DFC 2.0: A blueprint for a bigger, faster and more strategic agency

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Bottom lines up front

- The DFC's current impact is hindered by outdated policies, risk aversion, complex procedures, and equity limitations, all of which restrict its ability to mobilize private capital and take on high-impact, high-risk investments—particularly in critical sectors like minerals needed to compete with China.
- Key policy recommendations for a "DFC 2.0" include granting the agency greater operational flexibility (e.g., higher lending cap, expanded project eligibility), establishing volunteer "deal ambassador" networks to overcome workforce constraints, launching a "Business Corps" for international commercial diplomacy, and streamlining equity scoring and fund management processes.
- Success for DFC 2.0 will require cultural change within the agency to embrace risk, celebrate innovation, coordinate more closely among U.S. government agencies, and rapidly scale its presence and influence—both domestically and globally—to better counter China and advance U.S. national security and economic interests.

A blueprint for a development finance corporation 2.0 That can achieve an 'America first' agenda

US foreign policy stands at a pivotal moment as President Donald Trump, in his second term, seeks to implement his administration's "America First" agenda and reshape the federal government. The many changes made or planned since Trump took office include a restructuring of the key agencies responsible for advancing and implementing US foreign policy and deploying US commercial diplomacy tools. So far, the fate of the International Development Finance Corporation (DFC) looks promising but will be determined in the congressional reauthorization process this fall.

The federal restructuring landscape includes massive layoffs and incentivized resignations[1] and spending cuts spearheaded by the Department of Government Efficiency; a Congress-approved rescission package; and a restructuring of key agencies responsible for advancing and implementing US foreign policy and US commercial diplomacy. This

1. "Supreme Court Disabuses Federal Workers Who Thought Their Jobs Were Safe," Politico, July 9, 2025,https://www.politico.com/news/2025/07/09/federal-workers-supreme-court-doge-musk-layoffs-00445234.

reprioritization is reflected in the administration's Fiscal Year (FY) 2026 budget request, which includes deep cuts to US development and humanitarian spending,[2] in line with the efforts to merge what remains of the US Agency for International Development (USAID) into the Department of State,[3] and the uncertain fate of the Millenium Challenge Corporation (MCC).[4]

Bipartisan anti-China sentiment in Congress may protect the DFC—the US development finance institution created in 2019—from some of these forces of change. Under the Biden administration, the DFC played a key role in providing financing for the Group of Seven (G7) Partnership for Global Infrastructure and Investment's Lobito Corridor project, which connects mineral-rich landlocked areas in Africa with the Lobito port on Angola's Atlantic coast.[5] The DFC also is the key counterparty in the recently signed US-Ukraine critical minerals agreement.[6]

Yet the actual capabilities of the DFC and its prominence in US foreign policy will be determined in the congressional reauthorization process, which is supposed to be completed by October 2025. The administration sent a proposal[7] to Congress in June detailing its plans for a much larger DFC, namely increasing its maximum portfolio size to $250 billion. Additionally, the administration's FY 2026 budget request proposes a $3 billion revolving equity fund for the DFC,[8] signaling an interest in fixing some of the long-standing challenges faced by the DFC, such as equity scoring.[9] However, since January, the DFC has not announced any significant[10] new transactions, as it awaits political leadership six months into the second Trump administration. Trump nominated investment banker Benjamin Black to run the DFC; he awaits Senate confirmation.[11]

For decades—particularly in the 1990s and early 2000s—the United States allowed commercial diplomacy tools such as development finance gather rust. Washington's commercial diplomacy lagged other capitals, as the United States grew reliant on international supply chains, lost manufacturing capabilities, and created opportunities for foreign adversaries to gain influence in strategic regions around the world. More recently, the United States has been playing catch-up. The first Trump administration took productive steps to remove some of the rust off the tools—as seen in the confirmation of sufficient nominees to the US Export-Import Bank (EXIM) board to provide

