

CONGRESSIONAL BUDGET JUSTIFICATION



Fiscal Year 2021

Table of Contents

EXECUTIVE SUMMARY	1
DFC GOALS	5
MAXIMIZE DEVELOPMENT IMPACT	5
DRIVE PRIVATE CAPITAL TOWARD U.S. FOREIGN POLICY OBJECTIVES	6
GROW OUR INVESTMENTS	6
FY 2021 DFC BUDGET REQUEST	8
ADMINISTRATIVE EXPENSES	9
<i>Payroll and Facilities</i>	9
<i>Governance and Accountability</i>	9
<i>Operationalizing Interagency Collaboration</i>	10
<i>Monitoring and Evaluation</i>	10
<i>Financial Management Technology</i>	11
<i>New Authorities—Implementing Resources</i>	11
<i>Transaction Resources</i>	12
FUNDING DFC’S PROGRAMMATIC AUTHORITIES	12
<i>Credit and Insurance</i>	13
<i>Technical Assistance and Feasibility Studies</i>	13
<i>Equity Program Funding</i>	13
FY 2021 POLICY PRIORITIES	15
OFFICE OF INSPECTOR GENERAL	18
APPENDICES	19
APPENDIX A: APPROPRIATIONS LANGUAGE	19
<i>Corporate Capital Account</i>	19
<i>Program Account</i>	20
APPENDIX B: FISCAL YEAR 2019 IN REVIEW	21
<i>Overseas Private Investment Corporation (OPIC)</i>	21
<i>Development Credit Authority (DCA)</i>	25
APPENDIX C: BUILDING THE DFC—TRANSITION TIMELINE	30

Executive Summary

Development and foreign policy challenges require a new transformational approach—supported by the tools, strategy, and resources to meet these challenges. The President’s FY 2021 Budget proposes resources and strategies to support the bipartisan vision of the BUILD Act. DFC proves the United States’ comparative advantage over autocratic financing models by highlighting transparency, leveraging the private sector, financial sustainability, high environmental, social, and worker rights standards, and a willingness to invest in small and medium sized enterprises.

The Budget proposes \$133.7 million for administrative expenses and project-specific transaction costs, and a program budget of \$700 million—including a new equity program, credit subsidy for loans and guarantees, grants, feasibility studies, and project-specific technical assistance. The budget also requests \$2 million for a dedicated Inspector General for the new agency. These resources will enable DFC to take full advantage of the tools authorized in the BUILD Act to meet development and foreign policy challenges. FY 2021 will mark DFC’s first full year of operations and DFC will be focused on meeting the requirements and ambitions of the BUILD Act so as to ensure that the United States is well equipped to both meet development challenges and compete effectively with the investment initiatives of other autocratic governments.

The Budget will allow DFC to expand on the classic financing and insurance work of OPIC and DCA, and establish and grow new business lines authorized by BUILD, such as project specific technical assistance and equity.

The request level achieves an outsized impact by using DFC to leverage multiples of private sector investment. By engaging the private sector, DFC supported projects not only extend the impact of scarce federal resources, but also align spending with projects which are more likely to be viable over the long haul, and therefore to deliver long term development impact. This budget level reflects the kind of transformation envisioned in BUILD for DFC to bear more risk and achieve more development impact.

Importantly, DFC positions the United States to provide an alternative to the financing model offered by autocratic governments. The amount these governments have planned are staggering—putting perhaps as much as \$1 trillion into shaping the developing world. Fortunately, developing countries are searching for an alternative to investment capital that can often leave them worse off. This request puts DFC in a position to answer that call in a meaningful way.

DFC will extend its core capability of mobilizing market-based, private-sector led development in support of development outcomes and U.S. foreign policy. DFC, as part of U.S. development efforts, complements a diverse set of U.S. foreign policy tools and traditional assistance efforts.

DFC will use its financing tools in partnership with the private sector to fulfill three key aims:

1. **Maximize Development Impact:** DFC mobilizes private sector investment to advance development in emerging economies around the world.
2. **Drive Private Capital Toward U.S. Foreign Policy Objectives:** DFC serves as a critical tool of American foreign policy, mobilizing investment in regions, and industry sectors of strategic importance.
3. **Manage Taxpayer Risk Through Appropriate Investment Growth:** DFC will prudently manage its portfolio and share risks with the private sector and qualifying sovereign entities through co-financing and structuring of tools.

A strong, well-resourced DFC can complement and amplify foreign assistance efforts undertaken daily by partner agencies such as the U.S. Agency for International Development (USAID), the Department of State, and the Millennium Challenge Corporation (MCC). DFC builds on the strength of nearly 50 years of development finance programs at OPIC, and nearly 20 years of the DCA program. The human and financial capital of OPIC and USAID combine with DFC's reforms and new tools to enhance the effectiveness of U.S. development finance efforts, improve taxpayer protections, transparency, and interagency coordination. Beyond mobilizing capital, DFC investment promotes the adoption of good business practices, quality jobs, and sound environmental policies.

This budget request will ensure that DFC has the resources to meet market demand, strengthen DFC core capabilities, and improve both development and foreign policy outcomes worldwide. DFC will deploy its resources while continuously coordinating with State, USAID's missions, the MCC, and others, to support development and foreign policy through projects and cross-cutting whole of government initiatives such as:

- **Women's Economic Empowerment:** DFC's *2X Women's Initiative* invests in businesses that are owned by or led by women, or which deliver a product or service that benefits women.
- **Power Africa and Prosper Africa:** Like OPIC and DCA with *Power Africa*, DFC will be a key contributing agency to both *Power Africa* and the new *Prosper Africa* Presidential Initiative, which seeks to advance the United States' competitive advantage by accelerating two-way investment and trade with Africa. On February 20, 2020, President Donald J. Trump selected U.S. International Development Finance Corporation (DFC) Chief Executive Officer Adam Bohler to serve as Executive Chairman of *Prosper Africa*. DFC will be on the forefront of facilitating private sector investment in Africa to improve infrastructure, support new technology, create value chains, and solve logistical challenges. State-directed investments have left many African states with unsustainable debt or projects, making DFC's

model of private sector-led development all the more important. A focus on infrastructure, information and communications technology, value chains, and logistics can help advance African countries on their journey to self-reliance.

- **Indo-Pacific:** DFC is committed to advancing a free and open Indo-Pacific: a vast region including India, Southeast Asia, and the South Pacific that is home to more than half the world's population.
- **América Crece:** DFC will help enhance energy and infrastructure security, and increase investment throughout Latin America and the Caribbean. The initiative is an innovative, whole-of-government approach to designing achievable energy and infrastructure growth programs that address the most pressing investment barriers in each market.
- **Critical Infrastructure:** DFC investments will help build roads, airports, seaports, and power plants, supporting increased trade and regional connectivity.
- **Energy:** DFC investments will help countries meet the growing demand for electricity, while introducing electricity in remote regions, expanding access to renewable energy, and promoting energy independence.
- **Healthcare:** DFC investments will expand access to affordable healthcare by building modern hospitals and health clinics and supporting projects that expand access to clean water and sanitation.
- **Technology:** DFC investments will expand access to the advanced technology and telecommunications services that are essential for business activity and economic growth.

DFC will use its administrative resources to integrate the legacy USAID DCA operation, build out new service offerings authorized under BUILD, and strengthen DFC in three main areas:

- 1. Create Innovative Programs and Partnerships to Maximize Outcomes**
 - Maintain and expand partnerships with USAID, State, MCC, and other federal agencies to foster an “all of government” approach to promoting development.
 - Create valuable partnerships with other Development Finance Institutions (DFIs), International Finance Institutions (IFIs), NGOs, think tanks, and others, to maximize development impact without duplication or undue competition.
- 2. Foster an Effective and Efficient Organization**
 - Improve project sponsor and partner experience to increase DFC opportunities.

