# **Supercharging the Development Finance Corporation:** Opportunities and Pathways for Development, Infrastructure, and Investment

*July 11, 2024*
*Featuring: Nisha Biswal and Elaine K. Dezenski*
*Introductory remarks by Amb. John A. Simon*

**SIMON:** Welcome and thank you for joining us for today's event hosted by the Foundation for Defense of Democracies.

It's Thursday, July 11th, and today's conversation will focus on the Development Finance Corporation and opportunities for development of infrastructure and investment in emerging markets, as well as the national security considerations that are associated with it in the Development Finance Corporation.

I'm John Simon, former U.S. Ambassador to the African Union, as well as founder and managing partner of Total Impact Capital, an impact investing firm that works to foster and scale high impact initiatives within emerging markets. I also have the pleasure of serving on the board of advisors to FDD's Center on Economic and Financial Power. Most important for this conversation, I'm the former executive vice president of the Overseas Private Investment Corporation, the predecessor to today's DFC [Development Finance Corporation].

Over the years, I've watched OPIC [Overseas Private Investment Corporation]/DFC grow from the little agency that could to a powerful locomotive in its own right. Today, we'll talk about how to get that locomotive up to cruising speed and to make sure it is headed in the right direction.

We're pleased to have you here, some in person, some tuning in online, some listening to the FDD podcast, for this conversation. To discuss the various ways to supercharge the U.S. International Development Finance Corporation, we are joined by its Deputy CEO Nisha Biswal.

Prior to joining DFC, Nisha served as a senior vice president for international strategy and global initiatives at the U.S. Chamber of Commerce and oversaw the U.S.-India Business Council and U.S.-Bangladesh Business Council. She has over 30 years of experience in U.S. foreign policy and international development programs, including in the Executive Branch, Congress, and the private sector.

Joining Nisha and moderating today's conversation is Elaine K. Dezenski, Senior Director and head of the Center on Economic and Financial Power at FDD. Elaine has served in senior roles at the World Economic Forum, INTERPOL, and Cross Match Technologies. She served as deputy and acting assistant secretary for policy at the U.S. Department of Homeland Security and its – and head of its Office of Cargo and Trade Policy.

Before we dive in, a few words about FDD. More than 20 – for more than 20 years, FDD has operated as a fiercely independent, non-partisan research institute exclusively focused on national security and foreign policy. As a point of pride and principle, FDD does not accept foreign government funding. For more on FDD's work, please visit FDD.org and follow on X, @FDD.

That's enough from me now. Elaine, over to you.

**DEZENSKI:** Thanks, John, and a very warm welcome to everyone. If you're with us in person or online, we're absolutely delighted to have you. And Nisha, welcome to FDD.

**BISWAL:** Thanks, Elaine.

**DEZENSKI:** Exciting to have you here. We've been looking forward to this conversation. It's an important time to be talking about global development, global infrastructure, and national security, and that's really the focus of our conversation today.

There is a huge need for global infrastructure, we know that, from rail lines and ports to digital infrastructure, energy, and more. It's important for emerging economies that global infrastructure continue and also expand, but it's also important for the US in terms of access to key commodities and in terms of expanding opportunities for U.S. companies and contributing in a positive way to global development.

We need to invest in the right way, in a way that supports democracy, strong markets, and helps bring more benefit to more people. And key to this is an underlying framework of values, in terms of how we invest, and a strong degree of transparency, something that we can maybe dig into in a little bit more detail.

So, at the Center on Economic and Financial Power, we've been looking deeply into issues around critical supply chains, corruption in the Belt and Road Initiative, thinking about how to ally-shore, move supply chains out of authoritarian regimes and into partner and allied countries, or maybe moving them home. And all of this is part of a broader conversation around global development. There are many connection points.

So, with that, I want to focus now on Nisha and what you're doing at the Development Finance Corporation. I was thinking maybe the place to start is to have you talk a little bit about the basics of DFC. Some of you may be quite familiar with what DFC does, it may be new for others. So maybe we'll start with what DFC is, how it's structured, and generally where you fit in the global infrastructure development space.

**BISWAL:** Great. Thanks, Elaine, and it's a pleasure to be here.

So let me just start with what is DFC? DFC is America's development finance institution. Our predecessor organization, as John alluded, was the Overseas Private Investment Corporation, OPIC.

But in passing the BUILD [Better Utilization of Investments Leading to Development] Act, what Congress recognized is that we needed to be able to provide development finance at scale in the global landscape where our strategic competitors and adversaries were perhaps providing financing in ways that were neither in the long-term interests of the countries that were receiving it, nor in the interests of the United States, and that we needed to be more present, more active.

