BUDGET REQUEST
FISCAL YEAR 2006

An Agency of the U.S. Government
www.opic.gov

Overseas Private Investment Corporation
Congressional Budget Justification
February 2005

Table of Contents

Executive Summary

To carry out its mandate in FY 2006, OPIC requests the authority to spend $42.274 million of its revenues for administrative expenses and $20.276 million in Credit Reform resources. OPIC also requests, with the concurrence of the Department of State, Credit Reform transfer authority capped at $20 million to enable OPIC to address projects in high priority areas that OPIC may otherwise be unable to afford with its appropriated resources.

OPIC's budget provides for administrative expenses and credit funding associated with the implementation of OPIC programs. OPIC's mission is to support U.S. private investment in developing countries by absorbing risk in a targeted way using loans, guarantees, and political risk insurance.

Private sector investment support provided by OPIC is market driven and, as a result, efficiently aligns government resources with projects that are most likely to drive economic growth. For many countries that have moved beyond basic humanitarian assistance and traditional grant assistance programs, OPIC is an effective and efficient way to promote private sector growth.

OPIC's ability to produce developmental projects has been increasing due to shifts in strategy that focus on establishing relationships with other lenders. As a result, OPIC's volume of insurance and credit transactions has been growing rapidly with a corresponding growth in future exposure and the duty to monitor this exposure. OPIC has also been focusing increased resources on small and medium sized enterprises (SME), resulting in a substantial increase in the number of SME projects.

To support its mission, OPIC requests the following FY 2006 appropriations from its own resources and revenues:

- $42.274 million to support
    - New origination and stewardship of OPIC's existing portfolio
    - OPIC's continuing efforts on Small and Medium Enterprise projects
    - Continued efforts to improve OPIC's technology

- $20.276 million in credit funding

    In addition, OPIC requests a transfer provision, capped at $20 million and subject to the normal Congressional notification process. This would offer OPIC the flexibility to bear the Credit Reform costs of unforeseen projects in high-priority areas that OPIC may otherwise be unable to support within its FY 2006 budget.

    Continue language enabling OPIC to operate in Iraq pending a formal bilateral agreement.

Introduction

OPIC's role as part of the USG development effort is to promote private investment in support of economic growth in developing countries. The great advantage of private investment in a developing country with the proper enabling environment is that it aligns private and social goals under a rigorous and unforgiving test: the market test of efficiency.

However, not all countries are ready for private foreign direct investment. Countries in humanitarian crisis or with a barely functioning government, for example, are better served by grants and other direct aid.

In countries with key elements in place to support private sector led growth, private investment, including foreign investment, is the most cost effective way to promote development. Even in some very poor countries there are sectors ripe for investment opportunities that could generate hard currency earnings for the economy, thereby reducing dependency on grants in the long run.

In the long run, investment oriented development assistance minimizes the creation or extended duration of a donor-recipient cycle, where countries have an incentive to perpetuate grants as a source of income. Even in the short run, private investment oriented assistance cleanly aligns resources with the best information in the market to support economic growth and job creation.

Experience over the past 50 years has shown that a strong link between private sector investment and good government policies including a good legal and institutional framework is crucial for effective development. As the World Bank observed:

> "[m]ost effective approaches to development will be led by the private sector, but with effective government to provide the governance framework, facilitation or provision of physical infrastructure, human capital investments, and social cohesion necessary for growth and poverty reduction. The fundamental challenge in stimulating economic growth is to create the right economic incentives that will encourage local economic actors to build capital and to manage it efficiently."
>
> **Goldin, Rodgers, and Stern.** 2002. "The Role and Effectiveness of Development Assistance: Lessons from World Bank Experience." World Bank, Washington D.C.

This illustrates the value of efforts by the Administration to coordinate OPIC supported investment with the grant programs of USAID and the Millennium Challenge Corporation (MCC) or the lending of multilateral development banks (MDB's). In each of these cases, grants or lending may pave the way for investment by stimulating policy reforms, by improving basic governance, or by establishing a platform of basic social services. OPIC's mandate, skill base, and working relationship with the private sector place it at the critical juncture between grant-based assistance and self-sustaining private investment.

