued): Breakout of Final Destination of OPIC – Supported Project Output to Non-US or Host Country Markets, Fiscal Year 2010 (Projections)

Services			
Africa Regional		$48,400,000	
All OPIC Countries		$570,800	
Benin		$15,650,000	
Chad		$9,090,000	
Gabon		$23,040,000	
Germany		$79,300	
Ghana		$254,300	
Guinea		$6,840,000	
Mauritania		$6,840,000	
Senegal		$10,560,000	
South Africa		$1,189,500	
United Arab Emirates		$475,800	
United Kingdom		$158,600	
	Sector Total	$123,148,300	2/
	TOTAL NEUTRAL EFFECTS	$161,801,176	
	Fiscal Year TOTAL	$351,677,856	

2/ Totals may differ slightly from the sum of individual countries due to rounding.

3/ Represents projects with a U.S. employment effect of plus or minus two jobs (plus/minus 10 person years of employment during the first five years of project operation). There were no projects supported in Fiscal Year 2010 that resulted in the loss of any U.S. employment.

Exhibit 3: U.S. Employment Effects and Host Country Location of OPIC-Supported Projects
Fiscal Year 2010 (Projections)

A. PROJECTS WITH POSITIVE EFFECTS ON EMPLOYMENT 1/

COUNTRY/REGION	AGRICULTURE	MINERALS & ENERGY	MANUFACTURING	SERVICES	TOTAL
Africa Regional				1	**1**
Total Sub-Saharan Africa	**0**	**0**	**0**	**1**	**1**
Georgia				1	**1**
Hungary			1		**1**
Turkey				1	**1**
Total Europe	**0**	**0**	**1**	**2**	**3**
All OPIC Countries				1	**1**
Total Global	**0**	**0**	**0**	**1**	**1**
Costa Rica				2	**2**
Dominican Republic				1	**1**
Haiti			1		**1**
Mexico				1	**1**
Total Latin America	**0**	**0**	**1**	**4**	**5**
Afghanistan		1	1	1	**3**
India		1		2	**3**
Total East & South Asia	**0**	**2**	**1**	**3**	**6**
TOTAL POSITIVE	**0**	**2**	**3**	**11**	**16**

1/ Projects with a U.S. employment effect of 2 or more jobs (10 person years or more of employment during the first five years of operation). The vast majority of projects were in the services sector. No projects that OPIC supported in 2010 resulted in the loss of any U.S. jobs.

Continued on next page

Exhibit 3 (cont): U.S. Employment Effects and Host Country Location of OPIC-Supported Projects

B. PROJECTS WITH NEUTRAL EFFECTS ON EMPLOYMENT 1/

COUNTRY/REGION	AGRICULTURE	MINERALS & ENERGY	MANUFACTURING	SERVICES	TOTAL
Africa Regional			1	2	**3**
Angola				1	**1**
Cote d'Ivoire				1	**1**
Ghana				1	**1**
Namibia				1	**1**
Nigeria				3	**3**
Rwanda			1		**1**
Somalia				1	**1**
South Africa				2	**2**
Tanzania				1	**1**
Zimbabwe				1	**1**
Total Sub-Saharan Africa	**0**	**0**	**2**	**14**	**16**
Cambodia				1	**1**
India		1		1	**2**
Pakistan				2	**2**
Total East & South Asia	**0**	**1**	**0**	**4**	**5**
Albania				1	**1**
Azerbaijan				2	**2**
Georgia				4	**4**
Kosovo				2	**2**
Poland				1	**1**
Russia				4	**4**
Turkey			1		**1**
Ukraine				1	**1**
Total Europe	**0**	**0**	**1**	**15**	**16**

1/ Projects with a U.S. employment effect of 2 or less jobs (10 person years or more of employment during the first five years of operation). The majority of projects were in the services sector. No projects that OPIC supported in FY2010 resulted in the loss of any U.S. jobs.

