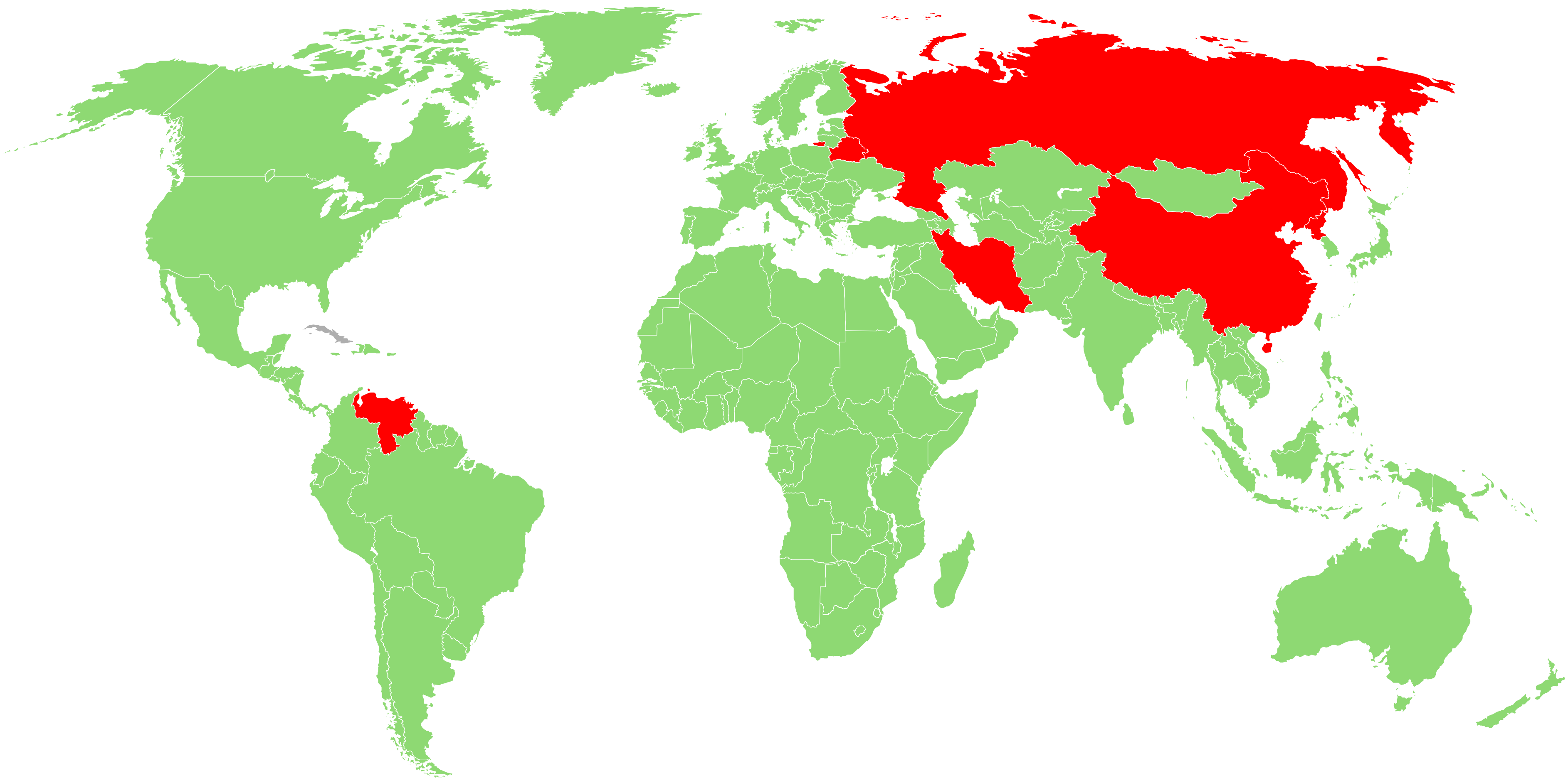
HUNTON

Where can DFC provide support?

So long as DFC is not diverting resources to domestic or other activities beyond its mission and purpose, DFC can basically provide support everywhere, <u>except</u> for seven countries of concern specified in the DFC statute: Venezuela, Cuba, North Korea, Iran, China, Russia, and Belarus.