2. "Redefining America's Interests? Trump's FY2026 Budget Proposes Sweeping Cuts to US Foreign Aid," Center for Global Development, May 7, 2025, https://www.cgdev.org/blog/redefining-americas-interests-trumps-fy2026-budget-proposes-sweeping-cuts-us-foreign-aid.
3. "State Department Formally Notifies Congress It Is Effectively Dissolving USAID," CNN, March 28, 2025, https://www.cnn.com/2025/03/28/politics/state-department-formally-notifies-congress-effectively-dissolving-usaid.
4. "DOGE Is Shutting Down Foreign Aid Agency Millenium Challenge Corporation," *Politico*, April 23, 2025, https://www.politico.com/news/2025/04/23/doge-millennium-challenge-foreign-aid-00306333.
5. "DFC Announces New U.S. Financing for Africa's Lobito Corridor," US International Development Finance Corporation (DFC), February 8, 2024, https://www.dfc.gov/media/press-releases/dfc-announces-new-us-financing-africas-lobito-corridor.
6. "US and Ukraine Sign Long-awaited Natural Resources Deal," BBC, April 30, 2025, https://www.bbc.com/news/articles/c5ypw7pn9q3o.
7. "Trump has big plans for DFC as reauthorization deadline looms," Devex, July 29, 2025, https://www.devex.com/news/trump-has-big-plans-for-dfc-as-reauthorization-deadline-looms-110592?consultant_exists=true&oauth_response=success.
8. "The White House Office of Management and Budget Releases the President's Fiscal Year 2026 Skinny Budget," White House, May 2, 2025, https://www.whitehouse.gov/briefings-statements/2025/05/the-white-house-office-of-management-and-budget-releases-the-presidents-fiscal-year-2026-skinny-budget/.
9. "The DFC's New Equity Authority," Center for Strategic and International Studies, April 3, 2020, https://www.csis.org/analysis/dfcs-new-equity-authority.
10. In July 2025, the DFC announced a small investment of $3 million for project development financing to develop the Banio Potash Mine in Gabon and the board approved two investments to support critical mineral projects in sub-Saharan Africa, but no additional details regarding the minerals investments have been made public. "DFC Announces Strategic Investment to Stabilize and Expand Food Security in Africa," US International Development Finance Corporation, July 9, 2025, https://www.dfc.gov/media/press-releases/dfc-announces-strategic-investment-stabilize-and-expand-food-security-africa; "DFC Approves New Investments to Promote U.S. Foreign Policy Objectives by Strengthening U.S. Critical Mineral Supply Chains and Fostering Economic Development, US International Development Finance Corporation, July 2, 2025, https://www.dfc.gov/media/press-releases/dfc-approves-new-investments-promote-us-foreign-policy-objectives.
11. "Trump's DFC Nominee Stresses 'Dual Mandate' of US Development Finance," Devex, June 10, 2025, https://www.devex.com/news/trump-s-dfc-nominee-stresses-dual-mandate-of-us-development-finance-110268.

the quorum necessary to authorize larger transactions,[12] and the passage of the Better Utilization of Investments Leading to Development (BUILD) Act, which created the DFC and granted it equity investment authority. By the end of Trump's first term, the United States had a more polished set of tools—ones that the Biden administration maintained. Yet a fundamental question remained: What exactly are these tools intended to build?

The second Trump administration has given an answer on the overarching goal: a restructuring of critical supply chains that will help make the United States more competitive and secure vis-à-vis global competitors such as China. The details are still being worked out amid changes across government agencies that impact the effective functioning of the DFC. Notably, executive orders[13] and proposals have created uncertainty: e.g., potentially converting the DFC into a sovereign wealth fund,[14] merging it with the MCC (if the agency is not completely eliminated) and US Trade and Development Agency,[15] invoking the Defense Production Act to establish a domestic mineral fund with the Department of Defense (DOD), and giving the DFC domestic investment authority.[16] Congressional reauthorization can address this uncertainty about the DFC's mandate and role.

In July 2024, the House Foreign Affairs Committee (HFAC) approved bipartisan legislation to update the BUILD Act (see DFC Modernization and Reauthorization Act, H.R. 8926), but the bill did not advance in the Senate.[17] Key proposed updates included expanded eligibility for projects in strategic countries, creation of a new vice president for foreign policy and national security, and doubling the DFC's contingent liability cap from $60 billion to $120 billion.[18] While there's broad bipartisan support for a larger and more agile DFC, the specific tools and mechanisms to implement this expansion remain unclear. Clarity on the DFC's mission, investment, and regional priorities will be crucial to its effectiveness and to the administration's foreign policy legacy.

Creating a 'DFC 2.0' under Trump 2.0

The administration's transactional, pro-business approach to foreign policy signals a shift away from the "3D approach" to foreign policy (i.e., development, defense, and diplomacy)[19] to focus on commercial diplomacy. Properly structured, a "DFC 2.0" could be a key tool for the United States to invest in important sectors to advance national security interests, such as critical and rare earth minerals. If confirmed, DFC CEO nominee Black, who began his career as a Goldman Sachs analyst, would likely shift the DFC toward a more market-oriented approach,[20] potentially seeking to channel foreign aid funds reallocated from USAID to support DFC's investments.

