CENTER FOR GLOBAL DEVELOPMENT

CGD and the Creation of a New US International Development Finance Corporation

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Emily Huie is a senior consultant with Global Health Visions and worked as an independent consultant to CGD while authoring this case study. Huie worked at the National Security Council between 2006 and 2008 and served on staff at the ONE Campaign from 2015 to 2019, during which time she worked closely with CGD and other colleagues on the DFC initiative.

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About this Case Study

This case study is one of five that were produced as part of an external assessment undertaken between 2020-2022 to examine how the Center for Global Development contributed to influence and impact in some of its areas of work. The case studies detail five notable initiatives from the organization's first 20 years. On a broad level, the case studies also illustrate the complex ways in which policy change happens and is understood retrospectively, the variability of success, and the interdependency of a range of contextual factors in enabling (or hindering) progress.

This external assessment was led by Benjamin Soskis of the Urban Institute's Center on Nonprofits and Philanthropy and overseen by Amanda Glassman with coordination and support from Brin Datema in consultation with CGD's president Masood Ahmed. Each of the case studies were researched and authored by independent consultants to CGD. The full collection of case studies is available at www.cgdev.org/case-studies.

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Contents

OVERVIEW

When the world adopted the Sustainable Development Goals (SDGs) as a road map for reducing poverty and improving the quality of life for people worldwide, the financing gap to achieve the SDGs in developing countries was estimated to be between $2.5 trillion and $3 trillion per year.[1] In 2020, the OECD's preliminary data indicated that official development assistance had increased 3.5 percent in real terms, to reach an all-time high of $161.2 billion.[2] However, this level of development assistance spending leaves quite a gap for domestic resource mobilization and private-sector finance to fill. Given this gap, the discussion around development finance and utilizing government tools to increase private capital investments in developing countries has gained salience in recent decades.

Following its establishment in 1971, the Overseas Private Investment Corporation (OPIC) served as the United States government's primary development finance institution, which aimed to increase private-sector investments with development benefits in low-income countries. The US Trade and Development Agency (USTDA) and USAID's Development Credit Authority, along with other smaller programs spread throughout various government agencies, also encouraged private-sector investment in developing countries. However, by 2015 OPIC was operating under authorities that hadn't been significantly updated since 1971, and the fragmented nature of the programs across the US government hampered effectiveness and limited the ability to mobilize private-sector investments.

This case study examines the role played by the Center for Global Development (CGD), specifically former chief operating officer and current nonresident fellow Todd Moss and former senior fellow Ben Leo, in developing a policy proposal to address these inefficiencies and outdated authorizations by creating a new full-service US development finance institution. The seeds for this idea were planted in the mid-to-late 2000s when Moss and Leo were both working in government and saw firsthand the limitations of the US government's development finance capabilities. A few years after leaving the government, the two collaborated on an idea for addressing the inefficiencies in the system and increasing the impact of US development finance tools. Starting in 2011, Moss and Leo began shopping their ideas around and refining their proposal. Over the next seven years, the two shared this proposal with key policymakers and advocates in Washington, DC. In October 2018, the text of the Better Utilization of Investments Leading to Development (BUILD) Act was passed as an amendment to the Federal Aviation Administration (FAA) Reauthorization Bill, officially creating the US International Development Finance Corporation (DFC). What follows is an examination of how CGD's commitment to an idea and steady work over a number of years impacted the legislative process of the BUILD Act and thus the creation of the DFC.

Research for this case study included 12 interviews conducted with key players in the process and a survey of existing literature on both the history of OPIC and the proposals for a new development finance institution. This is not a formal evaluation of whether the DFC is an effective institution or whether its creation was a good policy. Rather, this case study examines the mechanisms of how a research institution such as CGD may have had an impact on this specific policy process and what, if any, evidence there may be for such impact claims. In full disclosure, the author of the case study worked with Ben Leo at the National Security Council between 2006 and 2008 and served as the US policy director at the ONE Campaign from 2016 to 2019, during which time she worked closely with CGD and other colleagues on the DFC initiative. Although some of the observations made in this case study are from the author's recollections of this time period, other individuals corroborated these observations wherever possible.