And the BUILD Act sought to strengthen the authorities that OPIC had, empower the mandate to advance our foreign policy and development impact interests, and increase the scale at which we operated.

So Development Finance Corporation came in to being about four and a half years ago – we'll be celebrating our five year anniversary at the end of this year – with the ability to provide debt financing through loans and loan guarantees, political risk insurance to ensure that we can invest in scenarios that are emerging market, fragile market, where private capital doesn't flow that easily, through the provision of war risk insurance, insurance against currency risk, insurance against contract abrogation or expropriation, et cetera, so that private investment will be more confident in flowing in.

But we also gained additional authorities such as equity investment, and we have technical assistance that we can provide through grants that help projects in the project prep basically phase.

We also doubled the lending limit from the maximum contingent liability from OPIC days of $30 billion to $60 billion, and if the HFAC [U.S. House Foreign Affairs Committee] reauthorization bill, which was just reported out of committee, has its way, it'll be doubled once again to $120 billion.

So, DFC is providing financing at scale in the global landscape. In fact, last year, we committed $9.3 billion in a single year of projects around the world. And our maximum exposure right now of projects that we financed is north of $40 billion.

So, we're actually even getting close to our $60 billion cap that Congress initially gave us. And that is to provide financing around infrastructure, around energy security, food and agriculture – food security and agriculture – health, as well as support for small businesses and private enterprises in these economies.

So, this is what DFC does, and we do it in ways that align with our values, that advance our interests, and fundamentally create positive impact on the ground. And we do it through the private sector so we're not adding to the sovereign debt of many of these countries that are struggling with unsustainable debt burdens.

**DEZENSKI:** Yeah, that's such a key point. Let me pick up on that because your model is very much private sector-oriented. In fact, the deals that you finance or take equity investments in come from private sector interest.

So walk us through how that might happen. How does a deal get to your door? And then how do you figure out whether you invest in that deal?

**BISWAL:** So deals come to us through many different avenues. And in fact, some come right through our website, DFC.gov/apply, where people will go in and, you know, find out and fill out a preliminary application.

But we actually have – even before we formally screen a project – we have a lot of back and forth conversation with that project sponsor, with that client, to walk them through the ways in which our financing works and to make sure that they're able to meet those criteria or have a good chance at it.

But we also have increasingly projects that come to us through a variety of different sources. We have, as DFC, started to deploy people overseas and are – you know, we have investment advisors who are situated in Latin America, in Africa, in the Indo-Pacific. We have recently started having people in Ukraine.

And so those individuals also do a lot of business development for us, in being under to – being able to be there and present on the ground, understand the ecosystem, and talk to the companies and be able to identify projects that might be ready for DFC financing.

We also work with our interagency partners so that when USTDA [U.S. Trade and Development Agency] does a feasibility study on a particular project to assess its feasibility, and then – that might then lead to them reaching for DFC financing. We work with USAID [United States Agency for International Development] very closely and do a lot of projects that are basically follow-on to partnerships that they have invested in through grant financing that then come to us.

So they come to us in a variety of ways. And then we work with our DFI [Development Finance Institutions] colleagues around the world and our multilateral institutions, and sometimes will identify projects through that.

**DEZENSKI:** Excellent. And how does it work, in terms of a – an offer that might come in or a request from a state-owned enterprise, let's say in a low-income country? A lot of the work that you do is in, you know, low income and emerging market economies where there may be private sector engagement but there's also a high prevalence of state-owned companies. How would you address something like that?

**BISWAL:** I mean, I think it's very much on a case by case basis, in that, by and large, we work only through private sector institutions, but there are some SOEs [State-Owned Enterprise], depending on the nature and the character of that SOE – if it functions predominantly like a private enterprise and it has the autonomy and it has that ability, then there may be instances that we work with SOEs.

Some instances, we might work with sovereign entities through co-financing, where there might be sovereign financing coming in from a partner government or the host government and we co-finance with them.

So I think we try to balance that. We want to fundamentally be supporting the private sector. There are instances where those – where the government has a stake in the entity. It may not be fully SOE, but it may be that there's a governmental stake. So I think we assess those carefully.

**DEZENSKI:** Yeah. And how do you think about the participation of DFC either as a guarantor of loans or maybe through an equity investment? Do you come in as the lead investor or would you come in as a subordinate form of capital investment? How do you see that role?

