U.S. International Development Finance Corporation

Strategic Plan

FY 2022-2026

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U.S. International Development Finance Corporation

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About DFC

The U.S. International Development Finance Corporation (DFC or Corporation) is America's development finance institution. DFC is the newest U.S. government agency, launched in December 2019 with a mandate to partner with the private sector to finance solutions to the most critical challenges facing the developing world while advancing America's foreign policy goals abroad. DFC's transactions in developing markets directly further America's interest in working towards a prosperous, more equal world. Partnering with the private sector in these efforts is critical to marshalling the resources needed to expand access to finance, reliable energy, digital connectivity, lifesaving healthcare, and other critical infrastructure and services.

In key markets across Asia, Africa, Latin America, and beyond, DFC strategically supports private sector-led growth and mobilizes additional sources of capital. DFC is a key component of the U.S. commitment to ensure developing countries pursuing transformational economic and infrastructure development have a positive, democratic alternative for financing compared to state-directed investments by strategic competitors.

DFC mobilizes the private sector.

DFC finds gaps in capital markets and closes them. We directly enable compelling development projects by mobilizing private capital to drive real impact.

DFC is committed to maximizing – and measuring – global development.

DFC drives developmental impact that is measurable through a rigorous, best-in-class screening and diligence process. The agency then works with public and private sector partners to monitor and evaluate each project's impact over its life, to inform and improve our evaluation processes.

DFC advances U.S. foreign policy goals and fosters global security.

DFC's supported projects further U.S. strategic goals in each region and market we operate in. The Corporation works in collaboration with partner agencies across the U.S. government.

DFC’s Strategic Goals

DFC is well-positioned to increase its reach and impact over the next several years. To do that effectively, the Corporation is undertaking a strategic review of its priorities and processes to ensure it can successfully complete the transition from OPIC and USAID Development Credit Authority and Mission Transaction Unit to DFC and provide the organization with a solid foundation on which to grow. As DFC moves forward with refining its goals and operations, this “strategic plan” is sure to evolve and change too.

With that in mind, there are four key goals that will undoubtedly drive the next chapter of DFC’s growth:

1. Engage and mobilize the private sector
2. Drive development impact across sectors and regions
3. Improve impact management monitoring, measurement, and learning
4. Scale the Corporation sustainably

Strategic Goal 1: Engage and Mobilize the Private Sector

Through DFC, the U.S. Government (USG) accelerates the flow of private capital to less developed countries by supporting private sector investments that cannot obtain viable financing from other sources. DFC's targeted outcome for this strategic goal is to mobilize private capital in support of sustainable, broad-based economic growth, and poverty reduction that advances development and U.S. foreign policy interests.

1.1 DFC Tools

DFC offers loans, loan guarantees, equity investments, political risk insurance, technical assistance (TA), and feasibility studies to drive significant amounts of private capital into challenging developing markets to address local needs. DFC's offerings mobilize government and private resources to support key sectors such as infrastructure, energy, water, and health.

DFC's equity authority allows it to play a new and catalytic role in mobilizing private sector capital to achieve developmental and strategic outcomes. Equity investing in funds also makes DFC a more attractive partner to other development finance institutions and expands impact.

DFC's new technical assistance (TA) program also mobilizes private capital by providing grant funding to develop projects and help make them bankable.

1.2 Expand and Diversify the Client Base

DFC intends to strategically expand its client base by executing new approaches to identify transactions and attract a wider net of local and regional clients while remaining committed to prioritizing transactions that involve U.S. investors and identifying opportunities for U.S. small and medium enterprises. In addition to prioritizing work with U.S. investors, DFC will seek out relationships with local companies in less developed countries, highly developmental partners with innovative product offerings and business models, and foreign companies that align with DFC's development priorities. DFC is also targeting non-traditional partners from diverse backgrounds to ensure our ultimate beneficiaries include members of marginalized communities who need DFC support the most.