- Provide necessary resources to DFC staff to enable effective and efficient operations.
- Strengthen enterprise and departmental decision making through data and analysis.
- Leverage technology to provide staff with global system access.
- Empower staff to create a productive and positive work environment to attract and retain skilled personnel.

3. Maintain a Responsible Organization Over the Long Term

- Maintain a fiscally responsible organization, generating long-term value for the taxpayer.
- Create and empower management and oversight structures that monitor progress towards achieving policy goals, that assess success while remaining within acceptable risk thresholds, and that take action where appropriate.

DFC Goals

Maximize Development Impact

DFC will emphasize support for developmental projects. In collaboration with top experts in development, DFC created a new state-of-the-art framework for evaluating development impacts. DFC will use the new “Impact Quotient” (IQ) framework to calculate a score based on each project’s projected and actual contribution to economic growth, inclusion, and innovation to help focus the new DFC’s development agenda. The score will be adjusted for environmental, social, and development risks. Utilizing IQ, DFC will collect baseline, projected, and actual data to measure each project’s progress toward its development objectives. Using IQ, DFC will ensure that investments have a positive impact on the populations it serves and will push DFC to increase the quantity of projects while also ensuring that the highest quality of projects are supported.

DFC will prioritize low-income and low-middle-income countries. Serving the most disadvantaged populations is core to DFC’s mission and at the heart of DFC’s investment goals. To ensure DFC is meeting this priority, DFC will re-organize its approach to business development, turning from a “demand-driven” culture, to one that seeks out the most developmental opportunities for every resource expended on a transaction.

DFC will use its capital to promote projects that empower women. Women drive growth and foster stability in their homes, communities, and economies. Yet women face extreme barriers to achieving full participation and contribution to the economy and society as a whole. DFC will use the power of its investments to create gender equitable change.

DFC will promote projects that support job creation through small business growth, and support populations with limited access to financing. To promote job creation through small businesses, DFC supports:

- Investment funds that target small businesses for equity investments;
- Financial institutions that lend to small businesses and microenterprises;
- The development or expansion of small businesses; and
- Support to medium and larger companies in sectors that have a demonstrated ability to drive local investments in new goods and service providers.

DFC will build on its experience in encouraging financial institutions and funds to reach out to populations that have not had access to financial resources in the past, including women, youth, and rural populations, so that they can finance microenterprises, small businesses, or household expenses. In addition, DFC will provide technical assistance intended to support future DFC transactions to companies that have not previously served these populations, so that they can determine the viability of expanding services to these segments of the populace. This may increase their access to key resources

including energy and water or to obtain necessary communications or IT services essential to small business development.

Drive Private Capital Toward U.S. Foreign Policy Objectives

DFC will be one of the most effective, nimble tools of the United States foreign policy apparatus. DFC will serve as a key element of U.S. foreign policy through mobilization of private capital in development finance. As a result of the BUILD Act, mobilizing the power of the private sector is now a more prominent tool of U.S. foreign policy. DFC, in coordination with the NSC, State, and USAID, will be a more effective tool to support growth and stability in countries where the United States has a strategic interest. There is a global recognition that achieving economic and political stability in less-developed countries will depend largely on private sector investment.

DFC will play a critical role in bringing new capital to emerging market development. Private capital can spur global development funding as investors seek opportunities in developing countries. However, pools of private sector capital remain largely untapped due to a variety of factors, including high regulatory risk, fragmented supply chains, and monopolies in critical sectors, like power and transportation.

DFC will provide an alternative to state-led investment by authoritarian regimes. At a time when developing countries are incurring dangerous levels of debt from state-directed lending, DFC private sector-led model will seek to build stable and prosperous societies, strengthen local markets, reduce dependence on foreign aid, and develop critical infrastructure that is built to last. DFC will adhere to high standards of international financial institutions related to governance, and provide transparency, debt sustainability, as well as environmental and social safeguards.

The United States must compete, however, for these positive outcomes. Other countries are seeking to project their economic and geopolitical influence. China, for instance, has promised resources to initiate long-term efforts to invest over \$1 trillion in Eurasia, Africa, and Latin America. Rather than meeting competitors at the lowest common denominator or engaging in practices that distort markets, the United States will use its development finance tools to pursue development and national-security objectives while projecting American values and norms, and promoting responsible business practices in partner countries. These relationships will, over the long term, strengthen the geopolitical position of the United States, and provide the economic foundation for future international partnerships.

Grow Our Investments

DFC will increase its portfolio size in terms of the number of projects supported, dollars invested, and insured. With an increased investment cap and more flexibility, DFC is positioned to deploy more capital and have a greater impact to support U.S. foreign policy objectives.

Promote the Creation of New Sources of Private Capital in Areas of Strategic Interest

Private capital mobilization in support of sustainable, broad-based economic growth, poverty reduction, and development through demand driven partnerships with the private sector advances U.S. foreign policy interests. Leveraging private-sector resources to promote economic growth in developing countries helps extend American influence and reinforce American values, such as the rule of law, transparency, and fair business practices. Emerging market trading partners that adhere to free-market principles and promote transparent, rules-based governance today, will provide a market for American goods and services tomorrow.

DFC will develop innovative financial products that increase opportunities to mobilize private capital and meet local needs. Backing from DFC, through development finance tools such as loans, guarantees, political risk insurance, feasibility studies, and equity can catalyze significant amounts of private capital into emerging markets. This backing is essential to supporting key sectors such as infrastructure, power, water and health; improving the quality of life for millions, laying the groundwork for creating modern economies, and/or providing financing for women or other sectors that have not had sufficient—or any—access to commercial financing.

Promote Innovative Programs and Partnerships to Maximize Outcomes

DFC will create valuable partnerships with other U.S. federal agencies, development finance institutions, NGOs, think tanks, and the private sector to create maximum development impacts most efficiently. DFC recognizes that non-government stakeholders not only play an important accountability role, ensuring that DFC maintains the highest standards, but also play a critical advisory and partnership role.

DFC will leverage the expertise and thought leadership that outside stakeholders provide, so that DFC can better assist the people whom it exists to serve. DFC and many foundations share a common mission, but bring different resources and tools to the table. DFC will leverage foundations' expertise and grant capital to expand its reach and impact. DFC values the resources non-government stakeholders bring to the table including research, sector expertise, and regional presence. Specifically, DFC sector teams in innovative healthcare, food and agriculture, next generation infrastructure, and energy will take advantage of stakeholder knowledge and capability.

FY 2021 DFC Budget Request

(Dollars, thousands)	FY 2019 Actual	FY 2020 Enacted PL 116 94	FY 2021 Request	Change from FY 2020 Enacted
Administrative Expenses	79,200	-	-	-
Credit Subsidy	20,000	-	-	-
Offsetting Collections	-440,244	-	-	-
Administrative Expenses	10,000	-	-	-
Credit Subsidy Transfer Limitation	[55,000]	-	-	-
Subtotal, Admin/Program	-	299,000	833,677	534,677
Administrative Expenses	-	119,000	133,677	14,677
Program Funds	-	180,000	700,000*	520,000
<i>Of which, Credit Subsidy Technical Assistance / Feasibility Studies</i>	-	30,000	-	*
<i>Of which, Equity</i>	-	150,000	-	*
Offsetting Collections	-	-561,000	-496,000	65,000
Inspector General	-	2,000	2,000	-
Other	-	[50,000]	[50,000]	-
Complementary Programming and/or Transfers from State/USAID Economic Support and Development Funds	-	[50,000]	[50,000]	-

¹ Bracketed amounts are transfers from USAID/State (e.g. ESDF, GHP) to DCA in FY19/20 and to DFC in the 2021 Budget.
^{*} Funding may be flexibly allocated among equity, credit subsidy, technical assistance, feasibility studies, and other programs.

