

Congressional Budget Justification

Fiscal Year 2020

**U.S. International
Development
Finance Corporation**

Table of Contents

EXECUTIVE SUMMARY	1
OPIC AND DCA: KEY DIFFERENCES UNDER DFC	2
MODERNIZATION OF TOOLS AND AUTHORITIES	2
INCREASED OVERSIGHT, TRANSPARENCY AND TAXPAYER PROTECTIONS	2
GREATER INTERAGENCY COORDINATION	2
UPDATED FUNDING STRUCTURE	3
BETTER POLICY ALIGNMENT	3
FUTURE OF U.S. DEVELOPMENT FINANCE	3
FY 2020 DFC BUDGET REQUEST	5
ADMINISTRATIVE EXPENSES	6
DFC'S PROGRAMMATIC AUTHORITIES	7
CREDIT AND INSURANCE	7
EQUITY PROGRAM FUNDING	8
TECHNICAL ASSISTANCE AND FEASIBILITY STUDIES	9
FY 2020 POLICY PRIORITIES	11
OFFICE OF INSPECTOR GENERAL	12
NEW POLICIES, ORGANIZATION, GOVERNANCE AND OVERSIGHT	13
APPENDICES	15
APPENDIX A: ADMINISTRATION PROPOSALS AND LEGISLATIVE BACKGROUND	15
BUILD Act Timeline	16
APPENDIX B: APPROPRIATIONS LANGUAGE	17
INSPECTOR GENERAL	17
CORPORATE CAPITAL ACCOUNT	17
PROGRAM ACCOUNT	18
GENERAL PROVISIONS	18
APPENDIX C: FISCAL YEAR 2018 IN REVIEW	19
OPIC	19
DCA	22
APPENDIX D: BUDGET BY OBJECT CLASS	26

Executive Summary

The President's Fiscal Year 2020 Budget proposes funding and authorities to operationalize the BUILD Act and the Administration's proposal for development finance reform as laid out in the June 2018 Government Reorganization plan. The new United States International Development Finance Corporation (DFC) will play a central role – in coordination with other agencies – to facilitate market-based private sector development and inclusive economic growth in less developed countries. The DFC will use credit, capital, and other tools to mobilize private sector projects that will support development and U.S. foreign policy.

The Administration looks forward to working with Congress in a collaborative manner to operationalize the DFC on October 1, 2019 (subject to a suitable appropriation). As described in the Reorganization Plan submitted to Congress on March 8, on the DFC "Effective Date", the functions, personnel, assets, and liabilities of OPIC, USAID's Development Credit Authority (DCA), and USAID's legacy credit portfolio will be transferred to the DFC.

The DFC will build on the strengths of existing development finance programs at OPIC and DCA, while introducing reforms and new tools to enhance the effectiveness of U.S. development finance efforts and improve taxpayer protections, transparency, and interagency coordination. The BUILD Act provides the DFC the authority to issue insurance or reinsurance, make loans and guarantees and provide financing to private equity funds, which are currently the core programs administered by OPIC and DCA. In addition to these core programs, the BUILD Act provides the authorities to invest in equity interests, support feasibility studies, and project-specific technical assistance.

The President's Budget requests \$98 million for administrative expenses, \$150 million for a new equity program, and \$50 million for credit subsidy, feasibility studies, and project-specific technical assistance to support the mission of the DFC in FY 2020. The DFC will collect fees, premiums and interest income which will offset an appropriation from the General Fund for administrative expenses and programmatic funding. The President's Budget also requests an appropriation of \$2 million for an Inspector General.

Program funding will be deployed in coordination with State, USAID, the Millennium Challenge Corporation (MCC), and others to support developmental projects in less developed countries, and to support Administration priorities such as:

- Indo-Pacific Strategy, which seeks to promote market-based economic governance, sustainable infrastructure investment, and open, fair, and reciprocal trade;
- Countering Russian Malign Influence by strengthening energy security and economic resilience in Eastern Europe and Central Asia through energy diversification;
- Women's Global Development and Prosperity Initiative (W-GDP), which supports women's entrepreneurship and access to capital, markets, and technical assistance. For example, the DFC will continue OPIC's 2X initiative and collaborate with USAID's W-GDP fund, which invites interagency transfers.
- Prosper Africa, a new initiative that will unlock the United States' competitive advantage to accelerate two-way investment and trade with African states;

As a result of this collaboration, the Budget anticipates that State/USAID posts, missions, and regional bureaus will transfer an additional \$50 million in funding to the DFC to support State/USAID initiatives through the use of project-specific technical assistance, feasibility studies, credit subsidy, and equity investments to spur inclusive economic growth, building on mission use of DCA today. To foster the collaboration, the Budget proposes that \$25 million of the DFC's \$200 million in total program funds will be available to match transfers from other agencies.

OPIC and DCA: Key Differences under DFC

The DFC will build on the strengths of existing development finance programs at OPIC and DCA, while also introducing reforms and new tools to enhance the effectiveness of U.S. development finance efforts and improve taxpayer protections, transparency, and interagency coordination.

Modernization of Tools and Authorities

- Prioritizes low-income and lower-middle-income economies.
- Provides funding for equity investments.
- Increases flexibility for direct lending.
- Supports development finance-related feasibility studies and project-specific grants.
- Authorizes a \$60 billion exposure cap compared to OPIC's \$29 billion exposure cap.

Increased Oversight, Transparency and Taxpayer Protections

- An Office of Inspector General devoted to DFC oversight.
- An independent accountability mechanism.
- Risk-sharing with the private sector through co-financing and structuring of tools such that private sector partners have sufficient "skin in the game" alongside the U.S. Government.
- Additionality to private sector resources; i.e. mobilizing investment that would not otherwise have occurred.
- Enhanced risk management through concentration risk limitations and diversification of the overall exposure of the DFC's portfolio.
- Greater transparency and Congressional oversight.
- More modern and transparent monitoring and evaluation framework.

Greater Interagency Coordination

- New Board Structure with the State Department and USAID as the Chair and Vice-Chair, respectively, to strengthen policy alignment as well as representation by other agencies on the Board (i.e. Treasury and Commerce) and private sector members.
- Creation of the Chief Development Officer (CDO) and other interagency links that will leverage the resources, expertise, and networks of USAID, the State Department, the MCC, and other related agencies to ensure that DFC programming and investment decisions are consistent with development, diplomatic, and national security priorities.