1.3 Collaborate with Partners

DFC is creating valuable partnerships with other U.S. federal agencies, development finance institutions, NGOs, think tanks, and the private sector to maximize development impact. DFC recognizes that nongovernment stakeholders play a critical advisory and partnership role. DFC and many foundations share a common mission but bring different resources and tools to the table. DFC will continue to leverage expertise and grant funding from foundations to expand its impact. DFC values the resources non-government stakeholders bring to the table including research, sector expertise, and regional presence.

Strategic Goal 2: Drive Development Impact Across Sectors and Regions

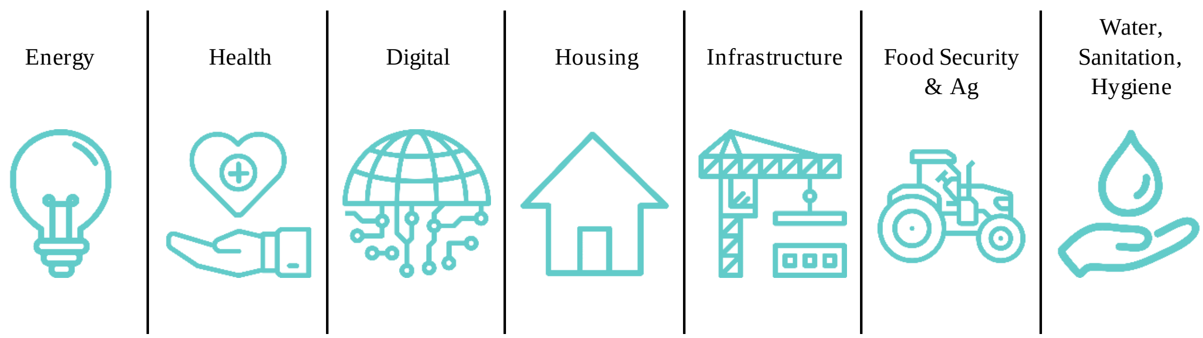
DFC invests across a range of sectors, geographies, and themes to achieve its mission. There are several targeted outcomes of this strategic goal:

1. Increase development outcomes in each of the following development sectors.
2. Craft a well-balanced portfolio across regions that aligns with USG development and national security priorities.
3. Increase exposure to investments that help combat the effects of climate change, increase financial inclusion in developing markets, and increase equity and inclusion.

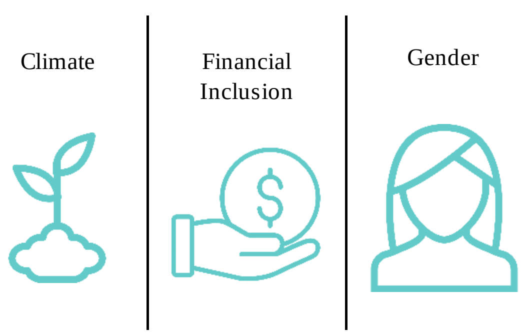
2.1 Sectors

DFC has identified and prioritized industry sectors where our innovative financing tools can drive development impact across geographies. Depending on the evolving priorities of the Administration, priority sectors may change.

Sectors:



Cross-Cutting Initiatives:



DFC expects to be a leading participant in the President's Build Back Better World (B3W) initiative that aims to improve infrastructure across the developing world. Investments across nearly all our sectors may play a role in this critical effort to drive infrastructure development and provide an alternative to the predatory financing practices of strategic competitors.

2.2 <u>Geographies</u>

DFC will seek to grow its portfolio of catalytic investments across all the regions in which it operates: Africa, the Indo-Pacific region, Latin America, the Middle East and North Africa (MENA), and Eurasia. It will drive broad-based values, private sector-led growth that expands economic opportunity and advances U.S. development and strategic objectives specific to each region. These development and strategic objectives will support regional priorities identified in conjunction with its interagency partners, including the Eurasian energy sector, small and medium enterprises in the West Bank and Gaza, and healthcare systems strengthening in Africa.