In order to maximize OPIC's effectiveness, OPIC will work to support development and complement grant-based programs. For example, several options OPIC is working on or considering for FY 2005 and FY 2006 include the following:

> *Support and contribute to the interagency process in high priority areas*: OPIC will continue to coordinate with other foreign policy agencies in developing its programs. In addition, in FY 2006, the President's Budget proposes the flexibility to transfer up to $20 million from Title II appropriations to OPIC's lending budget to support unforeseen projects which otherwise could be unaffordable within OPIC's base appropriation. To make this process effective, OPIC will coordinate with State, USAID, and other agencies to identify cases where priority U.S. objectives are best served by using such funds to support OPIC programs and U.S. priorities .
>
> *Explore new projects by working with USAID and other agencies at the project level*: OPIC could work with other agencies to identify new investment opportunities that could be logical follow-ups to USAID and other development bank funded grant projects. By following more closely what other U.S. government agencies and the development banks are doing to open doors for new private sector investment in particular countries, OPIC investments could support previous work by other agencies and thereby solidify development gains.
>
> *Recognize good practices with appropriate prices*: OPIC is considering whether business practices that help to reduce particular political risks could enable OPIC to offer investors lower rates. OPIC would thus be following best practices in the private liability insurance industry, whereby consumers receive rate reductions for risk mitigants like fire sprinkler systems and safe driving records.
>
> *Enable investment by communities in the U.S.*: OPIC could support investment by immigrant communities in the United States in their countries of origin, thus leveraging remittances and savings by temporary workers in the United States into more substantial investments in their home countries. OPIC could enlist local banks and credit unions serving these communities to play a key role.
>
> *Target political risks with well-designed insurance*: OPIC could develop new insurance products by identifying political risks that are of greatest concern to U.S. private investors and develop appropriate insurance products that will address these risks. One such area is

regulatory risk. The challenge is to separate punitive, quasi-confiscatory regulatory actions from the normal day-to-day regulatory decisions or to establish the right terms and incentives when a sovereign government is acting in the dual capacity of commercial partner and regulator.

FY 2006 Request

To support its mission, OPIC requests the following appropriations in FY 2006 to spend from existing balances in its budget accounts:

- $42.274 million to administer OPIC's program and portfolio
- $20.276 million in credit funding
- Transfer authority under a cap of $20 million to enable OPIC to address unforeseen priority projects.

Administrative Expenses

In FY 2006 OPIC is requesting a total of $42.274 million for administrative expenses. OPIC will strive within this level to continue improvements in: support of small and medium sized enterprises, interagency coordination, and continued modernization of OPIC's information technology.

See table B-1 for a historical presentation of OPIC's administrative budget.

Support of SME Projects

OPIC's focus on small and medium enterprise (SME) transactions has resulted in a higher number of SME projects. SME projects more than doubled from 42 in FY 2003 to 96 in FY 2004. SME transactions are typically more labor intensive than large projects, which generally have financially sophisticated sponsors. As a result, OPIC is seeking new ways to work with the private sector to efficiently support international investment by SMEs.

Interagency Coordination

OPIC will continue to coordinate its work with institutions such as USAID, MCC, the World Bank, and other development finance institutions in order to leverage current development programs with market oriented foreign direct investment. The request for transfer authority, for example, will allow OPIC to better support U.S. development efforts and foreign policy priorities. Through the transfer authority and supporting processes OPIC hopes to:

- Support policy priorities
- Develop private investment projects that build on previous or current grant assistance programs
- Develop new initiatives that would enhance OPIC's mission of supporting private investment as a development tool

Information Technology

OPIC's Application Integration and Migration (AIM) effort is designed to address the data, processes and technology challenges resulting from incomplete integration among OPIC's legacy business applications.

As part of this effort OPIC began in early FY 2004 to upgrade the software that supports loan processing and related Credit Reform processes. OPIC decided to focus on the credit process first, since it is the most data intensive and complex of OPIC's processes. OPIC expects that the system will be operational by the end of FY 2005. OPIC will work within its resources to continue the AIM effort through FY 2006.

Credit Funding Request

For foreign policy reasons, OPIC in FY 2004 placed a particular priority on developmental projects in Iraq and Afghanistan.