- Close coordination between the DFC, embassies, and USAID missions in developing and transitioning countries will help to identify opportunities for impactful investments.
- Interagency detail opportunities between the DFC, the State Department, USAID, MCC, and other agencies to foster knowledge of development finance tools and to encourage and facilitate greater interagency cross collaboration.
- Transfer Authority and a Matching Fund to incentivize program and project coordination mission budget transfers between the DFC and State/USAID.

Updated Funding Structure

- All administrative expenses, project-specific transaction costs, and program costs (for equity, credit subsidy, etc.) are subject to appropriations.
- Mandatory balances in the Corporate Capital Account will pay insurance claims, invest in Treasury securities, and fund dividends to Treasury.
- All fees and interest collected and earned by the DFC will be scored as discretionary, and will be used to offset the cost of the DFC's administrative expenses and programming; any excess collections will effectively offset other discretionary expenses, e.g. the cost of other international affairs (function 150) agencies.
- The DFC will be subject to the Federal Credit Reform Act of 1990 for all of its credit programs.

Better Policy Alignment

With its new Board structure and in coordination with State and USAID and other relevant agencies, the DFC will develop projects through a number of mechanisms:

- A policy driven approach to ensure the DFC is being deployed to advance U.S. foreign policy and national security priorities.
- A demand driven, private sector initiated, approach to respond to the needs of U.S. business interests.
- A State embassy and USAID mission-led deal-development approach, like that currently used by DCA, that will allow USAID missions and U.S. embassies access to more financial tools increasing development impact.

Future of U.S. Development Finance

On October 5, 2018, the President signed into law the *Better Utilization of Investments Leading to Development Act of 2018* – (the BUILD Act). The BUILD Act consolidates, modernizes and reforms the U.S. Government's development finance capabilities – primarily the Overseas Private Investment Corporation (OPIC) and the Development Credit Authority (DCA) of the U.S. Agency for International Development (USAID) – into a new agency: The United States International Development Finance Corporation (DFC). The BUILD Act launched a new era in U.S. development finance with broad bipartisan congressional support. The bipartisan support for the BUILD Act arose from a recognition that this model of mobilizing private investment must become a more prominent tool of U.S. foreign policy, as the needs in the developing world are too great to meet with government resources alone.

The DFC is a wholly owned Government corporation, whose mission is to facilitate market-based private sector development and inclusive economic growth in less developed countries. The DFC will offer innovative development finance to businesses operating in developing countries and provide a robust alternative to state-directed lending by authoritarian governments.

Private capital can spur global development funding as investors seek investment 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.

The U.S. government is addressing the challenge to more effectively mobilize private sector capital. For example, USAID recently unveiled its Private Sector Engagement policy to address – amongst other objectives – some of the policy challenges countries often face attracting private capital. The DFC, for its part, will offer development finance tools to help investors de-risk investments in developing countries. Backing from the U.S. government, 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.

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.

At a time when developing countries are incurring dangerous levels of debt from state-directed lending, the DFC private sector-led model seeks to build stable and prosperous societies, strengthen local markets, reduce dependence on foreign aid and develop critical infrastructure that is built to last. The 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 the 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.

FY 2020 DFC Budget Request

(\$ in thousands)	FY 2018 Actual	FY 2019 Enacted	FY 2020 Request
Overseas Private Investment Corporation	-270,800	-354,800	
Administrative Expenses	79,200	79,200	-
Credit Subsidy	20,000	20,000	-
Offsetting Collections	-370,000	-454,000	-
USAID – Development Credit Authority	9,932	10,000	-
Administrative Expenses	9,932	10,000	-
Credit Subsidy Transfer Limitation ¹	[50,000]	[55,000]	-
U.S. Development Finance Institution	-	-	-125,000
Subtotal, Admin/Program/IG	-	-	300,000
Administrative Expenses	-	-	98,000
Inspector General	-	-	2,000
Program	-	-	200,000
<i>Of which, Credit Subsidy/ Technical Assistance / Feasibility Studies</i>	-	-	50,000
<i>Of which Equity</i>	-	-	150,000
<i>Of which, funds to match incoming transfers from State/USAID²</i>	-	-	[25,000]
Offsetting Collections	-	-	-425,000
Other¹	-	-	[50,000]
Complementary Programming and/or Transfers from State/USAID Economic Support and Development Funds ¹	-	-	[50,000]

¹Bracketed amounts are funded from other sources -e.g. transfers from other USAID/State accounts (e.g. ESDF, GHP) to DCA in FY18/19 and to the DFC in the 2020 Budget.

²The \$25 Matching Fund is a subset of the DFC's \$200 million request for program funds.

The President's Budget requests \$98 million for administrative expenses and project-specific transaction costs to provide resources to the DFC. This request includes all positions currently funded through the OPIC and the DCA administrative expense appropriations. Consolidation of these two entities will promote efficiency by streamlining credit and investment functions, such as risk management, legal, and loan servicing activities.

Further, the DFC, State and USAID will continue to enhance cooperation and training opportunities related to development finance, to allow State Department embassies and USAID

missions to seamlessly use the DFC and its new tools, and to give the DFC a global platform to generate and support development finance related activities.

In addition, the Budget requests \$200 million in program funds, of which \$50 million will support credit subsidy, technical assistance, and special projects and programs, and \$150 million to fund equity investments. Of the \$200 million appropriated to the DFC for program-related funding, \$25 million will be used as a “Matching Fund” to incentivize program and project coordination between the DFC and State/USAID to be directed by the Chief Development Officer. The Budget also anticipates \$50 million in complementary programming and transfers of Economic Support and Development Funds from USAID Bureaus and Missions to maintain and expand on the Mission-led, deal-development model currently used by DCA to support Administration priorities. The President’s Budget also requests \$2 million to be appropriated from the General Fund for the Office of Inspector General to conduct oversight.

The budgetary structure of the DFC as described in the BUILD Act is different from the current structures of OPIC and DCA, and requires special appropriations language to implement. The Budget requests that discretionary costs such as administrative expenses, project-specific transaction costs, direct loan and loan guarantee subsidy, equity investments, and other non-insurance programming be funded with an upfront appropriation from the General Fund. This appropriation will be reimbursed by expected collections of fees for services, interest earnings, negative subsidy receipts, and returns on investments, as they are collected over the course of the fiscal year to more than fully offset the FY 2020 appropriation from the General Fund and offset other function 150 costs.