EARLY DAYS: PRE-LEGISLATION

OPIC was created to enable and increase US investment in developing countries and emerging markets that would have a development impact. OPIC generally did this by providing US investors in developing countries and emerging economies with needed resources such as political risk insurance, debt financing, loan guarantees, and project and investment funds financing.[3] OPIC operated on a self-sustaining basis throughout its existence—raising enough money via interest and fees that it routinely sent money back to the Treasury.[4]

Despite this positive impact, OPIC had frequently come under fire from Republicans and Democrats over the past few decades. One of the most common criticisms was the charge that OPIC provides "corporate welfare," supporting large companies that don't need financing from the federal government; those who made this criticism often argued that there is little to no need for US taxpayers to assume the risk of these investments.[5] In addition, these critics argued that OPIC distorted the flow of capital away from viable private-sector alternatives and that in OPIC's absence, these investments would move forward with private-sector financing.[6] Other critics argued that OPIC projects supported outsourcing jobs and didn't actually create jobs in the United States.[7] In 2014, the Heritage Foundation (a frequent OPIC critic) published a commentary titled *Time to Privatize OPIC*, in which authors Brett Schaefer and Bryan Riley argued that the Senate should oppose the reauthorization of OPIC, stating, "The American taxpayer can't afford to continue being treated as a sugar daddy for US and foreign corporations."[8]

Moss and Leo first drafted a white paper in 2011 entitled "Development without New Money? A Proposal for a Consolidated US Development Bank"[9] as a response both to historical criticisms of OPIC and to President Obama's 2011 State of the Union address, in which he pledged to produce a plan to "merge, consolidate, and reorganize" various federal export promotion agencies.[10] The fear of CGD and others in the development community, such as the ONE Campaign, was that OPIC would be folded into the Department of Commerce, which they believed would undermine its effectiveness and dilute the benefits the US government received from an independently operating OPIC.

The CGD paper proposed the creation of what Moss and Leo then called a US Development Bank (USDB) that merged a number of entities—OPIC; USTDA; USAID's Development Credit Authority and private-sector units (including those focusing on business climate, land titling, and other business promotion–related issues); and the international programs of the Small Business Administration, the State Department's Bureau of Economic, Energy and Business Affairs, and the Treasury Department's Office of Technical Assistance—and gave the USDB additional authority to take equity positions and place minimal constraints on tied assistance.[11] Moss and Leo proposed that the new USDB would have a similar governance structure to OPIC, operating as an independent government agency, led by White House–appointed management and overseen by a board that included both government and private-sector representatives.[12] In addition, based on their assessment and a deliberate objective of their design, this new entity would be self-financing and require no additional or new annual budget appropriation.

As the Obama administration's consolidation efforts became bogged down in interagency fighting, other issues, such as the debate around healthcare reform, took center stage. However, behind the scenes, Moss and Leo were quietly seeding the policy proposal across the development community. For example, in 2013, Leo published a piece with George Ingram (lead author), Dan Runde, and Homi Kharas on the Brookings Institution blog, entitled "Strengthening US Government Development Finance Institutions."[13] In this piece, the authors argued that the fragmentation of development finance tools across multiple US agencies was diluting their impact and causing US businesses to miss out on opportunities in emerging markets, while the US government was underutilizing a vital tool in promoting economic growth and stability in developing countries around the world. While it's difficult to point to this paper's measurable impact in the immediate term, it served to broaden ownership of the idea to other think tanks and development groups—which was critical when it came time to mobilize support for this idea on Capitol Hill.

Between 2011 and 2016, Moss and Leo kept up a steady drumbeat of meetings with international development NGOs like the ONE Campaign and the Modernizing Foreign Assistance Network (MFAN), with other think tanks like the Brookings Institution and the Center for Strategic and International Studies (CSIS), and with Hill staffers. According to Moss and Leo, given the niche nature of the development finance issue, their strategy during these years was to keep the idea on the radar of the broader policymaking and development communities—allowing for the quick movement of a policy proposal when the timing was right.[14] Based on a literature review, it appears that Moss and Leo were the two primary voices keeping this idea circulating through the development community over these years.

In addition to keeping the proposal on the radar of key policymakers, another essential part of their strategy was bringing on key partners in the development community. Having other think tanks, such as CSIS and the Brookings Institution, supporting this idea gave credibility to the proposal and enabled government officials and policymakers to hear from various sources about how much development finance reform was needed and how it would positively impact the development capabilities of the US government. But the advocacy efforts of organizations like the ONE Campaign and MFAN were essential to moving the idea from a policy proposal to a signed law. Leo was the global policy director at the ONE Campaign from 2011 to 2013 when the idea was first being developed. And Moss (and later Leo) met with the US team at ONE several times over the years to discuss this policy proposal and brainstorm how to take advantage of openings and address obstacles in the policy process.[15] MFAN, a coalition of international development and foreign policy practitioners dedicated to modernizing foreign assistance, brought along its membership and advocated in support of the BUILD Act after it was introduced.