DFC requests \$133.7 million for administrative expenses and project-specific transaction costs. In addition, DFC requests \$700 million in program funds, which can be flexibly allocated among credit subsidy, grants, technical assistance, and special projects and programs. Facilitated by the Chief Development Officer, DFC anticipates \$50 million in funding allocated to State/USAID will be transferred to DFC to support Administration priorities. The budget also requests \$2 million to be appropriated from the General Fund for the Office of Inspector General to conduct independent oversight.

Administrative Expenses

This budget request is expected to fund all existing OPIC and DCA positions and new responsibilities to begin implementation of DFC's new equity, grants, and technical assistance programs.

The agency, going into its first full year, will require funding to continue the momentum of consolidating, modernizing, and reforming the development finance capabilities of the U.S. Government, ensuring access to a much deeper toolkit of development finance tools and expertise than has been available in the past. This access to DFC's financing tools is a critical complement to USAID's core objective of promoting a path to a recipient country's self-reliance and resilience. At the same time, DFC will leverage the global footprint of U.S. embassies and missions around the world to realize its growth ambitions, while driving deeper impact in its portfolio and more closely monitoring and adjusting its global projects portfolio throughout the world.

Summary of Requested Budget Increases vs FY 2020	Estimated \$, millions
Payroll & Facilities	6.33
Governance and Accountability	1.00
Operationalizing Interagency Collaboration	0.46
Monitoring and Evaluation	2.80
Financial Management Technology	2.00
New Authorities - Implementing Resources	0.51
Transaction Resources - Staff and Contracting	1.57
Support	
TOTAL	14.67

Payroll and Facilities

The request assumes an estimated hiring of 30 new employees. This includes FTE positions for offices required by statute, increased evaluation and monitoring activity, interagency coordination, and responding to new reporting requirements mandated by the BUILD Act. This budget will also fund adaptation of existing leased space and other costs driven by a larger workforce.

Governance and Accountability

As required by the BUILD Act, DFC will have an Independent Accountability Mechanism to address concerns, complaints or conflicts about environmental or social issues that may arise around DFC-supported projects. The office provides project-affected communities, project sponsors, and project workers an opportunity to have such concerns independently reviewed and addressed.

In addition, DFC has two offices which report directly to the board: the Chief

Development Officer (CDO) and the Chief Risk Officer (CRO). This request provides base funding for operating costs of those offices and travel. The CDO and CRO will leverage the entire organization to fulfill their mandates.

The CDO will be responsible for focusing the entire organization on driving measurable development impact and ensuring DFC's portfolio meets its development mandate at the strategic level. The CDO will also coordinate DFC's development policies and implementation efforts with the interagency, particularly USAID, MCC, and State. The CRO will provide executive-level guidance to DFC by identifying and advising on mitigation efforts regarding the most significant risks facing DFC, including operations, credit programs, financial exposures, and reputational risks.

Operationalizing Interagency Collaboration

The *Office of Strategic Initiatives (OSI)* will ensure DFC is effectively integrated into the interagency policy-making process and can help ensure foreign-policy alignment with the Administration's priorities. For example, individuals from this office will represent DFC in the development of new Administration initiatives—such as *Prosper Africa* and the *Indo-Pacific Strategy*—and ensures DFC delivers on these initiatives. OSI will be structured along regional and thematic lines, and will interact regularly with the transaction-focused Departments as well as the Office for Development Policy (ODP) and CDO, based on region or sector. Through these regional and thematic lines OSI will have the ability to deploy priority initiatives across the globe. OSI will also link other federal departments and agencies that support U.S. businesses overseas, such as the Department of Commerce and the U.S. Export-Import (EXIM) Bank. OSI will tap into other U.S. Government Departments and Agencies for detailees, as appropriate, for interagency experience, and serve as a key link into the Development Finance Coordination Group.

Ensuring interagency U.S. Government staff understand how DFC originates, analyzes, structures, monitors, and evaluates its transactions is critical for even the most basic close collaboration across Federal institutions. This understanding is particularly important for USAID staff, who will source DFC transactions directly to support existing USAID programs in-country. Funding will support DFC's development of a comprehensive training program, in coordination with USAID, State, and other U.S. Government Departments and Agencies. This program will complement OPIC's legacy training to the Foreign Service Institute (FSI) and USAID's existing training on Private-Sector Engagement, and will be available to all interagency staff. Working with State, DFC is programming funds for DFC personnel to be placed in the market to develop business through the lens of U.S. national security and foreign policy.

Monitoring and Evaluation

The BUILD Act called for modernizing OPIC's monitoring and evaluation (M&E) framework to appropriately measure the developmental performance of the new DFC's portfolio, including the replacement of the current development impact measurement system. The new performance measurement system will provide a mechanism for

ensuring that support provided by DFC is in addition to private sector investment. The system will set new standards and methods for ensuring accurate developmental performance of DFC's portfolio—including the measurement of projected and ex-post development impact of a project—and information necessary to comply with the annual reporting requirements, economic and social development impact, worker rights, environmental impact, and women's economic empowerment. Funding supports the major requirements laid out in the BUILD Act such as compliance, U.S. Government coordination, reporting, ex-post analysis of projects, and effects of DFC.

The Budget includes funding to support the development of an M&E portal to internally track and manage activities under this function. With the addition of USAID's DCA portfolio and the growth expectations for DFC over its authorization, it is vital to support M&E data and workflows. The portal will be used by clients, DFC, and any U.S. Government agencies that are involved in DFC's efforts. The portal will be primarily focused on tracking site visits, collecting data from those visits, administering the surveys, and linking the key project documents together in a data warehouse. This modernization will also include a mobile app designed for streamlined, on the ground, data collection that will allow DFC to collaborate with other U.S. Government agencies to help understand DFC's development impact.

In addition to portfolio-level performance measurement, DFC requires support to implement balanced agency-level performance measurement across the key dimensions of client and employee satisfaction, quantity, and quality.

Financial Management Technology

The Corporation's accounting system leverages OPIC's systems and experience in managing OPIC's diverse risk portfolio. OPIC's systems at its foundation requires resources to support licenses, databases, maintenance, periodic upgrades, and enhancements.

The FY 2021 request will support a periodic upgrade of systems to support base functionality and security as well as invoicing, financial workflows, and new reporting requirements. The FY 2020 appropriation for example, enabled DFC to initiate work to support direct loans in foreign currencies and variable rate lending.

The FY 2021 request includes a small effort to begin the multi-year work to migrate the corporate accounting platform to a cloud "software as a service" platform—where the vendor internalizes numerous maintenance functions in a uniform "cloud" environment, rather than using corporate resources to implement and test upgrades, and maintenance packages. Over time, this platform can generate savings and more efficient access to new features.

New Authorities—Implementing Resources

The BUILD Act established a new program for direct equity investment governed by rigorous guidelines and criteria. While OPIC had a track record with its investment funds

unit, new work is necessary to prepare the Corporation to prudently manage the workflow and the related accounting, monitoring, and valuation activities and data for the equity program.