Administrative Expenses

The President’s Budget requests \$98 million in FY 2020 for Administrative Expenses and project-specific transaction costs. The FY 2020 funding request is expected to fund all existing OPIC and DCA positions, other operational expenses of the DFC (including what was formerly OPIC’s working capital costs), and new responsibilities to implement the DFC’s new equity, grant and technical assistance programs. This assumes a level of 305 FTEs and takes into consideration additional FTE positions such as the Chief Development Officer and Chief Risk Officer, increased evaluation and monitoring activity, and responding to new reporting requirements mandated by the BUILD Act.

The Administrative Expense and project-specific transaction cost request is also expected to support continued transition costs associated with merging OPIC and DCA into the DFC. The budget request includes transition costs such as the merging of IT systems (i.e. licenses, databases, maintenance, upgrades, and enhancements) between OPIC and DCA; a new communication strategy to inform the public of the creation of the DFC and its services; renovations to house employees at the DFC’s headquarters; and other transitions costs as needed.

The period of availability for all but \$1 million of these funds is 3 years (i.e. administrative funds and project-specific transaction costs will expire in FY 2022). The \$1 million that is carved out will have a 5-year period of availability (expiring Sept 30, 2024) to allow the DFC to build up a

reserve of administrative and/or project-specific transaction cost expenses to address sometimes “lumpy”, unforeseen litigation and claims settlement procedures.

The BUILD Act narrowed the definition¹ of what OPIC used to refer to as “working capital costs” –now known as project-specific transaction costs -and made these costs subject to appropriation. This is consistent with how these costs are funded at other federal agencies and provides more transparency and Congressional oversight. The budget request anticipates that the DFC will continue to charge borrowers’ fees for these costs, and spend them subject to the \$98 million appropriated cap for both project-specific transaction costs and administrative expenses.

The budget request plans for the DFC to administer the U.S. Government’s Sovereign Loan Guarantee program, just as was handled by DCA staff in previous years. Given the transfer of DCA staff to the DFC, the Corporation will take on administration of this function. As noted in the Reorganization Plan submitted to Congress on March 8, the Administration has not yet come to a final determination as to which agency will be assigned the “legal rights and responsibilities” for the SLG portfolio.

The Budget request envisions that the DFC will coordinate with the State Department, USAID and other agencies to develop processes and mechanisms that leverage the USG’s existing international presence and platforms, e.g. through a robust detail/rotations program that fosters development finance expertise in posts and missions.

DFC's Programmatic Authorities

Credit and Insurance

This Budget requests an appropriation of \$50 million for credit subsidy, feasibility studies, and project-specific technical assistance and anticipates that the Chief Development Officer will facilitate the transfer of an additional \$50 million (partly incentivized by the DFC’s Matching Fund) from State/USAID to the DFC for State/USAID to leverage DFC development finance tools to support Administration priorities. Insurance premiums and claims are mandatory activities, per the BUILD Act.

The DFC will optimize the credit and insurance programs currently used by OPIC and DCA. These foundational programs will have room for growth, up to \$60 billion, to expand the reach of U.S. government financial investments. The increased portfolio authorization and addition of more modern investment tools will equip the DFC to mobilize substantially more capital to advance development and grow economies to promote inclusive economic growth in the world’s least developed countries. The FY 2020 Budget will continue OPIC’s authority to support direct loans in local currencies – enabling the DFC to mobilize local resources. Senior debt financing

¹ BUILD Act Section 1434(k) “DEFINITION.—In this section, the term “project-specific transaction costs”— (1) means those costs incurred by the Corporation for travel, legal expenses, and direct and indirect costs incurred in claims settlements associated with the provision of support under title II and shall not be considered administrative expenses for the purposes of this section; and (2) does not include information technology (as such term is defined in section 11101 of title 40, United States Code).”

will also remain available for emerging market private equity funds through an open and competitive process.

As a counterbalance to ensure taxpayer protection, the appropriations language limits the annual lending risk to \$8 billion per year, and the BUILD Act requires investors to bear at least 20 percent of the project risk. The appropriations language also limits appropriated and transferred funds to be used for credit subsidies to no more than \$80 million.²

The DFC will offer direct loans and guarantees estimated in FY 2020 at \$4.8 billion, as well as an estimated \$750 million of political risk insurance. This represents a 67% increase in commitments over FY 2018 actual.

Equity Program Funding

The U.S. needs appropriate tools to achieve its policy and development priorities — tools that catalyze additional investment both by our international counterparts and the private sector. While debt financing and political risk insurance remain important programs, one of the central components of the BUILD Act is the new equity authority that allows the DFC to play a greater catalytic role in mobilizing private sector capital into investments to help meet United States' foreign policy and development goals. The BUILD Act includes safeguards, for example, limiting the DFC's exposure to any one project to 30% and a total limit of 35% of the DFC's overall exposure. The President's Budget requests \$150 million for the DFC to make equity investments in funds.

As the DFC begins to make equity investments, it has the advantage of OPIC's established track record of lending to investment funds. However, this financial structure is outside the norm for investment funds, which most often operate under the principle of equal terms for each participant, which has been a disincentive for equity investors to partner with OPIC.

With the passage of the BUILD Act, and subject to appropriations, the DFC will have the opportunity to leverage its resources to invest equity in investment funds -- catalyzing significant additional private sector capital to achieve important development objectives. Each fund is expected to return the invested capital and produce a reasonable return to the Treasury.

The ability to invest equity complements DFC's current debt financing and political risk insurance products, by allowing the DFC to support investments where OPIC and DCA's traditional tools may not be the most appropriate to achieve the developmental policy objectives. Furthermore, having the ability to invest in private equity funds will allow the U.S. to better align its tools and capital with our allies such as Germany, Japan, and the United Kingdom, to smartly deploy capital to advance U.S. priorities. Over many decades, all bilateral and

² In FY2019, Congress provided \$20 million for OPIC credit subsidy, and DCA was authorized to use up to \$55 million transferred from foreign assistance accounts managed by USAID to support loan guarantees.

multilateral development finance institutions have demonstrated the power of equity as a proven capital mobilization tool and now the DFC will be able to deploy this method as well.

The BUILD Act requires that equity authority be used with projects that have a clearly defined development and foreign policy purpose and take into account 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.

In the first year, the equity program is expected to support private equity funds that will drive development impact, while capturing returns in the out-years on a cash basis if the investments are financially successful (as opposed to a grant that assumes no returns, or a loan that estimates the cost per the Federal Credit Reform Act of 1990). This budgetary treatment is consistent with other U.S. government investments in non-federal securities.