**BISWAL:** I mean, I think it depends on the investment. There are investments where, you know – so by statute, we never make up more than 80 percent of a total, you know, financing of a project. But there may be instances where we are the dominant financier. There may be instances where there's a project that has IFC [International Finance Corporation] investment and then a DFC investment alongside where we may not be the dominate.

But I think it – again, we have a great deal of flexibility in how we assess that. And, yeah.

**DEZENSKI:** And are you getting a good response in terms of private sector uptake and interest? How has that developed over the last few years?

**BISWAL:** I mean, we have a very robust pipeline. And what I would say about that is there's – one, there's such a massive need for financing to meet the economic growth and developmental needs that we see around the world. Two, the fact that we are providing transparent, high standard financing and – through the private sector, I think, is starting to transform that landscape.

So, as we have seen through kind of the last four and a half years, DFC has grown year on year on year. And that is because as people get – as companies – get more and more comfortable with the fact that we are on the scene, the fact that these projects are successfully getting approved and financing is being approved and committed and disbursed, the demand for that financing is just growing year on year.

And that demonstrates that there is a need and a desire for that high standard, high value, transparent financing that essentially also connotes kind of a seal of approval that companies and countries aspire to.

**DEZENSKI:** Yeah, absolutely. So, it's an interesting space where you sit because DFC is balancing this question around development and what priorities and forms that should take, and this question about national security.

**BISWAL:** Yeah.

**DEZENSKI:** And the two are so intertwined these days that it's difficult to talk about national or economic security and not talk about what's happening around global infrastructure and how we respond to China, in particular, but Russia and others who are making investments using influence in certain ways.

And if we're honest about that, it has reshaped the landscape over the last 10 years, particularly through the Belt and Road Initiative. And of course, that's one of the reasons why DFC was created, but not the only reason.

So, you have, I think, a bit of that tension between development objectives and ideals and the questions around national security. What are your thoughts in terms of balancing that? And how does that come through in terms of how you look at a deal and make a determination?

**BISWAL:** Sure. I mean, I think that that's important. Oftentimes, we find people talking about our dual mandate as if it is standing in tension or contradiction. You know, are you advancing foreign policy, national security goals? Are you advancing our development impact goals?

And in fact, I think we see that as a single unified mandate, which is that we know that, one, advancing a shared prosperity agenda is fundamentally tied to our national security, our economic security, our national interest, right, that if we are not part of solving problems around the world, those problems often find themselves coming to us at our doorstep, whether that's on health – if we're not part of building health resilience and helping countries build health resilience, in Africa and Asia and Latin America and elsewhere, we're going to find more and more that we're facing new disease outbreaks in the United States, whether that's Zika, whether that's, you know – well, COVID obviously is the biggest example of that, but many others.

If we're not part of addressing the economic resilience, we're going to see more issues around economic migration and the tensions and the challenges that that pose in – you know, in our own country. We're seeing that in Europe and elsewhere.

If we're not part of creating those solutions, then we're also disadvantaging ourselves economically in the sense that, you know, as we see emerging economies taking on more and more of a role in driving global GDP, the way in which we're supporting those economies and facilitating economic growth, facilitating trade, is going to also shape the way in which our own economy grows, right?

Trade accounts for, I think, about 30 percent of our GDP growth, in terms of import/export and trade and services, et cetera, right? So, the extent to which we are supporting emerging economies in building their ability to grow strong markets to trade with the United States, we're also advancing our own economic interests. So, all of this is really part and parcel.

And at the same time, there's not a dichotomy between projects that are fundamentally linked to our national security interests and the development impact.

We can be investing in a critical minerals project like we did with Twigg Mining – graphite mining in Mozambique. And that project is also creating transformational impact in Mozambique, because the way that we finance critical minerals is we look at high standards, we look at labor, we look at environmental, we look at human rights, we look at, you know, how this project is going to be sustainable in the community and the country in which it's operating, and that creates positive development impact.

When we're supporting solar manufacturing diversification by supporting solar manufacturing in India, we also – you know, the Tata Solar Project, which I think is about to be inaugurated in the coming months – Tata, based on their conversations with DFC, also increased its focus on women in the workforce to over 60 percent, based on the fact that this was a value that we appreciated and underscored, and the fact that the pandemic left women more marginalized and economically disenfranchised than men, disproportionately, and this was an opportunity to really scale up the development impact of a highly strategic project.

So, I think they go hand in hand. And that is also a differentiator from what DFC and what the United States brings to the table from some of our adversaries and competitors.