To reflect the higher risk of policy lending in yet unforeseen environments, the President's FY 2006 budget proposes a capped amount of $20 million transfer authority from Title II bilateral assistance accounts in the Foreign Operations appropriations bill. This language has precedents in similar transfers OPIC received in 1994 and 1996 from NIS appropriations. Transfer authority would provide needed flexibility to shift resources if OPIC is called upon to respond to unforeseen events during FY 2006.

For example, in FY 2004, OPIC developed a number of transactions in Iraq and Afghanistan, and closed commitments on nine transactions highlighted in Table 1 amounting to $125.2 million in lending, at a cost of $11.1 million in credit funding, and $56.1 million in insurance coverage. Continuing such projects in FY 2006 could require the flexibility to transfer funds to OPIC from Title II assistance programs.

Table 1 FY 2004 Projects In Iraq and Afghanistan

(in millions of dollars)	Cost	Name	Description
IRAQ			
$ 92.8	$ 8.8	Iraq Middle Market Development Foundation	Loan and $23.5m grant to establish a non-profit, the Iraq Middle Market Development Foundation (IMMDF), to lend directly to Iraqi middle market businesses, and eventually enable Iraqi financial institutions to lend to middle market businesses
14.4	n.a.	American Equipment Company, Inc.	Insurance on rental, repair, and maintenance of heavy construction equipment and machinery in Iraq
22.5	1.2	Al-Mansour Automotive	Loan to establish an auto distribution, sales, after-sales service, and spare-parts system in Iraq
0.7	0.2	Personnel Placement Services	Loan to support recruiting, screening and training of potential Iraqi employees for global employers in Iraq
21.0	n.a.	Motorola Credit Corporation	Insurance on cellular system
8.1	n.a.	Aziz Khudairi	Insurance on John Deere construction equipment
7.2	n.a.	ARCADD	Insurance on architectural design services for the Cinema Sinbad Hotel and real estate development project
AFGHANISTAN			
[redacted] *			
$ 181.3	**$ 11.1**	**TOTAL**	

** 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.*

Strategies, Goals, and Outcomes

The Government Performance and Results Act (GPRA) and the Program Assessment Rating Tool (PART) have helped OPIC to draw clearer alignment between OPIC's mandate, its strategic goals, and the ways in which it achieves those goals. OPIC's FY 2006 budget request builds on these efforts by drawing a clearer connection among OPIC's programs, resources, and performance measures.

In FY 2006 OPIC plans to continue to refine its focus on:

- Development and Additionality
- Small and Medium-Sized Enterprise Transactions
- Policy Priorities
- Measuring Mission Performance

Development and Additionality

Additionality measures OPIC's value added: whether and to what extent OPIC's support is necessary for an investment to be implemented by its private sector sponsors. OPIC uses rigorous objective criteria such as country risk, sector risk, project size, country investment climate, and private sector capacity to determine additionality of OPIC support for particular projects. These criteria enable OPIC to identify countries, sectors and projects where the risk is too high for the private sector and the mitigation of risk by OPIC would likely result in additional investment flows.

For its insurance product, OPIC has also implemented a formal mechanism that verifies the availability of private political risk insurance for every OPIC project. Private insurers also have the opportunity to participate in virtually every OPIC insurance transaction above $5 million. In other words, OPIC is able to cover smaller projects that the private market does not want, or is not able, to insure on its own, or to partner with the private sector on larger transactions. In FY 2004, OPIC executed three agreements with private market insurance companies that involved either reinsurance or coinsurance.

In addition, OPIC has established a Development Matrix that measures the contribution of OPIC-supported projects to economic development in developing countries and transition economies. OPIC has identified 25 development parameters and objective criteria for measuring how an individual project contributes to development in each of these 25 areas. Each project is scored for its development contribution on the basis of these criteria, and management uses the resulting scores to determine whether OPIC should support a project. Projects which score below the minimum threshold of 40 would be supported only in exceptional cases. Projects which score above 120 would reflect the favorable development effects of the project and therefore could be good candidates for flexibility in payment or other terms. Aggregate development scores are also used by OPIC to evaluate the performance of its production departments, as well as the effectiveness of the agency as a whole. Through these and other steps, OPIC seeks to build the results of development scoring into the budget process.

