

Strategic Plan 2003-2008

REFOCUSED ON DEVELOPMENT AND ADDITIONALITY



Overseas Private Investment Corporation

An Agency of the U.S. Government
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OPIC STRATEGIC PLAN 2003 - 2008

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INTRODUCTION

A COMMITMENT TO SOLIDIFYING AND BUILDING UPON RECENT GAINS

Development is OPIC's primary mission. OPIC has come a long way in refocusing its activities on projects that are more developmental, based both on the types of projects and the location of those projects. In the period covered by this strategic plan, special emphasis will continue to be placed on the following priority developmental areas:

- Small Business
- Housing
- Russia and Central Asia (including Afghanistan and Pakistan)
- Sub-Saharan Africa
- Mexico

It is noteworthy that “small business” is at the top of the list. In the United States, small business has been a primary engine for growth. Similarly, small business is an important developmental tool overseas. American small businesses can be uniquely effective in entering markets that are difficult to access and in providing disproportionately large developmental impacts.

Over the next 5 years, OPIC will continue to place renewed emphasis on the development aspect of its mission by focusing on the critical needs in these areas. This Strategic Plan is especially significant in that it incorporates new developmental measures and a supporting scoring matrix that have been developed through extensive consultation with other developmental organizations and with our stakeholders (See General Goal #1 and Appendix A: Developmental Impact Matrix.)

Ensuring additionality on every transaction. “Additionality” is the term used to describe the “added value” brought to a project by OPIC participation. It means that a developmental project can only be completed with OPIC assistance, because adequate financing and insurance cannot be found in the private market. It means that OPIC participation leveraged the participation of other investors or finance institutions, who otherwise would not have participated. It signifies that a host country receives developmental benefits (increased employment and tax revenues; improved infrastructure) that would not have occurred without OPIC participation in a project. Additionality also conveys the idea that, thanks to OPIC’s participation, the project has been structured to meet OPIC’s worker rights and environmental requirements, thereby mitigating certain long-term risk factors. This Strategic Plan contains goals and measures that will enable OPIC to track its progress regarding additionality. (See General Goal #3)

Risk management that supports OPIC's developmental mission. Supporting projects that are more developmental also means that OPIC must be prepared to take on more risk. This is because highly developmental projects are often in riskier locations or involve sectors or types of projects that may not generate the robust cash flows associated with more traditional overseas investments. Because OPIC is conscious of its obligation to match its developmental mission with its responsibility to operate in the most prudent manner financially, the agency has taken major steps to enhance its risk management capability and integrate risk management into the decision-making process. This Strategic Plan includes risk mitigation as one of its key elements. (See General Goal #2.)

Responsible financial management remains a key OPIC goal. In this Strategic Plan, OPIC has set itself the goal of continuing to operate in a responsible and businesslike manner. (See General Goal #5.) Strong and responsible financial management must remain a hallmark of OPIC, and the agency must exercise its use of the full faith and credit of the United States in a manner that protects taxpayers. The fact that OPIC has received a clean audit opinion from its outside independent auditors for every year of its history is convincing evidence of OPIC's ability to meet this pledge. OPIC will ensure that prudent financial management remains an important priority over the next 5 years.

Conclusion. Since FY 2001, OPIC has made fundamental changes in the way it conducts business. Most importantly, this has meant that OPIC has refocused itself on its developmental mission and on ensuring that each project OPIC supports is additional to what the private sector could provide on its own. Over the next 5 years –with the help of this Strategic Plan-- OPIC will build on this success by continuing to refine its ability to prioritize projects based on projected developmental impact, by establishing additionality baselines, and by using sophisticated risk management techniques as an integral part of the agency's on-going commitment to responsible financial management.

I. Strategic Plan 2003-2008

OPIC's Strategic Plan, as mandated by the Government Performance and Results Act (GPRA), was drafted by Federal employees only.

Mission Statement

OPIC's mission is to mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from nonmarket to market economies.

Primary Statutory Mandates

In accomplishing its mission, OPIC will promote positive U.S. effects and host country developmental effects. OPIC will assure that the projects it supports are consistent with sound environmental and worker rights standards. In conducting its programs, OPIC will also take into account guidance from the Administration and Congress on a country's observance of, and respect for, human rights. In accomplishing its mission, OPIC will operate on a self-sustaining basis.

