

How policy works, politicians, and a conservative Republican remade US aid

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The United States Capitol building in Washington, D.C. Photo by: [Mark Thomas](#) / CC0

WASHINGTON — A United States conservative House Freedom Caucus Republican, a pair of think tank researchers, and a dedicated Democratic senator, along with President Donald Trump’s administration, came together to achieve what in today’s political climate many thought would be impossible.

“This is the way Congress is supposed to work: A good policy idea, becomes a good bipartisan political idea, becomes something the administration embraced ... and has now rolled into law.”

— Senator Christopher Coons, Democrat from Delaware

They passed a bipartisan piece of development legislation, transforming a government agency that had long struggled to find support into a new entity twice the size, which development experts believe will better equip the U.S. to finance development objectives.

The moment is not lost on the members of the unique coalition, with one senior congressional staffer saying each successful piece of legislation has “1,000 mothers and fathers” and senators proclaiming, “this is what government should look like.”

But how did the Overseas Private Investment Corporation, which had been moving through annual appropriations reauthorization for a decade and was slated for elimination in the first budget under President Trump, become a rallying point for potentially the most significant change in U.S. development policy in 15 years?

Through a lot of research, a host of meetings, and a little luck.

The think tank

The roots of this bill can be traced back about seven years, when Ben Leo and Todd Moss, fellows at the Center for Global Development, started thinking about how to reform U.S. development finance, particularly OPIC, which had not been changed much since its creation in the '70s.

“I’ve seen things I’ve done happen in the real world, but not like this.”

— Todd Moss, fellow, the Center for Global Development

Their work was sparked by then-President Barack Obama’s 2011 State of the Union address, where he proposed consolidating all U.S. trade promotion functions. This led Leo to write a blog post for CGD, arguing against including OPIC in such an agency. Shortly thereafter, Leo and Moss wrote a blog post proposing a consolidated U.S. development bank.

The BUILD Act as it unfolded:

- ▶ Bipartisan bill gives US development finance a boost
- ▶ Support for new US development finance bill, even as some details are questioned
- ▶ BUILD Act for new US development finance corporation sails through Senate committee vote
- ▶ US House of Representatives approves development finance bill
- ▶ A new US development finance agency takes flight

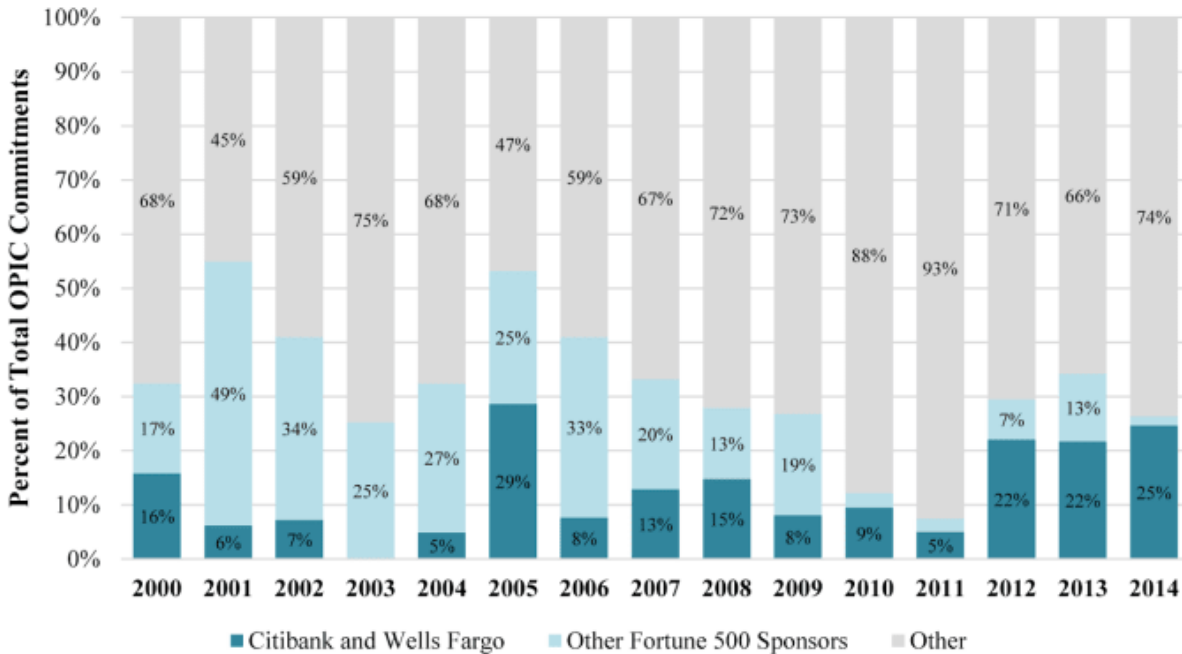
Over the next few years, they continued to write about the idea of supercharging OPIC, and Moss discussed it during several appearances testifying before Congress. In April 2014, Obama’s President’s Global Development Council seized on the idea, recommending the creation of a new U.S. development finance bank.

