U.S. INTERNATIONAL DEVELOPMENT FINANCE CORPORATION

WHAT IS THE U.S. INTERNATIONAL DEVELOPMENT FINANCE CORPORATION?

Congress created the International Development Finance Corporation (IDFC) through the BUILD Act of 2018 to improve and streamline the U.S. government's ability to deploy development finance that supports inclusive economic growth, poverty reduction, and development toward U.S. foreign policy objectives. The IDFC is intended to catalyze flows of private capital towards development challenges and build a robust private sector in developing countries.The IDFC aims to improve upon the advances of its predecessor, the Overseas Private Investment Corporation (OPIC).

WHAT DOES IT BUY?

IDFC investments take many forms, including equity, loans and loan guarantees, development credit, technical assistance, feasibility studies, political risk insurance, and other instruments intended to support projects and companies in lower to middle-income countries. The IDFC is designed to generate a return that gets reinvested into new projects or returned to the U.S. Treasury. The IDFC invests in both for-profit and non-profit initiatives. For example, the IDFC's predecessor, OPIC, previously funded projects—implemented over two years by international development NGOs—that were worth a combined $110 million. The IDFC also works with allies and partners actively engaged in development finance initiatives.

WHY IS IT IMPORTANT?

- The BUILD Act requires that the IDFC pursue investments in middle- and lower-income countries, monitor and evaluate development impact in at least 50% of the IDFC portfolio as mandated by the Foreign Aid Transparency and Accountability Act, improve women's economic empowerment, hire leadership for roles—such as the Chief Development Officer and Chief Risk Officer—to oversee development impacts, and convene advisory bodies such as the Development Advisory Council. These changes are intended to increase the degree of development impact across three scoring indicators: innovation, economic growth, and inclusion.
- Prospective investments will undergo a vetting process that assesses and mitigates financial, social, and environmental risks. The IDFC will also project and measure development impact, methods that may play a role in the vetting process. A robust independent accountability mechanism is necessary to ensure the appropriate implementation of these components and respect for human rights and transparency standards.
- IDFC investments will also receive technical assistance through the IDFC's Grants and Technical Assistance Program to improve the recipient's capacity and capability in areas related to financial monitoring, governance, legal, and other regulatory issues. The provision of technical assistance will be in direct service to the IDFC's overall mission.

WHY SHOULD AMERICANS CARE?

- The IDFC will be a critical institution in supporting the growth of markets that benefit U.S. businesses and consumers—both overseas and domestically—while creating a more prosperous global economy.

WHY SHOULD AMERICANS CARE? (cont.)

- The IDFC is consistent with USAID's efforts on the Journey to Self-Reliance to support countries in ensuring their own development success.
- The IDFC will be a key tool in promoting U.S. leadership and values abroad.

WHAT MORE COULD BE DONE?

- Additional investment would allow the IDFC to conduct more projects in lower-income countries—where the development need is the greatest.
- Increased investment could allow for a greater focus on women's economic empowerment, primarily through entrepreneurship, access to finance, workforce development, and skills training.
- Additional funding could allow for robust accountability mechanisms that let communities provide the U.S. government with feedback on whether projects are positively improving their lives.