Small and Medium Sized Enterprise Transactions

OPIC's initiatives with regard to small and medium sized enterprises has yielded a substantial number of SME transactions in FY 2004. Much of this is the result of OPIC focusing human capital in these areas.

Over the next few years OPIC will more effectively reach out to small businesses by:

- Developing arrangements with intermediaries to expand outreach and origination capacity
- Building on OPIC's own network of small business relationships
- Establishing an outreach program targeting SME's owned by women and minorities

For example, OPIC is exploring a network of relationships with the private sector to maximize outreach to SME's within the framework of OPIC's quality goals. This would form the backbone of a new initiative, the Enterprise Development Network (EDN). The EDN would align financial, insurance, and legal services firms within a training and certification framework established by OPIC and support efficient delivery of OPIC's programs to U.S. investors.

Development Coordination

OPIC is planning to continue its efforts to mobilize private investments in all developing countries but in particular foreign policy priority countries such as Iraq and Afghanistan. In order to support the President's policies, OPIC must coordinate effectively with other policy and development organizations. To achieve this, OPIC plans to:

- Regularly engage the interagency process on ongoing policy issues
- Work with USAID, State, and Treasury on country strategy in countries of foreign policy priority where OPIC is planning to develop projects
- Develop working relationships with multilateral financial institutions

Measuring Mission Performance

As previously mentioned, OPIC has developed a metric for evaluating the development contribution of individual OPIC projects, OPIC program departments, and the agency as a whole. This Development Matrix was introduced in FY 2003 and refined in FY 2004.

As a development agency, OPIC has a substantial evaluation history as required by its authorizing legislation. Prior to the implementation of the new Development Matrix, OPIC tracked its performance on the basis of a set of disaggregated development parameters such as jobs created.

OPIC now proposes to migrate the goals built into its strategic plan to the new metric established by the Development Matrix (see Table B-2). Table B-3 presents the results and initiatives under the existing GPRA framework. OPIC proposes to use a number of indices derived from the development scores established for each project to evaluate OPIC's overall performance:

- Average development score of projects committed each Fiscal Year
- Weighted average development score of projects (weighted by dollars invested)
- Development "dollars" (total project investment multiplied by its development score divided by 100)
- Development dollars per administrative dollar

OPIC will continue to work throughout FY 2005 to refine the methodology and score new transactions as information becomes available.

In FY 2004 the average development score of scored projects was 91.3[1]. OPIC is setting a target for the average development score of 90 in FY 2005 and 95 in FY 2006. Estimates and targets for Development Dollar impacts and ratio of development dollars to administrative expenses are summarized below.

Table 2 Development Outcomes

	2004 Actual	2005 Target	2006 Target
Development Score			
Un-weighted average	91.3	95	100
Weighted by dollars invested	95.3	95	100
Development Dollars	4.7 B	4.9 B	5.1 B
per Administrative Dollar	112 : 1	115 : 1	120 : 1

These metrics summarize the results of the new framework and compares OPIC's overall impact, the development resources mobilized by OPIC's programs (development dollars), and the mobilization of resources associated with OPIC's overhead (development dollars per administrative dollar).

[1] The new scoring methodology was introduced on July 1, 2003 and could not be applied to prior projects.

Program Summary

Political Risk Insurance

OPIC provides political risk insurance to mitigate the risks faced by U.S. investors in emerging markets and developing economies. Insurance is available for up to twenty years for investments in new projects or expansions of existing projects. OPIC protects against the risks of inconvertibility, expropriation, and political violence, and insures different types of investments such as equity, third party and related party debt, technical assistance, and covered property. OPIC also has specialized programs for investments made by contractors and exporters, investments in the oil and gas industry, infrastructure projects, small business projects, and capital markets transactions. OPIC's Insurance activity is summarized at table B-4.