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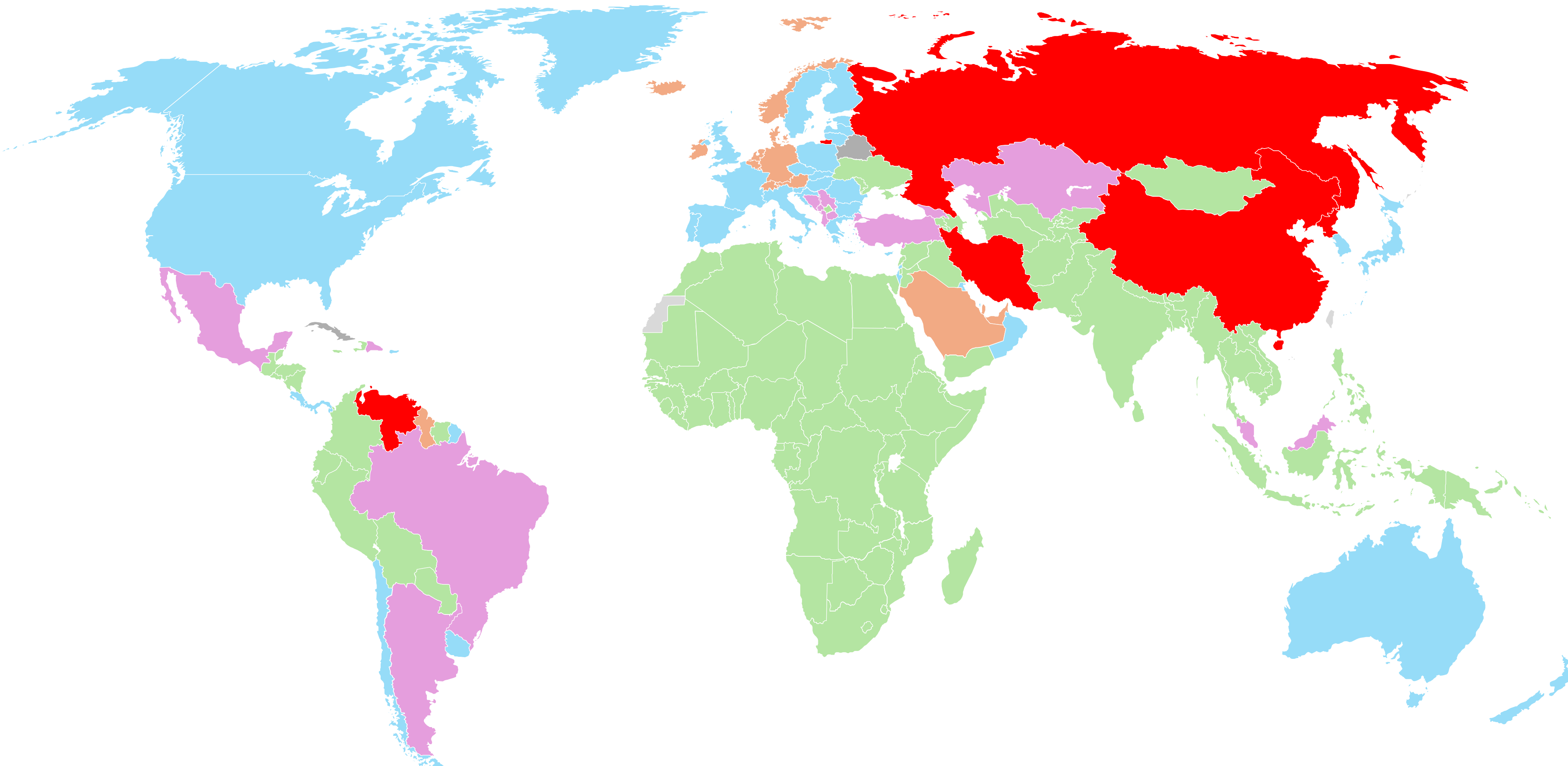
Outside of those seven countries of concern, the criteria for DFC support varies, depending on project country income. Essentially, as income increases, the nexus with U.S. strategic interests must also increase.



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There are no restrictions for less developed countries that are not countries of concern. DFC is required to prioritize them.

