Enhancing American Competitiveness Act

The U.S. International Development Finance Corporation (DFC) plays an important role in meeting the challenges posed by China and other peer adversaries as they expand influence in the developing world, including by offering a counterweight to China's Belt and Road Initiative. This bill would strengthen the DFC by amending the Better Utilization of Investments Leading to Development (BUILD) Act of 2018 to enhance U.S. economic and strategic competitiveness. In particular, this bill:

- Includes a Sense of Congress reaffirming congressional intent regarding the budgetary treatment of equity to facilitate increased equity investments, as well as the treatment of the DFC's insurance authorities and loan guarantees.

- Modifies country eligibility definitions to include fragile and conflict affected states. This would allow the DFC to operate in more countries in order to promote stability and offer a better financing alternative to the PRC in areas of geostrategic importance.

- Creates a mechanism for the budgetary treatment of equity investments.

- Increases the maximum contingent liability from $60 billion to $100 billion to allow for increased investment opportunities (the DFC's "credit card" limit).

- Mandates a reporting requirement on how the DFC contributes to national security and how the DFC can be more competitive.

Why DFC equity authority is an important tool for advancing U.S. national security:

Under the BUILD Act, Congress established the DFC's ability to take an equity stake in private companies. However, the BUILD Act did not address how these investments should be accounted for in the federal budget, which is now creating significant challenges for leveraging this critical investment authority. Any equity stake taken by the DFC is scored on a dollar-for-dollar cash basis like grant funding, thus treating DFC equity investments as a total loss by ignoring the fact that these investments could likely be returned with a profit. This bill would enable the DFC to use its equity authority as originally intended in the BUILD Act by creating a scoring mechanism to assess the fair value of equity investments. Under this mechanism, equity investments would be scored similar to the way a loan is scored (requiring DFC to spend only the subsidy cost, not the full value of the investment) without amending FCRA. This would allow the DFC to use a smaller amount of resources to leverage higher investments and enable the DFC to cooperate with international partners on complicated projects.

Equity investments are important to the DFC's development capacity because they support early and growth-stage companies that would otherwise not be able to take on debt. This is especially important for companies in low and lower-middle income countries where the DFC is looking to serve as a better alternative to Chinese financing. Due to this scoring issue, the DFC has been restricted in its ability to finance projects that would have advanced our national security and foreign policy objectives. This bill enables the DFC, as an important part of our foreign policy and national security architecture, to align its financing with our allies and better compete with China in the developing world.