DFC's grants and technical assistance program funds technical assistance, feasibility studies, and training that implement DFC's mission of mobilizing private capital to advance development and support of U.S. foreign policy objectives. A grant and/or technical assistance provided to a project is designed to increase the development impact, or improve the commercial sustainability, of a project that has received, or may receive, DFC financing or insurance support. This assistance will be designed to complement, but does not duplicate, work funded by other agencies or sources of financing.

Transaction Resources

DFC's goal is to leverage the tools in the BUILD Act and increase the level of investment it supports by growing the portfolio in key regions and sectors that are key to the Administration's development and foreign policy objectives. To meet these goals, DFC is working to scale up existing transaction capacity and controls. These funds include supporting technology, project specific transaction costs, and professional services integral to the origination and monitoring process.

Transactions in frontier economies which achieve BUILD Act objectives—the triple-bottom line of development impact, foreign policy and national security objectives, and managing taxpayer risk—all require DFC to review projects and manage the portfolio at a project-by-project level.

Funding DFC's Programmatic Authorities

DFC requests \$700 million to support its credit, equity, technical assistance, and other special projects activities. This request will allow DFC to scale up to the challenges and ambitions the Administration and Congress sought to tackle with the establishment of DFC. It will allow DFC to expand on the traditional financing and insurance work of OPIC and DCA and establish and grow new business lines authorized by BUILD, such as project specific technical assistance and equity. As DFC expands its financing, its tools are likely to require incrementally more credit subsidy because of the greater focus DFC will have on less developed countries. As DFC launches new products and partnerships, and focuses on new markets, DFC's mix of business will naturally be in flux, so a combined programmatic request allows flexibility to use the most appropriate tool for each situation.

DFC also anticipates that the Chief Development Officer will facilitate the transfer of an additional \$50 million from State/USAID to DFC for State/USAID to leverage DFC's development finance tools to support Administration priorities.

Credit and Insurance

DFC will optimize and grow the credit and insurance programs recently used by OPIC and DCA. The FY 2021 budget will support an estimated \$7.6 billion in direct and guaranteed loans. The increased portfolio authorization and addition of modern investment tools will equip DFC to mobilize substantial capital to advance development and grow economies to promote inclusive economic growth in the world's least developed countries. DFC's budget will implement the authority to support direct loans in local currencies—enabling DFC to mobilize local resources. DFC's debt financing will be available for emerging market private equity funds through an open and competitive process.

Technical Assistance and Feasibility Studies

Technical assistance designed to complement DFC programming will cover a wide range of activities tailored to the specific needs of individual transactions, including feasibility studies, market studies, development of lending strategies and products, financial literacy and business development services for borrowers, and the training of loan officers. Early support for planning and project development enables more well-planned projects to get off the ground and may be necessary to realize critical infrastructure projects. By lifting specific projects to the level where DFC's investment tools can scale the project, this technical assistance will help enhance development impact. Regular interactions between DFC and interagency through the CDO and other mechanisms will ensure that this programming will not duplicate programming done by USAID, MCC, and other agencies.

Equity Program Funding

While debt financing and political risk insurance remain important programs, one of the central components of the BUILD Act is the equity authority that allows DFC to play a greater catalytic role in mobilizing private sector capital to help meet the United States' foreign policy and development goals.

The BUILD Act requires that equity authority be used with projects that have a clearly defined development and foreign policy purpose, and to consider objectives such as:

- Reducing identified market failures;
- Reducing significant project delays;
- Contributing to the transformation of local conditions to promote market development;
- Aligning with commercial partner incentives;
- Identifying significant development impact and long-term commercial sustainability; and
- Supporting the policies of the United States Government.

DFC's equity business will build on well-established funds products (to which OPIC could only lend) and expand in new directions to reach and work with a broader set of partners. Equity will also be used to make direct investments.

DFC, through its funds debt-product, has long-standing systems in place to select managers and funds with successful track records. Equity investing into funds will be a natural extension that makes DFC a more attractive partner to other DFIs, and as a result, funds are expected to be an early area of growth. DFC will select experienced and successful fund managers to promote broad U.S. foreign policy and development goals, such as infrastructure and the 2X initiative, focusing on less developed countries in key policy areas and on strategic sectors that are important to U.S. interests. Further, with equity authority, DFC will be able to invest on the same basis along with DFIs of close allies (e.g. the United Kingdom's CDC, Germany's DEG, France's Proparco) and private sector partners (U.S. pension funds and financial institutions).

DFC sees direct equity investment as an invaluable tool to drive highly developmental and highly strategic investment over time, where more traditional lending or insurance products may not work as a commercial matter or may not provide the same medium to long-term benefits.

DFC plans to build a pipeline from at least four sources: (1) co-investment rights in most or all invested funds, (2) reviewing loan and insurance portfolios for companies or projects that are good candidates for equity investment, (3) referrals from other DFI partners (e.g. IFC has expressed a willingness to partner alongside them) and (4) direct business development opportunities.

FY 2021 Policy Priorities

Critical to DFC's success are strong linkages to U.S. policymakers to ensure DFC both is complemented and guided by U.S. foreign policy, development, and national security objectives. Under a new Board structure, the Secretary of State will serve as Chair and the USAID Administrator will serve as Vice-Chair of DFC. In the past, OPIC has primarily operated on a "demand driven," private sector-initiated approach to respond to the needs of U.S. businesses. While that "demand driven" model will continue, the Administration will also make greater use of DFC to advance U.S. foreign policy objectives in the developing world. This includes the USAID mission-led deal-development approach currently used by DCA that will allow USAID missions—now with more financial tools—to support priority areas and increase development impact. Through its network of embassies around the world, State will ensure that DFC tools and resources are deployed in the context of a policy-driven approach to advance specific U.S. foreign policy and development priorities.

The budget assumes State and USAID will provide \$50 million in Economic Support and Development Assistance Funds (ESDF) for complementary programming and transfers, to maintain the current model used by DCA and to support Administration foreign policy priorities. Whether DFC is deployed in Africa, the Indo-Pacific, or the Western Hemisphere, its investment tools and high standards, must be available to offer an alternative to the state-directed approaches by strategic competitors which can leave developing countries worse off.

Below are some of the ways in which DFC is expected to advance Administration priorities in FY21:

- **Indo-Pacific Strategy:** The Administration's Indo-Pacific strategy envisions a peaceful and secure region of sovereign nations, supports a framework for economic growth that is private sector-led, and encourages a governance model that promotes growth through open, transparent, and rules-based economies. DFC will be closely aligned with the broader interagency—including through initiatives such as the Digital Connectivity and Cybersecurity Partnership, Asia Enhancing Development and Growth through Energy, and the Infrastructure Transaction and Assistance Network—to support investment for digital connectivity, energy, and sustainable, high-quality infrastructure.

No government alone has enough money to address the Indo-Pacific's economic and development needs, such as the region's annual \$1.7 trillion need for infrastructure financing.¹ This challenge requires strategic partnerships, which is why OPIC signed a trilateral MOU with Japan and Australia and agreements with others in the region to combine resources,

¹ Asian Development Bank, Meeting Asia's Infrastructure Needs, Asian Development Bank, 2017, xi. <https://www.adb.org/sites/default/files/publication/227496/special-report-infrastructure.pdf>

technical expertise, and private sector funding. While signed under OPIC, it is expected that these initiatives will begin showing results in FY21.

