

**Testimony of Scott A. Nathan**  
**Chief Executive Officer, United States International Development Finance Corporation**  
**House Committee on Foreign Affairs**  
**“Combatting the Generational Challenge of CCP Aggression”**  
**Tuesday, February 28, 2023**

Mr. Chairman, Ranking Member Meeks, and Members of the Committee, thank you for inviting me here today. I appreciate this opportunity to testify about how the U.S. International Development Finance Corporation is meeting the challenge posed by the People’s Republic of China and other strategic competitors, as they seek to expand influence in the developing world.

I would like to begin by thanking this Committee for its central role in creating DFC, through the passage of the BUILD Act. DFC launched just over three years ago expanding on the legacy of our predecessor organizations, the Overseas Private Investment Corporation and USAID’s Development Credit Authority. Strong bipartisan support since then has enabled DFC to build the capacity to better pursue the dual mission Congress gave us – to focus on making positive development impact in the poorest countries of the world, and, at the same time, advance the strategic interests of the United States. We meet this mission by financing private sector projects across regions and sectors. I want to emphasize this point – unlike the development approach of the PRC, which often burdens countries with unsustainable sovereign-level debt, DFC’s efforts are directed toward supporting private entities, mobilizing private capital, and through that activity, building resilient market economies.

We are guided by the belief that developing a robust private sector – from working on large infrastructure projects to supporting small business – is the best way to alleviate poverty over the long term and strengthen the economic and strategic positions of our partners around the world. Cooperating closely with the development finance institutions of our allies and partners is a key tool for amplifying this impact. Through our work, we hope to demonstrate that mobilizing private capital is the most sustainable and effective way to achieve durable development outcomes. And, importantly, our investments reflect the power of the entrepreneurial spirit and

carry our values of openness, respect for local laws and conditions, and high environmental, labor, and integrity standards.

That stands in sharp contrast to what our strategic competitors, especially the PRC, offer. There is no doubt that the PRC has put an immense amount of money into projects around the world through its Belt and Road Initiative, but they are using a different model. What they offer frequently comes laden with burdens, not all of them financial. For example, when the PRC's state-controlled entities put money into projects, they often bring their own workers rather than create local jobs and show little respect for local communities or environmental and labor standards. When the workers go home, the projects left behind are often inappropriate for local conditions and are poor quality, and if projects run into trouble, PRC entities rarely engage in cooperative restructuring negotiations and instead take the opportunity to exert undue leverage.

As I travel in our markets and meet with leaders from developing nations, it is clear that many countries - whether in the Indo-Pacific, Central Europe, Latin America, or especially, in Africa – would prefer an alternative to what the PRC or other strategic competitors offer them. The key is that we need to show up and offer them that choice. That is why you created DFC and that is what we are striving to do every day.

We have made significant progress in close partnership with you and your teams. In Fiscal Year 2022, DFC committed to financing 183 transactions totaling over \$7.4 billion – a record level of investment and associated development impact – across our range of products including direct lending, loan guarantees, political risk insurance, and, importantly, our new tools of technical assistance grants and equity investments. The BUILD Act enabled us to use these tools to take more risk so that we could make greater development impact and actively offer a viable alternative to our strategic competitors, all in pursuit of our mission. We also are working across sectors - from infrastructure and energy to healthcare and support for small business - pursuing private sector opportunities that improve people's lives and strengthen the strategic position of our allies and partners.

By investing in high quality infrastructure, DFC is helping to connect communities to the global economy and secure global supply chains. For example, we have many active leads to finance seaports around the world and have recently concluded some important transactions. DFC has committed to provide a \$150 million loan to finance the expansion and modernization of a container port in Ecuador. And, in Georgia, DFC has lent \$48 million to help expand the Poti New Sea Port on the Black Sea, creating jobs and increasing the ability to move grain, fertilizer, and goods at a crucial time, in light of Russia's ongoing war on Ukraine. We are pursuing additional strategic and developmental infrastructure investments around the world in airports, railways, and toll roads.