DFC's authorizing legislation, the BUILD Act, mandates that DFC prioritize investment in low-income countries (LICs) and lower-middle-income countries (LMICs). Below are some of the ways DFC prioritizes LICs and LMICs across all regions:

- Give extra weight to all transactions in LICs and LMICs in our "IQ scoring," which evaluates developmental impact of each project and is a key factor in determining whether to pursue support of a project.
- Coordinate closely with USAID missions to identify challenges accessing finance in developing countries and to source developmental projects. Since many USAID missions are in LICs and LMICs, most transactions sourced in collaboration with USAID are in LICs and LMICs.
- Leverage our overseas presence in Africa, the region with the largest portion of countries being LICs and LMICs, to drive business development and evaluation.

2.3 <u>Cross-Cutting Initiatives</u>

There are many lenses we apply to every potential investment, and we have prioritized four cross-cutting initiatives to advance broad-based development outcomes:

<u>Climate</u>

Building an impactful portfolio of climate-smart investments is key to furthering DFC's commitment to development, and to providing a values-driven, sustainable investment alongside like-minded partners and allies. Over the past year, DFC has announced hundreds of millions in climate investments, all of it focused on supporting economic mobility, jobs, and tools to build prosperous clean energy economies in developing countries.

<u>Gender Equity</u>

DFC's 2X Women's Initiative is committed to addressing the unique challenges women face globally and unlocking the multi-trillion-dollar opportunity they represent. DFC applies a gender lens to every project it considers helping make sure that women will benefit. In doing so, DFC prioritizes those areas that are proven to have an outsized positive impact on women: climate change, water, infrastructure, technology, healthcare, food security, and small and medium-sized women-owned businesses.

<u>Financial Inclusion</u>

DFC provides market rate financing to clients who have determined that private sector financing is not available at sustainable terms or tenors. DFC often works with financial institutions, impact investment funds, and other local commercial lenders to reach these individuals. DFC will support financial investment including digital technologies and companies that provide digital solutions to reduce barriers to financial services for unbanked and underserved populations.

Build Back Better World (B3W) Strategic Partnership with the Private Sector

President Biden and G7 partners agreed to launch the bold new global infrastructure initiative Build Back Better World (B3W), a values-driven, high-standard, and transparent infrastructure partnership led by major democracies to help narrow the $40+ trillion infrastructure need in the developing world, which has been exacerbated by the COVID-19 pandemic. Through B3W, the G7 and other like-minded partners will coordinate in mobilizing private-sector capital in four areas of focus—climate, health and health security, digital technology, and gender equity and equality—with catalytic investments from respective development finance institutions.

DFC is well positioned as help advance B3W as part of a whole of USG approach. DFC's investment pillars align with the goals of B3W and the Corporation already has a strong track record of partnering with the private sector in developing markets around the world. DFC is building on previous outreach programs such as town halls and roundtables with the private sector and key foreign government agencies to provide information on the financing tools we offer and what we aim to achieve through the B3W priorities that match with the host country needs.

Strategic Goal 3: Impact Management Monitoring, Measurement, and Learning

DFC is building up its new Impact Management, Monitoring, and Learning (IMML) division to strengthen its ability to monitor, analyze, and manage the development impact of its portfolio on an ongoing basis, compare objectives and targets to actual results, suggest adjustments where needed, and identify learnings that help improve new and existing projects. This gives DFC enhanced capabilities to assess and improve its contribution to achieving positive development impacts and deliver on this strategic goal. Targeted outcomes include:

1. Ensuring that each transaction DFC approves and executes has measurable development outcomes and monitor the development results of DFC investments to inform future transactions;
2. Conducting assessments of whether and how the Corporation's support contributes to its strategic impact targets and identify where adjustments in investment strategy are needed to enhance impact; and
3. Becoming a leader in generating impact through its rigorous approach to impact management that is aligned to globally accepted principles, disseminating impact management practices more broadly, and openly sharing its impact management methodologies.

