DFC COVID-19 Response Efforts Under the Defense Production Act

In response to the COVID-19 global crisis, DFC is seeking to strengthen and restore domestic industrial base capabilities through the Defense Production Act (DPA). An Executive Order provides DFC the tools under the DPA to re-shore domestic production of strategic resources needed to respond to the COVID-19 outbreak, and to strengthen any relevant domestic supply chains.

DFC brings decades of federal credit experience to bear, advancing key national objectives and addressing domestic challenges in response to the current outbreak. DFC also has the unique ability to address this crisis with a global perspective, coordinating their international efforts with this new domestic, time-limited authority.

Responding with the Private Sector

DFC launched a request for proposals from private sector entities seeking DFC financing under the DPA. Eligible projects should help re-shore the production or distribution of personal protective equipment (PPE), medical testing supplies, vaccines, pharmaceuticals, ventilation equipment, or relevant ancillary materials and technologies.

Businesses can review the full eligibility criteria and learn how to submit a proposal by visiting dfc.gov/dpa. Submissions will be reviewed on a rolling basis and selected through a competitive process subject to thorough due diligence.

DFC in Action Under the DPA: Working to Support Kodak’s Expansion into Pharmaceuticals

DFC is working with Rochester, New York-based Kodak to address a major shortfall in the domestic production of critical pharmaceutical components used to produce essential medicines. The agency has signed a letter of interest to provide a $765 million loan that would support the launch of Kodak Pharmaceuticals, a new arm of the company that could produce up to 25 percent of these critical pharmaceutical starter materials while supporting more than 1,500 jobs in Rochester, New York and St. Paul, Minnesota.
How DPA Can Support Your Business

Which financial tools will DFC use to support the DPA?

As outlined in the Executive Order, DFC has the authority to provide loans and purchase agreements. Some projects may require engineering and environmental studies to qualify for funding.

How does DFC plan to execute this quickly under the DPA? Will the agency work directly with private sector companies to provide direct loans?

DFC will work with other federal agencies and the private sector to identify eligible projects. For loans, the agency will lend the money directly to the borrower.

How much does DFC plan to catalyze under the DPA?

The amount of lending supported by DFC under the DPA will depend on the identification of eligible projects.

Would DFC consider working with foreign companies to bring capabilities stateside?

The purpose of the DFC DPA lending program is to create, maintain, protect, expand, or restore domestic industrial base capabilities supporting the national response and recovery to the COVID-19 outbreak or the resiliency in any relevant domestic supply chain.

Based on what criteria are projects selected for a DFC-DPA loan?

DFC looks at various elements of any application before proceeding with due diligence. This includes but is not limited to the strategic value of a project if realized; previous track record of the management team making or managing similar investments, and the team’s experience in relevant sectors; the ability to show a compelling business plan that addresses the current or projected shortfall of the goods or services being financed; and the management team’s experience servicing debt obligations or acting as a fiduciary in managing institutional capital and meeting reporting requirements.
**Why is government financing necessary?**

Like DFC international projects, loans made under the DPA for domestic projects do not compete with private capital and are only authorized when a company does not have access to private capital on reasonable terms. For many of the projects DFC vets under the DPA program, the applicant company is taking a risk to expand its facilities or convert its operations to meet the needs of America during this health crisis.

While DFC analyzes and structures all potential transactions in an effort to ensure a return on its investment, the deal still may have too much risk or not enough projected profit for a commercial lender or other private investor to undertake the transaction without government support.

**How does DFC ensure investments under the DPA benefit the U.S. taxpayer?**

The driving force behind the President’s DPA delegation to the DFC CEO was to help the United States respond to the COVID-19 health crisis. Every project pursued under the DFC-DPA program is focused on this goal by assisting in the national response and recovery to COVID-19 and adding resiliency in relevant supply chains. DFC evaluates applications based on the project’s ability to specify and meet pertinent metrics, articulate how and why the project will produce specific outcomes, and evaluate performance.

**What steps does DFC take to ensure robust fiduciary standards are applied to the DPA program?**

DFC, through its predecessor OPIC, has a consistent track record of generating returns for American taxpayers. DFC has established and is following a rigorous diligence process for all DPA transactions, based on its process for international transactions.

The purpose of the DFC DPA lending program is to create, maintain, protect, expand, or restore domestic industrial base capabilities supporting the national response and recovery to the COVID-19 outbreak or the resiliency in any relevant domestic supply chain. DFC will evaluate any eligible project to determine if it meets this purpose.