Another strength of Moss and Leo's proposal was that it was both expansive and flexible. The original proposal included a broad range of ideas that sought to maximize the impact of US development finance by consolidating the various authorities into one new entity. Moss and Leo's prior experience in government informed their understanding of what was in the "realm of the possible," and yet their initial proposal pushed for bold changes. However, the proposal was also broad enough that there was space for the normal horse-trading negotiations required to gain bipartisan support for legislative efforts. The appendix summarizes the reforms included in CGD's 2015 proposal compared with those included in the introduced versions of the Senate and House bills and, finally, with the text of the passed law.

In 2014, President Obama's Global Development Council report featured a section on harnessing the private sector, including a proposal to create a new development finance institution. The report states, "The United States badly needs to modernize the array of instruments and operating authorities related to development finance and fundamentally reimagine its work to catalyze private sector investment that can produce positive development outcomes." The council's report tracks very closely with proposals Moss and Leo included in their 2013 paper. There they argued for the expansion of OPIC's tools and authorities, reforming OPIC into a proper development finance institution so that it "would be one of the most effective tools in the US arsenal to reduce poverty in developing countries."[16] The Global Development Council report recommended that Congress, as a first step, give OPIC the authority to reinvest a portion of its profits in additional staffing, allow OPIC to make equity investments, mix direct investments with loan guarantees, and deploy a broader set of modern risk mitigation instruments.[17] These recommendations align with the recommendations that Moss and Leo made beginning with their 2013 paper—specifically, the argument in favor of equity authority and enabling OPIC to invest in itself.[18]

The inclusion of the development finance institution proposal in the report was directly related to CGD board member Smita Singh's membership on the Global Development Council.[19] Her initial exposure to the idea was from Moss and Leo's research—which she brought to the Global Development Council as it was developing its recommendations. According to Singh, the idea was attractive because it was actionable; while it would require legislative action, the council believed it was possible to build a bipartisan coalition to support the proposal and pursue legislative action in the short term.[20] Another council member, Gargee Ghosh, also a former CGD staffer, knew both Leo and Moss and was very familiar with their proposals through her position at the Bill & Melinda Gates Foundation.[21]

Between 2013 and 2017, Moss and Leo testified before Congress a combined six times—three specifically about the proposal for a new development finance institution and three other appearances on other issues in which they also raised this proposal.[22]

Moss first testified on this issue to the Senate Foreign Relations Subcommittee on International Development and Foreign Operations, Economic Affairs, International Environmental Protection, and Peace Corps on May 22, 2013. In this testimony regarding updating US foreign assistance tools, he argued that the development finance functions that currently existed across numerous agencies would be more effective if they were consolidated into one institution by turning OPIC into a "full-service US Development Finance Corporation."[23]

Leo testified before the Senate Foreign Relations Subcommittee on Africa and Global Health Policy on March 19, 2015. In his testimony, he argued that OPIC was a "highly constrained and underutilized tool" that nevertheless remained a remarkably effective foreign policy instrument for the United States government.[24] In addition, he noted that European and other development finance institutions have reformed and expanded over the years, putting an unreformed OPIC at a competitive disadvantage. His testimony proposed reforming and enhancing OPIC to create an expanded DFC in order to correct this competitive disadvantage.

On July 7, 2016, Moss testified before the full Senate Foreign Relations Committee, arguing that development finance is the "most potent weapon we have for expanding markets and spurring private sector growth."[25] He specifically argued in this testimony that a reformed OPIC or expanded DFC should be granted equity investment authority in order to make it competitive with other development finance institutions.

In all their congressional testimony, a key argument was that these reforms and expansions would come at no additional cost to taxpayers, as OPIC would be allowed to keep its profits to fund operating costs.

Measuring the impact congressional testimony has on a policy process is difficult if not impossible. At the very least, in this case, these six testimonies demonstrate that Moss and Leo, over the course of four years, were able to raise this issue directly to members of Congress and to ensure that their arguments for expanded development finance capabilities within the US government were officially a part of the congressional record. Tom Mancinelli, foreign affairs staffer for Senator Chris Coons, noted, "Their testimony served to educate members and inform the American public about what a revised, modernized development finance institution could mean for the effectiveness of our foreign assistance."[26]

FROM ABSTRACT IDEA TO LEGISLATION

In March 2015, Moss and Leo published Bringing US Development Finance into the 21st Century: Proposal for a Self-Sustaining Full-Service USDFC, a more robust and detailed blueprint that provided a rationale and increased details about how a consolidated new development finance agency could be developed.[27] According to Moss and Leo, the timing of this paper was not coincidental; they had an eye toward the upcoming election cycle and used this paper as a pitch to the presidential campaigns (from both political parties), with the aim of having it included in one (or both) of the major candidates' platforms. The language wasn't included in either major party platform, although platforms are often light on development policy language, and Moss and Leo were confident that an incoming Clinton administration would take up the policy.[28] However, they were less confident about how a Trump administration would approach development finance.