In 2015, Leo and Moss wrote an in-depth policy proposal laying out what a new U.S. development finance institution should look like, including its capabilities and additional policy specifics. This paper would become a blueprint for the legislation eventually known as the Better Utilization of Investment Leading to Development, or BUILD, Act.

They soon discovered that much of Congress didn't know OPIC, and those who did disliked it for a variety of reasons — including a belief that it was corporate welfare, Moss said.

So, Leo and Moss dug into OPIC's portfolio to answer some of the questions about the type of loans it made. They hired a research assistant who spent months scraping data from the OPIC website and they built a database. What they found was that only a small minority, some 8 percent, of OPIC loans went to Fortune 500 companies, and that OPIC's transparency and standards had steadily improved. They also had the data to show how OPIC was working and could respond to questions from lawmakers and skeptics.

Figure 11 – OPIC Commitment Share, Fortune 500 Sponsors



Source: OPIC and authors' calculations

Chart by: Center for Global Development

Along the way, CGD worked with partners — informing not only the President's Global Development Council, but also working with the Consensus for Development Reform, a group of prominent conservative and private sector actors interested in reforming and improving the U.S. approach to global development.

Led by Robert Mosbacher, a former OPIC CEO who would become an important actor in passing the BUILD Act, CDR also recommended strengthening U.S. development finance, perhaps through a new institution, in 2016.

"I've seen things I've done happen in the real world, but not like this," Moss said, referring to the 2015 policy paper that formed the backbone of the BUILD Act, noting that rarely do think tank proposals become a reality.

The proposal might have just sat on the shelf, like many others before it, but it had champions in Congress and another factor came into play: China.

“China gave it urgency, [the administration] felt it had to do something to respond to One Belt One Road,” and Congress could offer up this suggestion, Moss said.

Congress

Senator Christopher Coons, a Democrat from Delaware, had drafted a version of a bill to reauthorize and reform OPIC before Trump came into office. After the president’s first budget proposed cutting the agency, there was little hope it would move forward, a senior Capitol Hill staffer said.

But Coons and his staff continued to talk to members of Congress about the idea. He met with Representative Theodore Yoho, a Republican from Florida, and the two decided to work on it together, the staffer said.

To some, Yoho’s leadership and support of the bill was a surprise, since he talks openly about how he ran for office to eliminate foreign aid. He said he kept an open mind and as he learned about OPIC, particularly through former OPIC CEO [Elizabeth Littlefield](#), he began to see it as a useful tool for aid and development.

Yoho also began to see that eliminating aid didn’t make sense, but making it more efficient and targeted at helping countries transition from aid recipients to trade partners could benefit those countries and the U.S.

Yoho played a critical role in getting House Freedom Caucus leader Mark Meadows to support the bill — removing the potential opposition of the conservative bloc within the Republican party. But it wasn’t always easy. Yoho told Devex that when he first raised the issue at a caucus meeting, his colleagues laughed at him and asked if he had become a liberal.

But he offered his economic case — that 12 of the top 15 U.S. trading partners were former aid recipients, and that OPIC could be reformed to be more effective. That argument, and the need to counter China, resonated in Congress.

Senator Robert Corker, the Republican co-sponsor of the Senate version of the bill, and the chairman of the [Senate Committee on Foreign Relations](#), told Yoho how important his support had been — people knew how staunchly conservative he was, and Yoho recounted that “if [I] see a benefit, they must see merit.”

“We just looked at this as something that might get done and agreed to steer clear of hot button political issues.”

— Capitol Hill staffer

In addition to such a varied group of supporters, the way the bill was written was unique. On the Senate side, a key Corker staffer called Coons' office and proposed working together on edits to the bill to take to their senators. That kicked off meetings with staff from the bill's four co-sponsors meeting regularly and often with representatives from the National Security Council or the Office of Management and Budget in the room.

"We just looked at this as something that might get done and agreed to steer clear of hot button political issues," the Capitol Hill staffer said.

The group crafted the bills together, trying to keep the House and Senate versions as similar as possible. They represented their different caucuses and constituencies by highlighting potential problems and adapted the legislation throughout the process.

The Senate version was "always in lock step, with any new development always with each other, instead of opposed or secretive or whatever killed other initiatives," said James Walsh, Yoho's legislative director.

The bill's supporters then began educating members of Congress and their staff about OPIC and the new bill, tailoring discussions based on what parts of the bill would resonate with each, Walsh said.



