



“Reauthorizing the U.S. Development Finance Corporation”
House Foreign Affairs Subcommittee on East Asia and the Pacific
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Chairwoman Kim, Ranking Member Bera, and distinguished Members of the Subcommittee thank you for the opportunity to testify today.

My name is Erin Collinson, and I serve as director of policy outreach at the Center for Global Development, a non-partisan think tank based here in DC. CGD does not take institutional positions, and the views I share today are my own.

I want to start by acknowledging that the passage of the Better Utilization of Investments Leading to Development (BUILD) Act establishing the US International Development Finance Corporation (DFC) was an impressive feat. Credit to those who noted that despite the size and strength of the US private sector, the US government was falling short in deploying strategic and efficient development finance and proposed a bipartisan solution. DFC helps harness the private sector to advance development outcomes and achieve foreign policy objectives with profits that return to the US Treasury.

When DFC opened its doors, it did so with an inherited portfolio of approximately \$25 billion. Today, just five years later, DFC’s investment portfolio has nearly doubled—reflecting strong demand for its services, including its expanded authorities under the BUILD Act.¹

When it comes to DFC’s reauthorization, I want to make four recommendations.

1) Reauthorize DFC promptly

I want to commend this committee for having started this process in earnest last Congress by advancing a bipartisan reauthorization bill.² And for having this hearing: a platform to discuss shaping DFC’s future trajectory. Several foundational elements must be included in any legislation extending the authorities of DFC.

- A multi-year reauthorization to provide the certainty that businesses need to plan
- A sufficient increase in DFC’s \$60 billion maximum contingent liability cap to leave room for future portfolio growth
- A fix to the illogical budget treatment of DFC’s direct equity authority, which has hamstrung its use and put unnecessary pressure on the international affairs budget

¹ https://www.dfc.gov/sites/default/files/media/documents/DFC_AnnualReport_2024_v6.pdf

² <https://foreignaffairs.house.gov/press-release/mccauls-h-r-8926-the-dfc-modernization-and-reauthorization-act-of-2024-passes-out-of-committee/>

I'll talk a bit about other important enhancements in a moment, but I want to underscore the value of getting this done in advance of the October deadline—even amid so many competing demands for attention on Capitol Hill. As a development finance institution that structures multi-year financing arrangements, DFC requires the market confidence and operational certainty that comes with timely reauthorization. Private sector partners—from project developers to co-investors—make decisions based on DFC's reliability and continuity. Timely reauthorization will help prevent disruptions to DFC's deal pipeline and preserve America's competitive position in global development finance. DFC's Office of Inspector General even highlighted the risk, "DFC's competitors could use the pending reauthorization as an opportunity to sway competing investment opportunities deals away from DFC."³ So again, I want to applaud the leadership demonstrated by this committee.

2) **Maintain a strong development focus**

While I understand there's interest in affording DFC greater flexibility when it comes to country income restrictions, I want to highlight that DFC's investments have the highest likelihood of delivering impact in lower-income countries where lack of access to private capital represents a binding constraint.⁴ In high-income countries and even in some upper-middle countries, private financing is generally available for bankable projects without the need for external assistance. DFC's limited resources would have minimal catalytic effects in those settings. By contrast, in low- and lower-middle-income countries, DFC's financing can transform project viability, representing a significant proportion of available capital while addressing critical market gaps. Projects in these contexts also align more naturally with DFC's core development mandate. In the Indo-Pacific, this includes providing direct loans to water operators in Cambodia,⁵ taking an equity stake in a business-to-business healthcare company in Vietnam,⁶ and providing portfolio guarantees to financial services groups in Laos in support of the US government's countering PRC initiative.⁷

The BUILD Act set out a mission for DFC to advance development outcomes and achieve foreign policy objectives. These need not be mutually exclusive, but DFC should focus on crowding in private capital where it is scarce, not crowding it out where it is abundant. I believe Congress should use reauthorization to reaffirm DFC's strong development mandate and encourage the agency to set a higher bar for mobilizing private finance in more advanced economies.