- **Women’s Global Development and Prosperity Initiative (WGDP):** OPIC’s *2X Women’s Initiative* helped set the standard for what it means to invest in women. Doing so not only addresses a significant gap in access to financing, but advances U.S. interests to create more stable and prosperous societies. The BUILD Act’s priority on women’s economic empowerment means DFC will continue OPIC’s 2X Initiative and play a critical role in the WGDP’s support for women’s entrepreneurship and access to capital, markets, and technical assistance.

The WGDP initiative will help ensure collaboration between DFC and USAID’s WGDP fund, which invites interagency transfers. This close collaboration will undoubtedly lead to instances where DFC support can help scale an enterprise originally backed by USAID grant funding. For example, on a recent trip to Ethiopia, OPIC’s Acting President and CEO signed a letter of interest with a women-owned business which originally began to grow with the help of USAID funding. Additionally, USAID is backing the issuance of a \$100 million women’s livelihood bond in Asia through a DCA guarantee to support the WGDP initiative.

- **Power Africa and Prosper Africa:** Like OPIC and DCA with *Power Africa*, DFC will be a key contributing agency to both *Power Africa* and the new *Prosper Africa* Presidential Initiative, which seeks to advance the United States’ competitive advantage by accelerating two-way investment and trade with Africa. On February 20, 2020, President Donald J. Trump selected U.S. International Development Finance Corporation (DFC) Chief Executive Officer Adam Boehler to serve as Executive Chairman of *Prosper Africa*. DFC will be on the forefront of facilitating private sector investment in Africa to improve infrastructure, support new technology, create value chains, and solve logistical challenges. State-directed investments have left many African states with unsustainable debt or projects, making DFC’s model of private sector-led development all the more important. A focus on infrastructure, information and communications technology, value chains, and logistics can help advance African countries on their journey to self-reliance.
- **América Crece:** Latin America and the Caribbean are not only close neighbors, but also key partners in promoting regional security and stability. This region accounts for almost one quarter of DFC’s global portfolio and is the site of DFC investments in critical infrastructure, energy, agriculture, and financial services. The *América Crece* initiative is an innovative, whole-of-government approach to designing achievable energy and infrastructure growth programs that address the most pressing investment barriers in each market.

- **Critical Infrastructure:** DFC's investments in critical infrastructure including roads, airports, seaports, and pipelines will help create jobs and economic growth. Through increased access to markets, these projects also improve overall quality of life in the developing world by enhancing energy access, spurring business activity, strengthening agricultural supply chains, and raising the quality of healthcare and education. DFC financing is supporting the construction of two major toll roads in Colombia that will improve safety reduce travel times, and expand important commercial routes to help rural farmers reach larger markets.
- **Energy:** DFC investments will help countries meet the growing demand for electricity, while introducing electricity in remote regions, expanding access to renewable energy, and promoting energy independence. DFC is expanding and diversifying power generation in El Salvador by constructing the country's largest thermal power plant, which will increase the country's power generating capacity by 23%, helping to meet growing demand and reduce the country's dependence on diesel and heavy fuel oil. DFC also added a new source of electricity in Indonesia by financing an award-winning 75 megawatt wind power plant in Sulawesi that is significantly increasing the country's power supply
- **Healthcare:** DFC is focused on creating a healthier world by investing in projects that address persistent challenges in the developing world. DFC investments will expand access to affordable healthcare by building modern hospitals and health clinics, while supporting projects that expand access to clean water and sanitation. For instance, DFC financing supported the construction of a major clinic in Angola that offers affordable outpatient services to the community as well as a modern training program for medical professionals.
- **Technology:** DFC is committed to expanding access to trusted technologies that enhance connectivity in the developing world and make business more efficient and secure. DFC invests in projects that introduce advanced telecommunications services in underserved areas, and in technology businesses that offer innovative products and services. Financing from DFC is supporting mobile network updates and expansions in the Democratic Republics of the Congo, The Gambia, Sierra Leone, and Uganda to make mobile internet services more affordable.

Office of Inspector General

The BUILD Act establishes several oversight structures to govern the agency overall. DFC will have its own specialized Inspector General (IG) to conduct reviews, investigations, and inspections of its operations and activities. The Office of Inspector General will improve the economy, effectiveness, and efficiency of DFC, while also working to detect waste, fraud, abuse, and mismanagement.

The Budget proposes \$2 million to fund an Office of Inspector General for DFC. Consistent with principles of independence, this amount should be appropriated from the General Fund of the Treasury and not be offset by collections of the agency. The IG will produce future budget requests to be submitted separately, in accordance with the Inspector General Act.

The \$2 million figure for the initial set up of DFC's IG is primarily based on the amounts that would be necessary to start up the Inspector General office, which would cover four FTE (Inspector General, Auditor, Counsel/Investigator, and a support individual) with the balance of the funding going to contracting for mandatory audits and inspections.

Previously, OPIC was under the jurisdiction of USAID's Inspector General pursuant to a reimbursable Memorandum of Understanding (MOU) funded at \$1 million per year. Similarly, DCA's activities have been overseen by the USAID IG. As the statute calls for a Designated Federal Entity Inspector General for DFC, appointment and removal authority for the Inspector General resides with the Board. The new Inspector General will fill vacant positions in its office out of its own line-item budget and will coordinate the transition of any items in which the USAID IG is still working.

DFC is actively recruiting for a new IG and has interviewed several candidates. Until an IG is in place, USAID's IG, with reimbursement from DFC, will continue to provide investigative services and audit services for statutorily required audits (such as those of credit card transactions and requirements of the Federal Information Security Management Act), and it will complete any outstanding program audits.

Appendices

Appendix A: Appropriations Language

Corporate Capital Account

For necessary expenses of the activities described in subsections (b), (c), (e), (f), and (g) of section 1421 of the BUILD Act of 2018 (division F of Public Law 115–254) and for administrative expenses to carry out authorized activities and project-specific transaction costs described in section 1434(d) of such Act, \$833,677,000: *Provided*, That the United States International Development Finance Corporation (the Corporation) is authorized to make such expenditures and commitments within the limits of funds and borrowing authority available to the Corporation, and in accordance with the law, and to make such expenditures and commitments without regard to fiscal year limitations, as provided by section 9104 of title 31, United States Code, as may be necessary in carrying out the programs for the current fiscal year for the Corporation: *Provided further*, That of the amount provided—

(1) \$133,677,000 shall remain available until September 30, 2023, for administrative expenses to carry out authorized activities (including an amount for official reception and representation expenses which shall not exceed \$35,000) and project-specific transaction costs as described in section 1434(k) of such Act, of which 5 percent shall remain available until September 30, 2025;

(2) \$700,000,000 shall remain available until September 30, 2023, for the activities described in subsections (b), (c), (e), (f), and (g) of section 1421 of the Build Act of 2018, except such amounts obligated in a fiscal year for activities described in section 1421(c) of the Build Act of 2018 shall remain available for disbursement for the term of the underlying project: *Provided further*, That if the term of the project extends longer than 10 fiscal years, the Chief Executive Officer of the Corporation shall inform the appropriate congressional committees prior to the obligation or disbursement of funds, as applicable: *Provided further*, That amounts made available under this subparagraph may be paid to the "United States International Development Finance Corporation-Program Account" for the activities described in subsections (b), (e), (f), and (g) of section 1421 of the BUILD Act of 2018:

Provided further, That funds may only be obligated pursuant to section 1421(g) of the BUILD Act of 2018 subject to the regular notification procedures of the Committees on Appropriations: *Provided further*, That in this fiscal year, and each fiscal year thereafter, the Corporation shall collect the amounts described in section 1434(h) of the BUILD Act of 2018: *Provided further*, That in fiscal year 2021 such collections shall be credited as offsetting collections to this appropriation: *Provided further*, That such collections collected in fiscal year 2021 in excess of \$833,677,000 shall be credited to this account

and shall be available in future fiscal years only to the extent provided in advance in appropriations Acts: *Provided further*, That in fiscal year 2021, if such collections are less than \$833,677,000, receipts collected pursuant to the BUILD Act of 2018 and the Federal Credit Reform Act of 1990, in an amount equal to such shortfall, shall be credited as offsetting collections to this appropriation: *Provided further*, That funds appropriated or otherwise made available under this heading may not be used to provide any type of assistance that is otherwise prohibited by any other provision of law or to provide assistance to any foreign country that is otherwise prohibited by any other provision of law: *Provided further*, That the sums herein appropriated from the General Fund shall be reduced on a dollar-for-dollar basis by the offsetting collections described under this heading so as to result in a final fiscal year appropriation from the General Fund estimated at \$337,677,000.