BUILD ACT BASICS

Consolidates, modernizes and reforms the U.S. government's "development finance" capabilities - primarily OPIC and USAID's Development Credit Authority - into the U.S. International Development Finance Corporation ("USDFC").



Equity authority



Higher investment cap



Technical assistance/
Feasibility studies



Increased coordination with
State Dept. and USAID



Focus on low-income and
lower middle-income countries



Increased flexibility

Source: OPIC

There were a couple of stops and starts along the way, mostly for strategic reasons. The bill was ready in early January 2018, and there were rumors it would be introduced any day. Coons was eager to do so, even if the bill wasn't perfect, to avoid getting bogged down and losing momentum, the Hill staffer said. They ultimately waited to introduce the bill after Trump's budget proposal, in which he discussed creating a new development finance institution.

Getting the administration buy-in and having the administration speak with one voice was critical, several sources said.

Still, there were some objections to the bill from the development community. Chief among the concerns were the merging of the U.S. Agency for International Development's Development Credit Authority into the new agency, as well as questions about the new agency's development mandate, and environmental and social safeguards.

Former USAID Administrator Andrew Natsios and former Deputy Administrator Eric Postel were outspoken about their opposition to moving DCA to the new agency, calling the proposal to do so "an especially destructive provision" of the bill. Environmental organizations such as Friends of the Earth raised the alarm that the bill could roll back OPIC's solid environmental and social policies, which are important not only to "protect local communities and the environment but also to prevent the U.S. government from assuming unnecessary risks of ill-conceived projects."

Some of these concerns were anticipated, and members of Congress worked through the committee process to strengthen language about maintaining environmental and social safeguards, clarify the agency's development mandate, require a chief development officer position, and highlight the connection with USAID.

"Both sides of the aisle were open and communicative," said Tom Hart, the North America executive director at ONE Campaign, adding that they listened to concerns and made improvements.

The bipartisan nature of the work extended beyond members of Congress to former OPIC CEOs. Yoho credits Littlefield with educating him about OPIC and its benefits, and her predecessor Mosbacher was active in lobbying efforts and getting the bill moving.

Mosbacher provided a "politically savvy" approach, particularly in working with the White House, while Littlefield lent "substantive credibility," particularly with concerns from Democrats, Hart said.

Outside groups, such as ONE, were also in on the education efforts. ONE mobilized its grassroots network, explaining a complex issue to a broad audience. This resulted in 1,600 meetings and more than 33,000 messages to members of Congress. Even the musician

Bono played a role in advocating for the bill, meeting with key members of Congress in Washington, D.C., earlier this year.

“We were focused on keeping pressure on, keeping heat in the burners going,” Hart said. “I’ve seen, too often, good ideas languish because of other priorities, other crises.”

The administration

In its first budget proposal, the Trump administration zeroed out OPIC’s budget and said the agency should begin winding down operations. Congress ultimately maintained OPIC’s funding that year, but the request raised concerns and set some in motion to work on new legislation.

Q&A: OPIC's Ray Washburne on the proposed US development finance institution

Concerns have been raised about exactly how the proposed U.S. development finance corporation would work with USAID, what its social and environmental standards would be, and how its mandate will be interpreted. Here is what OPIC CEO Ray Washburne has to say on those issues.

Within the administration, efforts to reform OPIC, or U.S. development finance more broadly, were being led by NSC. Staff at NSC began talking about reforming OPIC, and after Ray Washburne was nominated by Trump as CEO of OPIC in 2017, there was some hope that the agency would be spared elimination. Washburne said from the beginning that he came to build up OPIC, not wind it down, and he became an important strategic partner in creating a new agency.

Shortly after he took up his post, an interagency group began meeting about the idea of reforming U.S. development finance. Just a few months later, in a speech at the Asia-Pacific Economic Cooperation summit Trump said, “We’re 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.”

That was the first public indication that the administration supported development finance reform. It was followed up fairly quickly with the National Security Strategy, which also mentioned reforming U.S. development finance. Then came the fiscal year 2019 budget request, stating the administration was looking to “identify ways to reduce duplication and better achieve national security and international development outcomes while supporting U.S. business and jobs.” It proposed consolidating the functions into a new development finance institution.

With the National Security Strategy and the budget, two of the key arguments in favor of the proposal emerged: It was an effort to counter China and would make the U.S. more competitive abroad, and it was in line with OMB's efforts to consolidate government and make it more efficient, a senior White House official said.

"The national security perspective is very important for us to promote U.S. ideals, free markets, business-led investment. It's important to partner with allies, it's important for us that China doesn't occupy all of this space ..."

— Senior White House official

The White House was looking for a way to promote economic development and provide an alternative to the financing China was providing through the Belt and Road Initiative, he said. OPIC looked like the right mechanism, but it was outdated, didn't have the necessary tools for incentivizing private investment, and didn't coordinate well with other U.S. government agencies, the White House official said.

