

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FOREIGN AFFAIRS

THE ADMINISTRATION'S FY22 BUDGET REQUEST FOR THE PEACE CORPS,
DEVELOPMENT FINANCE CORPORATION, AND MILLENNIUM CHALLENGE
CORPORATION

WRITTEN STATEMENT OF DEV JAGADESAN
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Mr. Chairman, Ranking Member McCaul, and Members of the Committee, thank you very much for this opportunity to speak with you about the President's Fiscal Year 2022 proposed budget and the ways DFC is driving private sector investment toward projects in the developing world that improve livelihoods and address global challenges like climate change, pandemic threats, and persistent economic disparities.

To confront the challenges we face both as a nation and as a global community, we must collectively mobilize significant financial resources and fill an unmet need for investment in developing countries. DFC uses its investment and project support tools to mobilize the private sector alongside federal resources to help close this financing gap. DFC focuses its efforts on the populations that are most vulnerable to these global challenges: those living in low-income countries, women, refugees, and disadvantaged communities.

The President has recognized the scale of the challenges that we face and has called on DFC to do more. DFC is working with other G7 development finance institutions through the Build Back Better World Initiative to mobilize significantly more capital to invest in climate solutions, healthcare, technology, and gender equity in developing countries. Through B3W, we will offer countries a positive vision and a sustainable, transparent source of financing for high-quality infrastructure in contrast to other models driven by authoritarian governments. These are ambitious goals that can only be attained with the support of Congress and robust budgetary resources.

The Administration requested an FY 2022 budget of \$450 million in program funds for credit programs, equity investments, and technical assistance; and \$148 million for administrative expenses. When it became apparent that a continuing resolution (CR) would be needed at the start of FY 2022, the Administration recommended to Congress that the short-term CR include additional funding for DFC. The Administration included this additional request following the G7 Summit where Leaders adopted the Build Back Better World goals for which the DFC will have substantial responsibility to execute on behalf of the United States. We recognize that the request came late in the process. For the CR, the administration requested \$800 million in program funds and \$200 million for administrative expenses. These levels enable the DFC to increase staff from 420 personnel in FY 2021 to 540 by the end of FY 2022 to ramp up commitments and ensure effective management of the growing portfolio. Though these additional resources were not ultimately included in the CR, increasing DFC's budget remains a priority for the Administration.

One area where a robust and well-resourced DFC can make a significant impact is by helping meet the vast need for vaccines in developing countries. Vaccine supply is insufficient, and what is available has flowed predominately to wealthy nations. Just four percent of the population of Africa has been fully vaccinated against COVID-19, as of the end of September. To vaccinate 70% of the global population, global manufacturing supply needs to produce a minimum of 11 billion doses of vaccines for COVID-19 alone. There is still much work to be done to build the capacity necessary to protect vulnerable populations and prevent the emergence of more virulent strains. Those living in low-income countries are especially at risk of severe illness and economic disruption.

DFC's investment tools are well suited for scaling the capacity to manufacture vaccines and bolster healthcare delivery in developing countries. Investing directly in these countries will allow people to access vaccines and treatments more quickly and affordably. We are proud to have committed loans or grants to projects in Senegal, South Africa, and India to manufacture vaccines, meet the global demand, and protect vulnerable individuals. In total, the companies DFC has supported, to date, will have the capacity to produce more than 2 billion doses of the COVID-19 vaccine for the developing world by the end of 2022. DFC's work in the healthcare sector is continuing to grow, and the scope of this work extends beyond vaccines and the response to COVID-19 alone.

DFC is also expanding its commitments to projects that empower women. Since its inception in 2018, DFC's 2X Women's Initiative has catalyzed more than \$8 billion of investments in projects that are owned by women, led by women, or provide a product or service that empowers women. In July, DFC announced that it would mobilize at least \$12 billion through the 2X Initiative by 2025 – an average of \$2.4 billion per year over the next five years. Women drive growth and foster stability in their homes, communities, and economies. Yet women face extreme barriers to achieving full participation in and contribution to their economies and to society as a whole, and have been disproportionately impacted by COVID-19, including through greater job and income loss. DFC uses the power of its investments to advance gender equity.

One example of a 2X project that DFC supported is Goyol Cashmere, a local producer of wool and cashmere knitwear in Mongolia. A \$5 million DFC loan to the company is allowing it to construct a new factory and purchase additional equipment in order to expand production. Goyol Cashmere was founded by a female entrepreneur who started to create her own knitwear as a teenager while working at a cashmere factory. She launched her business in 2005 and has expanded from five employees to more than 100, of whom 80 percent are women. This project is a clear demonstration of how DFC can help expand economic opportunities with its financial tools.

DFC will continue to seek out opportunities to support projects that expand access to finance for small and medium enterprises, women, and rural populations, which have traditionally had limited access to financial services. For example, one project that DFC approved in the last year is a \$150 million loan to Banco de la Producción S.A. (Produbanco) in Ecuador. Produbanco will utilize DFC financing to on-lend to small- and medium-sized enterprises (SMEs) and women borrowers that promote gender equity and inclusion; have been affected by the COVID-19 pandemic; and are promoting green development projects that combat climate change.

Strengthening vulnerable and underserved populations is a common thread that runs through all of DFC's work. DFC is foremost focused on filling the significant need for investment in sectors and regions that have been underserved by commercial banks and private investors. By supporting commercially viable projects that deliver developmental outcomes, DFC helps advance sustainable economic growth based on core American values: transparency, environmental stewardship, and rule of law. DFC helps connect individuals through power grids,

the internet, transportation networks, and supply chains, and does so in a way that elevates both the people that these projects serve, and also our own national interests.

Thank you again for the opportunity to speak to you today about the priorities of our Corporation, and how the President's FY 2022 budget will provide the financial resources to help meet many critical development needs throughout the globe. We look forward to continued partnership with Congress, and I am happy to answer any questions you may have.

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