With the \$150 million in requested appropriations, the DFC will be able to construct a well-diversified portfolio of 5 to 10 investment funds with an average equity investment between \$5 million to \$20 million. Adding \$150 million for equity funds in FY 2020 would represent a 36% expansion on OPIC's average (non-equity debt) funds program business over the past 6 years, a significant and impactful, but manageable expansion.

The DFC will select experienced and successful fund managers to promote broad U.S. foreign policy and strategic goals, such as the 2X initiative to support women, focusing on less developed countries in the Indo Pacific, Africa, the Middle East, Latin America, and on key strategic sectors that are important to U.S. interests, such as infrastructure. Further, with equity authority, the DFC will be able to invest on the same basis along with the development financial institutions of our closest 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).

Technical Assistance and Feasibility Studies

This Budget requests an appropriation of \$50 million for credit subsidy, feasibility studies, and project-specific technical assistance and anticipates that the Chief Development Officer will facilitate the transfer of an additional \$50 million (partly incentivized by the DFC's Matching Fund) from State/USAID to the DFC for State/USAID to leverage DFC development finance tools to support Administration priorities.

In low- and lower-middle-income countries where the DFC will operate, the BUILD Act gives the agency the ability to initiate and support feasibility studies and project-specific technical assistance. 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 the DFC's investment tools can scale the project, this technical assistance will help enhance developmental impact. Regular interactions between the 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.

FY 2020 Policy Priorities

Critical to the DFC's success are strong linkages to U.S. policymakers to ensure the DFC both complements and is guided by U.S. foreign policy, development and national security objectives. Indeed, under a new Board structure, the Secretary of State will serve as Chair and the Administrator of USAID will service as Vice-Chair of the 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 the 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, the State Department 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 Department of State and USAID requested \$50 million in Economic Support and Development Funds (ESDF) in the President's FY 2020 Budget for complementary programming and transfers, to maintain the mission-led deal-development model currently used by DCA and to support Administration foreign policy priorities. Whether the DFC is deployed in Africa, the Indo-Pacific or the Western Hemisphere, the DFC, with 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 the DFC is expected to advance Administration priorities in FY20:

- ***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. The DFC will be closely aligned with the broader interagency – including through State Department initiatives such as the Digital Connectivity and Cybersecurity Partnership (DCCP), Asia EDGE and the Infrastructure Transaction and Assistance Network (ITAN) – to support investment for digital connectivity, energy and sustainable, high-quality infrastructure.

No government 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.³ This challenge requires strategic partnerships, which is why OPIC has signed a trilateral MOU with Japan and Australia and agreements with others in the region to combine resources, technical expertise and private sector funding. While signed under OPIC, it is expected that these initiatives will begin showing results in FY20 after OPIC has transitioned to the DFC.

³ 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><https://www.adb.org/sites/default/files/publication/227496/special-report-infrastructure.pdf>

- ***Women’s Global Development and Prosperity Initiative (W-GDP)*** – OPIC’s 2X initiative helped set the standard for what it means to invest in women. Doing so not only addresses an incredible 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 the DFC will continue OPIC’s 2X initiative and play a critical role in the W-GDP’s support for women’s entrepreneurship and access to capital, markets, and technical assistance.

The W-GDP initiative will help ensure collaboration between the 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 W-GDP initiative.

- ***Power Africa and Prosper Africa*** – Like OPIC and DCA with Power Africa, the 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. State-directed investments have left many African states with unsustainable debt or projects, making the 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.
- ***U.S.-India Development Foundation*** – The DFC will work closely with USAID as USAID establishes the proposed U.S.-India Development Foundation (US-IDF). The US-IDF will be a locally registered Indian organization strongly affiliated with USAID to address four of India’s most pressing development challenges: tuberculosis, water, sanitation and hygiene; and, pollution and its health impacts. The US-IDF will support India in mobilizing its domestic resources, particularly impact investing and corporate social responsibility funds, to deploy a wide range of development programming and financing to resolve these development challenges in the country. In order to maximize the development impact of this unique structure, while minimizing duplication across agencies, the US-IDF will be able to leverage the DFC’s tools to provide development finance and equity investments.

Office of Inspector General

The President’s Budget requests \$2 million to establish and maintain an Office of Inspector General for the new DFC. Consistent with principles of independence, this amount should be appropriated from the General Fund of the Treasury and not offset by collections of the agency.

The \$2 million figure for the initial set up of the DFC's IG is primarily based on the amounts that would be necessary to start up the Inspector General office, which would cover 4 FTEs (Inspector General, Auditor, Counsel/Investigator, and a support person) with the balance of the funding going to contracting for mandatory audits and inspections. Upon hiring of the Inspector General, that Inspector General office, in accordance with the Inspector General Act, will produce its own budget request.

The BUILD Act establishes several oversight structures to govern the agency overall. The DFC will have its own Inspector General (IG) (§1414) to conduct reviews, investigations, and inspections of its operations and activities. The Office of Inspector General will improve the economy, effectiveness and efficiency of the DFC, while also working to detect waste, fraud, abuse, and mismanagement.

In the past, OPIC has come under the jurisdiction of the USAID Inspector General pursuant to a reimbursable Memorandum of Understanding (MOU). Section 1414 of the Act establishes an Inspector General (IG) specifically for the DFC. Similarly, DCA's activities have been overseen by the USAID IG. As the statute calls for a Designated Federal Entity Inspector General for the DFC, appointment and removal authority for the Inspector General resides with the Board. It is anticipated that the process of identifying candidates for the DFC's first Inspector General will take place during calendar year 2019. The new Inspector General would then fill vacant positions in its office out of its own line-item budget and coordinate the transition of any items on which the USAID Inspector General is still working.

Until a new IG is in place, USAID's Inspector General will continue to provide investigative services and audit services for statutorily required audits (such as of credit card transactions and the requirements of the Federal Information Security Management Act), and it will complete any outstanding program audits. The DFC will reimburse the USAID Inspector General for these services until a new IG is in place.

New Policies, Organization, Governance and Oversight

In addition to doubling OPIC's exposure cap and adding new authorities, the BUILD Act requires significant policy changes and reorganizes OPIC's management structure, which will influence the allocation of DFC Administrative Expenses. Administrative expense spending will incorporate all statutory requirements codified in the BUILD Act.