In the 21st century, we also need to think about infrastructure more broadly, making investments to close the digital divide in a secure and open manner. To that end, DFC is supporting companies who have actively out-competed Chinese network systems and equipment suppliers. DFC has recently worked with our Australian and Japanese counterparts to enable Telstra to secure these strategic digital networks in Papua New Guinea and five other Pacific Island nations and support the provision of affordable and safe mobile services. In Brazil, we have invested in Smart Rio, a project that deployed smart city and digital infrastructure solutions, including public wi-fi and a public-private lighting solution. And we have lent \$300 million to Africa Data Centres to help their expansion throughout the Continent.

DFC financing is promoting access to reliable energy that is cleaner, more sustainable, and more secure. In the last year, we financed non-Russian gas supplies for Moldova with \$400 million of insurance, enabled the construction of a new solar panel manufacturing plant in India that is free from the problems of the Chinese supply chain with a \$500 million loan, and expanded our support for a new gas-fired electricity plant in electricity-starved Sierra Leone to \$267 million in total. We have also promoted innovation with groundbreaking transactions that financed solar deployment in Egypt and a first of its kind on-grid solar power plant with battery storage in Malawi. At last year's Three Seas Initiative Summit, I announced that DFC would commit up to \$300 million in debt financing to the Three Seas Initiative Investment Fund, which will help finance energy and energy infrastructure projects and further promote regional economic

connectivity. These are just some examples of the work we are doing to provide increased access to affordable and reliable power, a key to unlocking development potential.

And we continue to focus on securing the energy and technologies of the future, from actively pursuing new opportunities in nuclear energy to investing in e-mobility businesses in order to secure the supply chains that support them. This includes our work to sustainably diversify the supply and processing of critical minerals away from dependence on the PRC. We recently invested \$30 million in the latest round of equity financing for U.S.-aligned critical minerals platform TechMet Ltd. to support their investment in nickel and cobalt production in Brazil.

We also are financing cutting edge solutions like debt-for-nature swaps, which reduce the burden of sovereign level debt while simultaneously conserving the environmental and economic ecosystems on which our partners depend. We were proud to have helped Belize through one of these transactions, which helped shave hundreds of millions of dollars off its national debt, conserve its marine environment, and expand its blue economy. Given the current debt crisis in emerging markets, we are working with the private sector on similar transactions around the world to bolster our partners' economic and environmental resilience.

Our work is guided by the belief that investing in resilient societies begins with investments in the well-being of people. This work is particularly important in the face of global shocks like the pandemic and the global impact of Russia's brutal and unprovoked invasion of Ukraine. As a result, DFC has increased our efforts to invest in health and food security around the world. We are strengthening pandemic preparedness by bolstering vaccine manufacturing capacity in India, Senegal, and South Africa. We are investing in long-term health system resilience by partnering with healthcare entrepreneurs operating private treatment and diagnostic clinics in Brazil, Ecuador, India and Southeast Asia. And we are surging our investments in food security – already a priority even before the events of last year – by financing innovative funds and companies that are improving agricultural productivity. We are also financing companies eliminating waste and the unproductive layers of middlemen by connecting farmers and fishers in Africa and Southeast Asia directly to their markets.

Unlike the PRC's efforts under the BRI, DFC is supporting local small business in many markets around the world. We also support lending to promote financial inclusion and the economic empowerment of women, refugees, and other underserved communities. Small businesses are the greatest engine of economic opportunity and growth, leading to employment and more stable societies. DFC is working to unleash that potential in places like Vietnam, where we are providing up to \$200 million of support to SeABank to increase their lending to SMEs. We recently have concluded similar deals in India, Nigeria, Colombia, Northern Central America, Sri Lanka, Mongolia, Liberia, and Ukraine, among others. Through this work, DFC has reached millions of entrepreneurs and small businesses, enabling them to grow and employ more people.

These are just some examples of the types of transactions that offer an alternative to our strategic competitors and, principally, to the activity of the PRC in the developing world. I am proud of the work that the fantastic team at DFC has done through these transactions and many others. Although DFC is just three years old, we have made great progress and are building on a record year of impact. But I know that we can and must do more. We also need to do it faster. Everyone at DFC is working diligently to improve our processes and structure while building more capacity to fulfill both our development and strategic missions. I welcome the opportunity to keep the members of this committee informed of our progress.

Thank you. I look forward to your questions.