

# NGO RECOMMENDATIONS ON USDFC

## Advocating for a Transparent, Development-Focused U.S. International Development Finance Corporation (DFC)

August 2020

InterAction Members urge the U.S. International Development Finance Corporation (DFC) to prioritize and fully implement its development mandate and focus on international best practices to improve development finance outcomes for the world's poorest and most vulnerable people. To continue to fulfill its potential as a world-leading U.S. development agency, the NGO community also seeks the DFC to be properly resourced by the U.S. Congress.

To support these efforts, InterAction Member NGOs highlight the following set of recommendations. The recommendations represent viewpoints from NGOs that implemented projects for the DFC's predecessor – the Overseas Private Investment Corporation – for more than 15 years, have on-going partnerships with the DFC, operate their own social impact funds or other innovative finance mechanisms, closely watch bilateral and multilateral development banks, and have expertise in development finance.

### EXPANDED DEVELOPMENT MANDATE

- Reaffirm that the DFC's mandate is to work in developing countries, not domestically or in high-income countries, and that authorizations to loan to U.S. companies for work in the U.S. will be strictly time-bound. Limit national security exceptions on the mandate to work in lower-income countries such that the development impacts of DFC's portfolio is not compromised per the Impact Quotient. **BUILD Act Section 1412 (b)(c)**
- Empower and resource the Chief Development Officer (CDO) to fully engage with investors on deals of all sizes to drive greater investment in low-income countries and sub-national areas that have explicit development benefits for people and sectors that have not historically had access to financing. **BUILD Act Sections 1411, 1412, 1445 (a) and 1451 (d)**
- Align activities in-country with national development plans. Consult with appropriate representatives of the national government and civil society in the country where the activities take place to ensure such alignment. Activities should also provide resources (credit, guarantees, equity, de-risking instruments) to micro-, small, and medium-sized enterprises (MSMES), particularly women-owned MSMES and other disadvantaged enterprises. **BUILD Act Sections 1411 (2) and (8), 1421 (f) and 1451 (e)(2) and (f)**
- Strengthen the DFC's ability to monitor and evaluate meaningful development outcomes in investments beyond project-level outputs. **BUILD Act Sections 1470 (l) and 1443 (a) (b)**
- Mainstream gender equality and women's economic empowerment throughout the DFC's investment portfolio; as a first important step toward equitable financial access, fully resource, and internally support the 2X Initiative. **BUILD Act Sections 1451 (f) and 1443 (b)**
- As the DFC continues to strengthen its coordination with USAID, ensure that financing mechanisms provided by the DFC leverage, not substitute for, more traditional forms of grant funding by USAID. **BUILD Act Sections 1413 (g) and 1421 (g)**
- At a minimum, in all project contexts, work with partners to follow development industry standards of Do No Harm.

## RISK MANAGEMENT ON ENVIRONMENT, CLIMATE, AND SOCIAL ISSUES

- Prioritize renewable energy projects, including off-grid energy in places lacking connectivity and halt investments in fossil fuel projects that undermine development, increase financial vulnerability, and lock developing countries into infrastructures that produce large amounts of greenhouse gases.
- Fully resource and robustly implement the Environmental and Social Policy and Procedures (ESPP) and environmental and social due diligence. This involves conducting robust Environmental and Social Impact Assessments and avoiding deals, such as small modular nuclear reactors, that pose serious risks to surrounding communities and undermine these policies. Do not loosen the implementation of existing standards with the rationale of major global crises such as COVID-19. **BUILD Act Sections 1451 (e) and 1466 (a)**
- Align environmental and social standards with relevant U.S. Treasury policy to facilitate co-financing and to ensure consistency in U.S. policy across bilateral and multilateral development banks.

## ACCOUNTABILITY AND TRANSPARENCY

- Quickly establish an Inspector General (IG) for the DFC and respond in a timely fashion to any IG requests. **BUILD Act Section 1414**
- Prioritize creating and fully resourcing a robust, transparent, and independent accountability mechanism. Hold a public consultation process for the development of the policies and procedures for the development of the independent accountability mechanism. **BUILD Act Section 1415**
- Ensure proactive and comprehensive project information disclosure of all DFC projects. Ensure annual reports fully document all negative social and environmental impacts in high-risk and medium-risk projects. **BUILD Act Section 1443 (a)**
- Create a DFC Access to Information Policy through a public consultation process to govern proactive information disclosure. Provide full details on implementation of U.S. COVID-19 domestic response operations and existing international operations. **BUILD Act Section 1444**
- Consult regularly with international and local NGOs. Hold a public consultation process for the development of the Board stakeholder engagement policy. **BUILD Act Section 1413 (b)(1)**

## INTERNAL STRUCTURES AND STAFFING

- Increase the diversity of the DFC Board of Directors and complete all outstanding non-governmental appointments. Keeping with OPIC's governing statute, include a representative of U.S. organized labor on the Board. **BUILD Act Section 1413 (b)(2)(C)**
- Clarify the criteria for when projects require Board-level approval and how projects not subject to such review are treated. **BUILD Act Section 1413(b)(1)**
- Hire sufficient staff with competencies in international development and environmental and social due diligence; incentivize all staff to work toward sustainable development outcomes and to avoid negative impacts. **BUILD Act Section 1421(c)(3)(C)**