Development finance institutions, or DFIs, are not new concepts. Governments around the world have used DFIs for over seventy-five years to finance high-risk sectors such as infrastructure, energy, healthcare, and agriculture in emerging economies. Through financial tools such as loans, equity, guarantees, and political risk insurance (along with technical assistance), DFIs help derisk investments and

12. "U.S. Senate Confirms Three Members for EXIM Board of Directors, Restoring Full Financing Capacity," Export Import Bank of the United States, May 8, 2019, https://www.exim.gov/news/senate-confirms-three-members-for-exim-board-directors-restoring-full-financing-capacity.
13. "Unleashing American Energy," White House, January 20, 2025, https://www.whitehouse.gov/presidential-actions/2025/01/unleashing-american-energy/; "Immediate Measures to Increase American Mineral Production," White House, March 20, 2025, https://www.whitehouse.gov/presidential-actions/2025/03/immediate-measures-to-increase-american-mineral-production/; "Unleashing America's Offshore Critical Minerals and Resources," White House, April 24, 2025, https://www.whitehouse.gov/presidential-actions/2025/04/unleashing-americas-offshore-critical-minerals-and-resources/.
14. "Trump Team Plans Wealth-fund Revamp for Federal Agency, Bloomberg News Reports," Bloomberg News via Reuters, January, 17, 2025, https://www.reuters.com/world/us/trump-team-plans-wealth-fund-revamp-federal-agency-bloomberg-news-reports-2025-01-17/.
15. "Trump Aides Circulate Plan for Complete Revamp of Foreign Aid Programs," Politico, March 19, 2025, https://www.politico.com/news/2025/03/19/trump-aides-circulate-plan-for-complete-revamp-of-foreign-aid-programs-00238862.
16. "Immediate Measures to Increase American Mineral Production," White House, March 20, 2025, https://www.whitehouse.gov/presidential-actions/2025/03/immediate-measures-to-increase-american-mineral-production/.
17. DFC Modernization and Reauthorization Act of 2024, H.R. 8926, 118th Cong. (2024) (not enacted), https://www.congress.gov/bill/118th-congress/house-bill/8926/text.
18. Notably, not as ambitious as the Trump administration's proposal of $250 billion.
19. "The 3 D's of Foreign Affairs," *Harvard Political Review*, September 17, 2010, https://harvardpolitics.com/the-3ds-of-foreign-affairs/.
20. "What Will Become of U.S.A.I.D.'s Funding? A Billionaire's Son Has Some Ideas," *New York Times*, February 26, 2025, https://www.nytimes.com/2025/02/26/business/usaid-dfc-ben-black.html.

mobilize private capital in places and sectors considered too risky for traditional finance. Until the passage of the BUILD Act in 2018—which merged the Overseas Private Investment Corporation (OPIC) with elements of USAID's Development Credit Authority (DCA)—the United States lagged its peers' use of development finance. With its current $60 billion lending cap, the DFC provides debt financing, equity investments, feasibility studies, investment funds, political risk insurance, and technical assistance.

The DFC, like most DFIs, has the following authorized tools at its disposal:[21]

Tools	Details
Loans and guarantees	Direct loans and loan guarantees of up to $1 billion for terms between 5 and 25 years.
Political risk insurance	Coverage up to $1 billion for risks like expropriation, political violence, or currency inconvertibility.
Equity investments	Up to 30 percent in a project or 35 percent of the DFC's portfolio.
Feasibility and technical assistance	Cost-shared studies and assistance for project preparation.

In FY 2024, the DFC committed more than $12.1 billion to new projects and made 181 new transactions across the globe.[22] In contrast to China's state-owned enterprises, which back high-risk projects for strategic gain, the DFC has tended to focus more on commercial projects that can continue to deliver returns to the US Department of the Treasury.

Yet the DFC can do more. Many DFIs, including the DFC, are constrained by rigid structures and bureaucratic processes that do not allow for the flexibility that is needed to address today's global market demands. By embracing greater flexibility, innovation, and collaboration, the DFC can unlock new markets, boost US competitiveness, and deliver financial returns while strengthening national security. A reauthorized DFC 2.0 can yield the dual benefits of expanding US influence abroad and generating economic prosperity at home.