**DEZENSKI:** Yeah – yeah. So, it really strikes me how you've made that connection between the role of DFC and how that links into free trade agreements, how it links into the broader set of tools and frameworks that we apply when we think about positive economic power projection. It's almost like a vertical integration across the tools. And I want to come back to that a bit later, in terms of how the U.S. government is thinking about that more broadly.

But why don't we talk a little bit about where DFC is investing? This is a topic that has come up a lot, in terms of where you're authorized to be. So, we mentioned low income countries as kind of core to DFC investment. But there's also a lot of need in middle and even higher income countries for specific projects and strategic investments. And that is, I know, being discussed as part of the reauthorization for DFC.

What are your thoughts in terms of that geographic mix and how to get that balance right? Is that driven by deal demand and where the capital wants to go, or is it more a question of where there's geostrategic interest, or some combination?

**BISWAL:** Yeah, it's a combination of all of those. Let me give you one kind of portfolio distribution right now to give you a sense of the geographic disbursement.

So, we – like I said, our maximum contingent liability – our total exposure, I should say, right now is around $42 billion. Our largest exposure is in Africa, Sub-Saharan Africa. It's around $11 – a little – little over $11 billion, but very closely followed by Latin America, which is north of $10 billion, $10.5 billion, followed by the Indo-Pacific, which is around $9.5 billion.

All of this is on our website, for those of you taking notes. So, if I get my numbers a little bit – you can – you can correct them on the website. And then we have kind of Europe, Eastern Europe, the Middle East bringing up the rest as well as our regional global investments.

So, we're broadly dispersed and distributed fairly equally around the world.

The second metric that people look at rather than geographic is income or, you know, whether we're in the low income, lower middle income, middle income. By statute, we right now are prohibited in being in high income countries, with the exception of the European Energy – defense of Energy Security Act countries, which is essentially helping support energy security as a result of the Russian aggression in Ukraine and the way that that has impacted Europe and Eastern Europe. So, we're in some of those countries.

But other than that we are in low income, lower middle income, and then some upper middle income countries. I would say that the vast majority of our projects – I think it's something like 70 – north of 70 percent of our projects by number, are in the low income, lower middle income.

And then, you know, some of the OPIC projects may be dollar by dollar volume a little bit larger just because of the nature of the economy and the scale at which some of these projects are.

What we're trying to address in reauthorization on country eligibility is the fact that, first of all, the World Bank Income classifications, which is what this is all pegged to – well, the World Bank every year comes up with new, you know, changes, and countries move up, move down, and that creates a lot of instability when you're diligencing a project, when you're moving a project through, and then all of a sudden that country moves out of eligibility status and, you know, the year that you've kind of spent or the 10 months that you've spent trying to help this project along, all of a sudden you have to walk away, right? And that's just very damaging.

Second of all, it impacts our ability to be pursuing some very important strategic goals in countries that are important, from a critical minerals perspective, for example. You know, can we do a critical minerals project in Chile? You know, how do we, you know, address those?

So, what we've talked about with Congress is maybe moving to World Bank lending categories, which is a little bit more stable metric, and then having some carve-outs for highly strategic things.

Congress is also looking at different models, as well, to give us both the stability and the flexibility. So that's a conversation that we're having.

**DEZENSKI:** Absolutely. And it's interesting to think about that expanding eligibility in the context of critical supply chain relocation. So we've done some work looking at lithium supply chains and potential pivots into the lithium triangle, including China, Bolivia, Argentina, and even possibly Mexico, where there's untapped potential. But, of course, Mexico isn't a country where, right now, DFC could operate.

So I think as we look at the Western Hemisphere, this really comes into focus, how we think about these tools, and frankly, the growing influence of China and other actors in our own hemisphere, and what we're going to do about that.

There's certainly a tremendous amount of work to be done. And there's also, I think – if we can talk about the Western Hemisphere for just a minute – a challenge, because over the years, our policies have been inconsistent when we work with partners, in South America, in particular.

And so we have to kind of overcome some of that hesitation, I think, to be positioned more as a partner of choice.

So there's a lot at stake here. And it's not just about what's happening in other parts of the world where we, you know, may not go. I think it's also about what's happening here at home, on our own continent, so.

**BISWAL:** That's right. In order to be a partner of choice, there has to be stability in that choice.

**DEZENSKI:** Yeah. Absolutely. Absolutely.

Let's talk a little bit about partners and allies and how that framework is being set. So it's very typical for development and finance institutions to partner with other finance institutions, other multilateral organizations, and of course the private sector.