President Trump's first budget proposal in the spring of 2017 proposed closing OPIC entirely. The threat to OPIC and the US government's development finance capabilities seemed to be stronger than ever.

However, in the spring of 2017, General H.R. McMaster, Trump's national security adviser, was building his team at the White House, and Jim Mazzarella, a longtime senior staffer at the Millennium Challenge Corporation, spanning both the previous Bush and Obama administrations, was hired onto the National Security Council (NSC) staff by Clete Willems, special assistant to the president for international trade, investment, and development. When interviewing for the job as director for international development at the NSC, Mazzarella proposed the idea of saving OPIC from the president's budget proposal based on the development finance reforms put forward in Moss and Leo's white papers. He outlined this as one of the key issues he would like to focus on at the NSC, and Willems agreed. According to Mazzarella, "Zeroing out and shutting down OPIC was a bad idea."[29] However, passing legislation, much less changing the budget proposal, would have been an extremely heavy lift. Nevertheless, Willems agreed to try it, and, according to Mazzarella, "we set about building a coalition using the Moss and Leo outline as the basis, first with OMB [Office of Management and Budget] staff who helped drive the interagency process and then, with OPIC leadership, working with key committees on a bipartisan basis and the DC development community. Each stakeholder had their own interest: working to counter China's influence in the developing world, making government more effective and efficient, modernizing US development finance with new tools, and a greater focus on development and catalyzing markets in developing countries instead of distorting markets."[30]

To win over support from within the NSC and from the OMB, Mazzarella leaned into the arguments that this proposal would encourage government consolidation (a top priority for the Trump administration and the OMB)[31] and that the increased capabilities granted to a new DFC would enable the United States to better compete and counteract China's influence in the developing world, arguments that were particularly res-onant within the administration.[32]

At the same time, CGD board member Rob Mosbacher drafted a two-pager for Nadia Schadlow, who, as the deputy national security adviser for strategy, had been brought on to oversee the drafting and adoption of a new National Security Strategy. Through this engagement, Mosbacher was introduced to Willems, who was overseeing Mazzarella's work, as noted above.

In February 2018, the Trump administration's budget request for FY2019 included a request for a new development finance institution:

> The Administration is also reviewing Federal development finance activities—currently spread across the Overseas Private Investment Corporation and multiple offices at the United States Agency for International Development and other Federal agencies—to identify ways to reduce duplication and better achieve national security and international development outcomes while supporting U.S. businesses and jobs. The Budget proposes to consolidate these functions into a new Development Finance Institution, including reforms that protect taxpayer dollars.[33]

The NSC staff working on this issue sought an opportunity for the president to make a public statement supporting development finance reform to build real momentum behind the idea. The opportunity came in November 2018, at the Asia-Pacific Economic Cooperation summit in Vietnam. In his remarks at the summit, President Trump said, "We are also committed to reforming our development finance institutions so that they better incentivize private sector investment in your economies and provide strong alternatives to state-directed initiatives that come with many strings attached."[34]

Throughout 2018, Mazzarella was running the interagency process behind the scenes. Some government agencies expressed skepticism that this was a good and/or necessary reform; some wanted a Power Africa–type initiative[35] led by the State Department, while Treasury leadership argued that this was government intervention that Republicans should not support.[36] USTDA fought the idea because it did not want to be consolidated into OPIC (it succeeded in these efforts and was not included in the final consolidation). Mazzarella brought Moss and Leo in to meet with his NSC colleagues to discuss the idea and provide counterpoints to criticism. According to Mazzarella, having outside experts speak on the nuances of the issue was helpful, and Moss and Leo provided compelling counterarguments to criticism.[37] Ultimately, the OMB came on board because of the consolidation aspects, and the political side of the White House was motivated to support it primarily because of the countering-China argument.[38]