Following the events of September 11, 2001, many insurers excluded terrorism coverage from existing policies or limited their capacity for new policies. In late FY 2003, OPIC launched a stand-alone terrorism coverage, but has yet to issue any policies. One reason is that investors typically purchase terrorism coverage on a global basis, and such coverage is placed quickly and renewed annually. OPIC, however, is unable to respond quickly enough because of its statutory and policy requirements. As a result, OPIC has initiated a pilot program with a private insurance company that would create a facility for offering stand-alone terrorism insurance. Such a facility will provide a more commercially attractive vehicle for offering terrorism insurance in markets where coverage is either unavailable or very expensive with short tenors. It will also support U.S. investment overseas by providing stable capacity in the terrorism insurance market.

Finally, beginning in FY 2005 OPIC is considering whether it can identify business practices that would help to reduce particular political risks and for which OPIC could offer investors lower rates. OPIC would be following best practices in the private insurance industry, where consumers receive reduction in rates by taking specific actions that mitigate risk.

Finance

OPIC supports finance projects through its direct loan program and its investment guaranty program. Direct loans are provided to OPIC's small business clients by the Small and Medium Enterprise Finance Department. OPIC's Structured Finance Department generally supports large-scale projects with investment guaranties.

Small and Medium Enterprise Finance

OPIC established the Small and Medium Enterprise Finance Department (or SME Finance) to pursue investment through the involvement and support of SME's. Congress strongly supports OPIC's new focus on small business, as reflected by the committee report on OPIC's reauthorization and the Chairman of the House Small Business Committee. Over the past year, OPIC has succeeded in significantly increasing the number of loans to SMEs, which has been a longstanding goal and a natural outcome of Administration and Congressional guidance that OPIC should focus more closely on companies and countries that cannot access private financing.

Supporting SMEs, however, is more labor intensive than large projects that generally have financially sophisticated sponsors. In order to become a truly effective player in the delivery of longer-term financing to smaller enterprises, OPIC needs to modify its procedures to meet the needs of smaller organizations for simpler, less costly, more efficient and more predictable application and underwriting processes.

Structured Finance

The Structured Finance Department focuses on large projects and transactions where OPIC's guarantee rather than a direct loan would best support the deal structure. The provision of electricity, water, housing for low and middle-income residents, and business accommodations and services are important components of development and provide the foundation for a healthy developing economy. Such projects often generate other benefits such as environment enhancements and community improvements.

In FY 2004, the Structured Finance Department supported projects in high foreign policy priority areas such as Iraq, including the establishment of financial institutions to assist in the rebuilding of Iraq. The Iraq Middle Market Facility, for example, will lend to mid-sized Iraqi companies that have struggled during the war and now hope to ramp up their services and products.

In FY 2006, OPIC expects to see continued activity in such areas as airport and road infrastructure, natural resource processing, clean energy, financial services, and housing.

Investment Funds

OPIC's Investment Funds Program is designed to mobilize private sector capital and management skills to facilitate economic development in emerging markets around the world. OPIC's Investment Funds also stimulate additional private sector investment by paving the way for emerging market private equity to grow as an attractive asset class. To accomplish these goals, OPIC makes capital available, in the form of loans, to qualified private investment fund managers, who in turn raise capital in the form of equity. OPIC-supported investment funds catalyze private sector economic activity by providing new, expanding, and privatizing companies with long-term growth capital, and so support development of technology and management skills.

OPIC's role is particularly important given the enormous gap that exists between the supply of and demand for risk capital in emerging markets. For example, a Cambridge Associates study notes that of an estimated $155 billion in private equity capital that was invested worldwide in 2003, only 7 percent or $10.9 billion was invested in emerging market economies. The same study shows that private equity capital as a percentage of GDP in 2003 was at least 6 times greater in the United States than in emerging markets. Since its inception, OPIC-supported funds have contributed $2.5 billion to private equity capital invested in emerging markets. The restructured Investment Funds program focuses on top quality managers, reduced leverage, and market-oriented terms. OPIC seeks to act as a catalyst for private investors by demonstrating to the investor community that investment in emerging markets private equity makes financial sense.

OPIC's "Asset Allocation Plan" describes in detail the restructured Investment Funds Program and its goals for FY 2005 and FY 2006. In brief, OPIC typically provides capital to investment funds through the use of its loan guaranty authority at debt to equity leverage ratios of 1:2 or 1:1 in the case of highly developmental funds. In return, OPIC is paid fees, a risk premium, and a share of profits, and receives certain creditor rights and payment priorities. All investment funds abide by OPIC statutory requirements, as do their portfolio company investments. OPIC also seeks to ensure diversification across regions, sectors, styles, and fund life cycles, in order to mitigate its exposure across its funds portfolio. At the same time, the Asset Allocation Plan provides OPIC with the flexibility to respond to and support U.S. government foreign policy initiatives.