Program Account

Amounts paid from "United States International Development Finance Corporation Corporate Capital Account" (CCA) shall remain available until September 30, 2023: *Provided*, That amounts paid to this account from CCA or transferred to this account pursuant to section 1434(j) of the BUILD Act of 2018 (division F of Public Law 115–254) shall be available for the costs of direct and guaranteed loans provided by the Corporation pursuant to section 1421(b) of such Act: *Provided further*, 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 amounts obligated in a fiscal year shall remain available for disbursement for the following 8 fiscal years: *Provided further*, That funds transferred to carry out the Foreign Assistance Act of 1961 pursuant to section 1434(j) of the BUILD Act of 2018 may remain available for obligation for 1 additional fiscal year: *Provided further*, That the total loan principal or guaranteed principal amount shall not exceed \$10,000,000,000.

Appendix B: Fiscal Year 2019 in Review

Overseas Private Investment Corporation (OPIC)

2X: Invest in Women. Invest in the World

OPIC surpassed initial targets to catalyze \$1 billion to global women's economic empowerment through its 2X Women's Initiative.

OPIC's 2X Women's Initiative aimed to unlock the multi-trillion dollar opportunity women represent by catalyzing investment in projects that support the world's women. As part of the initiative, OPIC committed to mobilizing \$1 billion to business and funds owned by women, managed by women, or providing a product or service that intentionally empowers women. OPIC also accepted the 2X Challenge alongside peer G7 development finance institutions to collectively catalyze \$3 billion to the world's women.

Under the 2X Africa Initiative, DFC continues OPIC's work to unlock the full economic potential of women in Africa by catalyzing \$1 billion, directly investing \$350 million, to businesses and funds owned by women, led by women, or providing a good or service that intentionally empowers women on the continent.

How DFC is Investing in Women

As part of a new *Financing for MOMs (Maternal Outcomes Matters)* Alliance, OPIC, USAID, Merck, through its *Merck for Mothers* Initiative, and Credit Suisse signed a memorandum of understanding with the goal of mobilizing up to \$50 million to improve and expand infrastructure, services, and access to care in Sub-Saharan Africa. The collaboration will help more women receive high quality care to ensure a healthy pregnancy and safe delivery, and lay the foundation for life-long good health.

OPIC, along with IDB Invest, launched Fund Mujer—a \$200 million gender-focused fund for Latin America and the Caribbean. The aim of the fund is to narrow the gender financing gap by supporting investment strategies focused on women-owned businesses.

Connecting Africa to the World

Africa is a longstanding OPIC priority and accounts for more than one-quarter of OPIC's global portfolio. The continent presents both a great need for investment in development and a significant opportunity for investors. In 2019, OPIC worked to extend its investment on the continent, making official visits to 10 countries to explore new projects.

Connect Africa: In 2018, OPIC launched the Connect Africa Initiative, an effort to invest \$1 billion dollars over three years in sectors that will foster economic growth and enhanced connectivity with global economies. In 2019, OPIC made several commitments under the Connect Africa Initiative that advanced important development objectives in

the information and communications technology, manufacturing, and infrastructure sectors. For example, OPIC is providing insurance for the construction and operation of a port in Gabon and financing for the development and commercialization of a natural gas and helium field in South Africa.

Providing Cleaning Water Access: A crucial desalination plant in Ghana was shuttered for several years. OPIC financing will be used for updates and important modernizations that will restart operations at the desalination plant and provide communities with access to clean water.

Bringing Electricity to the Sahel: Currently, 64% of the population in the Sahel lacks access to electricity. The semi-arid region, with both savanna and desert landscapes, has struggled in attracting private sector investment because of the energy shortfall. OPIC committed financing to an off-grid electrification business in Chad that distributes and maintains solar home kits and appliances.

Supporting the Agriculture Sector: Africa boasts more than half of the world's total uncultivated arable land. Harnessing this land and helping the continent achieve a thriving agricultural sector is key for the region's economic growth objectives and improving livelihoods. Recently, OPIC committed financing to the One Acre Fund, a highly impactful social enterprise that provides small holder farmers with vital inputs that will increase crop yields.

[Achieving a Free and Open Indo-Pacific](#)

The 36 nations comprising the Indo-Pacific region are home to more than 50% of the world's population, 3,000 different languages, several of the world's largest militaries, and five nations allied with the US through mutual defense treaties, including Japan, Korea, Philippines, Thailand and Australia. The region is a vital driver of the global economy and includes the world's busiest international sea lanes and nine of the ten largest ports. Given these conditions, the strategic complexity of the region is unique, and the opportunities to mobilize private capital are vast.

Priority Sectors: Based on consultations with 22 Federal entities, private sector partners, and civil society, OPIC identified digital economy, infrastructure, and energy as priority sectors for business development. This aligns with *America's Indo-Pacific Economic Vision*. OPIC staff spent FY 2019 working to execute this vision. Presently, over \$1 billion of new projects are in the OPIC pipeline.

OPIC Strategy: Developing countries in the Indo-Pacific need \$1.7 trillion in infrastructure investment every year, according to the Asian Development Bank. OPIC strategy seeks to create the conditions to unlock private sector investment by driving transactions that are commercially motivated, transparent, and committed to international standards.

The U.S. Government cannot achieve these development objectives alone. In FY 2019, OPIC signed the Trilateral MOU between Japan, Australia, and OPIC, and have since conducted combined business development missions to Philippines, Papua New Guinea,

and Indonesia. These trips resulted in commitments and applications for projects from India to ASEAN to the Second Island Chain. OPIC also signed MOUs with Singapore's Infrastructure Asia, and the Asian Development Bank DFC is presently working on an agreement with South Korea.

Expanded presence in the region: During FY 2019, OPIC senior staff traveled to 11 Indo-Pacific nations. Engagement with key leaders, ministries, and partners has achieved significant results for investment in the three priority sectors, including: participation on a subsea cable project with Japan and Australia, using Taiwan's technical assistance for an OPIC project in Paraguay, and ensuring that an investment in Subic Bay remained outside the grasp of authoritarian governments, maintaining a free and open South China Sea.

[OPIC at work in the Indo-Pacific](#)

Investing in businesses that serve poor communities in Southeast Asia: Navis Asia Fund VIII, L.P. invests into small and mid-market companies in Southeast Asia, focused on education, healthcare, consumer goods, light industrial manufacturing, and business and professional services. An OPIC commitment of \$200 million to the fund will help catalyze private investment into Southeast Asia and facilitate developmental investments.

Investing in Clean Energy in India: ReNew Power Master Financing Facility II will provide \$350 million of much needed long-term debt capital to enable ReNew to build a major pipeline of solar energy projects under the National Solar Mission ("NSM") in India, wind energy projects under national level tenders, and solar and wind energy projects with select state distribution companies.