Less-Developed Countries: The legislation requires that the DFC implement policies to prioritize DFC support in less-developed countries with low-income or a lower-middle-income economies, and to limit support in upper middle-income economies. The budgetary implications of the above requirements are reflected in the Budget request through increased subsidy costs and decreased negative subsidy receipts generated, depending on a variety of factors. Such increases in cost could be significant depending on the particular transaction. Due to the diverse nature of the DFC's loans, subsidy is calculated on a loan-by-loan basis, using a model approved

by the Office of Management and Budget (OMB). The model integrates a number of factors: including the risk of the project, amount of fees paid, the term and timing of the exposure.

Monitoring and Evaluation: The BUILD Act calls for a more modernized and transparent monitoring and evaluation framework, replacing OPIC and DCA's current methods, to set targets for appropriate development performance of the DFC's portfolio, including the replacement of the development impact measurement system currently used by OPIC and DCA. The new performance measurement system will ensure that support provided by the DFC is in addition to private investment. The system will include standards and methods for measuring the projected and ex post development impact of a project, and information necessary to comply with annual reporting requirements, which, among other things, will cover the economic and social development impact, respect for worker rights, environmental impact and women's economic empowerment.

The DFC will prioritize funding to support the cost of evaluating an estimated 200 projects per year as well as funding to support one-time software development. In addition to the direct monitoring and evaluation conducted by the DFC on its own transactions, additional monitoring and evaluation will be provided by USAID on transactions that originate within their field missions. USAID and the DFC will work closely together to align these monitoring and evaluation systems and ensure they are mutually supportive.

The Budget request includes funds for additional contract support to evaluate and monitor DCA's former projects. Contractors provide evaluations and monitoring for economic and social analysis when staff cannot go to certain regions for safety reasons. Rather than expending limited FTE staff resources, complicated, time-consuming projects are often better served by one-time or project-specific contractors with better access and more sector-specific expertise.

For more information on the proposed organization structure of the DFC, see the recently released DFC Reorganization Plan.⁴

⁴ <https://www.opic.gov/sites/default/files/files/shelby-letter-reorg-plan-compressed.pdf>

Appendices

Appendix A: Administration Proposals and Legislative Background

In March 2017, the President's Budget proposal to wind-down OPIC helped catalyze fresh thinking about how the U.S. Government provides development finance. The President's Executive Order on a Comprehensive Plan for Reorganizing the Executive Branch built on this momentum and presented a unique opportunity to further examine the U.S. Government's development-finance tools across multiple departments and agencies.

In November 2017, before the Asia-Pacific Economic Cooperation (APEC) Summit in Vietnam, the President committed to reforming U.S. development-finance institutions "so they better incentivize private-sector investment" and "provide strong alternatives to state-directed initiatives that come with many strings attached." The President's National Security Strategy prioritized efforts to catalyze private sector activity and the mobilization of resources to developing countries.

Over the course of several months, the Office of Management and Budget and the National Security Council convened a robust interagency dialogue that included input from the Department of State, USAID, and OPIC as well as the Departments of Treasury, Commerce, and others. The interagency working group observed that outdated legal authorities and fragmented interagency coordination hamper the U.S. Government's current ability to deploy development finance. The group developed a proposal for streamlining and consolidating U.S. development-finance functions to improve efficiencies, reform programming, and help advance U.S. foreign-policy goals while achieving greater development impacts through commercially viable deals.

The President's Fiscal Year 2019 Budget (and subsequently, the Administration's government-wide reorganization package) proposed to consolidate multiple U.S. development finance functions, such as the Overseas Private Investment Corporation (OPIC) and USAID's Development Credit Authority (DCA), into a new, standalone, Development Finance Institution (DFI) with strong linkages to the State Department and USAID.

The BUILD Act of 2018 was simultaneously introduced in the Senate and House at the end of February 2018 with broad bipartisan support.

BUILD Act Timeline:

- On February 27, 2018,
 - H.R.5105 was introduced by Congressman Ted Yoho (R-FL) and co-sponsored by Congressman Adam Smith (D-WA). ([link](#))
 - S.2463 was introduced by Senator Bob Corker (R-TN) and co-sponsored by Senator Chris Coons (D-DE). ([link](#))
- On April 11, 2018, OPIC's President and CEO, Ray W. Washburne, testified before the House Foreign Affairs Committee on the proposal in President Trump's Fiscal Year 2019 Budget to create a modernized development finance institution. (transcript and remarks [link](#))
- On May 9, 2018, the House Foreign Affairs Committee conducted its markup of HR 5105 ([link](#))
- On May 10, 2018, OPIC's President and CEO, Ray W. Washburne, testified before the Senate Foreign Relations Committee on the President's Fiscal Year 2019 Budget proposal to create a modernized development finance institution. ([link](#))
- On June 27, 2018, the Congressional Budget Office scored S.2463 and estimated that on net, implementing the legislation would reduce federal costs by \$22 million over the 2019-2023 period, assuming appropriation actions consistent with the bill. CBO also estimated that enacting S. 2463 would decrease direct spending by \$20 million over the 2019-2028 period, and that S. 2463 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029. ([link](#))
- On July 17, 2018, the House of Representatives passed H.R.5105 by voice vote on a motion to suspend the rules with 44 co-sponsors, comprised of 24 Republicans and 20 Democrats, representing 22 separate States. ([link](#))
- On September 26, 2018, the House of Representatives agreed to a Senate amendment to H.R.302, pursuant to H.Res. 1082, which included the BUILD Act of 2018.
- By October 3, 2018, S.2463 had 17 co-sponsors, comprised of eight Democrats, eight Republicans and one Independent, representing 15 separate States. ([link](#))
- On October 3, 2018, an amended BUILD Act of 2018 was passed by the Senate as part of H.R.302, the FAA Reauthorization Act of 2018 by a Yea-Nay vote of 93 to 6.
- On October 5, 2018 The President signed the BUILD Act into law ([P.L. 115-254](#)), launching a new era in U.S. development finance with broad bi-partisan congressional support. (Enrolled Bill [link](#))

Appendix B: Appropriations Language

INSPECTOR GENERAL

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, \$2,000,000 to remain available until September 30, 2021.