In FY 2005 and FY 2006, OPIC intends to follow its Asset Allocation Plan in making new commitments and managing the legacy funds in which OPIC's exposure is quickly decreasing. Subject to OPIC's ability to identify top fund management groups, OPIC plans to provide on average $350 million in loan guaranties to approximately eight funds each year. Portfolio risk is mitigated by increased diversification and lower average exposure per fund. In addition, OPIC will draw on a wider range of tools provided by its statutory authority to enhance the ability of its products to respond to market needs. Such tools may include the ability to make and/or guarantee equity investments in funds, guarantee local currency loans, and customize the terms of OPIC's participation in fund capital structures to adjust risk-reward ratios and attract private capital to difficult markets.

Table B-5 presents an overview of OPIC's combined finance and investment funds credit activity.

Appendix

Appendix A: Appropriations Language

FY 2006 Appropriations Language Request

Non Credit Account

OVERSEAS PRIVATE INVESTMENT CORPORATION

NONCREDIT ACCOUNT

The Overseas Private Investment Corporation is authorized to make, without regard to fiscal year limitations, as provided by 31 U.S.C. 9104, such expenditures and commitments within the limits of funds available to it and in accordance with law as may be necessary: *Provided,* That the amount available for administrative expenses to carry out the credit and insurance programs (including an amount for official reception and representation expenses which shall not exceed $35,000) shall not exceed **[**$42,885,000**]** *$42,274,000*: *Provided further*, That project-specific transaction costs, including direct and indirect costs incurred in claims settlements, and other direct costs associated with services provided to specific investors or potential investors pursuant to section 234 of the Foreign Assistance Act of 1961, shall not be considered administrative expenses for the purposes of this heading.

Program Account

OVERSEAS PRIVATE INVESTMENT CORPORATION

PROGRAM ACCOUNT

For the cost of direct and guaranteed loans, **[**$24,000,000**]** *$20,276,000* as authorized by section 234 of the Foreign Assistance Act of 1961, to be derived by transfer from the Overseas Private Investment Corporation Non-Credit Account: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That such sums shall be available for direct loan obligations and loan guaranty commitments incurred or made during fiscal years **[**2005 and**]** 2006 *and 2007*: *Provided further*, That such sums shall remain available through fiscal year **[**2013**]** *2014* for the disbursement of direct and guaranteed loans obligated in fiscal year **[**2005**]** *2006*, and through fiscal year **[**2014**]** *2015* for the disbursement of direct and guaranteed loans obligated in fiscal year **[**2006**]** *2007*: *Provided further,* That notwithstanding any other provision of law, the Overseas Private Investment Corporation is authorized to undertake any program authorized by title IV of the Foreign Assistance Act of 1961 in Iraq: *Provided further,* That funds made available pursuant to the authority of the previous proviso shall be subject to the regular notification procedures of the Committees on Appropriations. In addition, such sums as may be necessary for administrative expenses to carry out the credit program may be derived from amounts available for administrative expenses to carry out the credit and insurance programs in the Overseas Private Investment Corporation Noncredit Account and merged with said account.

Transfer Authorities

GENERAL PROVISIONS

OPIC TRANSFER AUTHORITY

SEC. 544. Whenever the President determines that it is in furtherance of the purposes of the Foreign Assistance Act of 1961, up to a total of $20,000,000 of the funds appropriated under title II of this Act or of any prior Act making appropriations for foreign operations, export financing, and related programs, may be transferred to and merged with funds appropriated by this Act for the Overseas Private Investment Corporation Program Account, to be subject to the terms and conditions of that account: Provided, That such funds shall not be available for administrative expenses of the Overseas Private Investment Corporation: Provided further, That funds earmarked by this Act or such prior Acts shall not be transferred pursuant to this section: Provided further, That the exercise of such authority shall be subject to the regular notification procedures of the Committees on Appropriations.