DFC's outdated policies, structures, and procedures

The establishment of the DFC in 2019 marked a significant improvement over its predecessor, OPIC, particularly with its equity authority. However, many of the underlying policies, structures, and procedures remain mostly unchanged, limiting the agency's impact. As the global economic landscape evolves, so, too, must the structures and processes of the DFC and DFIs more broadly. Their rigidity, outdated operational models, and limited human and skills capacity hinder their ability to respond effectively to the emerging investment opportunities, as described below.

- **Lack of risk-taking and derisking incentives**: Both the DFC and OPIC have operated in an inherent risk-averse culture. The DFC's risk-averse approach has limited its capacity to mobilize greater sums of private capital, which are essential for scaling development finance. The current investment framework does not create incentives for the DFC to assume more risk or actively derisk projects in collaboration with other DFIs or private-sector actors.
- **Passive stance**: The DFC generally adopts a reactive approach, waiting for companies to approach the agency with deals, rather than proactively developing deals of strategic importance.
- **Equity limitations**: The BUILD Act gave the DFC the authority to make direct equity investments. However, the agency is required to score equity deals similarly to grants, meaning a one-to-one cost to the taxpayer, which assumes investments will not be recuperated.[23] This structure limits the DFC's ability to grow its equity portfolio and its capacity to make high-risk investments that have the maximum impact on private investors' risk/return calculus.
- **Lack of innovation in process**: The DFC has a latent opportunity to lead among global DFIs in using technology and cutting red tape to speed up the

21. Shayerah I. Akhtar and Nick M. Brown, "U.S. International Development Corporation," *In Focus* IF11436, Congressional Research Service, June 1, 2023, https://www.congress.gov/crs-product/IF11436.
22. "Annual Management Report," Fiscal Year 2024, DFC, November 15, 2024, https://www.dfc.gov/sites/default/files/media/documents/USIDFC%20FY2024%20AMR-508.pdf.
23. "Reauthorizing DFC: A Primer for Policymakers," The Council on Foreign Relations, March 31, 2025, https://www.cfr.org/article/reauthorizing-dfc-primer-policymakers.

deployment of capital. The average emerging-market-focused private equity firm takes around four to five years to close a fund, much of which is spent meeting with numerous DFIs, each with their own niche priorities and requirements. The complexity of these processes creates delays for fund managers, particularly small to medium-sized firms, as they are often required to tailor each pitch to the preferences of different DFIs, who may prioritize political preferences, specific geographies, and sectors, ultimately slowing down the process of mobilizing capital.

Making the DFC fit for purpose: the opportunity for critical minerals

The Trump administration has clearly signaled its intention to secure independent sources of critical minerals, free of China's control. China has long dominated the critical minerals supply chain—controlling more than 90 percent of global processing and refining capacity[24]—by subsidizing production and securing long-term access to feedstock through strategic investments in mineral-rich countries. The United States is fully reliant on imports of twelve of the fifty minerals considered "critical," and over 50 percent reliant on imports for twenty-eight more.[25]

Between 2000 and 2021, China financed $56.9 billion in critical mineral extraction projects across nineteen countries,[26] reflecting its commitment to securing—and dominating—the supply chain. China's strategy involved a diversified network of lenders and direct investments in upstream projects, building a vertically integrated, state-controlled supply chain. Notably, two-thirds of China's financing went into joint ventures or special purpose vehicles where host governments held limited ownership, reducing their financial liabilities but also potentially restructuring future access to the financial returns generated by these projects.

In contrast, the United States has been complacent in the face of growing Chinese control of the value chains vital for national defense and technological competitiveness. Recent negotiations—such as the US-Ukraine rare earth deal that will create the US-Ukraine Reconstruction Investment Fund;[27] the US-Uzbekistan critical minerals partnership[28] initiated by the Biden administration and being advanced by the Trump administration; the Peace Agreement Between the Democratic Republic of the Congo and Rwanda,[29] which facilitates investment and trade in the critical minerals supply chain in exchange for security; and the first of its kind public-private partnership between the US Department of Defense and MP Materials[30] to boost US rare earth minerals output—signal growing momentum. Nonetheless, the United States remains far behind in securing these supply chains.

Given the inherent risks, costs, and long lead times of, for example, fifteen to twenty years[31] in developing new mines, the private sector has been reluctant to invest without government support. Market volatility, geopolitical risk, and uncertain permitting timelines (which can take five to ten years in the United States) only compound the challenge. Meanwhile, resource-rich nations often lack the fiscal capacity to finance or derisk large-scale mining projects and must rely on international investors and mining companies to move projects forward. Even feasibility studies, which are essential to project development, are often uneconomic. The reauthorization of the DFC presents an opportunity to change these hurdles by

24. Seong Hyeon Choi, "How Dependent Is America's Arsenal on China's Critical Mineral Supply?," *South China Morning Post*, June 2, 2025, https://www.scmp.com/news/china/military/article/3312731/how-dependent-americas-arsenal-chinas-critical-mineral-supply.