"The national security perspective is very important for us to promote U.S. ideals, free markets, business-led investment," he said. "It's important to partner with allies, it's important for us that China doesn't occupy all of this space and lead countries to investments that aren't good for them."

It still surprises some that an administration that proposed cutting an agency would support doubling its size and expanding its mandate a year later. But a senior administration official said that when the first budget was introduced, the administration was still filling many positions.

And as OPIC got its leadership and Washburne came on board, it looked like there could be an opening. An NSC staffer pushed to start an interagency process on development finance and convened OMB, USAID, OPIC, and the Departments of State and Treasury to discuss.

"Lots of times when the interagency is getting together, you know the idea has no chance, but people knew there was interest from the Hill," and an opportunity to get something done if they worked together, the official said.

The interagency group of between 12-15 people met roughly every two weeks. In the early meetings, there were questions about what a proposal should look like, whether it should propose a new agency, or perhaps suggest reforms at OPIC. People were encouraged to "think big," which was a key early moment in the process, the administration official said.

At an event to mark the passage of the [#BUILDAct](#) [@Ivankatrump](#) outlined how the new U.S. Development Finance Corporation will be a key component of a new White House initiative on global women's empowerment.

pic.twitter.com/8cbbtmvLQM

— Devex (@devex) [November 16, 2018](#)

Via Twitter

Some of the key debates were about equity authority, how big the new agency should be and its maximum contingent liability, or spending cap. Other issues that could have sparked debate, including lifting the requirement for loans to go to companies tied to the U.S., didn't. Tradeoffs were debated and made. OMB was concerned about equity authority in particular and pushed for the agency to be more transparent as it grew and gained tools, including through the creation of an independent Office of the Inspector General.

Washburne, as OPIC's leader, took meetings and testified in congressional hearings, expressing his support for the proposal. And while there was an effective interagency process and USAID Administrator Mark Green publicly supported the bill, behind the scenes he, and some at USAID, had a number of concerns, according to a few people involved.

It was clear in the [USAID administrator shares view on development finance legislation](#) committee

process, and USAID's Mark Green has weighed in for the first time.

later, that there

were sensitivities around USAID's role with an elevated DFC, with many politicians being quick to say that USAID would still be the lead U.S. development policymaker that was critical to the success of the new agency.

Whatever the concerns in private, however, Green and USAID did not stop the legislation from moving forward.

Down to the wire

While the [bill passed](#) the House easily on a unanimous vote, and [passed](#) the Senate Foreign Relations Committee with only one vote against it, the BUILD Act then stalled.

Bill sponsors wanted to pass it in the Senate unanimously to avoid delays, but a group of four Republican senators, including Senator John Barrasso, a Republican from Wyoming, objected.

For more than a month, bill supporters worked to try and resolve the concerns of Barrasso and others so that Senate Majority Leader Mitch McConnell could schedule the bill for a vote.

But though Coons met with Barrasso in an effort to change his mind, he remained a “dogged and determined opponent of the bill, and would not drop his objections,” Coons said at an event in Delaware last month.

That meant the BUILD Act needed to be attached to a piece of must-pass legislation. The White House stepped in, as did Ivanka Trump and OMB Director Mick Mulvaney personally, according to Coons, and in about a day, the act was attached to the Federal Aviation Administration reauthorization bill. The move wasn’t popular with the committees that had worked to craft the FAA bill, that now worried that a “controversial” bill was being tacked onto it, and leadership was hesitant to do so over the objections of several senior Republicans.

A new US development finance agency takes flight

Senate, on Wednesday Oct. 3, sent the BUILD Act to President Donald Trump's desk. The bill, a culmination of bipartisan efforts on Capitol Hill and backed by the administration, will create a new U.S. development finance institution. Here's what's next.

But it worked. On Oct. 3, Senate passed the BUILD Act, and two days later President Trump signed it into law, culminating a year’s long effort to reform U.S. development finance, in what by congressional terms was a fairly swift process.

Weeks later, the bill’s supporters gathered at a Senate Committee on Foreign Relations meeting at the Capitol to meet with administration leaders, for what those in the room described as something of a victory lap.

Ivanka Trump was present and gave the BUILD Act’s lead co-sponsors signed copies of the bill and the pens her father had used to sign them. People in the room reported the mood as congratulatory.

“This is the way Congress is supposed to work: A good policy idea, becomes a good bipartisan political idea, becomes something the administration embraced ... and has now rolled into law,” Coons said at the Delaware event.

Now, the work to build the new institution, the U.S. Development Finance Corporation, is underway — and the interagency group of administration officials that met regularly is back in full force, OPIC is hosting roundtables to collect input, and more will be clear come February 2019, when the administration must put forward its plan for the new agency.