Appendix B: Budget and Analysis Tables

Table B-1 OPIC's Budget FY 2004 – FY 2006

(In thousands of dollars)	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Administrative Expenses, Gross	41,385	42,885	42,274
Rescission	(244)	(343)	
Administrative Expenses, Net	$ 41,141	$ 42,542	$ 42,274
Credit Reform Program	24,000	24,000	20,276
Rescission	(142)	(192)	
Credit Reform Program, Net	$ 23,858	$ 23,808	$ 20,276
Net New Appropriations	$ 65,052	$ 66,542	$ 62,550
Net Offsetting Collections	(288,999)	(279,350)	(223,000)
Net budget authority	(224,000)	(213,000)	(160,450)

Table B-2 Performance Assessment Rating Tool metrics

GPRA	Outputs	FY 2004 Actual	FY 2005 Goals	FY 2006 Goals
Developmental Effects	Development Matrix score (Quality of Investment)	91.1	95	100
Development Dollars	Investment dollars mobilized, adjusted by development score	4.7 B	4.9 B	5.1 B
	Ratio of Development Dollars to Administrative Expenses	112:1	115:1	120:1
Additionality	% of obligated projects rated additional	Implement measures, establish baseline	Improve on baseline by 3%	Improve on baseline by 3%

GPRA Annual Performance Plan and Report

Table B-3

General Goals	Performance Indicators Measure		2003 Target	2003 Actual	2004 Target	2004 Actual	2005 Target	2006 Target
PRIMARY OUTCOME GOALS								
Human capacity building	Job Creation: Number of jobs per $1,000,000 invested.	F I	28 28	18.6 19	28 28	48 95	28 28	28 28
	Job Complexity: Managerial or Professional jobs as Average proportion of total jobs created per project	F I	50% 50%	33%	50% 50%	58% 29%	50% 50%	50% 50%
	Training: Average per project percentage of staff that will receive formal training	F I	50% 50%	i	50% 50%	76% 58%	50% 50%	50% 50%
Private sector development	Local Project Ownership: Average percentage of local private ownership of project	F I	30% 30%	15.5%	30% 30%	23% 16%	30% 30%	30% 30%
	Host country small and medium enterprises (SME) development: % of Projects with over 15% SME local Ownership.	F I	15% 15%	i	15% 15%	26.1% 14.5%ii	15% 15%	15% 15%
Leveraging of foreign direct investment into the developing world	Mobilization of the maximum amount of capital into a host country per dollar of OPIC support. (Increased levels of Small Business support may impact this goal.): The ratio of non-OPIC contribution to total project cost.	F I	>40% >40%	i	>40% >40%	45% n/a	>40% >40%	>40% >40%
SECONDARY GOALS								
Social effects	Promote equal opportunity policies, encourage corporate social responsibility initiatives, and preserve the environment	F I	15/30 15/30	i	15/30 15/30	25/41 27/41[iii]	15 15	15 15
Development Infrastructure Improvements	Contribute to the improvement of the physical, financial, and social infrastructure of the developing world	F I	9/15 9/15	i	9/15 9/15	1.8/3.0 1.7/3.0[iii]	9 9	9 9
Macroeconomic and Institutional Effects	Matrix Score: Promote investments in less developed countries and generate host country government revenues	F I	9/15 9/15	i	9/15 9/15	5/12 4/12[iii]	9 9	9 9

