

How Will New U.S. International Development Finance Corporation Help American Companies?

IN SHORT

The Situation: The U.S. government historically has lagged behind other countries in providing support to investors in developing and emerging markets.

The Development: The [Better Utilization of Investments Leading to Development](#) ("BUILD") Act, signed into law by the President on October 5, 2018, as part of the Federal Aviation Administration Reauthorization Act of 2018, creates a new agency, the U.S. International Development Finance Corporation ("IDFC"), to support private investment in developing countries. It replaces the Overseas Private Investment Corporation ("OPIC").

Looking Ahead: The IDFC is "OPIC on steroids" and means much more funding and new kinds of support for American companies working in developing markets.

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The U.S. government has lagged far behind China, the EU, and others in providing support to its investors in developing markets, particularly in Africa. In part to counter this challenge, the IDFC has been established. The IDFC will have authority to make loans, take equity positions in investments abroad, and provide guaranties up to a ceiling of \$60 billion.

The IDFC will replace OPIC, but at twice the size and with enhanced powers. In addition, certain authority will be transferred from the [U.S. Agency for International Development](#) ("USAID"). It is hoped that the IDFC—in coordination with USAID, the [Millennium Challenge Corporation](#) ("MCC"), the multi-agency "[Power Africa](#)" project, and other U.S. government entities—will be able to leverage far more than this initial \$60 billion funding. Competing with China, particularly in Africa, will require hundreds of billions of dollars from the U.S. public and private sectors.



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In early 2017, the White House looked critically at small, specialized U.S. government agencies with a global orientation—such as OPIC and the [Trade and Development Agency](#) ("TDA"). The [U.S. Export-Import Bank](#) ("ExIm") had long been a target of some Members of Congress. Businessman and investor Ray Washburn, newly-appointed president and CEO of OPIC, understood that ideas to enlarge and improve OPIC had merit and were worth promoting. With leadership on Capitol Hill from Senators Bob Corker and Chris Coons, Representatives Ted Yoho and Adam Smith, the BUILD Act was born.

The BUILD Act creates the IDFC as a successor to OPIC. Washburn has noted that unlike China's vast and more mercantilist Belt and Road Initiative, "We're more interested in creating jobs in those economies to stabilize those economies." The list of [currently-eligible countries](#), which prioritizes less-developed countries, is available on the OPIC website.

How will the BUILD Act work for American companies? As with OPIC, a major focus of the IDFC will be to support American businesses by providing medium- to long-term debt financing through loans and guaranties for eligible investments in developing countries and emerging markets. The IDFC will continue to offer political risk insurance and provide financial support for the creation of privately-owned and managed investment funds. The agency is also authorized to take up to a 10 percent equity position in ventures in eligible countries. Unlike OPIC, the IDFC will be able to offer guaranties and invest in local currency. Other bilateral and multilateral donors, including the [EU's External Investment Plan](#) (adopted in 2017), have long had these tools at their disposal.

IDFC will be involved in many sectors, including agriculture, telecoms, mining, and health care. There has been a trend at OPIC towards greater investment in renewable energy projects. We expect this trend to continue. Current and proposed [OPIC projects](#) are listed online. American

companies involved in the renewable energy sector should look carefully at the new opportunities the IDFC will provide. Any U.S. company considering new investments in Africa or in developing economies elsewhere should consider looking to the IDFC for support.

How else will the IDFC be different from OPIC? While funds and support are for the private sector, the IDFC will be more "development focused" in its orientation, coordinating more closely with other development agencies.

THREE KEY TAKEAWAYS

1. The IDFC is the most significant new U.S. government initiative in international development in a number of years, at least since the establishment of the MCC in 2004.
2. Many U.S. companies will find that the IDFC can enhance opportunities for investments in developing countries—by providing a new source for financing, loan guaranties, insurance, and accompanying equity investments. This is intended to—and should—promote greater American participation in developing economies in Africa and elsewhere.
3. Related tools provided by other U.S. government agencies are often underutilized by American companies. Agencies such as the Trade and Development Agency (that provides project preparation grants and more), the U.S. Department of Commerce's trade promotion arm, the [Commercial Service](#), EXIm, and many other agencies can facilitate the entry and activities of U.S. companies in foreign markets.

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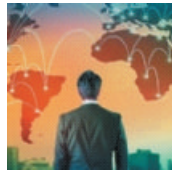


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