How Might Think Tanks Make Real Things Happen?

Lessons from the Creation of the DFC

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A new US government agency began as scrawl on a napkin in a think tank seminar room just off Dupont Circle in Washington, DC. Fast forward nine years, in early 2020, the US International Development Finance Corporation was born. This institution, better known as the DFC, is designed to use public tools to catalyze private investment around the world in support of America's development, economic, and national security objectives. It is the single most significant advance in US development policy in at least a decade, and it's one of the most promising institutions for projecting US economic influence around the world. But the DFC very nearly wasn't.

Its predecessor agency, the Overseas Private Investment Corporation (OPIC), had long been a favorite punching bag for all sides. Conservatives like John Kasich (R-OH) and Dana Rohrabacher (R–CA) joined liberals like Bernie Sanders (I-VT) and Jesse Jackson Jr. (D-IL) to co-sponsor legislation to terminate OPIC in 1997. Another bipartisan bill to kill OPIC reappeared in 2010. The Obama administration flirted with swallowing OPIC into the Commerce Department (a certain death sentence), while the Trump administration was more direct: its first budget proposed shutting down OPIC permanently.

Instead, the exact opposite happened. In October 2018, a fractured Congress and an embattled White House came together. to create a whole new federal agency to help create employment and economic opportunity in the poorest parts of the world. OPIC was replaced by a supersized and empowered DFC, with a $60 billion credit line and an arsenal of new tools. How did this remarkable, improbable turnaround happen?

This is a personal account of the DFC story from the admittedly narrow perspective of one of the outsider-insiders who played a small part in the birth of the new agency. (For an independent account of how the DFC came to be, I highly recommend Adva Saldinger's well-sourced reporting for Devex.) I share these lessons not to be self-aggrandizing, but rather to reflect on how the DFC experience might be relevant for turning other crazy ideas into reality. Success required new thinking, lots of well-intentioned allies inside and outside government, persistent re-adjusting of design and tactics—and a whole lot of good luck.

FROM WILD IDEA TO REALITY

My own thinking around how to modernize US development finance began during a stint in the State

Department, when I was hugely fortunate to serve as deputy assistant secretary in the Africa Bureau during 2007–08. (How that happened is another story of more random luck and $30 billion in Nigerian debt.)

Two seminal things happened during this period that shaped my thinking. First, I saw up close how US priorities to support economic growth and job creation in places like Liberia, Ghana, or Kenya were hamstrung by a pitiful dearth of resources and policy tools. OPIC was a high-performing agency — and a net positive contributor to the US federal budget every year since 1977 — but seemed far too small for the task and limited to providing only loans or political risk insurance. It seemed crazy at the time that the United States, the world's largest economy and the beacon of global capitalism, had created an agency to foster private enterprise that was both undersized and absurdly constrained by our own rules and policies.

Second, I met Ben Leo, a creative and hard-charging career US Treasury employee who had been detailed to the White House. Ben had been among the very first US officials to grasp the potential of financial innovation (such as advance markets commitments), and he too was frustrated by the lack of weapons to promote private investment in Africa. We had worked together to promote OPIC within the interagency, for instance, using the annual African Growth and Opportunity Act (AGOA) Forum to highlight OPIC projects and the power of private capital to generate good development outcomes. After we both left government, I returned to the Center for Global Development and Ben joined Cisco Systems, but we kept in close touch. Fortunately, Ben joined CGD in 2010 and so we regularly brainstormed different ways to make US policy more effective. Bemoaning the unnecessary limits on OPIC was a frequent theme.

A key moment was the 2011 State of the Union address when President Obama declared:

> The last major reorganization of the government happened in the age of black-and-white TV. There are 12 different agencies that deal with exports….The Interior Department is in charge of salmon while they're in fresh water, but the Commerce Department handles them when they're in saltwater.… In the coming months, my administration will develop a proposal to merge, consolidate, and reorganize the federal government in a way that best serves the goal of a more competitive America.

Streamlining sounded like a good idea, but we worried that plans floated by administration insiders would subsume OPIC into the Commerce Department. Ben responded with a blog post on why this was a terrible idea that fundamentally misunderstood the difference between promoting US exports and promoting sound development outcomes. That got us thinking again about not just playing defense to keep OPIC from being smothered, but also what a bigger and better OPIC might actually entail. We started, literally, by sketching out a wish list on a napkin that eventually turned into a 3-page proposal for a new "US Development Bank." We floated the note on the CGD blog and shared it among a few key administration officials. The basic notion was simple: merge existing capabilities spread across multiple agencies under one roof, enhance the toolkit for catalyzing capital, and—we thought crucially—design the new agency to be budget positive.

