House Approps Members Day Testimony

Congressman Ted Yoho (FL-03)

Esteemed Members of the Appropriations Committee, thank you for the opportunity to address you today. With the official launch of the new U.S. Development Finance Corporation on January 2, 2020, I wish to thank the Committee for its leadership in providing the necessary resources to kickstart this critical new agency.

The establishment of the DFC represents one of the most significant reforms to U.S. foreign assistance in decades. With the new tools provided by Congress, the DFC is positioned to play a much larger role in advancing global development and U.S. foreign policy interests while countering China's Belt and Road Initiative and their policy of "debt trap diplomacy." In establishing the DFC, Congress recognizes that sustainable economic development and prosperity can only be achieved when we fully harness the power of the free market. In doing so, our purpose is not to keep developing nations under our thumb or subject them to unrealistic social standards, but to transition these countries to a mutually beneficial trade relationship with the United States.

Despite the general success of the DFC since its launch, there are still issues that this Committee must address. Specifically, how to fund adequately the extremely important authority that the BUILD Act furnished the DFC with respect to equity. By providing the DFC with equity authority, the Congress enabled the DFC to invest in highly developmental projects in very poor and fragile settings. It also will allow the DFC to enter new, strategic co-investments with our international partners in order to strengthen our global economic influence and to more effectively challenge our economic competitors in strategic regions around the world.

For these reasons, we need to prioritize the equity capacity of the DFC, as directed by the BUILD Act, which authorized equity investments of up to 35% of total exposure -- or up to $21 billion out of $60 billion total over the 7-year authorization period included in the legislation. I ask that the Committee support funding the DFC's equity investment authority at $150 million, consistent with the FY2020 conference agreement.

However, the Administration's budget request for this year would continue the practice followed last year by recommending an appropriation to fund the equity on a dollar-for-dollar basis. Not only does such an appropriation place more pressure on the limited resources of the appropriations process, but it also presumes that every dollar of equity invested would be lost.

I am working working with the BUILD Act's sponsors, as well as Federal budget experts, to introduce legislation that would fund the equity authority without requiring annual dollar-for-dollar appropriations and without imposing inordinate risk on the Treasury Department, or U.S. taxpayers. The bill does this by amending the BUILD Act to treat equity investments by DFC as a Federal credit program under the Federal Credit Reform

Act of 1990 (FCRA) and would require an up-front annual appropriation at a fraction of the cost of the current dollar-for-dollar approach. I look forward to working with this Committee further on this extremely important long-term fix for the DFC equity scoring issue.

Further, I would like to thank the Committee for its recognition in the FY2020 conference agreement of the need for DFC to have full funding for the staff and resources needed to focus on its expanded mission of international development. As I have said before, additional operational resources are vital to the DFC's ability to identify and support development-focused projects; extend its reach into lower-income communities and strategic regions globally; coordinate across U.S. development agencies; and implement robust reporting, evaluation, and accountability mechanisms. For these reasons, I request that this Committee increase funding for these administrative-related expenses to $133.7 million to better grow the DFC's capacity for greater development impact and strategic foreign policy investments.

Thank you for your time, and I look forward to answering any questions you might have.