³<https://www.dfc.gov/sites/default/files/media/documents/Top%20Management%20Challenges%20Facing%20DFC%20in%20FY%202025FINAL.pdf>

⁴ <https://www.cgdev.org/blog/development-north-star-does-dfc-need-better-compass>

⁵ <https://www.dfc.gov/sites/default/files/media/documents/9000104892.pdf>

⁶ <https://www.dfc.gov/sites/default/files/media/documents/9000116056.pdf>

⁷ <https://www.dfc.gov/sites/default/files/media/documents/9000116889.pdf>

3) Encourage continued improvements to DFC's transparency and accountability practices

Back in 2016, my former CGD colleagues Todd Moss and Ben Leo—who were among the early voices calling on the US to establish a full-service development finance institution—sought to answer questions about the portfolio of DFC's predecessor OPIC, including how well the agency was balancing risks, development impact, and fiduciary considerations. At the time, there was no accessible database to conduct this analysis, so with the help of an industrious research assistant, they created one, piecing together project-level data (much of it locked in pdf form) from annual reports and project summaries.⁸ Thankfully, we've come a long way since then. A provision included in the BUILD Act ensured DFC was subject to the Foreign Aid Transparency and Accountability Act. DFC now features project-level data in two forms on its website. Congress should applaud this progress and encourage DFC to make continued improvements. Merging the two datasets, for instance, while ensuring regular updates would be a welcome step. As described above, by providing disaggregated data on private capital mobilization, DFC could demonstrate how its financing can be truly catalytic.

DFC has also made important progress towards measuring the impact of its investments. Under the leadership of its first CEO, Adam Boehler, DFC pioneered the creation of Impact Quotient (IQ)—a framework used to assess the development impact of prospective projects but also designed to track impact and measure whether projects deliver expected development outcomes.⁹ Since then, DFC has sought to strengthen its capacity to monitor and evaluate projects—going beyond OPIC's approach, which relied primarily on client surveys.

Congress should direct DFC to provide more detailed information about development impact at the project level, including a narrative explanation to accompany the IQ categories in its project database, to update them as appropriate, and to publish its ex-post results. With continued commitment and resources, DFC will be able to showcase its impact and stewardship of taxpayer dollars, helping set a high standard for DFIs globally.

4) Remember that DFC is part of a broader US development and foreign policy toolkit

As a new agency that harnesses the power of the private sector and effectively leverages limited resources, DFC has attracted a lot of attention since its creation. That's a good thing in some ways, but it has contributed to mounting pressure on the agency to work in particular

⁸ <https://www.cgdev.org/sites/default/files/CGD-Policy-Paper-81-Leo-Moss-Inside-the-OPIC-Portfolio.pdf>

⁹ <https://www.cgdev.org/event/measuring-development-impact-dfcs-new-impact-quotient-iq-tool>

sectors, regions, and countries. The dramatic proliferation of these requests threatens to fragment DFC's strategic focus and dilute its development impact in places where capital constraints are most severe. And I want to caution against ladening the agency with too many directives without a commensurate increase in resources and staff.¹⁰ DFC has become a critical channel for achieving US development and foreign policy objectives, but it's not the only one. I hope this committee and its counterparts will take a holistic view and consider which tools and instruments the US can deploy to operate most strategically in a given setting—and look for opportunities to strengthen its other tools if they appear to fall short. Finally, I want to note that while DFC has grown its overseas presence, it remains incredibly modest. Some of that was by design. Part of the vision for DFC was that it would leverage the US global footprint—particularly working with USAID mission staff.

In fact, the BUILD Act mandated a report detailing plans for future coordination between USAID and DFC. That report, dated July 31, 2019, outlines extensive institutional linkages, including opportunities to collaborate on deal origination, relationship management, technical assistance, feasibility studies, compliance oversight, monitoring and evaluation, and more.¹¹ In short, USAID was often DFC's boots on the ground. Recent actions taken to dismantle USAID will make DFC's job harder.

In closing, I want to underscore that this committee has a significant opportunity to build on a bipartisan win for America by advancing a timely reauthorization of DFC that addresses core operational issues, reinforces the agency's development mandate, encourages continued improvements in transparency and accountability, and recognizes DFC's position in a broader US development and foreign policy toolkit.

Thank you again for the opportunity to testify.

¹⁰ <https://www.cgdev.org/blog/diplomacy-good-d-dfc-development>

¹¹ https://www.dfc.gov/sites/default/files/2019-10/CoordinationReport_Shelby_7_31_19.pdf