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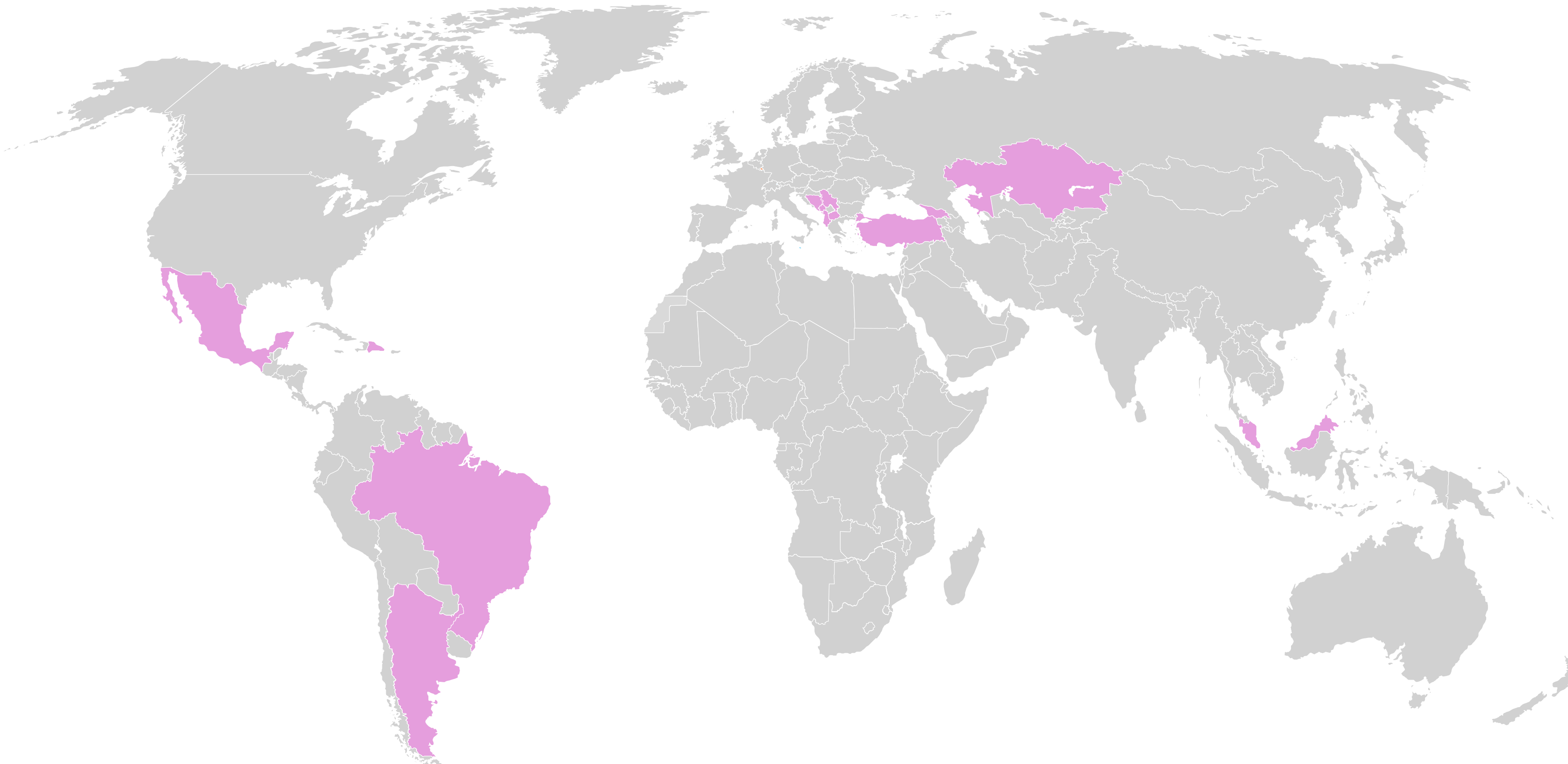
For advancing income countries, the CEO must certify to Congress compliance with the Board's strategic investment policy to (i) advance U.S. national security in accordance with U.S. foreign policy or strategic economic competitiveness imperatives, (ii) produce significant developmental outcomes or impacts for the poorest populations, and (iii) maximize private capital mobilization.