THE LEGISLATIVE PROCESS

The attempts to bolster OPIC in the face of threats to its survival took many shapes over the years. One effort was made during the legislative process for the Electrify Africa Act. Original text proposals for this legislation in 2015 included a multiyear reauthorization for OPIC, which would have protected the agency from funding threats for the reauthorization period. While CGD and organizations such as the ONE Campaign were not the originators of this idea, they supported a multiyear authorization to create some stability and safety for OPIC for a defined period. This component was a contentious aspect of the bill, opposed by many Republicans, and it ended up being stripped out of the final version. The fight over the reauthorization provision in the Electrify Africa Act left some, particularly House Republican leadership, hesitant to take on another OPIC-related bill.[39]

However, despite this reluctance, Andy Taylor, a staffer on the House Foreign Relations Committee, began working with Jimmy Walsh, a staffer for Congressman Ted Yoho (R-FL), on draft legislation to reform OPIC into an expanded development finance institution. In the early summer of 2017, discussions between House and Senate staff began about the best possible legislative path.[40] They agreed that the House would take the lead on navigating the conservative political waters.[41] One key to this approach was having Yoho as the original sponsor of the bill. As a member of the Freedom Caucus, he had been instrumental in the passage of the Electrify Africa Act and had become familiar with the arguments about OPIC's reauthorization. Yoho had initially criticized OPIC but was converted to strongly believe that enabling more private-sector money to be used to support development priorities was the right type of policy to pursue.

Mosbacher, a former president and CEO of OPIC; Porter Delany, of the Kyle House Group; and Elizabeth Littlefield, a former president and CEO of OPIC during the Obama administration, were essential players in the recruitment of Congressman Yoho as a champion of this issue.[42] They began meeting with Yoho and his staff as an outgrowth of the Foreign Assistance Taskforce that Congressmen Yoho and Adam Smith (D-WA) co-chaired. During these meetings, they discussed OPIC's current capabilities and, in practical terms, what expanded development finance capability would provide. They also took Yoho to visit OPIC projects to see first-hand how development finance works.[43] These efforts enabled them to capitalize on Yoho's support of the Electrify Africa Act and his newfound interest in mobilizing private investment for development outcomes to win his support for the idea of reforming OPIC into a more robust development finance institution. Mosbacher's engagement with Yoho was a critical factor in getting him on board.

Congressman Yoho introduced the Better Utilization of Investments Leading to Development (BUILD) Act (H.R. 5105) on February 18, 2018.[44] The introduced legislation included many of the provisions contained in CGD's proposal, most notably giving the new DFC equity authority and increasing its maximum contingent liability level. Taylor and Yoho's staff jointly developed the introduced text. This process included consultations with Senate staff and NSC staff, as is standard for this type of legislation. In an interview, Taylor noted that while CGD's papers on the topic informed his thinking while drafting the BUILD text, he was surprised that CGD staff didn't actively engage him during this time frame.[45]

Likewise, on the Senate side, the years of seeding this idea were finally starting to pay off. Because this idea had been percolating around the international development community for several years at this point—and particularly because many assumed that Hillary Clinton would win the presidential election—staffers for Senator Chris Coons (D-DE) were actively looking for legislative ideas that could move in the first 100 days of a new administration. With this in mind, Tom Mancinelli, foreign policy adviser to Senator Coons, began to draft legislative text during the August 2016 recess. He had read Moss and Leo's papers proposing a new DFC as a means of reforming and expanding OPIC and consulted with both throughout the legislative drafting process.[46] According to Mancinelli, these consultations and feedback and advice from Moss and Leo were helpful to address various questions that arose during the legislative drafting process.[47]

The DFC idea was first shared with Senator Bob Corker's (R-TN) staff in 2013 but took a back seat to the Electrify Africa legislation. At some point in 2016, Moss and Leo met with Senator Corker and his foreign affairs adviser Andy Olson to discuss their concerns around the proposal, which were primarily about corporate welfare, ensuring that a new development finance institution wouldn't become a slush fund for US corporations, and guaranteeing that a new institution remained focused on targeted development and foreign policy outcomes.[48] In response to these concerns, Leo published a blog post entitled "Is OPIC Corporate Welfare? The Data Says…"[49] Moss and Leo, along with colleague Jared Kalow, built a data set of nearly 1,500 OPIC projects implemented over the past 15 years.[50] After examining the data, Moss and Leo concluded that less than 8 percent of OPIC commitments between 2011 and 2016 involved Fortune 500 companies.[51]

It is important to note that Moss and Leo entered the process of working on the BUILD Act having already built credibility with Senators Coons and Corker and their staffs while engaging with them on research about energy poverty in Africa and the US approach to tackling it, between 2013 and 2016, particularly as those offices were working to advance the Electrify Africa Act. And while we don't know specifically what brought Senator Corker around to support the BUILD Act, he did come around. On February 27, 2018, Senators Corker and Coons introduced S.2463 with similar bill text to the legislation introduced in the House.[52]