Can you give us a couple of examples of where DFC has kind of worked with a broader set of partners in the DFI space?

**BISWAL:** Yeah. I mean, first of all, I will just say, look, we recognize that there is a massive need for financing to meet the growth needs, the developmental needs, the infrastructure needs around the world. And no one DFI is going to meet that need. We need to be able to work collectively and work in partnership.

Second of all, I think that there are a number of different initiatives – for example, PGI, the Partnership for Global Infrastructure, which seeks to work with our G7 colleagues in how we're advancing key infrastructure financing needs globally.

For example, Lobito Corridor, where we're working, you know, not only as DFC, but also as the USG [U.S. Government], bringing in colleagues, EXIM, USTDA, others, and then working with G7 colleagues, BII [British International Investment], British Investment, and others, right?

But in the Quad, working with India and Japan on how we're looking at – and Australia in how we're looking at initiatives – financing initiatives through the Quad. We have a trilateral MOU [Memorandum of Understanding] with Japan and Korea on development financing, where we're looking at opportunities to kind of do joint financing or co-financing. Taiwan, we just inked a MOU with Taiwan on trying to do more.

And I think, you know – and then we're partnering with, you know – in the regions in Africa with various African institutions, African Finance Corporation, African Development Bank, et cetera; in the Western Hemisphere with IDB Invest through the APEP [Americas Partnership for Economic Prosperity] Initiative, again, to leverage each other. And then the multilaterals, with, you know, IFC and the World Bank Group.

It's a recognition, one, that the needs are greater than any individual country or institution can take on. And two, that we need to be able to align and leverage as much as possible to create some efficiencies. It's a work in progress, in terms of how we manage some of the coordination, but we're, I think, getting better and better at it.

**DEZENSKI:** Absolutely. So it – it strikes me that we're in the midst of a big rewiring of how we think about capital flow and allocation, development and national security, critical supply chains, thinking about the jobs of the future, and how that links to technology, and how we protect that technology.

So it's all kind of in this space of economic security and economic resilience. And to some extent, it's being driven by a real concern that we're being beat at this game, particularly by China.

Are we getting anywhere in terms of these development finance objectives and countering the BRI, countering the perception that America is not in the game? Can we point to anything that would suggest that we're shifting this landscape, or is that something that we're going to have to be patient about over the next few years? How do you see that?

**BISWAL:** Well, look, I think we have made a massive impact in a very short time. And this is, you know – did China have a head start in terms of the scale at which it was operating around the world? For sure.

A couple of different things are happening. One, we're on the scene and we're coming in big, right? Like, we're starting to move in at scale. $9.3 billion in Fiscal Year '23, and this year, I – you know, it's safe to bet that we're going to be over that mark, right?

So that means that other than IFC, we're probably putting more financing out there from our like-minded kind of DFI peers, more financing on a per annum basis than any other DFI, right? And we're doing it through the private sector.

Two, China – you know, if you look at the AidData report, China is now having to put 60 percent of its new project towards restructuring old projects for non-performance because they were moving in fast, but not necessarily smart, not necessarily making smart investment and impactful investment.

Another metric is countries increasingly are becoming wary of the debt burden that they have been saddled with. And we're providing a financing model where it's not accruing to the sovereign debt, where countries working through their private sector and through international or multinational corporations are able to advance development and infrastructure without taking it on the government books, right?

Three – or I don't even – I have lost count of the – of – we're helping – we're bringing our tools in creative ways to help actually deal with some of those pain points that countries have been saddled with, in that we're working on debt restructuring and debt exchanges that help countries to restructure those debts on the private market through our political risk insurance, and then put some of those proceeds into development impact, right?

And then finally, I think we're also forcing some behavior change in the way that some of our competitors are approaching development finance. We are creating a demand signal for better financing, more transparent financing, more impactful financing that is forcing our competitors to have to match that or at least make moves in that direction.

So are we going dollar for dollar? I think that's the wrong metric. I think we are fundamentally changing the development financing landscape. And that's pretty, pretty powerful.

**DEZENSKI:** Yeah. It is.

**BISWAL:** And we're not done growing.

**DEZENSKI:** Absolutely not. I agree with you. And I want to segue your comments into this question of transparency.

So when we think about the China model going through the Belt and Road Initiative, there's a tremendous amount of opacity around contracts and deal terms and corruption. We've written about a lot of this.

And it's that opacity that drives the system, that creates a lot of problems and a lot of downstream risk that has now come to roost in a number of countries.