Summary of General Goals, General Objectives, and Performance Indicators

<u>General Goals</u>	<u>General Objectives</u>	<u>Performance Indicators</u>
<p>#1. Quantitatively measure and demonstrate the developmental impact of OPIC's products. Over the 5 years covered by this plan, OPIC will attain measurable results in the following areas:</p> <p>A. PRIMARY OUTCOME GOALS:</p> <ol style="list-style-type: none"> 1. Human capacity building 2. Private sector development 3. Leveraging of foreign direct investment into the developing world 	<ol style="list-style-type: none"> 1. Implement new methodology for measuring and tracking developmental impact. 2. Quantitative measurements will rely on scores developed using OPIC's expanded developmental impact profile matrix. 3. OPIC will give priority to projects which score 100 or more and decline projects which score below 10 4. OPIC will support projects scoring from 10 to 39 ("Minimally Developmental") only in the event that such projects meet significant foreign policy priorities of the Administration. 	<p>A. Primary outcome developmental indicators (See also Appendix A: Developmental Impact Scoring Matrix)</p> <ol style="list-style-type: none"> 1. Human Capacity Building <p>GOAL Job Creation MEASURE Number of jobs per \$1,000,000 invested. <u>Target</u> <u>28 jobs per \$1,000,000 of total project investment (Finance)</u> <u>Target</u> <u>28 jobs per \$1,000,000 of total project investment (Insurance)</u></p> <p>GOAL Job Complexity MEASURE 1 Managerial and Professional jobs as a proportion of total jobs created. <u>Target</u> An average of <u>50%</u> managerial or professional jobs as a (Finance) proportion of total jobs created per project <u>Target</u> An average of <u>50%</u> managerial or professional jobs as a (Insurance) proportion of total jobs created per project</p> <p>MEASURE 2 Training: Percentage of staff that will receive formal training <u>Target</u> An average of <u>50%</u> staff training per project (Finance) <u>Target</u> An average of <u>50%</u> staff training per project (Insurance)</p> 2. Private Sector Development <p>GOAL Local Project Ownership MEASURE Percentage of local ownership of project <u>Target</u> An average of <u>30%</u> of local private ownership of the project (Finance) <u>Target</u> An average of <u>30%</u> of local private ownership of the project (Insurance)</p> <p>GOAL Host country small and medium enterprises (SME) development MEASURE Project ownership by local SME <u>Target</u> An average <u>15%</u> local SME ownership of project. (Finance) <u>Target</u> An average <u>15%</u> local SME ownership of project. (Insurance)</p> 3. Leveraging Impacts <p>GOAL: 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.) MEASURE The ratio of OPIC's contribution to total project cost. <u>Target</u> To mobilize FDI so that at least <u>50%</u> of total project funding (Finance) is provided by non-OPIC-related sources. <u>Target</u> To mobilize FDI so that at least <u>40%</u> of total project funding (Insurance) is provided by non-OPIC related sources</p>

Summary of General Goals, General Objectives, and Performance Indicators (continued)

<u>General Goals</u>	<u>General Objectives</u>	<u>Performance Indicators</u>												
<p>Goal #1 continued; See previous page.</p> <p>B. SECONDARY GOALS: 4. Social Effects 5. Development Infrastructure Improvements 6. Macroecon. and Institutional Effects 7. Technology & Knowledge Transfer</p>	<p>Objectives For Goal #1 continued; See previous page.</p>	<p>B. Secondary Developmental Indicators (Matrix Score)</p> <p>4. Social Effects Promote equal opportunity policies, encourage corporate social responsibility initiatives, and preserve the environment <u>Target</u> <u>Matrix Score of 15 (Finance)</u> <u>Target</u> <u>Matrix Score of 15 (Insurance)</u></p> <p>5. Developmental Infrastructure Improvements Contribute to the improvement of the physical, financial, and social infrastructure of the developing world <u>Target</u> <u>Matrix Score of 9 (Finance)</u> <u>Target</u> <u>Matrix Score of 9 (Insurance)</u></p> <p>6. Macroeconomic & Institutional Effects Promote investments in less developed countries and generate host country government revenues <u>Target</u> <u>Matrix Score of 9 (Finance)</u> <u>Target</u> <u>Matrix Score of 9 (Insurance)</u></p> <p>7. Technology & Knowledge Transfer Encourage the transfer of technology and know-how to the developing world <u>Target</u> <u>Matrix Score of 9 (Finance)</u> <u>Target</u> <u>Matrix Score of 9 (Insurance)</u></p> <p>C. Matrix Score Aggregate the seven developmental goals into one score. GOAL Average development index score of 100 for each of OPIC's programs. Target: Score Average of 100, per product line. (Finance & Insurance)</p> <table border="1" data-bbox="970 1263 1465 1458"> <tr> <td>Extremely Developmental</td> <td>130-160</td> </tr> <tr> <td>Highly</td> <td>100-129</td> </tr> <tr> <td>Moderately</td> <td>70-99</td> </tr> <tr> <td>Slightly</td> <td>40-69</td> </tr> <tr> <td>Minimally</td> <td>10-39</td> </tr> <tr> <td>Not</td> <td>< 10</td> </tr> </table>	Extremely Developmental	130-160	Highly	100-129	Moderately	70-99	Slightly	40-69	Minimally	10-39	Not	< 10
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<u>General Goals</u>	<u>General Objectives</u>	<u>Performance Indicators</u>
<p>#2. Mitigate risk through sound portfolio management practices, and by encouraging good corporate citizenship.</p>	<ol style="list-style-type: none"> 1. Implement risk mitigation strategy, including by establishing portfolio and line-of-business diversification targets. 2. Develop methodology for rating projects on a “good corporate citizenship” scale. 3. Negotiate/renegotiate bilateral agreements to improve host country investment environment. 4. Continue to screen projects prior to commitment/contract signing and to monitor active projects to ensure that they are in compliance with requirements regarding U.S. effects, environmental and worker rights standards. 	<p>GOAL: Mitigate Risk MEASURES:</p> <p>8. Actual risk variance from projected risk. Target: Variance of 5 percent or less for both finance and insurance.</p> <p>9. Number of on-going OPIC projects monitored for compliance with OPIC’s U.S. effects, environmental, and worker rights standards. Target: 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.</p> <p>10. Number of monitored on-going projects that meet OPIC’s U.S. effects, environmental, and worker rights standards. Target: 100% compliance.</p>

Summary of General Goals, General Objectives, and Performance Indicators (continued.)