25. Hugh Cameron and John Feng, "Map Shows Critical Minerals Under Control of America's Rivals," *Newsweek*, March 2, 2025, https://www.newsweek.com/map-us-critical-minerals-imports-russia-china-2037749.

26. "Beijing-backed Lending Boosts China's Dominance in Clean Energy Materials," *Financial Times*, January 28, 2025, https://www.ft.com/content/9419aa64-33ce-4ed5-ba97-7d0aebbeb48f?shareType=nongift.

27. "US and Ukraine Sign Long-awaited Natural Resources Deal," BBC, April 30, 2025, https://www.bbc.com/news/articles/c5y-pw7pn9q3o.

28. "U.S. and Uzbekistan Forge Critical Minerals Partnership," *OilPrice.com*, March 11, 2025, https://oilprice.com/Metals/Commodities/US-and-Uzbekistan-Forge-Critical-Minerals-Partnership.html.

29. "Peace Agreement between the Democratic Republic of the Congo and the Republic of Rwanda," US Department of State, June, 27, 2025 https://www.state.gov/peace-agreement-between-the-democratic-republic-of-the-congo-and-the-republic-of-rwanda.

30. "MP Materials Announces Transformational Public-Private Partnership with the Department of Defense to Accelerate U.S. Rare Earth Magnet Independence," MP Materials, July 10, 2025, https://mpmaterials.com/news/mp-materials-announces-transformational-public-private-partnership-with-the-department-of-defense-to-accelerate-u-s-rare-earth-magnet-independence/.

31. "From Greenfield Projects to Green Supply Chains: Critical Minerals in Africa as an Investment Challenge," Atlantic Council, July 1, 2024, https://www.atlanticcouncil.org/wp-content/uploads/2024/06/Critical-minerals-in-Africa-as-an-investment-challenge.pdf.

sharpening its mandate to support mineral security, and the DFC's announcements supporting critical mineral projects in July is a promising start.[32]

Recommendations for DFC 2.0

There is a growing consensus that the next iteration of the DFC will need to be more ambitious to advance a foreign policy agenda that strengthens US national security interests and geopolitical competitiveness. Trump has already invoked the Defense Production Act,[33] fundamentally expanding the DFC's mandate to include the authority to invest in critical mineral projects domestically. Beyond this, Congress should give the DFC an exception to the hiring freeze as well as greater operational flexibility—ranging from increasing its lending cap and expanding the list of eligible partner countries to include middle income countries to adopting higher risk tolerance—as proposed in the 2024 bipartisan HFAC bill.[34] Such a 2.0 version of the DFC should adopt a more proactive, front-facing, and assertive approach to deal-making that aligns with US foreign policy goals. However, given the constraints in human capacity due to already small team sizes, efforts to shrink the federal government, and the federal hiring freeze, creative solutions are required to overcome the human capacity limitations to leverage already existing expertise and move transactions forward at a pace that can compete with China to strengthen US national security.

Establish a US volunteer network of deal ambassadors to gain skills and expertise

A doubling of its lending cap would translate into a greater volume of transactions rather than just larger transactions. To make this happen cost-effectively in the face of workforce constraints, the administration should establish a volunteer network of deal ambassadors to mobilize two untapped pools of skills: retiring professionals with a wealth of knowledge, robust professional networks, and decades of experience who seek meaningful postretirement opportunities; and recent graduates, who are often burdened by student debt and seek resume-building positions. In exchange for both domestic and international volunteer service, these early-career graduates could receive student debt relief, while seasoned professionals would contribute mentorship and expertise, finding meaning in government service.

Americans have one of the highest rates of volunteerism in the world, with more than seventy-five million Americans[35] volunteering in the United States in 2024. With nearly 65 million Americans[36] reaching retirement age by 2025, the administration could recruit a talented cadre of volunteers to help support the success of the DFC. By creating a network of deal ambassadors, the Trump administration could harness a powerful wave of civic engagement to support US national security objectives, build political support in key US commercial centers, and increase awareness of the DFC. Outside of Washington, the DFC is not well-known in the broader US business community.