Continued on next page

Exhibit 3 (cont): U.S. Employment Effects and Host Country Location of OPIC-Supported Projects

B. (cont) PROJECTS WITH NEUTRAL EFFECTS ON EMPLOYMENT 1/

COUNTRY/REGION	AGRICULTURE	MINERALS & ENERGY	MANUFACTURING	SERVICES	TOTAL
All OPIC Countries		1		5	**6**
Total Global	**0**	**1**	**0**	**5**	**6**
Argentina				1	**1**
Brazil				5	**5**
Columbia				1	**1**
Costa Rica				1	**1**
Guatemala				1	**1**
Honduras			1		**1**
Jamaica				1	**1**
Latin America				3	**3**
Mexico		2		10	**12**
Panama				2	**2**
Paraguay				2	**2**
Peru	1			2	**3**
Total Latin America	**1**	**2**	**1**	**29**	**33**
Afghanistan				1	**1**
Iraq				2	**2**
Israel				1	**1**
Lebanon				1	**1**
Total Middle East & N. Africa	**0**	**0**	**0**	**5**	**5**
TOTAL NEUTRAL	**1**	**4**	**4**	**72**	**81**

1/ Projects with a U.S. employment effect of 2 or less jobs (10 person years or more of employment during the first five years of operation).
The majority of projects were in the services sector. No projects that OPIC supported in FY2010 resulted in the loss of any U.S. jobs.

Continued on next page

Exhibit 3 (cont): U.S. Employment Effects and Host Country Location of OPIC-Supported Projects

C. PROJECTS WITH NEGATIVE EFFECTS ON EMPLOYMENT 1/

COUNTRY/REGION	AGRICULTURE	MINERALS & ENERGY	MANUFACTURING	SERVICES	TOTAL
TOTAL NEGATIVE	0	0	0	0	0

D. TOTAL PROJECT EFFECTS ON EMPLOYMENT

TOTAL EFFECTS: Positive, Neutral & Negative ALL OPIC COUNTRIES	1	6	7	83	97

1/ Projects with a U.S. employment effect of 2 or more jobs (10 person years or more of employment during the first five years of operation). The majority of projects were in the services sector. No projects that OPIC supported in FY2010 resulted in the loss of any U.S. jobs.

Exhibit 4: Methodology for Calculating U.S. Employment Effects

Each project seeking OPIC support is reviewed on a case-by-case basis to estimate its U.S. employment effects. OPIC uses the project application to estimate expected initial and operational procurement from the United States by value and specific type of good or service. The U.S. employment generated by a project's initial and five-year operational procurement of goods and services is then estimated by considering the *direct and indirect* employment necessary to produce those goods and services. That is, the employment effects incorporate the direct employment necessary to produce the procured goods and services, as well as the indirect employment required for the production of the associated intermediate inputs. This methodology is used by other federal agencies as well.

OPIC details each type of U.S. good or service procured for each project and calculates the employment effect in that industrial sector as well as in the sectors that supply necessary components or inputs. By using this methodology, OPIC is able to ascertain employment-generation levels with greater precision than if it used an across-the-board average for all U.S. exports. By including indirect effects, OPIC's employment figures present a more accurate picture of the benefits accruing to U.S. workers from the procurement of goods and services. Finally, to confirm its estimates, OPIC monitors *actual* economic effects after project start-up and throughout the life of the OPIC's involvement with the project. OPIC's monitoring is described in further detail in the Monitoring section.

Exhibit 5: OPIC's Development Matrix Explained

OPIC supports 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 – these types of projects are assessed on OPIC's standard development matrix. Through this development impact assessment, 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 GNP, 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 out of 160 possible points on the matrix to be considered *developmental* and clearly eligible for OPIC support. A score of 100 to 160 qualifies a project as *highly developmental.*

Exhibit 6: OPIC's Financial Services Development Matrix Explained

As more of OPIC's projects focus on financial services, it became evident that in many cases the development matrix, originally created for traditional "bricks and mortar" projects, did not capture accurately the developmental impact of these projects. A new model was developed tailored to assessing the development impacts of financial services projects. The general structure of the financial services matrix is similar to the standard development matrix, but includes core indicators that are specific to financial services-related projects. These core indicators result in a development matrix that is a more comprehensive and accurate measurement of the developmental impact of financial services projects. The types of projects that are scored on the financial services matrix include framework agreements, investment funds, mortgage finance and securitization projects, microfinance facilities, and general bank lending.

To support its developmental mission, OPIC evaluates and scores every proposed project in 11 key areas across three broad categories that objectively quantify its expected contribution to host-country development.