<u>General Goals</u>	<u>General Objectives</u>	<u>Performance Indicators</u>
<p>#3. Ensure additionality and private sector participation to ensure that OPIC leverages, but does not compete with, the private sector.</p>	<p>1. Implementation of additionality tracking.</p>	<p>GOAL: Ensure Additionality MEASURES: 11. Evaluate new projects to ensure that they would not have gone forward but for OPIC’s participation. Elements of evaluation may include:</p> <ul style="list-style-type: none"> ✓ Tenor ✓ Pricing compared to sovereign benchmarks ✓ Country Risk ✓ Sector Risk ✓ Foreign Direct Investment (FDI) Measures. <p>Target: Develop methodology in FY 2003; establish baseline in FY 2004; set targets for FYs 2005-2008.</p>
<p>#4. Ensure that OPIC support is provided to small U.S. businesses.</p>	<p>1. Place emphasis on meeting the needs of American small businesses.</p> <p>2. Continue to implement OPIC’s new Small Business Center (SBC). Track/measure progress that can be attributed to the SBC.</p>	<p>GOAL: Ensure support to small sized businesses. MEASURES: 12. Number of small business projects resulting from the SBC. Target: In FY 2003, establish baseline regarding the number of small business projects resulting from OPIC’s SBC. By the end of FY04 the SBC target is to finalize 1 small business finance agreement and 1 insurance contract per week 13. Efficiency of small business projects as measured by cycle time. Target: Reduce SBC small business cycle time to 60 days from time completed application is received.</p>

General Goals, Objectives, and Performance Indicators are continued on following page.

Summary of General Goals, General Objectives, and Performance Indicators
(continued.)

<u>General Goals</u>	<u>General Objectives</u>	<u>Performance Indicators</u>
<p>#5. Operate in a businesslike manner.</p>	<ol style="list-style-type: none"> 1. Operate in a self-sustaining manner. Maintain sufficiency of reserves. 2. Improve efficiency. 3. Enhance performance-based management. 	<p>GOAL: Operate in a self-sustaining manner. MEASURES: 14. Operating revenue is equal to or greater than operating expenses. Target: Operating expenses do not exceed operating revenue.</p> <p>GOAL: Increased efficiency. MEASURES: 15. Reduced cycle time. Target: Achieve a 20 percent improvement by the end of FY 2008 for both insurance and finance projects based on baseline cycle time in FY 2002.</p> <p>GOAL: High Productivity of new two-year pilot Moscow Office MEASURES: 16. Number of executed loan agreements and insurance contracts that occur as a result of Moscow Office. Moscow Office Target: 10 new executed loan agreements or insurance contracts in FY 2004.</p>

End of General Goals, Objectives and Indicators.

Means and Strategies to be Used to Achieve Goals and Objectives.

General Goals & Objectives	Means and Strategies
<p><u>General goal #1:</u></p> <p>Quantitatively measure and demonstrate the developmental impact of OPIC’s products.</p> <p>Over the 5 years covered by this plan, OPIC will attain measurable results in the following areas:</p> <p>Primary Outcome Goals:</p> <ul style="list-style-type: none"> ✓ Human capacity building ✓ Private sector dev. ✓ Leveraging of foreign direct investment <p>Secondary Outcome Goals:</p> <ul style="list-style-type: none"> ✓ Social effects ✓ Infrastructure improvements ✓ Macroeconomic & institutional effects ✓ Technology & knowledge transfer. <p><u>Objectives:</u></p> <ol style="list-style-type: none"> 1. Implement new methodology for measuring and tracking developmental impact. 2. Quantitative measurements will rely on scores developed using OPIC’s expanded developmental impact profile matrix. 3. OPIC will give priority to projects which score 100 or more and refuse projects which score below 10. 4. OPIC will support projects scoring from 10 to 39 (“Minimally Developmental”) only in the event that such projects meet significant foreign policy priorities of the Administration. 	<ul style="list-style-type: none"> • Develop better understanding of developmental needs and trends through closer ties with bilateral and multilateral organizations that are concerned with development issues. • Focus resources to encourage additional investment in less-developed countries/regions/sectors or geographic/regional areas identified as foreign policy priorities. • Work closely with multilateral finance/insurance agencies, other development organizations, and the private sector to leverage the impact of OPIC’s programs. • Coordinate closely with other U.S. government entities such as the U.S. Agency for International Development, the Export-Import Bank, the U.S. Trade and Development Agency, the State Department, the Treasury Department, the Commerce Department, and the Trade Promotion Coordinating Committee (TPCC) by working jointly on transactions and issues of concern to the U.S. business community to ensure maximum development impact. • Work closely with foreign government officials in emerging markets to minimize risk and ensure maximum flow of private resources to developmental projects. • Work with clients and other U.S. government entities to develop appropriate products that respond to needs of eligible businesses (especially small businesses) desiring to invest in developing countries. • Provide information at conferences and via OPIC’s Website on OPIC’s programs and on investing in emerging markets, with special attention to the needs of the small business community. • Provide financing and political risk insurance to support U.S. private sector investment in developmental projects in poorer countries and countries in transition.

Means and Strategies to be Used to Achieve Goals and Objectives (cont.)

General Goals & Objectives	Means and Strategies
<p><u>General goal #2:</u></p> <p>Mitigate risk through sound portfolio management practices, and by encouraging good corporate citizenship.</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Implement risk mitigation strategy, including by establishing portfolio and line-of-business diversification targets. • Develop methodology for rating projects on a “good corporate citizenship” scale. • Negotiate/renegeotiate bilateral agreements to improve host country investment environment. • Continue to screen projects prior to commitment/contract signing and to monitor active projects to ensure that they are in compliance with requirements regarding U.S. effects, environmental and worker rights standards. 	<ul style="list-style-type: none"> • Identify opportunities to negotiate/renegeotiate bilateral agreements to improve host country investment environment. • Maintain a diverse portfolio geographically and by sectors to ensure balance. Preserve OPIC’s portfolio of well-diversified commercial entities and individual sponsors. • Develop new risk management tools. Provide and analyze information on emerging markets to narrow gap between perceived and real risk. Integrate risk analysis into the decision-making process. Stress the importance of corporate citizenship as a long-term risk mitigation tool. • Develop definition and characteristics of good corporate citizenship through discussions with bilateral and multilateral organizations that are concerned with development issues, and the private sector. • Continue to monitor active projects on an ongoing basis, through both site visits and internal reviews, to assure that credit quality remains sound, collections are timely, and reporting requirements are fulfilled. Continually review and refine corporate credit policies and underwriting procedures to maintain high quality of portfolio. • Maintain OPIC monitoring of project compliance regarding environmental and worker rights requirements. • Increase the level of public participation in evaluating the environmental impact of proposed projects. • Participate in international forums and conferences focusing on environmental issues, worker rights, and sound commercial practices. • Support only projects that are not likely to cause a significant reduction in U.S. jobs or adversely affect the U.S. economy. Decline to support projects that have a potential negative impact on a U.S. industry or its employment. Monitor projects once operations begin to verify that investors fulfill original representations regarding impact on the U.S. economy. • Provide advocacy to OPIC-supported investments that are experiencing difficulties with foreign governments. Coordinate these efforts with other U.S. government entities, as appropriate.