Domestically, the proposed network should comprise approximately a dozen to fifteen senior, retired industry experts strategically located in key American markets such as Seattle, Los Angeles, Houston, Chicago, New York, and Miami, among others. These volunteers would form an expert network, serving as vital conduits between the agency and leading firms in priority sectors. Their responsibilities would include raising awareness among US investors and enterprises about DFC's suite of financial products, lending their presence and credibility to transaction road shows, and providing critical insights by vetting global industry conferences and advising prospective clients on the most promising opportunities. Additionally, their technical expertise would be available for consultation on specific transactions, ensuring that the DFC benefits from the highest caliber of industry knowledge. The network could be managed by one DFC staffer and the organization would reward volunteers' service through invitations to exclusive events with administration officials.

Internationally, the challenge is even more acute, as the DFC has limited visibility in the private sector, particularly in strategic markets. DFC's limited overseas presence has historically necessitated reliance on USAID's foreign service officers

32. "DFC Approves New Investments to Promote U.S. Foreign Policy Objectives by Strengthening U.S. Critical Mineral Supply Chains and Fostering Economic Development, US International Development Finance Corporation, July 2, 2025, https://www.dfc.gov/media/press-releases/dfc-approves-new-investments-promote-us-foreign-policy-objectives.

33. "Immediate Measures to Increase American Mineral Production," White House, March 20, 2025, https://www.whitehouse.gov/presidential-actions/2025/03/immediate-measures-to-increase-american-mineral-production/.

34. DFC Modernization and Reauthorization Act of 2024, H.R. 8926.

35. "More Than 75.7 Million People Volunteered in America, AmeriCorps Reports," AmeriCorps, November 19, 2024, https://www.americorps.gov/newsroom/press-release/more-757-million-people-volunteered-america-americorps-reports.

36. "1 in 5 Americans to Be 65 Years Old or Older by 2030," S&P Global, November 14, 2024, https://www.spglobal.com/market-intelligence/en/news-insights/articles/2024/11/1-in-5-americans-to-be-65-years-old-or-older-by-2030-86270288.

and USAID contractors to identify and recommend potential investments. With USAID gone, alternative solutions are imperative. The Department of State's recent six-point plan,[37] aimed at boosting US-Africa trade, signifies a pivot toward commercial diplomacy: The ambassadors will need support in generating transactions that fit with the DFC's offerings.

In this evolving landscape, the uncertain future of the Peace Corps—which faces deep cuts[38]—presents an opportunity for transformation. Rather than disbanding this storied institution, the administration could repurpose it as a Business Corps,[39] channeling America's robust spirit of volunteerism into a force for commercial diplomacy. A Business Corps would place and mobilize volunteers in key foreign markets during one- or two-year service commitments; it could be directed by the DFC, with one DFC person on each continent coordinating a group of twelve to fifteen deal ambassadors in key commercial centers. The international deal ambassadors would have the same responsibilities as the domestic ones. More senior volunteers would be paired with recent MBA graduates participating in loan-forgiveness programs developed between the Business Corps and leading US universities. By deploying volunteers as on-the-ground representatives, this approach would not only expand the DFC's capacity at minimal cost but also cultivate the next generation of business leaders, ensuring that US interests are advanced globally through innovative and sustainable means.

Address the long-standing equity problem

Unsuccessful attempts have been made in the past to fix the budgetary treatment of DFC's equity investments,[40] and the current leadership of the Office of Management and Budget (OMB) continues to signal an unwillingness to budge on the current detrimental scoring formula. As the highest risk-taking part of a capital stack, equity is critical to achieve DFC's strategic objectives, allowing the agency to support early- and growth-stage companies that would otherwise not be able to grow to the point at which they can afford to take on debt, even at concessional rates. Success hinges less on the volume of available capital and more on how flexibly and strategically funds can be deployed in the early stages of a project. Additional equity would allow the DFC to be a pioneer in critical minerals projects that can diminish Chinese dominance in the sector.

The proposed $3 billion revolving equity fund[41] in the current budget bill provides a politically palatable Band-Aid solution to the equity scoring issue since it will take years for the funds to generate returns on investments made. While waiting for the fund to revolve, the DFC will be left with a suboptimal amount of equity in the coming two to three years. By the next reauthorization in 2030, the DFC will, hopefully, have enough data on the results of equity investments (made since 2020) that it will be able to convince OMB that the one-to-one scoring should be updated based on proven returns.