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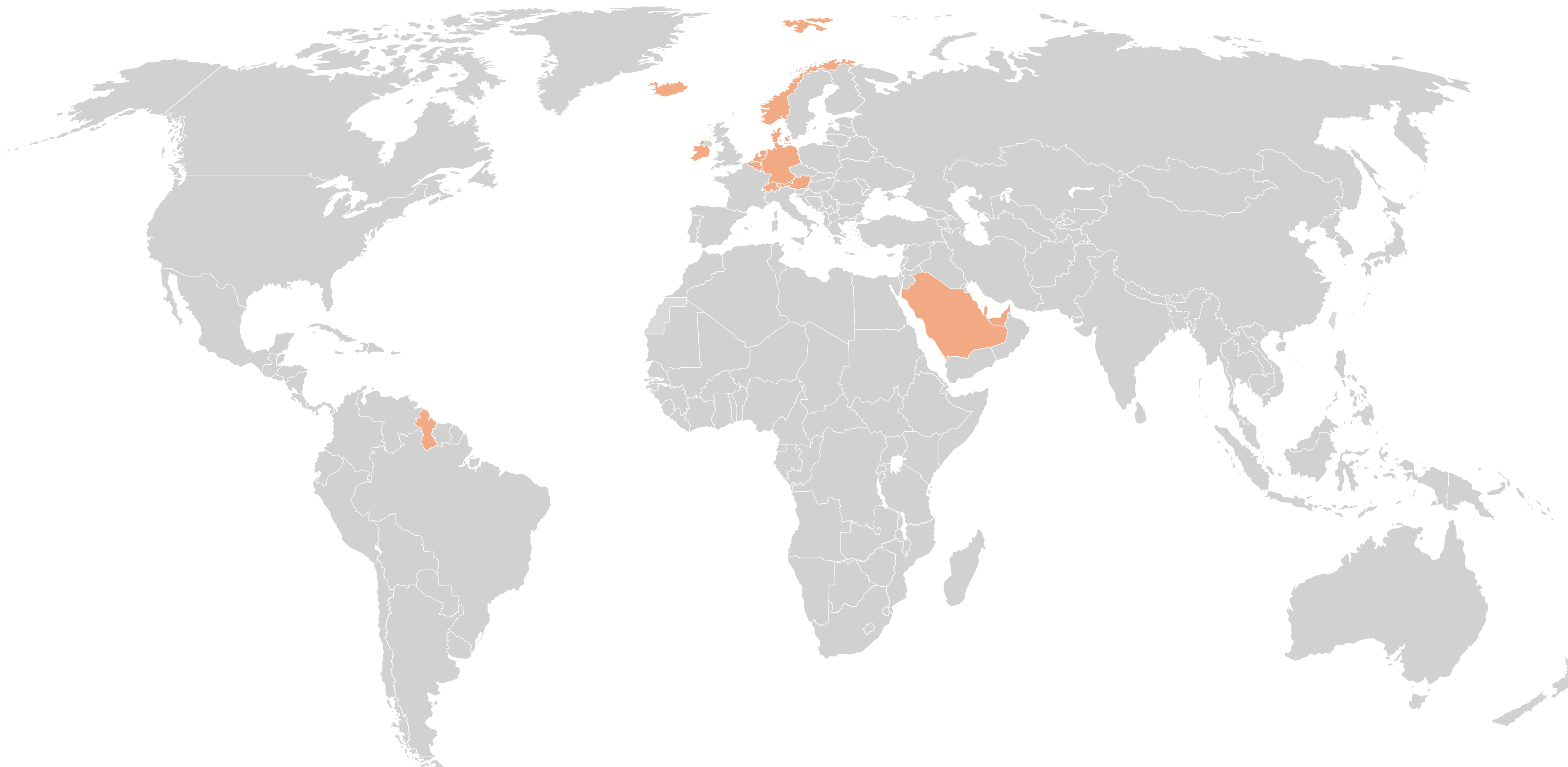
In addition to those requirements, for certain high-income countries, the CEO must also certify to Congress compliance with the Board's strategic investment policy to (iv) afford private sector opportunity to replace DFC support, (v) not exceed 25% of total costs, and (vi) not exceed 10% of DFC's total contingent liability when combined with its other investments in high-income countries. DFC is expected to identify these investments to Congress annually in advance.

Finally, for a small number of wealthy countries, the project must meet all of the other criteria <u>and</u> be in one the following sectors: (i) energy, (ii) critical minerals and rare earths, or (iii) information and communications technology, including undersea cables.