Means and Strategies to be Used to Achieve Goals and Objectives (cont.)

General Goals & Objectives	Means and Strategies
<p><u>General goal #3:</u></p> <p>Ensure additionality and private sector participation to ensure that OPIC leverages, but does not compete with, the private sector.</p> <p><u>Objectives:</u></p> <p>Implementation of additionality tracking.</p>	<ul style="list-style-type: none"> • Develop baselines to track average scores of new projects in areas that may include: <ul style="list-style-type: none"> ✓ Tenor ✓ Pricing compared to sovereign benchmarks ✓ Country risk ✓ Sector risk ✓ Foreign Direct Investment (FDI) measures • Ensure that the pricing of OPIC products adequately reflects policy considerations as well as the risks and costs assumed by the agency. • Developing specific proposals for how financing and insurance decisions will incorporate tests of additionality. These tests will enable OPIC to ensure and document that the agency only enters into finance and insurance agreements after verifying that the proposed project encountered a lack of access to, or availability of, private financing or insurance on terms sufficient to encourage or allow new investment or development to occur. • Co-Insurance, Co-Financing: In order to more fully achieve the goal of leveraging private sector participation, OPIC will formalize communications with the private sector regarding co-insurance and co-financing opportunities.

Means and Strategies to be Used to Achieve Goals and Objectives (cont.)

General Goals & Objectives	Means and Strategies
<p><u>General goal #4:</u></p> <p>Ensure that OPIC support is provided to small U.S. businesses.</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Place emphasis on meeting the needs of American small businesses. • Continue to implement OPIC's new Small Business Center (SBC). Track/measure progress that can be attributed to the SBC. 	<ul style="list-style-type: none"> • Focus activities in accordance with guidance in OPIC's authorizing legislation (Foreign Assistance Act of 1961, as amended, Title IV, Sec. 231(e) and Sec. 240) that states that OPIC shall pay special attention to the needs of small business and small business development. • Develop policies and procedures for OPIC Small Business Center. • Conduct outreach specifically targeted at small businesses. • Pursue strategies to complement and leverage the work of the U.S. Small Business Administration (SBA). • Streamline OPIC's application process where appropriate. • Streamline the administration of OPIC statutory requirements where appropriate. • Pursue on-line technology to simplify and expedite all OPIC/client information exchanges. • Reduce small business cycle time, from completed application to closing, to an average of 60 days per project.

Means and Strategies to be Used to Achieve Goals and Objectives (cont.)

General Goals & Objectives	Means and Strategies
<p><u>General Goal #5:</u></p> <p>Operate in a businesslike manner.</p> <p><u>Objective:</u></p> <ul style="list-style-type: none"> • Operate in a self-sustaining manner. • Improve efficiency. • Enhance performance-based management. 	<ul style="list-style-type: none"> • Manage existing insurance portfolio by prudent underwriting and documentation of insurance contracts and monitoring exposure, as needed. Provide advocacy on behalf of insurance clients in order to avert claims and when claims are paid, aggressively pursue recoveries from foreign governments. • Develop models to assess the sufficiency of reserves. • Continue to engage independent auditors on an annual basis. • Improve efficiency by identifying procedures that may be streamlined, eliminating bottle necks, and improving communications in order that project cycle time may be reduced. • Develop and utilize departmental operating plans, including performance targets, to enhance performance based management throughout the organization. • Improve efficiency and effectiveness of systems technology and processes to support thoughtful management decision making. Implement IT Investment Review Board (IRB). • Promote a healthy and productive work environment that attracts and retains highly qualified and motivated staff, and creates an atmosphere of professionalism, integrity and flexibility. Provide staff with high levels of training and support.

Resources Needed to Meet Performance Goals

In FY's 2003-2008 OPIC will continue to refocus its efforts on providing support to U.S. private investments in locations and sectors where it can expect the greatest developmental impact. OPIC's emphasis will be on ensuring that its participation in an investment contributes to improvements in host country employment, infrastructure, and best business practices — including promoting free markets and rule of law and encouraging good corporate citizenship by sponsoring U.S. interests. OPIC's commitment to focus on countries and sectors that are more highly developmental and cannot obtain commercial support will mean that OPIC will shoulder more risk. Its capacity to do so will rest on its diverse portfolio of projects, on proven management practices that mitigate risk, and on the development, where appropriate, of new financial products that will leverage U.S. private investment in areas of high developmental priority.

Resources which OPIC will utilize to accomplish these strategies will include annual amounts that are, at minimum, equal to OPIC's baseline (unchanged since FY 2000) of \$24 million annually in credit funding (subsidy) to support OPIC direct loans and loan guaranties as required by the Credit Reform Act of 1991. In addition, OPIC will require resources to support up to 220 FTE to ensure that its administrative and lending functions are properly carried out during this time period, to ensure that the high standards that OPIC attaches to its name continue to not only be met but more importantly, to exceed the expectation of both current and future international clients. In FY 2003, OPIC's appropriated amount for administrative expenses is \$39,885,000.

