

Development Finance Corporation

(\$ in thousands)	FY 2018 Actual	FY 2019 Request	FY 2020 Request	Change from FY 2019 Request
Overseas Private Investment Corporation	-270,800			
Administrative Expenses	79,200	-	-	-
Credit Subsidy	20,000	-	-	-
Offsetting Collections	-370,000	-	-	-
USAID – Development Credit Authority	9,932	-	-	
Administrative Expenses	9,932	-	-	-
Credit Subsidy Transfer Limitation	[50,000]	-	-	-
U.S. Development Finance Institution	-	-326,000	-125,000	201,000
Subtotal, Admin/Program/IG		134,000	300,000	166,000
Administrative Expenses	-	94,000	98,000	2,000
Inspector General	-	2,000	2,000	-
Program	-	38,000	200,000	162,000
<i>Of which, Credit Subsidy/ Technical Assistance / Feasibility Studies</i>	-	38,000	50,000	12,000
<i>Of which Equity</i>	-	0.00	150,000	150,000
Offsetting Collections	-	-460,000	-425,000	35,000
Other	-	[56,000]	[50,000]	[-6,000]
Complementary Programming and/or Transfers from State/USAID Economic Support and Development Funds	-	[56,000]	[50,000]	[-6,000]

On October 5, 2018, President Donald J. Trump 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 President’s 2020 Budget proposes funding and authorities to operationalize both the Congressional vision expressed in the BUILD Act and the Administration’s proposal for development finance reform and reorganization as laid out in the June 2018 Government Reorganization plan. Both conceive of a DFC that facilitates market-based private sector development and inclusive economic growth in less developed countries through the provision of credit, capital, and other financial support. The request anticipates that the DFC will officially open on October 1, 2019. On this date, the functions, personnel, assets, and liabilities of OPIC, DCA and USAID’s existing legacy credit portfolio will be transferred to the DFC.

The DFC will mobilize and facilitate the participation of private sector capital and skills in the economic development of less developed countries. This facilitation of private sector investment will have a positive developmental impact through transactions the private sector would not do on its own. The BUILD Act gives 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 existing core programs, the BUILD Act provides the DFC with new authority to make equity investments, fund feasibility studies and special projects, and implement technical assistance programs in support of specific transactions.

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. At a time when developing countries are incurring dangerous levels of debt from state-directed investments, the U.S. DFC private sector-led model seeks to build stable and prosperous societies, reducing dependence on foreign aid and developing critical infrastructure that is built to last.

The DFC will have:

- More tools and flexibility to support private sector-led development in the world's least developed countries;
- Strong linkages among the DFC, the Department of State and USAID, including the creation of an office of the Chief Development Officer to ensure delivery of development impact in support of U.S. foreign policy priorities; and
- Increased taxpayer protections, such as a Chief Risk Officer, a dedicated Inspector General and an Independent Accountability Mechanism, to ensure the prudent use of taxpayer resources while advancing the development goals and foreign policy interests of the United States.

The FY 2020 **administrative expense and project specific transaction cost** request of \$98 million will provide resources for the merging of OPIC and DCA into the DFC. This request includes all of the positions currently funded through the OPIC and the DCA administrative expense appropriations. Further, the DFC and State/USAID will be taking steps to continue to enhance cooperation and training opportunities related to development finance, to allow State/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. Consolidation of these two entities will also promote efficiencies by streamlining credit and investment functions, such as risk management, legal, and loan servicing activities.

Additionally, the request includes \$200 million in **program funds**, of which \$50 million will support credit subsidy, technical assistance, and special projects and programs, and \$150 million to support investments in equity funds. Of the \$200 million directly 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. Funding provided directly to the DFC for programming and administrative expenses will be offset by the DFC's deficit-reducing receipts.

These program funds represent a significant expansion of funding and scope for the DFC versus its predecessors. **Non-equity program funding** will allow the DFC to provide “wrap around services” such as project-specific technical assistance and feasibility studies along with finance tools such as credit and insurance, working with State and USAID, as they drive policy reforms.

The new **equity funding** will allow the DFC to invest in funds in support of development and foreign policy objectives where lending and insurance alone have been insufficient. The request for \$150 million in equity funding will allow for a range of new investments by the DFC, complementing OPIC’s already robust (lending to) funds program. This level will allow the USG to more effectively drive development, while capturing returns in out-years if the investments are financially successful. Equity funding will be subject to rigorous taxpayer protections.

Program funding will be deployed in coordination with State, USAID, MCC, and others to support developmental projects in low income countries, and support Administration priorities such as:

- Prosper Africa, a new initiative that will unlock the United States’ competitive advantage to accelerate two-way investment and trade with African states;
- Indo-Pacific Strategy, which seeks to promote market-based economic governance and open, fair, and reciprocal trade;
- Countering Russian Malign Influence by strengthening energy security and economic resilience through energy diversification; and
- Women’s Global Development and Prosperity Initiative (WGDP), 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 WGDP fund, which invites interagency transfers.

To build on this collaboration, the Budget anticipates that State/USAID posts, missions, and regional bureaus will transfer \$50 million in economic growth funding to the DFC to support State/USAID goals through the use of project-specific technical assistance, feasibility studies, credit subsidy, and equity investments to spur inclusive economic growth, building on their use of DCA today.

The Budget also requests \$2 million for a dedicated **Inspector General** to provide robust inspection, oversight, and evaluation.

The Administration looks forward to working with Congress in order to operationalize the DFC on October 1, 2019 and advance U.S. foreign and development policy objectives.