Investing in Digital Human Capital: Digital Divide Data, financed under the Scaling Enterprise Loan Guaranty Facility, trains and employs disadvantaged populations, including low-income young people in Cambodia, Laos, and Kenya in order to provide them with valuable skills and job experience which can be used for advancing their careers.

Investing in Women Farmers : Proximity Finance focuses on agricultural clients in rural areas, one of the few micro finance institutions active in the Delta, Dry Zone, and Uplands areas, which have limited or no access to formal financing. The OPIC loan is expected to reach approximately 20,000 rural borrowers, primarily women, and once fully disbursed several multiples of that over five-year life of the loan. The loans will increase agricultural capacity and production leading to more sustainable and consistent output to the local market.

[Extending a longstanding commitment to our neighbors to the South](#)

The Western Hemisphere accounts for more than **\$5 billion** of DFC's current **\$22.8 billion portfolio**, representing more than 25% of the total portfolio. Our neighbors to the south are important partners with significant development needs. They have significant

needs in energy, infrastructure, and access to finance for women. These countries have had to grapple with changes in leadership due to recent elections in most countries in the region and sweeping reforms as a result of corruption scandals. OPIC's support for credit worthy development projects provided a stabilizing force that served to catalyze much needed private investment in the region.

- In 2019, OPIC committed over \$1.5 billion to 29 new deals in more than 11 countries in Latin America.
- OPIC supported the U. S. Government's December 2018 agreement with Mexico with an intent to finance \$2 billion in south of Mexico. To that end, OPIC signed \$720 million in letters of intent in July 2019 to support energy projects in the southern part of the country.
- OPIC has developed a robust pipeline of infrastructure and energy projects, which are GDP multipliers.

Some notable projects from 2019 include:

- **Mexico:** Since December 2018, OPIC has committed \$52 million in financing to expand access to growth capital for micro, small, and medium enterprises (MSMEs), particularly female entrepreneurs, in southern Mexico.
- **Brazil:** A \$350 million OPIC loan supported the development of Brazil's first private oil transshipment port at the Açú Port in Rio de Janeiro, which has provided a safer and more cost-effective solution for transferring the country's offshore oil reserves.
- **Paraguay:** OPIC committed \$138 million in financing to Banco Regional which is on-lending at least one third of the proceeds to women or women led SMEs.
- **Argentina:** In April 2019, OPIC approved \$45 million in financing to help Plaza Logistica expand five warehousing facilities in Argentina that will spur economic growth by strengthening the country's supply chain infrastructure.

Development Credit Authority (DCA)

The majority of DCA's FY 2019 activities fell within four broad strategic priorities:

- Investing in Women's Economic Empowerment
- Mobilizing Finance for Energy and Infrastructure
- Increasing Access to Finance in the Indo-Pacific Region
- Supporting Environmental Protection and Conservation

Investing in Women's Economic Empowerment

USAID entered into a \$100 million 50 percent loan portfolio guarantee in support of the *Women's Livelihood Bond 2* debt security, which is structured and managed by Impact Investment Exchange (IIX). The guarantee will be used for lending to microfinance institutions (MFIs) and impact enterprises across South and Southeast Asia and the Pacific Islands, including Bangladesh, Cambodia, Fiji, India, Indonesia, Nepal, Papua New Guinea, Philippines, Solomon Islands, Sri Lanka, Thailand, and Vietnam. These borrowers will focus on women's livelihoods, including economic sectors especially accessible to women, such as, clean energy and sustainable agriculture. In many countries across Asia, women and girls continue to face structural constraints that trap them in subsistence livelihoods, such as limited access to credit, knowledge and skills, affordable goods and assets or reliable and affordable power supply. These constraints reduce their resilience to economic and environmental downturns and compromise holistic economic development. This guarantee will directly address this issue by allowing women to benefit—directly and indirectly—from long-term financing raised through capital markets. As a result of this guarantee, approximately 1.5 million underserved or socially disadvantaged women across South and Southeast Asia and the Pacific Islands will have improved access to credit and improved livelihoods within the targeted sectors.

In Tanzania, USAID partnered with *Amana Bank* to support new lending to the agriculture sector, with a specific focus on youth and women borrowers. The 50 percent loan portfolio guarantee will directly support USAID/Tanzania's development objectives of improving access to private lending in the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) and Zanzibar regions, which are the focus of USAID/Tanzania food security and agricultural programming. Borrowers under this proposed guarantee will be individual farmers, cooperatives, and micro-, small-, and medium-sized enterprises (MSMEs) operating in the SAGCOT and Zanzibar regions. The agriculture sector receives only 9 percent of all lending in Tanzania despite making up more than 25 percent of GDP and 75 percent of employment. The sector is hampered by a number of issues, specifically low productivity and poor infrastructure. Additionally, very little value is added to the agricultural commodities produced in Tanzania within the country itself. These issues are all strongly correlated with a lack of financing and are especially acute in the SAGCOT and Zanzibar regions, as well as, with youth and women entrepreneurs. As a result of the guarantee, approximately 500 borrowers will receive access to financing, and more financial institutions will provide products and services within the

SAGCOT region, reaching underserved communities and increasing access to finance.

[Mobilizing Finance for Energy and Infrastructure](#)

USAID provided a 50 percent bond co-guarantee alongside *Infrastructure Credit Guarantee Company Limited (InfraCredit)*, a Nigerian guarantor of private company bonds. The bond issuer is a local enterprise and will use the proceeds to unlock stranded electricity generation at a site in Port Harcourt, Nigeria and hedge its currency exposure by refinancing a portion of its foreign currency debt into local currency. This bond guarantee directly supports USAID/Nigeria's development strategy to improve the business environment, including access to finance for infrastructure. InfraCredit, as the entity that is sharing with USAID the repayment risk of the bond, will be USAID's risk-sharing partner.

Currently, commercial debt markets in Nigeria do not offer the long-term financing required to make infrastructure investment commercially viable. Additionally, bond market investors in Nigeria typically will not purchase quality bond issuances on their own merits. One potentially promising source of investment in local currency private corporate bonds is local pension funds. However, these funds only commit a fraction of a percentage into such bonds even though regulations allow them to commit up to 15 percent of assets. Today, they are only willing to purchase such bonds when they receive additional guarantees, guidance and capacity building.

This co-guarantee will provide the assurance that these bond holders need in order to purchase the bonds. It will also be an additional step towards the future where local pension funds and other institutional investors are comfortable evaluating and investing in such bonds without a guarantee. The co-guarantor, InfraCredit, will receive technical assistance, potentially in the area of training pension fund investors from the USAID Nigerian Power Sector Program. As a result of this guarantee, there will be increased long-term local currency finance for infrastructure in Nigeria, and additional capacity for local pension funds to invest in their own country.

USAID, in collaboration with Power Africa, extended a 50 percent loan portfolio guarantee to support new lending from a local non-banking financial institution, *General Trade Finance*, to off-grid energy activities in Somalia. Borrowers under the guarantee will be energy projects that will install solar mini-grids to increase renewable electricity generation for consumption by households and businesses. Currently, only 16 percent of Somalis have regular access to electricity. Additionally, all electricity in the country is privately provided and heavily reliant on expensive diesel generation. The guarantee will directly address this issue by facilitating financing for the construction and installation of solar mini-grids allowing the generated electricity to be used for productive uses, including distribution in larger urban areas and specific businesses. These off-grid energy projects will receive technical support from one or more of Power Africa's local technical assistance programs. As a result of this guarantee, it is estimated that the lender will increase electricity generation in Somalia by approximately 4.5 megawatts, as well as demonstrate the viability of investing in Somalian projects.