The alternative to that is a model of transparency, right, and one that is connected to conditionality, it's connected to open and transparent contract terms and clear objectives about what these projects bring to people and economies and to their sponsors.

But there's the other side of that, which is it takes more time to build a good project. And sometimes, we don't have time on our side when we're thinking about these responses. We have to be in this for the long-term, for sure, but it is challenging to make that argument when there's so much need in global infrastructure and countries are really, you know, crying out for more investment.

So when our project timeline might be five years versus two years for a, you know, VRI [Value Recovery Instrument] project, that becomes a challenge.

My question for you is, how do we build this space out so that transparency becomes a strategic weapon for us, in a good way, so that as we define the project parameters and we insist on the transparency that is required, that we're able to remove some of the other impediments, but it becomes not only a protection against bad projects, but it becomes the right way to think about how we make these investments?

So, how do we make conditionality a good thing?

**BISWAL:** Well, a couple of points, I guess, I would make in response to that.

One, I think it's important that we stand behind the values that define our financing so that we're making sure that when we stand behind a project, that we can say that we have done the diligencing to make sure that it represents the, you know, environmental and social, the labor and human rights and those kinds of reviews, right?

But two, that as we get more comfortable and as our companies and as our host government partners become more comfortable with that standard and see the benefits of that standard, because that – that actually – what that does is it makes it safe for private investment to come into that project, right, because they know that it has the DFC diligencing process behind it, it makes it safer for more private investment to be able to flow, right?

Three, it creates a demand signal for them to demand similar standards in other projects, and we've seen countries negotiate better outcomes with other partners as a result of that, right?

And then four, we can get faster at doing this as we – one, companies get more used to working with us and know what our standards are and can meet those standards; two, that we have more capacity to be able to diligence more projects at scale faster; three, that we start to align with our likeminded DFIs on how we diligence so that the standards are kind of more uniform across the board; and four, as more of these companies have worked with us previously, we just have to refresh their diligencing and not necessarily start from scratch with a brand-new partner.

All of these things are going to lead to more efficiency in that process and also greater familiarity and understanding with that.

So, I would say that – and by the way, it doesn't take five years. It takes 10 to 12 months, maybe 16 months on an extraordinarily complex project, but by and large, we're able to move these through in a reasonable amount of time.

And then it also depends on the nature of the project, whether it's a financial intermediary, which is faster and easier to diligence, versus a[n] infrastructure project that's, you know, what we call Category A, that has far more impact on the ground in terms of environmental or community impacts that we have to work through.

So, I think that there's a reasonable amount of …

**DEZENSKI:** Yeah. Yeah, it's a great point, you know, making this connection between the need for transparency, the need for rule of law, the stability as a mechanism for bringing more private capital into the space, because capital flows to where those risks are lower, and using that natural flow of the market to move a lot of projects forward.

I think that's absolutely the key, and it really does start with the transparency component and staying true to the values around what it is that we're trying to build.

If you could kind of wave your magic wand …

**BISWAL:** I wish I had one.

**DEZENSKI:** … what would you wish for, in terms of being able to get more private capital aligned with where DFC wants to go? I know you've restructured internally around five core areas that are of interest – infrastructure and critical minerals, energy, health, and so on. How – what would you do? What kind of tool would you need, or what approach would open up even more private capital?

**BISWAL:** Yeah, well, first of all, I would say I wish American private capital had a greater risk appetite, because I think sometimes we're not quick to invest and then others kind of crowd in much faster than our investors do.

And so, part of what we try to do in all of the work that we do around de-risking is to help create an ecosystem that allows, you know, American and global capital to be able to come in faster, right? We inject the first loss capital, we inject the patient capital, we inject the kind of risk, you know, mitigation, we bring the attention to governance, right, we bring in the attention to working with host governments on addressing some of the constraints and, you know – and we work across the interagency on that, right? Like, we come in as the U.S. government.

And so, we have the State Department, you know, the embassy, USAID, others who are kind of working alongside us so that we're, you know, negotiating our IIAs [International Investment Agreement], our investment agreements, we're looking at, you know, tax treatments, we're looking at all of these kinds of, you know, governance issues as well. And as we're doing that, we're creating an environment where private capital feels more confident about looking at that.

And then – yeah, I guess I would pause it there.

**DEZENSKI:** Great, thank you. We have a few minutes for questions from the audience. I – I'll give you a moment to think about what they might be. I have one more question that I wanted to ask you, which is the connectivity between the Development Finance Corporation, global infrastructure objectives, and national security as DOD is thinking about it.