The Senate Foreign Relations Committee passed its version of the bill out of committee on June 27, 2018. The House passed H.R. 5105 on July 17, 2018, and this version of the bill was then referred to the Senate. As is quite common with smaller standalone pieces of legislation (which BUILD was), congressional champions sought and found a larger piece of must-pass legislation to attach it to. In this case, it was the FAA Reauthorization Bill (H.R. 302), which was signed into law on October 5, 2018, officially creating a new US International Development Finance Corporation.[53]

A key component in this legislative success was the partnership between CGD and the ONE Campaign and, to a lesser extent, MFAN. MFAN's support of the BUILD Act communicated to Capitol Hill that this legislation had the support of its membership, a spectrum of international development and policy organizations. At the same time, the ONE Campaign mobilized its grassroots membership and ran a robust campaign supporting the BUILD Act. During the campaign, ONE members made more than 1,600 visits to congressional district offices, made more than 1,500 phone calls to Congress, and delivered more than 78,000 petition signatures to 454 local congressional offices.[54] In addition, asking members to cosponsor the BUILD Act was a key ask at ONE's annual lobby day in March 2018, when ONE members had meetings with more than 230 members of Congress.[55]

ANALYSIS

As with any legislative success in Washington, the passage of the BUILD Act depended on the alignment of a number of circumstances. First, it required having the right people—people who bought into the idea of expanding the United States' development finance capabilities—in the right jobs at the right time. And second, the success of the BUILD Act can also be partly attributed to the fact that it was supported by many different arguments, which could be used to appeal to a broad bipartisan audience. This alignment also provides the context for questions regarding the extent to which CGD impacted this process—and the counterfactual: would the creation of the DFC via the BUILD Act have happened even without CGD's work?

Right people, right place, right time

The BUILD Act would never have come to fruition without congressional staffers like Tom Mancinelli, Andy Olson, Andy Taylor, Jimmy Walsh, and their bosses lending their support to the legislation and driving the effort in the House and Senate. The influence of Jim Mazzarella's work at the NSC cannot be overstated. In a challenging political environment, Mazzarella was able to make arguments that resonated to win the Trump administration's support and coordinate with policymakers and the development community to enable a relatively smooth legislative process.

Additionally, outside of government, groups in the development community like the ONE Campaign and MFAN provided much-needed advocacy support to the effort.[56] CGD and ONE had partnered together in the past, merging CGD's policy recommendations and expertise and ONE's advocacy focus. Two years before the BUILD Act, this same partnership contributed to the successful passage of the Electrify Africa Act. Tom Hart, president of the ONE Campaign, said, "The partnership between CGD and ONE changes US policy… period. We play to each other's strengths, pairing top-notch ideas with impactful advocacy. ONE's efforts to pass the Electrify Africa Act and the BUILD Act would not have been possible without CGD's creative, practical policy proposals. Working with CGD has been integral to many of our successful campaigns."[57]

CGD has little control over the outcomes of the policymaking process. However, in this instance, the organization benefited from Moss and Leo's experience in government, which enabled them to craft a proposal that was feasible and included provisions that would appeal to policymakers across the spectrum. Moss and Leo were also able to inform people in critical positions of the viability and potential impact of this proposal. NSC staff, Hill staff, and other NGOs campaigning on this issue all stated that they relied on CGD's initial proposals in their work on the BUILD Act. So, while CGD can't actively place friendly people in essential positions, the organization has benefited from employees that have a deep understanding of the policymaking process and are able to build and maintain relationships across the political spectrum.

Flexible argument

The second factor that enabled the BUILD Act's passage was the ability of those advocating for it to adjust their arguments based on the audience. Republicans were attracted to the narrative that a new DFC would provide increased ability to counter China, and that expanded development finance capabilities would increase the government's ability to use private-sector investment to advance development at no cost to the taxpayer. The OMB was satisfied with the consolidations proposed in the bill (even though they didn't all make it into the final version), and Democrats were generally supportive of increasing the United States' ability to increase investments and growth in developing countries.

According to Moss and Leo, the initial policy proposal from CGD intentionally included aspects that would appeal to both Democrats and Republicans. However, in this instance, the argument that garnered the most support from the administration and Republican members of Congress was the increased ability to compete with China. This argument proved salient because of a broader conversation about the trade deficit and other geopolitical factors. CGD's intentionally bipartisan approach enabled the organization to take advantage of this opportunity and allowed for a quick pivot after the 2016 election, adapting the idea from a potential Clinton administration proposal to a Trump administration proposal.