CORPORATE CAPITAL ACCOUNT

The United States International Development Finance Corporation is authorized to make such expenditures and commitments within the limits of funds and borrowing authority available to the Corporation, and in accord 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 such Corporation: *Provided*, That for necessary expenses of the activities described in subsections (b), (c), (e), (f), and (g) of section 1421 of 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 division of such Act, \$298,000,000: *Provided further*, of the amounts provided—

- (1) \$98,000,000 shall remain available until September 30, 2022 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(d) of such division of such Act, of which \$1,000,000 shall remain available until September 30, 2024;
- (2) \$150,000,000 shall remain available until September 30, 2022 for the activities described in section 1421(c) of such division of such Act; and
- (3) \$50,000,000 shall be paid to the "Development Finance Corporation—Program Account":

Provided further, That, in this fiscal year and hereafter, the Corporation shall collect the amounts described in section 1434(h) of division F of Public Law 115–254: *Provided further*, That in fiscal year 2020 such collections shall be credited as offsetting collections to this appropriation: *Provided further*, such collections collected in fiscal year 2020 in excess of \$298,000,000 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 2020, if such collections are less than \$298,000,000, receipts collected pursuant to division F of Public Law 115–254 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 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 \$0.

PROGRAM ACCOUNT

Amounts paid from the "Development Finance Corporation—Corporate Capital Account" (CCA) shall remain available until September 30, 2022: *Provided*, That not to exceed \$80,000,000 of amounts paid to this account from CCA or transferred to this account pursuant to section 1434(j) of division F of Public Law 115–254 shall be available for the cost of direct and guaranteed loans provided by the Development Finance Corporation pursuant to section 1421 (b) of such division 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 are to remain available through 2028 for the liquidation of valid obligations incurred in fiscal year 2020: *Provided further*, That the total loan principal or guaranteed principal amount shall not to exceed \$8,000,000,000.

GENERAL PROVISIONS

Availability of Funds

Sec. 7009. No part of any appropriation contained in this Act shall remain available for obligation after the expiration of the current fiscal year unless expressly so provided in this Act: *Provided*, That funds appropriated for the purposes of chapters 1 and 8 of part I, sections 661 and 667, chapters 4, 5, 6, 8, and 9 of part II of the Foreign Assistance Act of 1961, section 23 of the Arms Export Control Act, and funds made available for the United States International Development Finance Corporation shall remain available for an additional 4 years from the date on which the availability of such funds would otherwise have expired, if such funds are initially obligated before the expiration of their respective periods of availability contained in this Act: *Provided further*, That notwithstanding any other provision of this Act, any funds made available for the purposes of chapter 1 of part I and chapter 4 of part II of the Foreign Assistance Act of 1961 which are allocated or obligated for cash disbursements in order to address balance of payments or economic policy reform objectives, shall remain available for an additional 4 years from the date on which the availability of such funds would otherwise have expired, if such funds are initially allocated or obligated before the expiration of their respective periods of availability contained in this Act. [*DFC emphasis added*].

Availability of Funds for the Development Finance Corporation

SEC. 7074. (a) Funds transferred to the United States International Development Finance Corporation (Corporation) pursuant to section 1434(j) of the BUILD Act of 2018 (division F of Public Law 115–254) shall only be initially made available consistent with purposes of the account into which they were initially appropriated, and may be deemed to meet minimum funding requirements upon deobligation and reobligation for a use other than such original purpose.

(b) Funds transferred from Development Credit Authority program account of the United States Agency for International Development to the Corporation's Corporate Capital Account pursuant to section 1434(i) of division F of Public Law 115–254 shall be transferred and merged with such account, and may thereafter be deemed to meet any minimum funding requirements attributed for at the time of deposit into the Development Credit Authority program account.

Appendix C: Fiscal Year 2018 in Review

OPIC

The passage of the BUILD -- or Better Utilization of Investments Leading to Development -- Act capped a year of many milestones for OPIC. During fiscal year 2018, OPIC:

- Launched the 2X Women's Initiative and surpassed our initial targets to mobilize investment in support of the world's women.
- Committed to invest \$1 billion in Africa over the next three years through the new Connect Africa Initiative focused on strengthening critical infrastructure, technology and value chains.
- Formed partnerships with our allies, including an MOU with Japan Bank for International Cooperation and a trilateral partnership with Japan and Australia to support more development in the Indo-Pacific.
- Launched a new venture capital program to support emerging entrepreneurs in the developing world.
- Continued our long track record of operating as a self-sustaining U.S. Government Agency that contributes to deficit reduction.

2X: Invest in Women. Invest in the World.

The world's fastest growing emerging market is not a country or a region. It is the world's women.

OPIC launched the 2X Women's Initiative on International Women's Day in March of 2018, committing to mobilize \$1 billion to invest in the world's women. By year end, OPIC had surpassed that initial target.

The 2X Challenge: The U.S., the U.K., Canada, France, Italy, Japan and Germany later established the 2X Challenge, committing to mobilize \$3 billion to economically empower women across the developing world.

Gender lens investing: In addition to mobilizing investment to projects that directly benefit women, OPIC is applying a gender lens to all the projects it considers, to help ensure women will benefit.

Fund Mujer: OPIC committed to support emerging market private equity funds that support women in Latin America and the Caribbean through Fund Mujer, a new partnership with Inter-American Development Bank's IDB Invest Arm. Fund Mujer is the first gender-focused fund for Latin America and the Caribbean.

Why Invest in Women?

- To close the credit gap: Women worldwide face a more than \$300 billion shortfall in access to credit.
- To capture a multi trillion-dollar opportunity: Research shows that closing the gender labor gap could add trillions to global GDP by 2025.
- To achieve a powerful multiplier effect: The 2X initiative was named for the multiplier effect achieved by investing in women. When women earn a competitive income, they spend the vast majority on food, healthcare and education, benefiting their families and their communities

How OPIC is Investing in Women

Helping women access water in India: An OPIC loan is helping WaterHealth India install hundreds of water purification plants selling clean water at a fraction of the cost of bottled water. The project will improve the health and quality of life for millions of Indians, particularly women who typically have the primary responsibility for obtaining water for the family.

Supporting female food vendors in Kenya: An OPIC loan is helping Twiga Foods Ltd. supply fresh produce from Kenyan farmers and deliver it to urban vendors, the majority of whom are women, helping them to increase their sales and profits.

Empowering women-owned and women-led businesses: OPIC financing and political risk insurance is helping SunFunder, a solar energy finance business co-founded by Audrey Desiderato, provide loans to help emerging market off-grid solar businesses meet their working capital, construction, inventory finance and structured finance needs.

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 2018 OPIC worked to extend its investment on the continent, making official visits to 24 countries to explore new projects.