It was a blue-sky idea. In an age of consolidation and fiscal constraint, who really thought about creating a whole new federal agency? Yet over the next months and years, we kept talking up the idea, adjusting the details, and responding to specific objections. In testimony to the Senate Foreign Relations Committee in May 2013, I dubbed our proposed new agency the "US Development Finance Corporation." In March 2015, with an eye toward the election and the next administration, Ben and

I published "Bringing US Development Finance into the 21st Century: Proposal for a Self-Sustaining, Full-Service USDFC." This 35-page blueprint laid out the rationale, components, and details of a new agency. This paper, we would later learn, became the initial skeleton for drafters of the Better Utilization of Investments Leading to Development (BUILD) Act, the legislation that eventually created the DFC, and was also used inside the White House to make the case why a new agency could be more effective in supporting US policy aims.

In the nearly nine years between the Obama State of the Union and the DFC opening its doors, we testified to Congress five times; published four analytical papers and at least 17 blog posts; produced a short animated video, a campaign brief, and a database; and convened multiple public events. Behind the scenes, Ben and I worked closely with dynamic CGD colleagues Beth Schwanke and Erin Collinson. All together, we were involved in an ongoing series of private meetings with congressional members and their staffs, executive branch officials, campaign advisors, policy analysts, business groups, and other organizations working to promote better US development policy. Our activities were part of a small but energetic ecosystem of allies from other think tanks, advocacy groups, and former officials helping to socialize and shape the whole idea that eventually became the DFC. Ben even co-chaired an ad hoc group of "Friends of the USDFC" that regularly met, shared information, and strategized.

SIX LESSONS FROM THE DFC EXPERIENCE

While it's exceedingly rare for an idea to start on a napkin and end up as a new $60 billion government agency, I draw six lessons from this experience that I hope are useful for others trying to influence US policy from the outside.

1. Big blue-sky ideas start with a compelling story...

Our pitch began with the basics: the world was getting richer and graduating from traditional foreign aid; creating employment and building infrastructure were rising priorities for most of our strategic allies; and America was falling woefully behind because of tools and rules created during the Nixon administration. The DFC was one way to update the US approach and better serve US objectives in a fast-changing world.

2. ... yet proposals are more likely to succeed if they are grounded in practical experience and evolve to become politically acceptable.

While the overall idea of a new agency seemed like a moonshot, the specific details were built on the very real frustrations felt by many officials across administrations. Ben and I had personally experienced the policy demand for a more powerful institution and knew many other officials felt the same way, not least the successive Republican and Democratic leadership teams at OPIC. Over time, as potential details inside a prospective fix were being hashed out, many original aspects were refined (e.g., loosening the US nexus requirement, which had imposed unnecessarily strict ownership rules on OPIC projects), while others were abandoned (e.g., absorbing part of the US Trade and Development Agency) to raise the chances of success.

Some of the arguments that worked with Hillary Clinton's crowd had to be recast for the new administration. In the months immediately after Donald Trump's inauguration, we crafted a special blog series and organized an event specifically designed to explain to conservatives how a DFC might fit into their emerging agenda. Among the many adjustments in tactics, we shifted the original emphasis on development outcomes toward a stronger articulation of US economic and strategic competitiveness. The ideas were the same, but the messaging mattered.

3. A broad coalition of outsiders can get things started and build political momentum…

In some ways, outsiders can put a bold new idea on the table in a way that insiders sitting in government, encumbered by turf protocol and daily emergencies, never could. If the proposal for DFC had come from OPIC management, for instance, it would have been dead on arrival. But when policy ideas come from credible outside voices and help to solve a concrete problem faced by insiders, they can gain attention and then political traction.

Momentum especially builds when multiple voices work together. Even though the original proposal came from two fellows at CGD, the DFC concept had literally dozens of champions across the political spectrum. For example, Democrat George Ingram at Brookings and Republican Dan Runde at CSIS each separately wrote positively (and together with Ben) about the need for a new US development finance agency. George and Dan testified together to the Senate and they each pushed their networks to favor the concept. Former OPIC officials, notably Republican Rob Mosbacher and Democrat Elizabeth Littlefield, also added credibility to the idea, and each worked quietly and tirelessly behind the scenes to encourage progress and tweak the design options as they worked their way through the legislative and executive processes.