- Category I covers financial instrument innovation or augmentation, multiplier/spillover effects, corporate governance, and capital mobilization and complementarity – four 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 six additional development indicators within such broad areas as sustainability, economic diversification, human capacity building (job creation and training), social effects, 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 GNP, 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 out of 160 possible points on the matrix to be considered *developmental* and clearly eligible for OPIC support. A score of 100 to 160 qualifies a project as *highly developmental.*

Exhibit 7: OPIC's Greenhouse Gas Policy and Current Inventory

In Fiscal Year 2010, OPIC's outside environmental auditor, Pace Global Energy Services LLC (Pace), with input from OPIC, identified 14 projects that had the potential to emit carbon dioxide equivalent emissions of 25,000 tons per year or greater but less than 100,000 tons per year ("Tier C"). Out of these 14 projects, four projects (Powersource, Kidwell, Zeta Gas, and Palco) are no longer active and have therefore been deleted from the list. Of the remaining 10 projects, the sponsors of four projects (Israeli Electric, Kalahari Gas, NAPOCOR, and Coeur) have provided information showing that these projects do not emit significant GHG emissions. Of the remaining six projects, GHG emissions from three projects are not expected to be greater than 25,000 tons because of their fuel consumption levels. Of the remaining three projects, Lukoil is included in the Tier B list because its GHG emissions are greater than 100,000 tons per year; the remaining two projects (Joshi/Parko and Jose Lindley) are included in the list of Tier C projects.

In order to account for GHG emissions from active projects in OPIC's portfolio that have less than 25,000 tonnes of CO_{2eq}, OPIC adds an extra 4.6 percent[1] emissions to the aggregate emissions number. The addition of 4.6 percent to account for such sources is consistent with the GHG accounting methodology of the Climate Registry.[2]

OPIC believes this additional 4.6 percent is conservative because a significant percentage of the number of projects in OPIC's portfolio (over half) are in sectors that are not expected to result in significant direct emissions (e.g. financial services, telecommunications, home construction). Pace's Report on GHG emissions from projects that are expected to emit more than 25,000 metric tonnes is available at www.opic.gov.

OPIC calculates GHG emissions from projects in its active portfolio using methodologies and algorithms that rely on activity data such as fuel consumption or gas/oil throughput. In most cases, OPIC uses methodologies approved by the Climate Registry. For emissions from sources without Registry-approved methodologies, OPIC uses emission estimates provided by the U.S. Environmental Protection Agency.

Following the completion of the independent audit by Pace, OPIC provided investors the opportunity to comment on the Independent Auditor's estimate, activity data, and methodology. The following table contains the final auditor estimates after consideration of investor input.

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[1] Prior to 2010, OPIC added an extra 5% emissions to the aggregate emissions number to account for GHG emissions from active projects in OPIC's portfolio that were estimated to have generated less than 100,000 short tons of CO_2eq. However, because OPIC now estimates emissions for projects emitting less than 100,000 short tons CO2eq but greater than 25,000 tonnes CO_2eq., and these emissions account for 0.4% of total emissions, OPIC now adds 4.6% to estimate the total emissions from those projects that individually emit less than 25,000 tonnes CO_2eq.

[2] THE CLIMATE REGISTRY is a nonprofit collaboration among North American states, provinces, territories and Native Sovereign Nations that sets consistent and transparent standards to calculate, verify and publicly report greenhouse gas emissions into a single registry. The Registry supports both voluntary and mandatory reporting programs and provides comprehensive, accurate data to reduce greenhouse gas emissions. The 5% value is from The Climate Registry's General Reporting Protocol, Version 1.1, May 2008, p. 58. Available online at http://www.theclimateregistry.org/downloads/GRP.pdf.