The role of CGD

Credit for the passage of the BUILD Act cannot be laid wholly at the feet of CGD and the work of Moss and Leo. However, everyone interviewed for this case study credited the organization's initial work and persistence in promoting the idea as a critical component of the policy process around the BUILD Act and the creation of the DFC. Jim Mazzarella said that CGD's papers on development finance provided the intellectual capital that "allowed us to start on second base": the new administration was able to move quickly on the idea because CGD had already done much of the intellectual background work.[58] Multiple Hill staffers credited CGD's published papers as their first source when engaging on this idea. David Bohigian, former executive vice president at OPIC and then the DFC, spoke to Moss while prepping for his confirmation hearing and relied on CGD's white paper when developing strategies for defending OPIC.[59]

Additionally, CGD benefited from having members of the board support this effort in critical ways, namely Smita Singh's placement on President Obama's Global Development Council and Rob Mosbacher's willingness to work on building support with conservative House members.

So, would the BUILD Act have passed and the DFC have been created if CGD had not done this work? Perhaps, but almost certainly not in the fast time frame it was completed in—with legislative text first drafted in the summer of 2016 and the bill signed just over two years later, in October 2018. It is worth noting that in the 115th Congress (2017–2019, when the BUILD Act was passed), 13,556 bills were introduced and only 329 (3 percent) of them were enacted into law.[60] This demonstrates that the likelihood of having legislation enacted into law in a single congressional session is low—many bills require reintroduction in successive sessions before they are passed. Additionally, the fact that the BUILD Act had to be attached to must-pass legislation (the reauthorization of the FAA) indicates the enormous effort it took to pass this bill in such a timely fashion. So, while we cannot attribute this success directly to CGD, it is fair to note that the process defied the odds, and CGD's role very likely contributed.

Moss and Leo's previous experience in government gave them insights into how to craft smart and effective policy proposals, as well as how to sell those changes to those still in government. Their initial proposal deliberately included a broad range of ideas but was expansive enough to withstand the trade-offs made during the legislative process. For example, the initial proposal included folding the USTDA into a new development finance institution. In the end, USTDA was not consolidated and remained a stand-alone agency, but this was not detrimental to the DFC because there were enough other consolidations and policy wins in the bill that equipped the DFC to pursue a robust development mandate.

While it's difficult to ascertain the precise number of meetings held relating to this policy proposal, anecdotally, it's clear that Moss and Leo both consistently met with policymakers, advocates, and other think tanks to share this idea from 2011 onward. Tom Mancinelli specifically credited their willingness and availability to meet with Hill staffers who had questions about this proposal as instrumental to bringing on cosponsors to the bill on the Senate side.[61] He stated, "Meetings with experts from the Center for Global Development like Todd Moss and Ben Leo were extremely useful as Hill staffers drafted the legislation. CGD experts brought real-world executive branch experience to the table. Their advice and recommendations were trusted by both sides of the aisle, and they also helped tighten our arguments for why reform of US government development finance tools was so necessary."[62] Those interviewed stated that Moss and Leo's willingness and availability to have conversations with policymakers and staffers and discuss the merits of the idea and the positive impact a more robust DFC would have on US development policy over several years was integral to this idea becoming a reality. However, as noted above, one House staffer noted that they were surprised that CGD wasn't more engaged with House staff during the drafting process. This doesn't necessarily counter the case for CGD's impact. More likely, it indicates that CGD's impact and value add to the policymaking process came in the earlier stages, by developing ideas into policy proposals and educating policymakers at the outset rather than being deeply involved in the later legislative process.

CONCLUSION

The DFC is now in its third year of operation. CGD has continued its engagement via the development of its USDFC Monitor—a part of CGD's US Development Policy Initiative—and via blog posts that aim to serve as a platform for information, analysis, recommendations, and discussions around how the DFC is performing and the issues it is facing.[63]

However, efforts to dilute the development mission of the DFC have been ongoing since shortly after the bill's passage. The 2019 European Energy Security and Diversification Act that was folded into the 2020 appropriations bill—passed in December 2020—gave the DFC the ability to invest in high-income countries if they are deemed to provide a significant counter to Russian influence. Subsequently, on June 30, 2021, the House Foreign Affairs Committee considered legislation designed to combat China globally, including a section that would lift the restrictions on the DFC's ability to make investments in high-income countries. This provision was stripped in the committee markup, after significant educational outreach by CGD (Moss and Erin Collinson) as well as by colleagues from the ONE Campaign, InterAction, and MFAN. This effort demonstrates that threats to the DFC's mission still exist. Every loophole that allows the DFC to make investments in high-income countries weakens the DFC's development mandate and limits its ability to provide transformative financing in low- and lower-middle-income countries that would have significant development impacts.