General Goals	Performance Indicators Measure	2003 Target	2003 Actual	2004 Target	2004 Actual	2005 Target	2006 Target
Technology & Knowledge Transfer	Matrix Score: Encourage the transfer of technology and know-how to the developing world.	F 9 I 9	i	9 9	5 3	9 9	9 9
Mitigate risk through sound portfolio management practices, and by encouraging good corporate citizenship.	Maximum variance of actual from projected risk.	F <5% I <5%	iv	<5% <5%	ii	<5% ii <5% ii	<5% <5%
	Number of on-going OPIC projects monitored for compliance with OPIC's U.S. effects, environmental, and worker rights standards. All active projects will be self-monitored each year, and all sensitive projects will be site monitored by 3rd year of operation. Due diligence will occur before project approval for environmentally sensitive projects.		Yes 245 projects		Yes 275 projects	Yes	Yes
	Number of monitored on-going projects that meet OPIC's U.S. effects, environmental, and worker rights standards.	100%		100%	100%	100%	100%
Additionality	Evaluate new projects to ensure that they would not have gone forward but for OPIC's participation. Develop methodology in FY 2003; Establish baseline in FY 2004; Improve baseline score by 10% in FY 2005.	n.a.	n.a	Method and baseline est'd	99.2%	100%	100%
Small U.S. Business: Ensure that OPIC support is provided to small U.S. businesses.	Number of small business projects resulting from the SBC. Complete 60 SBC Finance Deals and 60 SBC insurance contracts in FY 2005. Total: 120 SBC deals.	n.a.	n.a.		F 58 I 54[v]	60 60	
	Efficiency: Reduce SBC small business cycle time	F 105 I	77 days	95	99 47	75 days[vi]	
Operate in a self sustaining, businesslike manner.	Operating revenue is equal to or greater than operating expenses.		Yes		Yes	Yes	Yes
	Number of executed loan agreements and insurance contracts that occur as a result of Moscow Office.	n.a.	n.a.		vii	10 loans or insurance contracts	

[i] Indicator was implemented beginning with projects implemented after July 1, 2003. Not enough data exists to produce statistically significant data for FY 2003 results.

[ii] 26.1% of finance projects have over 15% SME local ownership. 4.3% of finance projects have 1%-15% SME local ownership; 14.5% of insurance projects have over 15% SME local ownership. 3.6% of Insurance projects have 1%-15% SME local ownership.

[iii] The denominator on this measure was changed in the revised development matrix supporting the PART and GPRA measures.

[iv] In late FY 2003 OPIC began planning and implementation of a new loan origination system, which will enable robust risk measures. Prior data quality does not support the measure as proposed in the strategic plan. OPIC will revise the measure to make use of the new loan origination system in the next strategic plan.

[v] 7 transactions had both finance and insurance elements. Some projects may involve more than one transaction. On a project basis, SBC completed 61 projects in total.

[vi] This target was revised in the most recent PART.

[vii] Due to logistical issues, the Moscow office began operations at the beginning of FY 2004 and as a result has had insufficient time to report any results.

Table B-4 Insurance Program Activities

	Actual	Estimate	Projection
(in millions of dollars)	2004	2005	2006
Aggregate Maximum Insured Amount (MIA)			
Start of year	$ 11,933	$ 10,883	$ 10,983
Issuance during the year	1,892	2,100	2,200
Reductions/Cancellations	(2,942)	(2,000)	(1,900)
Outstanding end of year	$ 10,883	$ 10,983	$ 11,283
Maximum Contingent Liability (MCL)			
Statutory limitation*	$29,000	$29,000	$29,000
End of year	$6,254	$6,285	$6,300
Current exposure to claims (CEC), end of year	$3,845	$3,875	$4,100
Insurance Premium Revenue	$44	$41	$41

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

Definitions:

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

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

Current Exposure to Claims (CEC): Actual exposure to claim payments is less than total outstanding insurance as measured by MCL, because insured investors elect "current" coverage levels that reflect the current value of their investment, which may be significantly below their maximum insured amount. Current exposure to claims is based on the assumption that the coverage under which a claim would be brought would be the coverage with the highest amount of current insurance in force.

Table B-5 Summary of Credit Funding Request

	Actual	Estimate	Request
(in millions of dollars)	2004	2005	2006
New Appropriations, Net	23.9	23.8	20.3
Carry-forward from Prior Year	13.7	4.9	0
Total Resources	$ 37.6	$ 28.7	$ 20.3
Projected Activity			
Finance	1487.2	1,178.0	1,185.0
Investment Funds	190.0	300.0	400.0
New Commitments	$ 1,677.2	$ 1,478.0	$ 1,585.0
Gross uses of credit funding	29.3	24.0	20.3
Gross weighted subsidy rate	1.75%	1.62%	1.28%

Subsidy obligations are projections based on current pipeline and indicative flows through FY 2006.

Subsidy is obligated on an individual transaction basis, therefore, individual transactions may have subsidy rates which vary widely from rates published in the President's *Credit Supplement*.