OPIC GHG Emissions Inventory Estimate by Project								
Tier[1]	Project Name	Location	Description	Capacity / Throughput	Fuel Type	2007 (Baseline) Emissions (short tons CO_2)[2,3]	2008 Final Emissions (short tons CO_2)[3]	2009 Final Emissions (short tons CO_2)[3]
A	Adapazari Elektrik Uretim	Turkey	Combined Cycle	777 MW	Natural Gas	2,106,754	2,106,754	2,441,657
A	AES Jordan	Jordan	Combined Cycle	10,103,603 MMBtu/yr	Natural Gas	--[b]	590,940	1,318,130[4]
A	AES Nigeria Barge	Nigeria	Engine-Based Power Generation	270 MW	Natural Gas	1,166,398	1,341,157	988,271
A	Doga Enerji	Turkey	Combined Cycle	180 MW	Natural Gas	740,756	740,756	653,417
A	Gaza Private Generating PLC	Gaza	Combined Cycle	136.4 MW	Natural Gas	293,804	303,535	291,800
A	Gebze Elektrik Uretim	Turkey	Combined Cycle	1554 MW	Natural Gas	4,121,923	4,121,923	4,794,979
A	Grenada Electricity Services (WRB)	Grenada	Engine-Based Power Generation	18 MW	Diesel (Fuel Oil)	114,571	121,156	141,127
A	Habibullah Coastal Power	Pakistan	Combined Cycle	140 MW	Natural Gas	447,880	447,880	--[a]
A	Isagen SA	Colombia	Combined Cycle	300 MW	Natural Gas	203,010	--[c]	300,706
A	Izmir Elektrik Uretim	Turkey	Combined Cycle	1554 MW	Natural Gas	4,694,380	4,694,380	4,300,376
A	Jorf Lasfar Energy	Morocco	Steam Boiler	1356 MW	Coal	14,268,496	-- [a]	-- [a]
A	NEPC Consortium Power	Bangladesh	Engine-Based Power Generation	363,184 MMBtu/yr	Natural Gas	245,795	343,581	255,734
A	Paiton Energy	Indonesia	Steam Boiler	1200 MW	Coal	9,553,044	9,553,044	9,624,125
A	Pakistan Water & Power Authority	Pakistan	Combined Cycle	150 MW	Natural Gas	522,490	522,490	283,937[5]
A	Termovalle SCA	Colombia	Combined Cycle	199 MW	Natural Gas	-- [c]	-- [c]	223,983[6]
A	Trakya Elektrik Uretim ve Ticaret	Turkey	Combined Cycle	478 MW	Natural Gas	1,747,956	-- [a]	-- [a]
B	Accroven SRL	Venezuela	NGL Facility	800 MMscfd	Natural Gas	998,677	445,832	-- [a]
B	Baku-Tblisi-Ceyhan Pipeline	Azerbaijan	Crude Oil Pipeline	247 million bbl	Natural Gas & Diesel	707,672	707,672	787,577
B	E.P. Interoil	Papua New Guinea	Crude Oil Refinery	358,798 MMBtu/yr	Crude Oil	392,296	103,247	Tier C
B	Equate Petrochemical	Kuwait	Petrochemical Facility	1540 MMBtu/hr	Natural Gas	720,573	680,311	-- [a]
B	Foxtrot International	Cote d'Ivoire	Gas Extraction & Pipeline	1736 MMscf/yr	Natural Gas	104,484	104,484	104,484
B	Natural Gas Liquids II Financing	Nigeria	NGL Facility	19.5 MMscfd	Natural Gas	244,048	244,048	-- [a]

OPIC GHG Emissions Inventory Estimate by Project								
Tier[1]	**Project Name**	**Location**	**Description**	**Capacity / Throughput**	**Fuel Type**	**2007 (Baseline) Emissions (short tons CO_2)[2,3]**	**2008 Final Emissions (short tons CO_2)[3]**	**2009 Final Emissions (short tons CO_2)[3]**
B	Various Egypt Subsidiaries (Apache)[3]	Egypt	Oil/Gas Extraction & Processing	29,934,702 bbl/yr & 89,910 MMscf/yr	Oil & Natural Gas	3,071,933	3,244,190	3,294,654
B	West Africa Gas Pipeline[7]	Ghana	Gas Compression & Transmission	190 MMscfd	Natural Gas	-- [b]	-- [b]	244,728
B	Wilpro Energy Services (El Furrial)	Venezuela	Gas Compression	60 MW	Natural Gas	289,106	289,106	-- [a]
B	Wilpro Energy Services (Pigap)	Venezuela	Gas Compression	100 MW	Natural Gas	571,090	571,090	-- [a]
C	E.P. Interoil	Papua New Guinea	Oil	-	-	--[d]	--[d]	79,709
C	Jose Lindley	Peru	Manufacturing	-	-	--[d]	--[d]	25,000
C	Lukoil Rpk Vysotsk	Russia	Oil	-	-	--[d]	--[d]	76,339
C	Parko/Joshi	Colombia	Oil	20,000,000 million m^3/yr	Natural Gas	--[d]	--[d]	30,398
	Latin America Power III[8]	Latin America	Fund	N/A	N/A	2,077,500	2,077,500	2,077,500
					Sub-total:	49,404,636	33,355,076	32,338,631
					5% for Additional Sources:	2,470,232	1,667,754	--
					4% for Additional Sources[9]:	--	--	1,405,486
					Total:	51,874,868	35,022,836[10]	33,744,117