Several of those interviewed for this case study expressed concerns that the DFC was falling short in achieving its mission to provide private-sector finance for low- and lower-middle-income countries and instead has focused its investments on easier deals in upper-middle-income countries with minimal development impact. CGD championed the BUILD Act and the creation of the DFC to increase private-sector finance as a tool for improving and furthering development outcomes in low- and middle-income countries—and it appears that this fight continues even after the DFC's creation. If efforts to undermine the development mandate of the DFC continue, CGD will have ample opportunities to engage in further efforts to preserve the development mandate and gains made by the creation of the DFC.

Notes

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40 Ibid.

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Appendix 1. Reforms included in CGD's 2015 proposal compared with those included in the introduced versions of the Senate and House bills and those in the passed law

POLICY PROPOSALS	CGD PROPOSAL (2015)	H.R. 5105 (PASSED)	S.2463 (REPORTED TO SENATE)	PL 115-254 (PASSED FAA REAUTHORIZATION ACT OF 2018)
SERVICES OFFERED				
Loans	X	X	X	X
Loan guarantees	X	X	X	X
Risk insurance	X	X	X	X
Seed financing for independently managed investment funds	X			
Advisory services	X	X		
Feasibility studies	X	X		
Equity investments	X	X (with conditions)	X	X
Technical assistance for business-climate reforms	X			X (in coordination with USAID)
Authority to support non-US investors	X	X (priority should be given to US persons)	X (priority should be given to US persons)	
Alternative to above: Authority to support firms from low-income countries and local firms domiciled in the respective developing country	X			
Enterprise funds	X	X	X	X
SIZE, SCALE, STAFFING				
Should NOT have a target size but be able to respond to market demands and development needs	X			
370–2,200 employees (depending on portfolio size)	X			

POLICY PROPOSALS	CGD PROPOSAL (2015)	H.R. 5105 (PASSED)	S.2463 (REPORTED TO SENATE)	PL 115-254 (PASSED FAA REAUTHORIZATION ACT OF 2018)
GOVERNANCE STRUCTURE				
Independent govt. agency managed by a White House–appointed team	X	X	X	X
Overseen by a board of directors including both government and private-sector representatives	X	X	X	X
Equal number of representatives from each political party (private-sector board members)	X	X	X	X
Board membership should cover core competencies such as international development, risk management, human resources and legal matters, global financial institutions, and specific priority sectors (e.g., power and transportation)	X	X	X	X
Performance measurement system modeled on global best practices, with a strong emphasis on transparency	X	X	X	X
Should measure and report on "additionality" (ensuring prioritization of development impact and not competing with private capital)	X	X	X	
Collect and publicly report on a series of institutional efficiency and performance metrics (financial performance, operating budget ratios, and average investment transaction review time)	X	X	X	
Board shall hold at least one public hearing a year		X	X (2 public hearings)	X (2 meetings required)
In conjunction with the above, the DFC shall hold a public hearing		X		
Establish an independent accountability mechanism			X	X
Establishment of risk and audit committees		X	X	X

POLICY PROPOSALS	CGD PROPOSAL (2015)	H.R. 5105 (PASSED)	S.2463 (REPORTED TO SENATE)	PL 115-254 (PASSED FAA REAUTHORIZATION ACT OF 2018)
CAPITAL STRUCTURE OPTIONS				
1. Status quo structure: Rely on OPIC's existing maximum contingent liability limit of $29B (unchanged since 1998), with future adjustments on ad hoc basis	X			
2. Revised OPIC contingent liability limit: Limit would be adjusted upward to roughly $42B (converting current exposure limit from 1998 dollars to 2014 dollars), and going forward maximum contingent liability limit would be inflation adjusted	X			
3. Maximum contingent liability for 5 years after enactment: $60B will be adjusted after 5-year mark to reflect the % increase (if any) in the average of the consumer price index during the preceding 5-year period		X	X	X (excludes the adjustment clause)
GOVERNANCE CONSOLIDATION				
OPIC	X	X		X
Development Credit Authority	X	X		X
USAID Enterprise Funds	X	X		X
USTDA	X	X		
Economic growth–related grant operations (State/USAID)	X			
Legacy credit portfolio under Urban Environment Program		X		X
Office of Private Capital and Microenterprise		X		X
Sovereign loan guarantees (from USAID)		X		X

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