Annex A: Methodology

Statutory Definitions

The following definitions can be found in Section 1402. DEFINITIONS of the BUILD Act as amended by NDAA FY26. In each definition the US Development Finance Corporation or "DFC" is referred to as the "Corporation."

Less Developed Country

(5) LESS DEVELOPED COUNTRY.—The term 'less developed country', with respect to a fiscal year for the Corporation, means a country the gross national income per capita of which at the start of such fiscal year is equal to or less than the World Bank threshold for initiating the International Bank for Reconstruction Development graduation process.

Advancing Income Country

(1) ADVANCING INCOME COUNTRY.—The term 'advancing income country', with respect to a fiscal year for the Corporation, means a country the gross national income per capita of which at the start of such fiscal year is—
(A) greater than the World Bank threshold for initiating the International Bank for Reconstruction and Development graduation process; and
(B) is equal to or less than the per capita income threshold for classification as a high-income economy (as defined by the World Bank).

High-Income Country

(4) HIGH-INCOME COUNTRY.—The term 'high-income country', with respect to a fiscal year for the Corporation, means a country with a high-income economy (as defined by the World Bank) at the start of such fiscal year but does not include any wealthy country except to the extent investments in such wealthy country are permitted pursuant to section 1412(f).

Statutory Definitions

The following definitions can be found in Section 1402. DEFINITIONS of the BUILD Act as Amended by NDAA FY26.

Wealthy Country

(8) WEALTHY COUNTRY.—The term ‘wealthy country’, with respect to a fiscal year for the Corporation—
(A) means a country that is among the top 20 countries with the highest gross domestic product per capita at purchasing power parity, as calculated by the World Bank; and
(B) does not include members of the ‘Five Eyes’ alliance or the overseas territories of the 20 countries referred to in subparagraph (A).

Country of Concern

(3) COUNTRY OF CONCERN.—The term ‘country of concern’ means any of the following countries:
(A) The Bolivarian Republic of Venezuela.
(B) The Republic of Cuba.
(C) The Democratic People’s Republic of Korea.
(D) The Islamic Republic of Iran.
(E) The People’s Republic of China.
(F) The Russian Federation.
(G) The Republic of Belarus.

Research Stipulations and Methodology

Interpretation

The classification of countries into each category is based on our interpretation of the BUILD Act, as amended by NDAA FY26, and does not reflect any decisions or interpretations made by DFC or how DFC may ultimately categorize each country.

Data Availability

The World Bank GNI and GDP data is only current as of 2024. Some countries do not have GNI or GDP data for 2024 and others (mostly Countries of Concern and territories of other countries) have no data at all for any year. We have assumed that DFC will use the latest available World Bank data for country classification.

Minimum Requirements

The statute provides minimum requirements for DFC's investment policy for each country category. The actual policies that DFC creates may include additional requirements, and the conditions to DFC support included on the following slides are based solely on the statute and do not take into account DFC's actual policies that DFC is likely currently contemplating.

Classification of Countries

The definitions of Country of Concern, Less Developed Country, Advancing Income Country, High-Income Country, and Wealthy Country each rely on the undefined term "country." We have assumed that "country" is limited to a sovereign state with its own government, legal system, and full independence, and that any overseas territories subject to the control of another country are intended by the statute to be treated as part of the parent country. (continued on next slide)

Research Stipulations and Methodology

Classification of Countries

Thus, we have assumed that Hong Kong is a part of China and is therefore a Country of Concern where DFC may not provide support, and the Cayman Islands and Bermuda are High-Income Countries because the United Kingdom is a High-Income Country.

To complicate matters, however, Wealthy Country is defined to mean, with respect to a fiscal year, a country that is among the top 20 countries with the highest gross domestic product per capita at purchasing power parity ("GDP Per Capita PPP"), as calculated by the World Bank, not including members of the 'Five Eyes' alliance or the overseas territories of the top 20 countries.

The World Bank website provides a list of "countries and economies" by GDP Per Capita PPP, treating countries as distinct from overseas territories with their own economy – e.g. Denmark and Greenland are treated as separate entities with their own GDP Per Capita PPP.