DOD recently launched its Office of Strategic Capital. It's also an interesting model in terms of making investments and technologies presumably more focused on defense-related security issues, but there's overlap between the two when we think about critical minerals and how they're used for weapons manufacturing, in addition to, you know, components for EV [Electric Vehicle] batteries.

So, I think we're going to see this convergence of critical supply chains that are important for the defense industrial base but are also important for the emerging economy and supply chains of the future.

So how do you see that connection and convergence?

**BISWAL:** Yeah. I mean, I think that we're moving into a world where pretty much everything is, in a sense, dual use, in that it has an economic or commercial application and it has a strategic importance, right?

And so, it is in our interests to be therefore shape – helping to shape that world. A big focus of DFC is on supporting the diversification of critical supply chains, whether that's in health security, whether that's in advanced and emerging technologies, advanced manufacturing, whether that's in terms of our vaccine manufacturing, renewable energy technology manufacturing – you know EV battery space, et cetera, and then critical minerals supply chain in terms of the sourcing as well as the processing of those critical minerals.

And there is – there are strong defense uses, there are strong energy uses, there are strong other applications that are going to be increasingly – you know, as we move towards a greater AI-based world, some of the chip, you know, components, et cetera, right?

So, I think ensuring that there is a broad-based and diversified supply chain for sourcing and processing all of that is going to be critically important to our economic and national security, and we're going to see an overlap and a confluence of actors on the U.S. side as well as globally, right?

**DEZENSKI:** Yeah, thank you. Let me open it up now. Any questions from the audience? We have one here.

**BAEK:** Hi, my name's Jaemin Baek from Albright Stonebridge Group. My question really relates around interest rates. You know, DFIs such as DFC right now hold an immense amount of leverage over these projects. I mean, effectively, they're able to provide financing at terms which make projects bankable. But hopefully, for mortgage rates particularly, I hope interest rates go down in the next few years. And it's going to fundamentally alter that leverage that DFIs are able to, you know, provide in terms of making attractive financing options.

At which point, you know, is there a concern that DFIs like yourselves will be able to provide funding and financing, and will be able to find bankable projects that accept those terms?

**BISWAL:** First of all, you know, we have a requirement to show that our financing is additional – is bringing additionality. We're not displacing private capital. If private capital is able to meet the need, we're not trying to create work for ourselves that could be met through, you know, private financing. We would simply focus on where that financing becomes more necessary. It would simply allow us to take on more risk and more projects in other areas, right?

So, I think on the one hand, we want to actually support a[n] ecosystem in which private capital is able to flow more easily and you're able to get the project, you know, financed on the market, so to speak. So, I don't see that as necessarily as a tension.

There are areas right now where we have challenges in finding bankable projects, not because they have options on the commercial side, but because they don't have the private sector that is necessary to be able to undertake these projects. And so, everything is kind of done through sovereign and state-owned.

And so, it's helping to – you know, one of the things that we focus on through our – the way in which we finance is in building the private sector in supporting private enterprise in these countries. You know, one of the authorities that I failed to mention was our ability to support projects that don't have a U.S. nexus, that are, you know, providing support through local companies or entities or multinational.

And a lot of what we do through our financial intermediaries and our – on lending is to actually de-risk financing to SMEs [Small and Medium-Sized Enterprises] in these fragile and emerging markets that don't have access to capital.

So, I think that there's a lot of landscape out there for us to be able to work on. I'm not worried that we're going to run out of projects to finance. And that would be a good problem to have, by the way.

**DEZENSKI:** Yeah, absolutely. Another question. John?

**SIMON:** Would you mind speaking a little bit about the restructuring that was recently announced, and what's sort of expected to be gained by that?

**BISWAL:** Sure. It's actually – we announced it last year, and we're now fully realigned. And the realignment we did was that, you know, under OPIC, we were – our teams were structured around the tools that they managed, so that we had a structured finance deal team that essentially dealt with all the big projects, and then we had kind of the teams that did the MTU [Mission Transaction Unit] projects, basically the small, the under $50 million, and then we had a risk team and we had a[n] equity team.

And what that would often result in is that the answer you got depended on the team that you went and talked to. And if you went and talked to an SFI [Structured Finance and Insurance] team on a project that wasn't quite big enough, then you would get a "no," or if you went and talked to, you know, our MTU and our small business SBFS [Small Business and Financial Services] team and your project was too big, then you would get a "no."