[1] Tier A projects are fossil fuel fired power generation projects that emitted more than 100,000 short tons CO_2; Tier B projects are facilities in the oil & gas, mining, transportation, manufacturing, or construction sectors with annual GHG emissions estimated to be above 100,000 short tons CO_2; Tier C projects are those emitting less than 100,000 short tons CO_2 and greater than 25,000 short tons CO_2.
[2] Baseline emissions are100 percent of on-site emissions from the calendar year 2007 for all projects within OPIC's active portfolio as of June 30, 2008. Emissions presented as reported by project sponsors. For those projects for which sponsors have not reported emissions, emissions are estimated based on project descriptions as well as publically available data and emissions factors.
[3] Based on new information reported by the project sponsor, OPIC learned this project had reported emissions based on their equity share (50%) rather than accounting for emissions for the entire project in years 2007 and 2008. Because OPIC accounts for 100% of emissions from projects regardless of equity share, the 2007 and 2008 estimates were revised to reflect 100% of emissions from this project.
Net energy generated increased from 10,103,603 in 2008 to 22,536,748 MMBtu in 2009. This generation increase was responsible for the emissions increase.
[5] 2009 emissions are significantly lower due to fewer reported operating hours.
[6] 2009 emissions are significantly higher due to increased reported operating hours.
[7] The West Africa Gas Pipeline was included in baseline but it was not yet operational in 2008. Therefore, no emissions were reported for 2007 or 2008.
[8] Per agreement between Latin American Power III and OPIC, the Fund agreed not to "make an investment in a Portfolio Company if after such investment, the assets and operations of all Portfolio Companies then held by the Fund would emit (in the aggregate and on a calendar year basis) in excess of 2,077,500 tons of CO_{2eq} as calculated in accordance with the IPCC".
[9] Buffer included 4.35% plus Tier C equaling 5%. For an explanation of this difference, please see footnote [1] in Exhibit 7.
[10] This total amount reflects the correction of a 6-ton error in reporting of emissions related to the Doga Enerji project in Turkey, based on sponsor-reported emissions.
[a] Emissions are not reported for projects for those years when they cease to be active in OPIC's portfolio.
[b] Emissions begin to be accounted for the year they become active in OPIC's portfolio.
[c] Because emissions were less than 100,000 tons of CO_2eq., emissions from this project were not included. For more detail, see footnote [1] in Exhibit 7.
[d] Tier C is a new category for FY2010 and therefore emissions for Tier C projects are not included in the baseline or 2008 estimates.

Exhibit 8: OPIC Site Monitoring Methodology

(Statutory Disciplines: Environment, U.S. Economic Impact, Labor and Human Rights, Host Country Developmental Impact)

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

Using a statistical sampling methodology combined with risk-based monitoring, OPIC identifies investment projects that OIP staff across all disciplines will site monitor , drawing active projects that exhibit specific characteristics within the portfolio. The sample of projects selected for site monitoring includes: (1) a random sample of projects supported by the agency during a three-year period or "monitoring round"; (2) projects supported during this period that are sensitive with respect to U.S. economic effects, labor and human rights or environment, health and safety issues; and (3) projects from other years that have either not been site-monitored in the past or that fit in logistically with randomly sampled project in similar regions or countries. This "sensitive project" sample ultimately provides a conservative bias to the monitored results.

<u>Labor and Human Rights</u>
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.

<u>Environment, Health, and Safety (EHS)</u>
With respect to EHS 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 EHS and social performance of a project against applicable benchmarks including contract conditions, international standards and guidelines, and industry best practices. Factors included in the performance assessment include an evaluation of the project's environmental and social management systems, the effectiveness of mitigation, including pollution controls in risk reduction, and the efficiency of the operations, including energy efficiency.

<u>U.S. Economic Impact</u>
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 exercise 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 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 expects to hire 100 local workers, actual employment numbers are verified and compared to the 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 using actual findings against the initial developmental impact evaluation using the same criteria projected in the project's original OPIC clearance.