OPIC will become more client focused. Especially important will be increasing the level of support to small businesses. In part, OPIC will accomplish this by streamlining the amount of paperwork required from clients and reducing the complexity of the approval process. In all areas of activity, OPIC will improve its administrative effectiveness and efficiency by opening clear lines of communication with its clients and stakeholders and by being open to new ideas and responsive to their needs when appropriate. In addition to the above stated goals, OPIC will continue to maintain strong portfolio management, operate in a self-sustaining manner, and support jobs and growth at home.

Relationship between the long-term goals/objectives, requested budgetary inputs and the annual performance indicators for FY 2003-8

General Goals	Requested Inputs	Expected Outputs	Expected Outcomes	Annual Performance Indicators
<p>General goal #1: Quantitatively measure and demonstrate the developmental impact of OPIC's products. Over the 5 years covered by this plan, OPIC will attain measurable results in the following areas: Primary Outcome Goals: 1. Human capacity building 2. Private sector dev. 3. Leveraging of foreign direct investment Secondary Outcome Goals: 4. Social effects 5. Infrastructure improvements 6. Macroeconomic & institutional effects 7. Technology & knowledge transfer. Objectives: 1. Implement new methodology for measuring and tracking developmental impact. 2. Quantitative measurement will rely on scores developed using OPIC's expanded developmental impact profile matrix. 3. OPIC will give priority to projects which score 100 or more and decline projects which score below 10. 4. OPIC will support projects scoring 10 to 39 only in the event that such projects meet significant foreign policy priorities of the Administration.</p>	<ul style="list-style-type: none"> • Up to 220 Full time equivalent employees • OPIC yearly administrative budget to support credit programs and to support non-credit activities) • plus credit funding 	<ul style="list-style-type: none"> • Approximate amount of finance commitments • Political risk insurance issuance (MIA); • New finance commitments • New insurance contracts • Dollars invested by host country • Dollars invested by the U.S. • Dollars invested by third country • Dollars invested on a multilateral basis 	<ul style="list-style-type: none"> • Total project investment from all sources • Host Country Developmental Effects: <ul style="list-style-type: none"> ✓ Local jobs ✓ Managerial & professional jobs ✓ Job training ✓ Local ownership ✓ Benefits to small & medium enterprises (SME) ✓ Leveraging impacts ✓ Social effects ✓ Developmental Infrastructure improvements ✓ Macroeconomic & Institutional effects ✓ Transfer of knowledge & technology • Percentage of small business projects (estimated 50%+) • U.S. exports & jobs • Positive net U.S. trade effect • Positive net U.S. financial flows • Positive U.S. balance of payments effects • Net negative budget authority • Net negative outlays 	<p>A. Primary Outcome Indicators:</p> <ol style="list-style-type: none"> 1. Measure: Human Capacity Building Target A: 28 jobs per \$1m of total project investment. Same target for Finance and Insurance. Target B: An average of 50% managerial or professional jobs as a proportion of total jobs created per project. Same target for Finance and Insurance. Target C: An average of 50% staff training per project. Same target for Finance and Insurance. 2. Measure: Private Sector Development Target A: An average of 30% of local private ownership of the project. Same target for Finance and Insurance. Target B: An average 15% local SME ownership of project. Same target for Finance and Insurance. 3. Measure: Leveraging Impacts Target: To mobilize FDI so that at least 50% of total project funding is provided by non-OPIC –related sources for OPIC Finance projects; For OPIC Insurance projects the target is 40%. <p>B. Secondary Outcome Developmental Indicators:</p> <p>MATRIX MEASURES: (See Appendix A)</p> <ol style="list-style-type: none"> 4. Measure: Social Effects Target: Matrix Score of 15. Same target for Finance and Insurance. 5. Measure: Developmental Infrastructure Improvements Target: Matrix Score of 9. Same target for Finance and Insurance. 6. Measure: Macro-econ & Institutional Effects Target: Matrix Score of 9. Same target for Finance and Insurance. 7. Measure: Technology & Knowledge Transfer Target: Matrix Score of 9. Same target for Finance and Insurance. <p>C. Aggregate Matrix Score: Target: Average developmental index score of 100 for each of OPIC's programs.</p>

Relationship between the long-term goals/objectives, requested budgetary inputs and the annual performance indicators for FY 2003-8

General Goals	Requested Inputs	Expected Outputs	Expected Outcomes	Annual Performance Indicators
<p>General Goal #2, Mitigate risk through sound portfolio management practices and by encouraging good corporate citizenship.</p> <p>Objectives: 1. Implement risk mitigation strategy, including by establishing portfolio and line-of-business diversification targets. 2. Develop methodology for rating projects on a “good corporate citizenship” scale. 3. Negotiate/renegotiate bilateral agreements to improve host country investment environment. 4. Continue to screen projects prior to commitment/contract signing and to monitor active projects to ensure that they are in compliance with requirements regarding U.S. effects, environmental and worker rights standards.</p>	<ul style="list-style-type: none"> • Up to 220 Full time equivalent employees • OPIC yearly administrative budget. to support credit programs and to support non-credit activities) • plus credit funding 	<ul style="list-style-type: none"> • Approximate amount of finance commitments • Political risk insurance issuance (MIA); • New finance commitments • New insurance contracts • Dollars invested by host country • Dollars invested by the U.S. • Dollars invested by third country • Dollars invested on a multilateral basis 	<ul style="list-style-type: none"> • Total project investment from all sources • Host Country Developmental Effects: <ul style="list-style-type: none"> ✓ Local jobs ✓ Managerial & professional jobs ✓ Job training ✓ Local ownership ✓ Benefits to small & medium enterprises (SME) ✓ Leveraging impacts ✓ Social effects ✓ Developmental Infrastructure improvements ✓ Macroeconomic & Institutional effects ✓ Transfer of knowledge & technology • Percentage of small business projects (estimated 50%+) • U.S. exports & jobs • Positive net U.S. trade effect • Positive net U.S. financial flows • Positive U.S. balance of payments effects • Net negative budget authority • Net negative outlays 	<p>MEASURES:</p> <ul style="list-style-type: none"> 8. Actual risk variance from projected risk. Target: Variance of 5 percent or less for both finance and insurance. 9. Number of on-going OPIC projects monitored for compliance with OPIC’s U.S. effects, environmental, and worker rights standards. Target: 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. 10. Number of monitored on-going projects that meet OPIC’s U.S. effects, environmental, and worker rights standards. Target: 100% compliance.