The ONE Campaign was also an invaluable ally, especially Tom Hart, Emily Huie, and Jackie Quiñones. Ben Leo had once worked at ONE while he and I had collaborated closely with their team on multiple issues such as debt relief and African energy over many years. That relationship bore fruit yet again; ONE launched a major effort to socialize the idea among anti-poverty advocates, giving political oxygen to an otherwise wonky finance bill. ONE's lobbying—which was modeled on a related successful campaign two years earlier to pass the Electrify Africa Act—also generated wider enthusiasm and positive pressure on Capitol Hill for politicians to act. In February 2018, for instance, ONE held its annual summit in Washington and flooded over 200 congressional offices with energetic constituents to push for passage of the BUILD Act.

This loose bipartisan and pragmatic coalition helped to broaden support and keep the idea alive for years. President Obama's Global Development Council had endorsed the idea in late 2016, helping to elevate the idea among prospective Clinton officials. Simultaneously, Mosbacher co-chaired with Mark Green (then president of the International Republican Institute who would soon become head of USAID) a group of conservative foreign policy proponents called the Consensus for Development Reform, which also promoted the idea of a consolidated development finance institution. The CDR is coordinated by the Kyle House Group, which played an absolutely crucial role in building Republican backing and getting the BUILD Act over the line. (If Ben and I were dreaming up trick plays way up in the booth, Mosbacher was the quarterback and Kyle House's Porter Delaney was the offensive line that pushed downfield.)

4. … but ideas become reality when insiders are motivated to act.

Whatever activity was going on outside the government, on the inside, both Capitol Hill and the executive branch had to take the ball and run with it. The then chair of the Senate Foreign Relations Committee (SFRC) Bob Corker (R-TN), who had a background in the construction business, had begun skeptical of the DFC, asking tough questions and poking holes in our proposal when he first was pitched. But over time, Corker became more enthusiastic as the DFC concept evolved and as parts of the White House signaled potential interest. Corker became the lead sponsor of the BUILD Act, with his staff actively looking for constructive ways to thread the needle and get something big done. SFRC member Chris Coons (D-DE) was also a strong early advocate and an active problem solver. Corker staffer Andy Olson took the lead on drafting the legislation and worked with Coons staffer Tom Mancinelli and others on the committee to shape the bill and garner support. They eventually recruited 18 co-sponsors (9 Republicans, 8 Democrats, 1 Independent). It was a bi-partisan alliance by deliberate design.

On the House side, the most enthusiastic champion of the BUILD Act was Ted Yoho (R-FL), who had once been a vociferous critic of OPIC but had changed his mind after digging deeper into the details. He and colleagues, especially Ed Royce (R-CA) and Adam Smith (D-WA), wrangled an impressive coalition of 44 co-sponsors (24 R, 20 D) that included members from both ends of the political spectrum. Behind the scenes, the hard work was done by House staffers, notably Jimmy Walsh (Yoho), Andy Taylor (Royce), and Connor Stubbs (Smith). (I'm sure I have missed others who contributed.) The act sailed through the House and SFRC, but got stuck with the full Senate, finally passing on October 3, 2018 only after being attached to the FAA Reauthorization bill.

In parallel over the course of 2017–18, White House officials warmed to the idea of a DFC and an interagency working group was assembled. Although pockets of hostile resistance remained in the executive branch (like those who originally pushed for OPIC's dissolution), other powerful actors grew in favor. Without possibly attempting to name everyone involved, it's worth highlighting the pivotal roles of the staff at the National Security Council (NSC), especially Clete Willems (a lawyer with deep experience on Capitol Hill), Jim Mazzarella (a long-time Millennium Challenge Corporation employee detailed to the NSC and an experienced congressional and interagency negotiator), and Nadia Schadlow (an academic and former Department of Defense official), and the sway of OPIC's top two officials, Ray Washburne (a Texas businessman close to the president) and David Bohegian (a highly-regarded technocrat from the Bush-era Commerce Department). Washburne had helped restoke the DFC idea when he declared in his July 2017 nomination hearing, "I do not need to come up here [to Washington] and shut something down. I am a builder and a grower." A month later, Mark Green had taken the helm at USAID and would later help to reach compromise on key details that kept conservatives onside. In November 2017 at a regional summit in Vietnam, the president publicly mentioned for the first time the intention to modernize US development finance. In December 2017, the new White House National Security Strategy, crafted largely by Schadlow, officially pledged that the US would "modernize its development finance tools."