USAID, in collaboration with State's Bureau of Western Hemisphere Affairs, provided a 50 percent loan portfolio guarantee to *National Commercial Bank Jamaica* to incentivize lending in the energy and small- and medium-sized enterprise (SME) sectors across the Caribbean. The guarantee will directly support the State's Caribbean Energy Security Initiative (CESI), which seeks to boost energy security and sustainable economic growth in the region by attracting investment in a range of energy technologies through a focus on improved governance, increased access to finance, and strengthened coordination among energy donors, host governments, and stakeholders.

Borrowers under the guarantee will be individuals, households, SMEs, companies, and municipalities investing in renewable energy, energy efficiency, energy-efficient and renewable energy mortgages, and other energy savings opportunities as well as SMEs who have received energy efficiency information. The guarantee will cover loans for non-oil energy projects such as clean energy and energy saving projects, retrofits for manufacturing equipment, assembly of energy-efficient technologies, renewable energy production, and small-scale hydropower projects throughout the Caribbean region. The region currently relies heavily on imported oil for power generation. Oil price volatility combined with increasing energy demand strains regional economic growth and results in high electricity costs for residents. Alternative sources of energy, such as natural gas or renewable energy sources, combined with energy efficiency measures, could help Caribbean countries reduce energy costs, enhance energy security, and facilitate economic development and investment.

[Increasing Access to Finance in the Indo-Pacific Region](#)

In India, USAID established two guarantee partnerships, a 50 percent loan portfolio guarantee with *Caspian Impact Investments*, and a second 50 percent loan portfolio guarantee with *Svakarma* and *IndusInd*. The guarantees will directly support USAID/India's development objectives of impacting lives at the base of the pyramid and accelerating India's transition to a low emissions economy.

Borrowers supported under the guarantees will be operating in two primary sectors: 1) private enterprises operating in the water, sanitation and hygiene (WASH) sector serving base of the pyramid clients; and 2) enterprises operating in the renewable energy and energy efficiency sector, including SMEs in the manufacturing and non-manufacturing sectors delivering modern energy services, such as rooftop solar, solar pumps, biomass based technologies, efficient appliances, battery storage strategies, and e-vehicles for unserved and underserved populations.

WASH enterprises include companies operating in the water provision, water quality, toilet manufacturing, and waste management sub-sectors. Over 600 million Indians lack basic water and sanitation facilities; the water and sanitation sector requires investments of \$40 billion over 15 years, offering a large opportunity to companies.

In addition, most countries in South Asia face a common set of challenges that hinder achieving the fundamental goal of economic, reliable, accessible, and environmentally

secure energy for all. These guarantees aim to establish the WASH sector as a bankable sector of the economy, with projects and entities that generate enough cash to pay back a loan. Consistent with the U.S. Government's Indo-Pacific Strategy, USAID/India, through the Asia Enhancing Development and Growth through Energy (EDGE) initiative, is promoting market-based approaches to energy security challenges. Both WASH and renewable energy/energy efficiency sectors will receive technical assistance, which will be focused on building a larger pipeline of bankable companies and projects.

[Supporting Environmental Protection and Conservation](#)

USAID entered into a 50 percent loan portfolio guarantee with *The Ocean Fund*, an investment fund managed by Circulate Capital that will lend to companies in the recycling value chain. The guarantee will directly support USAID's development objective to reduce global ocean plastic waste. Borrowers under this proposed guarantee will be collection, sorting, recycling, and manufacturing enterprises throughout South and Southeast Asia. This guarantee will focus on improving the overall recycling value chain to reduce plastic waste flowing into the ocean. An estimated eight million tons of plastic waste stream into the ocean every year due to poor waste management. Eighty percent of marine litter worldwide is coming from land-based sources. With rapid population growth and urbanization, municipal waste generation is expected to rise to 2.2 billion tons per year by 2025. In Asia, investment in infrastructure and waste management needs to nearly double in order to reach waste collection targets. As a result of the guarantee, the investment fund will provide loans to an estimated 15 companies in the recycling value chain where capital is needed to build infrastructure to address the problem.

USAID partnered with *Althelia Funds*, an impact investor, in support of new lending to conserve biodiversity and mitigate deforestation in the Brazilian Amazon. The loan portfolio guarantee will directly support USAID/Brazil's development objective of increasing biodiversity in the Brazilian Amazon. Borrowers under the guarantee will include SMEs, cooperatives, associations, non-governmental organizations, and other entities engaged in private sector projects that improve biodiversity and sustainable forest management in the region. Loans will be repaid using revenues from sustainable businesses that improve land management and reduce deforestation. Currently, the expanding agricultural frontiers, along with unsustainable and illegal logging, threaten Brazil's tropical forests and rich biodiversity. Indigenous and other forest-dependent communities living in the Brazilian Amazon help conserve these forests through a combination of sustainable agriculture and forest-based enterprises, such as harvesting açai berries and Brazil nuts. However, without increased access to formal financial services, these businesses cannot compete with burgeoning unsustainable and illegal activities. In addition, producers adjacent to protected areas threaten forests through intensification of agriculture, cattle ranching, and illegal activities. This guarantee will directly address these issues by encouraging lending to businesses that are perceived as high-risk and operating in hard-to-reach areas of the Brazilian Amazon that support

biodiversity and forest conservation activities and practices. The lender will provide technical assistance to its borrowers in the form of investment guidance in an effort to foster the creation of profitable, environmentally-friendly businesses. As a result of this guarantee, it is anticipated that 20 new conservation-focused businesses will receive financing.

Appendix C: BUILDing DFC—Transition Timeline

- Nearly 18 months ago, the President signed into law the Better Utilization of Investments Leading to Development (BUILD) Act. In the time since the enactment of the BUILD Act, OPIC and USAID have been working together with the goal of opening the doors of the U.S. International Development Finance Corporation (DFC). Much has been accomplished and much remains to be done to fulfill the intent of the BUILD Act.
- Soon after the enactment of the BUILD Act, OPIC management began to identify key issues that would need to be addressed to complete this transition and to develop detailed plans for transformation of the legacy OPIC and DCA organizations.
- Key external stakeholder groups including members of the private sector, development community, foreign policy experts, and OPIC alumni were consulted for their views on how to optimize DFC's efficiency and effectiveness.
- Plans and timelines were developed to implement the changes necessary to complete the transition to DFC.
- An interagency process began which included consultations with the U.S. Agency for International Development (USAID), the National Security Council (NSC), Millennium Challenge Corporation (MCC), State, the Office of Management and Budget (OMB), and others to refine the plans for DFC, to ensure that foreign policy coordination was considered and captured fellow agencies' views on topics ranging from Low Income and Low Middle Income Countries (LICs and LMICs) prioritization to development impact mechanisms.
- On March 8, 2019 the President submitted a reorganization plan to Congress, as required by the BUILD Act.
- DFC held its first Board meeting on June 12, 2019 to pass the corporate governance documents and delegate authority to OPIC's acting President and CEO as acting agency-head of DFC.
- A DFC Transition Program Management Office (PMO) team representing all departments of OPIC and DCA was put in place to drive the transition and to identify and resolve critical issues.
- On July 31, 2019, a Report on Coordination between OPIC and USAID was sent to Congress, as required by the BUILD Act.
- On December 20, 2019, enactment of DFC's first appropriation.
- February 18, 2020 marked the end of the Transition Period (60 days after enactment of appropriation).