Assuming that the statute means what it says and only intends to include the top 20 countries by GDP Per Capita PPP, and not the top 20 countries and economies or territories, the World Bank website indicates that the following belong in the top 20 list (the "Top 20 List"): (1) Luxembourg, (2) Singapore, (3) Ireland, (4) Qatar, (5) Norway, (6) Switzerland, (7) Brunei Darussalam, (8) United States, (9) Netherlands, (10) Iceland, (11) Guyana, (12) Denmark, (13) United Arab Emirates, (14) San Marino, (15) Andorra, (16) Germany, (17) Belgium, (18) Austria, (19) Australia, and (20) Saudi Arabia. Note that the World Bank does not have data on some countries that would likely otherwise have been included in the list, such as Monaco, which remains unclassified in our current categorization. (continued on next slide)

Research Stipulations and Methodology

Classification of Countries

It seems clear from the definition that, despite being on the Top 20 List, the United States is not a Wealthy Country because it is in the Five Eyes alliance.

We also think it is clear that any overseas territories of countries on the Top 20 List are not themselves Wealthy Countries. We assume they should be treated, therefore, as High-Income Countries because their parent countries otherwise meet the definition of High-Income Country. Under this reading, for example, Denmark is a Wealthy Country, but its overseas territories Greenland and the Faroe Islands are only treated as High Income Countries.

In summary, we interpret the statute to treat overseas territories as part of the parent country, except for purposes of determining whether a country or territory is a Wealthy Country.

Classification Criteria

In our analysis of the BUILD Act and available GNI and GDP data we have classified the countries of the world into the five DFC categories. In our analysis we assumed that DFC will use the latest available World Bank data for country classification. The following classifications are based solely on the BUILD Act and available data and do not take into account DFC's actual policies that DFC is likely contemplating.

Category	Criteria	Conditions for DFC Support
Less Developed Country	Gross national income (GNI) per capita equal to or less than $7,855.	None. DFC shall prioritize the provision of support in Less Developed Countries.
Advancing Income Country	GNI per capita greater than $7,855 and less than or equal to $13,935	DFC may provide support to a project in an Advancing Income Country if the CEO certifies in writing to the appropriate congressional committees that such support will be provided in accordance with DFC's investment policy for Advancing Income Countries, which policy must require that such projects: (1) advance the national security interests of the U.S. in accordance with U.S. foreign policy, as determined by the Secretary of State or advance significant strategic economic competitiveness imperatives; (2) are designed to produce significant developmental outcomes or provide developmental impacts to the poorest populations of the Advancing Income Country; and (3) are structured in a manner that maximizes private capital mobilization.

Classification Criteria, cont.

Category	Criteria	Conditions for DFC Support
High-Income Country	GNI per capita greater than $13,935, but excluding wealthy countries	(1) DFC may provide support to a project in a High-Income Country if the CEO certifies in writing to the appropriate congressional committees that such support will be provided in accordance with DFC's investment policy for High-Income Countries, which policy must require that: (a) each such project meets the requirements of DFC's investment policy for Advancing Income Countries; (b) with respect to each project in a High Income Country, (i) private sector entities have been afforded an opportunity to support the project on viable terms in place of support by DFC, and (ii) DFC's support does not exceed 25% of the total project costs; (c) with respect to support for all projects in all High-Income Countries, the aggregate amount of support does not exceed 10% of DFC's total maximum contingent liability; and (d) the CEO submit to the appropriate congressional committees a report that: (i) certifies that DFC has applied the policy to each supported project in a High-Income Country, and (ii) describes whether such support is a preferred alternative to state-directed investments by a foreign country of concern or otherwise furthers the strategic interest of the U.S. to counter or limit the influence of foreign countries of concern. (2) DFC may not provide support for a project in a High-Income Country in any year for which that High-Income Country was not included in the list of High-Income Countries in which DFC anticipates providing support contained in the annual High-Income Country report submitted by DFC to the appropriate congressional committees, unless not later than 15 days before commitment, DFC consults with and submits to the appropriate congressional committees a notification describing how the proposed project advances U.S. foreign policy interests.

Classification Criteria, cont.