OPIC's new Connect Africa Initiative will invest \$1 billion over three years to projects in sectors that will foster economic growth and better connectivity with global economies. Connect Africa will focus investment in telecommunications and internet access; value chains that connect producers of raw materials with end users; and essential infrastructure, such as roads, railways, ports and airports.

OPIC at work in Sub Saharan Africa

Bolstering a key industry in Botswana: OPIC financing has helped create hundreds of new jobs in Botswana's domestic diamond industry by investing in a diamond cutting and polishing facility that has kept value-added functions such as sorting, marketing and manufacturing in the country.

Expanding food production in Malawi: Through its partnership with Global Communities, OPIC is working to expand food production in Malawi by providing loans and technical support to small agribusinesses.

Supporting small business lending and transportation in Uganda: In a country where motorcycle taxis are both a critical source of transportation and a major employer, an OPIC loan is helping Tugende Ltd. expand its lease-to-own financing to motorcycle taxi drivers, expanding a key source of transportation in Uganda and empowering local entrepreneurs.

Adding electricity across the continent: OPIC is a key partner in the U.S. *Power Africa* initiative to harness the resources of the private sector to bring more electricity to Sub Saharan Africa. To date, OPIC has supported construction of 20 utility-scale power plants and off-grid renewable power projects in Ghana, Guinea, Kenya, Nigeria, Senegal, South Africa, Tanzania, Togo and Zambia.

Promoting a free and open Indo-Pacific

When investors look to the future of the global economy, more and more of them are looking toward the Indo-Pacific. This vast region stretching from India to Southeast Asia is home to (share) of the world's population and multiple rapidly emerging economies that will play a central role in global peace, security and prosperity.

OPIC in 2018 committed to a heightened focus to help transform the region into a global economic leader in trade, innovation and technology.

Partnering with regional allies: OPIC entered new partnerships with U.S. allies, including a Memorandum of Understanding with the Japan Bank for International Cooperation and a trilateral partnership with Japan and Australia, to support more infrastructure development in the Indo-Pacific.

Expanded presence in the region: OPIC in 2018 added a fulltime director in Tokyo to supplement the existing OPIC office in Bangkok and expand local outreach and business development.

OPIC at work in the Indo-Pacific

Investing in businesses that serve poor communities in Southeast Asia: Through its support of the Unitus Livelihood Impact Fund, OPIC is supporting multiple small businesses that are creating jobs and expanding access to financial services in South East Asia.

Increasing microfinance lending to women in India: OPIC financing is helping IndusInd Bank Ltd. provide microfinance loans to female entrepreneurs, empowering many of the women to start or grow businesses.

Extending a longstanding commitment to Latin America

OPIC understands that Latin America is not only a close neighbor but a key partner in promoting regional security and stability. Latin America accounts for almost a quarter of OPIC's global portfolio and is the focus of multiple OPIC initiatives to support development, empower women and to promote investment as a stabilizing force in the region.

2X Americas: Through its new 2X Women's Initiative, OPIC has committed to mobilize \$500 million to projects that will support women in Latin America. Assistant to the President Ivanka Trump announced the initiative with OPIC President and CEO Ray W. Washburne in April at the Summit of the Americas in Lima, Peru.

Expanding 4G connectivity in Ecuador and Peru: OPIC financing is supporting a major telecommunications project that will deploy at least 500 telecom towers and expand access to 4G mobile broadband, making high-speed internet more widely available and reliable, and adding coverage in rural areas.

Increasing small business lending in Paraguay: OPIC financing is helping a local bank increase lending to small and medium enterprises to support economic growth.

DCA

The Development Credit Authority program uses U.S. Treasury-backed credit guarantees, to attract private commercial banks and other investors into markets with limited formal commercial finance. This approach supports ongoing USAID programs around the world and makes available a powerful transactional tool designed to complement traditional grant funding with larger pools of sustainable private sector financing.

USAID draws on DCA guarantees to achieve its development goals and simultaneously strengthen host countries' private sectors, helping to ultimately put USAID out of a job. Since 1999, USAID has committed \$5.5 billion in guaranteed lending across 80 countries with over 400 partner institutions through DCA guarantees. USAID missions throughout the world design and implement DCA guarantees within their existing programs. This operational framework allows guarantees to be coupled with the USAID technical assistance that is needed to make guarantees as effective as possible and, in many cases, lead to more sustainable, market-changing impacts.

Technical assistance designed to complement guarantees covers a wide range of activities tailored to the specific needs of individual transactions including regulatory reform, feasibility studies, market landscaping, development of lending strategies and products, financial literacy and business development services for borrowers, and the training of loan officers.

DCA takes a modern, enterprise-driven approach to increase lending to underserved borrowers across the full spectrum of USAID development priorities. This includes supporting expanded access to finance for small business owners, women entrepreneurs, agriculture producers, as well

as increasing investment into various sectors including at-risk communities, education, energy, environmental services, financial services and financial technologies (fintech), infrastructure, and water and sanitation.

To this end, the majority of DCA's FY 2018 activities fell within four broad strategic priorities:

- Facilitating broad-based economic growth and job creation across sectors;
- Improving access to affordable health care and water and sanitation services;
- Opening up new sources of private capital for financial institutions; and,
- Supporting financial innovation through digital finance.

Facilitating broad-based economic growth and job creation across sectors

Local small- and medium-sized enterprises (SMEs) are often unable to obtain suitable financing because of rural geographic constraints, high collateral demands, high interest rates, and a lack of loan products for SMEs. Such small businesses cite access to finance as a major obstacle to making new investments and growing their businesses. Lenders may have doubts about the fundamental competitiveness of SMEs, and/or they are reluctant to lend to SMEs that do not have sufficient collateral or operating history. Strengthening local lenders' ability to finance SMEs in productive sectors of the economy fosters economic growth in developing countries. In FY 2018 DCA continued to support economic growth and job creation through supporting access to finance for SMEs across sectors.

In the Philippines, a \$15 million loan portfolio guarantee to 1st Valley Bank, a local commercial bank, will facilitate lending to agribusinesses and SMEs in Mindanao. Borrowers under the guarantee will be agribusinesses engaged in production, processing, and distribution and general SMEs. As a result of this guarantee, there will be an estimated additional 150 SMEs and agribusinesses with access to financing, including those without clear land titles, allowing for sustained growth and improved employment opportunities.