And when we looked at historically the data on what we were funding, what we saw was that the sectors in which we predominantly were active – were infrastructure, energy, food and ag, health, and then, you know, the support for small businesses and financial intermediaries – so we aligned our teams, aligned our staff around these core sectors so that no matter what the size of the project was or the tool that you needed, whether it was risk insurance or whether it was equity or it was debt, that the sector – you knew what sector door to go in to.

And then we would align internally around what was the right instrument at the right level to support your needs, right? And we think that that creates far more efficiency, and it also builds greater development impact on the project because we have people who then have deep knowledge of that sector and can work across that space.

And so I think it's working well, and I think, you know, we had a little bit of anxiety about what that would mean and how it would work as we went through that process, but as we have been operating under that over the past six months, I think that it's moving along actually far more smoothly than people had thought it would, and I think people are seeing the value in it and there's more excitement around it. And our partners, our clients are also appreciating it.

**DEZENSKI:** Yeah. Excellent. If there's – if there are no other questions – yeah? We probably have time for one more. Thanks.

**WEINELT:** Thank you. Bruce Weinelt from Schmidt Futures. You're heading towards your fifth anniversary. Fast forward to your 10th anniversary, what would you like to see? Can you describe that to us briefly? Where would you like your organization to be in the next five years or go to – grow to in the next five years?

**BISWAL:** Yeah, I mean, I think it's exciting to envision that future because I think it's a DFC that is a mature organization, and like I said, I think we're still in our growth phase and we're still building some of the capacities, the core areas of focus.

I see a DFC at the 10-year mark that is a mature and established organization that is working across government and across partners to move the needle on key challenges around the world, bringing our tools in a concerted way.

So right now, we have, I would say, a – we are doing enormous things in development impact and how we're deploying our tools, but we're perhaps not necessarily focused on what are those areas that we want to solve challenges. We're still building that muscle.

So I participated in a roundtable in Paris a couple weeks ago around health finance and vaccine manufacturing in Africa and how do we, you know, help Africa think about and prepare for the next pandemic, in terms of health resilience, right?

And I think building the muscle to be able to think about these problems and then deploy the financing and create the investments, in fact meet those, is where I see us really being able to build some solid capacity, right?

I think we're going to get there sooner than 10 years, quite honestly. I think that that's probably kind of – as we grow our staff and our ability to build a little bit more acumen in policy and development impact to compliment that, that that's the next phase.

**DEZENSKI:** OK. Maybe one final question for you. We have so much conflict in the world right now – Ukraine, Israel, Gaza, the potential for challenges in Taiwan. Do you feel that there's a role for DFC to help small state democracies, fragile democracies as they move through these periods of conflict and need to focus on economic resilience? Do you feel that there's a specific role for DFC to play?

**BISWAL:** Yeah. We're already playing it. We, in the last two years, have committed $1.4 billion in financing for Ukraine, dealing with critical areas, such as energy security, food security, support to the banking infrastructure in Ukraine so that they can continue to support the private economy, support to the health infrastructure of Ukraine through things like we provide – we did a political risk insurance for a – what a – what's called a Superhumans Health Clinic that's supporting victims of the war, including military, who have suffered loss of limb and prosthetics, et cetera.

We're – yeah, we're already doing it. We've been working in the West Bank in supporting small businesses and trying to ensure that there's not a collapse of kind of the economic infrastructure there that would then further exacerbate and destabilize the region.

We've worked in other fragile states, doing things like refugee impact bonds, which we've been working on with Jordan.

So, I think we're looking at ways in which to deploy our capital in these fragile environments. It's much, much harder. It requires more intentionality. It's more risk appetite, more manpower. But that is a key area that we're also trying to focus on.

**DEZENSKI:** Wonderful. Well, thank you, Nisha. We've covered a lot of topics, and it was a wonderful conversation. So, I hope you'll come back to FDD. And I want to thank you again for being with us. Thanks to our audience, and we wish you lots of luck.

**BISWAL:** Thank you. And can I just also give my thanks to FDD, to folks like John, who have been part of the original design and passage of the BUILD Act, but also the role that you're playing as we move towards reauthorization, which is so critically important because, as you noted earlier in the conversation, the ability to have a stable, dependable, consistent finance institution for the United States that shows up so that we are the partner of first choice, not just today, but into the foreseeable future – so, the work that you're doing to support us in that is critically important, and we deeply appreciate it.

**DEZENSKI:** Thank you. Thank you so much. John, thank you for your great comments, and we thank everyone for joining us today.

(APPLAUSE)

END