Use DFC debt, insurance products to mobilize 'patriotic' capital at a new scale

To compete with the scale of the Chinese Belt and Road Initiative, the US must leverage one of its greatest competitive strengths over China: the size and depth of its capital markets,[42] which totaled approximately $62.2 trillion at the beginning of this year. Since more than 95 percent of DFC's resources will be made up of concessional debt and insurance products, the DFC can innovate in blended finance structuring to unlock investment from asset managers and institutional investors into projects that advance national security. First loss guarantees, insurance schemes, and quasi-equity products can incentivize those with large pools of capital to consider strategic investment opportunities. By mobilizing latent capital

37. "US-Africa Week Ahead: Top Africa Diplomat Pitches Commercial Diplomacy on Capitol Hill," *Africa Report*, June 2, 2025, https://www.theafricareport.com/385199/us-africa-week-ahead-top-africa-diplomat-pitches-commercial-diplomacy-on-capitol-hill/.
38. "Peace Corps, Under Review by DOGE, Is Said to Plan 'Significant' Staff Cuts," *New York Times*, April 28, 2025, https://www.nytimes.com/2025/04/28/us/politics/peace-corps-cuts-doge.html.
39. "Making the Most of Prosper Africa: Leveraging US Competitiveness in African markets," *Atlantic Council*, March 27, 2020, https://www.atlanticcouncil.org/in-depth-research-reports/report/making-the-most-of-prosper-africa-leveraging-us-competitiveness-in-african-markets/.
40. "Rep. Castro Leads Bipartisan Letter Urging Reform on the Scoring of Equity Investments at the Development Finance Corporation," Office of Rep. Joaquin Castro, October 26, 2021, https://castro.house.gov/media-center/press-releases/rep-castro-leads-bipartisan-letter-urging-reform-on-the-scoring-of-equity-investments-at-the-development-finance-corporation.
41. "The White House Office of Management and Budget Releases the President's Fiscal Year 2026 Skinny Budget," *White House*, May 2, 2025, https://www.whitehouse.gov/briefings-statements/2025/05/the-white-house-office-of-management-and-budget-releases-the-presidents-fiscal-year-2026-skinny-budget/.
42. Michael D. Sutherland and Karen Sutter, "US Capital Markets and China: Issues for Congress," *In Focus* IF11803, Congressional Research Service, December 19, 2024, https://www.congress.gov/crs-product/IF11803.

through blended finance approaches, the DFC can channel investment into national security-oriented projects, such as critical mineral value chains, not only safeguarding American interests but also delivering significant economic returns.

Beyond products and structuring, the Trump administration should bring to bear political suasion and reduce risk through signaling to private investors. Immediately after reauthorization, the DFC, working with the White House, should host a summit of capital in late 2025 to convene family offices, pension funds, asset managers, large private equity and venture capital funds, and institutional investors in Washington to present DFC products and structured vehicles (such as vetted funds and private consortiums) that can limit risk for the private investors.

Enshrine and celebrate risk-taking

While it is a good talking point that the DFC makes money for the US government, the focus on investment returns has led to the DFC being more of a commercial investor than a pioneering, market-making player. A revamped DFC would need to embrace, celebrate, and embed a culture of risk-taking. This would include introducing performance metrics linked to capital mobilization, catalytic impact, and successful asset offloading to private markets. The DFC can unlock significant private capital by leveraging concessional finance, blended finance, technical assistance, first-loss mechanisms, and risk-sharing with bilateral partners and multilateral institutions.

Simplify and streamline fund of fund investment processes

The complexity of DFC's fund of fund investment processes poses a significant barrier for fund managers applying for investment. The average fund manager raising funds in emerging markets faces an expensive four-to-five-year effort, limiting fund creation and narrowing the field of diverse fund managers. The DFC should work with leading DFIs to restructure the way fund of fund investments are made so that they are more efficient and reduce the fundraising timeline for fund managers. This could include adopting a standard application[43]—akin to the model used by US universities—that requires universal pitch information and panel-type interviews to avoid the repetitive nature of the current pitch process to DFIs. Shared due diligence platforms and joint pitching forums would also reduce redundancies and streamline engagement. Additionally, digitizing the application process and employing AI-driven analytics could improve efficiency and reduce processing times.