An \$83.3 million loan portfolio guarantee to the Food Securities Fund will facilitate lending to the agriculture sector in up to 39 countries in which USAID operates across Africa, Asia, and Latin America and the Caribbean, of which half the guaranteed lending will be targeted in U.S. Government Feed the Future initiative countries. The guarantee will provide more efficient and scalable credit channels for agricultural aggregators working with cooperatives and smallholders in emerging markets. Borrowers under the guarantee will be medium-sized enterprises that provided inputs and services down the value chain for smallholders. The result of this guarantee will be increased availability of affordable debt financing along the agricultural value chain, which will increase economic growth in the sector and contribute to enhanced food security.

The clean energy loans will be used by SMEs for small-scale renewable energy production such as rooftop solar, and energy efficiency projects such as industrial equipment modernization, and investments in energy efficient building materials, motors, and heating and cooling systems. These guarantees are expected to result in the expansion of the availability of credit for at least 150 SMEs across the region.

Within the general SME sector, DCA partnered with financial institutions to stimulate economic opportunities for specific underserved populations. For example, USAID provided a \$6.8 million loan portfolio guarantee to the First Microfinance Company, a local commercial microfinance institution (MFI) in the Kyrgyz Republic, to support inclusive lending to SMEs, including businesses owned and managed by women or youth, and early-stage businesses. In Sri Lanka, a DCA guarantee with local commercial banks, Hattan National Bank and Sampath Bank, will strengthen lending to micro-, small- and medium-sized enterprises (MSMEs) and youth entrepreneurs across all sectors. As a result of this guarantee, it is estimated that over 1,000 businesses and young entrepreneurs will have access to loans to start and expand their business operations and create job opportunities within Sri Lanka.

Improving access to affordable health care and water and sanitation services

In Kenya, a \$20.9 million loan portfolio guarantee to the Water Infrastructure Management Company will support lending to water service providers for utility-level water and sanitation projects. This project will help improve the quality of, and increase access to, water and sanitation services by increasing networked connections, improving service quality and sustainability, and developing alternative technological solutions. As a result of this guarantee, it is estimated that over 800,000 people will receive first-time or improved access to water and sanitation services.

In support of increased access to quality health care, USAID provided a \$6.5 million loan portfolio guarantee to Ecobank to encourage lending to health care providers for the treatment of malaria or the expansion of family planning services in Ghana. Similarly, in India, USAID entered into a \$50 million loan portfolio guarantee with IndusInd Bank Limited to facilitate lending to private Indian healthcare enterprises such as hospitals, clinics, homecare providers, medical device companies, pharmacies, etc. These enterprises provide a range of family planning and reproductive health and maternal and child health services to a range of clients, including vulnerable populations, thereby improving access to affordable and quality health care.

Opening up new sources of financing for financial institutions

A \$20 million bond guarantee in Tanzania with the bond trustee, CRBD Bank, will support lending to the bond issuer, FINCA Microfinance Bank Limited, for the purpose of expanding its financial product offerings to base-of-the-pyramid clients in Tanzania. Currently, most microfinance institutions (MFIs) access wholesale lending at high interest rates, which limits both their ability to expand their borrower base, as well as to offer lending at affordable rates. Accessing the local capital markets by issuing this bond will allow FINCA Microfinance Bank Limited to both expand its lending and lower the interest rates it offers. As a result of this guarantee, FINCA Microfinance Bank Limited will be able to double its loan portfolio, and subsequently deploy an additional 30,000 loans annually to more vulnerable and underserved borrowers.

A \$20.1 million loan portfolio guarantee with Ayeyarwady Bank, a local commercial bank in Burma, will facilitate local currency lending to MFIs and agricultural SMEs. Borrowers will be local and international MFIs operating in Burma engaged in lending to smallholder agriculture

producers, microenterprises, and SMEs operating along agricultural value chains. Currently, most commercial banks do not lend to MFIs or SMEs and those that do demand very high and/or cumbersome collateral, usually in cash or land. MFIs are also relying on foreign currency loans, which are hedged at great expense, constraining access to finance for these marginalized borrowers. This guarantee will directly address this area by facilitating local currency loans to MFIs and SMEs on improved terms.

Supporting financial innovation through digital finance

In Kenya, USAID provided a \$9.4 million loan portfolio guarantee to Musoni Microfinance to facilitate lending to the agriculture sector. Borrowers under this guarantee will be smallholder farmers, MSMEs, and farmer cooperatives engaged in agriculture. As a result of the guarantee, Musoni Microfinance will scale new digital lending approaches to serve smallholder farmers and rural agribusinesses. Approximately 15,000 underserved borrowers will benefit from financing under this guarantee.

A \$10 million loan portfolio guarantee to Kingson Capital Fund, a local venture capital fund, will support lending to black-owned SMEs and technology enterprises in South Africa with an emphasis on youth. A primary source of Kingson's pipeline will come from FinFind, an online platform that links borrowers seeking finance with matching funders. As a result of this guarantee, investors will "crowd-in" additional private sector lending by providing finance to approximately 35 to 40 black-owned and technology businesses across South Africa.

Appendix D: Budget by Object Class

Budget Object Class	FY 2018		FY 2019		FY 2020
	ACTUAL		ENACTED		REQUEST
	OPIC	DCA	OPIC ¹	DCA	USIDFC
Personnel Compensation & Benefits	53,301,819	3,637,818	51,325,205	3,969,807	62,915,027
Travel and transportation of persons	417,815	536,438	196,000	550,000	6,013,000
Rental payments to others	140,661		7,440,856		7,679,669
Communications	1,238,263	240,000	1,092,505	265,000	1,082,078
Printing and reproduction	146,172		106,917		114,000
Other contractual services	16,120,088	4,511,086	13,122,607	4,080,675	8,572,136
Advisory and assistance services	2,895,848		5,283,398		3,977,782
Representation Expense	35,000		35,000		35,000
Other goods and services from Federal sources	387,896		510,657		515,353
Operation and maintenance of facilities	246,910	361,915	1,148,132	401,750	1,149,192
Operation and maintenance of equipment	2,214,849		2,063,405		2,786,983
Supplies and materials	1,648,335	60,000	1,541,097	60,000	2,283,979
Equipment	406,343	63,648	630,000	66,000	775,801
Land and structures		589,095	100,000	606,768	100,000
Total	79,200,000	10,000,000	84,595,779	10,000,000	98,000,000

¹ Carry-Forward balances from prior fiscal years enable obligations greater than the current year appropriation.