Relationship between the long-term goals/objectives, requested budgetary inputs and the annual performance indicators for FY 2003-8

General Goals →	Requested Inputs →	Expected Outputs →	Expected Outcomes →	Annual Performance Indicators
<p>General Goal #3,</p> <p>Ensure additionality and private sector participation to ensure that OPIC leverages, but does not compete with, the private sector.</p> <p><u>Objective:</u></p> <p>Implementation of additionality tracking.</p> <p>General Goal #4</p> <p>Ensure that OPIC support is provided to small U.S. businesses.</p> <p><u>Objectives.</u></p> <p>1. Place emphasis on meeting the needs of American small businesses.</p> <p>2. Continue to implement OPIC's new Small Business Center (SBC). Track/measure progress that can be attributed top the SBC.</p>	<ul style="list-style-type: none"> • Up to 220 Full time equivalent employees • OPIC yearly administrative budget. to support credit programs and to support non-credit activities) • plus credit funding 	<ul style="list-style-type: none"> • Approximate amount of finance commitments • Political risk insurance issuance (MIA); • New finance commitments • New insurance contracts • Dollars invested by host country • Dollars invested by the U.S. • Dollars invested by third country • Dollars invested on a multilateral basis 	<ul style="list-style-type: none"> • Total project investment from all sources • Host Country Developmental Effects: <ul style="list-style-type: none"> ✓ Local jobs ✓ Managerial & professional jobs ✓ Job training ✓ Local ownership ✓ Benefits to small & medium enterprises (SME) ✓ Leveraging impacts ✓ Social effects ✓ Developmental Infrastructure improvements ✓ Macroeconomic & Institutional effects ✓ Transfer of knowledge & technology • Percentage of small business projects (estimated 50%+) • U.S. exports & jobs • Positive net U.S. trade effect • Positive net U.S. financial flows • Positive U.S. balance of payments effects • Net negative budget authority • Net negative outlays 	<p>General Goal #3 Performance Indicator:</p> <p>11. Measure: Evaluate new projects to ensure that they would not have gone forward but for OPIC's participation. Elements of evaluation may include:</p> <ul style="list-style-type: none"> ✓ Tenor ✓ Pricing compared to sovereign benchmarks ✓ Country Risk ✓ Sector Risk ✓ Foreign Direct Investment (FDI) Measures. <p>Target: Develop methodology in FY 2003; establish baseline in FY 2004; set targets for FYs 2005-2008.</p> <p>General Goal #4 Performance Indicator:</p> <p>12. Measure: Number of small business projects resulting from SBC. Target: In FY 2003, establish baseline regarding the number of small business projects resulting from OPIC's SBC. By the end of FY04 the SBC target is to finalize 1 small business finance agreement and 1 insurance contract per week.</p> <p>13. Measure: Efficiency of small business projects as measured by cycle time. Target: Reduce SBC small business cycle time to 60 days from time completed application is received.</p>

Relationship between the long-term goals/objectives, requested budgetary inputs and the annual performance indicators for FY 2003-8

General Goals →	Requested Inputs →	Expected Outputs →	Expected Outcomes →	Annual Performance Indicators
<p><u>General Goal 5</u></p> <p>Operate in a businesslike manner.</p> <p><u>Objectives.</u></p> <ul style="list-style-type: none"> • Operate in a self-sustaining manner. • Improve efficiency. • Enhance performance-based management. 	<ul style="list-style-type: none"> • Up to 220 Full time equivalent employees • OPIC yearly administrative budget. to support credit programs and to support non-credit activities) • plus credit funding 	<ul style="list-style-type: none"> • Approximate amount of finance commitments • Political risk insurance issuance (MIA); • New finance commitments • New insurance contracts • Dollars invested by host country • Dollars invested by the U.S. • Dollars invested by third country • Dollars invested on a multilateral basis 	<ul style="list-style-type: none"> • Total project investment from all sources • Host Country Developmental Effects: <ul style="list-style-type: none"> ✓ Local jobs ✓ Managerial & professional jobs ✓ Job training ✓ Local ownership ✓ Benefits to small & medium enterprises (SME) ✓ Leveraging impacts ✓ Social effects ✓ Developmental Infrastructure improvements ✓ Macroeconomic & Institutional effects ✓ Transfer of knowledge & technology • Percentage of small business projects (estimated 50%+) • U.S. exports & jobs • Positive net U.S. trade effect • Positive net U.S. financial flows • Positive U.S. balance of payments effects • Net negative budget authority • Net negative outlays 	<p><u>General Goal #5 Performance Indicator:</u></p> <p>14. Measure: Operating revenue is equal to or greater than operating expenses. Target: Operating expenses do not exceed operating revenue.</p> <p>15. Measure: Reduced cycle time. Target: Achieve a 20 percent improvement by the end of FY 2008 for both insurance and finance projects based on baseline cycle time in FY 2002.</p> <p>16. Measure: High productivity of new two-year pilot Moscow office. Track the number of executed loan agreements and insurance contracts that occur as a result of the Moscow office. Target: 10 new executed loan agreements or insurance contracts in FY 2004.</p>