These parallel tracks in the executive and legislative branches meant that when the BUILD Act passed Congress, the administration was ready to roll. President Trump signed the bill into law just two days later on October 5, 2018.

5. Engage directly with opponents, take their criticisms seriously, and use data to make your case.

New ideas often first elicit negative reactions. DFC was no different. The typical immediate response to our early pitching was "it'll never happen" or "if OPIC can't get even reauthorized, how are you possibly going to create a super-OPIC?" Democrats worried that development finance might "privatize" foreign aid. Republicans openly complained about "corporate welfare" and that OPIC was crowding out private finance. The Heritage Foundation in particular had knives out for OPIC and had long proposed privatizing it or just shutting it down.

To respond to these attacks from both sides of the aisle, we took the criticisms head-on. For liberals, we argued that development finance complemented traditional aid and, in the cases of infrastructure or job creation, might even be more sustainable. As the development needs shifted from basic public services to economic growth, the tools we use need to adapt as well. That the DFC would be budget positive also meant that it wasn't in a zero-sum competition with funding for public health or education.

Opposition from the right often pointed to a handful of specific projects that attracted scorn, such as an OPIC loan for a Papa John's pizza franchise in Russia. But underneath were ideological arguments against the state directly helping large corporations. Why do big private companies need the government? This was the most powerful and deep-rooted opposition to the DFC.

And we also wanted to know: Were the critics right? The main problem was that we didn't have the data to answer that question. So, like good data nerds, Ben and his research assistant Jared Kalow scraped all publicly available information and created the OPIC Scraped Portfolio database. From this new source, we were able to analyze the agency's portfolio, nearly 1,500 projects over 15 years, and draw an independent conclusion on whether or not their activities looked like corporate welfare. The answer: an emphatic no.

Further, our DFC proposal was crafted explicitly to mitigate concerns from both the right and left. These design elements included a clear emphasis on the mandate for development (as opposed to commercial) goals plus clear internal incentives to skew the portfolio toward poorer countries and high-impact projects. Greater transparency of the new agency's activities would also help to allay fears of potential misuse (and preclude anyone from ever having to build a scraped database again).

6. Timing is everything.

Ideas becoming reality take a big dose of luck. We had initially targeted the USDFC as a centrist bipartisan idea that would appeal to a Clinton White House or a mainstream Republican administration. Who would have thought at the advent of the Trump administration that it would soon help drive the creation of a new agency to promote outward US investment and job creation in Asia, Africa, and Latin America? The signs throughout the first half of 2017 looked dismal and suggested we'd have to put the idea on the back burner for at least four years.

But fears of China changed everything. China's aggressive investing in infrastructure and its massive $1 trillion+ Belt Road Initiative required some kind of response from the US, and the administration was hungry for ideas. Launching the DFC came to be seen as one of the steps to challenge strategic competitors and offer an alternative US-style economic model. A desire to do something consequential to counter China helped tip the balance.

Random luck can work both ways and political timing also very nearly derailed everything. While the Senate drafters had carefully fended off amendments that would have poisoned the bipartisan good will, wider political rancor loomed. The final BUILD Act negotiations in the Senate took place the very same week as the bitterly contentious hearings for Supreme Court nominee Brett Kavanaugh, one of the lowest points in morale on Capitol Hill and among the worst possible environments for reaching bipartisan compromise. But it happened. As Coons staffer Tom Mancinelli recounted, "Even at the hardest times, good people can come together and good ideas can still happen. Many people may have lost faith in the ability of public officials to solve problems. The BUILD Act showed we can still do it."

CONCLUSION

Think tanks exist to analyze government policy and propose improvements. Tevi Troy's insightful essay "Devaluing the Think Tank" lays out the evolution of influence of these unusual creatures. In practice, creating a "think-and-do tank" is far more art than science. And the paths from ideas to influence to impact are never linear and usually unpredictable. The new DFC is one of the clearer examples of moving from whiteboard to bricks and mortar. In many ways, this story is an exception that proves the rule of how hard it can be to get something new done in today's Washington, DC. But the lessons from the DFC's origin may, I hope, help to elucidate a potential path for others, including those of us still working hard to see the ambitious vision of the BUILD Act come to life.

The author thanks the many people who provided comments on an earlier version of this essay. All opinions and errors are the author's alone.

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