DFC gathers data from clients to monitor and assess their development impact from self-monitoring tools and document review, such as the Impact Quotient and Development Outcome Surveys (008s). DFC also conducts site monitoring and third-party assessments and evaluations to assess performance and compliance with DFC conditions and to monitor their development impact.

DFC's performance assessment and evaluation activities involve deeper and holistic analyses of project impacts that help inform DFC decision-making, programming, and strategy, as well as build evidence to support DFC's role in mobilizing private capital to solve some of today's most pressing global development challenges. These activities provide a critical feedback loop that is a key component of a best-in-class impact management framework.

Future Plans

To achieve DFC's goal of building evidence for impact and integrating impact data into decision-making throughout the investment cycle, thus allowing DFC to make decisions that enhance its development impact, DFC intends to:

- Develop a deeper impact performance management, monitoring, and learning strategy;
- Further develop the tools required to execute this strategy, including those that analyze impact data and create data visualizations to share impact results internally and externally;
- Implement activities in support of the strategy, including conducting several sectoral and/or thematic performance evaluations that will build evidence in priority areas for DFC;
- Enhance feedback loops to share learnings from monitoring and evaluation throughout DFC;
- Integrate impact data and considerations into DFC business decisions;
- Continue engaging in compliance activities with standards and principles, including verification of impact performance practices and participation in communities of practice with other investors, and
- Develop and pilot policies, procedures, and templates to conduct performance assessment close-outs for projects nearing maturity.

Strategic Goal 4: Scale the Corporation Sustainably

The launch of DFC in 2019 brought together the tools of OPIC and USAID's financing arm, the Development Credit Authority (DCA), and provided expanded and modernized tools to build on a long U.S. tradition of mobilizing investment in developing countries. Additionally, DFC was launched with strong bipartisan support through the BUILD Act, which more than doubled OPIC's investment capacity to $60 billion, and authorized new tools like equity authority to enable the new Corporation to expand impact in developing countries. The increase in tools, capacity, and complexity requires supporting people and processes to grow its ability to fulfill BUILD Act mandates, prudently manage its portfolio, and efficiently execute on new project activity.

There are several targeted outcomes for this strategic goal which include:

1. Augment and strengthen existing capabilities and bolster new ones
2. Refine processes to improve operational efficiency and effectiveness

DFC must continue to build important capabilities, which are needed to advance the Corporation's prudent management of the project workload and the related functions that must be performed, once the debt, equity and insurance projects have been committed, documented, and disbursed. DFC must also grow its development impact monitoring and evaluation function, and expand its foreign policy team to maximize impact for development and foreign policy priorities. Capabilities and staff will be needed for DFC's evolved requirements:

- Development Impact Monitoring and Evaluation requirements in the BUILD Act.
- Building out an effective Equity program for the full lifecycle of investments.
- Financial Transformation from OPIC and DCA to DFC – new programs, larger portfolio, more complex financial operations, reporting and audits, greater focus on internal controls and oversight.
- Expand our foreign policy expertise and coordination in house by bringing on policy experts who can help drive regional portfolios that advance American national security
- Scaling transaction support, including lawyers, social and environmental staff, credit, risk and monitoring personnel, and teams that provide information to the public and Congress.
- Meeting requirements of increased governance, full transparency, and new appropriations mechanisms and reporting requirements.
- Keeping pace in Corporation operations to ensure the overall functioning of a larger and more complex Corporation—procurement, facilities, human capital, COVID mandates, information security, and hybrid workplace and IT capabilities and governance.
- Navigating complexities of our overseas footprint, from setting up people in the field to providing effective administrative support.

As DFC continues to grow, it will be important to assess and streamline existing processes, and as needed, develop new processes to improve efficiency of deploying capital and carrying out the mission. To that end, the Corporation is focused on:

- Improving processes for transaction clearance and due diligence to reduce approval time for pipeline transactions.
- Improving management of data across the lifecycle of a transaction and develop standard procedures.

- Continue building a culture of monitoring and evaluating impact and performance against targets, to include developmental and financial measures of performance.