Category	Criteria	Conditions for DFC Support
Wealthy Country	Top 20 countries with the highest gross domestic product per capita at purchasing power parity, excluding members of the Five Eyes alliance and the overseas territories of those 20 countries	DFC may not provide support for a project in a Wealthy Country, except that DFC may provide support for projects in the energy, critical minerals and rare earths, and information and communications technology sectors, subject to the requirements of DFC's investment policy for High-Income Countries.
Country of Concern	(A) The Bolivarian Republic of Venezuela (B) The Republic of Cuba (C) The Democratic People's Republic of Korea (D) The Islamic Republic of Iran (E) The People's Republic of China (F) The Russian Federation (G) The Republic of Belarus	DFC may not provide support for a project in a Country of Concern.

Annex B: Countries by Criteria

Less Developed Countries

Afghanistan	Cameroon	Ethiopia	Kiribati	Morocco	Sao Tome and Principe	Togo
Algeria	Central African Republic	Fiji	Kosovo	Mozambique	Senegal	Tonga
Angola	Chad	Gabon	Kyrgyz Republic	Myanmar	Sierra Leone	Tunisia
Armenia	Colombia	Gambia, The	Lao PDR	Namibia	Solomon Islands	Turkmenistan
Azerbaijan	Comoros	Ghana	Lebanon	Nepal	Somalia, Fed. Rep.	Uganda
Bangladesh	Congo, Dem. Rep.	Guatemala	Lesotho	Nicaragua	South Africa	Ukraine
Belize	Congo, Rep.	Guinea	Liberia	Niger	South Sudan	Uzbekistan
Benin	Cote d'Ivoire	Guinea-Bissau	Libya	Nigeria	Sri Lanka	Vanuatu
Bhutan	Djibouti	Haiti	Madagascar	Pakistan	Sudan	Viet Nam
Bolivia	Ecuador	Honduras	Malawi	Papua New Guinea	Suriname	West Bank and Gaza
Botswana	Egypt, Arab Rep.	India	Mali	Paraguay	Syrian Arab Republic	Yemen, Rep.
Burkina Faso	El Salvador	Indonesia	Mauritania	Peru	Tajikistan	Zambia
Burundi	Equatorial Guinea	Jamaica	Micronesia, Fed. Sts.	Philippines	Tanzania	Zimbabwe
Cabo Verde	Eritrea	Jordan	Moldova	Rwanda	Thailand	
Cambodia	Eswatini	Kenya	Mongolia	Samoa	Timor-Leste	

Advancing Income Countries

Albania	Georgia	Mauritius	St. Vincent and the Grenadines
Argentina	Grenada	Mexico	Turkiye
Bosnia and Herzegovina	Kazakhstan	Montenegro	Tuvalu
Brazil	Malaysia	North Macedonia	
Dominica	Maldives	Serbia	
Dominican Republic	Marshall Islands	St. Lucia	

High Income Countries

American Samoa	Chile	Greenland	Nauru	Slovak Republic
Antigua and Barbuda	Costa Rica	Guam (US territory)	New Caledonia	Slovenia
Aruba	Croatia	Hungary	New Zealand	Spain
Australia	Curacao	Isle of Man	Northern Mariana Islands (US territory)	St. Kitts and Nevis
Bahamas, The	Cyprus	Israel	Oman	St. Martin (French territory)
Bahrain	Czechia	Italy	Palau	Sweden
Barbados	Estonia	Japan	Panama	Trinidad and Tobago
Bermuda	Faroe Islands	South Korea	Poland	Turks and Caicos Islands
British Virgin Islands	Finland	Kuwait	Portugal	United Kingdom
Bulgaria	France	Latvia	Puerto Rico	United States
Canada	French Polynesia	Liechtenstein	Romania	Uruguay
Cayman Islands	Gibraltar (British Territory)	Lithuania	Seychelles	Virgin Islands (US territory)
Channel Islands (UK Crown Dependency)	Greece	Malta	Sint Maarten (Dutch part)	

Wealthy Countries

Andorra	Germany	Netherlands	Singapore
Austria	Guyana	Norway	Switzerland
Belgium	Iceland	Qatar	United Arab Emirates
Brunei Darussalam	Ireland	San Marino	
Denmark	Luxembourg	Saudi Arabia	

Countries of Concern

The Bolivarian Republic of Venezuela	The Republic of Cuba	The Democratic People's Republic of Korea	The Islamic Republic of Iran
The People's Republic of China (Including Hong Kong SAR and Macao SAR)	The Russian Federation	The Republic of Belarus	

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