Build robust feasibility study capacity

Amid the uncertainty of the future of US foreign aid under the State Department and the potential mergers of agencies such as the MCC and the US Trade and Development Agency (USTDA) with foreign aid-related mandates, the DFC's role in conducting feasibility studies will need to be more robust. DFC's FY 2026 budget requests $803 million in discretionary funds (including $230 million for administrative expenses and $573 million in program funds), and $3 billion for the equity revolving fund. Of these funds, there needs to be a dedicated pool to finance feasibility studies beyond the $87 million[44] requested for USTDA's total budget for FY 2026. In project finance, 1 percent of the total investment needs to go to feasibility work. Regardless of whether USTDA becomes part of a DFC 2.0, the United States needs to have much more robust capacity for feasibility studies, particularly in the critical minerals sector. Creating a separate grant window for feasibility studies could build the DFC's capacity in supporting feasibility studies more rapidly, particularly for feasibility studies in cases where projects do not meet USTDA requirements.

Create international partnerships in areas of DFC weakness

It is unlikely that the DFC 2.0 or any future form of a US foreign policy agency will have enough equity or grant money, or the flexibility or capacity to be able to operate with the speed or scale necessary to counter China. And regardless of the DFC's final form under the Trump administration, it will likely remain a relatively small agency due to the administration's efforts to shrink the size of the federal government; nonetheless, it will likely have a larger mandate given an increased spending cap. Therefore, the DFC needs strong working partnerships with other agencies, organizations, bilateral and multilateral funds, and other DFIs that can address its structural weaknesses.

To expand its global footprint, generate a robust pipeline, grow its influence, and improve market intelligence, the DFC should grow and deepen already existing partnerships, such

43. "US Development Agency Should Take a Lead in Africa," *Financial Times*, December 14, 2018, https://www.ft.com/content/b96b176e-fef3-11e8-ac00-57a2a826423e.

44. "USTDA Congressional Budget Justification Fiscal Year 2026," US Trade and Development Agency, Accessed June 25, 2025, https://s3-us-gov-west-1.amazonaws.com/cg-654ebf73-8576-4082-ba73-dd1f1a7fe8dc/uploads/USTDA-FY-2026-Budget-Justification_FINAL.pdf.

as America's Partnership Platform with the Inter-American Development Bank (IDB) Invest,[45] and with the African Finance Corporation in its partnership to advance the Lobito Corridor project.[46] Building off these partnerships, the DFC should rapidly seek new ones with other multilateral and bilateral institutions with strong, established networks to share risk, leverage resources and network, and more quickly move projects forward. Secondment programs could help with streamlining communication efforts and building a common pipeline of investment opportunities. The progress made between the IDB and the DFC can, in part, be attributed to the fact that their offices are mere blocks away from each other in Washington.

Improve coordination among relevant US agencies through colocation and secondments

As a large representative democracy with federal and state authorities, the United States will always struggle with coordination issues when compared to a centralized state such as China. Moreover, the myriad federal agencies with responsibility to support commercial diplomacy and strategic investments leave non-Washington insiders confused and unsure of processes, procedures, and priorities. To avoid duplication, streamline efforts, share knowledge, and build off existing networks to streamline transactions, the Trump administration should aggressively advance colocation efforts and secondment programs, in addition to the recent mandate[47] for agencies to share data on energy infrastructure and critical mineral and material projects. The colocation of staff members, as is being done with the DOD Office of Strategic Capital (OSC) and the DFC, is a low-cost approach to addressing the coordination challenge. This effort can be deepened by exploring how shared pools of technical staff, specifically underwriters and lawyers, between the DFC, EXIM, and OSC can accelerate transaction completion.

Conclusion

DFC is one of the core pillars of US commercial policy, but a 2.0 version must be bigger, faster, and more visible to meet the goals of the Trump administration's foreign policy agenda. Doing so will enable the United States to better compete with foreign adversaries, such as China, in critical sectors, strengthening commercial ties and promoting the dual benefits of economic prosperity at home and influence abroad. With the DFC's reauthorization this year, Congress and the Trump administration have an opportunity to refine the tools, deepen partnerships, and expand expertise in order to make the investments at the scale and with the flexibility needed to strengthen US national security and enhance global competitiveness.

45. "DFC and IDB Invest Establish Americas Partnership Platform," DFC, November 3, 2023, https://www.dfc.gov/media/press-releases/dfc-and-idb-invest-establish-americas-partnership-platform.

46. "DFC Announces New U.S. Financing for Africa's Lobito Corridor," US International Development Finance Corporation, February 8, 2024,https://www.dfc.gov/media/press-releases/dfc-announces-new-us-financing-africas-lobito-corridor.

47. "Simplifying the Funding of Energy Infrastructure and Critical Mineral and Material Projects," White House, June 30, 2025, https://www.whitehouse.gov/presidential-actions/2025/06/simplifying-the-funding-of-energy-infrastructure-and-critical-mineral-and-material-projects/.

About the author

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