Identification of key factors, external to the agency, that could significantly affect achievement of general goals and objectives

- Revised foreign policy guidance.
- Changes in market demand.
- Significant change in the investment climate in host countries due to political or economic events.
- Changes in regional economic climates that can have widespread effects. For example, the Southeast Asian financial crisis that occurred in 1998 and subsequently spread to other regions.
- U.S. or American regional economic recession.
- Increased competition from foreign businesses that are heavily subsidized by their governments.
- Major decrease in the ability of American businesses to compete abroad.
- Major change in OPIC's budget or authorization limit.
- Change in legislation or imposition of sanctions that affect the list of countries where OPIC can operate.

Program Evaluations to be Used to Verify Results (Including Approximate Timing of Evaluations.)

- ***Strategic Goal 1:* Quantitatively measure and demonstrate that OPIC'S products and services are raising living standards and increasing productivity. Over the 5 years covered by this plan OPIC will attain measurable results in the following areas: A) Human capacity building, B) Private sector development, and C) Leveraging of foreign direct investment into the developing world.**

Means to verify and validate performance indicators: In consultation with its stakeholders and with other development organizations, OPIC has developed a matrix for measuring the developmental impact of the projects that it supports (See Appendix A). On an annual basis, OPIC will report on the results of this matrix and include its findings in both the GPRA mandated Annual Performance Report, but also in the annual Development Report that is due to Congress. OPIC will also verify and validate the measures associated with this goal by means of its development impact monitoring program. OPIC employs standard monitoring procedures to review project commitments and track the progress made fulfilling those commitments. OPIC's site monitoring process involves one-time visits to randomly selected projects and annual self-monitoring submissions by all projects. These procedures have been evaluated by outside experts and OPIC has 15 years of experience with the site-monitoring program and 10 years experience with the self-monitoring program. Through questionnaires and site-visits, OPIC gathers and verifies information provided by the investor regarding the original estimates of the developmental impact of the project. Through this process, OPIC is able to measure and verify whether its projects are meeting their original development objectives.

- ***Strategic Goal 2:* Mitigate risk through sound portfolio management practices, by encouraging good corporate citizenship, and by continuing to improve bilateral agreements.**

Means to verify and validate performance indicators: Regarding the number of on-going OPIC projects monitored for compliance with OPIC's U.S. effects, environmental, and worker rights standards, (ie- corporate citizenship) and the number of monitored on-going projects that meet OPIC's U.S. effects, environmental, and worker rights standards, OPIC has been tracking and reporting on these numbers for several years and will continue to do so.

OPIC monitors compliance with these requirements through a two-part process. First, all projects must complete a questionnaire annually providing data on their actual performance in the identified areas. The second part of the monitoring process involves taking a closer look at selected projects. Those projects, which are subject to more detailed monitoring, come from three groups: 1) all projects that potentially impact sensitive U.S. economic sectors; 2) all environmentally sensitive projects; and 3) projects selected using random sampling methodology. The projects to be monitored are

examined during a site visit by an OPIC staff member as well as through additional data received from the project.

Regarding sound portfolio management practices, OPIC has been monitoring and making available its claim payment/recovery ratio, sector and country concentrations, and project “watch list” for several years.

- **Strategic Goal 3: Ensure additionality and private sector participation to ensure that OPIC leverages, but does not compete with, the private sector.**

Means to verify and validate performance indicators: OPIC is in the process of developing procedures to formalize additionality into the decision-making process. In FY 2003 and FY 2004, OPIC will establish a methodology for quantifying the additionality review process.

- **Strategic Goal 4: Ensure that OPIC support is provided to small, as well as large, U.S. businesses.**

Means to verify and validate performance indicators: OPIC’s small business definition is in accordance with Congressional guidance, and OPIC has been tracking the number of small business projects that it supports for many years. The trend of OPIC support for small business is definitely moving in an upward direction. Of the 40 new projects that OPIC supported in FY 2000, 40 percent involved small business. In FY 2001, 57 percent of the new projects supported by OPIC involved small business. In FY 2002 the number climbed to 69 percent. OPIC recently finalized a memorandum of agreement to work closely with the Small Business Administration (SBA.) Additionally, OPIC recently created an in-house Small Business Center to further support smaller enterprises. The fruit of these efforts will be reflected annually in OPIC’s yearly Performance Reports that are mandated by GPRA.

- **Strategic Goal 5: Operate in a responsible and businesslike manner.**

Means to verify and validate performance indicators: The annual audit of OPIC’s operations, conducted by the independent accounting firm of KPMG LLP, verifies OPIC’s self-sustaining status. OPIC has generated net income in every year since its creation in 1971. In FY 2003 and FY 2004, OPIC will develop mechanisms and guidelines to ensure that reserve levels are adequate, but not excessive and that the risk reserve/net exposure ratio remains reasonable. OPIC’s current total reserve stand at \$4.3 billion. However calculated, OPIC’s reserve ratio currently exceeds equivalent ratios in the private sector and compares favorably with those multilaterals with similar missions.

APPENDIX A: Developmental Impact Matrix [Point allocations in brackets]

<i>Indicator</i>	NEGATIVE IMPACT	NO IMPACT	SOME IMPACT	STRONG IMPACT
Human Capacity Building = [30]				
Job Creation [10]	Causes a loss of local jobs. [-10]	No jobs created. [0]	Creates fewer than 28 jobs per \$1,000,000 of total project investment. [5]	Creates 28 or more jobs per \$1,000,000 of total project investment. [10]
Job Complexity [10]	No local managerial or professional jobs created [-10]	Managerial and professional jobs as a proportion of total jobs created do not exceed 25%. [0]	Managerial and professional jobs as a proportion of total jobs created exceeds 25% (but does not reach 50%). [5]	Managerial and professional jobs as a proportion of total jobs is 50% or higher. [10]
Training [6]	NA	No [0]	Greater than zero but less than 50% [3]	Proportion of receiving formal training is 50% or higher [6]
Training Abroad [4]	NA	No training abroad [0]	Training in another developing country [2]	Training in a developed country [4]
Private Sector Development = [30]				
Local ownership stake [10]	0% local private ownership [-10]	Greater than 0% (but less than 15%) local private ownership [0]	At least 15% but less than 30% local private ownership of project resources. [5]	30% or greater local private ownership of project resources. [10]
Benefits to local SME [10]	Project displaces SME [-10]	No local SME project ownership [0]	At least 1% but less than 15% local project ownership by SME. [5]	15% or greater local project ownership by SME. [10]
Encouragement of private ownership [10]	NA	No [0]	NA	Project involves privatization or the creation of opportunities for property/home ownership. [10]
Leveraging Impacts = [30]				
Leveraging other investments [20]	OPIC finances 76%-100% of total project investment, or insures 86%-100% of total project invest. [-20]	OPIC finances 67%- 75% of total project investment, or insures 77%-85% of total project investment. [0]	OPIC finances 51% to 66% of total project investment, or insures 61% to 76% of total project investment [10]	OPIC finances 50% or less of total project investment, or insures 60% or less of total project investment [20]
Complementing other development institutions [5]	NA	None [0]	Project involves a development institution [2.5]	Project involves more than one development institution [5]
Public-Private Partnerships [5]	NA	None [0]	NA	Local development bank, ministry, or NGO [5]

INDICATOR	NEGATIVE IMPACT	NO IMPACT	SOME IMPACT	STRONG IMPACT
Social Effects (Good Corporate Citizenship)				
Equal Employment Policy	Discriminatory policy or practice	No formal EEO policy	Informal policy prohibiting discrimination	Formal, written EEO that is communicated to all employees and supervisors
Benefits for Women in the Workplace	Discriminatory policy or practice	No relevant policies	Maternity leave or child care	Policies for maternity leave and childcare
Benefit to Poor (Rural) Region	Project harms poor or rural region	No rural benefit	Indirect benefit to rural communities through procurement or other linkage	Direct investment in a rural area
Social Responsibility	Project causes a negative social impact	No social or community benefit	Benefits limited to company employees (eg, company-paid meals)	Investment directly benefiting local community (eg, housing, transportation development)
Environmental Preservation	Project takes no step to mitigate negative environmental impact	Project takes steps to mitigate an identified negative environmental impact	Project generates a moderate environmental benefit	Project focus is to preserve, enhance or restore the local environment (eg, eco-tourism, reforestation, water treatment)
Developmental Infrastructure Improvements				
Physical, Financial or Social Infrastructure	NA	Not an infrastructure project	Lower income levels of the population have limited access to the infrastructure	Infrastructure is accessible and affordable to all segments of the population
Macroeconomic and Institutional Effects				
Level of Economic Development ⁱ (GNP per capita)	NA	High Income Country (H)	Medium Income Country (M)	Low Income Country (L)
Project resulting from or causing government reform	Government concessions tied to project have anti-competitive impact on macro-economy	No project relationship to government reform	Project investment directly resulting from or causing a government regulatory, judicial, or other institutional reform applicable only to the project	Project investment directly resulting from or causing a government regulatory, judicial, or other institutional reform applicable to the entire sector or economy

INDICATOR	NEGATIVE IMPACT	NO IMPACT	SOME IMPACT	STRONG IMPACT
Fiscal Impacts	Project pays too little (zero) or too much (> 35%) in taxes over the first 5 years of operations	Project pays 1-5% of revenues in taxes over the first 5 years of operations	Project pays 6- 20% of revenues in taxes over the first 5 years of operations	Project pays 21-35% of revenues in taxes over the first 5 years of operations
Technology & Knowledge Transfer / Productivity Enhancement Initiatives				
Innovative Management Practices	NA	None	Implements managerial practices that are relatively uncommon in the local economy	Introduces managerial practices that are new to the local economy
Marketing & Distribution Expertise	NA	None	Implements marketing and distribution strategies that are relatively uncommon in the local economy or project sector	Introduces marketing and distribution strategies that are new to the local economy or project sector
New Production Technologies	NA	None	Implements technologies that are relatively uncommon in the local economy or project sector	Introduces technologies that are new to the local economy or project sector
New Product/Service	NA	None	Produces a product or service that is not widely available in the local market	Produces a product or service that is not at all available in the local market
Lower local prices	Project increases local prices	No reduction to local prices	Product may have some impact on lowering local prices due to increased supply in market	Product planned for introduction at a substantially lower price than competition
Foreign Exchange Earnings	Net foreign exchange is negative	Net foreign exchange is zero	Moderate positive net foreign exchange	Substantial net foreign exchange
Economic Diversification	Project is in saturated sector	None	Project involves an underdeveloped sector of the local economy	Project involves an economic sector that is essentially nonexistent in the local economy

Note: A detailed guideline to these matrices to ensure consistency in scoring is under development.

¹ Low \$984 or less; Medium \$985-\$4,268; High \$4,269 or more, according to 1999 per capita GNP data from the *World Bank Atlas 2002*